

**RED HERRING PROSPECTUS**

Dated: June 18, 2007

Please read Section 60B of the Companies Act, 1956

(To be updated upon filing with RoC)

**(100 % Book Building Issue)****SPICE COMMUNICATIONS LIMITED**

(Originally incorporated as a private limited company on March 28, 1995 under the name of "Modicom Network Private Limited". The Company subsequently became a deemed public company under section 43(1A) of the Companies Act, 1956 with effect from April 1, 1999 and the name of the Company was changed to "Modicom Network Limited". The name of the Company was further changed to "Spice Communications Limited" vide fresh Certificate of Incorporation dated December 3, 1999. With addition of the word 'Private' in the name of the Company under Section 43A (2A) of the Companies Amendment Act, 2000, the name was again changed to "Spice Communications Private Limited" with effect from October 28, 2003. On December 28, 2006, the Company was converted into a public limited company and the name was changed to "Spice Communications Limited".

Our Registered Office is situated at 60-D Sainik Farms, New Delhi – 110062, Phone No: (91 11) 6546 9839-43 Fax No: (91 11) 2955 2642, Our Corporate Office is situated at Spice Towers, No. 75, Richmond Road, Civil Station, Bangalore-560 025, Phone No.: (91 80) 2209 8311, Fax No.: (91 80) 2209 8312 and our head office is situated at D 1, Sector 3, NOIDA, District Gautam Budh Nagar, Uttar Pradesh – 201301, Phone No: (91 120) 436 3600/3800, Fax No: (91 120) 432 0467. The Company shifted its Registered office from 13th Floor Hemkunt Tower, 98, Nehru Place, New Delhi – 110019 to 60-D, Sainik Farms, New Delhi – 110062 with effect from April 13, 2004.)

**Contact Person:** Ms Preeti Malhotra, Compliance Officer and Company Secretary, **Phone Number** (91 120) 436 3600, 436 3800, **Fax Number** (91 120) 436 3845 **E-mail** complianceofficer@spiceindia.com, **Website:** www.spiceindia.com

**PUBLIC ISSUE OF 113,111,111 EQUITY SHARES OF RS. 10 EACH OF SPICE COMMUNICATIONS LIMITED ("COMPANY" OR ISSUER") FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE AGGREGATING TO RS. [●] MILLION ('THE ISSUE'). THE ISSUE COMPRISES A NET ISSUE TO PUBLIC OF 111,111,111 EQUITY SHARES AND A RESERVATION FOR ELIGIBLE EMPLOYEES OF UP TO 2,000,000 EQUITY SHARES AT THE ISSUE PRICE. THE ISSUE WILL CONSTITUTE 16.39% OF THE FULLY DILUTED POST-ISSUE EQUITY SHARE CAPITAL OF THE COMPANY. THE NET ISSUE WOULD CONSTITUTE 16.10% OF THE FULLY DILUTED POST-ISSUE EQUITY SHARE CAPITAL THE COMPANY.**

**PRICE BAND: RS. 41 TO RS. 46 PER EQUITY SHARE OF FACE VALUE OF RS. 10/-**

**THE FACE VALUE OF EQUITY SHARES IS RS. 10/- AND THE FLOOR PRICE IS 4.1 TIMES OF THE FACE VALUE AND THE CAP PRICE IS 4.6 TIMES OF THE FACE VALUE**

In terms of Rule 19(2) (b) of the Securities Contracts Regulation Rules, 1957, as amended from time to time ("SCRR"), with respect to the issue being less than 25% of post Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIB Bidders, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 30% of the Net 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. Further, 2,000,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for 3 additional working days after such revision, 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, shall be widely disseminated by notification to the Bombay Stock Exchange Limited, by issuing a press release and by indicating the changes on the websites of the Book Running Lead Managers ("BRLMs") and on the terminals of the members of the Syndicate.

**RISK IN RELATION TO THE FIRST ISSUE TO THE PUBLIC**

This being the first public issue of the Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares of the Company is Rs. 10/- per share and the Issue Price of Rs. [●] per share is [●] times of the face value of the Equity Shares of the Company. The Issue Price (as has been determined and justified by the Book Running Lead Manager and the Company as stated herein under the paragraph 'Basis of Issue Price') should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and / or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing. We have not opted for the grading of this Issue.

**GENERAL RISKS**

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

**ISSUER'S ABSOLUTE RESPONSIBILITY**

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

**LISTING**

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on Bombay Stock Exchange Limited (BSE). The in-principle approval of BSE for listing of Equity Shares of the Company has been received pursuant to letter dated April 9, 2007. For the purposes of this Issue, BSE shall be the Designated Stock Exchange.

**BOOK RUNNING LEAD MANAGER****ENAM Financial Consultants Private Limited**

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Mumbai 400 021 India  
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Email: spice.ipo@enam.com  
Website: www.enam.com  
Contact Person : Mr. Ashish Kumbhat

**REGISTRARS TO THE ISSUE**

Karvy Computershare Private Limited

**Karvy Computershare Private Limited**

"Karvy House", 46, Avenue 4, Street No. 1,  
Banjara Hills, Hyderabad – 500 034 India  
Tel: +91 18 003454001  
Fax: +91 40 2343 1551  
Email: murali@karvy.com  
Website: www.karvy.com  
Contact Person: Mr. Murali Krishna

**BID/ISSUE PROGRAMME****BID/ISSUE OPENS ON: JUNE 25, 2007****BID/ISSUE CLOSES ON: JUNE 27, 2007**

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## SECTION I: DEFINITIONS AND ABBREVIATIONS

### DEFINITIONS

Term	Description
“Spice Communications Limited” or “Issuer Company” or “Spice” or “SCL” or “the Company” or “our Company”	Spice Communications Limited, a public limited company incorporated under the Companies Act, 1956 with its Registered office at 60-D Sainik Farms, New Delhi – 110062, India.
“We” or “us” and “our”	Unless the context otherwise require, refers to Spice Communications Limited

### CONVENTIONAL / GENERAL TERMS

Terms	Description
Articles / Articles of Association	Articles of Association of Spice Communications Limited
Auditors	Statutory Auditors of the Company , BSR & Co., Chartered Accountants
Board of Directors / Board	The Board of Directors of Spice Communications Limited or a Committee constituted thereof.
Companies Act	The Companies Act, 1956, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Director(s)	Director(s) of Spice Communications Limited, unless otherwise specified
Equity Shares	Equity Shares of the Company of face value of Rs. 10 each unless otherwise specified in the context thereof
FEMA	Foreign Exchange Management Act, 1999
FIPB	Foreign Investment Promotion Board
GIR Number	General Index Registry Number
HUF	Hindu Undivided Family
Indian GAAP	Generally Accepted Accounting Principles in India
MOA / Memorandum / Memorandum of Association	Memorandum of Association of Spice Communications Limited
Non Residents	A person resident outside India, as defined under FEMA.
NRIs / Non-Resident Indians	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000
Overseas Corporate Bodies /OCBs	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 (Deposit) Regulations, 2000. OCBs are not allowed to invest in this Issue
Person or 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
RBI	Reserve Bank of India
Registered Office	The Registered office of the Company is situated at 60-D Sainik Farms, New Delhi – 110062.
SEBI	Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended from time to time

Stock Exchange	Bombay Stock Exchange Limited
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## OFFERING RELATED TERMS

Terms	Description
Allotment	Unless the context otherwise requires, the issue and the allotment of Equity Shares, pursuant to the Issue
Allottee	The successful bidder to whom the Equity Shares are being / have been allotted.
Bankers to the Issue / Escrow Collection Banks	HDFC, HSBC, ICICI, SCB and Yes Bank
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to or purchase 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 Closing Date/ Issue Closing date	The date after which the members of the Syndicate will not accept any Bids for the issue, which shall be notified in an English National Newspaper and a Hindi National Newspaper with wide circulation.
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe the Equity Shares of the Company in terms of this Red Herring Prospectus
Bid / Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English National Newspaper and a Hindi National Newspaper with wide circulation.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus and Bid cum Application form.
Bidding Period / Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders may submit their Bids.
Book Building Process	Book Building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is being made.
BRLMs / Book Running Lead Managers	Book Running Lead Manager to the Issue, in this case being ENAM Financial Consultants Private Limited and UBS Securities India Private Limited
Book Runners	The BRLMs in this case being Enam Financial Consultants Private Limited and UBS Securities India Private 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 in the Book Building Process.
Cap Price	The higher end of the Price Band, above which Issue Price will not be finalized and above which no Bids will be accepted.
Cut-off Price	The Issue Price finalized by the Company in consultation with the BRLMs. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band.
Depositor	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996 as amended from time to time.
Depository 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 for the issue to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot the Equity Shares to successful Bidders.
Designated Stock Exchange	Bombay Stock Exchange Limited
Draft Red Herring	The Draft Red Herring Prospectus dated February 17, 2007, issued in accordance with Section

<b>Terms</b>	<b>Description</b>
Prospectus/DRHP	60B of the Companies Act, 1956 and SEBI Guidelines, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue.
Eligible NRIs	NRIs from such jurisdictions outside India where it is not unlawful to make a bid in the Issue.
Eligible Employees	All or any of the following: (a) a permanent employee of the Company or its holding company as of March 31, 2007 and based, working and present in India as on the date of submission of the Bid cum Application Form. (b) a Director of the Company, whether a whole time Director, part time Director or otherwise, except any Promoters or members of the Promoter group, as of the date of this Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application Form.
Employees Reservation Portion	The portion of the Issue being up to 2,000,000 Equity Shares available for allocation to Eligible Employees.
ENAM	ENAM Financial Consultants Private Limited
Escrow Account for the issue	Account opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement entered into amongst the Company, Syndicate Members, the Registrar, the Escrow Collection Bank(s) and the BRLMs for collection of the Bid Amounts and for remitting refunds (if any) of the amounts collected to the Bidders
First Bidder	The Bidder whose name appears first in the bid cum application form or revision form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted.
IDFC	Infrastructure Development and Finance Company Limited
Indian GAAP	Generally Accepted Accounting Principles in India
Issue Price	The final price at which the Equity Shares will be allotted in terms of this Red Herring Prospectus, as determined by the Company in consultation with BRLMs on the Pricing Date.
Issue Account / Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account for the issue for the Issue on the Designated Date
Issue Period	The period between the Bid / Issue Opening Date and Bid / Issue Closing Date including both these dates
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, being 10% to 100% of the Bid Amount.
Members of the Syndicate	The BRLMs and the Syndicate Members
Monitoring Agency	IDFC
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Fund portion	5% of QIB portion or 3,333,334 Equity Shares available to allocation to Mutual Funds only, out of QIB portion.
Net Issue to the Public/Net Issue	The Issue less the Employee Reservation Portion being 111,111,111 Equity Shares
Non-Institutional Bidders	Bidders that are neither Qualified Institutional Buyers nor Retail Individual Bidders and who have Bid for an amount more than Rs. 100,000.
Non-Institutional Portion	The portion of this Issue being up to 10% of the Net Issue consisting of 11,111,111 Equity Shares of Rs. 10 each aggregating Rs.[•] million, available for allocation to Non Institutional Bidders.
Pay-in-Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	Means: (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 QIBs, whose Margin Amount is 10% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date.

Terms	Description
Pre IPO placement	The pre-IPO placement of 24,873,889 Equity Shares aggregating 1,119.33 million to certain strategic investors, high net worth individuals, and employees allotted on June 5, 2007
Price Band	Being the price band of a minimum price of Rs. 41 per Equity Share (Floor Price) and the maximum price of Rs. 46 per Equity Share (Cap Price)(both inclusive), and including revision thereof.
Pricing Date	Means the date on which the Company, in consultation with the BRLMs, finalizes 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
Promoters	Mr. Dilip Modi and Modi Wellvest Private Limited
Promoter Group	Unless the context otherwise requires, refers to those companies mentioned in the section titled “Our Promoter – Promoter Group” on page 131 of this Red Herring Prospectus
Public Issue/ Issue	Initial Public Issue of 113,111,111 Equity Shares of Rs. 10 each for cash at a price of Rs. [●] per Equity Share aggregating to Rs. [●] million. The Issue comprises of Issue of 111,111,111 Equity Shares to the public and a reservation for eligible employees of up to 2,000,000 equity shares at a price of Rs. [●] per Equity Share aggregating to Rs. [●] million. The net issue to public is of 16.10% Equity Shares at a price of Rs. [●] per Equity Share aggregating to Rs. [●] million. The Issue would constitute 16.39% of the fully diluted post issue paid up Equity Capital of the Company.
Public Issue Account	Account opened with Bankers to the Issue for the purpose of transfer of monies from the Escrow Account for the issue on or after the Bid / Issue Opening Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.
QIB Margin Amount	An amount representing at least 10% of the Bid Amount
QIB Portion	Consists of 66,666,667 Equity Shares of Rs. 10 each aggregating at a price of Rs. [●] for cash aggregating Rs. [●] million being at least 60 % of the Issue, available for allocation to QIBs. 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only.
Red Herring Prospectus or RHP	Means this document issued in accordance with Section 60B of the Companies Act and does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid/ Issue Opening Date. It will become a Prospectus after filing with RoC after the pricing
Registrar / Registrar to the Issue	Registrars to the Issue, in this case being Karvy Computershare Private Limited having its office as indicated on the cover page of this Red Herring Prospectus
RoC	Registrar of Companies, National Capital Territory of Delhi and Haryana situated at New Delhi
Retail Individual Bidders	Individual Bidders (including HUFs and NRIs) who have made their bid for Equity Shares for a cumulative amount of not more than Rs. 100,000.
Retail Portion	Consists of 33,333,333 Equity Shares of Rs. 10 each aggregating Rs. [●] Million, being up to 30% of the Net Issue, available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of the Bid options as per their Bid-cum-Application Form and as modified by their subsequent Revision Form(s), if any.
SICA	The Sick Industrial Companies Act, 1985
Stock Exchange	The BSE
Syndicate Agreement	Agreement to be entered into amongst the BRLMs, Syndicate Members and the Company in relation to the collection of Bids in the Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs and in this case, being ENAM Securities Private Limited and Anand

<b>Terms</b>	<b>Description</b>
	Rathi Securities Limited.
TRS or Transaction Registration Slip	The slip or document registering the Bids, issued by the Syndicate Members to the Bidder as proof of registration of the Bid on submission of the Bid cum Application Form in terms of this Red Herring Prospectus
US GAAP	Generally Accepted Accounting Principles in the United States of America.
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	The agreement among the Underwriters and the Company to be entered into on or after the Pricing Date.
Venture Capital Fund / VCF / FVCI	Venture Capital Fund (as defined under the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996) registered with SEBI under applicable laws in India.

## COMPANY/INDUSTRY RELATED TERMS/DEFINITIONS

Terms	Description
2 G	Second Generation
3 G	Third Generation
AGR	Adjusted Gross Revenues. Used for computing the license fees and WPC charges payable by a cellular services provider and has been defined as total income of a cellular services provider less net of access and interconnection charges actually paid to other telecom service providers, roaming revenues passed on to other telecom service providers, service tax and sales tax, if included in the total income.
ARPU	Average Revenue Per User per month. ARPU for pre-paid and post-paid subscribers presented for any period means total revenue from either pre-paid or post-paid subscriber for the period divided by the sum of pre-paid or post-paid billable subscribers, as the case may be.
ATM	Asynchronous Transfer Mode. It is the next generation of packet switching technology after frame relay, used for voice, data and video transmission, capable of operating in high bandwidth range of 25 megabits to 622 megabits.
Base Station	A multi-circuit transceiver located at the center of a cell whose primary purpose is to handle all incoming and outgoing calls within the cell.
Billable subscribers	Billable subscribers means the sum of all pre-paid and post paid subscribers, who were eligible to use our network atleast once during the last calendar month (whether for outgoing or incoming calls).
Blended ARPU	Blended ARPU presented for any period is the sum of the total revenue from pre-paid and post-paid subscribers, divided by the sum of number of pre-paid and post-paid billable subscribers in the period.
BSC	Base Station Controller. Network equipment designed to manage a small network of base stations.
BSNL	Bharat Sanchar Nigam Limited
BTS	Base Transceiver Stations. The aerial to which cellular telephones transmit their signals, together with the electronics to manage the connection with the telephone and the network.
CDMA	Code Division Multiple Access. A wide band spectrum technology that allows multiple conversations across the broadcast spectrum. Each telephone or data call is assigned a unique code that distinguishes it from the multitude of calls simultaneously transmitted over the same broadcast spectrum. This allows a greater bandwidth.
Cell Sites	Physical locations equipped with a base station consisting of transmitters receivers and other equipment used to communicate through radio channels with subscribers' cellular telephone handsets within the range of a cell.
Churn	Rate of subscriber disconnections net of reconnections, calculated by dividing the total deactivations less reconnections by the average number of customers during the period (the average of the number of customers on the first and last days of the respective period) divided by the number of months during that period. It is typically expressed for a period of one month.
CODEC	CODEC stands for "Compression/De Compression", "Compressor/ De-Compressor" and "Code/Decode".
Committee	Committee of Board of Directors of Spice Communications Limited authorized to take decisions on matters related to/incidental to this Issue.
DoT	Department of Telecommunications, Ministry of Communications & Information Technology, Government of India
DCIL	Distacom Communications (India) Limited now known as TMI India Ltd, a company incorporated under the laws of Republic of Mauritius.
Escrow Accounts	Escrow Accounts opened by the Company under the Settlement Agreements i.e. Escrow Account No 019-765478-001 opened with the Hong Kong and Shanghai Banking Corporation Limited titled as HSBC-Spice-Motorola Escrow Account and Escrow Account No 019-765486-001 opened with the Hong Kong and Shanghai Banking Corporation Limited titled as HSBC-Siemens Escrow Account.



Terms	Description
GMIPL	Global Mobile Infrastructure Private Limited (formerly Spice Mobiles Private Limited)
GPRS	General Packet Radio Switching. A standardized packet based technology that enables high-speed wireless access up to 115 kbps, allowing effective transmission of Internet and other data based applications.
GSM	Global System for Mobiles communication. GSM is an open, non-proprietary digital cellular standard, usually referred to as the European digital standard.
HPLMN	Home Public Land Mobile Network
ILD License	License for providing International Long Distance telephone services.
IN	Intelligent Network
INR Facility Lenders/ INR Lenders	DBS Bank Ltd., Deutsche Bank AG, Barclays Bank PLC, The Hong Kong and Shanghai Banking Corporation Ltd. and Yes Bank Limited
IPLC	International Private Leased Circuits. An IPLC is a point to point private line used by an organization to communicate between offices that are geographically dispersed throughout the world. An IPLC can be used for internet access, business data exchange, video conferencing and any other form of telecommunication.
IPVPN	Internet Protocol Virtual Private Network.
ISP License	License for providing Internet Services.
KBPS	Kilobits per second
Lenders	The INR Facility Lenders and USD Facility Lenders
Mcorp Parties	Parties including MWPL, Super Infosys Private Limited, Mcorp Global Private Limited, Indian Televentures Private Limited and Orion Telecoms Limited, DAI (Mauritius) Co. Ltd., Asian Infrastructure (Mauritius) Inc, Sunrise Telecom Limited and any Permitted Transferee of MWPL under the terms of the Shareholders Agreement.
MSC	Mobile Switching Centers for switching calls and interconnecting with PSTN and other cellular or fixed-line networks
MINL	Motorola India Networks Limited, a company incorporated under the laws of Republic of Mauritius
Minutes of Usage	Minutes of usage is the number of minutes consumed by a user in a month whether incoming or outgoing
MPLS	Multi-Protocol Label Switching (MPLS) defines a mechanism for packet forwarding in network routers.
MTNL	Mahanagar Telephone Nigam Limited. A Government owned company, providing telecommunications services in Delhi and Mumbai.
MWPL	Modi Wellvest Private Limited
NCR	National Capital Region covering Delhi, Rajasthan, Uttar Pradesh and Haryana
NLD License	License for providing National Long Distance telephone services.
Orion Telecoms Limited	A company incorporated under the laws of Republic of Mauritius, formerly known as 'Mcorp Telecoms Limited'
Post-paid services	Provision of cellular services to customers, in which the customers pay for usage of cellular services at the end of the billing period for services, including airtime, value added services, access and interconnection charges and other charges.
Pre-paid Services	Provision of cellular services to customers, in which the customers pay a fixed amount, which is valid for a certain period, for usage of cellular services, including airtime, value added services, access and interconnection charges and other charges
POP	Point of presence.
Roaming	Roaming occurs when cellular customers use the cellular service outside their home network. Roaming facility is made available by an arrangement between two cellular services providers to allow their respective subscribers to roam on each other's networks.
SACFA	Standing Advisory Committee on Radio Frequency Allocation
Security Agent	DBS Bank on behalf of INR facility Lenders and USD Facility Lenders
Settlement Agreements	Settlement Agreements dated April 28, 2006 entered into by the Company with Motorola Inc and Siemens AG.

Terms	Description
Shareholders Agreement	Shareholders Agreement dated March 10, 2006 entered into between Mcorp Parties and TM International Parties and the Company
SIM	Subscriber Identity Module. SIM card is the enabling device inside a handset for providing cellular services
SIA	Secretariat of Industrial Assistance
SLP	Special Leave Petition
SMS	Short Messaging Services, by which text messages can be exchanged between two or more cellular subscribers
Soft Switches	Soft Switch is a next generation network enabled with all features and functionality of 3Gcore network. It replaces the conventional MSC and is fully compatible with standard network elements like BSS, IN etc.
Spectrum	The distribution of wavelengths and frequencies that exist in a continuous range and have a common characteristic, containing electromagnetic frequencies used for electronic communications including, amongst other things, mobile communications.
Subscriber	Subscriber means all Billable Subscribers and each person who although ineligible to use one of our networks, is retained as a subscriber for a period of ninety days after they cease to be a Billable Subscriber.
Switch	Any device that co-ordinates and directs flow of telecommunications traffic, comprising voice or data traffic over a network.
TDSAT	Telecom Dispute Settlement Appellate Tribunal
TM	Telekom Malaysia Berhad , a company incorporated under the laws of Malaysia
TM International	TM International Sdn. Bhd. A company incorporated under the laws of Malaysia. TM International is a wholly owned subsidiary of TM.
TMI India	TMI India Ltd, formerly known as DCIL, a company incorporated under the laws of Republic of Mauritius. TMI India is a wholly owned subsidiary of TMI Mauritius.
TMI Mauritius	TMI Mauritius Ltd, a company incorporated under the laws of Republic of Mauritius. TMI Mauritius is a wholly owned subsidiary of TM International.
TRAI	Telecom Regulatory Authority of India. An autonomous body set up by the Government which operates under the TRAI Act and has been conferred certain regulatory and adjudicatory powers.
UASL	Unified Access Service Licence
USD Facility Lenders	DBS Bank Ltd., Labuan Branch, Malaysia
VPLMN	Visited Public Land Mobile Network
VPN	Virtual Private Network. A private network delivered over a telecommunications services provider's shared infrastructure.
VSNL	Videsh Sanchar Nigam Limited, providing international long distance calling services and Internet services in India.
WAP	Wireless Application Protocol. The language that enables cellular subscribers to load and display information from the Internet.
Wi-Fi	Wireless Fidelity. It is the most prevalent high-speed wireless technology standard used currently to connect PCs, laptops and handheld computers to each other and the Internet.
WLL	Wireless in Local Loop. It denotes the use of wireless technology for the last mile access by fixed-line service providers. CDMA, Time Division Multiple Access (TDMA) is among the commonly used technologies for providing wireless in the local loop.
WPC	Wireless and Planning Co-ordination Wing of the DoT, responsible for identification and allocation of frequency spectrum to telecommunications services provider.
ZTE	ZTE Corporation, China

## ABBREVIATIONS OF GENERAL TERMS

Abbreviations	Full Form
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
A/c	Account
BG	Bank Guarantee
BoM	Bill of Material
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CIN	Corporate Identification Number
COAI	Cellular Operator Association of India
CRISIL	Credit Rating Information Services of India Limited
DP ID	Depository Participant's identity
DRHP	Draft Red Herring Prospectus
EBITDA	Earning before Interest Tax and Depreciation and Amortisation
ECS	Electronic Clearing Services
EGM	Extraordinary General Meeting
ENAM	ENAM Financial Consultants Private Limited
EPS	Earning Per Share
FCNR Account	Foreign Currency Non Resident Account
FIPB	Foreign Investment Promotion Board
FBG	Financial Bank Guarantee
FBT	Fringe Benefit Tax
FY / Fiscal/Financial Year	Period of twelve months ended June 30 of that particular year, unless otherwise stated. The Fiscal year on and from year 2006 shall be July-December 2006 and January-December each year thereafter.
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under
FIIs	Foreign Institutional Investors (as defined under FEMA (Transfer or Offer of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
FVCI	Foreign Venture Capital Investors (as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors Regulations, 2000) registered with SEBI under applicable laws in India.
GDP	Gross Domestic Production
GoI/Government	Government of India
GIR Number	General Index Registry Number
HDFC	HDFC Bank Limited
HSBC	Hongkong and Shanghai Banking Corporation Limited
HUF	Hindu Undivided Family
ICICI	ICICI Bank Limited
ILD	International Long Distance
INR	Rupees
I.T. Act	Income Tax Act, 1961, as amended from time to time
LIBOR	London Inter Bank Offer Rate
MHz	Mega Hertz
MICR	Magnetic Ink Character Recognition
MMM	Million Minutes per Month
MoF	Ministry of Finance, Government of India
MoU	Memorandum of Understanding

Abbreviations	Full Form
NAV	Net Asset Value
NCT	National Capital Territory
NEFT	National Electronic Fund Transfer
NLD	National Long Distance
NPV	Net Present Value
NRIs	Non Resident Indians
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
P.A.	Per Annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
PBT	Profit Before Tax
RBI	The Reserve Bank of India
RoC	Registrar of Companies, NCT of Delhi and Haryana
RoE	Return on Equity
RoNW	Return on Net Worth
Rs.	Rupees
RTGS	Real Time Gross Settlement
SCB	Standard Chartered Bank
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SCRA	Securities Contract (Regulation) Act, 1956, as amended from time to time
Sec.	Section
SPV	Special Purpose Vehicle
TDM	Time Division Multiplexing
UBS	UBS Securities India Private Limited
US	United States of America
USD/ US\$/ \$	United States Dollar
WPI	Wholesale Price Index.

## SECTION II: RISK FACTORS

### CERTAIN CONVENTIONS; USE OF FINANCIAL AND MARKET DATA

In this Red Herring Prospectus, unless the context otherwise requires, all references to one gender also refers to the other gender. All references to “India” contained in this Red Herring Prospectus are to the Republic of India.

#### Financial Data

All references to a particular “fiscal year” or “Fiscal” are to the twelve-month period ended June 30 of that year, unless otherwise specified. The Company has changed its accounting year to calendar year. As such, the accounts for the period starting July 1, 2006 have been closed on December 31, 2006 and on December 31<sup>st</sup> each year thereafter. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off. Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our restated financial statements prepared in accordance with Indian GAAP. There are significant differences between Indian GAAP 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 and we urge you to consult your own advisors regarding such differences and their impact on our financial data. For summary of significant differences between Indian GAAP and U.S. GAAP refer to page 262 of this Red Herring Prospectus.

For additional definitions, see the section titled ‘Definitions and Abbreviations’ on page i of this Red Herring Prospectus. In the section titled ‘Main Provisions of Articles of Association of the Company’ beginning on page 407 of this Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles of Association of the Company.

All references to “Rupees” or “Rs.” are to Indian Rupees, the official currency of the Republic of India. All references to “US\$” or “US Dollars” or “USD” are to United States Dollars, the official currency of the United States of America.

All amounts disclosed in this Red Herring Prospectus are in millions, for the sake of clarity, one (1) million is equivalent to ten (10) lakhs and ten (10) million is equivalent to one (1) crore.

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

The following table sets forth, for each period indicated, information concerning the number of Rupees for which one U.S. Dollar could be exchanged at the noon buying rate in the City of New York on the last business day of the applicable period for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. The row titled “Average” in the table below is the average of the daily noon buying rate for each day in the period.

	<b>During April 2007</b>	<b>Fiscal 2007</b>	<b>Fiscal 2006</b>	<b>Fiscal 2005</b>	<b>Fiscal 2004</b>
Period End	41.04	43.10	Rs.44.48	Rs.43.40	Rs.47.45
Average	42.02	45.12	Rs.44.17	Rs.44.86	Rs.45.96
Low	40.56	42.78	Rs.43.05	Rs.43.27	Rs.43.40
High	43.05	46.83	Rs.46.26	Rs.46.45	Rs.47.46

On June 1, 2007, the noon buying rate was Rs 40.58 to one U.S. Dollar.

#### Market and Industry Data

Market and industry data used throughout this Red Herring Prospectus has been obtained from industry publications and appraisal report or internal Company reports. Industry publications generally state that the information contained in those publications 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 the Company believes market data used in this Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by the Company to be reliable, have not been verified by any independent source. The extent to which the market and industry data used in this Red Herring Prospectus is meaningful depends upon the readers familiarity with and understanding the methodologies used in compiling such data. There are no standard data gathering methodology in the telecommunications sector in India and methodologies used may vary widely amongst different industry sources.

## FORWARD LOOKING STATEMENTS

Statements included 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 expression or variations of such expressions, 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 the expectations include, among others: -

- General economic and business conditions in India and other countries
- Regulatory changes relating to the telecom industry in India and its ability to respond to them
- Ability to successfully implement company’s strategy, growth and expansion, technological changes, company’s exposure to market risks that have an impact on its business activities or investments.
- The monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in industry
- General economic and business conditions in India
- Changes in the value of the Rupee and other currencies
- Increasing competitions in two telecom circles in which the Company is providing telecom services
- The occurrence of natural disasters or calamities
- Change in political condition in India
- The performance of the telecom sector, rapid technological changes and the availability of spectrum allocated to us in the jurisdictions where we operate.
- Our ability to finance our business and growth, and obtain financing on favourable terms
- General risks associated with our strategy to expand.

For further discussion of factors that could cause actual results to differ, see the section titled “Risk Factors” and “Management Discussions and Analysis” beginning on page no. xi and page no. 271 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 any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company, and the Book Running Lead Managers 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 Exchange.

## RISK FACTORS

*This offering involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. If any of the risks described below actually occur, our business, financial condition and results of operations could be seriously harmed, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.*

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

*Any potential investor in, and purchaser of, our Equity Shares should pay particular attention to the fact that we are governed in India by a legal and regulatory environment which in some material respects may be different from that which prevails in the United States and other countries. Prior to making an investment decision, prospective investors and purchasers should carefully consider all of the information contained in this Red Herring Prospectus (including the restated consolidated financial statements included in this Red Herring Prospectus).*

### Risks associated with our Business and the Cellular Industry

#### 1. *There are criminal cases pending against us, our Promoters and Promoter Group Companies*

We have six criminal proceedings pending against our Company, our Directors and our Promoters. Six of these cases are pending against the Company. The criminal litigations against us relate to:

- not maintaining the pre-paid packet of SIM cards in accordance with the rules specified under the Standard Weights and Measures Act, 1976;
- selling inferior quality SIM cards;
- not maintaining the register in prescribed form as required under the Equal Remuneration Act, 1976;
- non registration of the establishment, not displaying the required statutory notice and non submission of statutory notices under the Contract Labour (Regulation and Abolition) Act, 1970; and
- installation of a transmission tower in violation of provisions of the Punjab Municipal Act, 1911.

See “Legal and Other Matters” at page 295 of this Red Herring Prospectus for details of all criminal actions pending against the Company, our Promoters and Promoter Group companies. The impact of these litigations cannot be quantified. We cannot assure you that we will be successful in any of the cases pending against us. Further, it is possible that if any of the cases pending is decided against us, such decision may have a material adverse effect on our business, financial condition and results of operations.

#### 2. *There are civil and regulatory actions pending against us, our Promoters and our Promoter Group, which may have a significant impact on our business, financial condition and results of operations.*

We and certain Persons forming part of our Promoter Group are involved in various civil, customs, consumer and tax related litigations which are at different levels of adjudications at various forums. The amounts claimed in these proceedings against us have been classified in our financial statements as contingent liabilities to the extent ascertainable. Should any new developments arise, such as a change in Indian law or rulings against us, we may need to make provisions in our financial statements which could increase our expenses and current liabilities. A summary of these cases pending against the Company is as follows:

(In Rs. Million)

Type of Cases	Total No.	Amount Involved
<b>Cases filed by the Company:</b>		
Civil Cases	104	2.26
Customs, Excise, Service Tax and Sales Tax	6	33.18
Criminal Cases	570	5.45
Miscellaneous Cases	9	Not Quantifiable
Cases pending before Lok Adalat	2632	8.71



<b>Cases against the Company:</b>		
Civil Cases	38	Not Quantifiable
Consumer Cases	35	2.13
Criminal Cases	6	Not Quantifiable
Miscellaneous Cases	7	Not Quantifiable
<b>Cases filed by the Promoters and the Promoter Group:</b>		
Civil Cases	12	21.49
Customs, Excise, Service Tax and Sales Tax	97	50.87
Criminal Cases	20	8.64
Consumer Cases	1	0.03
<b>Cases against the Promoters and the Promoter Group:</b>		
Civil Cases	9	71.62
Customs, Excise, Service Tax and Sales Tax	6	46.02
Consumer Cases	1	0.31
Criminal Cases	2	0.61

Please refer section titled “Legal and other Information - Outstanding Litigation” on page 295 of this Red Herring Prospectus for details of all civil cases and regulatory matters pending against the Company, our Directors, Promoters and Promoter Group.

Certain cases have also been filed against us before various forums, for restraining us from using or erecting cell sites at certain locations on the grounds of unauthorized construction.

On a few occasions, the DoT has invoked the bank guarantees furnished by us as a result of our failure to extend the guarantees under the terms and conditions of our licence agreements and demand for penalty including interests, regarding reassessment of annual licence fees for fiscal 2004. As of the date of this Red Herring Prospectus, no penalty has been assessed on us

We cannot assure you that we will be successful in any of the cases pending against us. Further, it is possible that if any of the cases pending is decided against us, such decision may have a material adverse effect on our business, financial condition and results of operations.

**3. *Equity Shares of some of our listed promoter group companies are infrequently traded/not traded on the stock exchanges and trading of one of our promoter group company was suspended in past.***

The shares of some of our listed promoter group companies are infrequently traded/not traded on the stock exchanges. The trading of Equity Shares of one of our listed promoter group company, Spice Mobiles Limited (formerly known as Spice Limited), was suspended by BSE due to non compliance of certain provisions of the Listing Agreement from October 6, 1997 to September 2, 2003. For further details on trading status of our listed group companies, see the section titled “Our Promoters– Promoter Group Companies on page 128 of this Red Herring Prospectus. We cannot assure you that trading of equity shares of Spice Mobiles Limited or any other Promoter Group company will not be suspended in the future by the relevant stock exchange. In the event trading of shares of any of our Promoter Group companies is so suspended, it may have a material adverse affect on trading of our Equity Shares and which may negatively affect our financial condition and results of operations.

**4. *Certain of our Promoters and persons forming part of our Promoter Group are directors in other group companies which appear on the RBI’s list of defaulters.***

All banks and financial institutions are required to submit to the RBI details of debt defaulters where the amount of default exceeds Rs.10 million or where the account holders have been classified as willful defaulters. This data on defaulters is circulated in a consolidated form by RBI to the banks and financial institutions.

Mr. Dilip Modi, one of our Promoter, was a director on the board of Modi Stones Limited during the period August 20, 1992 till November 7, 1998 and Dr. Bhupendra Kumar Modi, part of our Promoter Group, is a Director in Modi Rubber Limited and was also a director on the board of Modi Stones Limited upto December 7, 1998. Both Modi Stones Limited and Modi Rubber Limited appear on the list of defaulting companies as per the RBI database. For more details, please see the section entitled “Legal and other Information - Outstanding Litigation-Companies under RBI Defaulter’s list” on page 295 of this Red Herring Prospectus. We cannot assure you that Modi Stone Limited and Modi Rubber Limited will not continue to remain on the RBI’s list of defaulters.

**5. The Financial Statements for the six months ended December 31, 2006 have been revised to ensure consistency in our accounting policies as on September 30, 2006.**

We filed a DRHP with SEBI which contained financials without accounting for impact of TDSAT order which was passed in the year 2005 as the recoverability of the amount was not sure and the management had decided to for conservative accounting.

However, subsequent to SEBI issuing its observations on the said DRHP on May 23rd, 2007, we filed a RHP with SEBI incorporating observations of SEBI and containing new set of financials for five years ended June 30, 2006 and for the six months period ended December 31, 2006 accounting for the impact of TDSAT order, based on legal opinion. In addition to these, other changes in accounting policies / previous year adjustments /regrouping were related to (a) Capitalisation of glow sign boards, (b) Provision for doubtful debts, (c) Employee Benefits – AS 15, (d) Accounting of revenue from towers taken / given on sharing from other operators, (e) Changes in debtors and (f) Changes in groupings of finance cost. The said changes in accounting practice made a favourable impact on our profits though not very significantly.

SEBI observed that since that TDSAT order was of 2005 and the other changes in accounting policies could have been done at the time of filing of DRHP, any accounting for impact of all these changes should have been decided and included in the financial statements contained in the DRHP which has been made public. SEBI therefore instructed us to either proceed based on the financials as given in the DRHP suitably updated only for the six months period ended December 31, 2006 or file the document afresh with new set of financials.

In view of the above the Company has decided not to give effect to such aforementioned accounting policies / previous year adjustments / regroupings for the year ended December 31, 2006 and continue on the same basis as that for the period ended September 30, 2006 as was reflected in DRHP. Hence the RHP contains the revised financial statement as was contained in the DRHP except for the updates to the period ended December 31, 2006.

**6. We have incurred significant losses in the past**

As of June 30, 2006, we had accumulated losses of Rs. 6,425.43 million which exceeded our entire net worth at such time, and we continue to have negative net worth because of our accumulated losses of Rs. 6,843.57 million as of December 31, 2006. We expect to continue to have accumulated losses for the foreseeable future as we continue to incur significant expenditures on account of capital and operational costs and debt repayments. We cannot assure you that we will not continue to incur losses in future or that our net worth will be positive in the future. Our failure to do so may materially affect our business, prospects, financial condition and results of operations.

**7. Certain of our Promoter Group companies have incurred significant losses in the past**

Some of our Promoter Group companies also incurred losses in the last three fiscal years. The details of such companies and their respective accumulated losses are as follows:

(Rs. in Million)

S. No.	Promoter Group Company	For the year ended		
		March 31, 2006	March 31, 2005	March 31, 2004
1.	Ace Airways Pvt. Ltd.	15.90 <sup>1</sup>	(3.84) <sup>2</sup>	(2.30) <sup>3</sup>
2.	Assam Plywood Ltd.	(0.48)	0.07	0.01
3.	Budge Budge Carbon Limited	0.44	0.50	(0.29)
4.	Duro International Rubber Pvt Ltd	(0.40)	(0.26) <sup>4</sup>	-
5.	G M Modi Hospitals Corp. Ltd.	(0.35) <sup>1</sup>	0.79	-
6.	Harjas Logic Systems Pvt Ltd	12.32 <sup>5</sup>	(0.03) <sup>6</sup>	(0.01)
7.	Indian Televentures Private Limited	0.01 <sup>1</sup>	0.04	(0.11)
8.	Jyotsana Investment Company Limited	0.05	0.12	(0.22)
9.	Khatu Investment & Trading Company Limited	0.05	0.01	(0.16)

10.	ModiKem Ltd.	(10.24)	(10.59) <sup>7</sup>	-
11.	Nik Travels Pvt Ltd	0.05	0.15	(0.59)
12.	Oasis Cineplex Pvt Ltd	0.50	(0.08)	(0.20)
13.	Omnia Investment Pvt. Ltd.	(1.33)	(0.26)	-
14.	Spice Systems Ltd	(13.50) <sup>1</sup>	-	(11.00)
15.	Super Infosys Private Limited <sup>8</sup>	(0.19)	(0.33)	(0.43)
16.	Teesho Rubber Pvt. Ltd	(0.01)	(0.03) <sup>7</sup>	-
17.	Tuberoze Investments Pvt Ltd	(0.12)	-	-

1. For fifteen months period ended March 31, 2006
2. For the year ended December 31, 2004
3. For the year ended December 31, 2003
4. For fifteen months period ended December 31, 2005
5. For thirteen and half month period ended March 31, 2006
6. For ten and half month period ended February 15, 2005
7. For fifteen months period ended March 31, 2005
8. For Fiscal Year ended June 30, 2006, June 30, 2005 and June 30, 2004.

Further, Twenty First Century Capital Limited, one of our Promoter Group companies, has incurred losses for the fiscal year ended December 31, 2003 amounting to Rs. 52.06 million.

Some of these Promoter Group companies had negative net worth during the three fiscal years. The details of such companies and their respective accumulated losses are as follows:

(Rs. in million)

S. No.	Promoter Group Company	For the year ended		
		FY 2006	FY 2005	FY 2004
1	Indian Televentures Private Limited <sup>1</sup>	9.93	0.02	(0.02)
2	Jyotsana Investment Company Limited	(2.08)	(2.13)	(1.75)
3	Khatu Investment & Trading Company Limited	(0.85)	(0.89)	(0.90)
4	Oasis Cineplex Private Limited	0.51	(0.14)	(0.13)
5	Teesho Rubber Pvt. Ltd <sup>2</sup>	(0.23)	(0.22)	(0.19)
6	Tuberoze Investments Pvt Ltd	(0.07)	0.05	0.06

1 For fifteen months period ended March 31, 2006

2 For fifteen months period ended March 31, 2005

We cannot assure you that our Promoter Group companies will not continue to incur losses in future, that their net worth will be positive in the future or that any of the foregoing will not materially affect our business, prospects, financial condition and results of operations.

**8. We had defaulted in payment on certain equipment financing arrangements with and Motorola Inc. and Siemens AG and certain other loans for which our vendors / lenders had initiated legal proceedings against us.**

Due to our accumulated losses and negative cash flows in past years, we were in default of our obligations under certain equipment financing arrangements summarized below:

- a) During fiscal 1997, we had obtained an equipment finance facility from Motorola Inc., a supplier of telecommunications equipment, and Standard Chartered Bank (Rupee portion guaranteed by Motorola India Limited) for equipment financing and related customs duty payments amounting to US\$39 million and Rs. 900 million, respectively. We defaulted on the loan facilities when they became due and thereafter Motorola Inc. filed legal proceedings against us for recovery of the outstanding balances on the loans plus accrued interest in the High Court of Justice, United Kingdom and the Delhi High Court. In fiscal 2006, we

entered into an out of court settlement with Motorola Inc. whereby we paid Rs. 2,248.48 million being the rupee equivalent of US\$50 million, as settlement of all outstanding dues.

- b) During fiscal 1997, we had entered into an equipment finance facility of US\$28.3 million with Siemens AG. These facilities were secured by a first charge on all equipment and corporate guarantees issued by Siemens AG on our behalf to the overseas bank. We defaulted on the loan facilities when they became due and thereafter Siemens AG initiated legal proceedings against us for recovery of the outstanding balances on the loans plus accrued interest in the High Court of Justice, United Kingdom and Delhi High Court. In fiscal 2006, the Company entered into an out of court settlement with Siemens AG whereby the Company paid Rs. 2,248.48 being the rupee equivalent of US\$50 million, as settlement of all outstanding dues.
- c) We defaulted in repayment of dues to holders of our privately placed debentures. We entered into a Settlement Agreement with the debenture holders on April 28, 2006 and all dues were settled.

We have settled our disputes with Motorola Inc. and Siemens AG

For more details, please see the section entitled “Management Discussion and Analysis of Financial Condition and Results of Operations – Vendor Disputes and Debt Default” on page 271 of this Red Herring Prospectus.

If we are unable to generate adequate revenues in the future, we may not be able to meet our debt repayment obligations and our lenders may initiate legal proceedings to recover any outstanding payments including proceedings for winding up. Any such proceedings by such lenders to declare us in default may trigger cross-defaults under other loan agreements, and may have a material adverse effect on our business, prospects, financial condition and results of operations.

**9. *We do not meet the eligibility criteria for listing of our Equity Shares on the NSE***

We had filed applications for grant of in-principal approval for listing of our Equity Shares on the NSE under our letter dated February 20, 2007. However, we do not meet the eligibility criteria for listing of our Equity Shares on NSE as our accumulated losses exceeds our net worth. Due to the above, we withdrew our application for listing on NSE under our letter dated April 10, 2007. Our inability to list on the NSE may adversely affect the liquidity and tradability of our Equity Shares and we cannot assure you that our failure to list our Equity Shares on the NSE will not have an adverse affect on our liquidity or marketability of our Equity Shares.

**10. *The change in our financial year end may make it difficult for investors to evaluate and compare our performance.***

We recently changed our financial year end from June 30 to December 31. Such change took effect from December 31, 2006. We changed our financial year end in order to align our financial year end with international companies in the telecom industry. The change in financial year end will make it difficult for investors to compare our performance between different periods. For example, we will not be producing annual financial statements for the years ended December 31, 2005, 2004 or for prior years. Accordingly, investors will not be able to compare our performance for the financial year ended December 31, 2007 with annual financial statements for those years, and so it may be more difficult to understand and evaluate the performance of the Company.

**11. *We may be required to deactivate certain of our subscribers due to non-compliance with the subscriber verification directives issued by the DoT.***

In 2006, the DoT had set a deadline of March 31, 2007 for all companies to complete authentication of their entire customer base, especially for the pre-paid segment after security agencies had pointed out that anti-socials and terrorists were using fake connections to carry out their operations. All operators were asked to submit verification reports for all connections, and were also directed to strictly follow the verification norms for all future connections issued. Failure to comply with the verification required deactivation of the unverified subscriber accounts and/or fine of Rs. 1,000 per unverified subscriber. This may result in significantly higher churn in our subscriber base and may have a material adverse affect on our business, financial condition or results of operations.

**12. Any negative cash flows in the future could have an adverse effect on our results of operations.**

We operate in a capital-intensive industry and have historically financed our expansion and other capital expenditure requirements through a combination of cash generated from operations and borrowings from commercial banks. We have had negative cash flows in recent fiscal periods as indicated in the table below:

Particulars	(Rs. In million)	
	Year ended June 30, 2006	Six months period ended December 31, 2006
Net cash from operating activities	1,298.32	809.33
Net cash from (used in) investing activities	(1,929.36)	(1,415.34)
Net cash from (used in) financing activities	4.67	406.20

We anticipate our capital expenditure requirements will increase significantly in the next 24 months due to our commitment to expand our network and enter new geographies. If we are unable to raise finances to meet our working capital requirements and to fund our projects, our business, results of operations, profitability and financial condition may be adversely affected.

For more details, please see the section entitled “Financial Statements” on page 168 of this Red Herring Prospectus.

**13. We are a regional player in the cellular services industry and significant competition from larger, national cellular service providers may have a material adverse effect on our profitability.**

We currently operate exclusively in the Punjab and Karnataka circles. While we intend to expand our geographic network coverage outside of these circles, we are currently a regional service provider. Most of our competitors are larger than us, have a pan-India presence and possess greater financial, technical and marketing resources. In the past, we lost key corporate clients, particularly in the Karnataka market, primarily due to our lack of coverage in certain geographic areas. We expect to continue to face significant competition in these two states and we cannot assure you that our market share in these states will remain at the current level or that we will be able to successfully compete with other service providers. Our ability to compete will depend, in part, on the success of our coverage expansion plans and growth initiatives. Any failure to compete successfully may have a material adverse effect on our business, prospects, financial condition and results of operations.

**14. We rely significantly on a small number of customers.**

We classify our subscribers (both prepaid and post paid categories) based on their usage pattern over a period, customers falling in higher usage (billing amount wise) contributes a higher proportion of services income to our total revenues. We cannot assure you that we will be able to collect payments on time or at all from these customers, or that these customers will retain their accounts with us. In addition, we cannot assure you that in the event any of our customers fail to pay us or closes their accounts with us, we will be able to offer our services to new customers to cover our losses. The loss of any one of our major customers or delay or default in payment by them, or decrease in volume of their minutes of usage may have a material adverse effect on our business, financial condition and results of operations. We are unable to quantify revenue generated for such customers and impact thereof on account of non maintenance of detailed records relating to various customer profiles. For further details please refer to the sub heading “Revenue from GSM cellular services” on page 63 and 68 under section titled “Our Business” on page 60 of this Red Herring Prospectus.

**15. We face several risks associated with our strategy to expand our network and enter into new geographic areas.**

We applied to the DoT on August 31, 2006 for licences for 21 additional cellular circles in India including Delhi, Mumbai, Kolkata and Chennai. We recently received a Letter of Intent (“LOI”) from the Ministry of Communications and IT, DoT, for providing non-exclusive NLD and ILD services on May 9, 2007. We are subject to compliance of the guidelines announced by Department of

Telecom on December 14, 2005 and other conditions such as payment of entry fee within three months from the date of grant of LOI for obtaining the NLD / ILD license.

In implementing our growth strategy, we face several risks, including risks due to:

- delays in obtaining or inability to obtain necessary governmental and regulatory approvals;
- increased employee and infrastructure costs;
- intense competition, as we will be one of the several operators in our new circles and we will be a new entrant competing against established operators;
- capital intensive nature of the industry and long gestation period resulting in uncertain cash flows;
- time and cost overruns in the implementation of our growth strategy which could adversely affect our earnings;
- lack of familiarity with different geographies;
- our inability to attract potential customers in markets in which we do not have significant experience;
- our inability to obtain or install equipment on time or to our satisfaction in the new circles; and
- our inability to raise sufficient capital.

We cannot assure you that our growth initiatives will have positive results or that we will be able to successfully manage the risks of such an expansion, which may have a material adverse effect on our business, financial condition and results of operations.

**16. Most of our corporate customers can terminate their contracts without cause which could negatively impact our revenues and profitability.**

Our contracts with most of our corporate customers allow them to terminate their contracts without cause and without termination-related penalties. Our business, especially in Karnataka, is substantially dependent on the decisions and actions of our corporate clients who contribute a substantial portion of our revenues. There are a number of factors relating to our clients that are outside our control that might result in the termination or non-renewal of an agreement or the loss of a client. Our clients may demand price reductions, additional value added services or subscribe to our competitors' network. Any of these factors could have a material adverse effect on our business, financial condition and results of operations and could cause the price of our Equity Shares to decline.

**17. We are exposed to risks relating to a high churn rate in our industry.**

Customer attrition, or churn, results in loss of future revenues from customers whose services are disconnected and also the inability to recoup any unrecovered costs incurred in acquiring the customer. For fiscal 2004, 2005 and 2006 and the six months ended December 31 2006, the average monthly churn rate in our cellular networks was as follows:

	For the year ended June 30, 2004			For the year ended June 30, 2005			For the year ended June 30, 2006			For six months ended December 31, 2006		
<b>Circ le</b>	<b>Pre- paid churn (%)</b>	<b>Post- paid churn (%)</b>	<b>Total churn ¹ (%)</b>	<b>Pre- paid churn (%)</b>	<b>Post- paid churn (%)</b>	<b>Total churn ¹ (%)</b>	<b>Pre- paid churn (%)</b>	<b>Post- paid churn (%)</b>	<b>Total churn ¹ (%)</b>	<b>Pre- paid churn (%)</b>	<b>Post- paid churn (%)</b>	<b>Total churn ¹ (%)</b>
Karn atak a	7.03	5.43	6.69	4.84	6.72	5.19	3.62	4.09	3.70	3.37	6.42	3.77
Punj ab	4.29	3.74	4.14	5.66	5.02	5.47	5.79	5.81	5.79	4.10	6.14	4.65

(1) Total churn is calculated independently of the percentage of pre-paid and post-paid churn rates given above and is based on the total billable subscriber base comprising pre-paid and post-paid billable subscribers. Total churn is net of transfers between pre-paid and post-paid customer categories

A high rate of churn may adversely affect our business, financial condition and results of operations. Currently, the churn rate for our prepaid cellular category is significantly higher than that of our postpaid cellular category. There can be no assurance that we will be able to control the churn or that our churn rate will not increase. A higher churn rate may adversely affect our business, financial condition and results of operations.

In line with industry trends, we have historically experienced higher churn rates in the pre-paid customer category. While we are in the process of completing the verification of all our remaining pre-paid subscribers, we cannot assure you that we will be able to reactivate the accounts for all these subscribers which may result in significantly higher churn for the quarter ending June 2007.

***18. ARPU and churn calculations may not be in line with industry practice.***

Manner of calculation of ARPU and churn rate varies from operator to operator as there are no set standards for calculation of the same. We calculate ARPU for pre-paid and post-paid subscribers presented for any period as total revenue from either pre-paid or post-paid subscribers for the period divided by the sum of pre-paid or post-paid billable subscribers, as the case may be. Further, we calculate churn by dividing the total deactivations less reconnections by the average number of customers during the period (the average of the number of customers on the first and last days of the respective period) divided by the number of months during that period. As such, our ARPU and Churn calculations may not be comparable with those of other operators

***19. Our agreement with Spice Mobiles Limited for delivery of telecommunication equipment will be dependent on third party suppliers.***

We have entered into a memorandum of agreement with Spice Mobiles Limited, an affiliate company, on December 20, 2006 for use of certain telecommunication equipment for infrastructure services on trial basis with an option to purchase the equipment at the end of the trial period. Spice Mobiles Limited has purchased the equipment from a third party supplier. These assets are not reflected in our balance sheet and we do not provide for depreciation on these equipment. Further, under the terms of the memorandum of agreement with Spice Mobiles Limited, in the event that we default on our payment obligations or in case we becomes a subsidiary of TM International Sdn Bhd (by virtue of TM International Sdn Bhd indirectly holding 46.89% of the Company), we would be required to assume the obligations under the contract with the third party supplier to Spice Mobiles Limited.

We cannot assure you that we will be able to exercise our option to purchase this equipment at the end of the trial period and our failure to do so may a material adverse effect on our business, financial condition and results of operations. Further in the event we have to assume the obligations of Spice Mobiles Limited under the contract with the third party supplier, we cannot assure you that such terms would be favourable to us or that we would be able to meet the requirements of those terms.

***20. We are dependent on various vendors and specialist agencies as well as third-party providers for the adequate and timely supply and maintenance of equipment and services.***

We depend upon key suppliers and vendors to provide us with equipment and services that we need to build our networks and upgrade and operate our business. Our principal suppliers for our existing cellular networks currently include ZTE, Tower Vision and 3D Network. We currently source fibre optic cables, transmission equipment, switches and intelligent networks and other equipments from reputed vendors like ZTE. We also intend to rely on the services of vendors such as ZTE, who are experienced in designing, constructing and upgrading cellular networks, in order to accomplish our build-out and upgrade schedule.

We cannot assure you that our key suppliers and vendors will continue to supply equipment and provide services on terms which are favourable to us or at all. Any failure to obtain the equipment and services that we need to build our networks and upgrade and operate our business may have a material adverse effect on our business, financial condition and results of operations.

***21. Our business, financial condition and results of operations could be adversely affected if we breach any of our contracts with third parties including, in particular, our contracts with our network equipment vendors.***

We may be liable to third parties if we breach our contract with them. In particular, most of our equipment financing contracts with our vendors and other financial institutions have strict payment obligations and impose various restrictions on us. Any failure on our part to comply with such terms could cause us to be in breach of our contracts and could result in a claim against us for substantial damages and foreclosure of security interests on our assets, including our network by the vendors and financial institutions. The successful assertion of any claim by a third party could have a material adverse effect on our business, financial condition and results of operations. Although we maintain general liability insurance coverage, we cannot assure you that the terms of our insurance policies will be adequate to cover any damage or loss suffered by us or that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim.

**22. *The spectrum allocated to us may be insufficient for the expansion of our cellular business.***

The operation of our cellular networks is limited by the amount of spectrum allocated to us in the jurisdictions where we operate. Radio spectrum is the essential resource for all GSM mobile networks. Spectrum is a finite resource and its allocation is determined by the relevant governmental authorities. In determining spectrum allocation, governmental authorities generally seek to ensure choice of services, efficient use of spectrum and continuity of customer service while maintaining technology neutrality and a stable investment environment. The expansion and development of our networks may be impacted by the limited availability of frequency spectrum. The future growth of our cellular business is dependent on our ability to expand our network capacity. Our cellular networks operate on spectrum in the 900 MHz band. Currently, we have an allocation of 7.8 MHz and 6.2 MHz in the 900 MHz bands in Punjab and Karnataka respectively. We have applied for additional spectrum of 2 MHz in Punjab based on our subscriber base. Also, we expect that any additional spectrum granted to us will be in the 1800 MHz band, since there is no availability in the 900 MHz band. The 1800 MHz band generally requires more capital expenditure than the 900 MHz band. We have also applied for 3G spectrum allocation and the application is pending with the DoT.

While current regulations provide for the provision of additional need-based spectrum on payment of additional fees, there can be no assurance that the DoT will grant us additional spectrum or that it will do so in a timely or cost-effective manner. Our network expansion plans in Punjab and Karnataka may be materially affected if we are unable to obtain additional spectrum. In addition, our success and growth in the new circles, if we are granted licences to operate there, will substantially depend on the spectrum allocation made to us by the DoT. If we are not able to obtain additional spectrum at reasonable prices, our business, financial condition and results of operations may be adversely affected. We cannot assure you that we will be granted adequate spectrum capacity in any of our existing or proposed circles.

**23. *Rapid technological changes may render our technologies, products or services obsolete.***

The telecommunication services industry is characterised by rapid technological change and significant capital requirements. Given the fast pace of technological innovation in the telecommunication sector, we face the risk of our technology becoming obsolete and hence the need to invest significantly large amounts of capital to upgrade our networks or use new technologies. In particular, initial operators like us who had adopted GSM technology face technology challenges from CDMA operators who have deployed CDMA 1.0x technology, which is superior to the traditional GSM technology particularly in delivering high speed data services and efficient utilisation of spectrum. Moreover, subscribers with CDMA services have pre-programmed handsets which can usually not be re-programmed if the subscriber switches to another service provider, resulting in a barrier to switch, leading to lower churn rates for CDMA providers. In addition, with the onset of 3G technology in India, the DoT is reviewing its existing policies, to accommodate the new technology and to meet its objectives as envisioned in the NTP 1999. We have applied for 3G spectrum allocation and the application is pending with the DoT. There remains continued uncertainty over the allocation mechanism for 3G spectrum. There is neither any assurance that our application will be approved by the DoT nor that the services enabled by such new technologies will be accepted by customers to the extent required to generate an acceptable rate of return. In addition, we face the risk of unforeseen complications in the deployment of these new services and technologies, and there is no assurance that the estimate of the necessary capital expenditure to offer such services will not be exceeded. New services and technologies may not be developed and/or deployed according to expected schedules or may not achieve commercial acceptance or be cost effective. Failure to achieve commercial acceptance of services offered by us could result in additional capital expenditures being required or a reduction in profitability. Any such change may materially and adversely affect our business, financial condition and results of operations.

**24. *We may not be able to raise the required capital on terms favourable to us.***

Network and equipment requirements in the cellular industry are capital intensive and may require high levels of debt financing. Our available financial resources for implementing these projects, based on our internal studies and estimates, may be inadequate and the project development may face cost overruns. The actual amount and timing of future capital requirements may differ from our estimates. If we decide to meet these funding requirements through debt financing, our interest obligations (including costs of funds) could increase and we may be subject to additional restrictive covenants, including restrictions on our payment of dividends, incurrence of further debt, change in shareholding, constitution of the board of directors and management of the businesses. If we decide to raise additional funds through the issuance of equity or equity-linked instruments, the interests of existing shareholders including investors in the Issue, will be diluted. In addition, our ability to raise funds, either through equity or debt, is limited by certain restrictions imposed under our current debt arrangements, Indian law and the laws of relevant foreign jurisdictions. Certain of



our existing loans require us to obtain the lender's consent to incur additional indebtedness. If we fail to obtain such consent, our ability to incur such debt and pursue our capital expenditure plans could be adversely affected.

We cannot assure you that we will be able to raise adequate capital in a timely manner and on acceptable terms or at all. Our failure to obtain adequate financing could result in the delay or abandonment of existing and future projects and may materially and adversely affect our operations and financial condition.

***25. Our business faces significant competition from existing private operators and potential new entrants, including government-controlled companies.***

There is substantial competition in the Indian cellular industry. With the increase in the foreign direct investment limit from 49% to 74%, we expect competition to intensify as new entrants and existing operators, with fresh capital infusion or consolidation, begin to compete against us. Growing competition may force us to reduce the prices of our products and services, which may reduce our revenues and margins and/or decrease our market share, any of which could have a material adverse effect on our business, financial condition and results of operations. This is particularly relevant in the new markets we propose to enter which already have several established operators. The NLD and ILD services sector, for which we have recently received the Letter of Intent from the DoT, is open to intense competition including competition from government-owned or otherwise controlled companies. We expect to face significant competition from the incumbent operator, BSNL, and other private operators. These companies may have significantly greater resources than those available to us. In recent years, these companies have undertaken significant expansion and modernisation of their networks and offer better quality and a wider range of services and may be significant competitors in our various businesses. Further, we cannot assure you that we will be able to successfully compete with the existing service providers or that our business will be profitable. Furthermore, we are not the leading provider in either Punjab or Karnataka (our two existing circles) and face intense competition in these circles. We cannot be certain that we will be able to compete successfully against our competitors, or that we will not lose clients to such competitors. Additionally, we believe that our ability to compete also depends in part on factors outside our control, such as the price at which our competitors offer comparable products and services, and the extent of our competitors' responsiveness to their clients' needs.

The cellular industry in India as well as in the rest of the world has witnessed significant consolidation in the recent past resulting in operators achieving economies of scale and operation. Such consolidation could result in the players having access to greater resources and competence and hence the ability to compete more effectively. Going forward we may consider investment opportunities, partners or acquisition candidates within and outside India. However, as on the date of this offering document, we have not entered into any definitive agreements. Further, we may not identify suitable investment opportunities, partners or acquisition candidates or if we do identify suitable investment opportunities, partners or acquisition candidates, we may be unable to negotiate terms commercially acceptable to us or complete those transactions at all. Any potential acquisition, alliance or joint venture could involve a number of specific risks, including diversion of management's attention, higher costs, unanticipated events or circumstances, legal liabilities, difficulties integrating the acquired business, failure of the business of the acquired company, fall in value of investments and amortization of acquired intangible assets, some or all of which could have a material adverse impact on our business, financial condition and results of operations. In the event that we plan to acquire or invest in an overseas company, we may be required to obtain the prior approval of the Reserve Bank of India ("RBI"), other regulators and/or the Government of India and there can be no assurance that such approvals will be obtained in a timely manner or at all.

Our overall market position will also depend on effective marketing initiatives and our ability to anticipate and respond to various competitive factors affecting the industry, including new services, pricing strategies by competitors and changes in consumer preferences and economic, political and social conditions in the markets in which we operate. Any failure by us to compete effectively, including in terms of pricing of services, acquisition of new subscribers and retention of existing subscribers, may have a material adverse effect on our business, financial condition and results of operations.

***26. Any disagreements among our Shareholders may have an adverse effect on our business and results of operations.***

Presently 48.80% of our issued share capital is held by MWPL (one of our Promoters), a company incorporated under the laws of India, and 46.89% is held by TM International through its wholly owned subsidiary TMI India.

Although the shareholding of MWPL and TM International would be diluted post public offering of the Equity Shares, they would still retain controlling stake and therefore, any disputes between MWPL and TM International could adversely affect all shareholders. If there

are any disagreements between the two regarding our business and operations, there is no guarantee that they will be resolved in a manner that will be in our best interest. Under the terms of the Shareholders Agreement, disagreements between MWPL and TM International are required to be submitted to arbitration panels whose decisions are final. In addition, the two may:

- be unable or unwilling to fulfill their obligations, whether of a financial nature or otherwise;
- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies and objectives;
- take actions that are not acceptable to regulatory authorities;
- have financial difficulties; or
- have disputes with us.

Any of the foregoing may have a material adverse effect on our business, financial condition and results of operations. The shareholders have certain affirmative rights under the Shareholder's Agreement, for further details please refer to the section titled "History and Certain Corporate Matters" on page 99 of this Red Herring Prospectus.

***27. Our present shareholders will still hold a controlling stake post issue of the Equity Shares and have the power to control matters requiring the approval of a majority of our shareholders***

Following the completion of this offering, one of our Promoter, MWPL and other major shareholder, TM International (through TMI India) will continue to have the power to control matters requiring the approval of a majority of our shareholders pursuant to the terms of a Shareholders' Agreement between, among others, MWPL and TM International. The Shareholders' Agreement gives MWPL and TM International the right to appoint directors to the Board and the right to approve significant actions at Board and shareholders' meetings, including the issue of equity shares and dividend payments, the approval of business plans, mergers and acquisitions, consolidation or sale of all or substantially all of our assets or any amendment to our Memorandum of Association and Articles of Association. For more details, please see the section entitled "History and certain Corporate Matters – Shareholders Agreement" on page 99 of this Red Herring Prospectus.

After the completion of the Issue, MWPL and TM International will collectively hold approximately 80.00% of the fully diluted post-Issue equity capital. Consequently, our Promoters and other major shareholders, if acting jointly, may exercise substantial control over us and may have the power to elect and remove a majority of our Directors and/or determine the outcome of proposals for corporate action requiring approval of our Board of Directors or shareholders, such as lending and investment policies, revenue budgets, capital expenditure, dividend policy and strategic acquisitions/joint ventures. Our major shareholders will be able to influence our major policy decisions, including our overall strategic and investment decisions, by controlling the election of our Directors and, in turn, indirectly controlling the selection of our senior management, determining the timing and amount of any dividend payments, approving our annual budgets, deciding on increases or decreases in our share capital, determining our issuance of new securities, approving mergers, acquisitions and disposals of our assets or businesses, and amending our Articles of Association. Such control may also discourage third parties from seeking to effect a change of control transaction for our shares.

Our controlling shareholders under their contractual agreement have certain rights and obligations towards each other and MWPL has pledged its shares to our Lenders. See "Risk Factors - There are certain conditions and restrictions imposed on us by our financing agreements which could adversely affect our ability to conduct our business." For more details, see "Capital Structure," "Our Management" and "Our Promoters" on pages 19, 114 and 128, respectively, of this Red Herring Prospectus.

***28. Our indebtedness could adversely affect our ability to conduct our business.***

As of December 31, 2006 we had total secured and unsecured loans of Rs. 12,079.13 million. We may incur additional indebtedness in the future. Our indebtedness could have several important consequences, including but not limited to the following:

- a portion of our cash flow will be used towards servicing and repayment of our existing debt, which will reduce the availability of cash to fund working capital needs, capital expenditures, acquisitions and other general corporate requirements;
- our ability to obtain additional financing in the future at reasonable terms may be restricted;
- the distribution of dividends may be restricted;

- increases in market interest rates may adversely affect the cost of our borrowings, as substantially all of our loans are at variable interest rates;
- we may be more vulnerable to economic downturns, may be limited in our ability to withstand competitive pressures and may have reduced flexibility in responding to changing business, regulatory and economic conditions; and
- our ability to raise future capital through further issue of shares may be restricted.

Any of these consequences may adversely affect our ability to conduct our business and have a material adverse effect on our financial condition and results of operations.

**29. *There are certain conditions and restrictions imposed on us by our financing agreements which could adversely affect our ability to conduct our business.***

One of our Promoters, MWPL has pledged 136,770,732 fully paid up shares they hold in the Company in favour of Lenders, under a share pledge agreement dated April 21, 2006 amended on April 3, 2007 and April 19, 2007. The Share Pledge Agreement obliges TM and TM International to purchase the pledged shares from our controlling shareholder and hence take control of the Company upon the occurrence and continuance of a default under the relevant financing documents. In the event TM and TM International fail to purchase the Pledged Shares, our controlling shareholder is under an obligation to purchase all the shares held by TMI India in accordance with the Shareholders' Agreement. In the event MWPL fails to purchase all the Shares held by TMI India and both parties are unable to ensure the full payment within 150 days, the Lender is entitled to cause the sale of the Pledged Shares to a third party.

Further, our lenders have certain rights to determine how we operate our relevant businesses. Consent from these lenders is required for certain corporate and business actions, changes in shareholding and management decisions. Our finance arrangements limit our ability to create liens or other encumbrances on our property, acquire other businesses, sell or otherwise dispose of assets, make certain payments and investments, pay dividends and merge or consolidate with other entities in certain circumstances. Certain finance arrangements also require us to compulsorily repay the loans in case of receipt of income exceeding certain preset thresholds. Further, we are obligated to use up to 50% of proceeds from any initial public offering we undertake towards satisfaction of our loan obligations. Further, we are also obligated not to enter into any arrangement for raising financial indebtedness or, of financing the acquisition of an asset, except with the prior written consent of the Lenders. For more details, please see the section entitled "Description of Certain Indebtedness" on page 78 of this Red Herring Prospectus. Any failure to service our indebtedness or comply with a requirement to obtain a consent or perform any condition or covenant could lead to a termination of one or more of our credit facilities, acceleration of amounts due under such facilities and cross-defaults under certain of our other financing agreements, any of which may adversely affect our ability to conduct our business and have a material adverse effect on our financial condition and results of operations.

**30. *We have certain contingent liabilities and our financial condition and profitability could be adversely affected if any of these contingent liabilities materialise.***

Our contingent liabilities as disclosed in our audited consolidated financial statements for the six months ended December 31, 2006 are as set out below. If any of these contingent liabilities materialise, our profitability may be adversely affected. For more details, please see the section entitled "Financial Statements" on page 168 of this Red Herring Prospectus.

We have received demands/notices from various authorities listed below. We are contesting these and the dispute is outstanding at various levels. Pending the final settlement of these cases, we consider all the amounts described below as contingent liability:

<i>(in Rs millions)</i>	
<b>Particulars</b>	<b>As of December 31, 2006</b>
Karnataka Sales Tax Authorities*	113.86
Service Tax*	4.11
Entry Tax*	8.92
Provident fund on leave encashment**	2.67
TDSAT refund and interest thereon*	30.57
License fee and Spectrum charges and interest thereon	86.35

Spectrum Charges	357.46
<b>Total</b>	<b>630.43</b>

\*The Company has received demands/ notices from various authorities as highlighted above. The company is contesting these and the dispute is outstanding at various levels. Pending the final settlement of these cases, the company considers all the amounts described above as contingent liability.

\*\* The Employee Provident Fund Organisation (EPFO) has on 9 September 2005 issued a clarification as per which provident fund contribution should be deducted on leave encashment paid from 1 May 2005 onwards. It has also been stated that the claims between 1 October 1994 and 30 April 2005 should be kept in abeyance till this issue is decided by the Central Board of Trustees. Accordingly, the Company has been accruing and paying its dues on an ongoing basis.

Pending decision by the Central Board of Trustees, a contingent liability of Rs. 2.67 exists for provident fund on leave encashment claims between 1 October 1994 and 30 April 2005 in respect of Punjab Circle. However the amount of contingent liability in respect of Karnataka Circle for provident fund on leave encashment claims between 1 October 1994 and 30 April 2005 is presently not reasonably ascertainable.

We cannot assure you that any or all of these contingent liabilities will not become direct liabilities. In the event any or all of these contingent liabilities become direct liabilities, it may have an adverse effect on our business, financial conditions and results of operations.

**31. We have entered into related party transactions and may continue to do so in the future.**

We have entered into certain transactions with related parties, including our Promoter Group entities. For the period ended December 31, 2006 our related party transactions were as under: -

(in Rs. million)

S. No.	Related Parties	Amount
1	Transactions with ultimate holding company	#
2	Transactions with fellow subsidiaries	60.0
3	Transactions with related parties which have significant influence	15.98#
4	Transactions with key management personnel	6.32
5	Transactions with enterprises which key management personnel exercise significant influence	321.32

# There are certain related party disclosures which cannot be quantified since they are not in the nature of financial transaction but security provided under the Non-disposal Agreement entered into between TMI, TMI India and MWPL with respect to loan availed from consortium led by DBS Bank. .

For more details, please see the section entitled “Financial Information - Related Party Transactions” on page 235 of this Red Herring Prospectus.

As both we and related parties are controlled by our Promoter Group, there can be no assurance that transactions with related parties have been or will be entered into on an arm’s length basis. Because our Promoters, along with other members of our Promoter Group, are the controlling shareholders of both, we, as well as our affiliates, have a conflict of interest. Therefore, with respect to dealings between us and our affiliates, there can be no assurance that any dispute that may arise between us and related parties will be resolved in our favour.

**32. We are dependent on interconnection with our competitors’ networks and associated infrastructure as well as roaming arrangements with other cellular operators.**

Our ability to provide commercially viable cellular services depends, in part, upon our interconnection arrangements with other cellular operators. In particular, we are dependent on interconnection with our competitors’ cellular and associated infrastructure for the successful operation of our business. The framework by which interconnection charges are made is regulated by the relevant government authorities. Any change to the framework or the basis upon which interconnection charges are made is likely to require the renegotiation of the interconnection agreements. There is no assurance that we will be able to maintain our interconnection agreements on terms that are commercially acceptable or at all or that any material increase in the interconnection expenses would not

have a material adverse effect on our business, financial condition and results of operations. Further, although we have entered into various tower sharing arrangements with other cellular operators in Punjab and Karnataka and plan to increase the number of shared cell sites in order to reduce the cost of infrastructure development and effect faster roll-out of our infrastructure, we cannot assure you that we will be able to successfully negotiate such sharing arrangements in the future or that such arrangements will be beneficial for our business, financial condition or results of operations. Additionally, we lease substantial optical fibre backbone and micro transmission links which are required for connectivity from base station controllers to mobile switching centres. If any of these leases arrangements are not renewed or are renewed on terms and conditions which are unfavourable to us, we may suffer a disruption in our operations which could have a material adverse effect on our business, financial condition and results of operations. We are also dependent upon roaming agreements with other cellular operators as a source of revenues when the other cellular operators' customers roam on our networks. If these roaming agreements were to terminate, or if the other cellular operators were to deploy incompatible technologies, our roaming revenues and profits may be materially reduced, and our customer base may also be adversely impacted.

***33. Our business relies on sophisticated billing and credit control systems, and any problems with these systems could interrupt the operations.***

Sophisticated billing and credit control systems and successful fraud prevention policies are critical to our ability to increase revenue streams, avoid revenue losses, monitor costs and potential credit problems, reduce bad debts and bill our customers properly and in a timely manner. Our expansion plans along with new technologies and applications are expected to create increasing demands on billing and credit control systems. Any damage or interruptions in operation or failure of servers, which are used for the billing and credit control systems, could result in an interruption in our operations, and this in turn may materially and adversely affect our business, financial condition and results of operations.

***34. Our ability to deliver services may be interrupted due to a systems failure or shutdown in the networks.***

Our services are currently carried through transmission networks comprising of optical fibre cable and microwave. These networks may be vulnerable to damage or interruptions in operations due to adverse weather conditions, earthquakes, fires, floods, power loss, telecommunications failures, software flaws, transmission cable cuts or similar events. Any failure of the networks, servers, or any link in the delivery chain that results in an interruption in the operations or an interruption in the provision of any of the services, whether from operational disruption, natural disaster, military or terrorist activity, or otherwise, could damage our ability to attract and retain subscribers and may materially and adversely affect our business, financial condition and results of operations.

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

We are dependent on our Directors and senior management for setting our strategic direction and managing our business, both of which are crucial to our success. Also, a significant number of our employees are skilled engineers and due to the limited pool of available skilled personnel, we face strong competition to recruit and retain skilled and professionally qualified staff. Our continued success also depends upon our ability to attract, recruit and retain a large group of experienced professionals and staff. The loss of the services of our senior management, including our Directors, or our inability to recruit, train or retain a sufficient number of experienced personnel may have a material adverse effect on our business, financial condition and results of operations. Our ability to retain experienced staff members as well as senior management, including our Directors, will in part depend on us maintaining appropriate staff remuneration and incentive schemes. We cannot assure you that the remuneration and incentive schemes we have in place will be sufficient to retain the services of our senior management and skilled employees.

***36. Our results of operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees or any other kind of disputes with our employees.***

As of March 31, 2007, we had a total of 1,007 employees. There can be no assurance that we will not experience disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business, financial condition and results of operations. Further, efforts by labour unions to organise our employees may divert management's attention and increase operating expenses and we may be unable to negotiate acceptable collective bargaining agreements with those who have chosen to be represented by unions, which could lead to union-initiated work stoppages, including strikes, which could adversely affect our business, financial condition and results of operations.

**37. *We do not own the “SPICE” trademark used by us. Termination of the agreement with the owner of the trademark may affect our business.***

We conduct most of our business under the trademark of “SPICE”. We have acquired rights for using the trademark “SPICE” only in respect of services relating to telecommunication activities, from our associate company MCorp Global Private Limited through a deed of assignment of trademark with related goodwill dated March 9, 2006 for a value of Rs 1. As of the date of this Red Herring Prospectus, the trademark has not been registered in the name of MCorp Global Private Limited and the registration application is pending. Further, if the assignment agreement is terminated by MCorp Global Private Limited for any reason, we will lose our right to use the trademark “Spice” and we may incur costs in reacquiring the same or in rebuilding our reputation and goodwill. Any such change may have a material adverse effect on our reputation, goodwill, business, prospects, financial condition and results of operations. Further, we can provide no assurance that third parties will not infringe upon our trademark and/or trade name, causing damage to our business prospects, reputation and goodwill. We also can provide no assurance that the unauthorised use by any third parties of the trademark “Spice” will not similarly cause damage to our business prospects, reputation and goodwill.

**38. *Concerns about health risks relating to the use of mobile handsets may adversely affect our prospects.***

Recent media and other research reports have linked radio frequency emissions from mobile handsets to various health concerns, including cancer, and to interference with various electronic medical devices, including hearing aids and pacemakers. As research and studies are ongoing, we cannot assure you that further research and studies will not demonstrate a link between radio frequency emissions and health concerns, which could have a material adverse effect on our business, results of operations, financial condition and prospects. Further, concerns over radio frequency emissions may discourage the use of mobile handsets and may adversely affect our ability to find or retain suitable cell sites, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

**39. *The ability to provide commercially viable cellular services depends, in part, upon various intellectual property rights owned by us and those licenced from third parties.***

We rely on third-party licences and other intellectual property arrangements to enable us to carry on our business. Network elements and telecommunications equipment including hardware, software and firmware deployed on our network are licenced and/or purchased from various third parties, including vendors, along with the necessary intellectual property rights to use these elements and equipment. Although the warranties, indemnity and the right of termination in the event of any breach or threatened breach of any intellectual property rights are provided in the respective agreements, there is no assurance that the intellectual property rights owned by or licenced to us will not be challenged or circumvented by competitors or other third parties, or that the relevant intellectual property rights are valid, enforceable or sufficiently broad to protect our interest or will provide us with any competitive advantage. Any loss or withdrawal of those intellectual property rights could affect our ability to provide services and could adversely affect our business, financial condition and results of operations.

**40. *The operation of telecommunications assets involves many risks and we may not have sufficient insurance coverage to cover our economic losses.***

Operating telecommunications assets involves many risks and hazards which may adversely affect our profitability, including breakdown, failure or substandard performance of network equipment, improper installation or operation of network equipment, labour disturbances, environmental hazards, industrial accidents and terrorist activities. We maintain insurance coverage with respect to our cellular services infrastructure that we believe is customary for the cellular services industry in the markets in which we operate. We do not, however, have business interruption insurance for our operations in Punjab. Also, our insurance may not provide adequate coverage in certain circumstances and is subject to certain deductibles, exclusions and limits on coverage. For more details, please see the section entitled “Business – Insurance” on page 76 of this Red Herring Prospectus. We cannot assure you that the operation of our network infrastructure will not be affected by any of the incidents and hazards listed above, or that the terms of our insurance policies will be adequate to cover any damage or loss caused by any such incidents and hazards or which we may otherwise suffer. Therefore, there may be instances when we will have to bear the full amount of all losses, damages and liabilities because of our lack of insurance coverage, which may in turn materially and adversely affect our business, financial condition and results of operations.

**41. Our business is subject to extensive regulation by the government, which could have an adverse effect on our business.**

*Operating licences:* The operation of cellular networks and the provision of related services are regulated to varying degrees by national, state, regional or local governmental and/or regulatory authorities. Operating licences granted to us by the DoT specify the services we can offer and the frequency spectrum we can utilise for cellular operations. These licences are subject to review, interpretation, modification or termination by the relevant authorities. Any revocation or unfavourable amendment of the terms of the licences, or any failure to renew them on comparable terms, may have a material adverse effect on our business, financial condition and results of operations. We have either made or are in the process of making applications for obtaining certain approvals, licences and permissions under the respective Shops and Commercial Establishment Act applicable to our offices at Karnataka, Delhi and Punjab. The rules of some government regulatory authorities having jurisdiction over our operations require us to meet specified network build-out requirements and schedules. In addition, the licences typically require satisfaction of various obligations, including minimum specified quality, service, coverage criteria and capital investment. Failure to comply with these obligations could result in the imposition of fines or the revocation or forfeiture of the licence for that area. Furthermore, the need to meet scheduled deadlines may cause us to expend more resources than otherwise budgeted for a particular network build out. There is no assurance that we will be able to fully comply with the terms and conditions of these licences and permits. Any failure to comply with applicable law or the terms and conditions of these licences and permits, or any failure to renew them on comparable terms, may materially and adversely affect our business, financial condition and results of operations.

*Renewal of operating licences:* The operating licences are generally renewable on expiration. However, there is no assurance that they will be renewed or that any renewal on new terms will be commercially acceptable to us. If we fail to renew any of our licences, we may lose the ability to continue to operate the affected business and the realisable value of the relevant network infrastructure and related assets may be materially and adversely affected.

*The deployment of new networks:* The deployment of networks requires various approvals or permits from national, state, regional or local governmental and/or regulatory authorities, particularly in relation to establishing cell sites. These approvals and permits may include antenna and mast deployment approvals and other various planning permissions. We have experienced, and may continue to experience, difficulty in obtaining some of these approvals and permits which may require us to seek alternative cell sites and/or incur considerable effort and expense where a suitable alternative cell site is not available. There is no assurance that the difficulties we have experienced, or may continue to experience, in obtaining required approvals or permits will not materially and adversely affect our business, financial condition and results of operations.

*Tariff structure:* We are subject to regulations on tariff structures including in particular the payment of Access Deficit Charges (“ADC”) which is a subsidy paid by all telecom operators to BSNL for their rural deployment. There can be no forecast or assurance on the timing, likelihood or likely magnitude of any future tariff adjustments or any potential impact of such tariff adjustments, including any increase in applicable ADC charges, or service taxes, would have on our business. There is no assurance that our business, financial condition and results of operations will not be materially and adversely affected by any government-mandated or other tariff adjustments in the future.

**42. We require various Governmental licenses and approvals for implementing our projects.**

We may require various Governmental approvals, licenses, registrations and permissions for operating our business from time to time. If we fail to obtain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business, results of operations, financial condition and prospects could be negatively impacted.

We applied to the DoT on August 31, 2006 for licences for 21 additional cellular circles in India including Delhi, Mumbai, Kolkata and Chennai. We have also applied to the DoT for additional spectrum in Punjab. We have also applied for 3G spectrum allocation. All our applications before the DoT are pending. In addition we are also awaiting for several operational approvals, including the approval from the Standing Advisory Committee on Radio Frequency Allocation (“SACFA”), to set up additional cell sites. Although we have applied for and we plan to continue applying for certain approvals pursuant to our network roll-out schedule, these approvals may not be available to us a timely basis or on favorable terms and conditions or at all. Any delay or failure to acquire these and other approvals, or the imposition of restrictions on our business pending receipt of these approvals, may result in delays and cost overruns and significant management time commitments, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

In addition, regulators may impose conditions in relation to the grant to us of licenses and approvals, such as the establishment of services in rural areas unlikely to be profitable without a level of subsidy sufficient to offset our costs. Any such requirements could have a material adverse effect on our business, results of operations, financial condition and prospects.

**43. *We have not obtained requisite approvals from SACFA and other state and municipal authorities prior to constructing some of our cell sites.***

SACFA grants approvals for site clearance of all wireless installations in the country. We have not obtained approvals from SACFA for some of our cell sites. We have also not obtained certain requisite site clearances for our cell sites from certain state and municipal authorities. We are in the process of obtaining such approvals for our cell sites. Failure to obtain such approvals for all our cell sites could result in our inability to operate our cell sites and therefore affect our networks which could have a material adverse effect on our business, financial condition and results of operations.

**44. *Our auditors have made certain qualifications in their audit report for the previous four fiscal years.***

Our auditors have made various qualifications to their audit report for fiscal 2003, 2004, 2005, 2006, and six months ended December 31, 2006 including qualifications regarding our debt defaults and our ability to continue as a going concern if we are not successful in obtaining long term funds.

For the six months ended December 31, 2006, without qualifying their opinion, our auditors have noted that we have not accrued revenue share licence fees and spectrum charges on certain liabilities written back in fiscal 2006. Licence fees and spectrum charges are required to be calculated on total income in any given period. In fiscal 2004 and 2005, we wrote back Rs. 55.82 million, Rs. 66.71 million, respectively, being the difference between the amount outstanding on the date of settlement of vendor disputes and the amount paid in settlement. Since these write-backs were merely book-entries (and therefore do not involve a transaction with third party), we believe that we are not required to include these amounts in calculating adjusted gross revenue ("AGR"). However the computation of AGR is being reviewed before TRAI by the Government as well as the cellular operators. As the ultimate outcome of the matter cannot presently be determined, no provision for any liability that may result has been made in the financial statements. To the extent it is determined that our calculation of AGR is incorrect, we may be required to pay additional service tax which could have a material adverse effect on our business, financial condition and results of operations.

During fiscal 2006, we had retired from active use, certain old MSC having written down value of Rs. 203.21 million as of June 30, 2006. We are in the process of evaluating future alternative uses of such assets and accordingly, have not adjusted the carrying value of these assets to state them at net realisable value. In the view of our auditors, there is uncertainty as to extent of realisability or use of these assets in future. Consequently, according to our auditors, the impact, if any, on depreciation and profit for the year, carrying value of these assets, accumulated depreciation and carry forward losses at year-end is unascertainable.

These qualifications for respective years have been disclosed in Notes to Accounts forming part of our restated Financial Statements on page 168 of this Red Herring Prospectus.

For certain qualifications it is not possible to make adjustments/ rectifications, and hence such qualifications have been reproduced in Note 2 of Annexure V to the restated Financial Statements on page 168 of this Red Herring Prospectus.

For more details, please see the sections entitled "Financial Statements" and "Management Discussion and Analysis of Financial Conditions and Results of Operations" on pages 168 and 271, respectively, of this Red Herring Prospectus.

**45. *A failure to identify and obtain and renew agreements / leases for use of appropriate cell sites and other facilities may impact our network rollout and our business.***

A large part of our strategy is the continued roll-out of our network in Punjab and Karnataka. The success of this program will depend, in part, on our ability to identify and establish new cell sites on a timely and cost-effective basis, including our ability to identify prime cell sites and to negotiate acceptable financial terms in licenses for such sites. In addition, our cell site strategy is dependent on us having licenses for cell sites that allow us to share those sites with other operators to facilitate reciprocal sharing arrangements. There can be no assurance that we will be able to identify new cell sites on a timely or profitable basis or that we will be able to secure site licenses on acceptable terms and/or that any such licenses can be renewed on economically acceptable terms when they are up for



renewal. Any inability to secure cell-sites or renew licenses for cell-sites may have a material adverse impact on our business, results of operations, financial condition and prospects.

In addition to holding licenses to use cell sites, we have several leasehold interests in real estate used for offices and showrooms which are important to us and are subject to the usual leasehold risks of termination and inability to renew. If any of the owners of these premises do not renew the agreements under which we occupy the premises or renew such agreements on terms and conditions that are unfavourable to us, we may suffer a disruption in our operations which could have a material adverse effect on our business, financial condition and results of operations.

***46. Restrictions on foreign investment in our industry limit our ability to raise debt or equity investment outside India.***

Indian laws constrain our ability to raise capital outside India through the issuance of equity or convertible debt securities and restrict the ability of non-Indian companies to acquire us. Under present Indian regulations, the maximum permissible foreign investment including but not limited to investments by Foreign Institutional Investors (“FIIs”), Non Resident Indians (“NRIs”), Foreign Currency Convertible Bond (“FCCBs”), American Depositary Receipts (“ADRs”), Global Depositary Receipts (“GDRs”), convertible preference shares, proportionate foreign investment in Indian companies including their holding companies, is restricted to 74% of its total issued capital. As of December 31, 2006, effective foreign shareholding in the Company was 73.78%. Upon completion of this Offering, the foreign shareholding is expected to reach the 74% limit imposed by Ministry of Commerce and Industry, Government of India, thereby restricting our ability to raise capital from foreign investors in the future.

Any adverse change to the existing policies may restrict our ability to raise capital. If the Government of India does not approve the investment or acquisition, or further restricts foreign equity ownership of telecom companies, our ability to obtain investments and be acquired by foreign companies will be limited. In addition, making investments in, and the acquisition of, a foreign company by us requires various approvals from the Government of India. We cannot assure you that we will be able to obtain such approval from the relevant Indian or foreign authorities. Failure to obtain such approvals may have a material adverse effect on our growth, financial condition and results of operations.

***47. The objects of the Issue have not been appraised by any bank or other financial institution and we have not entered into any definitive agreements to use the net proceeds of the Issue.***

The deployment of funds and fund requirement mentioned in “Objects of the Issue” on page 28 of this Red Herring Prospectus have not been appraised or evaluated by any bank or financial institution.

The deployment of funds and fund requirement described in the section entitled “Objects of the Issue” on page 28 of this Red Herring Prospectus is at the substantial discretion of our Board of Directors. Such deployment of funds and fund requirement is based on internal management estimates and has not been appraised or evaluated by any bank or financial institution. Accordingly, our management will have significant flexibility in applying the proceeds received by us from this Issue within the various heads mentioned under the Objects of the Issue. We intend to rely on our internal systems and controls to monitor the use of such proceeds.

***48. We have not complied with certain provisions of the Companies Act, 1956 and may be held liable to pay fines.***

In the past we failed to comply with certain provisions of the Companies Act, 1956 relating to holding of board meetings and filing of various forms. As a consequence, we, our Directors or officers in default may face criminal proceedings and may also be held liable to pay fines to the extent provided in the Companies Act, 1956 for non-compliance of certain provisions under the same. In the event such fines are imposed on us, our business, financial conditions and results of operations could be adversely affected.

***49. Our subscriber’s proprietary rights may be misappropriated by our employees or our subcontractors or their employees in violation of applicable confidentiality and non-disclosure agreements and as a result, cause us to breach our contractual obligations in relation to such proprietary rights.***

We require our employees and subcontractors to enter into non-disclosure agreements to limit access to and distribution of our subscriber’s confidential information including name and address lists. We can give no assurance that the steps taken by us will adequately prevent the disclosure of confidential information by an employee or subcontractor or a subcontractor’s employee. If our subscribers’ confidential information is disclosed by us or is misappropriated by our employees or subcontractors, we may be breach of applicable laws and our subscribers may consider us liable for that act and seek damages and compensation from us. The successful assertion of any claim could have a material adverse affect on our business, financial condition and results of operations.

***50. Compliance with, and changes in, safety, health and environmental laws and regulations may adversely affect our business, prospects, financial condition and results of operations.***

Some of our operations are subject to risks generally associated with cellular networks and equipment, which can cause personal injury, loss of life, environmental damage and damage to property. Recent research and studies have linked radio frequency emissions from mobile handsets and cell sites to various health concerns, including cancer. As research and studies are ongoing, we cannot assure you that further research and studies will not demonstrate a link between radio frequency emissions and health concerns, which could have a material adverse effect on our business, results of operations, financial condition and prospects. Concerns over radio frequency emissions may lead to enactment of new environmental regulations.

The scope and extent of new environmental regulations, including their effect on our operations, cannot be predicted. The costs and management time required to comply with these requirements could be significant. The measures we implement in order to comply with these new laws and regulations may not be deemed sufficient by governmental authorities and our compliance costs may significantly exceed our estimates. If we fail to meet environmental requirements, we may also be subject to administrative, civil and criminal proceedings by governmental authorities, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against us as well as orders that could limit or halt our operations and could include us being required to incur substantial clean up costs.

There can be no assurance that we will not become involved in future litigation or other proceedings or be held responsible in any such future litigation or proceedings relating to safety, health and environmental matters in the future, the costs of which could be material. Clean-up and remediation costs, as well as damages, other liabilities and related litigation, may adversely affect our business, prospects, financial condition and results of operations.

***51. Our registered office and other premises from which we operate are not owned by us and our business may be disrupted in the event our leases are not renewed.***

We do not own the premises on which our registered office and other offices are located. We operate from rented and leased premises. If any of the owners of these premises do not renew the agreements under which we occupy the premises or renew such agreements on terms and conditions which are unfavourable to us, we may suffer a disruption in our operations which could have a material adverse effect on our business, financial condition and results of operations.

**Risks Related to Our Shares and the Issue**

***52. You will not be able to trade any of the Equity Shares you purchase in the Issue immediately on an Indian stock exchange.***

Under SEBI Guidelines, we are permitted to allot Equity Shares within 15 days of the closure of the public issue. The Equity Shares you purchase in the Issue may not be credited to your book or demat account until approximately 15 days after the issuance of the Equity Shares. You can start trading the Equity Shares once they have been credited to your demat account and listing and trading approvals are received from the Stock Exchange. We cannot assure you that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence, within the specified time periods.

***53. There is no existing market for the Equity Shares, and we do not know if one will develop. Our stock price may be highly volatile after the Issue and, as a result, you could lose a significant portion or all of your investment.***

Prior to the Issue, there has not been a public market for the Equity Shares. We cannot predict the extent to which investor interest will lead to the development of an active trading market on the Stock Exchange or how liquid that market will become. If an active market does not develop, you may experience difficulty selling the Equity Shares that you purchased. The initial public offering price is not indicative of prices that will prevail in the open market following the Issue. Consequently, you may not be able to sell your Equity Shares at prices equal to or greater than the price you paid in the Issue. The market price of the Equity Shares on the Indian stock exchange may fluctuate after listing as a result of several factors, including the following:

- volatility in the Indian and other global securities markets;
- risks relating to our business and industry, including those discussed in this prospectus;

- strategic actions by us or our competitors;
- investor perception of the investment opportunity associated with the Equity Shares and our future performance;
- adverse media reports about us, our shareholders or promoters;
- future sales of the Equity Shares;
- variations in our quarterly results of operations;
- differences between our actual financial and operating results and those expected by investors and analysts;
- changes in analysts' recommendations or perceptions of us or India; and
- our future expansion plans.

A decrease in the market price of the Equity Shares could cause you to lose some or all of your investment.

***54. Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures and the terms of our financing arrangements.***

We have not paid any dividend in the past. The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. There can be no assurance that we will be able to pay dividends. Additionally, we are restricted by the terms of our debt financing from making dividend payments.

***55. Any future equity offerings by us could lead to dilution of your shareholding or adversely affect the market price of the Equity Shares.***

If we do not have sufficient internal resources to fund our investment requirements or working capital needs in the future, we may need to raise funds through equity financing. As a purchaser of the Equity Shares in the Issue, you could experience dilution to your shareholding in the event that we conduct future equity offerings. Such dilution could adversely affect the market price of the Equity Shares and could impact our ability to raise capital through an offering of our equity securities. In addition, any perception by investors that such issuance or sales will occur could also affect the trading price of the Equity Shares.

***56. There may be restrictions on daily movements in the price of the Equity Shares, which may adversely affect a Shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.***

We may be subject to a daily circuit breaker imposed by all stock exchanges in India, which does not allow transactions beyond certain increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers is set by the stock exchanges based on the historical volatility in the price and trading volume of the shares. The stock exchanges do not inform us of the percentage limit of the circuit breaker from time to time, and may change it without our knowledge. This circuit breaker limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may be given regarding the ability of Shareholders to sell the Equity Shares or the price at which Shareholders may be able to sell their Equity Shares at a particular time.

***57. Some of the shareholders agreements entered into by us may contain certain buy-back arrangements***

Our Company has entered into certain share subscription and shareholders agreements with Spinnaker Global Opportunity Fund Limited, Spinnaker Global Strategic Fund Limited, Spinnaker Global Emerging Markets Fund Limited, Lehman Brothers Opportunity Limited and other individual shareholders and body corporates. Our Company, MWPL, TMI and Pre IPO Investors have entered into a Call Option Agreement ("COA") dated June 4, 2007 whereby it was agreed, among the parties to the COA that the Equity Shares allotted to the Foreign Pre-IPO Investors, will be purchased by TMI and MWPL in the event Issue does not complete on or before July 20, 2007 (which here means such date on which the Issue is declared to be fully subscribed). TMI and MWPL shall have call options to purchase all (but not part only) of the shares allotted to the Foreign Pre-IPO Investors in such a manner that TMI will have the call option to purchase 66.2% of the Equity Shares allotted to the Foreign Pre-IPO Investors and MWPL will have the call option to purchase 33.8% of the Equity Shares allotted to the Foreign Pre-IPO Investors at the consideration paid by each Foreign Pre-IPO Investor plus the following return:

$$\text{Return} = (18\% \times \text{Investment Price}) \times (A/365)$$

Further, in the case of other investors, in the event the IPO is not completed latest by July 25, 2007, then the existing shareholder(s) (including their nominee(s)) as at March 31, 2007 (“the buying party”), will have the option (“Call Option”) at their sole discretion to require the investors under the Pre – IPO Private Placement to sell, any or all, the shares allotted under Pre – IPO Private Placement (“Call Shares”) to the buying party at the acquisition cost along with an interest @ 18% per annum, payable for the period beginning from the date of allotment and ending on the date of exercise of the Call Option by the buying party. The Call Option will however cease to exist immediately on listing of the equity shares at the Designated Stock Exchange.

For further details on the terms of pre-IPO placement, please see section titled “History and Certain corporate Matters” on page 99 of this Red Herring Prospectus.

## **Risk Factors Relating to India and Investing in an Indian company**

### ***58. Political instability or changes in the central Government could adversely affect economic conditions in India and consequently our business.***

We are incorporated in India, derive most of our revenues in India and substantially all of our assets are located in India. Consequently, our performance and the market price and liquidity of the Equity Shares may be affected by changes in exchange rates and controls, interest rates, government policies, taxation, social and ethnic instability and other political and economic developments affecting India. The central Government has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Our business, and the market price and liquidity of the Equity Shares may be affected by interest rates, changes in central Government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India. Since 1991, successive central Governments have pursued policies of economic liberalisation and financial sector reforms. The central Government dissolved parliament in February 2004 and following the general elections held during April and May 2004, a new coalition Government, the United Progressive Alliance, led by the Indian National Congress party was formed. The new cabinet was sworn in on May 22, 2004. The current Prime Minister of India is Dr. Manmohan Singh, a former finance minister and Mr. P. Chidambaram is the current finance minister. The central Government has announced its general intention to continue India’s current economic and financial sector liberalisation and deregulation policies and encourage infrastructure projects. However, there can be no assurance that such policies will be continued, and a significant change in the central Government’s policies, in particular, those relating to infrastructure development in India, could affect business and economic conditions in India, and could also adversely affect us and our business, financial condition and results of operations.

### ***59. We are subject to risks arising from exchange rate fluctuations.***

The exchange rate between the Rupee and the US Dollar has changed substantially in recent years and may continue to fluctuate substantially in the future. From December 31, 1999 to May 31, 2002, the value of the Rupee declined by 12.8%. From May 31, 2002 to June 1, 2007, the value of the Rupee against the US Dollar rose by approximately 17.32 %. As of March 31, 2007, we had a total outstanding balance of US-Dollar denominated loans of US\$ 50 million. We also make significant capital expenditures in US Dollars. Accordingly, our operating and financial results would be negatively affected if the Rupee depreciates against the US Dollar. We cannot assure you that we will be able to effectively mitigate the adverse impact of currency fluctuations on our results of operations.

### ***60. Terrorist attacks, civil unrests and other acts of violence or war could adversely affect the financial markets and our business...***

Terrorist attacks, as well as other acts of violence or war, may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, financial condition and results of operations. Increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.

### ***61. If communal disturbances or riots erupt in India, or if regional hostilities increase, this would adversely affect the Indian economy, the health of which our business depends on.***

India has experienced communal disturbances, terrorist attacks and riots during recent years. If such events recur, our operational and marketing activities may be adversely affected, resulting in a decline in income. The Asian region has from time to time experienced instances of civil unrest and hostilities among neighbouring countries. Hostilities and tensions may occur in the future and on a wider

scale. Such events in the future could influence the Indian economy and may have a material adverse effect on the market for securities of Indian companies, including the Equity Shares.

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

The performance and the growth of our business are necessarily dependent on the health of the overall Indian economy. The Indian economy has shown sustained growth over the last several years with real GDP growing at 9.5% during the second half of fiscal 2007, 9.0% in the year ended March 31, 2006, 6.5% in the year ended March 31, 2005, 8.5% in the year ended March 31, 2004 and 4.0% in the year ended March 31, 2003. However, while the Government has slowly deregulated the telecommunications industry, any adverse change in policy could result in a slowdown of the Indian economy. Additionally, these policies will need continued support from stable regulatory regimes that stimulate and encourage the continued movement of private capital into infrastructure development. Any slowdown in the Indian economy could adversely affect our business, financial condition and results of operations.

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

***64. Our profitability would decrease if there is any adverse change in general tax policies or if the tax benefits are reduced or withdrawn.***

We currently have operations and staff spread across various states of India and we further propose to expand our operations to other states in India. Consequently, we are, and would be, subject to the jurisdiction of a number of tax authorities and regimes. The revenues recorded and income earned in these jurisdictions are taxed on differing bases, including net income actually earned, net income deemed earned and revenue-based tax withholding. The final determination of our tax liabilities involves the interpretation of the related jurisdiction as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred. Changes in the operating environment, including changes in tax law, could impact the determination of our tax liabilities for any relevant tax year.

Taxes and other levies imposed by the central or State Governments in India that affect our industry include ADC, licence fees, customs duties, excise duties, VAT, income tax, service tax and other taxes, duties or surcharges introduced from time to time. The central and State tax scheme in India is extensive and subject to change from time to time. Any adverse changes in any of the taxes levied by the central or State Governments may adversely affect our competitive position and profitability.

***65. We cannot guarantee the accuracy or completeness of facts and other statistics with respect to India, the Indian economy, and the Indian telecommunications sector contained in this Red Herring Prospectus.***

Facts and other statistics in this Red Herring Prospectus relating to India, the Indian economy and the Indian telecom sector have been derived from various Government publications and obtained in communications with various Indian Government agencies that we believe to be reliable. However, we cannot guarantee the quality or reliability of such source of materials. While our directors have taken reasonable care in the reproduction of the information, they have not been prepared or independently verified by us or any of our affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside India. These facts and other statistics include the facts and statistics included in the section entitled "Industry Overview" on page 46 of this Red Herring Prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced elsewhere and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

## Notes to Risk Factors

- The Company was originally incorporated as a private limited company on March 28, 1995 under the name of “Modicom Network Private Limited”. The Company subsequently became a deemed public company under section 43(1A) of the Companies Act, 1956 with effect from April 1, 1999 and the name of the Company was changed to “Modicom Network Limited”. The name of the Company was further changed to “Spice Communications Limited” vide fresh Certificate of Incorporation dated December 3, 1999. With addition of the word ‘Private’ in the name of the Company under Section 43A (2A) of the Companies Amendment Act, 2000, the name was again changed to “Spice Communications Private Limited” with effect from October 28, 2003. On December 28, 2006, the Company was converted into a public limited company and the name was changed to “Spice Communications Limited”. The Company shifted its registered office from 13<sup>th</sup> Floor Hemkunt Tower, 98, Nehru Place, New Delhi – 110019 to 60- D, Sainik Farms, New Delhi – 110062 with effect from April 13, 2004.
- The Issue comprises of issue of 113,111,111 Equity Shares and a reservation for eligible employees of up to 2,000,000 equity shares at a price of Rs. [●] per Equity Share aggregating to Rs. [●] million. The net issue to public is of 111,111,111 Equity Shares at a price of Rs. [●] per Equity Share aggregating to Rs. [●] million. The Issue would constitute 16.39% of the fully diluted post issue paid up Equity Capital of the Company. The Issuer is contemplating a Private Placement of certain of its Equity Shares to certain investors prior to the completion of the Issue.
- In terms of Rule 19(2)(b) of the SCRR, this being an Issue for less than 25% of the post Issue capital, the Issue is being made through the 100% book building process with an allocation of at least 60% of the Net Issue size to Qualified Institutional Buyers (QIBs). Out of the 60% of the Net Issue allocated to QIBs on a proportionate basis, 5% shall be proportionately allocated to Mutual Funds. Upto 10% of the Net Issue would be available for allocation to non-institutional investors and upto 30% of the Net Issue would be available for allocation to Retail Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Issue cannot be allotted to QIBs, the entire application money will be refunded.
- We have issued the 24,873,889 Equity Shares to certain pre-IPO investors at price of Rs. 45/- per Equity Share in the last six months prior to the date of the filing of this Red Herring Prospectus, which may be lower than the Issue price. For details of such allotment, please refer to the section titled “Capital Structure” on page 19 of this Red Herring Prospectus.
- The book value per Equity Share was Rs. (2.91) and Rs. (2.07) as of December 31, 2006 and as of June 30, 2006 respectively, as per our restated financial statements under Indian GAAP.
- The net worth of our Company was Rs. (1,605.25) million and Rs. (1,141.14) million as at December 31, 2006 and June 30, 2006, respectively, as per our restated financial statements under Indian GAAP.
- Investors may note that in case of oversubscription in the Issue, allotment to QIBs, Non-Institutional Bidders and Retail Bidders shall be on a proportionate basis. For more details, please see the section entitled “Issue Procedure – Basis of Allotment” on page 377 of this Red Herring Prospectus.
- Investors are advised to refer to the section entitled “Basis for Offer Price” on page 37 of this Red Herring Prospectus.
- Average Cost per share to the promoter is as given below: -

S. No.	Promoter	Average Cost (Rs.)
1	Mr. Dilip Modi	50.00
2	Modi Wellvest Private Limited	10.00

- Trading in Equity Shares of our Company for all the investors shall be in dematerialized form only.
- For related party transactions, please see the section entitled “Related Party Transactions” on page 235 of this Red Herring Prospectus.

- For details of the interest of our Promoters, Directors and key managerial personnel in the Company, please see the sections entitled “Our Promoter – Interest of Promoters and Common Pursuits” and “Our Management” on pages 128 and 114, respectively, of this Red Herring Prospectus.
- Investors are free to contact the BRLMs for any clarification or information relating to the Offer who will be obliged to provide the same to the investor.

## SECTION III: INTRODUCTION

### SUMMARY

We commenced operations in 1997 as a cellular services provider in the states of Punjab and Karnataka in India. As of March 31, 2007, we were the second largest cellular services provider in Punjab and fifth largest cellular services provider in Karnataka, measured by the total number of subscribers (based on data compiled by the COAI). On a combined basis, we have a market share of 14.49% in these states, measured by the total number of subscribers. Our customer base consisted of approximately 2.73 million subscribers as of March 31, 2007, comprising of approximately 2.20 million pre-paid subscribers and approximately 0.53 million post-paid subscribers. Our total billable subscribers as on March 31, 2007 were 2.12 million comprising approximately 1.67 million pre-paid subscribers and approximately 0.45 million post-paid subscribers. According to data compiled by COAI, the Punjab and Karnataka circles in which we operate accounted for 11.95% of India's telecommunications market share as of March 31, 2007, measured by total number of subscribers. Both of these states are recognised as major economic hubs of India, with Punjab enjoying the highest per capita income in the country, and Karnataka (whose major city is Bangalore) known as the "Silicon Valley" of India. To complement our existing markets, we have recently embarked on a pan-India expansion strategy by applying for licences for an additional 21 circles throughout India to provide GSM cellular services, in addition to licences for providing NLD and ILD services. In the three years ended June 30, 2004, 2005 and 2006, our total income was Rs. 5,549.78 million, Rs. 6,434.75 million and Rs. 6,802.87 million, respectively, and our earnings before income, tax, depreciation and amortization ("EBITDA") was Rs. 1,690.49 million, Rs. 2,033.85 million and Rs. 1,653.50 million, respectively. For the six months period ended December 31, 2006 our total income was Rs. 3,939.49 million and our EBITDA was Rs. 934.38 million.

We are an incumbent cellular operator in the states of Punjab and Karnataka with an allocation in the 900 MHz spectrum in both these states. As of March 31, 2007, we had installed 1,358 sites throughout Punjab and 1,019 sites throughout Karnataka. We own/lease optical fibre backbone and micro transmission links with back-up and redundancy support in the markets in which we operate. As of March 31, 2007, we distributed our services through 300 exclusive distributors, which tapped into a network of 90 corporate dealers and over 28,000 independent retailers. We believe that our network coverage and large number of distribution outlets have enabled us to compete effectively in the cellular services market in these states.

We have a recognised and vibrant brand, which we currently promote in a targeted manner in each of our markets, using local languages and cultural norms. As we expand our business outside of Punjab and Karnataka, we expect to supplement this local brand strategy with a national brand strategy which focuses on India's relatively youthful population by providing marketing, customer retention and loyalty programs and lifestyle features, including value-added services that appeal to younger subscribers. Currently, we also offer various value-added services and international roaming services.

One of the challenges faced by the Indian cellular industry is high churn rate. We have implemented a comprehensive churn prediction module which helps us to estimate potential loss of subscribers on the basis of certain parameters such as usage, calls to competitor help lines, the payment pattern and history of subscribers' network. This module helps us in reaching out to customers proactively instead of reacting when the customer has decided to churn.

Our Promoters are Mr. Dilip Modi and Modi Wellvest Private Limited.

TM, through TMI India, a wholly-owned subsidiary of TM International, is an investor in our Company. We expect to benefit from TM's operational and management experience both in Malaysia and key Asian regional markets, through the creation of new products and services, the sharing of technological experience and implementing and leveraging group synergies.

### Our Competitive Strengths

- Established Player in our footprint.** As of March 31, 2007, we were the second largest operator in Punjab, with approximately 1.91 million subscribers and the fifth largest operator in Karnataka, with approximately 0.82 million subscribers. We believe our size, presence and relatively long history in these markets help provide us with brand recognition in these markets, as well as substantial experience in providing services that appeal to diverse markets.



- **Investor with strong operational capabilities in TM.** TM's investment in our Company in March 2006 provided us with an opportunity to leverage the operational and strategic expertise of a major regional telecommunications player. TM is a leading telecommunications company based in Malaysia, with an established presence in the Asia-Pacific region, including investments in Sri Lanka, Bangladesh, Indonesia, Cambodia, Singapore and Pakistan. We believe that TM's experience and track record in expanding its business throughout the region will be helpful in the implementation of our pan-India expansion strategy and that our relationship with TM may also give us access to additional technical and marketing expertise and economies of scale.
- **Vibrant and well-recognised brand name.** We believe we were the first cellular services company to commence commercial operations in the Punjab markets and we believe our history in these markets, and ongoing targeted marketing strategy, has contributed to the development of our brand. The "Spice" brand which we have obtained from MCorp Global Private Limited through a deed of assignment is well-recognised in our target markets. Furthermore, we believe our brand positioning can be applied in the national market as we seek to expand our presence in all the telecom circles in India. We believe the recognition of the "Spice" brand is enhanced through sale of mobile handsets by one of our Promoter Group Companies, Spice Mobiles Limited, under the same brand name.
- **Experienced Management Team.** Our management team includes senior executives who have experience working in the Indian wireless communications market since the first commercialisation of wireless services in 1995. As a result, our management has extensive experience with planning and implementing strategies in the fast-changing Indian cellular market. We believe our management strength will be crucial in the implementation of our future growth plans.

## Our Strategy

- **Consolidate and strengthen our position in our existing markets.** We intend to consolidate and grow our presence in Punjab and Karnataka markets. We intend to achieve this by expanding our geographic network coverage in these states to enhance our market share. We believe that one of the most significant factors that subscribers consider when making decisions on cellular services is network quality. To that end, a key component of our overall strategy is to continually improve and expand our network. We plan to accelerate the build-out of the network to improve coverage in small towns and rural areas and strengthen the penetration in urban areas. We also plan to work with our roaming partners to improve and expand our coverage and to provide consistent products and services to our subscribers...
- **Focus on operational efficiencies to improve profit margin and cash flow.** We intend to use a variety of financial, management and operational tools to help improve our profit margins and cash flows. For example, to assist in a cost-efficient build-out of our network, we plan to continue to share towers with other cellular services providers and outsource infrastructure build-up in order to reduce cost of infrastructure development and quicken the roll-out of our infrastructure. We are also in the process of structuring certain financing solutions to our acquisition of network equipment to manage our cash flow. For more details, please see "Management Discussion and Analysis" on page 271 of this Red Herring Prospectus. Finally, we anticipate significant cost savings in outgoing calls and earn revenues from incoming traffic once our own NLD and ILD services are operational.
- **Enhance recognition of the "Spice" brand through both a local and national brand strategy.** In line with our strategy to become a national player, we will focus on horizontal and vertical branding to make "Spice" more prominent in our existing markets as well as creating a greater national presence. We plan to continue our strategy of undertaking region-focused, local language advertising and marketing programs to consolidate our position in Punjab and Karnataka. At the same time, we plan to begin promotion and advertising nationally through newspapers, radio and television networks in order to increase recognition of "Spice" throughout the country.
- **Continue to expand our comprehensive distribution network to grow our customer base.** We intend to leverage our relationship with our existing exclusive independent distributors to increase the network of retailers who sell our pre-paid and post-paid services, thereby attracting new subscribers. As of March 31, 2007, we distributed our services through 300 exclusive distributors, which tapped into a network of 90 corporate dealers and over 28,000 independent retailers. Our exclusive distributors provide us with ongoing support in customer acquisition and retention. We intend to expand our network of dealers and distributors in order to increase our brand awareness, provide better logistical support to our customer base and create a strong channel of communication between us and our subscribers. As part of our pan-India expansion strategy, we intend to develop relationships with distributors in the new markets we enter, leveraging their local expertise and relationships with retailers to provide our services in those markets.

- **Expand our operations to other circles in India.** We have applied to the appropriate regulatory authorities to obtain licences to provide cellular services in an additional 21 circles throughout India, because providing these services could provide additional revenue streams at a relatively low marginal cost. Our application is pending before the DoT and we cannot be certain that we will be granted licenses for any of the additional circles. However, we believe that in the event we are granted licenses for additional circles, it will not only provide us with marketing and branding benefits, but will also permit us to offer simplified pricing plans. Our pan-India expansion strategy involves a gradual build-out of a nation wide cellular network of our own for or through inorganic means including acquisition / merger / amalgamation, subject to necessary regulatory approvals. We believe that our experience in developing our business in local markets in Punjab and Karnataka will be valuable in expanding our business throughout the diverse markets of India. We have recently also received a non-exclusive letter of intent (“LOI”) from the Ministry of Communications and IT, DoT, for providing non-exclusive NLD and ILD services.
- **Focused emphasis on value-added services.** We believe that it is increasingly important to create value-added services that are attractive to subscribers across a broad spectrum of market segments. We will seek to improve and expand the information, ring tones, games and other content and value-added services that our subscribers can access via their handsets. Our relationship with Cellebrum.com Private Limited, an affiliate company, that creates value-added services for wireless operators, will help us introduce value-added services. Additionally, we will work with TM, to develop innovative value-added services designed to appeal specifically to different market segments.
- **Leverage our relationship with TM.** We believe we will benefit from TM’s operational and management experience both in Malaysia and key Asian regional markets, through creating new products and services, sharing technological experience and implementing and leveraging group synergies such as in global procurement. TM is a consortium member of all submarine cable systems that land in Malaysia and has access to capacity in other submarine cable systems globally. This can provide us significant benefits of synergy for international global connectivity and on competitive terms. Also, TM has co-location facilities at major data centres and tele-houses. Due to our relationship with TM, we can access these cable systems and facilities. Also, upon implementation of ILD licence, we expect to be benefited through high volume commitments from TM which has various investments / operations in the Asia-Pacific region like Malaysia, Indonesia, Sri Lanka, and Thailand among others.

**SUMMARY FINANCIAL INFORMATION**

The following tables present standalone summary financial information for Spice Communications Limited and should be read in conjunction with the Auditors' Reports and notes thereto contained in this Red Herring Prospectus and the sections titled "Financial Statements", "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Our Business" on pages 168, 271 and 60 respectively of this Red Herring Prospectus. The summary financial information presented below as of and for the years ended June 30, 2002, 2003, 2004, 2005, 2006 and six months period ended December 31, 2006 were derived from the audited financial statements of the Company, audited by BSR & Co., Chartered Accountants, in accordance with Indian GAAP. The summary restated financial information presented below does not purport to project our results of operations or financial condition.

Indian GAAP differs in certain significant aspects from US GAAP. For more information on these differences see the section titled "Summary of significant differences between Indian GAAP and US GAAP" on page 262 of this Red Herring Prospectus.

**Statement of Profit and Loss, as restated**
**Annexure I**

Particulars	Year ended 30 June 2002	Year ended 30 June 2003	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006	1 July to 31 December 2006
<b>Income</b>						
Service Income	5,016.99	4,942.59	5,363.41	6,018.96	6,614.86	3,814.79
Sales of traded products	-	-	-	46.71	0.07	36.33
	<b>5,016.99</b>	<b>4,942.59</b>	<b>5,363.41</b>	<b>6,065.67</b>	<b>6,614.93</b>	<b>3,851.12</b>
Other Income	311.63	853.89	186.37	369.08	187.94	88.37
<b>Total</b>	<b>5,328.62</b>	<b>5,796.48</b>	<b>5,549.78</b>	<b>6,434.75</b>	<b>6,802.87</b>	<b>3,939.49</b>
<b>Expenditure</b>						
Operating costs	1,237.63	1,454.76	1,800.51	2,149.08	2,377.51	1,580.46
Personnel costs	296.49	315.55	346.82	381.51	406.68	227.93
Revenue sharing license fees	488.04	452.70	424.95	340.49	358.49	209.83
Administrative costs	590.98	461.72	513.81	601.27	809.85	421.27
Sales and marketing costs	803.43	597.72	773.20	928.55	1,156.29	565.62
Loan prepayment and restructuring Cost	-	-	-	-	40.55	-
<b>Operating profit before finance cost &amp; depreciation/amortisation</b>	<b>1,912.05</b>	<b>2,514.03</b>	<b>1,690.49</b>	<b>2,033.85</b>	<b>1,653.50</b>	<b>934.38</b>
Finance cost	1,061.13	766.39	680.54	718.99	869.74	638.05
Depreciation and amortisation	1,004.45	1,171.59	1,235.09	1,239.25	1,458.21	709.55
<b>Net profit/(loss) before tax</b>	<b>(153.53)</b>	<b>576.05</b>	<b>(225.14)</b>	<b>75.61</b>	<b>(674.45)</b>	<b>(413.22)</b>
<b>Provision for tax</b>						
- Fringe benefit tax	-	-	-	1.76	12.97	4.92
<b>Net profit/(loss) after tax</b>	<b>(153.53)</b>	<b>576.05</b>	<b>(225.14)</b>	<b>73.85</b>	<b>(687.42)</b>	<b>(418.14)</b>
Profit/(Loss) brought forward from previous year	(6,009.24)	(6,162.77)	(5,586.72)	(5,811.86)	(5,738.01)	(6,425.43)
<b>Profit/(Loss) carried forward to Balance Sheet</b>	<b>(6,162.77)</b>	<b>(5,586.72)</b>	<b>(5,811.86)</b>	<b>(5,738.01)</b>	<b>(6,425.43)</b>	<b>(6,843.57)</b>

**Notes:**

- 1) To be read in conjunction with audited accounts for the financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and six months ended 31 December 2006 and summary of significant accounting policies (Annexure IV) and Notes to statement of profit and loss, as restated and statement of assets and liabilities, as restated (Annexure V) and Annexure VI to Annexure XVI in respect of other financial information.
- 2) There are no extraordinary items, which need to be disclosed separately in the restated statements.
- 3) The adjustments pertaining to financial years ended on or before 30 June 2001 have been adjusted in the opening reserves as at 1 July 2001.

**Statement of Assets and Liabilities, as restated**
**Annexure II**  
*(Amounts in Rupees millions)*

Particulars	As at 30 June 2002	As at 30 June 2003	As at 30 June 2004	As at 30 June 2005	As at 30 June 2006	As at 31 December 2006
<b>A Fixed Assets</b>						
(i) Gross block	13,928.98	14,590.78	15,632.70	16,663.68	18,458.35	20,002.16
Less : Accumulated Depreciation	4,340.58	5,500.87	6,708.44	7,934.85	9,370.35	10,066.92
Net Block	9,588.40	9,089.91	8,924.26	8,728.83	9,088.00	9,935.24
(ii) Capital work in Progress/advances	212.53	118.79	239.32	271.91	318.93	441.30
	<b>9,800.93</b>	<b>9,208.70</b>	<b>9,163.58</b>	<b>9,000.74</b>	<b>9,406.93</b>	<b>10,376.54</b>
<b>B Investments</b>	-	-	-	-	-	-
<b>C Current assets, Loans and advances</b>						
(i) Inventories	9.64	3.90	-	0.52	-	6.59
(ii) Sundry debtors	561.19	503.22	532.34	597.83	505.29	544.53
(iii) Cash and bank balances	1,132.77	1,542.20	2,072.96	2,099.06	1,472.69	1,272.88
(iv) Loans and advances	303.62	698.82	642.81	762.72	520.38	898.34
	2,007.22	2,748.14	3,248.11	3,460.13	2,498.36	2,722.34
<b>(A+B+C)</b>	<b>11,808.15</b>	<b>11,956.84</b>	<b>12,411.69</b>	<b>12,460.87</b>	<b>11,905.29</b>	<b>13,098.88</b>
<b>D Liabilities and provisions</b>						
(i) Secured loans	7,300.73	7,180.24	7,451.41	7,278.16	10,360.02	11,440.15
(ii) Unsecured Loans	3,602.24	3,368.41	3,364.28	3,483.48	713.09	638.98
(iii) Current Liabilities and Provisions	1,565.94	1,489.63	1,899.29	1,925.40	1,973.32	2,625.00
	12,468.91	12,038.28	12,714.98	12,687.04	13,046.43	14,704.13
<b>Net worth (A+B+C-D)</b>	<b>(660.76)</b>	<b>(81.44)</b>	<b>(303.29)</b>	<b>(226.17)</b>	<b>(1,141.14)</b>	<b>(1,605.25)</b>
<b>E Represented by</b>						
(i) Equity Share Capital	5,519.40	5,519.40	5,519.40	5,519.40	5,519.40	5,519.40
(ii) Reserves and surplus						
- Profit and Loss Account	(6,162.77)	(5,586.72)	(5,811.86)	(5,738.01)	(6,425.43)	(6,843.57)
(iii) Misc Expenditure to the extent not written off or adjusted	(17.39)	(14.12)	(10.83)	(7.56)	(235.11)	(281.08)
<b>Net Worth (i+ii+iii)</b>	<b>(660.76)</b>	<b>(81.44)</b>	<b>(303.29)</b>	<b>(226.17)</b>	<b>(1,141.14)</b>	<b>(1,605.25)</b>

**Notes:**

- 1) To be read in conjunction with audited accounts for the financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and six months ended 31 December 2006 and significant accounting policies (Annexure IV) and Notes to statement of profit and loss, as restated and statement of assets and liabilities, as restated (Annexure V) and Annexure VI to Annexure XVI in respect of other financial information.
- 2) Investments for the years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and six months ended 31 December 2006 have been shown as NIL due to rounding off.

- 3) The adjustments pertaining to financial years ended on or before 30 June 2001 have been adjusted in the opening reserves as at 1 July 2001.
- 4) During the year end 30 June 2006, the Company had undertaken significant financing restructuring with respect to debts by taking fresh debts and repaying the existing debts. Refer to note 3(II) (c) of Annexure V for the details of restructuring and utilization of loans.
- 5) Repayment of unsecured loan outstanding as on June 30, 2005 was done out of the INR facility loan taken from consortium of banks lead by DBS Bank.

## THE ISSUE

	<b>No. of Equity Shares</b>
<b>Public Issue of Equity Shares through this Red Herring Prospectus</b>	113,111,111 Equity Shares of Rs. 10 each
Of which:	
Employee Reservation Portion	2,000,000 Equity Shares of Rs. 10 each
Net Issue to Public	111,111,111 Equity Shares of Rs. 10 each
Of which:	
Qualified Institutional Buyers Portion*	At least 66,666,667 Equity Shares of Rs. 10 each out of which 5% of QIB Portion or 3,333,334 Equity Shares (assuming that the QIB portion is 60% of the issue) shall be allocated to Mutual Funds (Mutual Funds Portion).  <i>(Allocation on a proportionate basis)</i>
Non Institutional Portion	Up to 11,111,111 Equity Shares of Rs. 10 each shall be available for allocation.  <i>(Allocation on a proportionate basis)</i>
Retail Portion	Up to 33,333,333 Equity Shares of Rs. 10 each shall be available for allocation.  <i>(Allocation on a proportionate basis)</i>
Equity Shares outstanding prior to the Issue	576,813,889 Equity Shares of Rs. 10 each
Equity Shares outstanding after the Issue	689,925,000 Equity Shares of Rs. 10 each
Objects of the Issue	Please see the section entitled “Objects of the Issue” on page 28 of this Red Herring Prospectus.

\* Under subscription if any in any parties, except the QIB portion, would be met with spillover from the parties as the sole discretion of our Company in consultation with BRLMs. If at least 60% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded.

## GENERAL INFORMATION

Our Company was originally incorporated as a private limited company on March 28, 1995 under the name of “Modicom Network Private Limited” for providing telecommunication services. Our Company subsequently became a deemed public company under section 43(1A) of the Companies Act, 1956 with effect from April 1, 1999 and the name of the Company was changed to “Modicom Network Limited”. The name of the Company was further changed to “Spice Communications Limited” vide fresh Certificate of Incorporation dated December 3, 1999. With addition of the word ‘Private’ in the name of the Company under Section 43A (2A) of the Companies Amendment Act, 2000, the name was again changed to “Spice Communications Private Limited” with effect from October 28, 2003. On December 28, 2006 the Company was converted into a Public limited Company and the name was changed to “Spice Communications Limited”.

## INFORMATION RELATING TO THE COMPANY

### ***Registered Office***

60-D Sainik Farms,  
New Delhi – 110062  
India

(The Registered office of the Company was changed from 13<sup>th</sup> Floor, Hemkunt Tower, 98, Nehru Place, New Delhi – 110019 to the present address w.e.f. April 13, 2004.)

### ***Corporate office***

Spice Towers,  
No. 75, Richmond Road,  
Civil Station,  
Bangalore-560 025,

### ***Head office***

D- 1, Sector 3  
NOIDA- 201301,  
Uttar Pradesh,

### ***Registration number of Company / CIN***

U74899DL1995PLC066827

### ***Address of Registrar of Companies where the Company is registered:***

Registrar of Companies NCT of Delhi & Haryana,  
Paryavaran Bhavan,  
CGO Complex,  
Lodhi Road,  
New Delhi-110 002  
India



## Board of Directors

The Board of Directors comprise of the following members:

Sl. No.	Name	Designation
1.	Mr. Dilip Modi	Chairman and Managing Director
2.	Mr. D.R Mehta	Independent Director
3.	Mr. Hetal Gandhi	Independent Director
4.	Mr. Krishan Lal Chugh	Independent Director
5.	Mr. Mahesh Prasad	Independent Director
6.	Ir. Prabahar N K Singam	Director
7.	Dr. Shridhir Sariputta Hansa Wijayasuriya	Director
8.	Mr. Yusof Annuar bin Yaacob	Director

For details of Directors of the Company, please refer to section titled “Our Management” on page 114 of this Red Herring Prospectus.

## Company Secretary and Compliance Officer

Ms. Preeti Malhotra  
Compliance Officer and Company Secretary  
Spice Communications Limited  
D 1, Sector 3,  
NOIDA - 201301,  
Uttar Pradesh  
Ph: (91 120) 436 3600  
Fax: (91 120) 436 3845  
Email: [complianceofficer@spiceindia.com](mailto:complianceofficer@spiceindia.com)

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

## LEGAL ADVISORS

### Domestic Legal Advisor to the Company

**Fox Mandal & Co**  
FM House,  
A-9, Sector-9  
Noida-201301  
Tel: (91 120) 430 5555  
Fax: (91 120) 254 2222  
Email: [newdelhi@foxmandallittle.com](mailto:newdelhi@foxmandallittle.com)

### International Legal Advisors to the Underwriters

**Skadden, Arps, Slate, Meagher & Flom, LLP**  
42/F, Edinburgh Tower  
The Landmark  
15 Queen’s Road Central  
Hong Kong  
Tel: (852) 3740 4700  
Fax: (852) 3740 4727

***Domestic Legal Advisors to the Underwriters***

**AZB & Partners**

Express Towers  
23<sup>rd</sup> Floor  
Nariman Point  
Mumbai 400021  
India  
Tel: (91 22) 6639 6880  
Fax: (91 22) 6639 6888  
Email: [mumbai@azbpartners.com](mailto:mumbai@azbpartners.com)

**ISSUE MANAGEMENT TEAM**

***Book Running Lead Managers***

**Enam Financial Consultants Private Limited**

801, Dalamal Towers  
Nariman Point  
Mumbai 400 021  
India  
Tel: (91 22) 6638 1800  
Fax: (91 22) 2284 6824  
Email: [spice.ipo@enam.com](mailto:spice.ipo@enam.com)  
Website: [www.enam.com](http://www.enam.com)  
Contact Person: Ashish Kumbhat

**UBS Securities India Private Limited**

2/F, Hoechst House  
Nariman Point, Mumbai – 400 021  
India  
Tel: (91 22) 2286 2000  
Fax: (91 22) 2281 4676  
Email: [spice@ubs.com](mailto:spice@ubs.com)  
Website: [www.ibb.ubs.com/corporate/indianipo/](http://www.ibb.ubs.com/corporate/indianipo/)  
Contact Person: Avi Mehta

Further, for all the issue related queries and for redressal of investors' complaints, investors may also write a mail to [complaints@enam.com](mailto:complaints@enam.com) and [spice@ubs.com](mailto:spice@ubs.com)

***Registrars to the Issue***

**Karvy Computershare Private Limited**

“Karvy House”, 46, Avenue 4,  
Street No. 1, Banjara Hills,  
Hyderabad – 500 034  
India  
Tel: +91 1 800 3454001  
Fax: +91 40 2343 1551  
Email: [murali@karvy.com](mailto:murali@karvy.com)  
Website: [www.karvy.com](http://www.karvy.com)  
Contact person: Mr. Murali Krishna

***Syndicate Members***

**ENAM Securities Private Limited**

Khataeu Building,  
2<sup>nd</sup> Floor,  
44B Bank Street,  
Shaheed Bhagat Singh Road  
Fort, Mumbai.  
Phone: (91 22) 66381800  
Fax: (91 22) 22846824  
Email: [spice.ipo@enam.com](mailto:spice.ipo@enam.com)  
Website: [www.enam.com](http://www.enam.com)  
Contact Person: Mr. M. Natrajan

**Anand Rathi Securities Limited**

J.K. Somani Building, 3rd Floor,  
British Hotel Lane,  
Bombay Samachar Marg  
Fort,  
Mumbai – 400 023  
Phone: (91 22) 6637 7000  
Fax: (91 22) 6637 7070  
Email: [spiceipo@rathi.com](mailto:spiceipo@rathi.com)  
Website: [www.rathi.com](http://www.rathi.com)  
Contact Person: Ms. Meghna Parekh

***Monitoring Agency***

**Infrastructure Development and Finance Company Limited**

1601, Maker Chambers V,  
Nariman Point,  
Mumbai 400021  
Phone: (91 22) 6622 6000  
Fax: (91 22) 6610 0170  
Email: [information@idfc.com](mailto:information@idfc.com)  
Website: [www.idfc.com](http://www.idfc.com)  
Contact Person: Mr. Debabrata Mukherjee,

**BANKERS TO THE COMPANY**

**DBS Bank Limited**

Fort House, 5th Floor  
221 Dr. D. N. Road  
Fort, Mumbai 400001  
India  
Ph: (91 22) 6638 8888  
Fax : (91 22) 6638 8889

**DBS Bank Limited,**

Labuan Branch  
Level 12 (E), Main Office Tower  
Financial Park Labuan  
Jalan Merdeka  
87000 FT Labuan  
Malaysia  
Ph : 6087 429 375  
Fax : 6087 429 376

**Deutsche Bank AG**

DB House,  
Hazarimal Somani Marg,  
Fort, Mumbai, 400001  
Ph: (91 22) 5658 4600  
Fax : (91 22) 2207 5944

**The Hongkong and Shanghai Banking Corporation Limited**

52/60, Mahatma Gandhi Road,  
P.O. Box 128,  
Mumbai 400001  
Ph: (91 22) 22674921  
Fax : (91 22) 2267 0703

**Barclays Bank PLC**

Mumbai Branch  
21/23, Maker Chambers VI,  
Nariman Point,  
Mumbai 400 021  
Ph: (91 22) 6638 7100  
Fax : (91 22) 6638 7184

**GE Commercial Finance**

Nirmal, 17<sup>th</sup> Floor,  
Nariman Point,  
Mumbai-400 021  
Ph: (91 22) 5630 1340  
Fax: (91 22) 5630 1349

**Yes Bank Limited**

Nehru Centre  
9<sup>th</sup> Floor, Discovery of India,  
Dr. A.B. Road,  
Worli, Mumbai- 400 018  
Ph: (91 22) 6669 9000  
Fax : (91 22) 2490 0314

**DSP Merrill Lynch Capital Limited**

Mafatlal Centre,  
10<sup>th</sup> Floor,  
Nariman Point,  
Mumbai- 400 021  
Ph: (91 22) 4002 9016  
Fax : (91 22) 4002 9017

**UCO Bank**

Flagship Corporate Centre  
1<sup>st</sup> Floor, Mafatlal Centre,  
Nariman Point,  
Mumbai-400 021  
Ph: (91 22) 6649 2202  
Fax : (91 22) 2202 5338

**BANKERS TO THE ISSUE**

**Hongkong and Shanghai Banking Corporation Limited**

52/60, Mahatma Gandhi Road,  
Mumbai 400 001  
Tel: (91 22) 2268 5568  
Fax: (91 22) 2262 3890  
Website: [www.hsbc.co.in](http://www.hsbc.co.in)  
Email: [zersisirani@hsbc.co.in](mailto:zersisirani@hsbc.co.in)  
Contact Person: Zersis Irani

**ICICI Bank Limited**

ICICI Bank Limited, Capital Market Division  
Raja Bahadur Mansion  
30, Mumbai Samachar Marg,  
Fort, Mumbai 400 001  
Tel: (91 22) 2265 5284 / 2265 5285  
Fax: (91 22) 2261 1138  
Website: [icicibank.com](http://icicibank.com)  
Email: [sidhartha.routray@icicibank.com](mailto:sidhartha.routray@icicibank.com)  
Contact Person: Mr. Siddhartha Sankar Routray

**HDFC Bank Limited**

BTI Operations, 26 A, Narayan Properties, Opposite Saki Vihar, Andheri (East), Mumbai 400 072, India.  
Tel: +91 22 2856 9202  
Fax: + 91 22 2856 9256  
Email: viral.kothari@hdfcbank.com  
Website: www.hdfcbank.com  
Contact Person: Mr. Viral Kothari

**Standard Chartered Bank Limited**

270, D.N. Road, Fort, Mumbai 400 001, India.  
Tel: +91 22 2268 3965  
Fax: +91 22 2209 6067  
Email: rajesh.malwade@in.standardchartered.com  
Website: www.standardchartered.co.in  
Contact Person: Mr. Rajesh Malwade

**Yes Bank Limited**

Nehru Centre, 4<sup>th</sup> Floor, Discovery of India, Dr. A.B. Road, Mumbai 400 018, India.  
Tel: +91 22 6669 9086  
Fax: +91 22 2494 7639  
Email: rajesh.lahori@yesbank.in  
Website: www.yesbank.in  
Contact Person: Mr. Rajesh Lahori

**AUDITORS OF THE COMPANY**
**BSR & Co.**

Chartered Accountants  
4B, DLF, Corporate Park  
DLF City, Phase – III  
Gurgaon – 122 002  
Haryana, India.  
Ph: (91-124) 254 9191  
Fax: (91-124) 254 9195

**STATEMENT OF RESPONSIBILITIES OF BOOK RUNNING LEAD MANAGERS**

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

	Activities	Responsibility	Coordinator
1.	Capital structuring with the relative components and formalities such as type of instruments etc.	ENAM	ENAM
2.	Due diligence of our Company's operations/ management/ business plans/ legal etc. Drafting and design of the Red Herring Prospectus and statutory advertisement including memorandum containing salient features of the Prospectus. (The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchange, RoC and SEBI including finalization of Prospectus and RoC filing of the same)	ENAM	ENAM

	Activities	Responsibility	Coordinator
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, corporate films etc.	ENAM	ENAM
4	Appointment of intermediaries, viz. Registrar to the Offer, printers, advertising agencies and bankers to the Offer.	ENAM	ENAM
5	Institutional Marketing of the Offer, which will cover, <i>inter alia</i> , – Marketing to foreign institutional investors	ENAM, UBS	UBS
	– Marketing to domestic institutions including mutual funds, scheduled commercial banks, insurance companies, multilateral and bilateral DFIs in India	ENAM, UBS	ENAM
6	Non-Institutional and Retail Marketing of the Offer, which will cover, <i>inter alia</i> , – Formulating marketing strategies, preparation of publicity budget; – Finalizing Media and PR strategy; – Finalizing centres for holding conferences for brokers etc.; – Finalizing collection centres; – Follow-up on distribution of publicity and Offer material including forms, prospectus and deciding on the quantum of the Offer material; and – Coordination with Stock Exchange for book building software, bidding terminals, mock trading and managing the book	ENAM	ENAM
7	Finalization of Issue Price in consultation with the Company.	ENAM, UBS	UBS
8	Post bidding activities: Management of escrow accounts for the issue, coordination non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders etc. Post Offer activities: 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 Offer and Bankers to the Offer and the bank handling refund business. (The BRLMs shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company)	ENAM	ENAM

### IPO Grading

Since we had filed our DRHP prior to April 30, 2007, IPO grading is not mandatory for us and we have not opted for the same.

### Credit Rating

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

## 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 this Red Herring Prospectus within the Price Band. The Issue Price is fixed after the Bid Closing Date / Issue Closing Date.

The principal parties involved in the Book Building Process are:

- The Company;
- Book Running Lead Managers;
- Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the BSE and eligible to act as Underwriters. Syndicate Members are appointed by the BRLMs;
- Escrow Collection Bank(s); and
- Registrar to the Issue.

In terms of Rule 19(2) (b) of the Securities Contracts Regulation Rules, 1957, as amended from time to time ("SCRR"), with respect to the Issue being less than 25% of post Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue to the Public shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs") (the "QIB Portion"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, up to 10% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non Institutional Bidders and up to 30% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. 2,000,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. In addition, QIBs are required to pay a 10% Margin Amount upon submission of their Bid and allocation to QIBs will be on a proportionate basis. For further details please refer to the section titled "Issue Procedure" on page 377 of this Red Herring Prospectus.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed ENAM Financial Consultants Private Limited and UBS Securities India Private Limited, as the BRLMs to manage the Issue and to procure subscription to the Issue.

## Illustration of Book Building and Price Discovery Process

*(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)*

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

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1000	23	1500	50.00%
1500	22	3000	100.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

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

**The process of Book Building under SEBI (DIP) Guidelines is relatively new and investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.**

#### **Steps to be taken for bidding:**

- Check eligibility for bidding, see the section titled “Issue Procedure-Who Can Bid?” on page 377 of this Red Herring Prospectus;
- Ensure that the Bidder has a demat account; and
- 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.
- If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN cards or PAN allotment letter to the Bid cum Application Form (see section titled “Issue Procedure” on page 377 of this Red Herring Prospectus).
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

#### **Withdrawal of the Issue**

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue any time after the Bid/Issue opening date but before the Allotment of Equity Shares without assigning any reason.

#### **Bid/Issue Programme**

<b>BID/ISSUE OPENS ON</b>	<b>June 25, 2007</b>
<b>BID/ISSUE CLOSES ON</b>	<b>June 27, 2007</b>

Bids and any revisions 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 until such time as permitted by the BSE on the Bid /Issue Closing Date. Bids will only be accepted on working days i.e. Monday to Friday (excluding any public holidays). Bidders are cautioned that a high inflow of bids typically experienced on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such Bids that could not be uploaded may not be considered for allocation.

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

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

#### **Underwriting Agreement**

After the determination of the Issue Price and allocation of Equity Shares of the Company but prior to filing of the Prospectus with the RoC, the Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that their respective Syndicate Members do not fulfill their underwriting obligations.



Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions precedent to closing, as specified therein.

**The Underwriters have indicated their intention to underwrite the following number of Equity Shares:**  
*(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the RoC)*

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. million)
<b>Enam Financial Consultants Private Limited</b> 801, Dalamal Towers Nariman Point Mumbai 400 021 India	[•]	[•]
<b>UBS Securities India Private Limited</b> 2/F, Hoechst House Nariman Point, Mumbai – 400 021 India	[•]	[•]
<b>ENAM Securities Private Limited</b> Khataeu Building, 2 <sup>nd</sup> Floor, 44B Bank Street, Shaheed Bhagat Singh Road Fort, Mumbai.	[•]	[•]
<b>Anand Rathi Securities Limited</b> J.K. Somani Building, 3rd Floor, British Hotel Lane, Bombay Samachar Marg Fort, Mumbai – 400 023	[•]	[•]

The above-mentioned amount is indicative underwriting and this would be finalized after pricing and actual allocation. The above Underwriting Agreement is dated [•].

In the opinion of Board of Directors of the Company (based on certificates given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the Securities and Exchange Board of India Act, 1992 or registered as brokers with the Stock Exchange(s). The above Underwriting Agreement has been accepted by the Board of Directors at the meeting held on [•] and the Company has issued letters of acceptance to the Underwriters.

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

## CAPITAL STRUCTURE OF THE COMPANY

Our Capital Structure as at the date of this Red Herring Prospectus is set forth below:

(Rs. in million)

	Aggregate Value at Nominal Value	Aggregate value at Issue Price
<b>(A) Authorized Share Capital</b>		
750,000,000 Equity shares of Rs.10/- each.	7,500.00	
1,000 Non-Convertible Redeemable Preference Shares of Rs. 10/- each.	0.01	
Total	7,500.01	
<b>(B) Issued, Subscribed and Paid-up Equity Capital before the Issue</b>		
576,813,889 Equity shares of Rs.10/- each fully paid up	5,768.14	
<b>(C) Offer to Public through this Red Herring Prospectus</b>		
113,111,111 Equity Shares of Rs.10/- each fully paid up	1,131.11	[●]
<b>(D) Employees Reservation in terms of Red Herring Prospectus</b>		
2,000,000 Equity Shares of Rs.10/- each fully paid up reserved for employees	20.00	[●]
<b>(E) Net Offer to Public</b>		
111,111,111 Equity Shares of Rs.10/- each fully paid up	1,111.11	[●]
<b>(F) Issued, Subscribed and paid up capital after the Issue</b>		
689,925,000 Equity shares of Rs.10/- each	6,899.25	[●]
<b>(G) Share Premium Account</b>		
Before the Issue	870.59	
After the Issue	[●]	

The Board of Directors authorised issue of upto 140 million Equity Shares pursuant to a resolution passed under Section 81(1A) of the Companies Act, at its meeting held on November 22, 2006. The shareholders subsequently authorised the issue of upto 140 million Equity Shares by a resolution passed at the EGM of our Company held on November 22, 2006.

We have, by our letter dated January 9, 2007 applied to the FIPB to increase the FDI in our Company up to 74% of our paid up share capital. FIPB has granted its approval for infusion of funds through this initial public offering vide letter dated March 1, 2007.

### Details of increase in the Authorized Share Capital since incorporation:

Date	Authorized Capital (Rs.)	Face Value (Rs.)	No. of Shares	Remarks
March 28, 1995	100,000,000	10	10,000,000 Equity Shares	Initial Authorised Capital
November 8, 1995	300,000,000	10	30,000,000 Equity Shares	Increased from Rs. 100,000,000 to Rs. 300,000,000
December 1, 1995	4,000,000,000	10	400,000,000 Equity Shares	Increased from Rs. 300,000,000 to Rs. 4,000,000,000
September 17, 1997	5,500,000,000	10	550,000,000 Equity Shares	Increased from Rs. 4,000,000,000 to Rs. 5,500,000,000
August 31, 1999	6,000,000,000	10	600,000,000	Increased from Rs. 5,500,000,000

Date	Authorized Capital (Rs.)	Face Value (Rs.)	No. of Shares	Remarks
			Equity Shares	to Rs. 6000,000,000
April 20, 2006	6,000,010,000	10	600,000,000 Equity Shares and 1000 Non-Convertible Redeemable Preference Shares	Increased from Rs. 6000,000,000 to Rs. 6000,010,000
November 22, 2006	7,500,010,000	10	750,000,000 Equity Shares and 1000 Non-Convertible Redeemable Preference Shares	Increased from Rs. 6000,010,000 to Rs. 7500,010,000

**NOTES FORMING PART OF THE CAPITAL STRUCTURE:**
**1. Capital Build up:**

The following is the history of the equity share capital of our Company through the date of this Red Herring Prospectus:

Date of allotment/ Date when fully paid up	No. of Equity Shares allotted	Face Value (Rs.)	Issue Price Per share (Rs.)	Consideration	Reasons for allotment	Cumulative Paid-up Capital (Rs. in Million)	Cumulative Share Premium Account (Rs.)
June 6, 1995	20	10	10	Cash	Subscription on signing of the Memorandum of Association.	0.0002	Nil
November 25, 1996	168,946,444	10	10	Cash	On subscription to Equity Shares.	1689.46	Nil
June 4, 1997	163,993,200	10	10	Cash	On subscription to Equity Shares.	3329.39	Nil
July 9, 1998	79,584,000	10	10	Cash	On subscription to Equity Shares.	4125.23	Nil
May 12, 1999	50,436,360	10	10	Cash	On subscription to Equity Shares.	4629.60	Nil
November 24, 1999	86,109,888	10	10	Cash	On subscription to	5490.69	Nil

Date of allotment/ Date when fully paid up	No. of Equity Shares allotted	Face Value (Rs.)	Issue Price Per share (Rs.)	Consideration	Reasons for allotment	Cumulative Paid-up Capital (Rs. in Million)	Cumulative Share Premium Account (Rs.)
					Equity Shares.		
December 26, 2000	2,870,088	10	10	Cash	On subscription to Equity Shares.	5519.40	Nil
June 5, 2007	24,873,889	10	45	Cash	Allotment under Pre-IPO	5768.14	870.59

## 2. Details of shareholding of Promoter and Lock in: -

Our Promoters have agreed that 137,985,000 Equity Shares held by it may be considered as Promoters Lock in for a period of three years from the date of allotment. These Equity Shares will constitute 20% of our post issue Equity Share Capital.

Sr. No	Name	Date Of Allotment / Transfer	Date When Made Fully paid up	Consideration (Cash, bonus, kind, etc.)	Type of Transaction	No. of Shares	Face Value	Issue/ Transfer Price	% of Post-Issue Paid-up Capital	Lock-in
1.	Modi Wellvest Pvt. Ltd*	November 25, 1996	November 25, 1996	Cash	Allotment	25,442,064	10	10	3.69%	3 years
		July 9, 1998	July 9, 1998	Cash	Allotment	40,384,000	10	10	5.85%	3 years
		May 12, 1999	May 12, 1999	Cash	Allotment	25,593,360	10	10	3.71%	3 years
		November 24, 1999	November 24, 1999	Cash	Allotment	43,695,488	10	10	6.33%	3 years
		December 26, 2000	December 26, 2000	Cash	Allotment	2,870,088	10	10	0.42%	3 years
	Total					137,985,000			20.00%	

- (a) The Equity Shares to be locked-in for a period of three years have been computed as 20 % of Equity Share Capital after the Issue. All Equity Shares which are being included for the computation of the Promoters contribution and three years lock in are locked in and are not ineligible for such purposes under clause 4.6 of the SEBI Guidelines. Only those shares of MWPL, which are not pledged constitutes minimum promoters contribution as required under the SEBI Guidelines.
- (b) In addition to the above, the entire remaining Pre-issue Equity Share Capital of the Company i.e. 438,828,889 Equity Shares will be locked in for a period of one year from the date of allotment of Equity Shares in this Issue.

The details of lock-in of shares for 1 year are as follows: -

Sl.No	Name of the Shareholder	Number of Shares	Face Value (Rs)	% of Post Issue Paid-up Equity Capital	Lock In
1.	Dilip Modi	10	10	0.00%	1 Year
2	Ravinder Lal Ahuja	10	10	0.00%	1 Year
3	Veena Modi	10	10	0.00%	1 Year
4	OP Dani	10	10	0.00%	1 Year
5	Atul Prakash	10	10	0.00%	1 Year
6	MWPL *	143,504,350	10	20.80%	1 Year
7	TMI India	270,450,600	10	39.20%	1 Year
8	Pre IPO Investors	24,873,889	10	3.61%	1 year
	<b>Total</b>	<b>438,828,889</b>		<b>63.61%</b>	

\* Shares constituting 19.82% of the post Issue capital, locked in for one year is currently pledged with the DBS Bank as per the requirements of the Share Pledge Agreement. The lenders vide an amendment agreement to the Share Pledge Agreement dated April 3, 2007 reduced the percentage of shares pledged from 24.78% of the Issued and paid up share capital as of the effective date of the Share Pledge Agreement to 19.82% of the post Issue capital. For further details, please refer to the sections titled “History and Corporate Matters” and “Financial Indebtedness” on page 99 and page 168 respectively of this Red Herring Prospectus.

- (c) In terms of clause 4.15.1 of the SEBI (DIP) Guidelines, locked in securities held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan. Provided that if securities are locked-in as minimum promoters’ contribution under clause 4.11.1 of SEBI Guidelines, the same may be pledged only if, in addition to fulfilling the requirement of this clause, the loan has been granted by such bank or financial institution for the purpose of financing one or more of the objects of the Issue.
- (d) In terms of clause 4.16.1 (a) of the SEBI Guidelines, locked in Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 as applicable. Further, in terms of clause 4.16.1 (b) of the SEBI Guidelines, Equity Shares held by the Promoter may be transferred to and amongst the Promoters / Promoter Group or to a new promoter or persons in control of the company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeover Regulations), 1997 as applicable.
3. There is no “buyback” and/or “standby” arrangement for purchase of Equity Shares by the Company, its Directors, its Promoters, or the BRLMs for the Equity Shares offered through this Red Herring Prospectus.
4. There are no partly paid up shares of the Company.
5. Except as disclosed in the section titled “Our Management” on Page 114 of this Red Herring Prospectus, none of our Directors or Key Managerial Personnel holds Equity Shares of the Company.
6. The Equity Shares offered through this public issue shall be made fully paid up and the unpaid equity shares may be forfeited within 12 months from the date of allotment of shares in the manner specified as per clause 8.6.2 of the SEBI (Disclosure and Investor Protection) Guidelines.
7. At least 60% of the Net Issue will be available for allocation on a proportionate basis to Qualified Institutional Buyers, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. From the existing QIB Portion, 5% shall be available for allocation to Mutual Funds only. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. Further, up to 2,000,000 of the issue aggregating Rs. [●] million would be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

8. a) Details of top ten shareholders as on the date of filing this Red Herring Prospectus were as follows:

Sr. No.	Name of Shareholder	Total number of Shares	% of total shareholding
1.	MWPL	281,489,350	48.80%
2.	TMI India**	270,450,600	46.89%
3.	Lehman Brothers Opportunity Limited	9,203,339	1.60%
4.	Spinnaker Global Emerging Markets Fund Limited	4,049,470	0.70%
5.	Spinnaker Global Strategic Fund Limited	2,761,001	0.48%
6.	Spinnaker Global Opportunity Fund Limited	2,392,868	0.41%
7.	Shrenik N. Baldota	1,110,000	0.19%
8.	Rahul N. Baldota	1,110,000	0.19%
9.	Pan Emami Cosmed Limited	650,000	0.11%
10.	ICL Financial Services Limited	444,000	0.08%

b) Details of top ten shareholders ten days before the date of filing Red Herring Prospectus were as follows:

Sr. No.	Name of Shareholder	Total number of Shares	% of total shareholding
1.	MWPL	281,489,350	51%
2.	TMI India**	270,450,600	49%
3.	Mr. Ravinder Lal Ahuja	10	Negligible
4.	Mrs. Veena Modi	10	Negligible
5.	Mr. Dilip Modi	10	Negligible
6.	Mr. Atul Prakash	10	Negligible
7.	Mr. O.P. Dani	10	Negligible
	<b>Total</b>	<b>551,940,000</b>	<b>100%</b>

c) Details of top ten shareholders two years prior to date of filing Red Herring Prospectus were as follows:

Sr. No.	Name of Shareholder	Total number of Shares	% of total shareholding
1.	MWPL	281,489,400	51%
2.	DCIL*	270,450,600	49%
	<b>Total</b>	<b>551,940,000</b>	<b>100%</b>

\* The name of Distacom Communications (India) Limited was changed to TMI India Limited w.e.f. August 22, 2006

\*\* Telekom Malaysia, Berhad ("TM") is a global investor focused on investments in telecom sector in the emerging economies. TM plays a constructive role in supporting the management in achieving their objectives and does not assume any controlling interest /day to day management responsibilities. TM has invested in the Company through its 100% subsidiary, TMI, in various ventures which meets with their criteria of enhancing their stakeholder's interest. Though, TMI has appointed three directors on the board of the Company and has certain rights/obligations under the shareholder's agreement (some of which are incorporated in the Articles of Association of the Company), it is not in control of day to day affairs of the Company. TM due to financial reporting rules / standards required to be complied by it under statutory laws of the place of its incorporation, has disclosed the Company as a jointly controlled entity though it is not in control of the day to day management and does not take strategic decisions for the Company. Further, TM/TMI has never been called as a promoter of the Company in the regulatory filings done in India.

## 9. Pre-Issue and Post-Issue Shareholding pattern of the Company

	Shareholder Category	Equity Shares owned prior to the Issue		Equity Shares owned after the Issue	
		No. of Equity Shares	% of the present share capital	No. of Equity Shares	% of the present share capital
<b>A</b>	<b>Promoter</b>				
	Dilip Modi	10	0.00%	10	0.00%
	MWPL	281,489,350	48.80%	281,489,350	40.80%
	Sub Total	281,489,360	48.80%	281,489,360	40.80%
	<b>Promoter Group</b>				0.00%
	Veena Modi	10	0.00%	10	0.00%
	<b>Total Promoter Group Holding Sub Total (A)</b>	<b>281,489,370</b>	<b>48.80%</b>	<b>281,489,370</b>	<b>40.80%</b>
<b>B</b>	<b>Non-Promoter holding (Institutional Investors)</b>				
	Mutual Funds (including Unit Trust of India)	0	0.00%	[●]	[●]
	Banks, Financial Institutions, Insurance Companies (Central/ State Government Institutions/	0	0.00%	[●]	[●]
	Non Government Institutions)	0	0.00%	[●]	[●]
	Insurance Companies	0	0.00%	[●]	[●]
	FII / FVCI /Others	18,406,678	3.19%	18,406,678	2.67%
	<b>Sub Total (B)</b>	<b>18,406,678</b>	<b>3.19%</b>	<b>18,406,678</b>	<b>2.67%</b>
<b>C</b>	<b>Others</b>				
	TMI India	270,450,600	46.89%	270,450,600	39.20%
	Private Bodies Corporate	3,320,000	0.58%	3,320,000	0.48%
	Indian Public	2,998,030	0.52%	2,998,030	0.43%
	Employees	149,211	0.03%	149,211	0.02%
	Trade Unions/Trusts/Clearing Members/HUFs	0	0.00%	0	0.00%
	<b>Sub Total (C)</b>	<b>276,917,841</b>	<b>48.01%</b>	<b>276,917,841</b>	<b>40.14%</b>
<b>D</b>	<b>Total pre Issue share capital (D=A+B+C)</b>	<b>576,813,889</b>	<b>100.00%</b>	<b>576,813,889</b>	<b>83.61%</b>
<b>E</b>	<b>Public Issue (E)</b>	<b>0</b>	<b>0.00%</b>	<b>113,111,111</b>	<b>16.39%</b>
<b>F</b>	<b>Total post-Issue share capital (F=D+E)</b>	<b>576,813,889</b>	<b>100.00%</b>	<b>689,925,000</b>	<b>100.00%</b>

10. As on the date of this Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debenture, loans or other financial instruments into Equity Shares of the Company. The Equity Shares locked in as Promoters contribution are not pledged to any one.

11. Our Promoters have not been issued Equity Shares for consideration other than cash.
12. There have been no transfers of Equity Shares by the Promoter and the Promoter Group within the six months prior to the date of this Red Herring Prospectus except that one of our Promoters MWPL transferred 50 Equity Shares on December 22, 2006 to the following persons.

Sl. No.	Name of the Transferor	Name of Transferee	No. of Shares	Max and Min Price of the Transaction	Date
1.	MWPL	Mr. Ravinder Lal Ahuja	10	Rs. 50 per share amounting to Rs.500	December 22, 2006
2.	MWPL	Mrs. Veena Modi	10	Rs. 50 per share amounting to Rs.500	December 22, 2006
3.	MWPL	Mr. Dilip Modi	10	Rs. 50 per share amounting to Rs.500	December 22, 2006
4.	MWPL	Mr. Atul Prakash	10	Rs. 50 per share amounting to Rs.500	December 22, 2006
5.	MWPL	Mr. O.P. Dani	10	Rs. 50 per share amounting to Rs.500	December 22, 2006
		<b>Total</b>	<b>50</b>		

13. The Promoters' Group/Directors have not purchased / sold / financed / acquired any shares of the Company during a period of 6 months preceding the date on which this Red Herring Prospectus is filed with the SEBI, except the following:

Sl. No.	Name of Transferee	No. of Shares	Date	Nature	Consideration (Rs.)
1.	Mrs. Veena Modi	10	December 22, 2006	Purchased from MWPL	500
2.	Mr. Dilip Modi	10	December 22, 2006	Purchased from MWPL	500
	<b>Total</b>	<b>20</b>			

14. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Retail/ Non Institution Portion in equal proportion. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.
15. The Company has not raised any bridge loan against the proceeds of the present issue.
16. 136,770,732 Equity Shares forming part of Promoter's holding are pledged with DBS Bank Ltd. for securing the INR facility of Rs. 9,668,550,000 equivalent to USD 215 million and USD facility of USD 50 million by the Company. For further details on the Share Pledge Agreement please refer to page 82 of this Red Herring Prospectus.
17. There would be no further issue of capital in any manner whether by way of issue of bonus shares, preferential allotment, rights issue, public issue or otherwise during the period commencing from submission of this Red Herring Prospectus with SEBI till the Equity Shares offered through this Red Herring Prospectus have been listed.
18. 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 (including issue of securities convertible into or exchangeable for, directly or indirectly, for Equity Shares) whether preferential or otherwise. However, during such period or at a later date, we may issue Equity Shares or securities linked to Equity Shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in our best interests.



19. An investor can not 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.
20. The Company has not issued any equity shares out of revaluation reserves or for consideration other than cash.
21. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.
22. The Company has fifty six (56) members as on the date of filing of this Red Herring Prospectus with ROC.

### 23. Restrictive Covenants of Lender

There are restrictive covenants in the agreements entered into by the Company with the Lenders viz. DBS Bank Ltd., Deutsche Bank AG, Barclays Bank PLC, HSBC Bank and Yes Bank Limited for short term and long-term borrowings. There is a restrictive covenant regarding declaration and payment of dividend to the shareholders. For further details please refer to section titled "Description of Indebtness" on page 78 of this Red Herring Prospectus". The consent and no objection for the proposed issue of the Company has been given by DBS Bank Ltd. vide its letters dated January 5, 2007, Barclays Bank PLC vide its letter dated January 5, 2007 and January 8, 2007 respectively, Deutsche Bank vide its letters dated January 8, 2007, HSBC Bank vide its letters dated January 5, 2007, Yes Bank vide its letters dated January 8, 2007, DSP Merrill Lynch Capital Limited vide its letters dated January 8, 2007, GE Commercial Finance vide its letters dated January 8, 2007, and UCO Bank vide its letter dated January 10, 2007 and January 31, 2007.

24. We have issued the 24,873,889 Equity Shares to certain pre-IPO investors at price of Rs. 45/- per Equity Share in the last six months prior to the date of the filing of this Red Herring Prospectus. Details of allottees are as under : -

S No	Investor	No. of shares	Amt. @Rs.45/-
1	Lehman Brothers Opportunity, Limited	9,203,339	414,150,255
2	Spinnaker Global Opportunity Fund Ltd.	2,392,868	107,679,060
3	Spinnaker Global Strategic Fund Ltd.	2,761,001	124,245,045
4	Spinnaker Global Emerging Markets Fund Ltd.	4,049,470	182,226,150
	Total Shares allotted to NR (A)	18,406,678	828,300,510
5	Shrenik N. Baldota	1,110,000	49,950,000
6	Rahul N. Baldota	1,110,000	49,950,000
7	Pan Emami Cosmed Limited	650,000	29,250,000
8	ICL Financial Services Limited	444,000	19,980,000
9	Jaipur Securities Pvt. Ltd.	300,000	13,500,000
10	Anand Rathi Direct India Pvt. Ltd.	300,000	13,500,000
11	Mac Charles (India) Ltd.	270,000	12,150,000
12	JBF Industries Ltd.	250,000	11,250,000
13	Bhim Rathke	250,000	11,250,000
14	Advanced Drugs & Chemicals Pvt. Ltd.	250,000	11,250,000
15	VIC Enterprises Pvt Ltd	200,000	9,000,000
16	Qualis Holdings P Ltd.	111,000	4,995,000
17	SAB Electronics Ltd.	100,000	4,500,000
18	Manish B. Mandhana	100,000	4,500,000
19	Nirmala M Shah	100,000	4,500,000
20	Rathi Global Finance Ltd.	100,000	4,500,000
21	Madhuri R. Dhoot	100,000	4,500,000
22	A CEE Enterprises	100,000	4,500,000
23	Twinkle Enviro-Tech Ltd.	80,000	3,600,000
24	Hasa Nand Nanani	67,211	3,024,495

S No	Investor	No. of shares	Amt. @Rs.45/-
25	D&H Secheron Electrodes (P) Ltd.	100,000	4,500,000
26	Ashok Goyal	82,000	3,690,000
27	Intime Spectrum Registry Limited	25,000	1,125,000
28	Mukesh Shah	25,000	1,125,000
29	Praful A Jhaveri & Kaushal P Jhaver j/t	22,000	990,000
30	M/s BKP Telecom and IT Consultants Pvt. Ltd.	20,000	900,000
31	Mr. TV Ramachandran	15,000	675,000
32	Mrs. Mamta Bhargawa	12,500	562,500
33	Mr. Prakash Nene	12,500	562,500
34	Minakshi Shah	11,000	495,000
35	Mr. Ashok Nahar	11,000	495,000
36	Mr. T S Raghupathi	11,000	495,000
37	S. Raamasubramanian	11,000	495,000
38	R. Meenakshi	11,000	495,000
39	Anil Mittal & Shalini Mittal	10,000	450,000
40	Rajendra Mittal	10,000	450,000
41	Kishore Mittal & Ashok Mittal	10,000	450,000
42	Sunita Agarwal	10,000	450,000
43	Arun Mittal	10,000	450,000
44	Purshottam Lakhani	10,000	450,000
45	Suresh Mittal & Sarla Mittal	10,000	450,000
46	Niwas Investments P Ltd.	10,000	450,000
47	IP Advisors Pvt. Ltd.	10,000	450,000
48	Mr. Ajay Goyal	10,000	450,000
49	Ms. Pratima Agarwal	6,000	270,000
	Total Shares allotted to R (B)	6,467,211	291,024,495
	Grand Total (A+B)	24,873,889	1,119,325,005

## OBJECTS OF THE ISSUE

The Issue comprises of a fresh issue of 113,111,111 Equity Shares. The main objects and objects incidental or ancillary to the main objects set out in our Memorandum of Association enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue.

### Objects of the Issue

The objects of the Issue are to achieve the benefits of listing on the Stock Exchange and to raise funds for (a) part payment of our long term debt, (b) payment for NLD/ILD license fees, (c) meet our capital expenditure requirements, (d) for other general corporate purposes and (e) meet the expenses of the Issue. The net proceeds of the Issue after deducting Issue related expenses are estimated to be Rs. [●] million.

Our requirement of funds for capital expenditure is based on our current business plan and internal management estimates and has not been appraised by any bank or financial institution or an independent third party.

The details of proceeds of the Issue are summarized in the following table:

Sources of Funds	Rs. in million
Gross Proceeds of the Issue*	[●]
Less: Issue Related Expenses*	[●]
Net Proceeds of the Issue *	[●]

\* Will be incorporated at the time of filing of the Prospectus.

The detailed use of Issue proceeds is summarized in the following table:

Use of Issue Proceeds	Rs. in million
Part repayment of long term debt	[●]
Payment of License fee for NLD and ILD and related capital expenditures, etc.	636.00
Payment to vendor(s) for network equipments and other capital expenditures	1,776.33
General Corporate Purposes	[●]
Issue Expenses*	[●]
<b>Total</b>	[●]

\* Will be incorporated at the time of filing of the Prospectus.

### Description of various heads

#### 1. Part payment of long term debt

We have availed of the following loan facilities:

- I. INR Loan facility, equivalent to US\$215 million amounting Rs 9,669<sup>1</sup> million vide agreement dated April 24, 2006 from a consortium of lenders led by DBS Bank Ltd., The other banks in the consortium are Deutsche Bank AG, Barclays Bank PLC, The Hongkong and Shanghai Banking Corporation Ltd., and Yes Bank Ltd. The INR loan carries an interest rate for every interest period equal to aggregate of applicable margin at a rate of 3.70% p.a. and Benchmark rate on the yields on Debt securities issued by the GoI, which on the date of reckoning, is described as “5-year rate” on Reuters page “0#INCMTBMK”. In any other event the Benchmark rate shall be determined by the INR facility agent. The amount outstanding as on March 31, 2007 is US\$ 215 million equivalent to Rs 9,669 million.

<sup>1</sup> At an agreed Rupee to Dollar rate of Rs. 44.97 per USD

The above facility was utilized for making the payment to outstanding vendors and other liabilities as per the agreement dated April 24, 2006 in following manner:-

(Rs. in million)

Name of the Vendor / Liability	Amount
Motorola Inc.	2,248.50
Siemens AG	2,248.50
DAI (Mauritius) Co. Ltd.	2,473.32
HDFC Bank	392.51
Twenty First Century Capitals Ltd.	207.77
Rabo India Finance (P) Ltd.	700.46
Asia Pacific Capital (India) Pvt. Ltd.	1369.93
Others	27.56
<b>Total</b>	<b>9,668.55</b>

- II. US\$50 million via USD facility vide agreement dated April 24, 2006 from DBS Bank, Labuan branch (USD Facility Agent). The rate of interest for each term on US\$ loan is aggregate of applicable margin and LIBOR. The amount outstanding as on March 31, 2007 is US\$ 50 million equivalent to Rs 2,191 million.

Upto May 8, 2007, the above facility was utilized for making the payment mainly to vendors for imported / indigenous goods in following manner: -

(Rs. in million)

Particulars	Amount
Payment for imported capital goods	703.63
Payment for indigenous capital goods	1,201.44
Repayment of vendor's credit	142.86
Others (Bank charges, etc)	1.92
<b>Total</b>	<b>2,049.85</b>

As per the terms of our Common Terms Agreement we intend to use 50% of the Issue proceeds i.e. Rs [●] million towards part payment of Rs [●] million from the INR facility and Rs [●] million from the USD facility. This loan was utilized for making the settlement of outstanding vendors payments and other liabilities. For further details, see "Description of Certain Indebtedness" on page 78 of this Red Herring Prospectus.

## 2. *Payment of license fees for NLD and ILD and related Capital expenditure*

We have received Letter of Intent from DoT dated May 9, 2007 for our NLD/ILD licences. We propose to offer data transmission services and voice transmission for calls originating and terminating on most of India's and global telecom networks. The estimated funds requirement towards payment of license fees and bank guarantee for NLD and ILD licenses is estimated at Rs 475 million

NLD	
License Fee	Rs. 25 mn
FBG	Rs. 200 mn
<b>Total</b>	<b>Rs. 225 mn</b>

ILD	
License Fee	Rs. 25 mn
FBG	Rs. 200 mn
Additional BG	Rs. 25 mn (refundable)
<b>Total</b>	<b>Rs. 250 mn</b>

Initially, our plan is to set up base infrastructure for NLD/ILD for a capacity of 30 million minutes per month across 15 locations in India. The key equipments / components will include

### **NLD**

- Soft Switch – Class 5 NGN Soft Switch would enable switching of the calls on packet based platform optimising the network capacity. The signaling portioning of the call would routed through Soft Switch for least cost rout address but the actual call would flow out through origination Media Gateway to termination Media Gateway.
- Soft Switch would also provide CDR (Call Detail Record) for billing and network monitoring parameters purpose.
- Call routing and call control servers of Soft Switch would be built up on redundancy (Quantity to each) and would be located at each circle.
- In case Soft Switch fails even then calls would not be disrupted since these models would control call flow.
- State-of-the-art Soft Switch of Veraz Networks. It will have a capacity of 30 MMM in first phase and is expected to grow to 100 MMM in 2 years time. It will integrate seamlessly with Billing, Storage, Lawful Interception and LAN / WAN networks.
- Media Gateways – Media Gateway would provide TDM to IP conversion and CODEC implementation for optimisation of Band width (TDM – 64 kbps, IP CODEC G 729 – 12 kbps each call).
- It is a part of the Soft Switch. Their will be 15 Media Gateways at 15 locations. (13 nos at various POPs, 2 Nos Central POPs and 1 Nos at the Central PoP.

### **ILD**

- We propose three International POPs (U.S., U.K., Singapore) to be arranged at these locations
- Connectivity is proposed to all these three International POPs in India with the two NLD POPs of Spice for distributing the traffic to all over India.

### **BoM for ILD**

Soft Switch: NLD Soft Switch will be utilized for this purpose.

Media Gateway: Veraz Media Gateway would be collocated at our International POPs (12 Numbers)

#### **Billing / Storage / LI**

- Existing capacity of NLD Billing / Storage / LI network would be increased to cater for International Long Distance business.
- Incremental cost of Media Gateway and Billing / Storage / LI would approximately be Rs. 60 million
- Billing solution software / Storage Network / Lawful Interception – Billing solution shall be purchased from reputed vendors. The server is generally on Sun Solaris platform and is integrated with the soft switch for access to CDR. The License will cater for 30 MM. It will also have in built storage of 750 GB to take care of 1 month of CDR. Storage Network is based on EMC. It will comprise a SAN box and data back up and will cater for 2 TB of the storage. Lawful interception is based on Verint Hardware and Software as per TEC GR. Initially, it will have 60 concurrent call provisions which can grow to 240 later with addition of further mediation, tapping and recording servers.
- Router and LAN Network – Routers (at 16 locations) will comprise of Juniper / CISCO based Router Network for connectivity to the WAN. Sizing has been done to cater to various interfaces coming at each POPs.
- AMC cost of equipment maintenance – Will start after the completion of the first year of implementation.

The total estimated cost of equipments / components required to lay out these NLD/ILD facilities is Rs. 170 million We have entered into an agreement dated May 4, 2007 with 3D Networks Pte Ltd. (“3D”) for supply of equipments for NLD / ILD Network requirements. Under this agreement, 3D would supply equipments to us for the agreed consideration of Rs. 114.11 million. We are in the process of placing orders for the requirement of balance equipments. For details of the above mentioned agreement, please refer to section titled “Our History and Certain Corporate Matters” on page 99 of this Red Herring Prospectus.

### 3. **Payment to vendor(s) for network equipments and other capital expenditure**

GMIPL intend to supply electronic and telecommunication equipments such as BTS, BSC, MSC and Erlang capacity of reputed telecommunication equipment supplier to our Company on "Trial use Basis". GMIPL has entered into an agreement with our Company vide Memorandum of Agreement dated December 20, 2006 for an equipment supply of the value of INR equivalent to USD 39.5 million (approximately Rs. 1776.33 million) as all inclusive price excluding taxes and duties. Under the terms, such equipments shall be provided on trial basis for a period of 24 months from the date of each supply, on defined service level and quality parameters. The equipments, on conforming to the service level agreement during this period, may be purchased by us and the payments shall be made as per agreed terms and conditions. The supplier shall provide complete supply chain management for all its own manufactured equipments or equipments sourced by it from any other suppliers. . The broad terms, amongst others, are as under:

- A. An interest free security deposit equivalent to 25% of the priced bill of quantity with in 15 days of demand.
- B. After completion of 24 months trial period and equipment meeting the defined service level and quality parameters if we accept the equipment, this security deposit will be treated as payment towards equipment price and the balance 75% shall be payable in 4 quarterly payments of equal value through escrow account at the end of the said 24 month trial period from the date of each supply with equal value during the third year, namely:
  - a. 18.75% in 27<sup>th</sup> month from the date of supply;
  - b. 18.75% in 30<sup>th</sup> month from the date of supply;
  - c. 18.75% in 33<sup>rd</sup> month from the date of supply;
  - d. 18.75% in 36<sup>th</sup> month from the date of supply;

We also have the option to pre-pay, ahead of schedule, the entire / partial amount anytime after 24 months period from the date of each supply. Up to February 15, 2007, GMIPL has to provide telecommunication equipment and additional GSM capacity amounting to USD to 23,266,280 (approximately Rs. 1025.81 million). An aggregate of Rs 1,776.33 million shall be utilized for the aforesaid purpose out of which we have already paid the first interest free security deposit amounting to Rs. 195 million has been paid till March 31, 2007.

### 4. **General Corporate Purpose**

The balance of the Issue proceeds (excluding Issue expenses) will be used for our growth plans, which among other things shall include promotion of our brand.

Our management, in accordance with the policies of our Board, will have the flexibility in utilizing the proceeds earmarked in for General Corporate Purposes.

### 5. **Issue expenses**

The total expenses of the Issue are estimated to be approximately Rs. [\*] million. The Issue related expenses include, among others, Issue management fees, registrar fees, printing and distribution expenses, fees of the legal counsels, advertisement and road show expenses, stamp duty, depository charges, listing fees to the Stock exchanges etc. The break-up of total expenses for the Issue estimated at approximately [\*] % of the Issue Size is as under;

Category	Estimated expenses (Rs. in million)	% of the Issue Expenses	% of total Issue Size
Fees to the BRLMs*	[*]	[*]	[*]
Fees for the Registrar to the Issue and Legal Counsels*	[*]	[*]	[*]
Advertising and Publicity Expenses*	[*]	[*]	[*]
Printing, Postage, Stationery Expenses*	[*]	[*]	[*]
Contingency, Stamp duty, Listing Fees*	[*]	[*]	[*]
<b>Total</b>	[*]	[*]	[*]

\* the details will be incorporated at the time of filling of prospectus.

The fund requirement stated above is based on our Company's current business plan. In view of the increasing competitive environment of the telecom industry, the Company may have to revise its business plan from time to time and consequently our capital requirements may also change. This may include rescheduling of our capital expenditure programs, increase or decrease in the capital expenditure for a particular purpose vis-à-vis current plans and applying of licenses for NLD / ILD. In case of any increase in the actual utilization of funds earmarked for the above activities, such additional funds for a particular activity will be met from a combination of internal accruals, additional equity or debt infusion. If the actual utilization towards any of the aforesaid objectives is lower than what is stated above, such balance will be used for future growth opportunities and general corporate purposes. In the event any surplus is left out of the Issue proceeds after meeting all the aforesaid objectives, such surplus Issue proceeds will be used for general corporate purposes including for meeting future growth opportunities.

#### ***Estimated schedule of Deployment of Funds***

The year-wise break-up of utilization of issue proceeds of the above mentioned capital expenditure program as estimated by the Management over the next three full financial years is as stated below:

(in Rs. million)

Object of Issue	For the year Fiscal year			
	Up to 2007	2008	2009	Total
Part payment of long term debt	-	-	-	-
Payment for NLD and ILD licenses	636	-	-	-
Payment to vendor(s) for network equipments and other capital expenditure	444	-	1,332.33	-
General Corporate Purposes	-	-	-	-
Estimated Issue Expenses*	-	-	-	-
<b>Total</b>	<b>1,080</b>	<b>-</b>	<b>1,332.33</b>	<b>-</b>

\* Will be incorporated at the time of filing of the Prospectus.

#### **Working Capital Requirement**

The proceeds of this issue in ordinary course will not be used to meet our working capital requirements as we expect sufficient internal accruals to meet our existing working capital requirements.

#### **Deployment of Funds**

M/s G. C. Sharda & Co., Chartered Accountants, vide their certificate dated May 31, 2007 have certified that the following expenditure has been incurred by our Company till May 15, 2007 with respect to the objects, which have been earmarked for utilisation of the proceeds of this Issue

(Rs. In Million)

Sr. No.	Objects	Funds deployed till May 15, 2007
a)	Payment to vendor(s) for network equipments and other capital expenditure	195
	<b>Total</b>	<b>195</b>

### Interim use of funds

Pending utilization of issue proceeds, the management, in accordance with the policies set up by the Board, will have the flexibility in using the proceeds received from the present Issue and during this period we intend to invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds, deposits with banks for the necessary duration. The funds will not be deployed in any Equity Markets or Equity Market related instruments. Such investments would be in accordance with investment policies approved by the Board from time to time.

### Shortfall of funds

The net proceeds of the Issue would be used to meet all or any of the uses of funds described above. In case the funds raised in the Issue are lower than our total budgeted requirements, we intend to use internal cash accruals to finance the shortfall.

### Monitoring of Funds

IDFC vide its letter dated February 15, 2007 has agreed to act as the Monitoring Agency for monitoring the utilization of IPO proceeds. As per regulatory requirements, the Company will disclose the utilization of the proceeds of the Issue under a separate head in its Balance Sheet every year clearly specifying the purpose for which such proceeds have been utilized. The Company will also, in its Balance Sheet, provide details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue.

As per clause 49 of the listing agreement with the Stock Exchange we shall disclose to the Audit Committee the uses/appropriations of funds by major category on a quarterly basis as a part of our quarterly declaration of financial results. Further, as on annual basis we shall prepare a statement of funds utilized for purposes other than those stated in this Red Herring Prospectus and place it before the Audit Committee. Such disclosure shall be made only until such time as the net proceeds of the Issue have been fully spent. The statement shall be certified by our statutory auditors. The Audit Committee shall make appropriate recommendations to the Board in this regard.

The Company will pay no part of the proceeds of the Issue as consideration to its Promoters, its Directors, key managerial personnel or companies promoted by its Promoters except in the usual course of business.

### Means of Finance

The above-mentioned fund requirement will be met from the pre-IPO placements and the proceeds of this Issue as given below. The shortfall, if any, will be met out of cash internal accruals. We have sufficient internal accrual to meet the shortfall, if any, in the amount required for meeting the "Objects of the Issue".

(Rs. In million)	
Source	Amount
Pre IPO placement	1,119.33
Issue Proceeds	[*]
TOTAL	[*]



## TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Company's Memorandum of Association and Articles of Association, the terms of the Draft Red Herring Prospectus, Red Herring Prospectus, Prospectus, Bid-cum-Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the Allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to applicable laws, 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, Stock Exchange, RoC, RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

### Authority for the Issue

Our Board of Directors authorised an issue of up to 140 Million Equity Shares of the Company pursuant to a resolution passed at its meeting held on November 22, 2006. Our shareholders subsequently authorised the issue of up to 140 Million Equity Shares by a resolution passed unanimously at the EGM of the Company held on November 22, 2006. The Board of Directors has pursuant to the aforementioned resolution authorised an issue of 137,985,000 Equity Shares on January 2, 2007, and authorised the IPO Committee to take decisions on behalf of the Board in relation to the Issue. Further, the Board approved and authorized this Red Herring Prospectus on June 15, 2007 by passing a resolution by way of circulation.

The Pre-IPO placement has been completed prior to the filing of this Red Herring Prospectus with the RoC, at Rs. 45 and details of the same have been updated in this Red Herring Prospectus. For further details see "Capital Structure – Notes to the Capital Structure" on the page 19 of this Red Herring Prospectus.

### Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Companies Act, the Company's Memorandum of Association and Articles of Association and shall rank pari-passu in all respects with the existing Equity Shares of the Company including rights in respect of dividends. The allottees will be entitled to dividends and/or other corporate benefits, if any, declared by the Company after the date of Allotment.

### Mode of Payment of Dividend

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

### Face Value and Issue Price

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

The face value of the Equity Share is Rs. 10 and the Issue Price is 4.1 times of the face value at the lower end of the price band and 4.6 times at the higher end of the price band.

### Compliance with SEBI Guidelines

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

### Rights of the Equity Shareholder

Subject to applicable laws rules, regulations and guidelines and the Articles of Associations, the holders of our Equity Shares shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;

- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Company's Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please refer to the section titled "Main Provisions of the Articles of Association" beginning on page 407 of this Red Herring Prospectus.

### **Market Lot and Trading Lot**

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form.

As per the existing SEBI Guidelines, the trading of our Equity Shares shall only be in dematerialised form for all investors.

Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one Equity Share subject to a minimum Allotment of 135 Equity Shares. For details of allocation and Allotment, please refer to the section titled "Issue Procedure" beginning on page 377 of this Red Herring Prospectus.

Since the market lot of our Equity Shares will be one, no arrangement for disposal of odd lots is required.

### **Restrictions on Transfer of Shares and Alteration of Capital Structure**

The restrictions, if any, on the transfer of our Equity Shares are contained in the section titled "Main provisions of our Articles of Association" beginning on page 407 of this Red Herring Prospectus.

### **Nomination Facility to Investor**

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

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

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

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety (90) days, the 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 Allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

The Equity Shares have not been and will not be registered under the U.S. Securities Act 1933, as amended (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur.

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

#### **Minimum Subscription**

If the Company does not receive the minimum subscription of 90% of the Net Issue, including devolvement on Underwriters, if any, within 60 days from the Bid/ Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Company becomes liable to pay the amount (i.e., 60 days from the Bid Closing Date), the Company shall pay interest prescribed under Section 73 of the Companies Act.

If at least 60% of the Issue can not be allotted to QIB then the entire application money will be refunded. Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, the Company shall ensure that the number of allottees, i.e. persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000.

#### **Jurisdiction**

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in New Delhi, India.

#### **Application in Issue**

Equity Shares being issued through this Red Herring Prospectus can be applied for in the dematerialized form only.

#### **Withdrawal of the issue**

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue at anytime after the Bid Opening Date, without assigning any reason thereof.

## BASIS FOR ISSUE PRICE

The Issue Price of Rs. [●] has been determined by our Company in consultation with the BRLMs, on the basis of demand from the investors for the offered Equity Shares by way of Book Building process. The face value of the equity shares is Rs 10 and the Issue price is 4.1 times the face value at the lower end of the price band and 4.6 times the face value at the higher end of the price band.

## QUALITATIVE FACTORS

- **Established Player in our circle of operation.** As of March 31, 2007, we were the second largest operator in Punjab, with approximately 1.91 million subscribers and the fifth largest operator in Karnataka, with approximately 0.82 million subscribers. For the two circles combined we had a market share of 14.49%.
- **Investor with strong operational capabilities in TM.** TM's investment in our Company in March 2006 provided us with an opportunity to leverage the operational and strategic expertise of a major regional telecommunications player. TM is a leading telecommunications company based in Malaysia, with an established presence in the Asia-Pacific region, including investments in Sri Lanka, Bangladesh, Indonesia, Cambodia, Singapore and Pakistan.
- **Vibrant and well-recognised brand name.** We believe we were the first cellular services company to commence commercial operations in the Punjab markets and we believe our history in these markets, and ongoing targeted marketing strategy, has contributed to the development of our brand. The "Spice" brand is well-recognised in our target markets.
- **Experienced Management Team.** Our management team includes senior executives who have experience working in the Indian wireless communications market since the commercialisation of wireless services in 1995. As a result, our management has extensive experience with planning and implementing strategies in the fast-changing Indian cellular market. We believe our management strength will be crucial in the implementation of our future growth plans.

## QUANTITATIVE FACTORS

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

Some of the quantitative factors which may form the basis for computing the Issue Price are as follows:

### 1. Earning Per Share (EPS)(basic)\*:

Year ended	Face Value per Share (Rs. 10 per share)	
	Rupees	Weight
June 30, 2004	(0.41)	1
June 30, 2005	0.13	2
June 30, 2006	(1.25)	3
Weighted Average	(0.74)	

**Basic Earning Per Share for the six months period ended December 31, 2006 is Rs. (0.76)**

\* Earnings per share represents basic earnings per share calculated as net profit attributable to equity shareholders as restated divided by a weighted average number of shares outstanding during the year.

Diluted Earning Per Share

a	For the six months period ended December 31, 2006 Diluted EPS is Rs.	(0.76)
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**Note:**

- The Earning per Share has been computed on the basis of the restated profits and losses of the respective years
- The denominator considered for the purpose of calculating Earnings per Share is the weighted average number of Equity Shares outstanding during the year.
- EPS calculations have been done in accordance with Accounting Standard 20-“Earning per share” issued by the Institute of Chartered Accountants of India.

## 2. Price/Earning (P/E) ratio in relation to issue Price of Rs [●]

a	For the year ended June 30, 2006 EPS is Rs	(1.25)
b	P/E based on year ended June 30, 2006 is	[●]

EPS for the six months periods ended December 31, 2006 is Rs. (0.76)

**Industry P/E Telecommunications**

A	Highest	114.70
B	Lowest	15.10
C	Industry Average	40.30

Source: Capital Markets Vol. XXII/07 dated June 04-17, 2007. Data based on full year results as reported in the edition.

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

Year ended	RONW (%)	Weight
June 30, 2004	**	1
June 30, 2005	**	2
June 30, 2006	**	3
Weighted Average	**	

**\*\* RONW:** The Company had negative net worth during these fiscals

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

## 5. Net Asset Value per Equity Share:

As of December 31, 2006 is Rs. (2.91)

(ii) After the issue: [●]

(iii) Issue Price: Rs. [●]\*

\*Issue Price per Share will be determined on conclusion of book building process.

Net Asset Value per Equity Share represents Net Worth, as restated divided by the number of Equity Shares outstanding at the end of the period.

6. Comparison with Industry Peers:

<b>FY 2007</b>	<b>EPS (Rs.)</b>	<b>NAV (Rs.)</b>	<b>P/E</b>	<b>RONW (%)</b>
Bharti Airtel Limited	21.30	60.30	39.0	33.90
Idea Cellular (U)	1.10	14.40	114.70	20.20
Mahanagar Telephone Nigam Limited (U)	10.20	184.60	15.10	5.20
Reliance Communications Ventures Limited (1)	9.50	100.70	43.20	0.10
Videsh Sanchar Nigam Limited	17.20	215.80	26.80	8.10

\* Source: Capital Markets Vol. XXII/07 dated June 04-17, 2007. Data based on full year results as reported in the edition.  
 (1) Results for 15 months period ended March 31, 2007  
 U-unaudited results

Since the Issue is being made through the 100% Book Building Process, the Issue Price will be determined on the basis of investor demand.

7. The face value of our Equity Shares is Rs. 10 each and the Issue Price is [•] times of the face value of our Equity Shares.

### STATEMENT OF TAX BENEFITS

The “statement on tax benefits” (or the “statement”) as appearing below, states the possible tax benefits available to the Company and its shareholders under the Income Tax Act, 1961, Wealth Tax Act, 1957 and the Gift Tax Act, 1958, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant 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 in this statement below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

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

The contents of this statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

The year-wise brought forward losses and unabsorbed depreciation as at 31 March 2005 has been given below:

Previous year ended	Brought Forward	
	Unabsorbed depreciation	Business Loss
1996- 1997	-	-
1997- 1998	488.83	723.62
1998- 1999	719.19	1,525.92
1999- 2000	811.02	1,316.64
2000- 2001	790.25	332.39
2001- 2002	381.19	-
<b>Total</b>	<b>3,190.48</b>	<b>3,898.57</b>

As per the present provisions of Income-tax Act, 1961 (hereinafter referred to as “the Act”) and other laws as applicable for the time being in force in India, the following possible tax benefits are available to the Company and to the shareholders of the Company, subject to fulfillment of prescribed conditions:

## **A. To the Company under the Act**

### Specific Tax Benefits

1. In accordance with Section 35ABB, in respect of any expenditure, being in the nature of capital expenditure, incurred for acquiring any right to operate telecommunication services either before the commencement of the business to operate telecommunication services or thereafter at any time during any previous year and for which payment has actually been made to obtain a license, there shall, subject to and in accordance with the provisions of this section, be allowed for each of the relevant previous years, a deduction equal to the appropriate fraction of the amount of such expenditure.
2. In accordance with and subject to conditions specified under section 80IA of the Act, Company is eligible for a deduction of 100% of its profits and gains derived from provision of telecommunication services for the first five assessment years commencing at any time during fifteen years, beginning from the year in which the Company started providing telecommunication services, and thereafter, 30% of such profits and gains for further five assessment years.

### General Tax Benefits

3. Under Section 10(34) of the Act, dividend income (whether interim or final) received by the Company from any other domestic company (in which the company has invested) is exempt from tax in the hands of the Company.
4. The income received by the Company from distribution made by any mutual fund specified under Section 10(23D) of the Act or from the Administrator of the specified undertaking or from the specified companies referred to in Section 10(35) of the Act is exempt from tax in the hands of the Company under Section 10(35) of the Act.

## **B. To the Shareholders of the Company**

### **I Resident Shareholders**

### General Tax Benefits

1. Under Section 10(34) of the Act, dividend (whether interim or final) received from a domestic company is exempt from tax in the hands of the shareholders.
2. Under Section 10(38) of the Act, the Long-term Capital Gain arising on transfer of equity shares in the Company, which are chargeable to Securities Transaction Tax, are exempt from tax in the hands of the shareholders.
3. In accordance with and subject to the conditions specified in Section 54EC of the Act and subject to the conditions and to the extent specified therein, Long term Capital Gains (which are not exempt under section 10(38) of the Act) would not be chargeable to tax to the extent such capital gains are invested in long term specified assets within 6 months from the date of transfer and held for a period of 3 years, from the date of acquisition, in bonds issued by:
  - a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
  - b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.
4. In case of a shareholder, being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent provided in Section 54F of the Act, Long-term Capital Gains arising from the transfer of shares in the Company [which are not exempt under Section 10 (38) of the Act], will be exempt from capital gains tax, if the net consideration is invested for purchase or construction of a residential house. If, however, such new residential house in which



the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains for which the exemption was availed earlier would be taxed as long-term capital gains of the year in which such residential house is transferred.

5. As per the provisions of Section 88E of the Act, where the business income of an assessee includes profits and gains from sale of securities liable to Securities Transaction Tax, a rebate is allowable from the amount of income tax on such business income, to the extent of Securities Transaction Tax paid on such transactions. The amount of rebate shall, however, be limited to the amount of income tax arrived at by applying the average rate of income tax on such business income.
6. As per the provisions of Section 111A of the Act, Short-term Capital Gains arising to the shareholders from the transfer of Equity Shares in the Company are subject to tax @ 10% (plus applicable surcharge and education cess) where such a transaction is subjected to Securities Transaction Tax.
7. As per the provisions of Section 112 of the Act, long term capital gains (which are not exempt under Section 10(38) of the Act) arising on transfer of shares in the Company would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess) after indexation. However, if the tax on long term capital gains resulting on transfer of listed securities 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 capital gains are chargeable to tax at a rate of 10 percent (plus applicable surcharge and education cess), at the option of the shareholder.

## **II Mutual Funds**

### General Tax Benefits

In case of a shareholder being a Mutual fund, 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 there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India are exempt from income-tax, subject to the conditions notified by Central Government in this regard.

## **III Venture Capital Companies /Funds**

### General Tax Benefits

In case of a shareholder being a Venture Capital Company / Fund, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, are exempt from income-tax, as per the provisions of and subject to the conditions specified in Section 10(23FB) of the Act. As per Section 155U of the Income Tax Act, any income derived by a person from his investment in venture capital companies/ funds would be taxable in the hands of the person making an investment, in the same manner as if it were the income received by such person, had the investments been directly made in the venture capital undertaking.

## **IV Non-Resident / Non-Resident Indian Member**

### General Tax Benefits

1. As per the provisions of Section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April, 2003) received on the shares of any domestic company is exempt from the tax.
2. Under Section 10(38) of the Act, the Long-term Capital Gain arising on transfer of equity shares in the Company, which are chargeable to Securities Transaction Tax, are exempt from tax in the hands of the shareholders.
3. In accordance with and subject to the conditions specified in Section 54EC of the Act and subject to the conditions and to the extent specified therein, Long term Capital Gains (which are not exempt under section 10(38) of the Act) would not be chargeable to tax to the extent such capital gains are invested in long term specified assets within 6 months from the date of transfer and held for a period of 3 years, from the date of acquisition, in bonds issued by:

- a. National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
  - b. Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.
4. In case of a shareholder, being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent provided in Section 54F of the Act, Long-term Capital Gains arising from the transfer of shares in the Company [which are not exempt under Section 10 (38) of the Act], will be exempt from capital gains tax, if the net consideration is invested for purchase or construction of a residential house. If, however, such new residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains for which the exemption was availed earlier would be taxed as long-term capital gains of the year in which such residential house is transferred.
  5. As per the provisions of Section 88E of the Act, where the business income of an assessee includes profits and gains from sale of securities liable to Securities Transaction Tax, a rebate is allowable from the amount of income tax on such business income, to the extent of Securities Transaction Tax paid on such transactions. The amount of rebate shall, however, be limited to the amount of income tax arrived at by applying the average rate of income tax on such business income.
  6. As per Section 90(2) of the Act, the provisions the Double Taxation Avoidance Agreement between India and the country of residence on Non-resident/ Non Resident Indian would prevail over the provisions of the Act to the extent they are more beneficial to the non-resident/non-resident Indian shareholder. Thus, a non- resident/non-resident Indian shareholder can opt to be governed by the beneficial provisions of an applicable Double Taxation Avoidance Agreement.
  7. As per the provisions of Section 111A of the Act, Short-term Capital Gains arising to the shareholders from the transfer of Equity Shares in the Company are subject to tax @ 10% (plus applicable surcharge and education cess) where such a transaction is subjected to Securities Transaction Tax.
  8. Benefits outlined in Paragraph B(I)(3) above are also available to a non-resident/non-resident Indian shareholder except that under first proviso to Section 48 of the Act, the capital gains arising on transfer of capital assets being shares of an Indian Company need to be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on stipulated dates. Further, the benefit of indexation is not available to non-resident shareholders.
  9. Where shares have been subscribed in convertible foreign exchange, the 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:
    - Under section 115E of the Act, where the total income of a non-resident Indian includes any income from investment or income from long term capital gains of an asset, other than a specified asset, such income shall be taxed at a concessional rate of 20 percent (plus applicable surcharge and education cess). Also, where shares in the company are subscribed for in convertible foreign exchange by a non-resident Indian, long term capital gains arising to the non resident Indian shall be taxed at a concessional rate of 10 per cent (plus applicable surcharge and education cess). The benefit of indexation of cost would not be available.
    - Under Section 115F of the Act, long-term capital gains arising to a Non-Resident Indian from transfer of shares of the Company, subscribed in convertible foreign exchange, shall be exempt from income tax, if the entire net consideration is reinvested in specified assets/ saving certificates within 6 months of the date of transfer. Where only a part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets/ saving certificates are transferred or converted within 3 years from the date of their acquisition.
    - 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.

## **V Foreign Institutional Investors (FIIs)**

### General Tax Benefits

1. Dividend (both interim and final) income, if any, received by the shareholder from the domestic company shall be exempt under Section 10(34) read with Section 115O of the Act.
2. Under Section 10(38) of the Act, the Long-term Capital Gain arising on transfer of equity shares in the Company, which are chargeable to Securities Transaction Tax, are exempt from tax in the hands of the shareholders.
3. In accordance with and subject to the conditions specified in Section 54EC of the Act and subject to the conditions and to the extent specified therein, Long term Capital Gains (which are not exempt under section 10(38) of the Act) would not be chargeable to tax to the extent such capital gains are invested in long term specified assets within 6 months from the date of transfer and held for a period of 3 years, from the date of acquisition, in bonds issued by:
  - c. National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
  - d. Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.
4. As per the provisions of Section 88E of the Act, where the business income of an assessee includes profits and gains from sale of securities liable to Securities Transaction Tax, a rebate is allowable from the amount of income tax on such business income, to the extent of Securities Transaction Tax paid on such transactions. The amount of rebate shall, however, be limited to the amount of income tax arrived at by applying the average rate of income tax on such business income.
5. As per Section 90(2) of the Act, the provisions the Double Taxation Avoidance Agreement between India and the country of residence on Non-resident/ Non Resident Indian would prevail over the provisions of the Act to the extent they are more beneficial to the non-resident/non-resident Indian shareholder. Thus, a non- resident/non-resident Indian shareholder can opt to be governed by the beneficial provisions of an applicable Double Taxation Avoidance Agreement.
6. As per the provisions of section 111A of the Act, short term capital gains arising from transfer of equity shares in the Company would be taxable at a concessional rate of 10%(plus applicable surcharge and education cess), if such a transaction is subjected to Securities Transaction Tax.
7. As per the provisions of Section 115AD, income (other than income by way of dividends referred in Section 115-O) received in respect of securities (other than units referred to in Section 115AB) shall be taxable at the rate of 20% (plus applicable surcharge on tax and education cess on tax and surcharge).

Further, capital gains arising from transfer of securities (other than units referred to in Section 115AB) which are not exempt under Section 10(38), shall be taxable as follows:

<i>Nature of Income</i>	<i>Rate of tax</i>
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 would not be available.

#### **C. Benefits available under the Wealth Tax Act, 1957**

##### General Tax Benefits

‘Asset’ as defined under Section 2(ea) of the Wealth Tax Act, 1957, does not include share in companies. Hence, the shares in companies are not liable to Wealth Tax.

#### **D. Benefits available under the Gift Tax Act, 1958**

##### General Tax Benefits

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.

#### **Notes:**

1. All the above benefits are as per the current tax law and will be available only to the first named holder in case the shares are held by joint holders. Shareholder is advised to consider in his/her/its own case, the tax implications of any new enactments which may change / modify the law.
2. In view of the nature of tax consequences, being based on all the facts, in totality, of the investors, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences.
3. The benefits discussed above 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.

## SECTION IV: ABOUT THE ISSUER COMPANY

### INDIAN TELECOM INDUSTRY – AN OVERVIEW

The Indian telecommunications industry has experienced significant growth in recent years, primarily in the mobile sector. Historically, this sector was primarily run by the Government under the umbrella of the Ministry of Telecommunications and Information Technology, Department of Telecommunications (“DoT”). The liberalisation of this key sector began in the early 1990s as it was realised that in order to achieve rapid and comprehensive development of the infrastructure, wide scale investment was required and this could not be fulfilled exclusively by public investment but only through investment by the private sector. Since early 1998, all the different telecommunications services areas have been opened up to competition and private sector participation. This transition from a government-controlled monopoly to an industry with widespread private sector participation has been instrumental in the telecommunications sector becoming one of the fastest growing sectors in India.

Indian telecommunications market can be broadly classified into the following segments:

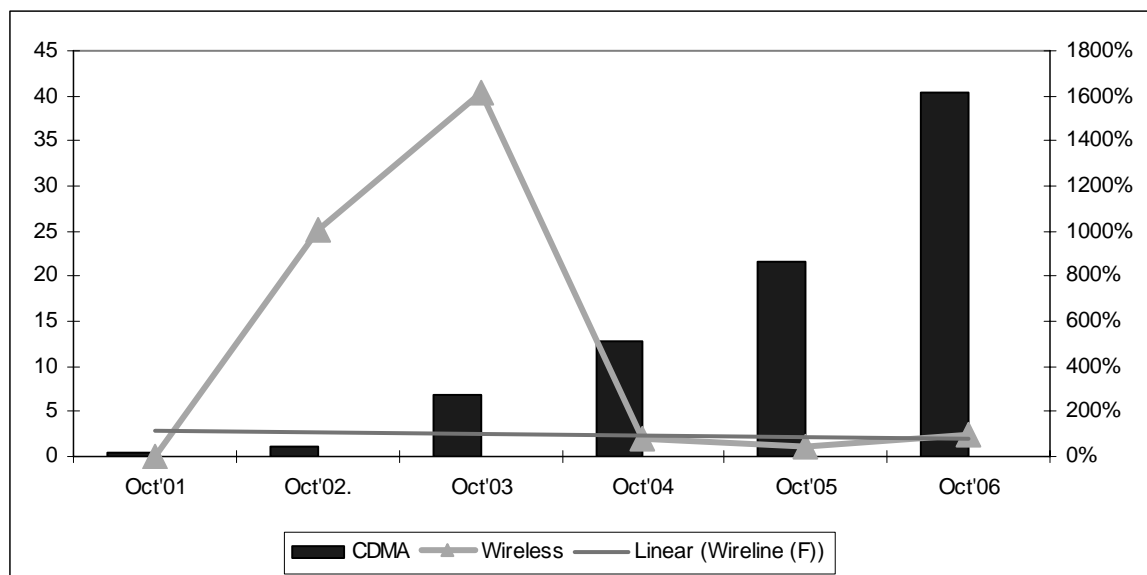
- Wireless
- Wireline
- National Long Distance
- International Long Distance
- Data Services

#### Wireless

Wireless comprises mobile services provided by GSM and CDMA operators. India’s population is geographically spread out in semi-urban and rural areas and high capital intensity of providing last mile connectivity to fixed-line subscribers makes it economically unremunerative to provide fixed line services to a large section of the population. In addition, the value proposition of a wireless connection is significantly higher to a telecom subscriber as compared to a fixed-line service. This mobility advantage has expanded the market for the entire telecommunications industry. Further, fixed costs of wireless operations tend to be much lower to the consumer in comparison to wireline services which have a much higher committed billing. As a result, the telecom penetration in the country has significantly expanded with wireless being the key driver. We believe increased spending power and changing demographic profile of the population in favour of the younger generation have also contributed to the growth of wireless industry.

#### Wireline

Historically, the fixed-line business in India has been the domain of the Government, with MTNL providing services in Mumbai and Delhi and BSNL providing services to the rest of the country. Since 2001, when the regulations permitted entry of private basic telecom operations, several players including Reliance Infocomm, Bharti Airtel and Tata Teleservices started providing wireline services.



### International Long Distance ("ILD")

State-owned Videsh Sanchar Nigam Limited ("VSNL") had the only ILD licence in India until April 2002. The NTP 1999 envisaged the opening up of international long distance services to private operators by 2004. From April 1, 2002, the Government decided to open up the ILD segment to competition without any restriction on the number of operators. Thus, the monopoly of VSNL ended. Data Access, Reliance Infocomm and Bharti Televentures applied and were issued licences shortly after the Government issued the detailed guidelines and licence conditions in January 2002.

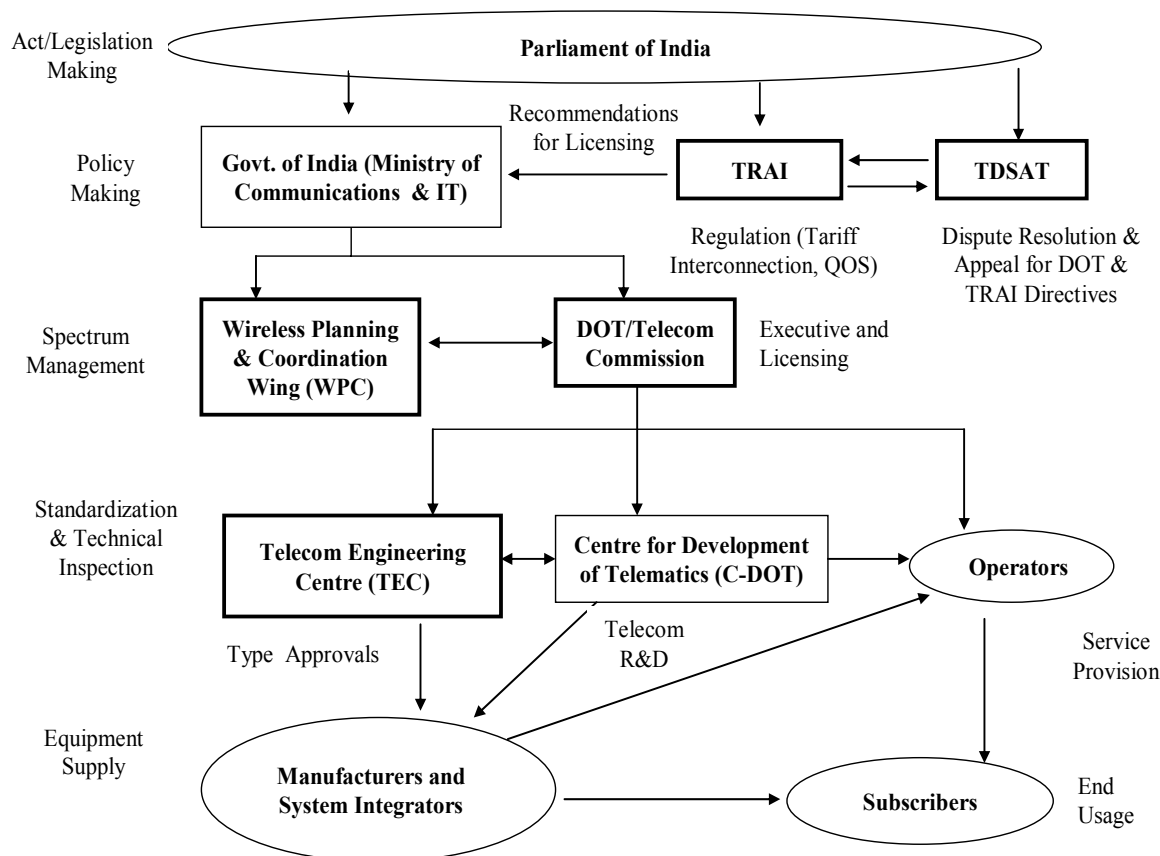
Reduced tariffs, increased globalisation, growth in outsourcing based industries and increased penetration have fuelled the growth in usage minutes in the ILD segment over the past years.

### National Long Distance ("NLD")

NLD services were a state monopoly until mid-2002, with BSNL being the sole provider of domestic long distance services. The NTP 1999 envisaged the opening up of the national long-distance market to private players. Subsequently, the Government decided to open up the NLD segment to competition without any restriction on the number of players.

Increased competition owing to a larger number of players has resulted in sharp decrease in the tariffs paid by the consumers. Lower tariffs and increased telecom penetration has fuelled growth in NLD segment.

## Institutional Framework for the Indian Telecommunications



Source: TRAI

The Indian telecom footprint is broadly divided into 23 circles. The geographical distribution of Indian telecommunication industry into circles is based on the geographical boundaries of each state. The circles have been categorised as Metros, 'A' circles, 'B' circles and 'C' circles depending upon the degree of affluence, infrastructure development and revenue potential across states.

The map illustrates the geographical distribution of states and union territories in India, categorized into three groups (A, B, and C) based on their location relative to the coast and the presence of major metros. Group A (blue) includes coastal states like Gujarat, Maharashtra, Goa, Karnataka, Andhra Pradesh, Odisha, West Bengal, and Tamil Nadu. Group B (green) includes inland states like Rajasthan, Madhya Pradesh, Chhattisgarh, Jharkhand, and Uttar Pradesh. Group C (yellow) includes northern and northeastern states like Punjab, Haryana, Himachal Pradesh, Jammu & Kashmir, Ladakh, Arunachal Pradesh, Assam, Nagaland, Manipur, Mizoram, Tripura, and Meghalaya. The four metros (Mumbai, Delhi, Kolkata, Chennai) are located in Group A states.

## Evolution of the Indian mobile services industry

Figure 1 is a combined bar and line chart showing the frequency of 24 syllable types in the first 1000 words of 100 children. The x-axis lists syllable types from j-əVT to j-əMT. The left y-axis represents the number of occurrences (NUM) from 0 to 100. The right y-axis represents the percentage of total occurrences (PER) from 0% to 100%. Bars represent the number of occurrences, and a line represents the percentage. Annotations provide phonetic details for specific syllable types.

Syllable Type	NUM (Occurrences)	PER (%)
j-əVT	1	0.1
pÉəVT	1	0.1
j-əVU	1	0.1
pÉəVU	1	0.1
j-əW	1	0.1
pÉəW	1	0.1
j-əMM	1	0.1
pÉəMM	1	0.1
j-əMN	1	0.1
pÉəMN	1	0.1
j-əMO	1	0.1
pÉəMO	1	0.1
j-əMP	1	0.1
pÉəMP	1	0.1
j-əMQ	1	0.1
pÉəMQ	1	0.1
j-əMR	1	0.1
pÉəMR	1	0.1
j-əMS	1	0.1
pÉəMS	1	0.1
j-əMT	1	0.1

Annotations:

- kÉi=qÉÉÁÇä-éçÄó=kqm=VVVF (pointing to j-əVT)
- cçí éiU=ÁÉäí ä-ä=äÁÉäé Éä-äé iÉÇ (pointing to j-əMM)
- qÜäÇ=-äÇ-ñçí éiU=çéÉä-íçä-Éäíéó (pointing to j-əMN)
- fäíèçÇí Áíçä-çlí=äíÄéç-ééÉä-äç (pointing to j-əMP)
- fäíèçÇí Áíçä-çlí=ééÉä-äç-éä-äé (pointing to j-əMQ)
- QVB=íç=QTB (pointing to j-əMR)

**Pre-NTP 1999** — Until the 1980s, the telecommunications industry in India was a monopoly, managed and controlled by the Government. Despite having a large network infrastructure, the teledensity in India was one of the lowest in the world. In



December 1991, the Government began opening up the telecommunications industry by inviting bids from private mobile telecommunications service providers to provide services in the four metropolitan cities of Mumbai, Delhi, Kolkata and Chennai. The private companies that were allowed to bid were allowed no more than 49% foreign ownership for non-exclusive licences to provide cellular services in the four metropolitan circles.

In January 1995, the DoT invited tenders from Indian companies (who could be associated with foreign partners) for licences (to be limited to two per circle) to provide cellular services in 18 telecommunications circles, excluding the four metropolitan circles. The Government issued 34 licences covering 18 service areas to 14 companies from 1995 through 1998. No bids were received for the Jammu and Kashmir circles. The terms of the licences provided for two operators per metropolitan circle and two operators per regional circle and required mobile operators to interconnect through the fixed-line networks of BSNL and MTNL. Mobile services were introduced in India on a commercial basis in the four metropolitan circles during 1995 and in most of the other circles between 1996 and 1998.

However, the industry experienced stunted growth due to high licence fees as the licences were obtained by way of auctions. High licence fees together with high call charges resulted in low penetration and usage.

**Post NTP 1999** — In 1999, the National Telecommunication Policy 1999 (“NTP 1999”) was announced by the Government to address the difficulties encountered by licencees under the initial telecommunications licencing regime. NTP 1999 brought about a change from a fixed annual licence fee to a licence fee based on a percentage of revenues earned by the operator and an extension of the initial licence term from 10 to 20 years. Migration from fixed licence fee to revenue sharing under the unified licencing regime resulted in reduced tariffs and thereby boosted the affordability of mobile telecommunication.

**BSNL entry** — Moreover, NTP 1999 permitted BSNL and MTNL to provide mobile services in those circles where each was already providing fixed-line services. Accordingly, BSNL and MTNL became the third cellular services operators in such circles. The entry of the government-owned BSNL was a major trigger for the expansion of the telecom industry. BSNL’s national footprint and its focus on areas hitherto untouched/under serviced by the incumbent operations led to expansion of the industry.

**Entry of a fourth operator** — As part of NTP 1999, in January 2001, the Government published guidelines concerning the fourth licence to be awarded for each circle. The guidelines called for a non-exclusive licence for a period of 20 years (thereafter extendable by 10 years) in the 1,800 MHz frequency range. The guidelines stipulated minimum paid-up capital and net worth requirements for bidders (and their respective promoters) in respect of each category of circle. The guidelines further provided that for the entire duration of the licence, total foreign held equity in the licensee company should not exceed 49% of the paid-up capital and that management control should vest with an Indian promoter. Pursuant to the guidelines, a company was not permitted to have an interest in more than one bidder company for the same circle and existing licenseees were not permitted to submit bids relating to a circle for which they already held a licence.

The Government prescribed roll-out obligations for the fourth operator, requiring coverage of at least 10% of the District Head Quarters (“DHQs”) within a circle in the first year and 50% of the DHQs within three years of the effective date of the licence. Coverage of a DHQ requires radio coverage of at least 90% of the area bound by the central municipal limit in the DHQ.

Also, in January 2001, based on the recommendations of TRAI, the Government issued guidelines to permit fixed-line telecommunications service providers to provide limited mobility services using Wireless Local Loop (“WLL (M)”) technology, within specified short distance calling areas in which the relevant subscriber is registered. In October 2003, TRAI recommended to the Government that fixed-line telecommunications service providers intending to provide limited mobility services based on WLL (M) technology pay a specified amount as an additional entry fee.

In November 2003, NTP 1999 was amended to include a licence for unified access (fixed-line and mobile) services (“UAS Licence”), permitting a licensee to provide fixed-line and/or mobile services using any technology in a defined licence area upon conversion to a UAS Licence. The Government issued guidelines relating to UAS Licences in November 2003. There is no limitation on the number of UAS Licences that can be granted in any given licence area.

The fourth operator in each circle used tariff reduction as key strategy and thereby expanded the entire market through the launch of:

- Micro prepaid vouchers; and
- Life long plans.

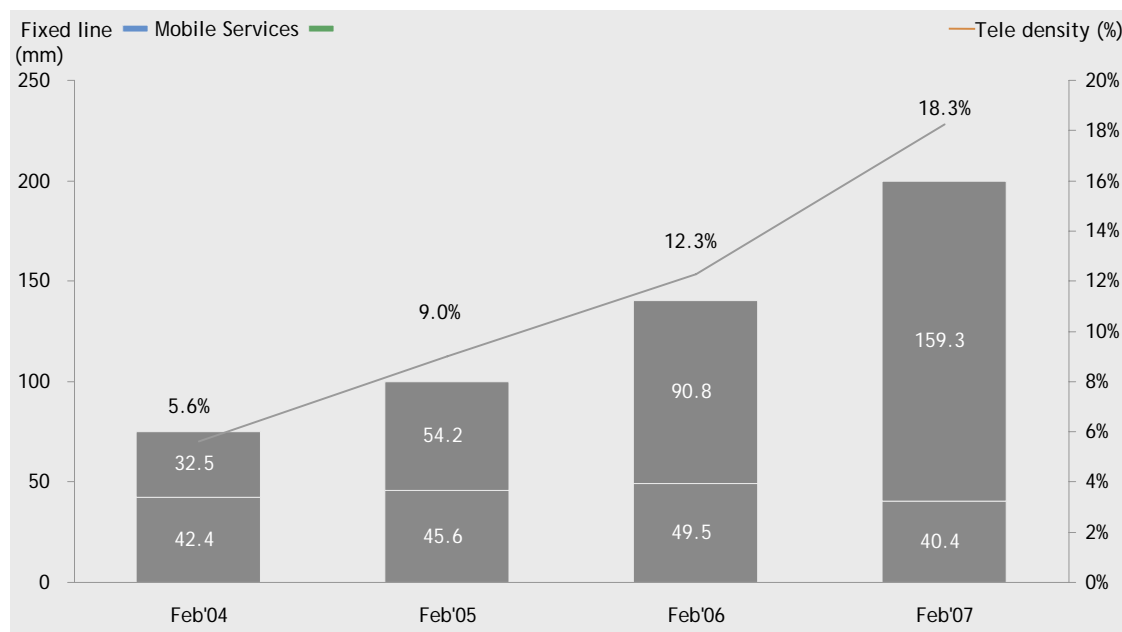
**Calling Party Pays (“CPP”)** — Pre-CPP, a mobile user had to pay not only for outgoing calls but also for incoming calls resulting in lesser usage as mobile numbers were not freely shared by subscribers. The advent of CPP freed incoming calls from being charged and provided the real boost to the Indian telecommunications industry.

**Post CPP** — Post CPP, there has been a reduction in interconnection costs, termination charges and carriage costs. Increased competition among the NLD and ILD players due to the advent of new players has also contributed to significant lowering of tariffs. Substantially higher usage due to reduced tariffs has led to the expansion of the entire industry.

The significant growth in subscriber base has resulted in rapidly rising teledensity. However, despite this growth the combined teledensity in India is 18.31% as of end March 2007. (Source: TRAI)

## Exhibit 0.1

### Teledensity and Total Subscribers Base



Source: COAI and AUSPI (Mobile Services include fixed wireless subscribers)

Until recently the category ‘A’ and ‘B’ circles have been instrumental in driving subscriber growth. As operators continue to roll out, we expect significant growth to emerge from rural areas within existing circles and growth in ‘C’ circles. The table below shows the split of subscriber base across Metros, ‘A’, ‘B’ and ‘C’ circles with their respective cellular penetration and growth rates. For the month ended March 2007, India had 162.30 million mobile subscribers. (Source: TRAI)

**Exhibit 0.2**

Subscriber additions are being driven by B and C circles

(in '000)	Mar'04	Mar'05	Mar'06	Mar'07	Penetration (%)	Three Year CAGR (%)
<b>Metro circles</b>						
Calcutta	38	11	228	-24	38.6	59.6
Chennai	108	-16	157	69	71.6	45.5
Delhi	135	-73	431	-105	74.7	40.1
Mumbai	136	34	312	-207	59.6	37.7
<b>Subtotal</b>	<b>417</b>	<b>-44</b>	<b>1128</b>	<b>-267</b>		<b>42.6</b>
<b>'A' circles</b>						
Andhra Pradesh	229	7	468	116	16.1	65.4
Gujarat	125	107	300	20	19.9	59.6
Karnataka	105	-7	395	218	19.9	67.0
Maharashtra	161	158	404	206	11.5	61.6
Tamil Nadu	258	67	247	273	15.4	70.0
<b>Subtotal</b>	<b>878</b>	<b>332</b>	<b>1814</b>	<b>833</b>		<b>64.4</b>
<b>'B' circles</b>						
Haryana	64	20	87	146	18.8	85.9
Kerala	120	17	198	43	21.8	64.6
Madhya Pradesh	55	166	262	120	8.0	89.4
Punjab	103	-48	165	162	30.5	49.1
Rajasthan	63	126	209	486	12.5	108.4
Uttar Pradesh (east)	87	52	348	272	5.2	108.4
Uttar Pradesh (west)	85	66	266	107	4.0	84.9
West Bengal and A&N islands	28	41	192	170	5.8	147.4
<b>Subtotal</b>	<b>607</b>	<b>442</b>	<b>1742</b>	<b>1506</b>		<b>83.2</b>
<b>'C' circles</b>						
Assam	32	7	111	255	8.1	198.6
Bihar	38	110	300	256	5.2	114.7
Himachal Pradesh	11	10	28	111	21.7	102.1
North East	20	12	70	118	8.9	237.3
Orissa	28	17	141	120	7.5	102.8
J&K	5	28	71	77	12.7	228.6
<b>Subtotal</b>	<b>134</b>	<b>184</b>	<b>721</b>	<b>937</b>		<b>127.7</b>
<b>All India Total subs</b>	<b>2036</b>	<b>914</b>	<b>5405</b>	<b>3009</b>	<b>18.3</b>	<b>67.5</b>

Source: COAI and AUSPI (includes Fixed wireless subscribers). CAGR calculated over the period Mar 04 - Mar 07

Despite stronger growth from the non-urban areas of all circles, teledensity in rural areas continues to lag the teledensity of urban India.

Rural households have the potential for significant growth if services could be extended to cover these areas. However, the capital cost of setting up connectivity in these areas is the main hurdle.

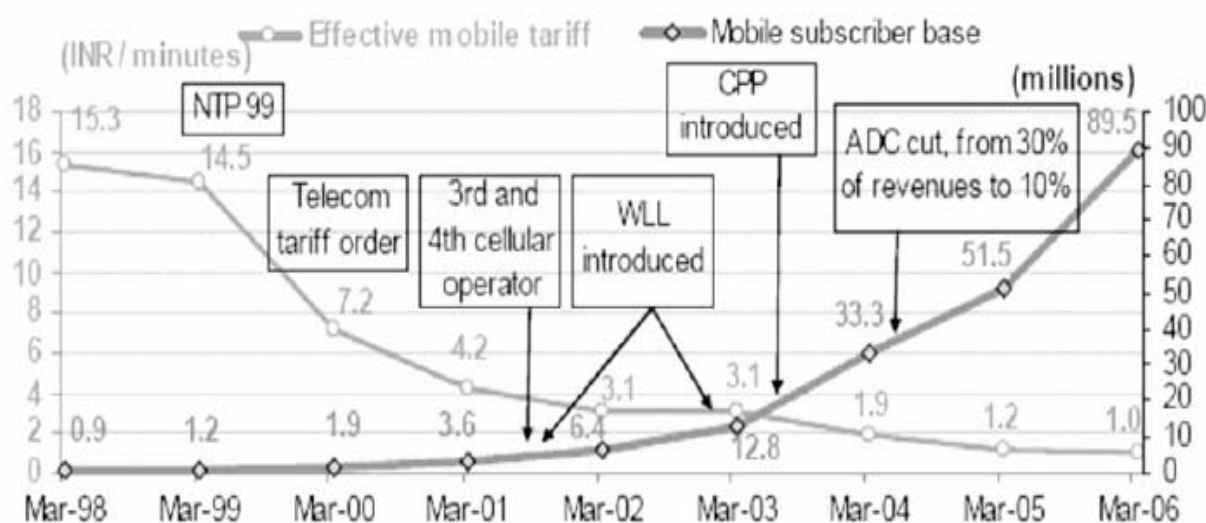
### Key drivers of subscriber growth

#### *Increasing affordability of services*

The regulator has played a key role in tariff reductions in the initial years from 2003 to 2005 through tariff orders and introduction of competition. Post-reduction of regulatory charges, operators have passed on these benefits to subscribers through tariff reductions.

#### Exhibit 0.3

Falling tariffs have been instrumental in spurring the growth in subscribers



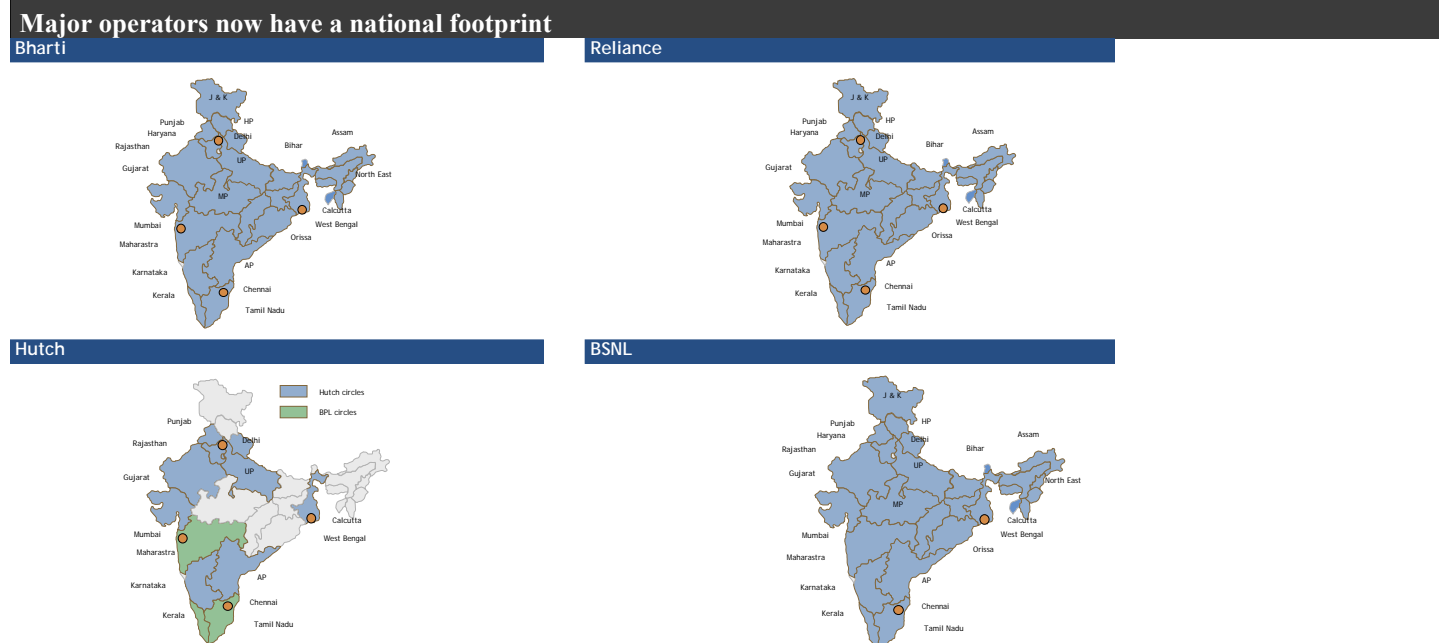
Source: TRAI

- TRAI facilitated substantial reduction in tariffs in 2003 to 2005
- Falling handset prices has led to increasing affordability of mobile phones in India

## Growing footprint of mobile companies in India

With physical expansion of its network, a mobile service operator gains considerable economies of scale and improved profitability. Mobile service providers such as Bharti Airtel, Reliance Communications and BSNL have already established networks that have pan-India coverage. In a bid to improve competitiveness and profitability, other mobile companies, such as Hutchison Essar, Aircel and including ourselves, have applied for licences so as to develop a pan-India footprint.

### Exhibit 0.4



## Robust economic growth prospects

In 1991, the Government of India initiated a series of comprehensive macroeconomic and structural reforms to promote economic stability and growth. The key policy reforms that were initiated by the Government were focused on deregulation of certain industry sectors, acceleration of foreign investments and implementation of a privatisation programme for dis-investment in public sectors which resulted in economic growth. India's sound economic growth is another driver of the strong offtake in mobile penetration. India's per capita GDP growth is being fuelled by strong growth in the services industry backed by high growth in the industrial sector.

### Exhibit 0.5

#### Macroeconomic snapshot of India's growth

Indicator	FY 2004	FY 2005	FY 2006	FY 2007*
Real GDP (% Y-o-Y)	8.5	7.5	8.4	9.1#
Agriculture	10.0	0.7	3.9	3.4
Industry	7.6	8.6	8.8	10.6
Services	8.2	9.9	10.1	10.6
Wholesale Price Index Inflation	4.5	5.7	3.5	5.0 @
Imports (% Y-o-Y)	36.4	44.8	18.7	36.5
Exports (% Y-o-Y)	52.6	15.0	20.6	39.5
Fiscal deficit/ GDP (%)	4.5	4.0	4.1	3.8BE

Source: Ministry of Commerce ([www.eaindustry.nic.in/mesout.htm](http://www.eaindustry.nic.in/mesout.htm))

Note: 1) \* -April-November 2006-07 2) # - Apr-Sep 2006-07 3) @ - Apr-Dec 2006-07 4) BE = Budget Estimates

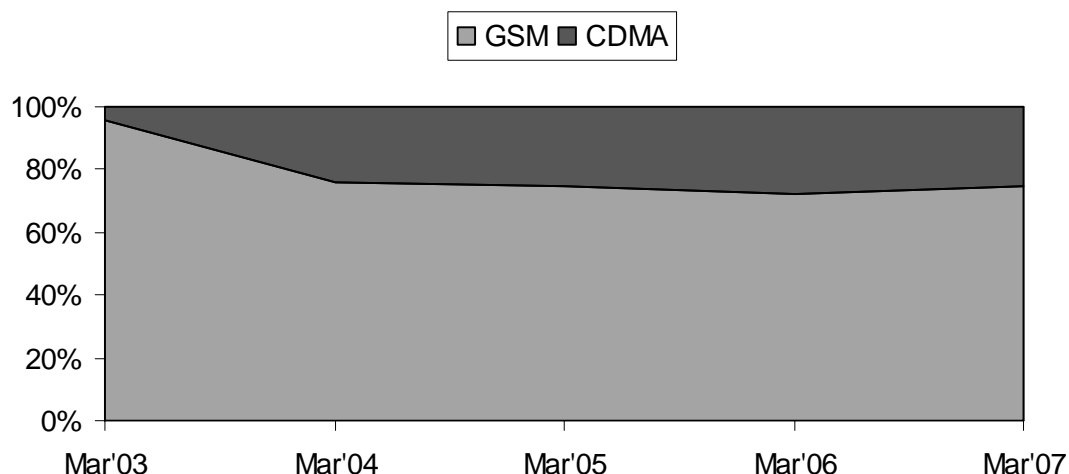
### *Favourable regulatory regime*

The regulator has taken proactive steps to improve mobile teledensity. The regulatory regime has fostered healthy competition in addition to allowing significant FDI participation of up to 74% ownership in telecom companies. These regulatory changes and refinements in recent years have brought greater clarity to existing rules and procedures enabling the operators to focus on improving network quality and telecommunications services. This situation has also made it easier for companies operating in this sector in India to raise financing and other funding on more attractive terms given the greater predictability of the operational environment. Since the regulatory framework is an evolving process within the industry, there remain certain issues such as 3G spectrum allocations and number portability which require further clarity from the regulators.

### **Sector trends in India**

**1. GSM vs. CDMA — Competing technology platforms** — Indian wireless market has historically evolved around two different technology platforms — GSM and CDMA. While the initial players such as Bharti, Hutchison and Spice adopted GSM technology for their networks, CDMA technology was used by players who received the limited mobile licences in 2001 such as Reliance Infocomm and Tata Teleservices. With the introduction of Unified Licensing Policy, the Indian regulatory environment became technology neutral enabling both GSM- and CDMA-based players to provide similar wireless services. The key CDMA players, Reliance Infocomm and Tata Teleservices, have deployed CDMA 1.0x technology in most of their coverage areas, which is superior to the traditional GSM technology particularly in delivering high speed data services and efficient utilisation of spectrum. Moreover, subscribers with CDMA services have pre-programmed handsets which can usually not be re-programmed if the subscriber switches to another service provider, resulting in a barrier to switch, leading to lower churn rates for CDMA providers.

In March 2007, CDMA-based service providers had a 25% market share as compared to 28% market share in March 2006, reflecting stronger growth being witnessed by the GSM-based players.



Source: COAI, AUSPI (CDMA includes fixed wireless subscribers)

**2. Prepaid subscriber additions dominate growth** — Prepaid subscribers are dominating the growth of subscriber additions in India. Introduction of innovative tariff packages such as 'Lifetime' validity recharge or micro recharges of as low as Rs. 10 have increased the affordability factor of mobile services. Also 'Lifetime' packages have enabled the operators to:

- lock in the subscribers for two years, thereby reducing churn and customer acquisition cost;
- reduce incidence of bad debts through upfront collection of cash;
- reduce the need for elaborate sales network; and
- increase cash availability to fund growth due to higher incidence of prepaid users which reduces the working capital requirement, thereby releasing capital for network expansion.

**3. Decrease in incremental capital expenditure per subscriber and economies of scale** — Mobile operators in the Indian telecommunications industry have generally attained the necessary number of subscribers to benefit from various economies of scale and to negotiate better prices from network equipment vendors. As a consequence, as well as because of significant subscriber growth, we expect incremental capital expenditure per subscriber to decrease in the future.

**4. Gross blended ARPUs have decreased** — Domination of prepaid subscribers together with falling tariffs have resulted in a decrease in gross blended ARPUs.

#### Exhibit 0.6

Trend in ARPUs		
Three Months Ended	GSM (Rs./ month)	CDMA (Rs./ month)
December 2005	362	256
March 2006	366	256
June 2006	352	228
September 2006	337	215
December 2006	316	196

Source: TRAI – “The Indian Telecom Services Performance Indicators for October – December 2006” dated April 17, 2007.

#### Exhibit 0.7

ARPUs correspond to the categorisation of circles			
Circle Category	Post-paid (Rs./ month)	Pre-paid (Rs./ month)	Blended ARPU (Rs./ month)
Metro circle	755	280	393
Category ‘A’ circle	638	251	306
Category ‘B’ circle	495	256	280
Category ‘C’ circle	550	289	326
<b>All India</b>	<b>632</b>	<b>262</b>	<b>316</b>

Source: TRAI – “The Indian Telecom Services Performance Indicators for October – December 2006” dated April 17, 2007

#### Exhibit 0.8

ARPUs correspond to the categorisation of circles for CDMA (Quarter ending Dec-06)			
Circle Category	Post-paid (Rs./ month)	Pre-paid (Rs./ month)	Blended ARPU (Rs./ month)
Metro circle	539	178	241
Category ‘A’ circle	426	148	183
Category ‘B’ circle	387	153	175
Category ‘C’ circle	427	185	196
<b>All India</b>	<b>456</b>	<b>159</b>	<b>196</b>

Source: TRAI – “The Indian Telecom Services Performance Indicators for October - December 2006” dated April 17, 2007

**5. MOUs have risen** — MOUs have shown a rising trend and have mitigated the impact of decreasing ARPUs. Higher numbers of subscribers together with rising MOUs have resulted in expansion of the telecommunications industry in India.

**Exhibit 0.9**

Trend in ARPUs		
Three Months Ended	GSM (MOU/ Subscriber/ Month)	CDMA (MOU/ Subscriber/ Month)
December 2005	393	462
March 2006	395	550
June 2006	414	443
September 2006	425	413
December 2006	454	424

Source: TRAI – “The Indian Telecom Services Performance Indicators for October - December 2006” dated April 17, 2007

**6. Increasing Demand for Data Services** — As the telecommunications' needs of subscribers become increasingly sophisticated, we expect increased demand for value-added data-based telecommunication services such as music messaging and voice recognition products and believe that the value-added services will contribute to increasing industry revenues. We expect both text- and voice-based applications to drive this growth. This, coupled with the increased range of services offered by telecommunications operators, especially information services, will lead to an increase in demand for value-added services. We believe this trend will be enhanced by the development and supply of new data-enabled handsets at lower prices.

**7. Stable tariffs** — There has been a dramatic decline in tariffs due to increased competition. For example, the peak long distance tariff between Delhi and Mumbai has decreased from Rs. 30.00 per minute in the year 2000 to Rs. 1.20 per three minute in May 2006. Similarly, international call charges have also decreased drastically from Rs. 61.20 per minute in the year 2000 to Rs. 8.00 per minute in May 2007 for calls made to the U.S. However, going forward, we believe the tariffs for mobile services will not continue to reduce to a material extent and that accordingly, the current ARPU levels will not continue to decrease considerably. We believe that with the expected consolidation in the market, there is a possibility of ARPUs increasing as usage increases at constant or not significantly lower tariffs.

**8. Increasing Capex** — Operators will need to invest in capital expenditure for network rollout. However, infrastructure sharing may reduce fund requirement.

- Network roll out has accelerated in the past two years
- India being one of the largest and lowest penetrated 2G markets globally, vendors are expected to be flexible on pricing to get foothold over the longer term. Recent BSNL equipment tender for 45 million lines was fiercely fought by several vendors and the bid was awarded to the lowest Capital expenditure quote
- Finally due to cycle of investment, capital expenditure that is purely for expansion tends to rise once capacity capital expenditure comes in

As the industry expands in semi-urban and rural areas, capital expenditure would increase on account of the following reasons:

- Increased infrastructure costs; and
- Backhaul connectivity will be expensive.

However, infrastructure sharing will be key to reducing network cost rollouts in the future. It has been reported that there have been reports of independent infrastructure companies funded by strategic/financial investors to fund/operate passive infrastructure for rural expansion being setup.

**Recent regulatory developments**

**1. Reduction in Regulatory Charges** — In February 2006, TRAI announced changes in its Interconnect Usage Connection (“IUC”) regulation, effective from March 1, 2006.

- A 40% reduction in the access deficit charge to Rs. 33 billion from Rs. 56 billion
- Shift from per minute charges to a revenue-sharing Access Deficit Charges (“ADC”) regime, except in respect of international calls
- Reduction in ADC per minute on international calls



- Fixation of ceiling of Rs. 0.65/ minute on carriage charges, irrespective of distance
- 2. Intra circle M&A** — Intra circle M&A is allowed subject to certain conditions.
- Merger of intra circle operators is allowed subject to the market share of the merged entity not exceeding 67%
- An operator cannot have more than 10% equity stake in two or more networks in the same circle
- Maximum allocation of spectrum available to any operator is 15MHz in Metros and 'A' circles and 12.4MHz in 'B' and 'C' circles

**3. Increase in foreign ownership limit to 74%** — Foreign ownership limit has been increased to 74% from 49%. Government notification also mandates that CEO, CFO and CTO be resident Indian nationals and a majority of the board to comprise of resident Indian nationals.

**4. Reduction in fees** — TRAI, in its recommendations on unified licensing, has proposed a reduction in the licence fee to 6% of AGR.

**5. 3G strategy and additional spectrum release** — Anticipating the growth of a market for 3G services in India along the lines of more advanced markets, TRAI has recommended a comprehensive 3G policy.

- 3G spectrum allocation independent of existing 2G allocation. Also, 2x25 MHz needs to be immediately released to up to five operators in the 2.1GHz band;
- Auction-based spectrum allocation with a minimum price; and
- DoT has already released limited spectrum in 2.1GHz band for 3G trials to Bharti Airtel, BSNL, MTNL and Hutchison.

However, as 3G remains at a nascent stage even in mature markets such as Singapore and Hong Kong, it would take some time before it significantly impacts the operations of Indian players.

**Defense spectrum** — Improving quality/expansion of existing network depends on the release of spectrum by the Indian defense forces. The Indian defense forces are expected to vacate about 2x25MHz in the 1800MHz band. However, this is dependent upon the availability of equipment in alternate bands together with other procedures.

**6. Mobile number portability** — With an aim to foster the competitive environment, TRAI has recommended the implementation of mobile number portability ("MNP"). TRAI is looking into the implementation of this service.

#### **Other factors affecting the telecommunications industry**

**1. Customer Verification** — An amendment of all licences on August 12, 2002 required customer verification when activating new subscribers. Many operators have received notices from the DoT to disconnect all mobile connections of subscribers in certain circles who have been allegedly given connections prior to May 31, 2006 without first being subject to proper verification. Most mobile operators who are similarly affected are together discussing these notices with the DoT on grounds of the logistical and practical difficulties involved in verifying all details of subscribers who were given mobile connections prior to May 31, 2006. Further, the DoT has given until March 31, 2007 for completing verification of all subscribers.

**2. Spectrum** — The DoT intends to release further spectrum in the 900 and 1800 MHz ranges to commercial mobile operators once the Indian defense forces cease using these ranges. It is expected that these spectrums will be vacated in the near future and will be made available to cellular telecommunication service providers.

Spectrum will be allocated based on an operators' subscriber base, with frequency being allocated to operators with a specified minimum number of subscribers in particular circles or categories of circles. The following two tables set out the threshold subscriber numbers for frequencies to be allocated to GSM operators and CDMA operators, respectively.

**3. Infrastructure Sharing** - The term infrastructure sharing generally refers to the sharing of mobile tower for putting up the antennae for provision of wireless service between service providers, sharing existing base station sites, A.C. power, backbone, radio links and other resources to reduce infrastructure duplication and costs. The objective of infrastructure sharing is to maximize the use of existing network facilities, which includes network capacity and capabilities. Infrastructure sharing is widely practiced in countries such as the USA, United Kingdom, Australia, Canada, Mexico, Brazil, Puerto Rico and European nations such as Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland etc.,

Infrastructure sharing is viewed largely as a measure to reduce costs i.e. capital expenditure and operating expenditure. This allows companies to monetize their assets as well as cope with operational costs.

It is primarily segregated into two forms of infrastructure sharing, those being:

- **Site Sharing:** Site sharing mostly means the sharing of masts (towers) and antennas, shelters, AC Power.
- **Radio Network System Sharing:** This format of sharing includes the sharing of radio network systems. In India, till now the regulator has only allowed sharing of passive infrastructure viz, towers, shelters, air-conditioners, but has recently started looking into sharing of active infrastructure such as fiber cables, radio links, network elements, backhaul, antenna and transmission equipment, thereby making sharing even more cost efficient.

#### Exhibit 0.10

##### Criteria for spectrum allocation: GSM operators

Service area	Subscriber base <sup>1</sup>					
	4.4 MHz	6.2 MHz	8.0 MHz	10.0 MHz	12.4 MHz	15.0 MHz
Metro:						
Delhi and Mumbai	No criteria <sup>2</sup>	0.3	0.6	1.0	1.6	2.1
Chennai and Kolkata	No criteria <sup>2</sup>	0.2	0.4	0.6	1.0	1.3
Circle 'A'	No criteria <sup>2</sup>	0.4	0.8	1.4	2.0	2.6
Circle 'B'	No criteria <sup>2</sup>	0.3	0.6	1.0	1.6	2.1
Circle 'C'	No criteria <sup>2</sup>	0.2	0.4	0.6	0.9	1.2

Source: DoT

<sup>1</sup> Minimum subscriber base (in millions) required for allotment of different amounts of GSM spectrum

<sup>2</sup> Initial allotment for rollout of the network

#### Exhibit 0.8

##### Criteria for spectrum allocation: CDMA operators

Service area	Subscriber base <sup>1</sup>	
	5 <sup>th</sup> Carrier	6 <sup>th</sup> Carrier
Metro:		
Delhi and Mumbai	0.2	0.2
Chennai and Kolkata	0.1	0.2
Circle 'A'	0.2	0.3
Circle 'B'	0.2	0.2
Circle 'C'	0.1	0.3

Source: DoT

<sup>1</sup> Minimum subscriber base (in millions) required for allotment of CDMA carriers of nominal 1.2MHz bandwidth each

## OUR BUSINESS

### Overview

We commenced operations in 1997 as a cellular services provider in the states of Punjab and Karnataka in India. As of March 31, 2007, we were the second largest cellular services provider in Punjab and fifth largest cellular services provider in Karnataka, measured by the total number of subscribers (based on data compiled by the COAI). On a combined basis, our market share of subscribers is 14.49% in these states. Our customer base consisted of approximately 2.73 million subscribers as of March 31, 2007, comprising approximately 2.20 million pre-paid subscribers and approximately 0.53 million post-paid subscribers. Our total billable subscribers as on March 31, 2007 were 2.12 million comprising approximately 1.67 million pre-paid subscribers and approximately 0.45 million post-paid subscribers. According to data compiled by COAI, the Punjab and Karnataka circles in which we operate accounted for 11.95% of India's telecommunications market share as of March 31, 2007, measured by total number of subscribers. Both of these states are recognised as major economic hubs of India, with Punjab enjoying the highest per capita income in the country, and Karnataka (whose major city is Bangalore) known as the "Silicon Valley" of India. To complement our existing markets, we have recently embarked on a pan-India expansion strategy by applying for licences for an additional 21 circles throughout India to provide GSM cellular services, in addition to licences for providing NLD and ILD services. In the three years ended June 30, 2004, 2005 and 2006, our total income was Rs. 5,549.78 million, Rs. 6,434.75 million and Rs. 6,802.87 million, respectively, and our earnings before income, tax, depreciation and amortization ("EBITDA") was Rs. 1,690.49 million, Rs. 2,033.85 million and Rs. 1,653.50 million, respectively. For the six months period ended December 31, 2006 our total income was Rs. 3,939.49 million and our EBITDA was Rs. 934.38 million.

We are an incumbent cellular operator in the states of Punjab and Karnataka with an allocation in the 900 MHz spectrum in both these states. As of March 31, 2007, we had installed 1,358 sites throughout Punjab and 1,019 sites throughout Karnataka. We own/lease optical fibre backbone and micro transmission links with back-up and redundancy support in the markets in which we operate. As of March 31, 2007 we distribute our services through 300 exclusive distributors, which tapped into a network of 90 corporate dealers and over 28,000 independent retailers. We believe that our network coverage and large number of distribution outlets have enabled us to compete effectively in the cellular services market in these states.

We have a recognised and vibrant brand, which we currently promote in a targeted manner in each of our markets, using local languages and cultural norms. As we expand our business outside of Punjab and Karnataka, we expect to supplement this local brand strategy with a national brand strategy which focuses on India's relatively youthful population by providing marketing, customer retention and loyalty programs and lifestyle features, including value-added services that appeal to younger subscribers. Currently, we also offer various value-added services and international roaming services.

One of the challenges faced by the Indian cellular industry is high churn rate. We have implemented a comprehensive churn prediction module which helps us to estimate potential loss of subscribers on the basis of certain parameters such as usage, calls to competitor help lines, the payment pattern and history of subscribers' network. This module helps us in reaching out to customers proactively instead of reacting when the customer has decided to churn.

Our Promoters are Mr. Dilip Modi and Modi Wellvest Private Limited.

TM, through TMI India, a wholly-owned subsidiary of TM International, is an investor in our Company. We expect to benefit from TM's operational and management experience both in Malaysia and key Asian regional markets, through the creation of new products and services, the sharing of technological experience and implementing and leveraging group synergies.

### Our Competitive Strengths

- Established Player in our footprint.** As of March 31, 2007, we were the second largest operator in Punjab, with approximately 1.91 million subscribers and the fifth largest operator in Karnataka, with approximately 0.82 million subscribers. We believe our size, presence and relatively long history in these markets help provide us with brand recognition in these markets, as well as substantial experience in providing services that appeal to diverse markets.

- ***Investor with strong operational capabilities in TM.*** TM's investment in our Company in March 2006 provided us with an opportunity to leverage the operational and strategic expertise of a major regional telecommunications player. TM is a leading telecommunications company based in Malaysia, with an established presence in the Asia-Pacific region, including investments in Sri Lanka, Bangladesh, Indonesia, Cambodia, Singapore and Pakistan. We believe that TM's experience and track record in expanding its business throughout the region will be helpful in the implementation of our pan-India expansion strategy and that our relationship with TM may also give us access to additional technical and marketing expertise and economies of scale.
- ***Vibrant and well-recognised brand name.*** We believe we were the first cellular services company to commence commercial operations in the Punjab markets and we believe our history in these markets, and ongoing targeted marketing strategy, has contributed to the development of our brand. The "Spice" brand which we have obtained from MCorp Global Private Limited through a deed of assignment is well-recognised in our target markets. Furthermore, we believe our brand positioning can be applied in the national market as we seek to expand our presence in all the telecom circles in India. We believe the recognition of the "Spice" brand is enhanced through sale of mobile handsets by one of our Promoter Group Companies, Spice Mobiles Limited, under the same brand name.
- ***Experienced Management Team.*** Our management team includes senior executives who have experience working in the Indian wireless communications market since the first commercialisation of wireless services in 1995. As a result, our management has extensive experience with planning and implementing strategies in the fast-changing Indian cellular market. We believe our management strength will be crucial in the implementation of our future growth plans.

## Our Strategy

- ***Consolidate and strengthen our position in our existing markets.*** We intend to consolidate and grow our presence in Punjab and Karnataka markets. We intend to achieve this by expanding our geographic network coverage in these states to enhance our market share. We believe that one of the most significant factors that subscribers consider when making decisions on cellular services is network quality. To that end, a key component of our overall strategy is to continually improve and expand our network. We plan to accelerate the build-out of the network to improve coverage in small towns and rural areas and strengthen the penetration in urban areas. We also plan to work with our roaming partners to improve and expand our coverage and to provide consistent products and services to our subscribers.
- ***Focus on operational efficiencies to improve profit margin and cash flow.*** We intend to use a variety of financial, management and operational tools to help improve our profit margins and cash flows. For example, to assist in a cost-efficient build-out of our network, we plan to continue to share towers with other cellular services providers and outsource infrastructure build-up in order to reduce cost of infrastructure development and quicken the roll-out of our infrastructure. We are also in the process of structuring certain financing solutions to our acquisition of network equipment to manage our cash flow. For more details, please see "Management Discussion and Analysis – Liquidity and Capital Resources – Cash Flow Data" on page 271 of this Red Herring Prospectus. Finally, we anticipate significant cost savings in outgoing calls and earn revenues from incoming traffic once our NLD and ILD services are operational.
- ***Enhance recognition of the "Spice" brand through both a local and national brand strategy.*** In line with our strategy to become a national player, we will focus on horizontal and vertical branding to make "Spice" more prominent in our existing markets as well as creating a greater national presence. We plan to continue our strategy of undertaking region-focused, local language advertising and marketing programs to consolidate our position in Punjab and Karnataka. At the same time, we plan to begin promotion and advertising nationally through newspapers, radio and television networks in order to increase recognition of "Spice" throughout the country.
- ***Continue to expand our comprehensive distribution network to grow our customer base.*** We intend to leverage our relationship with our existing exclusive independent distributors to increase the network of retailers who sell our pre-paid and post-paid services, thereby attracting new subscribers. As of March 31, 2007, we distributed our services through 300 exclusive distributors, which tapped into a network of 90 corporate dealers and various retailers and over 28,000 independent retailers. Our exclusive distributors provide us with ongoing support in customer acquisition and retention. We plan to expand our network of dealers and distributors in order to increase our brand awareness, provide better logistical support to our customer base and create a strong channel of communication between us and our subscribers. As part of our pan-India

expansion strategy, we intend to develop relationships with distributors in the new markets we enter, leveraging their local expertise and relationships with retailers to provide our services in those markets.

- ***Expand our operations to other circles in India.*** We have applied to the appropriate regulatory authorities to obtain licences to provide cellular services in an additional 21 circles throughout India, because providing these services could provide additional revenue streams at a relatively low marginal cost. Our application is pending before the DoT and we cannot be certain that we will be granted licenses for any of the additional circles. However, we believe that in the event we are granted licenses for additional circles, it will not only provide us with marketing and branding benefits, but will also permit us to offer simplified pricing plans. Our pan-India expansion strategy involves a gradual build-out of a nation wide cellular network of our own for or through inorganic means including acquisition / merger / amalgamation, subject to necessary regulatory approvals. We believe that our experience in developing our business in local markets in Punjab and Karnataka will be valuable in expanding our business throughout the diverse markets of India. We have recently also received a non-exclusive letter of intent (“LOI”) from the Ministry of Communications and IT, DoT, for providing non-exclusive NLD and ILD services.
- ***Focused emphasis on value-added services.*** We believe that it is increasingly important to create value-added services that are attractive to subscribers across a broad spectrum of market segments. We will seek to improve and expand the information, ring tones, games and other content and value-added services that our subscribers can access via their handsets. Our relationship with Cellebrum.com Private Limited, an affiliate company, which creates value-added services for our subscribers, is expected to help us introduce new value-added services. Additionally, we will work with TM, to develop innovative value-added services designed to appeal specifically to different market segments.
- ***Leverage our relationship with TM.*** We believe we will benefit from TM’s operational and management experience both in Malaysia and key Asian regional markets, through creating new products and services, sharing technological experience and implementing and leveraging group synergies such as in global procurement. TM is a consortium member of all submarine cable systems that land in Malaysia and has access to capacity in other submarine cable systems globally. This can provide us significant benefits of synergy for international global connectivity and on competitive terms. Also, TM has co-location facilities at major data centres and tele-houses. Due to our relationship with TM, we can access these cable systems and facilities. Also, up on implementation of ILD facilities, we expect to be benefited through high volume commitments from TM which has various investments / operations in Asia-Pacific region like Malaysia, Indonesia, Sri Lanka, Thailand, among others.

## **Our Current Operations**

### **Our Business in Punjab**

With a population of approximately 24.3 million and a GDP per capita of Rs. 17,326 as of March 2006, Punjab is one of the richest states in India. We believe we were the first operator in Punjab and as of March 31, 2007, we had a 23.92% market share in Punjab, with a total of approximately 1.91 million subscribers. Of our total billable subscribers in Punjab as of March 31, 2007, 76.76% were pre-paid billable subscribers. The total number of billable subscribers in Punjab has increased from 0.58 million as of June 30, 2004 to 1.35 million as of December 31, 2006. However, Blended ARPUs have witnessed a decline in the same period from Rs. 611 in fiscal 2004 to Rs. 347 during six months period ended December 31, 2006.

### *Consumer Services*

We offer a wide array of voice and non-voice cellular services to our subscribers on either a post-paid or pre-paid basis. Our GSM cellular services include basic cellular voice services, SMS, value-added services and roaming services. The following table sets forth the different components of our revenue from cellular services:

**REVENUE FROM GSM CELLULAR SERVICES**

	<b>Year Ended June 30, 2004</b>	<b>Year Ended June 30, 2005</b>	<b>Year Ended June 30, 2006</b>	<b>For six months period ended December 31, 2006</b>
Revenue from GSM cellular services (in Rs. Millions):				
Pre-paid.....	1,235	1,509	1,700	1,117
Post-paid.....	1,256	2,092	2,214	649
VAS.....	138	167	313	248
Other.....	1,032	734	780	712
<b>Total revenue from GSM cellular services.....</b>	<b>3,661</b>	<b>4,502</b>	<b>5,007</b>	<b>2,726</b>

*Pre-paid Voice Service.* We offer pre-paid services to meet the demands of distinct consumer segments, such as the youth, families and small business subscribers, who prefer to control usage or to pay in advance. In order to tap into the pre-paid market, we have adopted a segmented approach, providing three distinct product offerings namely Megatalk, Minitalk and Team. Megatalk is designed for the medium- to high-end user, Minitalk is designed for the low-end user and Team is targeted towards group usage. As of March 31, 2007, retail pre-paid users represented approximately 76.76% of our total billable subscribers in Punjab. Our pre-paid services offer subscribers all comparable features available on our post-paid plans, including long distance services, roaming and all of the value-added services. At the same time, the subscriber retains the benefits of enhanced ability to control spending, and no contractual obligation or monthly billing.

*Post-paid Voice Service.* Consumer post-paid voice services are generally offered on a contractual basis with different plans to suit their diverse needs. Our cellular services include local cellular communications services, long distance services and roaming services. We had approximately 0.38 million post-paid billable subscribers as of March 31, 2007. In addition to cellular voice telephony services, we provide certain enhanced features such as caller ID, call waiting, call forwarding, three-way calling and voicemail and certain other value-added services that vary according to consumer preferences.

The following table sets forth certain information relating to our subscribers for the periods indicated:

	<b>Year Ended and as of June 30, 2004</b>	<b>Year Ended and as of June 30, 2005</b>	<b>Year Ended and as of June 30, 2006</b>	<b>For six months period ended December 31, 2006</b>
Number of billable subscribers:				
Pre-paid.....	359,123	456,087	768,301	969,955
Post-paid.....	223,548	347,311	395,579	381,764
<b>Total number of billable subscribers ....</b>	<b>582,671</b>	<b>803,398</b>	<b>1,163,880</b>	<b>1,351,719</b>
Average Revenue Per User <sup>1</sup> (in Rs.)				
Blended.....	611	521	402	347
Minutes of Usage (Average per subscriber)				

Pre-paid.....	228	239	315	369
Post-paid .....	642	602	576	665

(1) Average Revenue Per User per month. ARPU for pre-paid and post-paid subscribers presented for any period means total revenue from either pre-paid or post-paid subscriber for the period divided by the sum of pre-paid or post-paid billable subscribers, as the case may be. Different service providers in the industry calculate ARPU use different mechanism for calculation of ARPU. We calculate our ARPU using this formula: -

**ARPU = [Net service income/ Average billable base] x No. of months in a period**

where, Net service income = Service income less activation revenue, and

Average billable base = Average of billable base for the two periods under consideration

**Roaming.** We collect and pay interconnection fees due to agreements with other operators for calls that terminate on our network and other cellular operators' networks, respectively. We also provide out-bound roaming services to post-paid subscribers through contractual arrangements with other international cellular services providers. Post-paid subscribers can make and receive calls while traveling outside of India in countries in which we have roaming arrangements with other cellular services providers. As of March 31, 2007, we had entered into over 68 national and 441 international roaming agreements with over 420 cellular services providers operating in over 164 countries and for fiscal 2006 and the six months period ended December 31, 2006, we earned 3.88% and 3.20% of our revenues respectively from roaming charges (including revenues from users visiting our network and international tie-ups).

**Short Messaging Services ("SMS").** In addition to our cellular voice services, we offer our subscribers a number of data and other value-added services, including SMS. SMS allows our subscribers to send short text messages of up to 160 characters on cellular handsets. Our subscribers can send SMS to all domestic cellular subscribers of each cellular services provider in India and to cellular subscribers of foreign cellular services providers with whom we have roaming arrangements. For fiscal 2006 and the six months period ended December 31, 2006, we earned 2.67% and 3.4% of our revenues respectively from SMS services. We also provide the SMS service free of charge with some of our pre- and post-paid plans.

**Value-Added Services.** In addition to SMS, we offer a wide variety of other value-added services. Some of the key value-added services are discussed below:

- **Background Music.** We were the first to launch this service in Punjab. During the call, some soft music, which is pre-selected by the user, is played in the background. The service also allows users to toggle the music according to their needs. This song selection is IVR-based whereby the users first subscribe to the service and are then able to choose the song of their choice.
- **Video Tones.** Video tones service is a personalised mobile video service where the subscriber is alerted of an incoming call by a video clip instead of the traditional ring tone or a musical tone. Subscribers can personalise different video tones for different callers and can also change the video tones.
- **Caller Ring Back Tone.** This service allows all subscribers to replace the standard ring tone callers hear after dialing with a personalised ring back tone for all calls. We charge a download fee of Rs. 15 per song.
- **Spice GPRS.** Spice GPRS allows our subscribers to access the internet and their email accounts from their mobile handsets for a fee.
- **USSD-Based Services.** This service allows subscribers to check their current bill, free of charge and without making a call, download ring tones, picture messages and other content even while roaming on post-paid using USSD.
- **Spice Voice SMS.** This feature enables customers to send, save, forward, schedule and send voice messages to multiple recipients.

- *Spice Emergency Outgoing Services.* This feature enables Spice customers to make collect calls on their mobiles even if these outgoing calls are barred, with the charges for the call being borne by the Spice subscriber to whom the call is being made.

## **Marketing, Sales and Distribution**

### *Marketing*

We adopted a single brand, “Spice”, for both our pre-paid and post-paid services. Our marketing policy is centred around four key parameters – acquisition, retention, enhancement and brand. We spent Rs. 290 million, Rs. 412 million and Rs. 327 million and Rs. 117 million in fiscal 2004, fiscal 2005, fiscal 2006 and the six months period ended December 31, 2006, respectively, on advertising and promotional activities in Punjab. Some of the key initiatives taken by us recently include:

- *Targeted Marketing, Loyalty and Retention Programs to Reduce Average Monthly Churn.* In order to promote loyalty among post-paid subscribers, we launched a retention program in which high-value subscribers are identified and rewarded. The program is designed to reward the loyalty of these subscribers by offering personalised services, offers and discounts, invitations to exclusive events and reward points from their monthly bills.
- *Aggressive Brand Management.* We have adopted an aggressive approach to the management of our “Spice” brand in order to maintain a strong overall company brand image and provide a better marketing platform. We intend to develop and implement targeted advertising and promotional activities to support this objective. Our brand was recently re-positioned to be more vibrant and innovative in order to appeal to the younger generation. Also, we signed up a leading Indian actress and former Miss World, Priyanka Chopra, as our brand ambassador. We believe our brand image has been enhanced by this celebrity endorsement.
- *Focused Sales and Marketing Culture.* We have adopted a proactive approach and fostered an aggressive sales and marketing culture to attract new subscribers. This outlook is reflected in our brand management oriented and regionalised sales approach. Our wide range of distribution channels include direct sales, self-owned and managed stores, franchised stores and independent retailers.
- *Launch of Post-paid Token.* The “Spice token” is the most convenient way for post-paid subscribers to pay their monthly bill. The Spice token is available as a paper token (resembling a pre-paid recharge coupon) or as a Flexi token. Subscribers can purchase tokens from over 3,000 outlets that sell our services. The paper tokens can be purchased in denominations of Rs.100, 300, 500, 1,000 and 3,000. The amount for which a paper token is purchased is instantly credited to the subscriber’s account upon entering the 14-digit pin number provided on the card and, in case the service has been de-activated, is automatically reactivated. Flexi tokens can be accessed through our dealers, whereby the cash is electronically transferred to the subscriber’s account, clearing his outstanding bill. This process allows subscribers to dictate the exact amount credited to their account. We believe our development of Spice tokens has enhanced customer service post purchases, especially in areas where bill payment locations are not easily accessible. This move has also had a positive effect on the collections cycle and hence the working capital position of the Company. Spice was the first operator to launch post-paid token in 2004. Other operators have subsequently commenced providing similar options to their subscribers.
- *Churn Prediction Module and Tripwire Promotions.* The churn prediction module aims at estimating potential loss of subscribers on the basis of certain parameters such as usage, calls to competitor help lines, the payment pattern and history of subscribers’ network. With this data, each customer is assigned a score which defines his propensity to churn. The subscribers with high scores are selected by the retention team for retention attempts. This module helps in reaching out to subscribers proactively instead of reacting when the customer has decided to churn. In a continuous effort to reduce churn, we offer various promotions to subscribers based on usage pattern and suspension behaviour and tariff.

### *Sales and Distribution*

We have a multi-tier distribution network in place in Punjab which comprises dealers, distributors, and showrooms both operated by ourselves and franchisees. We have been expanding our distribution network, which currently covers the state, with over 15,000 retail points. Prior to the year 2003, our products and services were distributed solely by dealers, who have their own sales force who



contact subscribers directly and use the direct sales method. We use dealers for corporate as well as retail sales. We had 323 dealers for retail sales and 72 for corporate sales as of March 31, 2007.

Since 2003, we started using distributors in Punjab in order to expand the reach of our products. We currently have 63 exclusive distributors for distributing our post-paid services in Punjab. Distributors operate within their designated areas and are responsible for distributing our products and services to retailers. Our pre-paid services are sold through 64 distributors. These 127 distributors cover over 15,000 outlets where our products are sold, in addition to catering to the dealers and franchisee showrooms.

The distributors for pre-paid services are generally larger and have bigger designated areas than those for post-paid services; hence, there are fewer pre-paid services distributors than post-paid services distributors. The 64 distributors for pre-paid services cover over 15,000 outlets. We plan to increase this number to 70 distributors to enhance our reach to cover more outlets. Another focus area since 2004 has been the opening of Spice self-owned and franchisee showrooms throughout the state. At present, there are 10 showrooms owned by us and 119 franchisee showrooms that cater to walk-in subscribers. The main focus of the showrooms is to sell to and service our existing and new subscribers.

### **Network Infrastructure**

The principal components of our network consist of:

- Cell sites - physical locations equipped with a base station consisting of transmitters, receivers and other equipment used to communicate through radio channels with subscribers' cellular telephone handsets within the range of a cell;
- Base Transceiver Stations ("BTS") - electronic equipment that connects mobile telephone calls to the GSM system;
- Base Station Controllers ("BSC") - devices that manage radio resources such as the base transceiver stations;
- Mobile Switching Centres ("MSC") - centres that control the base station controllers and the routing of telephone calls; and
- Transmission links - consisting of micro wave or fibre optic media.

As of March 31, 2007, we had 1,690 BTS, 41 BSC and 6 MSC in Punjab. The following table sets forth certain information relating to the growth of our network infrastructure:

### **NETWORK INFRASTRUCTURE GROWTH**

	As of June 30, 2004	As of June 30, 2005	As of June 30, 2006	As of March 31, 2007
Billable Subscribers (in thousands) .....	583	803	1,164	1,523
Cell Sites	319	528	809	1,358
Base transceiver stations.....	535	804	1,114	1,690
Base station controllers.....	23	20	25	41
Mobile switching centres.....	2	4	5	6
Network capital expenditures (Rs. millions) (Gross Block)	4028	4,862	5,797	6,455*

\* As of December 31, 2006

### **Spectrum**

Presently, we have an allocation of 7.8 MHz spectrum in 900 MHz band. We have applied for additional spectrum of 2 MHz based on our subscriber base, which if granted, is likely to be in the 1800 MHz band since there is no availability in the 900 MHz band. We have also applied for 3G spectrum allocation and the application is pending with DoT. The network connectivity between BTS to the BSC is through fibre connectivity as well as microwave connectivity that act as a standby/redundancy to the fibre connectivity. For the access network connecting BTS to the BSC, the microwave spot frequencies in 7 GHz and 15 GHz bands are available.

### ***Fibre and Microwave Backbone***

Fibre acts as the main connectivity mode throughout the network. The Company has fibre rings in capacities of DWDM, STM 1, STM 4 and STM 16. Presently, the STM 16 fibre rings are being upgraded to DWDM to meet the increased traffic in the network. We also have a STM-1 microwave connectivity between two MSC locations that acts as a standby/redundancy to the main fibre connectivity. In the event of excess traffic or a loss of connection in the fibre, the microwave provides a safe alternate means of routing the traffic.

### ***Coverage***

Our current coverage in Punjab is 537 towns which constitutes approximately 55% of the population in Punjab. We plan to expand our geographical coverage to cover substantial population in Punjab in the next few years.

### ***Suppliers***

We have various suppliers and vendors who provide us with equipment and services that we need to build our networks and upgrade and operate our business. Our principal suppliers for our existing cellular networks currently include ZTE, Tower Vision and 3D Network. We currently source fibre optic cables, transmission equipments, switches and intelligent networks and other equipments from reputed vendors like ZTE. . We also intend to rely on the services of vendors such as ZTE, who are experienced in designing, constructing and upgrading cellular networks, in order to accomplish our build-out and upgrade schedule.

### ***Credit Management and Deactivation***

Post-paid subscribers are required to pay their bill within 19 days from the billing date, after which the bill amount is considered overdue. If a postpaid subscriber fails to make up payment on the due date, we send an SMS reminder to such Subscriber to make payment on the next day. If such Subscriber still does not make payment, we send a second SMS reminder on the third day after the due date. If we do not receive payment in the account after 5 days from the time a bill is overdue, we block outgoing service. Incoming calls are blocked after 15 days from the time a bill is overdue, if payment is not received and at that point such subscriber is no longer considered to be a Billable Subscriber although the account and phone number remain registered with us. However, if the customer fails to make payment within 105 days from the due date, we terminate the account for such Subscriber and such customer is no longer considered to be a Subscriber.

Prepaid Subscriber who have used one of our networks at least once during the last calendar month (whether for incoming or outgoing call) or whose voucher has not expired is considered a Billable Subscriber. Prepaid vouchers expire a fixed number of days after their activation date. The number of days each voucher is valid depends on the cost of the voucher and varies under each tariff plan. Generally, the validity period for prepaid vouchers ranges from 30 days to 180 days dependent on value of voucher and is dependant on our marketing strategy. We change the validity period for our prepaid vouchers from time to time. Once the validity period of prepaid subscribers vouchers has expired, such subscriber is no longer a Billable Subscriber although the account and phone number remain registered with us. However, if such customer fails to again become a Billable Subscriber within 90 days, we terminate the account for such subscriber and such customer is not longer considered to be a Subscriber.

### ***Fraud Prevention***

We have not experienced material revenue loss associated with fraud in the past. We have implemented a fraud management system to assist us in preventing fraud in both pre-paid and post-paid services. We have a fraud management system that was developed in-house to track subscribers by name, address, and mobile equipment identity number in order to identify repeat fraud offences.

### ***Our Business in Karnataka***

Regarded as India's Silicon Valley, Karnataka with a population in excess of 57 million ranks amongst India's leading states in terms of growth opportunities. Bangalore is the major city in Karnataka. We were the only cellular service provider in Karnataka until 2002 and as of March 31, 2007, we had a 7.53% market share in Karnataka (based on data compiled by the COAI), with a total of approximately 0.82 million customers. Of our total billable subscribers of 0.59 million in Karnataka as of March 31, 2007, 88.06% were pre-paid subscribers. The total numbers of billable subscribers in Karnataka declined from 0.23 million as of June 30, 2004 to 0.18 million as of June 30, 2005 but increased to 0.51 million as of December 31, 2006. Blended ARPU had declined from Rs. 742 in

fiscal 2004 to Rs. 432 in six months ended December 31, 2006. In the past, our growth in the Karnataka circle has been constrained due to the lack of funds for network expansion. As a result of the capacity and network constraints over the years until October 2005, we have not been able to expand our customer base or aggressively market and advertise our services. These factors have not allowed us to capitalise on our strong brand name in Karnataka and as a result, revenues declined over last three years. Service revenue declined from Rs. 1,702.87 million in June 2004 to Rs. 1,607.56 million in June 2006. However, with the network expansion beginning October 2005, the repositioning of the Spice brand in December 2005 and a very aggressive marketing drive, our customer acquisitions and market share have been growing. We had an incremental market share of 3% during the period from October 1 to December 30, 2005 which increased to 6.04% during the period from July 1, 2006 to December 31, 2006. With an enhanced IN capacity in place, the new MSC operating efficiently, the network strengthening in existing towns and coverage expanding in new markets, we are in the process of re-establishing ourselves in the Karnataka market.

### Consumer Services

We offer a wide array of voice and non-voice cellular services to our subscribers in Karnataka on a post-paid and pre-paid basis. Our GSM cellular services are similar to those offered to our subscribers in Punjab and include basic cellular voice services, SMS, value-added services and roaming services. The following table sets forth the different components of our revenue from the GSM cellular services:

#### REVENUE FROM THE GSM CELLULAR SERVICES

(Rs. millions)

	Year Ended June 30, 2004	Year Ended June 30, 2005	Year Ended June 30, 2006	For the six months ended December 31, 2006
Revenue from the GSM cellular services:				
Pre-paid .....	613	495	557	508
Post-paid .....	714	568	502	260
SMS .....	100	89	104	85
Other .....	276	411	445	272
Total revenue from GSM cellular services	1,703	1,563	1,608	1,125

*Pre-paid Voice Service.* As of March 31, 2007, retail pre-paid users represented approximately 88.06% of the total number of billable subscribers in Karnataka. We offer pre-paid services to meet the demands of distinct consumer segments, such as the youth market, families and small business subscribers, who prefer to control usage or pay in advance. In order to tap into the niche market created by the college boom in Karnataka, both in Bangalore and in more rural areas, we introduced the “Spice Uth” plan several years ago. This plan has proved to be popular among the student community due to zero rental fees and full talk time on all recharges, as well as other benefits. Our pre-paid services offer subscribers all comparable features available on our post-paid plans, including long distance, roaming and all of the value-added services. At the same time, subscribers retain the benefits of enhanced ability to control spending with no contractual obligations or monthly billing.

*Post-paid Voice Service.* Post-paid subscribers in Karnataka comprise primarily of corporate accounts. An example of the innovative plans we have recently introduced is the Consumer User Group plan which allows our subscribers to make unlimited calls within a specified group to any other Spice number for a fixed monthly rental fee ranging from Rs. 150 to Rs. 549. This plan, among others, has been very popular and has helped us obtain some high value corporate subscribers over last year. Our cellular services include local cellular communications services, long distance services and roaming services. We had approximately 0.07 million post-paid billable subscribers as of March 31, 2007. In addition to cellular voice telephony services, we offer enhanced features with many of our pricing plans which are similar to those we offer to our subscribers in Punjab, such as caller ID, call waiting, call forwarding,

three-way calling and voicemail and certain other value-added services that vary from period to period according to consumer preferences.

The following table sets forth certain information relating to our subscribers for the periods indicated:

#### CUSTOMER DATA

	Year Ended and as of June 30, 2004	Year Ended and as of June 30, 2005	Year Ended and as of June 30, 2006	For the six months ended December 31, 2006
Number of subscribers :				
Pre-paid.....	177,568	130,083	269,677	436,810
Post-paid.....	54,598	51,271	60,434	74,238
Total number of billable subscribers.....	232,166	181,354	330,111	511,048
Average Revenue Per User (in Rs.)				
Blended.....	742	622	515	432
Minutes of Usage(Average per subscriber)				
Pre-paid.....	254	224	396	458
Post-paid.....	641	719	654	651

**Roaming.** The roaming services offered to our subscribers in Karnataka are similar to those offered to our subscribers in Punjab and are detailed in the section above on our business in Punjab. For fiscal 2006 and the six months period ended December 31, 2006 we earned 6% and 4.60% of our revenue, respectively, from roaming services.

**SMS.** In addition to our cellular voice services, we offer our subscribers a number of data and other value-added services, including SMS. These services are similar to those described in the section above on our business in Punjab. For fiscal 2006 and the six months period ended December 31, 2006 we earned 6.40% and 7.51% of our revenue, respectively, from SMS services.

**Value-Added Services.** In addition to SMS and roaming, we offer various value-added services. Some of the key value-added services are discussed below:

- **Caller Ringback Tone:** This service allows all subscribers to replace the standard ring tone callers hear after dialing with a personalised ring back tone for all calls. We offer differential services from competition by offering Music Shuffles whereby the song changes for every caller and a USSD-based high speed interactive medium by which song downloads and choices are completely dynamic; as a further advantage to subscribers we offer the same options on a web-based CRBT portal.
- **IVR Portals:** We offer services and download via our IVR portals which allow our subscribers to access live astrology readings by Bejan Daruwala, live cricket updates/commentary and a Jukebox in which subscribers can listen to songs of their choice online, participate in a Live Quiz to win prizes or seek any sort of public information online. Our IVR portal also offers a variety of devotional songs and prayers to cater to every need of our subscribers.
- **Subscription-Based Services:** We offer our subscribers value-added services such as job, news, entertainment, horoscope, sports and customised cricket alerts.
- **USSD:** We provide a customized platform that allows subscribers to access a variety of value-added services such as CRBT menus, cricket scores, and news alerts via USSD (“Unstructured Supplementary Services Data”). USSD is a versatile application designed to offer the subscriber freedom in obtaining information anytime and anywhere.

- **Mobile Ticketing:** This service allows subscribers to purchase tickets electronically from a website for concerts and sporting events through their mobile phone. Subscribers receive a bar code on their phone that acts as an actual ticket and is verified via scanning machines at the venue.
- **Telixo:** This is an innovative service that is being offered in collaboration with Navin Mail, a company founded by Sabeer Bhatia, the creator of Hotmail. This service allows users to use their mobile phones as PDAs. By logging onto a designated website, users can input any data such as address books, reminders and appointments, and access the same information through their mobile phones from anywhere in the world.
- **Regional Content:** We offer various customised regional content that helps us to capitalise on the strength of our regional brand presence. Some of the content offered includes regional films downloads, regional language WAP downloads and voicemails with recorded messages from regional celebrities.
- **Video Tones:** Video tones service is a personalised mobile video service by which subscribers are alerted to incoming calls through a video clip instead of the traditional ring tone or musical tone. Subscribers can personalise different video tones for different callers and can also change the video tones at anytime.
- **MBirthday:** MBirthday is a social tool that allows our subscribers to build and maintain a list of birthdays of friends and family, which sends birthday reminders to inform subscribers of upcoming events.

## **Marketing, Sales and Distribution**

### *Marketing*

We entered the Karnataka market in 1997 with an aggressive marketing and advertising strategy. In 2000, we changed our brand image with a new campaign and with the tag line “Never miss an opportunity”. We believe this was a very successful campaign and resulted in a significant increase in brand awareness among consumers. However, from 2003 to 2005, since we did not have a significant investment in network roll-out, advertising expenditure in Karnataka was limited.

Since October 2005, we have increased our marketing efforts in Karnataka and have introduced various new products and services for our subscribers. Some of the key initiatives we have taken are:

- **Aggressive Brand Management.** We have adopted an aggressive approach to the management of our “Spice” brand in Karnataka and our various marketing initiatives including extensive outdoor advertising, rollout of new schemes for our subscribers and new tariff plans that have helped stop the decreasing trend in our subscriber base. Our brand was recently re-positioned in December 2005 to be more vibrant and innovative in order to appeal to the younger generation. Also, we hired a leading Indian actress and former Miss World, Priyanka Chopra, to become our brand ambassador. We believe that our brand image has been enhanced by this celebrity endorsement.
- **Launching New Products and Value-Added Services.** With the launch of various new value-added services for our subscribers including SMS packs, astrology services, news, provision of utility services on call, railway and flight information, cricket alert packs, job alerts, voicemail service and the most popular service My Tunes, we believe we have eliminated the disparity between our services and those provided by our competitors. We have also launched several new products such as Uth Student and Uth Together, which are aimed at the youth segment of mobile users.
- **Visibility Drive.** A conscious effort has been made since October 2005 to increase our overall visibility in the market. We have organised various events and activities throughout the year. These include sponsored major events in Karnataka such as the India vs. Australia cricket match, the Vintage Car Rally, the A.R.Rehaman Show, Bangalore Habba and Jugal Bandi by Pandit Jasraj and Ustad Zakir Hussain. In addition, we have also organised a golf tournament for our premium corporate subscribers.
- **Direct Marketing Activities for our High Value Subscribers.** 20% of our post-paid base in Karnataka is comprised of high-value customers. We have dedicated a team experienced in relationship management to focus on activities designed to enhance service levels for these subscribers. These activities include loyalty programs that engage subscribers with the Spice

brand, thus increasing their commitment and loyalty towards Spice. Examples of the loyalty programs include invitations allowing subscribers to attend premiere shows for top movies, tickets to major events and shows, newsletters, mailers and birthday greetings. In addition, we have also established a dedicated call centre to cater to the service requirements of these subscribers.

- **Corporate Social Responsibility.** We have made a conscious effort to fulfill our obligations to society. We have sponsored a Diwali program for approximately 400 children from Parikrama, an orphanage, in October 2006. We have also been associated with Helpage India by encouraging our employees and subscribers to donate to this charity organisation through the SMS medium.

#### *Sales and Distribution*

We have a multi-tier distribution network in Karnataka. For our post-paid services, there are six direct sales associates (“DSA”) in Bangalore and two in the rural regions who work exclusively for us and have engaged a large number of salesmen to actively contact prospective post-paid subscribers in the market. For rural regions, we also have appointed 58 retail marketing agents (“RMA”) who work exclusively for us. These agents deal in both post-paid and pre-paid products. An RMA is required to have both salesmen and a retail outlet dedicated exclusively to our services. We have introduced post-paid distribution in Bangalore city that cater to almost 240 multi-brand outlets in which our post-paid products are sold over the counter.

We have 33 strategically located self-owned and franchisee showrooms across Karnataka to cater to walk-in subscribers. The main focus of the showrooms is to sell all of our products and services to our existing and new subscribers.

With regards to pre-paid distribution, the distribution expansion plan which began in March 2006 has seen a substantial increase in number of distributors and multi-brand outlets between June 2006 and October 2006, contributing to the sale of pre-paid cards and recharge vouchers. As of June 2006, we had 26 distributors and 1,450 multi-brand outlets selling our pre-paid products across the state. We currently have 25 distributors in Bangalore and 148 in the rest of the state. These 173 pre-paid distributors operate alongside a dedicated sales force covering over 13,200 multi-brand outlets where our pre-paid products are sold. These distributors also service our exclusive dealers and franchisee showrooms.

To cater to corporate subscribers, we have three corporate dealers and a corporate direct sales team of 50 executives in place that is responsible for contacting potential corporate subscribers. We also have a dedicated team for service, collection and retention of the corporate subscriber base in Karnataka.

#### *Network Infrastructure*

The principal components of our network in Karnataka are similar to those used in Punjab and include cell sites, BTSs, BSCs, MSCs and transmission links.

As of March 31, 2007, we had 1,093 BTS, 32 BSC units and 2 MSCS in Karnataka. The following table sets forth certain information relating to the growth of our network infrastructure:

#### **NETWORK INFRASTRUCTURE GROWTH**

	<b>As of June 30, 2004</b>	<b>As of June 30, 2005</b>	<b>As of June 30, 2006</b>	<b>As of March 31, 2007</b>
Billable Subscribers (in thousands) .....	232	181	332	595
Cell Sites	206	323	508	1,019
Base transceiver stations.....	264	328	587	1,093
Base station controllers.....	11	11	17	32
Mobile switching centres.....	2	1	1	2
Network capital expenditures (Rs. millions) .....	3,445	3,557	4,071	4,743*

\* As of December 31, 2006

## ***Spectrum***

We were allocated spectrum in the 900 MHz band. Currently, we have an allocation of 6.2 MHz band in 900 MHz band. With our plans to expand our coverage substantially in the next few years, we will be applying for additional spectrum as our subscriber base grows. The network connectivity between BTS and BSC is through fibre connectivity as well as microwave connectivity that act as a standby/redundancy to the fibre connectivity. For the access network connecting BTS to the BSC the microwave spot frequencies in the 15 GHz band is available.

## ***Fibre and Microwave Backbone***

Fibre acts as the main connectivity mode throughout the network. We have fibre rings in capacities of STM1 and STM4. The rings are fibre routes which connect various cities and form a circular network with all important cities constituting nodes in the ring. The connectivity from BTS to BSC and from BSC to BSC is through microwave, leased lines and own fibre. Connectivity from base station controller to mobile switching centres is achieved primarily through own fibre, leased lines and microwave.

## ***Coverage***

Although we were the first operator in Karnataka to cover 37 cities, lack of funding has rendered the coverage of our network in recent years a major constraint for us and has affected our market share. As of March 31, 2007, our current coverage in the state is 229 towns covering approximately 33% of the total population in Karnataka. We plan to aggressively strengthen our geographical coverage as well as capacity throughout the state of Karnataka over next two to three years.

## ***Credit Management and Deactivation***

Post-paid subscribers are required to pay their bill within 19 days from the billing date, after which the bill amount is considered overdue. If a postpaid subscriber fails to make up payment on the due date, we send an SMS reminder to such Subscriber to make payment on the next day. If such Subscriber still does not make payment, we send a second SMS reminder on the third day after the due date. If we do not receive payment in the account after 5 days from the time a bill is overdue, we block outgoing service. Incoming calls are blocked after 15 days from the time a bill is overdue, if payment is not received and at that point such subscriber is no longer considered to be a Billable Subscriber although the account and phone number remain registered with us. However, if the customer fails to make payment within 105 days from the due date, we terminate the account for such Subscriber and such customer is no longer considered to be a Subscriber.

Prepaid Subscriber who have used one of our networks at least once during the last calendar month (whether for incoming or outgoing call) or whose voucher has not expired is considered a Billable Subscriber. Prepaid vouchers expire a fixed number of days after their activation date. The number of days each voucher is valid depends on the cost of the voucher and varies under each tariff plan. Generally, the validity period for prepaid vouchers ranges from 30 days to 180 days dependent on value of voucher and is dependant on our marketing strategy. We change the validity period for our prepaid vouchers from time to time. Once the validity period of prepaid subscribers vouchers has expired, such subscriber is no longer a Billable Subscriber although the account and phone number remain registered with us. However, if such customer fails to again become a Billable Subscriber within 90 days, we terminate the account for such subscriber and such customer is not longer considered to be a Subscriber.

## **Fraud Prevention**

We have not experienced material revenue loss associated with fraud in the past. We have implemented a fraud management system from a leading services provider to assist us in preventing fraud in both pre-paid and post-paid services in Karnataka.

We monitor on a daily basis any high usage with priorities on long distance calls, as well as abnormal usage for local calls that may signal fraud. We also monitor roaming calls on our network for very high usage. As a further precaution, we also conduct pre-check activity for all post-paid subscribers to prevent chronic non-payers or suspended subscribers that are a potential threat to revenues and profitability from re-entering the network.

## **CHURN**

Our average monthly churn rate for a period is the rate of customer disconnections net of reconnections. This rate is calculated by dividing deactivations less reconnections by the average number of billable subscribers during that period (the average of the number of billable subscribers on the first and last days of the respective period) divided by the number of months in that period. Our average monthly churn rates for the periods indicated below are set forth in the table below:

<b>Circle</b>	<b>For the year ended June 30, 2004</b>			<b>For the year ended June 30, 2005</b>			<b>For the year ended June 30, 2006</b>			<b>For six months ended December 31, 2006</b>		
	<b>Pre-paid churn (%)</b>	<b>Post-paid churn (%)</b>	<b>Total churn<sup>1</sup> (%)</b>	<b>Pre-paid churn (%)</b>	<b>Post-paid churn (%)</b>	<b>Total churn<sup>1</sup> (%)</b>	<b>Pre-paid churn (%)</b>	<b>Post-paid churn (%)</b>	<b>Total churn<sup>1</sup> (%)</b>	<b>Pre-paid churn (%)</b>	<b>Post-paid churn (%)</b>	<b>Total churn<sup>1</sup> (%)</b>
Karnataka	7.03	5.43	6.69	4.84	6.72	5.19	3.62	4.09	3.70	3.37	6.42	3.77
Punjab	4.29	3.74	4.14	5.66	5.02	5.47	5.79	5.81	5.79	4.10	6.14	4.65

- (1) Total churn is calculated independently of the percentage of pre-paid and post-paid churn rates given above and is based on the total billable subscriber base comprising pre-paid and post-paid billable subscribers. Total churn is net of transfers between pre-paid and post-paid customer categories.

Our Churn for a given period is the rate of permanent subscriber deactivation. We calculate our Churn by dividing the total deactivations in a period by the average number of subscribers for that period. Different players in the industry follow different mechanism for churn calculation. We calculate our churn on the basis of the following formula: -

$$= \left[ \left\{ \frac{\text{Churn during the period}}{\text{Average of the subscriber base (at the beginning of the period and at the end of the period)}} \right\} / \text{No. of months during the period} \right] * 100$$

We have historically experienced higher churn rates in our pre-paid category than in our post-paid category, and we expect this trend to continue. Presently, the direct cost of adding a new customer, which consists principally of a commission expense (paid to our distributor or dealers), is substantially offset by the initial activation charges recovered from our subscribers. We have, however, in the past waived all or a portion of the activation charges as short-term promotional schemes in select markets and for key subscribers. Therefore, there can be no assurance that the direct cost of adding new subscribers will be offset in whole by the activation expense we charge our subscribers.

## **TARIFF AND BILLING**

### *Tariff*

We actively pursue pricing strategies intended to increase our customer base and increase airtime usage by introducing various new schemes, especially in the pre-paid segment, and by offering volume usage discounts for our post-paid subscribers, and short-term promotion schemes. Our ability to continue providing discounts and our general pricing strategy in the future will depend in large part



on the market conditions in effect from time to time and the degree of competition from other cellular services providers in our areas of operations. In addition, all tariff plans are required to be submitted to TRAI for approval.

We currently offer other tariff plans to our post-paid cellular subscribers in Karnataka and Punjab. These tariff plans comprise of a refundable, non-interest bearing security deposit of Rs. 300, which may be waived for a certain segment of subscribers, a one-time activation fee of Rs. 99 and varying monthly charges ranging from Rs. 150 to Rs. 500 based on the plan.

For our pre-paid subscribers in our Punjab and Karnataka circles, we offer cards with varying validity periods and recharge options. We do not receive any security deposit or monthly rental from pre-paid subscribers; however, new subscribers are charged a one-time activation fee and a processing charge is levied on recharge coupons, which covers the commissions payable to our distributors.

A monthly fee is charged for most of our value-added services. For example, we levy the following charges for the services specified below:

- *Itemised billing* – a fixed monthly fee is charged, except for subscribers subscribing to national or international long distance services, for whom the service is available free of charge;
- *Caller line identification* – we charge a fixed monthly fee to our post-paid subscribers;
- *Voicemail service* – we provide an option to our post-paid subscribers to either opt for a fixed monthly charge with no per message retrieval charges or a fixed charge per message retrieved. For pre-paid subscribers, we have a fixed charge per message retrieved; and
- *SMS services* – we have a fixed charge per outgoing message and do not charge for incoming messages.

We have entered into roaming arrangements with other cellular operators to provide our subscribers with cellular services in areas outside our licensed areas. The local outgoing call charges while roaming are Rs. 1.40 per minute, outgoing STD call charges while roaming are Rs. 2.40 per minute and all incoming calls are charged at Rs. 1.75 per minute. Furthermore, there is no monthly roaming rentals and no surcharge.

For international roaming, we charge an applicable rate per minute, for incoming and outgoing calls. We charge a fixed monthly fee and 15% of actual usage from out-roamers for their incoming and outgoing calls.

### *Billing*

To support our network and infrastructure, we have invested in billing and IT systems to provide seamless integration within the network. The systems were purchased from leading vendors and also customised in-house, taking into account our requirements and that of our subscribers. Some of the main IT systems in place for billing and their key features are as follows:

*Post-paid Billing System – “@ability”.* Our post-paid billing system “@ability” was initially developed by M/s Lifetree, Bangalore and subsequently customised by our in-house IT team. At present there are four billing cycles for post-paid subscribers in Punjab, which involves billing on the 1<sup>st</sup>, 8<sup>th</sup>, 16<sup>th</sup> and 23<sup>rd</sup> of each month and three billing cycles for our post-paid subscribers in Karnataka and on the 24<sup>th</sup>, 15<sup>th</sup> and 31<sup>st</sup> of each month, with one billing cycle for our pre-paid subscribers on the 31<sup>st</sup> of each month. As time approaches 23:59:59 hours for any billing cycle, the system automatically generates the bills for subscribers by consolidating the call details as well as monthly and roaming charges. Spice has the source code for the system and hence has the ability to customise it in real time depending on the requirements. Any new scheme can be launched efficiently by making modifications in the billing systems using the source code. We believe that we have a low billing complaint rate in both Punjab and Karnataka.

*Pre-paid Billing System – “IEdge”.* We have a fully integrated in-house developed pre-paid billing system that is seamlessly integrated with the Intelligent Network and the switch. This system provides a user interface to the end users that are divided into various menus for the various departmental needs, such as customer care, logistics, over the counter, provisioning and strategies. The key feature of this system is that subscribers are able to get their pre-paid cards topped-up through the Flexi token feature using either IVRS, SMS or USSD mode.

*Services Gateway.* This is a system developed in-house, which interacts with various other systems such as the billing system, Short Message Service Codes, IN and the CRBT system. It facilitates various services provided to our post-paid and pre-paid subscribers.

Key services offered on Services Gateway are top-up recharge, token recharge, mobile number choice, pre-paid card activation and registration and deregistration of various offers.

## **INTERCONNECTION**

A substantial number of outgoing and incoming cellular calls from our licenced areas originate or terminate on MTNL's or BSNL's network. Our interconnection arrangements with MTNL and BSNL are governed by our licences. We also maintain interconnection agreements with private operators. All of our cellular operations are either interconnected or will be interconnected with a national and international long distance company to provide our cellular subscribers with national long distance services. If we obtain licences for NLD and ILD, we expect to save on the costs of paying other companies for these services.

We bill our subscribers for airtime and are required to pass the MTNL or BSNL charges onto them without a mark-up. We bear the risk of non-collection of these charges. In the case of incoming calls terminating on our network, we are not entitled to receive any portion of MTNL's or BSNL's charges for such calls. We do not impose any charges on our subscribers for such incoming calls other than airtime charges. We do not incur any interconnection charges for cellular-to-cellular calls made directly between our subscribers and carried on our network. Accordingly, we are entitled to retain 100% of the charges associated with these calls.

Under our cellular licence agreements, we are permitted to directly interconnect with other cellular or fixed-line services providers in our circle. We have entered into interconnection arrangements with Airtel, Hutch, BSNL, Tata, Reliance and HFCL in Punjab. In our Karnataka circle, we have entered into an interconnection arrangement with Airtel (landline and mobile) Hutch, BSNL, Reliance and Tata. Pursuant to these interconnection agreements, when our subscribers make a call to a customer on one of their networks within the same circle, or vice-versa, there are no interconnection charges and the customer is billed only for the airtime charges (however, the rates of Airtime are inclusive of interconnection charges, as specified by TRAI). These agreements range from a period of one to ten years.

## **COMPETITION**

Operators of cellular services in India have historically competed on the basis of service quality, pricing, availability of data services, network coverage and value-added features such as voicemail and text messaging. There is substantial and increasing competition in all aspects of the cellular industry. We believe our principal competitors are Bharti Airtel, Hutch Essar, Reliance Communications, BSNL, Tata Teleservices and HFCL.

We believe that as the market for cellular services in India develops, subscribers will place increasing value on customer service. We believe that the geographic scope of our network coverage and our significant network capacity in the circles in which we operate provide us with an advantage over new market entrants, who cannot duplicate our network coverage or capacity without significant capital expenditures. We also believe that our consumer-focused approach, and our experience in offering various service packages and regional pricing, distinguishes us from our competitors in both pre-paid services and post-paid services. We believe that we have a number of competitive strengths that have enabled us to compete successfully in the market we operate in and that will enable us to continue to compete successfully in this market in the future.

For a description of these competitive strengths, please see "Business — Our Strategy and Competitive Strengths" on page 60 of this Red Herring Prospectus and for a description of the risks we face from our competitors, please see "Risk Factors" on page xiv of this Red Herring Prospectus.

## **BUSINESS CONTINUITY AND DISASTER RECOVERY**

We have a disaster recovery plan, which covers both technical and operation-related business interruption. We back up all critical data daily.

We have set up network redundancy to help ensure that in the event of a failure of a network device, there are backup systems to keep the network running. Traffic can be rerouted through our backbone to other switches and BSCs in the event of a failure at one of the BSCs or MSCs.

We have 24 hour power backup for all our critical systems and processes. We have set up backup power supplies which we believe are able to produce sufficient electricity for our computer systems at our head office for between four to eight hours. Most of our base transceiver stations are equipped with power generator sets. For a description of the risks associated with an interruption to our operations or the provision of our services, please see “Risk Factors — Risks Relating to Our Business and the Cellular Industry” on page xiv of this Red Herring Prospectus.

#### **IT DISASTER RECOVERY SYSTEM – PUNJAB**

We have a disaster recovery set up in Mohali. The disaster recovery set up is four hours behind the production database.

#### **IT DISASTER RECOVERY SYSTEM – KARNATAKA**

The billing system production database at Karnataka runs on Oracle which provides a high availability of the database at any given point of time. Apart from this system, the production database has a disaster recovery set up at Mangalore in the form of Oracle Data Guard. The disaster recovery set up is 15 minutes behind the production database. In the event of a declared disaster the disaster recovery set up can be activated to work as production set up so that business as usual can continue within a few hours.

#### **EMPLOYEES**

As of March 31, 2007, we had a total of 595 employees in Punjab and 412 employees in Karnataka. We focus on the training and development of our employees. We allocate approximately 2.27-2.75 % of our total labour costs to training and development.

*Pension Plans and Other Benefits.* All employees are covered under a gratuity and provident fund ("PF") policy. We maintain our own PF trust in the name of “Spice Telecom EPF Trust” at Bangalore. PF is deducted at 10% of basic salary and accumulated in the employee’s account. Other benefits provided by us include interest subsidy on loans, Spice Handset cost reimbursement, club memberships for senior level employees, medi-claim insurance and group personal accident policy.

*Hiring and Retention Policy.* We carry out our executive search through various mediums such as print ads, job portals, consultants, head-hunters, campus recruitment and references. Our retention efforts include:

- **Job Rotations:** Job rotation/Lateral movement is a career development tool to retain good talent in the organisations. Employees are assigned different roles and responsibilities based on their qualifications, skill sets and areas of interest, which keep them motivated on the job in addition to meeting organisational objectives.
- **Incentives:** Special incentives are given from time to time to technical, finance and sales employees for their target oriented performance and for project completion within prescribed time frames.
- **Training and Development:** Human Resources organises various training programs for employees, i.e. technical and behavioural trainings including, GSM cell planning, Advanced GSM, Effective Customer Serving, MS Access/Excel, Core and Advanced Java, Advance Networking and Basic Security and ZTE Performance Tools. The purpose of these programs, in addition to enhancing the knowledge, skill and attitude of employees, is also to invest in employees as an asset. This strategy also works as a retention tool.
- **Foreign Trips:** Employees are awarded foreign trips as incentives (to Bangkok, Malaysia, Singapore, Mauritius etc.) for target achievement. These also help to retain and motivate performing employees.

Currently, we do not have a collective bargaining agreement. We believe that our relationship with our employees is good.

#### **INSURANCE - PUNJAB**

As of March 31, 2007, our telecommunications infrastructure had a total “all risk insurance” coverage of Rs. 5,500 million (however, terrorism is excluded from the insurance coverage). We also carry additional motor vehicle and motorcycle insurance covering damages. We also have group medical insurance for our employees which covers accidents, permanent disablement, medical expenses and death. Our insurance coverage is subject to customary exclusions and deductions. For a description of the risks related to

our insurance policies, please see “Risk Factors – the operation of telecommunications assets involves many risks and we may not have sufficient insurance coverage to cover our economic losses” on page xiv of this Red Herring Prospectus.

## **INSURANCE-KARNATAKA**

We maintain property and business interruption insurance against losses which might arise from damage to our cellular telecommunications infrastructure. As of June 2006, our telecommunications infrastructure, including business interruption, had a total coverage of Rs. 3,260 million. Certain of our insurance policies do not provide coverage for damage from terrorism and excavation or laying OFC cables. Coverage for project-related work excludes cash in transit and fidelity guarantees. Our comprehensive general liability insurance policy includes third party insurance which extends worldwide and covers third party illness, disease and death. We also carry additional motor vehicle and motorcycle insurance covering damages. Our insurance coverage is subject to customary exclusions and deductions.

We also have group medical insurance for our employees which covers accidents, permanent disablement, medical expenses and death. We also have Director & Officers liability insurance for any claim against the Directors or Officers of the Company for any wrongful act committed in the capacity of Director or officer of the Company. For a description of the risks related to our insurance policies, please see “Risk Factors – the operation of telecommunications assets involves many risks and we may not have sufficient insurance coverage to cover our economic losses” on page xiv of this Red Herring Prospectus.

## **PROPERTIES**

Our offices are located on leased premises including our head office situated at Sector 3, Noida 201301, Uttar Pradesh. Our offices in Punjab and Karnataka are also located on leased premises.

We own approximately 19680.5 square feet of land, which we utilise for offices, and showrooms.

As of March 31, 2007, we have 1,358 Cell Sites, 1690 BTS, 41 BSC and 6 MSC in Punjab and 1,019 Cell sites, 1093 BTS, 32 BSC and 2 MSC in Karnataka. In addition to the above leasehold and owned properties, we have also taken several properties on lease primarily for the purpose of constructing BTS sites and other allied business purposes. The leases are typically for 5 to 10 years. In most of our leases, we have the option to extend the lease up to a certain time period with corresponding increase in the rent, as provided in the lease agreements. Thereafter, the lease may be extended only by mutual consent.

## **INTELLECTUAL PROPERTY**

We conduct our business under the trademark “SPICE”. We have acquired rights for using the trademark “SPICE” in respect of services relating to telecom activities, through a deed of assignment of trademark with related goodwill dated March 9, 2006 at a nominal value of Rs. 1, from our Promoter Group company MCorp Global Private Limited, in which one of our Promoters Mr. Dilip Modi holds certain shares. For further details of MCorp Global Private Limited, please see “Promoter Group- MCorpGlobal Private Limited” on page 131 of this Red Herring Prospectus.

The Company has registered certain other trademarks. Further, certain other applications for registration are at various stages in the registration process.

## **LEGAL PROCEEDINGS**

We are currently involved in many material legal proceedings or regulatory actions, the outcome of which could, in our management’s judgment, have a material adverse effect on our results of operations or financial condition. For more details, please see “Outstanding Litigations” on page 295 of this Red Herring Prospectus.

**DESCRIPTION OF INDEBTEDNESS**

The Company has availed financial facilities in the form INR facility and USD facility from a consortium of banks. The details of financial facilities as on March 31, 2007 are as follows:

Facility	Amount (Rs. in Million)	Rate of Interest	Repayment	Security
INR Facility	INR equivalent to USD 215 Million	Aggregate of the applicable Margin at a rate of 3.70 % per annum and Benchmark Rate based on the yields on debt securities issued by the Government of India	In 84 months starting from the end of 15 months from April 21, 2006.	<p>All of the rights, title, interest, benefit and claims of the Company in respect of all material movable fixed properties and assets of the Borrower, both present and future;</p> <p>Company's right, title, interest and benefits in, under and pursuant to, the Shareholder Agreement, the Escrow Agreements, including without limitation the Escrow Accounts and all monies lying deposited or credited, and all monies to be deposited or credited, into the Escrow Accounts from time to time, the Interconnection Agreements, Roaming Agreements, the Infrastructure Sharing Agreements, the Related Party Contracts, the Intellectual Property Rights, all approvals, licenses, authorisations, consents and permissions (other than the Telecommunications Licences) which have been obtained by the Company in relation to the conduct of its business;</p>
USD Facility	USD 50 Million	Percentage rate per annum equal to the aggregate of the applicable Margin and LIBOR	In installments equivalent to 1/8 of the USD Facility on quarterly intervals beginning from the end of 63 <sup>rd</sup> months from April 21, 2006.	<p>all rights, title, interest, benefit, claims and demands of the Company in, to, under and in respect of the Debt Service Accounts, all monies deposited in the Debt Service Accounts from time to time, and all other assets and securities which represent all amounts in the Debt Service Accounts, and all the moneys, securities, instruments, investments, and other properties deposited in or credited to the Debt Service Accounts;</p> <p>all current assets and fixed assets of the Company (to the extent not covered under the above clauses), both present and future and includes without limitation, all bank accounts, receivables, book debts, stock-in-trade consisting of stocks of spare parts, machinery and equipments, outstanding, monies receivable, claims, bills, contracts, engagements, securities and other current assets of the Company;</p>

Facility	Amount (Rs. in Million)	Rate of Interest	Repayment	Security
				Pledge of 24.78 % shares held by MWPL of the issued and paid up share capital of the Company as on the date of the share pledge agreement which is equivalent to 19.82% of the post issue issued and paid up share capital of the Company, in favour of Security Agent on behalf of the Lenders.

For obtaining the above financial facilities, the Company has executed certain agreements in favour of the Lenders. Brief details of the main agreements executed by the Company are as follows:

#### A. INR Facility Agreement

The Company has entered into an INR Facility Agreement dated April 21, 2006 amended on May 14, 2007, for obtaining a term loan facility aggregating to INR equivalent to USD 215,000,000. The purpose of the loan was to refinance the existing indebtedness and for fulfilling the Company's obligation under the Settlement Agreements to be disbursed by the INR Lenders into the Escrow Account.

The facility was granted to the Company by various Banks/financial institutions namely DBS Bank Ltd., Deutsche Bank A.G, Barclays Bank PLC, The Hong Kong and Shanghai Banking Corporation Ltd. and Yes Bank Limited. DBS Bank Ltd. was acting as INR Facility Agent. The main terms and conditions of the INR Facility Agreement are:

- The aforesaid Lenders have the following commitments as on March 29, 2007:

#### INR Commitments

Srl. No.	Name of the Bank	Loan Amount (Rs. in Million)
1.	DBS Bank Ltd	1,648.74
2.	The Hong Kong and Shanghai Banking Corporation Ltd	989.34
3.	Barclays Bank PLC	1,215.24-
4.	Deutsche Bank AG	2,405.90
5.	Yes Bank Limited	989.34
6.	DSP Merrill Lynch Capital Limited	920.00
7.	UCO Bank	1000.00
8.	GE Commercial Finance	500.00
	Total	9,668.55

- The Company is obliged repay the INR Loan in repayment installments starting from 16 months after the utilisation date. Subsequent repayments are at monthly intervals. The final repayment installment must be repaid on the final maturity date (84 months after the Utilisation Date).
- The rate of interest payable on the INR Loan for each Interest Period is the percentage rate per annum equal to the aggregate of the applicable Margin at a rate of 3.70 % per annum and Benchmark Rate based on the yields on debt securities issued by the Government of India, which on the date of reckoning, is described as the "5-year rate" on Reuters page "0#INCMTBMK". In any other event, the Benchmark Rate shall be determined by the INR Facility Agent.

## **B. USD Facility Agreement**

The Company has entered into an USD Facility Agreement dated April 21, 2006 with DBS Bank Ltd., Labuan Branch (USD Facility Agent) for obtaining a term loan facility aggregating to the total of USD 50,000,000. The purpose of the facility is to meet long-term creditor payables, capital expenditure and other corporate purposes of the Borrower in accordance with applicable External Commercial Borrowings issued by the Reserve Bank of India. The terms and conditions of grant of the facility are as follows:

1. Each repayment installment will be one eighth of all the USD Loans borrowed starting from 63 months after the date of the USD Facility Agreement. Subsequent repayments to be made at quarterly intervals. The final repayment installment must be repaid on the Final Maturity Date (84 months after the date of this Agreement i.e. April 21, 2006).
2. The rate of interest on the USD Loan for each term is the percentage rate per annum equal to the aggregate of the applicable Margin and LIBOR.

## **C. Common Terms Agreement**

The Company has entered into a Common Terms Agreement dated April 21, 2006 with

- i) DBS Bank Ltd., Deutsche Bank A.G, Barclays Capital (The Investment Banking Division of Barclays Bank PLC) and The Hong Kong and Shanghai Banking Corporation Ltd.
  - ii) Financial Institutions listed as original lenders under the INR Facility i.e. DBS Bank Ltd., Deutsche Bank AG, Barclays Bank PLC, The Hong Kong and Shanghai Banking Corporation Ltd., and Yes Bank Limited.
  - iii) The Financial Institutions listed as original lenders under the USD Facility i.e. DBS Bank Ltd., Labuan Branch.;
1. The purpose of the Common Terms Agreement was to specify the terms and conditions for obtaining the INR Facility and USD Facility from the INR Facility Lenders and USD Facility Lenders. The important terms of the agreement are as follows:
  2. The Company shall, following the receipt by any member of its group companies of any cash proceeds from an initial public offering of shares in any member of the group or of shares in any Holding Company of any member of the group set up specifically for such initial public offering on any recognized stock exchange, apply 50 per cent of all such proceeds towards prepayment of the Loans.
  3. The Company to ensure that its payment obligations under the Finance Documents at all times rank at least pari passu with all its other present and future unsecured and unsubordinated payment obligations, except for obligations mandatorily preferred by law applying to companies generally.
  4. No member of the Group (Company and its subsidiaries) may (a) sell, transfer or otherwise dispose of any of its assets on terms where it is or may be leased to or re-acquired or acquired by a member of the Group or any of its related entities; (b) sell, transfer or otherwise dispose of any of its receivables on recourse terms; (c) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or (d) enter into any other preferential arrangement having a similar effect, in circumstances where the transaction is entered into primarily as a method of raising financial indebtedness or, of financing the acquisition of an asset.
  5. No member of the group may, either in a single transaction or in a series of transactions and whether related or not, dispose of all or any part of its assets.
  6. The Company is restricted to make or agree to make, any Distribution or any other payment to any of its shareholders.
  7. The Company must not incur any Financial Indebtedness (other than the Financial Indebtedness under the USD Facility) to fund capital expenditure.
  8. The Company is to ensure that no substantial change is made to the general nature of business of the Company or the Group from that carried on at the date of this Agreement.
  9. No member of the Group may enter into any amalgamation, demerger, merger, or reconstruction (collectively Reorganisation) unless such transaction is agreed by the global majority lenders.

10. In addition to other events of defaults such as non-payment, breach of obligations, misrepresentation, cessation of business by MWPL or any member of the group, termination or revocation of the telecommunication license etc, the agreement provides that in case TM International no longer directly or indirectly through its wholly owned subsidiaries, retains legal and beneficial ownership of, and the power to vote in respect of, at least 49% of the shares of the Company, such an event would constitute an event of default.

#### **D. Hypothecation Agreement**

The Company entered into a Hypothecation Agreement dated April 21, 2006 with DBS Bank Ltd. (Security Agent). In terms of the Hypothecation Agreement, the Security Agent is to hold the Security Interest created by the Borrower in its favour under this Agreement, over the Hypothecated Properties i.e., collectively the First Hypothecated Properties, the Second Hypothecated Properties, the Third Hypothecated Properties and the Fourth Hypothecated Properties, including the covenants given by the Borrower pursuant to this Agreement, upon trust for the benefit of the Lenders subject to the powers and provisions contained in the Hypothecation Agreement and in the Common Terms Agreement, for the due payment of the Debt.

1. The Hypothecation Agreement defines hypothecated properties as follows:

**“First Hypothecated Properties”** means all of the rights, title, interest, benefit and claims of the Borrower in respect of all material movable fixed properties and assets of the Borrower, both present and future, in relation to the Project. For the purposes of this Agreement, an asset will be deemed to be a material movable fixed asset if:

- (a) the cost of acquisition of such asset was, at the time of such acquisition, USD 50,000 (or its equivalent in any other currency, at the time of acquisition) or more; or
- (b) the value of such asset as per the latest available audited balance sheet of the Borrower is USD 50,000 (or its equivalent in any other currency, on the date of the balance sheet) or more; or
- (c) the cost of replacing such asset with a similar asset is Rs. USD 50,000 (or its equivalent in any other currency, at the time of reckoning) or more; or
- (d) the loss, destruction or damage to such asset could lead to a Material Adverse Effect,

provided that the First Hypothecated Properties shall not include those assets, the acquisition of which have been financed by the Existing Trade Indebtedness, and over which the Borrower has created Security Interest.

**“Second Hypothecated Properties”** means all of the Borrower’s right, title, interest and benefits in, under and pursuant to:-

- (a) the Shareholder Agreement;
- (b) the Escrow Agreements, including without limitation the Escrow Accounts and all monies lying deposited or credited, and all monies to be deposited or credited, into the Escrow Accounts from time to time;
- (c) the Interconnection Agreements (as defined under the Shareholder Agreement);
- (d) the Roaming Agreements (as defined under the Shareholder Agreement);
- (e) the Infrastructure Sharing Agreements (as defined under the Shareholder Agreement);
- (f) the Related Party Contracts (as defined under the Shareholder Agreement);
- (g) the Intellectual Property Rights (as defined under the Shareholder Agreement);
- (h) all approvals, licenses, authorisations, consents and permissions (other than the Telecommunications Licences) which have been obtained by the Borrower in relation to the conduct of its business and the Project.



**“Third Hypothecated Properties”** means all rights, title, interest, benefit, claims and demands of the Borrower in, to, under and in respect of the Debt Service Accounts, all monies deposited in the Debt Service Accounts from time to time, and all other assets and securities which represent all amounts in the Debt Service Accounts, and all the moneys, securities, instruments, investments, and other properties deposited in or credited to the Debt Service Accounts.

**“Fourth Hypothecated Properties”** means all current assets and fixed assets of the Borrower (to the extent not covered under the definition of First Hypothecated Properties), both present and future in relation to the Project, and includes without limitation, all bank accounts, receivables, book debts, stock-in-trade consisting of stocks of spare parts, machinery and equipments, outstandings, monies receivable, claims, bills, contracts, engagements, securities and other current assets of the Borrower in relation to the Project.

2. The Company can not without prior written consent of the Security Agent sell, transfer, assign, lease, hire, dispose off or otherwise alienate or create any Security Interest over, any of the Hypothecated Properties.
3. However, the Company is entitled to sell, transfer, assign, lease, hire, dispose off or otherwise alienate the Fourth Hypothecated Properties provided (i) such action is in the normal course of trade and (ii) such transaction is completed on an arm's length basis on normal commercial terms.
4. The hypothecation created under this Agreement shall be discharged and released on the Final Settlement Date, i.e., the date on which the Obligors have irrevocably and fully paid/repaid all amounts constituting the Debt, to the satisfaction of the Lenders.

#### **E. Share Pledge Agreement**

The Company has entered into a Share Pledge Agreement on April 21, 2006 with MWPL (Pledgor), DBS Bank Ltd., TM, TM International for securing the INR Facility and USD Facility obtained under the Facility Agreements. TM and TM International are collectively referred to as Sponsors.

1. The Pledgor has pledged to the Security Agent for the benefit of the Lenders the 136,770,732 fully paid up shares held by the Pledgor, constituting 24.78%\* of the issued and paid-up share capital of the Company as on the date of the share pledge agreement.
2. The Pledgor is obliged to pledge the subsequently acquired shares along with all the rights, title, claims, demand, benefits and interest of such Pledgor, in, to, under or in respect of the subsequently acquired shares and agrees to deposit and deliver to the Security Agent the deposited documents relating to such subsequently acquired shares as security for the due performance, discharge, redemption and repayment of the obligations, as may be necessary to ensure that at all times the Pledged Shares constitute 19.82 % of the post Issue, Issued and paid up capital of the Borrower together with the collaterals.
3. Unless and until an event of default has occurred, the voting rights in respect of the Pledged Shares may be exercised by the Pledgor in accordance with the terms of the Share Pledge Agreement and other Finance Documents. On the occurrence of any event of default, the Security Agent shall have the right to attend any general meeting of members or meeting of any class of members or meeting of creditors or debenture holders of the Borrower and to exercise rights in respect thereof.
4. In addition to other consequences of an event of default mentioned in the Share Pledge Agreement, the Security Agent for the benefit of the Lenders shall have the right to require the Sponsors to exercise the right to purchase the Pledged Shares under the Shareholders Agreement dated March 10, 2006.
5. In case the Sponsors fail to purchase the Pledged Shares, the Security Agent shall be entitled to require the Sponsors to sell and to require the Pledgor to purchase all the Shares held by the Sponsors in accordance with the Shareholders Agreement.
6. In the event the Pledgor fails to purchase all the Shares held by the Sponsors or in the event the Pledgor and the Sponsors are unable to ensure the full payment occurs within 150 days, the Pledgor and the Sponsors shall sell (i) all shares held directly or indirectly by the Sponsors and (ii) all other shares of the Company held by the Pledgor and its affiliates, to a third party.

\* Equivalent to 19.82% of the post Issue issued and paid-up share capital of the Company.

The lenders vide an amendment to the Share Pledge Agreement dated April 3, 2007 reduced the percentage of shares pledged from 24.78% of the Issued and paid up share capital as of the effective date of the Share Pledge Agreement to 19.82% of the post Issue capital.

## **F. Non Disposal Agreement**

The Company, MWPL, TM International and DBS Bank Ltd. Has entered into a Non-Disposal Agreement on April 21, 2006 which was amended on April 3, 2007. TM International and MWPL are collectively referred to as Sponsors. The main terms of the agreement are as follows:

1. The Sponsors agreed that without prior written approval of the facility agent it will not create or agree to create any encumbrances on the Non Disposable Shares in favour of any person.
2. Non Disposable Shares is defined as 270,450,600 representing 49% of the total issued, subscribed and paid up share capital of the borrower held by TM International and 144, 718,668 equity shares representing 26.22% of the total issued, subscribed and paid up share capital of the borrower held by MWPL. It also include all other shares of the Company acquired by Sponsors whether by way of bonus, right issue or otherwise, amounting to in case of TM International 49% of the total issued, subscribed and paid up share capital of the Company and in case of MWPL 26.22% of the total issued, subscribed and paid up share capital of the Company.
3. Encumbrance is defined as any form of transfer, pledge, conditional sales contract, claim, security interest, title defect, title retention agreement, third party escrow etc.
4. TM International can sell the shares to TM by providing the security agent at least 7 business days prior notice.
5. All non disposal shares shall be in dematerialised form and the Sponsors through a power of attorney authorised the security agent to give the instructions to the depository participant.
6. The sponsors shall be entitled to exercise voting rights in respect of Non Disposal Shares.

The lenders vide an amendment to Non Disposal Agreement dated April 3, 2007 amended the definition of Non Disposable Shares to 270,450,600 representing 35% of the total issued, subscribed and paid up share capital of the borrower held by TM International and 144,718,668 equity shares representing 20.97% of the total issued, subscribed and paid up share capital of the borrower held by MWPL. It also include all other shares of the Company acquired by Sponsors whether by way of bonus, right issue or otherwise, amounting to in case of TM International 35% of the total issued, subscribed and paid up share capital of the Company and in case of MWPL 20.97% of the total issued, subscribed and paid up share capital of the Company.

## REGULATIONS AND POLICIES IN INDIA

### **THE INDIAN TELECOMMUNICATIONS INDUSTRY REGULATION**

The principal bodies that regulate and govern the telecommunications Industry in India are:

- Department of Telecommunications;
- Telecom Regulatory Authority of India ;
- Telecom Disputes Settlement and Appellate Tribunal ;
- Wireless Planning and Co-ordination wing of the Ministry of Communications;
- Standing Advisory Committee on Radio Frequency Allocation

#### **Department of Telecommunications (DoT)**

DoT is a part of the Ministry of Communications, Government of India, which is responsible for co-ordinating with TRAI and other telecom authorities in determining the best practices that need to be adopted by the telecommunications industry in order to achieve the desired objectives.

DoT is responsible for policy formulation, licensing, wireless spectrum management, administrative monitoring of telecom PSUs, research and development and standardization/validation of equipment etc.

The DoT's primary functions include:

- Policy formulation, licensing and co-ordination on matters relating to telegraphs, telephones, wireless, data, facsimile and telematic services and other like forms of communications.
- Co-operation with international bodies such as International Telecommunication Union (ITU), Radio Regulation Board (RRB), Radio Communication Sector (ITU-R), Telecommunication Standardization Sector (ITU-T), Development Sector (ITU-D), International Telecommunication Satellite Organization (INTELSAT), International Mobile Satellite Organization (INMARSAT), Asia Pacific Telecommunication (APT), in matters connected with telecommunication industry.
- Promotion of standardization, research and development in telecommunication industry.
- Promotion of private investment in telecommunications.

#### **Telecom Regulatory Authority of India (TRAI)**

The TRAI was established in 1997 vide the Telecom Regulatory Authority of India Act, 1997 (TRAI Act). It is an autonomous body with quasi-judicial powers to regulate the telecommunication services in India.

The TRAI Act has been amended by the Telecom Regulatory Authority of India (Amendment) Act, 2000, pursuant to which TRAI's powers to adjudicate disputes were vested in the Telecom Disputes Settlement and Appellate Tribunal, or TDSAT.

The regulatory functions of TRAI fall within two broad categories

- recommendatory and;
- mandatory.

The main recommendatory functions of TRAI includes matters ranging from introduction of new service providers, terms and conditions of licenses to be awarded to service providers, revocation of licenses, measures to facilitate competition and promote

efficiency in the operation of telecommunications services, measures for the development of telecommunications technology, efficient management of the available spectrum and any other matter related to the telecommunications industry. The TRAI may exercise its recommendatory functions *suo-moto* or on request from the licensor.

The recommendations made by TRAI may or may not be accepted by the Government of India.

In additions to recommendatory functions, TRAI also has certain mandatory functions which includes fixing tariffs, ensuring compliance with the terms and conditions of licenses, fixing the terms and conditions of interconnection arrangements between service providers, ensuring technical compatibility and effective interconnection between different service providers, regulating revenue sharing arrangements among service providers, ensuring effective compliance of universal service obligations, establishing standards of quality of service to be provided by service providers and ensuring the quality of service, periodically surveying such service in order to protect the interest of the consumers and establishing and ensuring the time period for providing local and long distance circles between different service providers.

TRAI also has the authority to levy fees and other charges at such rates and in respect of such services as it may determine and to perform such other functions including administrative and financial functions as may be entrusted to it by the Government or as may be necessary to implement the provisions of the TRAI Act.

### **Telecom Disputes Settlement and Appellate Tribunal (TDSAT)**

TDSAT was established pursuant to the Telecom Regulatory Authority of India (Amendment) Act, 2000. By the said Amendment Act, TRAI's powers to adjudicate disputes were vested in TDSAT.

TDSAT has been granted powers to adjudicate any dispute between a licensor and a licensee, between two or more service providers, and between a service provider and a group of consumers. TDSAT also has the jurisdiction to hear and dispose off appeals against any direction, decision or order of TRAI. Decisions of TDSAT are appealable to the Supreme Court of India.

### **Wireless Planning & Co-ordination (WPC) Wing**

The (WPC) Wing of the Ministry of Communications, created in 1952, is the national radio regulatory authority responsible for frequency spectrum management, including licensing and caters for the needs of all wireless users (government and private) in the country. It exercises the statutory functions of the Central Government and issues licenses to establish, maintain and operate wireless stations. WPC is divided into major sections like Licensing and Receival (LR), New Technology Group (NTG) and Standing Advisory Committee on Radio Frequency Allocation (SACFA).

### **The Standing Advisory Committee on Radio Frequency Allocation (SACFA)**

(SACFA) is a high level committee chaired by Secretary (DoT)/Chairman, Telecom Commission. Heads of major wireless users/administrative ministries of the Govt. of India, Member (Technology), Telecom Commission, and Wireless Adviser to the Govt. of India, Joint Secretary, DoT are its members. WPC wing of the Ministry of Communications provides secretarial help to the committee. Joint Wireless Adviser, WPC wing is the member-secretary of the Committee.

The main functions of the committee are to make recommendations on:

- Major frequency allocation issues,
- Formulation of National Frequency Allocation Plan,
- Making recommendations on various issues related to International Telecommunications Union (ITU),
- Asia Pacific Telecommunity (APT),
- To sort out the problems referred to the committee by various wireless users, site clearance of all wireless installations in the country, etc.

SACFA clearances are issued after getting 'no objection' from various SACFA members who have to carry out detailed technical evaluation including field surveys etc... At times they have to obtain evaluations from their field units. The technical evaluation is done primarily for-

- a) Aviation hazards.
- b) Obstruction to line of site of existing/planned networks
- c) Interference (Electro Magnetic Interference (EMI)/Electro Magnetic Compatibility (EMC)) to existing and proposed networks.

### **New Telecommunications Policy 1999 (NTP 1999)**

In March 1999, the Government announced NTP 1999, which gives a policy framework for telecommunications regulation in India. The specific goals that NTP 1999 sought to achieve were:

- achieve telephone on demand by 2002 and increase penetration to 7% by 2005 and 15% by 2010;
- encourage development of telecommunications in rural areas by making it more affordable by suitable tariff structures and making
- rural connectivity mandatory for all service providers;
- increase rural penetration to 4% by 2010 and provide reliable transmission media to all rural areas;
- achieve telecommunications coverage in all villages and provide reliable media to all exchanges by 2002;
- provide Internet access to all district headquarters; and
- provide high speed data and multi-media capability to all towns with a population greater than 200,000 by 2002.

### **REGULATIONS GOVERNING OUR BUSINESS**

The key regulations governing our business areas viz. cellular, broadband, National Long Distance (NLD) Service and International Long Distance (ILD) Service are detailed below:

#### **1. Cellular Business**

##### **Initial Licensing Phase**

In December 1991, the DoT invited bids from Indian companies with not more than 49% foreign ownership for non-exclusive licenses to provide digital cellular mobile services in the four metropolitan areas of Mumbai, Delhi, Kolkata and Chennai. After protracted litigation arising from the selection process, the DoT finally entered into two licenses for each of the four metropolitan areas.

In January 1995, the DoT invited tenders from Indian companies with not more than 49% foreign ownership for non-exclusive licenses to provide digital cellular mobile services in eighteen telecommunication circles, excluding the four metropolitan circles. The circles were classified into three categories ("A" through "C") based principally on their revenue generating potential with Category A circle having the highest revenue potential. Pursuant to this our Company bid and obtained licenses for providing cellular services in the Punjab and Karnataka telecom circle.

The terms of the licenses provided for two operators per metropolitan area and per circle and the requirement for the cellular operators to interconnect through the fixed line networks of BSNL and MTNL. The Government reserved the right to provide cellular services in each metropolitan area and circle through MTNL or the DoT (now BSNL).

Consequent to the above two rounds of bidding in December 1991 and June 1995, cellular services were introduced in India on a commercial basis in the four metropolitan areas during 1995 and in most of the other circles between 1996 and 1998.

As the bidding process had resulted in high fixed license fees being payable by the successful bidders in most circles, several private operators defaulted on their license fee obligations and were unable to complete the build out of their networks. In certain cases, the DoT revoked or suspended the licenses issued to such operators.

**a) NTP 1999**

As a result of the difficulties faced by licensees under the initial telecommunications licensing regime, the Government announced the NTP 1999 in March 1999.

NTP 1999 envisaged a shift from the fixed annual fee to a revenue sharing arrangement for payment of license fees by the private operators to the Government, extension of the initial license period from 10 to 20 years and the entry of a fourth operator through a bidding process. NTP 1999 permitted BSNL and MTNL to provide cellular services as the third cellular operator in those areas where they were providing fixed-line services. NTP 1999 envisaged that licenses would be issued in future to additional operators in a circle, based on TRAI's recommendations from time to time on the availability of the spectrum, optimal use of spectrum, market demand, competition and public interest.

**b) Fourth Operator Guidelines**

In January 2001, the Government announced guidelines for the fourth cellular operator to provide cellular services in the country. The guidelines envisaged a non-exclusive license for a period of 20 years (thereafter extendable by 10 years) in the 1800MHz frequency range. While issuing the license, the Government stipulated minimum paid-up capital and net worth requirements for the bidder and the promoters in respect of each category of circle. The guidelines further stipulate that for the entire duration of the license, total foreign equity in the bidding company should not exceed 49% of the paid-up capital and that management control should vest with the Indian promoter. The guidelines stipulated that a company is not permitted to have an interest in more than one bidder company for the same service area and the existing licensees are not permitted to bid for the same service area.

The Government prescribed roll-out obligations for the fourth operator, requiring coverage of at least 10% of the District Headquarters (DHQ) within the circle, in the first year and 50% of the DHQs within three years of the effective date of the license. Coverage of a DHQ would require radio coverage of at least 90% of the area bound by the municipal limits in a DHQ.

**c) Revenue Sharing Percentage**

On the basis of NTP 1999, in July 1999, the Government gave the existing cellular service providers the option to migrate from the fixed annual license fee regime to a revenue share regime with a one-time entry fee. Under this migration package, the license fee payable by the existing licensee up to July 31, 1999 was treated as a one-time entry fee. From August 1, 1999, the license fee payable is a percentage of the revenue earned under the license. The provisional license fee was fixed at 15% of gross revenues (as determined according to the license agreement with the DoT) for all categories of circles.

In September 2001, the DoT fixed the license fees payable by the existing or future cellular service providers at 12% of adjusted gross revenues, or AGR in metropolitan areas and category A circles, 10% in category B circles and 8% in category C circles. The license fee in respect of existing cellular service providers has retroactive effect from January 26, 2001. It has also been specified that these rates will be payable unless existing or future fixed-line service providers are prohibited from providing limited mobility using WLL, in which event the license fees will be payable by all the cellular service providers at a revised rate of 15% of AGR.

The DoT has also specified that an additional charge will be levied on the cellular service providers for use of spectrum, depending upon the spectrum allotted. If the spectrum allotted is upto 4.4 MHz + 4.4 Mhz, royalty charge will be 2% of AGR and if the spectrum is allotted up to 6.2MHz+6.2MHz, royalty will be 3% of AGR. Additional royalty for use of spectrum for point to point links and access links is also payable as specified by the WPC. The DoT in its order dated February 1, 2002, has decided to assign additional spectrum up to 1.8 Mhz + 1.8 Mhz to cellular operators, to meet the growth of subscribers. Operators, who reach a customer base of 400,000 or more under a license in a service area, are eligible to apply for this additional spectrum. The additional spectrum of 1.8 Mhz + 1.8 Mhz would be assigned in the 1800 Mhz band. For this additional spectrum, if assigned for any one or more places in a service area, beyond 6.2 Mhz + 6.2 Mhz, an additional charge of 1% of AGR will be levied. Thus the total spectrum charge to be paid by such operators would be 4% of their AGR.

**d) Tariffs**

TRAI has stipulated a maximum tariff that may be charged by cellular operators. While it is mandatory for service providers to offer the standard tariff package prescribed by the TRAI to their subscribers, the service providers have the flexibility to offer other tariff schemes. However TRAI has the discretion to regularly notify changes in tariff structure which has to be conformed to by all cellular operators.

**e) Unified Access Service License (UASL) Regime**

In November 2003, an addendum was added to the NTP 1999 to include the following categories of licenses for telecommunication services:

- a unified license for telecommunications services, permitting the licensee to provide all telecommunication /telegraph services covering various geographical areas using any technology; and
- a license for unified access (fixed-line and mobile) services, or UAS License, permitting the licensee to provide fixed-line and/or mobile services using any technology in a defined license area.

In connection with unified access (fixed-line and mobile) services, detailed guidelines were issued by the Indian government in November 2003 ("November 2003 Guidelines"). Under the terms of the November 2003 Guidelines all cellular mobile telecom service license operators an option to migrate to the Unified Access Service License (UASL) regime.

Our Company migrated to the UASL after paying the appropriate license fees in the year 2005 for both Punjab and Karnataka circles.

The UASL license agreements have undergone significant changes over the years. The Department of Telecommunications (DoT) has consolidated the UASL by issuing the guidelines for UASL vide notification dated December 14, 2005.

The major changes brought about in the UASL regime which all licensees are required to comply with are:

- Both direct and indirect foreign investment in the licensee company shall be counted for the purpose of FDI ceiling. Foreign Investment shall include investment by Foreign Institutional Investors (FIIs), Non-resident Indians (NRIs), Foreign Currency Convertible Bonds (FCCBs), American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs) and convertible preference shares held by foreign entity. Indirect foreign investment shall mean foreign investment in the company/ companies holding shares of the licensee company and their holding company/companies or legal entity (such as mutual funds, trusts) on proportionate basis. Shares of the licensee company held by Indian public sector banks and Indian public sector financial institutions will be treated as 'Indian holding'. In any case, the 'Indian' shareholding will not be less than 26 percent.

A short summary of the conditions is as follows:

- i) The Chief Officer Incharge of technical network operations and the Chief Security Officer should be a resident Indian citizen.
- ii) Details of infrastructure/network diagram could be provided on a need basis only to telecom equipment suppliers/manufacturers and the affiliate/parents and if such information is to be provided to anybody else clearance from the licensor would be required.
- iii) For security reasons, domestic traffic of such entities shall not be hauled/routed to any place outside India.
- iv) Adequate and timely measures should be taken to ensure that the information transacted through a network by the subscribers is secure and protected.
- v) The officers/officials of the licensee companies dealing with the lawful interception of messages will be resident Indian citizens.
- vi) The majority Directors on the Board of the company shall be Indian citizens.
- vii) The positions of the Chairman, Managing Director, Chief Executive Officer (CEO) and/or Chief Financial Officer (CFO), if held by foreign nationals, would require to be security vetted by Ministry of Home Affairs

- viii) The company shall not transfer the following to any person/place outside India:-
- (a) Any accounting information relating to subscriber (except for international roaming/billing); and
  - (b) User information (except pertaining to foreign subscribers using Indian Operator's network while roaming).
- (i) The company must provide traceable identity of their subscribers. However, in case of providing service to roaming subscriber of foreign companies, the Indian company shall endeavour to obtain traceable identity of roaming subscribers from the foreign company as a part of its roaming agreement.
  - (ii) On request of the licensor or any other agency authorised by the licensor, the telecom service provider should be able to provide the geographical location of any subscriber (BTS location) at a given point of time.
  - (iii) The Remote Access (RA) to Network would be provided only to approved location(s) abroad through approved location(s) in India. The approval for location(s) would be given by the DOT in consultation with the security agencies.
  - (iv) Under no circumstances, should any RA to the suppliers/manufacturers and affiliate(s) be enabled to access Lawful Interception System(LIS), Lawful Interception Monitoring(LIM), Call contents of the traffic and any such sensitive sector/data, which the licensor may notify from time to time.
  - (v) The licensee company is not allowed to use remote access facility for monitoring of content.
  - (vi) Suitable technical device should be made available at Indian end to the designated security agency/licensor in which a mirror image of the remote access information is available on line for monitoring purposes.
  - (vii) Complete audit trail of the remote access activities pertaining to the network operated in India should be maintained for a period of six months and provided on request to the licensor or any other agency authorised by the licensor.
  - (viii) The telecom service providers should ensure that necessary provision (hardware/software) is available in their equipment for doing the Lawful interception and monitoring from a centralized location.
  - (ix) The telecom service providers should familiarize/train Vigilance Technical Monitoring (VTM)/security agency officers/officials in respect of relevant operations/features of their systems.
  - (x) It shall be open to the licensor to restrict the Licensee Company from operating in any sensitive area from the National Security angle.
  - (xi) In order to maintain the privacy of voice and data, monitoring shall only be upon authorisation by the Union Home Secretary or Home Secretaries of the States/Union Territories.
- For monitoring traffic, the licensee company shall provide access of their network and other facilities as well as to books of accounts to the security agencies.
  - In case of not adhering to licence conditions the licence(s) granted to the company shall be deemed as cancelled and the licensor would have the right to encash the performance/financial bank guarantee(s) and the licensor will not be liable for loss of any kind.
  - The services for which the Licenses are granted cover collection, carriage, transmission and delivery of voice and/or non-voice messages over Licensee's network in the designated Service Area and includes provision of all types of access services. Access Service Provider can also provide Internet Telephony. Internet Services and Broadband Services. If required, access service provider can use the network of National Long Distance/International Long Distance service licensee. In addition to this, except those services listed in the License granted, the licensee cannot provide any service/services which require a separate licence. The access service includes but is not limited to wireline and / or wireless service including full mobility, limited mobility and fixed wireless access. However, the licensee is free to enter into agreements with other service provider(s) in India or abroad for providing roaming facility to its subscriber under full mobility service unless advised/s directed by Licensor otherwise. The access service provider can further provide broadband services including triple play i.e. voice, video and data.
  - The Licensor may, without prejudice to any other remedy available for the breach of any conditions of License, by a written notice of 60 Calendar days from the date of issue of such notice to the Licensee at its registered office, terminate this License under any of the following circumstances:



If the Licensee:

- a) fails to perform any obligation(s) under the License including timely payments of fee and other charges due to the License;
- b) fails to rectify, within the time prescribed, any defect/deficiency/correction in service/equipment as may be pointed out by the License.
- c) goes into liquidation or ordered to be wound up.
- d) Is recommended by TRAI for termination of License for non-compliance of the terms and conditions of the license.
- e) Fails to comply with the FDI norms.

**f) The National Frequency Allocation Plan**

In pursuance of the NTP 1999, the National Frequency Allocation Plan – 2000 (NFAP – 2000) was evolved and made effective from January 1, 2000, which formed the basis for development, manufacturing and spectrum utilisation activities in the country. Whilst formulation of the NFAP it was understood that there would be a need to review the NFAP every two years to ensure that it remained in line with the Radio Regulations of the International Telecommunication Union (ITU). Such a review was considered essential to cater to newly emerging technologies as well as to ensure equitable and optimum utilization of the scarce limited natural resource of radio frequency spectrum. Accordingly the NFAP-2000 had been revised and a new National Frequency Allocation Plan – 2002 (NFAP-2002) had been evolved within the overall framework of the ITU, taking into account spectrum requirements of the government as well as private sector.

At present additional spectrum is allocated depending on the subscriber base of the service provider and allocation is in the ratio of 2:1 between GSM operators and CDMA technology service operators. With the onset of 3G technology to India, the DoT is reviewing its existing policies, to accommodate the new technology and to meet its objectives as envisioned in the NTP 1999.

**g) Recommendations by TRAI**

TRAI observed that the issue of spectrum allocation is rooted in the fact that additional spectrum space is required by service providers to provide subscribers access to broadband and differentiated service. Existing voice based wireless technologies have been continuously evolving and are mature enough to deliver multiple services including broadband in the existing spectrum bands, which were earlier thought suitable for voice services only. Third generation (3G) systems represent the next step in the evolution of mobile cellular communication. 2G systems focus on voice communication, while 3G systems support increased data communication. According to TRAI there is a shortage of 2G spectrum and the release of additional 2G spectrum to meet the shortfall is not a viable solution, given the time frame for achieving the objectives as laid out in the NTP. However it was noted that some users of the 2G bands could be shifted to 3G technologies thereby releasing more space in the 2G spectrum.

Before liberalization of telecom services the users of spectrum were mostly limited to a few government departments and agencies. The defense services have agreed to vacate 2 \* 20 Mhz in the 1800 MHz band, in addition to 25 Mhz in the 2.1 GHz UMTS band. The availability of additional spectrum in the 1800 MHz band provides sufficient room for growth of 2G services.

TRAI has also been considering the transition from exclusive allocation of spectrum to allowing operators access to a common pool of spectrum. De-licensing of Wi-Fi spectrum would be a major step towards achieving this goal. But in the existing scenario spectrum management follows the principle of exclusive allocations, similar to management of land, each service provider is given an exclusive spectrum and it might not always be possible to ensure that the allocated spectrum is efficiently utilized. For this reason TRAI has suggested that operators should have commercial arrangements among themselves to share not only the passive infrastructure but also the radio part of the network. This would ensure more efficient utilization of spectrum and network resources.

TRAI has also instructed the WPC to expedite the process of granting clearances in order to address the current issue of delay in allocation of frequencies, SACFA clearance, etc. for this process TRAI has suggested that the entire process of application for such aforementioned allocation and clearances be conducted online and that the entire process should be completed within a week or 10 days.

## **2. Internet Services Provider (ISP) Policy**

The present ISP Policy provides for the following regulation on internet service licensees:

- The ISP licenses are governed by the provisions of the Indian Telegraph Act 1885, Indian Wireless Telegraphy Act 1933 and TRAI Act 1997 as modified from time to time.
- Foreign equity participation is permitted up to 100% for an ISP not owning an international gateway and 74% for an ISP owning an international gateway;
- The licensee shall be responsible for ensuring that the total equity in the licensee company does not exceed 74% of the total equity, whenever it is likely to set up or has set up an international gateway;
- There are three categories of ISP licenses – Category A allows the ISP operator to provide services throughout India, while Category B and Category C restricts the provision of ISP services to limited area within India;
- The initial tenure of the license is 15 years, extendable by 5 years at a time;
- The licensee must provide service within 18 months from the date of signing of the licence agreement. Commissioning of service will mean providing commercial service to customers;
- No license fee was payable up to October 31, 2003. For those licensees who have obtained the license prior to October 31, 2003, a nominal fee of Re.1 per annum will become payable from November 1, 2003;
- ISPs are required to furnish performance bank guarantees of Rs.20 million for Category A license and Rs.2 million and Rs.0.3 million for Category B and C licenses, respectively;
- The licensee can surrender the licence by paying surrender charges equivalent to 5% of the performance bank guarantees;
- ISPs are free to fix their own tariff;
- The ISP licensee is permitted to directly interconnect to other ISPs. ISPs are allowed to set-up international gateways, after obtaining a security clearance from the Government and conforming with the FDI limit;
- Flow of obscene, objectionable, unauthorised or any other content infringing copy-rights, intellectual property right and international & domestic Cyber laws in any form over the ISP's network is not permitted and the ISP is supposed to take such measures as to prevent it. Any damages/claim arising out of default on the part of the licensee in this respect shall be the sole responsibility of the licensee;
- ISPs with Internet telephony (Restricted) are charged licence fee at 6% of AGR w.e.f. January 1, 2006;
- Private ISPs are required to use IP (Internet Protocol) and shall meet the technical requirement of the Internet Service Providers (DoT/MTNL/VSNL/other ISPs) to which it is connected. The equipment used by the Private ISP shall be in conformance with the Interface/Protocol requirements as applicable of the service provider;
- Access to internet through authorised Cable Operator shall be permitted without additional licensing subject to applicable Cable Laws (The Cable Television Networks (Regulation) Act, 1995) as modified from time to time; and
- 'Last mile' linkages are freely permitted within local area either by fibre optic or radio communication for ISPs. In case of radio links, clearance from WPC wing of the DoT shall be required to be obtained by the ISPs to avoid frequency interference.

### **3. National Long Distance (NLD) Services.**

The NLD service refers to the carriage of switched bearer telecommunications service over a long distance network. As per the NTP 1999, India has been divided into 21 circles that are more or less contiguous with India's existing states; the circles have further been divided into 322 Long Distance Charging Areas (**LDCAs**) and such LDCAs have been divided into short distance charging areas (**SDCAs**)

Presently, the provision of NLD services in India is permitted under the national long distance services license (**NLD License**) granted by DoT as per the guidelines issued by DoT. Under the NTP, 1999 and the guidelines issued by the DoT. Under the NTP, 1999, and the guidelines issued by the DoT, the NLD service has been opened to private operators without any restriction on the number of operators. The license for NLD operators is issued on a non-exclusive basis, for a period of 20 years, extendable by 10 years at one time, for operations within the territorial jurisdiction of India.

*The key features that an operator has to abide by in order to offer NLD service is as outlined below:*

- The NLDO has to be an Indian company, registered under the Companies Act, 1956.
- One NLDO can apply only for one license for NLD service.
- NLDOs are permitted to carry inter circle traffic (Inter- circle traffic means the long distance traffic originating in one telecom circle and terminating in another telecom circle), excluding intra -circle traffic (Intra- circle traffic means long distance traffic within boundaries of one telecom circle) except where such carriage is with mutual agreement with the originating service provider.
- NLDOs can also make mutually agreed arrangements with basic telephony service providers for picking up, carriage and delivery of the traffic from different legs between long distance charging center (A particular trunk exchange in a long distance charging area declared as such for the purpose of charging long distance calls) (**LDCC**) and Short Distance Charging Centers (A particular exchange in short distance charging area declared as such for the purpose of charging trunk calls) (**SDCCs**)
- The NLD License is valid for 20 years. The Licensor may extend, if deemed expedient, the period of the NLD License, by 10 years at one time, upon request of the NLDO, if made during 19th year of the license period.
- The NLDO has to intimate the Licensor of commencement of service within 15 days of such commencement.
- No traffic (mobile and landline) from subscribers within India to subscribers within India should be hauled to any place outside India. For this purpose, the location of satellites serving domestic traffic are not to be treated as outside India.
- The NLDO is required to charge the tariffs for service as per the TRAI' s tariff orders/ regulations/ directions issued in this regard from time to time.
- The NLDO has to, prior to commencement of service, confirm in writing to the Licensor that the NLDO has taken all necessary steps to ensure that it and its employees observe confidentiality of customer information.
- All foreign personnel likely to be deployed by the NLDO for installation, operation and maintenance of the NLDO's network shall obtain security clearance from the government of India prior to their deployment. The security clearance will be obtained from the Ministry of Home Affairs, Government of India.
- No RA should be provided to any equipment manufacturer or any other agency out side the country for any maintenance/repairs by the NLDO. However, RA may be allowed for catastrophic software failure (such as failure to boot up etc.), which would lead to major part of the network becoming non-functional for a prolonged period, subject to certain conditions.
- NLDOs are prohibited from assigning or transferring the NLD license in any manner to any third party. However, the NLDO can always employ or appoint agents and employees for provision of the NLD service.

- NLDOs are required to make their own suitable arrangements/ agreements for leased lines with the Access Providers for last mile. Further, NLDOs can access the subscribers directly only for provision of leased circuits (Leased circuit is defined as virtual private network (“VPN”) using circuit or packet switched (IP Protocol) technology apart from point to point non-switched physical connections/transmission bandwidth.)/ close user groups (CUGs). Public network is not to be connected with leased circuits/ CUGs. NLDOs can provide bandwidth to other telecom service operators also.
- The NLDO should, in no case, permit connectivity or similar type of service to any other person or any NLDO (including those other service providers who do not require license under section 4 of the Indian Telegraph Act, 1885) whose license is either terminated or suspended or not in operation at any given point of time. In the event of any connectivity allowed beforehand, the NLDO should be obliged to disconnect or sever connectivity immediately. On the question of disconnection, the decision of the Licensor is final.
- The charges for access or interconnection with other networks for origination, termination and carriage of calls should be based on mutual agreements between the service providers subject to the restrictions issued from time to time by the TRAI.
- The Licensor has the right to suspend the operation of the NLD License in whole or in part, at any time, if, in the opinion of the Licensor, it is necessary or expedient to do so in public interest or in the interest of the security of the state or for the proper conduct of service.
- The Licensor may, without prejudice to any other remedy available to it for the breach of any conditions of license, by a written notice of 30 days issued to the NLDO at its registered office, terminate the NLD License under any of the following circumstances:

If the NLDO:

- a) Fails to commission or deliver the service within the time period(s) specified in the NLD License.
  - b) Fails to perform any obligation(s) under the NLD License including remittance of timely payments of fee and other dues due to the Licensor;
  - c) Fails to rectify, within the time prescribed, any defect as may be pointed out to the NLDO by the Licensor.
  - d) Goes in liquidation or ordered to be wound up.
  - e) Is recommended by TRAI for termination of the NLD License for non-compliance of the terms and conditions of the NLD License.
  - f) Fails to comply with the foreign investment related norms.
- The NLDO is required to submit a financial bank guarantee (**FBG**) valid for one year, from any scheduled bank in India or from any Indian public financial institution duly authorized to issue such bank guarantee. The amount of FBG is equivalent to the estimated sum payable for two quarters towards the license fee, and other dues not otherwise securitised. The amount of FBG shall be subject to periodic review by the Licensor and the NLDO shall accordingly renew FBG. Initially, the FBG, valid for a period of one year, shall be for an amount of INR 200 million, which is to be submitted within one year from the effective date of the NLD License, but prior to the commencement of service.
  - The annual license fee including universal service obligation contribution is 6% of the adjusted gross revenue (**AGR**) (Adjusted gross revenue” for the purpose of levying license fee as a percentage of revenue means the Gross Revenue as reduced by call charges (access charges) actually paid to other telecom service providers for carriage of calls and service tax for provision of service and sales tax actually paid to the government, if gross revenue had included the component of service tax). The quarterly installments of license fee for the first three quarters of a financial year is payable by the NLDO within 15 days of the completion of the relevant quarter of the year. Any delay in payment of license fee, or any other dues payable under the NLD License beyond the stipulated period attracts interest at a rate which is 2% above the prime lending rate of the State Bank of India existing as on the beginning of the financial year (April 1) in respect of the license fees pertaining to the said financial year.

- In case the total amount paid on the self-assessment of the NLDO as quarterly license fee for the 4 quarters of the financial year, falls short by more than 10% of the payable license fee, a penalty of 50% of the entire amount of short payment is levied.
- Further, the fee/royalty must be separately paid for the use of spectrum and also for possession of wireless telegraphy equipment as per the details prescribed by Wireless Planning & Coordination Wing of the DoT (WPC).

#### **4. Inter-National Long Distance (ILD) Services**

In accordance with the New Telecom Policy' 99, the Government had decided to open the International Long Distance (ILD) Service from April 1, 2002 to the private operators without any restriction on the number of operators. The applicant had to be an Indian company, registered under the Companies Act' 1956. The license for ILD service would be issued on non-exclusive basis, initially for a period of 20 years, with automatic extension of the license by a period of 5 years subject to satisfactory performance in accordance with terms & conditions of the license particularly in regard to Quality of Service (QoS) parameters.

The key features of the ILD license are outlined below:

- The licensee is required to have a net worth of Rs. 25 Million. Net worth would mean as the sum total, in Indian rupees, of paid up equity capital and free reserves. The net worth of promoters shall not be counted for determining the net worth of the company for this purpose.
- The total composite foreign holding including but not limited to investments by Foreign Institutional Investors (FIIs), Non-resident Indians (NRIs), Foreign Currency Convertible Bonds (FCCBs), American Depository Receipts (ADRs), Global Depository Receipts (GDRs), convertible preference shares, proportionate foreign investment in Indian promoters/investment companies including their holding companies, etc., herein after referred as FDI, will not exceed 74 per cent. The 74 per cent foreign investment can be made directly or indirectly in the operating company or through a holding company and the remaining 26 per cent will be owned by resident Indian citizens or an Indian Company (i.e. foreign direct investment does not exceed 49 percent and the management is with the Indian owners). It is clarified that proportionate foreign component of such an Indian Company will also be counted towards the ceiling of 74%. However, foreign component in the total holding of Indian public sector banks and Indian public sector financial institutions will be treated as 'Indian' holding. The licensee will be required to disclose the status of such foreign holding and certify that the foreign investment is within the ceiling of 74% on a half yearly basis. For other restrictions regarding foreign ownership please refer to "Foreign ownership restrictions" below.
- The licensee should submit a detailed network rollout plan. The rollout obligations stipulate receipt and delivery of traffic from/to all the exchange in the country which can be ensured through at least one gateway switch having appropriate interconnection with at least one national long distance operators/access service provider and meeting the quality of service regulations and network to network interface requirement within three years from the effective date of license.
- The licensee would have to pay a one time non refundable entry fee of Rs. 25 Million before signing the licenses in the form of demand draft/pay order. In addition unconditional bank guarantee of Rs. 25 Million shall be given which would be released on fulfillment of the rollout obligations. Non fulfillments of rollout obligations will result in encashment of bank guarantee. This will be without prejudice to any other action which the Licensor may consider appropriate for the failure of licensee to fulfill the license conditions
- The licensee should also submit a business plan along with funding arrangement.
- The licensee has to make its own arrangements for Right of Way (ROW). However, the Central Government will issue necessary notification on request for enabling the ILD service licensee to place telegraph lines in accordance with the provisions of the Indian Telegraph Act, 1885. Provided that, non availability of the ROW or delay in getting permission/clearance from any agency shall not be construed or taken as an excuse for non fulfillment of the rollout obligations.
- The licensee must have a net worth as well as paid up capital of Rs. 25 Million on the date of application and shall submit the certificate to that effect from company secretary/company statutory auditor along with the application for license. In this context the net worth shall mean the sum total, in Indian Rs. of paid up equity capital and free reserves. The net

worth of promoters shall not be counted for determining the net worth of the company for this purpose. The minimum net worth & paid up capital shall be maintained during currency of license

- In addition to the entry fee, the annual licence fee including a Universal Service Obligation (USO) contribution shall be 6% of the adjusted gross revenue. The licence fee shall be payable in four quarterly installments during each financial year.
- The royalty/fee for the use of spectrum and possession of wireless telegraphy equipment shall be separately payable as per the details and prescription of the WPC. The royalty/fee for the use of spectrum/possession of wireless telegraphy equipment depends upon various factors such as frequency, link length, area of operation etc.
- The Licensee shall furnish a financial bank guarantee (FBG) of Rs.200 Million one year after the date of signing the licence agreement or before the commencement of service, whichever is earlier. The FBG shall be valid for a period of one year and shall be renewed from time to time for such month as may be directed by the licensor.
- The dues/fees/royalties for the use of spectrum/possession of wireless telegraphy equipment should be separately securitised by furnishing FBG of equal amount valid for a period of one year renewable from time to time till final clearance of all such dues.
- The ILD Service is defined as a network carriage (also called Bearer) service, providing the NLD Operators in the country, International connectivity to Network facilities operated by foreign carriers in other countries. Full flexibility is allowed to the ILD service provider in regard to type of bearer services offered and transport protocols employed. The ILD service provider is permitted to offer all types of bearer services from an integrated platform. ILD service providers can provide bearer services so that end-to end tele-services such as voice, data, fax, video and multi-media etc. can be provided by Access Providers to the customers. Any public tele-service, for which a separate licence is not required and which is presently permitted to VSNL (enclosed as Appendix), is also permitted for provision by the ILD service licensee. Separate licence is required for Global Mobile Personal Communications Services (GMPCS) including through INMARSAT. ILD service providers are permitted to offer bandwidth on lease to other operators. ILD service provider shall not access the subscribers directly (except for Leased Circuits/CUG) which should be through NLD service provider or access provider.
- The Licensees (who are International Long Distance, National Long Distance, Basic or Cellular Mobile Telephone service operators) can have only one Switch to perform the functions of ILD/ NLD/Cellular/Basic services provided that the switch is located at the same station and separate accounts of all the operations are maintained by duly apportioning the costs between various services. Separate TAX and Gateway switch is not mandatory.
- ILD network should provide for an inter-carrier charge billing system based on the generation of call data records.
- ILD service provider may provide either itself or through Access Provider billing services to its customers. For this purpose, a suitable technical/commercial arrangement can be mutually made with the access providers/National Long Distance Service provider.
- Further, ILD Service Providers can access the subscribers directly only for provision of international Leased Circuits/Close User Groups (CUGs). Leased circuit is defined as virtual private network (VPN) using circuit or packet switched (IP Protocol) technology apart from point to point non-switched physical connections/transmission bandwidth. Public network is not to be connected with leased circuits/CUGs.
- The ILD service provider may enter into suitable arrangements with other service providers to negotiate Interconnection Agreements whereby the interconnected networks will provide the following:
  - a) To connect, and keep connected, to their Applicable Systems.
  - b) To establish and maintain such one or more Points of Interconnect as are reasonably required and are of sufficient capacity and in sufficient numbers to enable transmission and reception of the messages by means of the Applicable Systems,
  - c) To meet all reasonable demand for the transmission and reception of messages between the interconnected systems.

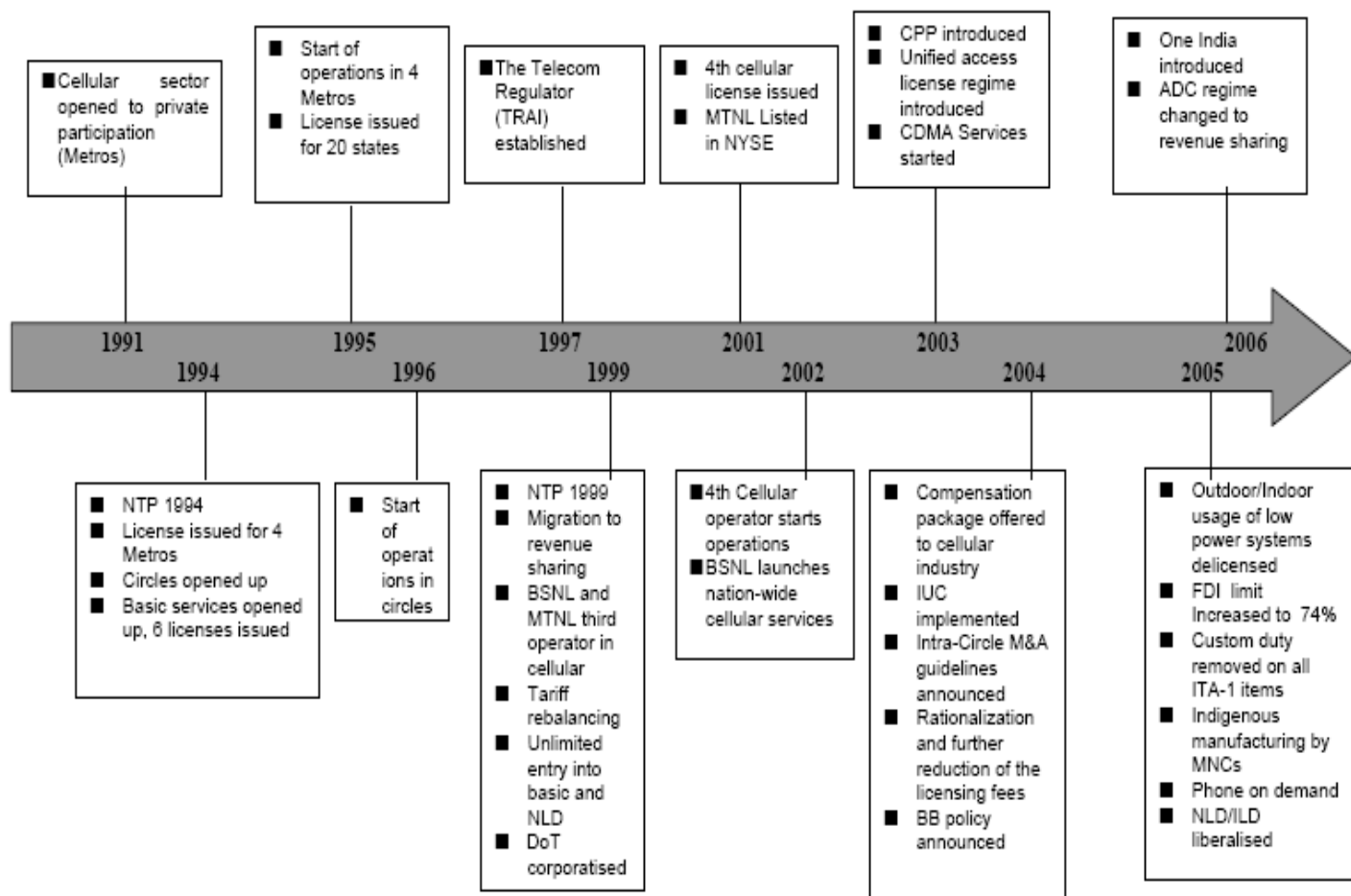
- The ILD Licensees shall for the purpose of providing the service install their own equipment so as to be compatible with other service providers' equipment to which the ILD licensee's Applicable Systems are intended for interconnection.
- The ILD Licensee shall operate and maintain the licensed Network conforming to Quality of Service standards to be mutually agreed between the service providers in respect of Network-to-Network Interface.
- The Gateway Station shall be set up only after getting the permission or clearance from the Telecom Authority. This is a time consuming process and can take more than a month subject to submission of required information in complete form.
- The cost of monitoring equipment shall be borne by the ILD service licensee.
- The installation of the monitoring equipment at the landing station is to be done by the licensee. After installation of the monitoring equipment, the ILD service licensee should get the same inspected by monitoring/security agencies. The permission to operate/commission the gateway will be given only after this.
- The ILD service licensee shall, in no case, permit connectivity or similar type of service to any other person or any licensee (including those Other Service Providers who do not require licence under section 4 of the Indian Telegraph Act, 1885) whose licence is either terminated or suspended or not in operation at any given point of time. In the event of any connectivity allowed beforehand, the ILD service licensee shall be obliged to disconnect or sever connectivity immediately without loss of time, and further, upon receipt of any reference from the Licensor in this regard, disconnection shall be made effective within an hour of receipt of such reference. The ILD service licensee shall keep the Licensor indemnified from any claim of such Telecom Service Provider or third party. On the question of disconnection the decision of the Licensor shall be final.
- The Licensor may, without prejudice to any other remedy available to it for the breach of any conditions of ILD service licence, by a written notice of 60 days issued to the Licensee at its registered office, terminate the licence under any of the following circumstances:

If the Licensee:

- a) fails to commission or deliver the service within the time period(s) specified in the licence.
- b) fails to perform any obligation(s) under the licence including remittance of timely payments of fee and other dues due to the Licensor;
- c) fails to rectify, within the time prescribed, any defect as may be pointed out to the Licensee by the Licensor.
- d) goes in liquidation or ordered to be wound up.
- e) is recommended by TRAI for termination of licence for non compliance of the terms and conditions of the licence.
- f) fails to comply with FDI norms.
- g) The Licensor reserves the right to revoke the ILD service licence at any time in the interest of public by giving a notice of 60 days.

*We have attached below a diagrammatic representation of the major reforms that have taken place in the Indian Telecommunications industry.*

Reforms: Major Milestone



Source- Ministry of Communications & Information Technology, India

## OTHER REGULATIONS GOVERNING OUR BUSINESS

### Labour Legislations

#### Employees Provident Fund and Miscellaneous Provisions Act, 1952 ("EPF Act")

The EPF Act applies to all factories and such other establishments employing 20 (twenty) or more employees whose pay does not exceed Rs. 6500/- per month (Rupees Six Thousand Five Hundred Only).

All establishments to which the EPF Act applies are required to either constitute their own provident fund scheme or subscribe to the statutory employees provident fund scheme managed by the Commissioner of Provident Fund.

The Company opted to form its own employees provident fund scheme and executed a Trust Deed for an irrevocable trust with the Board of Trustees with effect from March 19, 1997 for its employees from both the Punjab and Karnataka circles. The said Employees Provident Fund Trust has been granted recognition under the Income Tax Act 1961, with effect from March 31, 1997.

The Company has been making contribution at the rate of 10 % of the basic salary.



**Contract Labour (Regulation and Abolition) Act, 1970 (“Contract Labour Act”)**

The Company is required to comply with the provisions of Contract Labour Act. In terms of section 7 of the Contract Labour Act, every principal employer of an establishment employing 20 or more contract labourers, is required to obtain registration with the designated authority.

The Company takes the services of contract labour (for example drivers and utility services) for its various departments such as engineering, customer services and other departments and is accordingly registered with the appropriate authority.

**Employee State Insurance Act, 1948 (“ESI Act”)**

ESI Act applies to every factory and establishment using power and employing 10 (Ten) or more persons and those not using power and employing 20 (Twenty) or more persons having wages/ salaries of less than Rs. 10,000/- (Rupees Ten Thousand) per month.

The Company is registered under the ESI Act in respect of Punjab and Karnataka circles.

**Gratuity Act, 1972**

The Gratuity Act 1972 provides for the payment of a lump sum amount (“Gratuity”) as a post-employment benefit as a measure of social security, to an employee, at the time of his retirement/ superannuation/leaving the service after completing five years. Under the provisions of the Payment of Gratuity Act, 1972 every employer, shall unless exempted, obtain an insurance for his liability for payment towards gratuity from Life Insurance Corporation of India (LIC of India) or any other prescribed insurer.

The Employees Gratuity Fund Trust of the Company has obtained a policy from LIC of India for its employees.

## HISTORY AND CERTAIN CORPORATE MATTERS

### Brief History of the Company

The Company was originally incorporated as a private limited company on March 28, 1995 under the name of “Modicom Network Private Limited”. The Company subsequently became a deemed public company under section 43(1A) of the Companies Act, 1956 w.e.f. April 1, 1999 and the name of the Company was changed to “Modicom Network Limited”. The name of the Company was further changed to “Spice Communications Limited” vide fresh Certificate of Incorporation dated December 3, 1999. With addition of the word ‘Private’ in the name of the Company under Section 43A (2A) of the Companies Amendment Act, 2000, the name was again changed to “Spice Communications Private Limited” w.e.f. October 28, 2003. On December 28, 2006 the Company was converted into a Public Company and the name changed to “Spice Communications Limited”. The Registered office of the Company was changed from 13<sup>th</sup> Floor Hemkunt Tower, 98, Nehru Place, New Delhi – 110019 to 60-D Sainik Farms, New Delhi – 110062 w.e.f. April 13, 2004.

The Company bid for six circles in year 1995-96, out of which it got H-1 position in three circles, i.e. it was the highest bidder for getting the license in Karnataka, Punjab and Rajasthan telecom circles. The Company opted for only two telecom circles of Karnataka and Punjab.

Accordingly the Company entered into license agreement with Department of Telecommunication (DoT) for operation of Cellular Mobile Telephone Services in the aforesaid telecom circles in the year 1996.

In the year 1996, Modi Wellvest Private Limited (MWPL), a group company incorporated in India held 51% equity in the Company and Motorola Inc., Chicago, U.S.A. and Distacom Communications Limited, Hongkong, a Hong Kong based telecom service provider held 10% of the equity and 39% of the equity through their wholly owned subsidiaries in Republic of Mauritius in the names of MINL, Mauritius and DCIL respectively. MINL exited as shareholder of Spice in September 1999 and DCIL, purchased the 10% equity held by MINL and thus became a shareholder with 49% of the equity.

In November 1999, a Shareholders Agreement known as “the Spice.com Agreement” was entered into between our Company, Modinet Private Limited, MWPL, Super Infosys Private Limited, Distacom India Holdings Limited, Distacom Communications (India) Limited, Asian Infrastructure (Mauritius) Inc., PAII (Mauritius) Company Limited and Lazard Asia Investments B.V. to regulate (i) in the case of MWPL and DCIL, the shareholding arrangement in respect of our Company, and (ii) in the case of all parties, the appointment of directors, the management of our Company and the conduct of our Company’s business.

In March 2006, TM through its wholly owned subsidiary TMI Mauritius purchased the entire share capital of DCIL, Subsequently the name of DCIL was changed to TMI India. TM is a listed company listed on Bursa Malaysia Stock Exchange. TM is a leading regional information and communications group, which offers a comprehensive range of communication services and solutions in fixed line, mobile, data and broad band. TM currently has interests in eleven other countries including Malaysia, Sri Lanka, Bangladesh, Indonesia, Cambodia, Thailand, Malawi, Singapore with cellular service serving as the cornerstone of its investments.

Consequently a new shareholders agreement was executed on March 10, 2006 to record the respective rights and obligations of TM International and other parties in relation to shareholding and management of Spice.

For details of the Shareholders agreement please refer to page 103 of this Red Herring Prospectus.

During fiscal 1996-97, the Company had obtained an equipment finance facility from Motorola Inc., a supplier of telecommunications equipment, and Standard Chartered Bank (Rupee portion guaranteed by Motorola India Limited) for equipment financing and related customs duty payments amounting to US\$39 million and Rs. 900 million, respectively. The Company defaulted on the loan facilities when they became due and thereafter Motorola Inc. filed litigation against the Company in the High Court of Justice, United Kingdom and Delhi High Court.

In fiscal 2006, the Company entered into an out of court settlement with Motorola Inc. whereby the Company paid US\$50 million, as settlement of all outstanding dues.

During fiscal 1996-97 we had also entered into an equipment finance facility of US\$28.3 million from Chase Manhattan Bank (which was subsequently paid and replaced by INR facility of Rs. 1130 million from Bank of America, New Delhi in the year 2000) and

Rs.1500 million from Bank of America, New Delhi (which later increased to Rs.1725 million). These facilities were guaranteed by Siemens AG to Bayerische Landesbank Girozentrale which in turn issued guarantees to Bank of America, New Delhi. We defaulted on the loan facilities when they became due and thereafter Siemens AG initiated legal proceedings against us for recovery of the outstanding balances on the loans plus accrued interest in the High Court of Justice, United Kingdom and Delhi High Court.

In fiscal 2006, the Company entered into an out of court settlement with Siemens AG whereby the Company paid US\$50 million, as settlement of all outstanding dues.

### Pre-IPO Placements

Our Company on June 5, 2007, completed pre IPO private placements of 24,873,889 Equity Shares of Rs.10 each for a price of Rs.45 per Equity Share, directly to certain non resident private equity investors, resident high net worth individuals, employees and resident private investors and raised approximately Rs. 1,119.32 million. The background details of these private placements are as follows:

Out of the Equity Shares allotted under pre IPO private placement 9,203,339 Equity Shares of Rs.10/- each have been allotted to Lehman Brothers Opportunity, Limited, a company incorporated in Mauritius, 4,049,470 Equity Shares of Rs.10/- each have been allotted to Spinnaker Global Emerging Markets Fund Limited a company incorporated in British Virgin Islands, 2,392,868 Equity Shares of Rs.10/- each have been allotted to Spinnaker Global Opportunity Fund Limited, a company incorporated in British Virgin Islands and 2,761,001 Equity Shares of Rs.10/- each have been allotted to Spinnaker Global Strategic Fund Limited, a company incorporated in British Virgin Islands (collectively “**Foreign Pre-IPO Investors**”) at a premium of Rs.35/- per Equity Share constituting a total consideration of Rs. 414,150,255 (“**Investment Price**”). Our Company, MWPL, TMI and Pre IPO Investors have entered into a Call Option Agreement (“**COA**”) dated June 4, 2007 whereby it was agreed, among the parties to the COA that the Equity Shares allotted to the Foreign Pre-IPO Investors, will be purchased by TMI and MWPL in the event Issue does not complete on or before July 20, 2007 (which here means such date on which the Issue is declared to be fully subscribed). TMI and MWPL shall have call options to purchase all (but not part only) of the shares allotted to the Foreign Pre-IPO Investors in such a manner that TMI will have the call option to purchase 66.2% of the Equity Shares allotted to the Foreign Pre-IPO Investors and MWPL will have the call option to purchase 33.8% of the Equity Shares allotted to the Foreign Pre-IPO Investors at the consideration paid by each Foreign Pre-IPO Investor plus the following return:

$$\text{Return} = (18\% \times \text{Investment Price}) \times (A/365)$$

Where A represents the number of calendar days which have elapsed between the date of investment and the completion of the call option.

It was also agreed amongst the parties that the exercise of the call option shall be completed by not later than July 30, 2007. Further, it was agreed that if MWPL or TMI fails to serve the call option exercise notice within the provided time period or fails or is unable to pay its respective proportion of the call option consideration to the Foreign Pre-IPO Investors, the TMI or MWPL (non defaulting party) as the case may be shall within a period of fourteen days (14) business days from the date of expiry of the call option notice period or failure to pay its respective proportion of the call option consideration by MWPL or TMI as the case may be, has a right to step in and require the Foreign Pre-IPO Investors to transfer the Equity Shares to it. If the MWPL and TMI does not exercise the call option or give a step-in notice within the relevant period the Foreign Pre-IPO Investors may then deal with the Equity Shares without any restriction whatsoever and shall be free to transfer, assign, sell, encumber or otherwise dispose of the same.

Further, in the case of other investors, in the event the IPO is not completed latest by July 25, 2007, then the existing shareholder(s) (including their nominee(s)) as at March 31, 2007 (“the buying party”), will have the option (“Call Option”) at their sole discretion to require the investors under the Pre – IPO Private Placement to sell, any or all, the shares allotted under Pre – IPO Private Placement (“Call Shares”) to the buying party at the acquisition cost alongwith an interest @ 18% per annum, payable for the period beginning from the date of allotment and ending on the date of exercise of the Call Option by the buying party. The Call Option will however cease to exist immediately on listing of the equity shares at the Designated Stock Exchange.

### Milestones achieved by the Company

<i>Year</i>	<i>Milestones</i>
1995	Incorporated as Private Limited Company under the name “Modicom Network Private Limited” for providing telecommunication services.
1995	Company filed bids for providing telecommunication services in six circles, out of which it got H-1 position in three circles, i.e. it was the highest bidder for getting the license in Karnataka, Punjab and Rajasthan telecom circles. The Company opted for two telecom circles of Karnataka and Punjab
1996	Company signed License Agreements with DoT for operation of Cellular Mobile Telephone Services in Punjab and Karnataka.
1996	MWPL, DCIL and MINL were issued 51%, 39% and 10% equity of the Company.
1997	Commencement of commercial operations in May 1997 in Karnataka Circle and June 1997 in Punjab Circle.
1999	DCIL acquired the 10 % equity in the Company held by MINL and became a 49% equity shareholder of the Company.
1999	Achieved 0.1 million subscriber base.
1999	Change of status by conversion into Deemed Public Limited Company and change of name to “Modicom Network Limited”.
1999	Change of name of the Company to “Spice Communications Limited”.
2000	The Company became entitled to “Revenue sharing regime of licensing” instead of “Fixed license fee regime.”
2002	Obtained ISP license.
2003	Change of name of the Company to “Spice Communications Private Limited”
2003	Achieved 1 million subscriber base.
2004	Migrated to Unified Access Services.
2006	Achieved 2 million subscriber base.
2006	TM International purchased the entire share capital of DCIL.
2006	The Company applied for obtaining ILD and NLD Licenses.
2006	The Company applied for Cellular Licence in 21 Circles
2006	Name of Company changed to “Spice Communications Limited”
2007	Grant of Letter of Intent for NLD/ILD service licence

## Main objects of the Company

The main objects of the Company as set out in the Memorandum and Articles of Association of the Company are as follows:

1. To acquire, develop, install, maintain and run all types of services in the telecommunication (including cellular mobile telephone or fixed telephone), information technology, electronics and multi-media and also to manufacture, produce, acquire, import, export and deal in any manner in any product relating to telecommunication electronics information technology and multi-media.
2. To manufacture, develop, acquire, apply, install all types of software whether application or system and or hardware used in various offices, institutions, industries including electronic telecom multimedia and information technology and also to import, export, deal in any kind of software/hardware in India or elsewhere.
3. To manufacture, assemble, distribute, operate, sell, export, import, trade, maintain, run, improve, repair, service, research, develop all type of telecommunication and electronic system, cellular telephone units and equipments and systems, pagers, components, accessories, assemblies, apparatus, spares, hardware, software and services including subscribers and telecommunication equipment and apparatus for line telephony /telegraphy.
4. The provision, operation and maintenance of telepoint service and the sale of telephone handset units and equipment.
5. To render consultancy and technical services in areas of telecommunications, electronics, multimedia etc.
6. To carry on the business of providing access services in terms of the Licences granted by the Department of Telecommunications, as amended from time to time and to comply with the provisions of these licences and the provisions of all applicable Policies, Statutes, Regulations, Guidelines, Circulars, Notifications and Press Notes issued by Government of India and Regulatory Authorities including Press Note 5 issued by the Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, Secretariat for Industrial Assistance in India on November 3, 2005.

The main objects clause of the Memorandum of Association of the Company enables the Company to undertake the activities for which the funds are being raised for the present issue and also the activity, which the Company has been carrying till date.

## Amendments in the Memorandum of Association

Since incorporation of our Company, the following changes have been made in the Memorandum of Association:

Amendment	Date of Amendment
Increase in Authorised Capital to Rs. 300,000,000	November 8, 1995
Increase in Authorised Capital to Rs. 4000,000,000	December 1, 1995
Increase in Authorised Capital to Rs. 5500,000,000	September 17, 1997
Change in name of the Company on becoming a deemed public company under Section 43(1A) of the Companies Act.	April 1, 1999
Increase in Authorised Capital to Rs. 6000,000,000	August 31, 1999
Change of name from Modicom Network Limited to Spice Communications Limited	December 3, 1999
Change of name from Spice Communications Limited to Spice Communications Private Limited	October 28, 2003
Increase in Authorised Capital to Rs. 6000,010,000	April 20, 2006
Change in the Main Object Clause	August 17, 2006
Increase in Authorised Capital to Rs.7500,010,000	November 22, 2006
Change of name from Spice Communications Private Limited to Spice Communications Limited	December 28, 2006

## Subsidiaries of the Company

Presently the Company has no subsidiaries. Prior to March 10, 2006, the Company had following two subsidiaries.

### 1. Modicom (Karnataka) Private Limited

Our Company had a subsidiary company by the name of Modicom (Karnataka) Private Limited, a Company registered under the Act with Registrar of Companies, NCT of Delhi & Haryana on May 1, 1996 under Registration No. 55-078606 and having its office at 13<sup>th</sup> Floor, Hemkunt Tower, 98, Nehru Place, New Delhi-110 019.

The subsidiary made the application under the Simplified Exit Scheme on March 26, 2004 along with an affidavit and an indemnity from the Directors of the Company agreeing to indemnify and bear any losses arising out of the striking off the name of the company. As on date the subsidiary has not received any notification or certificate from the Registrar of Companies confirming the striking off the name of its subsidiaries. The same is being treated as wound up since the date of filing under the Simplified Exit scheme.

### 2. Modicom (Punjab) Private Limited

Our Company had a subsidiary company by the name of Modicom (Punjab) Private Limited, a Company registered under the Act with Registrar of Companies, NCT of Delhi & Haryana on May 1, 1996 under Registration No. 55-078607 and having its office at 13<sup>th</sup> Floor, Hemkunt Tower, 98, Nehru Place, New Delhi-110 019.

The subsidiary made the application under the Simplified Exit Scheme on March 26, 2004 along with an affidavit and an indemnity from the directors of the Company agreeing to indemnify and bear any losses arising out of the striking off the name of the company. As on date the subsidiary has not received any notification or certificate from the Registrar of Companies confirming the striking off the name of its subsidiaries. The same is being treated as wound up since the date of filing under the Simplified Exit scheme.

## Shareholders Agreement

Our Company, TM International, MWPL, Super Infosys Private Limited, Mcorp Global Private Limited, Indian Televentures Private Limited and Orion Telecoms Limited have entered into a Shareholders Agreement on March 10, 2006 which was amended on April 28, 2006 and January 10, 2007. TMI India became a party to the Shareholders Agreement on May 10, 2006. The Shareholders Agreement has been entered into consequent to TM International purchasing the entire issued share capital of DCIL pursuant to the terms of the Share Purchase Agreement dated March 10, 2006.

The key terms of the Shareholders Agreement are as follows (Capitalised terms used below are defined in the Shareholders Agreement):

### *The Business and Business Plan*

*The Business of our Company shall be conducted in accordance with the business plan, which shall inter-alia include, the objectives, strategic plans, marketing plans, operating plans, financing and funding requirements, CAPEX and means of financing, regulatory compliance plans and a strategic growth plan.*

### *Constitution of the Board*

*Subject to applicable laws and policies, including Press Note 5, the board of directors of our Company shall consist of up to 9 directors.*

*For so long as TM International or members of the Telekom Malaysia Berhad and its Subsidiaries ("TMI Group") holds, directly or indirectly:*

- (a) 26 per cent or more of the total issued Shares, TM International shall have the right to nominate, remove and replace three (3) Directors;
- (b) 10 per cent but less than 26 per cent of the total issued Shares, TM International shall have the right to nominate, remove and replace one (1) Director; and

- (c) less than 10 per cent of the total issued Shares, TM International shall cease to have the right to nominate, remove and replace any Director.

*For so long as the MCorp Parties hold collectively, directly or indirectly:*

- (a) 26 per cent or more of the total issued Shares, the MCorp Parties shall have the right to nominate, remove and replace three (3) Directors;
- (b) 10 per cent but less than 26 per cent of the total issued Shares, the MCorp Parties shall have the right to nominate, remove and replace one (1) Director; and
- (c) Less than 10 per cent of the total issued Shares, the MCorp Parties shall cease to have the right to nominate, remove and replace any Director.

*The Board shall appoint three (3) independent Directors. Each of TM International and the MCorp Parties shall be entitled to propose one (1) independent Director, each of whom shall be appointed by the Board and, for so long as TM International or the MCorp Parties (as the case may be) own(s) directly or indirectly more than 50 per cent of the total issued Shares, TM International or the MCorp Parties (as the case may be) shall be entitled to propose a second independent Director, who shall be appointed by the Board.*

#### ***Proceedings of the Board***

*The quorum for the transaction of business at any Board meeting shall be one third of the total Directors and shall include, for so long as TM International owns directly or indirectly not less than 26 per cent of the total Issued Shares one TM International Director and, for so long as the MCorp Parties own directly or indirectly not less than 26 per cent of the total issued Shares, one MCorp Director, present in person or represented by their alternates.*

#### ***Voting at the Board Meeting***

*Resolutions passed by the board of Directors of our Company shall be effective if carried by a simple majority of the Directors save for resolutions concerning the Reserved Matters, which shall only be effective if carried by a majority of the Directors including at least one TM International Director (for so long as TM International owns directly or indirectly not less than 26 per cent of the total issued Shares) and one MCorp Director (for so long as the MCorp Parties own directly or indirectly not less than 26 per cent. of the total issued Shares). The Chairman shall not have a casting vote.*

#### ***Chairman***

*For so long as TM International or the MCorp Parties (as the case may be) own(s) directly or indirectly more than 50 per cent of the total issued Shares, the Chairman shall be chosen from one of the Directors proposed by TM International or the MCorp Parties.*

#### ***Chief Executive Officer and Senior management team***

*The Chief Executive Officer (“CEO”) of our Company shall have primary responsibility for and shall receive authority from the Board to have effective day-to-day management of the Business. Our CEO shall be a full-time employee of our Company and shall be a resident Indian citizen. TM International and the MCorp Parties shall jointly recommend the CEO for appointment by the Board.*

*The CEO shall be supported by a team of senior management employees, who shall report directly to the CEO. The CEO shall seek to identify the best possible candidates for key management positions and such candidates (and their terms of employment and remuneration) shall be approved by the Board. Save to the extent that the Board may delegate such appointment to the CEO. To the extent necessary for our Company to comply with applicable Indian laws and regulations, such candidates shall be resident Indian citizens. Notwithstanding the aforesaid, TM International shall have the right to nominate the Head of Strategy/Technology, who shall be a resident Indian citizen and approved by the CEO. Such Head of Strategy/Technology shall report to the CEO.*

## **General Meeting**

*The quorum for the transaction of business at our Shareholders' meeting shall be two persons representing the Shareholders present, of whom at least one person shall, for so long as TM International owns directly or indirectly not less than 26% of the total issued Shares, be TM International's representative and, for so long as the MCorp Parties own directly or indirectly not less than 26 per cent of the total issued Shares, at least one person shall be the MCorp Parties' representative.*

## **Voting at Shareholders Meetings**

*The voting at any Shareholders' meeting of our Company shall be in the form of ballot and not by show of hands. Subject to applicable law, the voting rights at any Shareholders meetings shall be exercised in a manner such that no decision or action (in respect of any resolution, whether ordinary or special) in respect of a Reserved Matter is taken without the affirmative vote of TM International for so long as it holds directly or indirectly not less than 26% of the total issued Shares and MWPL for so long as it holds directly or indirectly not less than 26per cent of the total issued Shares.*

## **Transfer of shares**

*Under and during the term of the Shareholder's Agreement, each shareholder is obligated to not (save with the prior written consent of the other Shareholder and in accordance with this Agreement):*

1. *mortgage, pledge or otherwise encumber their legal or beneficial interest, in all or any of the shares of the Company, or any of the shares that MCorp Telecom, AIM, DAI and SIPL hold in MWPL, other than as may be required by the lenders to any proposed refinancing of Spice's indebtedness agreed by TM International and the MCorp Parties.*
2. *sell, transfer or otherwise dispose of all or any of their shares or any of the shares that MCorp Telecom, AIM, DAI and SIPL hold in MWPL, or any legal or beneficial interest therein or assign or otherwise purport to deal therewith or with any interest therein.*
3. *enter into any agreement with respect to the voting rights attached to all or any of their shares or agree to do any of the above.*

## **Permitted transfers under the Shareholder's Agreement:**

*Under the Shareholder's Agreement, either Shareholder may transfer all (but not some only) of their shares to a party which is an MCorp Affiliate or a member of the TM International Group (as the case may be), provided that the transferring Shareholder shall first have notified the other Shareholder of the proposed transfer and executed a deed of adherence as provided under the Shareholder's Agreement. When such party ceases to be a MCorp Affiliate or member of the TM International Group (as the case may be), the applicable Shareholder shall procure that such party transfers all the Shares previously transferred in terms of the Shareholder's Agreement.*

## **Third Party transfers under the Shareholder's Agreement:**

*If any Shareholders desires to transfer their Shares and if the transfer is not specifically permitted under the Agreement, such party will obtain a*

- (i) *bona-fide offer and give to the other party a written Transfer Notice of such offer along with a right of first refusal. In case the other offeree Shareholder declines the offer, the selling Shareholder may transfer all (but not part only) of such Shares at any time within 60 Business Days of the issue of the Transfer Notice to the person named as the bona fide third party purchaser in the Transfer Notice in pursuance of a bona fide sale at a price and on terms and conditions no more favourable than the offer Price and the terms and conditions specified in the Transfer Notice.*
- (ii) *Where the offeree Shareholder has given a notice and become bound to acquire and selling Shareholder has become bound to sell the shares at the offer Price, the completion of the sale and purchase of the Shares shall take place (unless the Shareholders otherwise agree) within 90 days after the offer period or within such other timeframe as may reasonably be necessary in order to obtain any necessary regulatory approvals required for such sale and purchase.*



### **Acquisition Opportunities**

*The Parties to Shareholders Agreement may undertake (whether directly or indirectly, on its own or through a member of its Group) the acquisition of, make any investment in, form a joint venture, partnership or any other form of strategic alliance with a mobile cellular communications company upto 49% stake on their own. However, if the stake proposed to be acquired is more than 49% and the target company does not compete with our Company in either of the two telecom circles in which our Company is currently operating, then, the Parties shall first propose such acquisition opportunity to our Board for consideration and if our Board resolves not to proceed with such acquisition, the Parties may proceed with the acquisition on their own, provided that such acquisition does not results in direct or indirect competition by such Party with our Company.*

### **Deadlock**

*Under the Shareholders Agreement, if a Board Reserved matter or a Shareholder Reserve matter is unable to be passed at a board meeting or a shareholders meeting of our Company, the Non-Funding Shareholder fails to pay the Funding Amount to our Company or the Funding Shareholder has paid the Funding Amount due by the other Shareholder and the Non-Funding Shareholder fails to repay the Funding Amount to the Funding Shareholder within the Cure Period, either of the foregoing event would constitute a Deadlock Matter.*

*If the Shareholders of our Company fail to resolve a Deadlock Matter within 30 days, either of the Shareholders would purchase the shares of other Shareholders in accordance with the procedure of the Shareholders Agreement.*

### **Compulsory Transfer**

*If any of the Shareholder of our Company, commits irredeemable breach of the Shareholders Agreement, becomes the subject of an Insolvency Event for a period exceeding 30 days or suffers a change of control, such Shareholders shares would require compulsorily to transfer its shares to the other Shareholder in accordance with the procedure of the Shareholders Agreement.*

### **Exit by the MCorp Parties**

*At any time after the expiry of 12 months from the Effective Date, the MCorp Parties may, by giving written notice to TM International (the "MCorp Put Option Notice", require TM International to acquire all (but not part only) of their Shares (or interests therein) (the "MCorp Put Option Shares") at the higher of the Fair Value or the Transaction Value of the MCorp Put Option Shares.*

### **Exit by TM International**

*At any time after the expiry of 12 months from the Effective Date, TM International may, by giving written notice to the MCorp Parties (the "Put Option Notice", require the MCorp Parties (or as the MCorp Parties may direct) to acquire all (but not part only) of its Shares (or interests therein) (the "Put Option Shares") at the higher of the Fair Value or the Transaction Value of the Put Option Shares.*

### **Termination**

*The Shareholders Agreement shall, unless the Parties otherwise agree in writing, terminate upon the earlier of, termination pursuant to Clause 4 of the Shareholders Agreement, or the Shareholders' mutual agreement in writing to terminate or a Party ceases to have an interest, directly or indirectly, not exceeding 10% of the total issued Shares, in which case the Agreement shall terminate with respect to that Party only or an effective resolution is passed or a binding order is made for the winding up of our Company or a Change of Control of the Shareholder.*

### **Dividend**

*Our Company shall not declare, pay or make any dividend or other distribution until all loans or other funding made to the Company by the Shareholders have been repaid in full.*

### **Default under the Financing Documents**

*The following events shall be an Acceleration Event:*

- (a) occurrence of any 'Trigger Event' ;
- (b) the Company fails to pay any technical fee installment and such failure is not remedied within 30 days; or
- (c) immediately upon the occurrence of any other event which causes any full or partial amount of principal under either of the facilities under the direct financing to become due and payable by the Company,

'Trigger Event' means:

- (i) a payment default by Spice in respect of principal on a repayment date, which is not remedied by the Company in full within 30 days of the repayment date;
- (ii) a payment default by Spice in respect of interest on an interest payment date which has not been remedied in full (including payment of any default interest) by the second interest payment date and the Company fails to make the interest payment on the second interest payment date in full, which is not remedied by the Company in full within 30 days of the second interest payment date.
- (iii) payment default by Company to GMIPL in respect of any payment of the equipment price under the supply contract dated December 20, 2006 between Company and GMIPL, which is not remedied by the Company in full within 75 days of the date on which such payment was due and payable.
- (iv) Payment default by Company to GMIPL in respect of any other payment due and payable under the supply contract dated December 20, 2006 between Company and GMIPL, which is not remedied by the Company in full within 51 days of the date on which such payment was due and payable

On occurrence of the Acceleration Event, TM International is entitled to serve on Mcorp or any other Mcorp Party a Funding Notice, requiring either of the two transactions:

- (i) transfer to TM International or any other person nominated by it of the pledged shares or such number of shares held by Mcorp affiliates in MWPL as represents the same effective interest of the pledged shares in the Company and transfer to TM International or any other person nominated by it of such number of the shares of the Company or shares in MWPL or Mcorp affiliates as represent entire remaining effective shareholding in the Company held by the Mcorp affiliates. Such transfer shall be at a price to be determined as per the provisions of the Shareholders' Agreement; or
- (ii) TM International shall transfer to Mcorp Global or as it may direct, all shares of the Company held by TM International, TM India conditional on receipt in full by the lending banks of the remaining debt owed by the Company under the financing agreement, and Mcorp Global shall pay to TM International the price to be determined as per the provisions of the Shareholders' Agreement.

The transfer of shares shall be at the Set Fair Value has been defined under the Shareholders' Agreement to be higher of

- (a) The value per share of Spice calculated by the following formula

Equity Value divided by number of shares outstanding in Spice,

Where:

- Enterprise value is the multiple of 12.5 and the aggregate EBIDTA of Spice for the last four quarters, (as set out in the last four quarterly audited accounts of Spice);
- Equity Value is Enterprise Value less Net Debt;
- Net Debt is debt less cash or cash like instruments;
- Equity Value divided by the outstanding number of shares of Spice to arrive at a value per share;

And

- (b) The Transaction Value.

### **Protective Covenants**

TM International and Mcorp Parties have undertaken that unless agreed in writing by the other party, they shall not:

- i. Carry on within India any business which competes directly or indirectly with the business of the Company. However, this shall not apply to incidental acquisition in India of an interest of less than 10% in any business which competes in the same telecoms circle in India as those in which the Company operates or which would cause a violation of applicable telecommunications regulations in India, as long as the principal acquisition relates to a company or business which comprises operations which are substantially outside India, provided that the relevant shareholder takes appropriate steps within 6 months to merge or exit such competing business and/or ensure that there is full compliance with applicable telecommunications regulations in India;
- ii. directly or indirectly, solicit or entice away or endeavour to solicit or entice away from the Company any director, manager or senior employee who is or was employed or otherwise engaged by the Company at any time during the previous 12 months.

### **Claims by or against Shareholders**

When any Party asserts any claim against our Company, TM International shall be entitled to defend such claim in the name and at the expense of the Company.

Where either Shareholder asserts that the Company has any claim against the other, the Shareholder so asserting shall be entitled to pursue such claim in the name and at the expense of the Company without further authority from the other Shareholder.

### **Schedule-I Reserved Matters**

The Reserved Matters constitute the following (if such matters are not covered Board approved business plan or if they relate to an expense or outlay amounting to greater than US\$ 1 million):

- 1 Issuing converting, dividing, canceling or otherwise reorganising any share or other securities.
- 2 Making any change in the geographical location or the scope of the Business.
- 3 Appointing or removing the Auditors, Appointment or removal of the Chief Executive Officer.
- 4 Adopting or approving the annual accounts, new Business Plan or Annual Budget (or any amendments thereto), or amending the Business Plan or any Annual Budget (or other budget) previously approved.
- 5 Acquiring, disposing of any property, intellectual property rights, any interest in any business or company,
- 6 Incurring any borrowing or indebtedness which is either not less than US\$1 million (or the equivalent thereof) whether or not approved in the Business Plan, or an amount not less than US\$500,000 (or the equivalent thereof) that is not provided for in the Business Plan or Annual Budget, or creating any encumbrance upon or in respect of the whole or part of the Business or the assets, or requiring any other form of support from Shareholders.
- 7 Entering into any agreement or commitment of a value in excess of US\$500,000 or for an initial term of not less than 12 months, unless such agreement or commitment has been expressly provided for in the Business Plan or Annual Budget.
- 8 Incurring capital commitments or expenses which in aggregate is in excess of 10% of the Annual Budget for the relevant financial year.
- 9 Granting any power of attorney or delegating any powers of the Board to a committee or otherwise, and identification and establishment of new Board committees and prescribing the functions and responsibilities of a Board committee.
- 10 Initiating, defending or settling any litigation, arbitration or similar proceedings where the aggregate of claims of all parties involved exceeds US\$200,000.

11 Any amendments or modifications to the memorandum of association and/or the Articles.

12 Approving an IPO and all matters relating thereto etc.

While the Shareholders Agreement provides for rights of the parties to appoint directors on the Board and the constitution of the Board is in compliance with the requirements of applicable regulations including the listing agreement with the Stock Exchange and clause 49 thereof.

Other major contracts entered into by our Company are:

### **1. Interconnection Agreements**

Our Company has entered into various inter connection agreements with several telecom service providers to interconnect their networks for providing continuous telecommunication services in the telecom circles of Punjab and Karnataka. The main terms of such agreements are:

1. The agreement provides the framework for conduct of relationship and revenue sharing between the parties as telecommunication providers whose networks are interconnected to provide continuous telecommunication services.
2. Each party use the other party's confidential information received only for the purpose of the Agreement and must keep confidential and not disclose to any other person the other party's confidential information.
3. The agreement can be terminated by giving the other party 90 days notice in writing.
4. The parties may at any time request for intervention by the Department of Telecommunication, Telecommunication Authority of India or TDSAT in respect of any matter which is the subject matter of the Agreement.
5. Neither party is liable to the other for any consequential loss of a party or any indirect, special, economic or collateral loss including loss of profit, goodwill, bargain or opportunities or loss or corruption of data or loss of anticipated savings or business.
6. Neither party can assign the agreement without the prior written consent of the other party.

### **2. Infrastructure Sharing Agreements**

Our Company has also entered into a number of infrastructure sharing agreements with different telecom service providers for the purpose of sharing various sites and assets viz. tower, room/shelter, air conditioning, diesel generator, electrical wiring, power plant or any other asset as identified under the agreements in the telecom circles of Punjab and Karnataka. The main terms of such agreements are:

1. The agreement between the parties is on a non-exclusive basis.
2. The ownership of the sites and the assets identified for the purpose of sharing shall remain with the principal owner.
3. Each site has a minimum lock in period of thirty-six months from the effective date of the site.
4. Further, if the failure and/or deficiency to the site or identified assets is not corrected by the principle owner within the time agreed with the sharer the sharer shall notwithstanding the lock in period mentioned above has right to terminate the agreement in respect of that site.

### **3. Equipment Supply Contracts**

Our Company has entered into equipment supply contracts through vendor financing with vendors such as ZTE Corporation, 3D Network Pte Ltd. for purchasing telecom equipments. Some of the important conditions with regard to vendor financing in these agreements are as follows:

1. The equipment would be mortgaged in favour of the vendor.
2. The Vendor, the Company and a financial institution enter into an agreement under which upto 20% of the purchase order value is paid to an Escrow Account as the advance payment against an advanced payment guarantee and the remaining portion of the contract value would be financed.
3. The Vendor obtain insurance of the equipments covering the commercial and political risks.

4. If the purchaser fails to make any payment that is due, then the purchaser shall be liable to pay an interest on such unpaid amount upon demand of the seller at the rate of 0.25% per every seven days subject to the approval of the Reserve Bank of India.
5. The Vendor grants to the purchaser a non-exclusive, non-transferable, non-sublicensed license for use of software
6. An Annual Maintenance Contract is also entered into for the 1 year warranty period free of charge. The warranty shall commence from the date of installation and commissioning.
7. The contract shall be terminated by either party on giving thirty days notice of a material breach by the other of any term of the contract.
8. The title or ownership to contract products vests in purchaser only upon the full payment of the contract price under the terms of the agreement.

#### **4. Roaming Agreements**

Our Company has also entered into national and international roaming agreements with different telecom service providers for providing roaming facilities to its cellular services subscribers.

The Company enters into an International GSM Roaming Agreement to establish International Roaming between their GSM Networks. The general terms of the International Roaming Agreement are:

1. When a Roaming Subscriber uses the Services of the VPLMN Operator, the Roaming Subscribers HPLMN Operator shall be responsible for the payment of charges for the Services so used in accordance with the tariff.
2. The Parties have to comply with the Data Privacy Regulations/Laws applicable in their own countries.
3. Each Party to give the other Party at least 4 weeks written notice of any major change which have an impact on International Roaming.
4. Each Party have the right to vary its tariff by giving a 60 days written notice of any variation and the new change shall take effect on the first day of the month following the expiration of the 60 day notice period.
5. The VPLMN Operator may without liability suspend or terminate all or any of Services to Roaming Subscribers in circumstances where it would suspend or terminate those Services to its own subscribers.
6. Such agreement remain in force unless terminated by one of the Parties in writing subject to a period of notice of 6 months.

The Company enters into a National GSM Roaming Agreement between their GSM Networks in accordance with relevant GSM specifications. The general terms of the National Roaming Agreement are

1. When a Roaming Subscriber uses the services of the VPLMN Operator, the Roaming Subscribers HPLMN Operator is responsible for the payment of charges for the services so used in accordance with the tariff.
2. The HPLMN is paid a commission of 25% by the VPLMN on all Cellular Airtime generated by the subscribers in the VPLMN.
3. Each Party to give the other Party at least four weeks written notice of any major change which has an effect on National Roaming.
4. The Parties to comply with the Data Privacy Regulations/Laws.
5. The VPLMN Operator may suspend or terminate any of services to Roaming Subscribers in circumstances where it would suspend or terminate those services to its own subscribers,
6. The Agreement remain in force unless terminated by one of the Parties in writing subject to a period of notice of 6 months.

#### **5. Agreement for purchase of Telecommunication Equipment**

GMIPL has entered into a memorandum of agreement (“**MoA**”) with our Company on December 20, 2006 for supply of telecommunication equipment for infrastructure services. The salient features of this agreement are as follows:

1. GMIPL shall provide on trial basis for a period of 24 months from the date of each supply to our Company the equipments specified in the annexure to the MoA.
2. GMIPL and its Supplier (as defined in the MoA to mean any manufacturer or supplier of equipment from whom GMIPL purchases the equipment for supply to our Company) shall provide such services as specified in the MOA and its annexure.
3. The system after installation shall be jointly tested by or under the supervision of the team consisting of GMIPL, Company and the personnel of the supplier to ensure technical compatibility.

4. Upon the completion of two years' trial period and the equipment found meeting the service level parameters to the satisfaction of the Company it may purchase such telecom equipments from GMIPL.
5. Payment under the MoA shall be made in accordance with the terms therein. For details of payment under the MoA, please refer to the section titled "Objects of the Issue" on page 28 of this Red Herring Prospectus.
6. The MoA may be terminated on the happening of certain events and at any time prior to the expiration date i.e. three years from the date of last supply and may be further extended by mutual written agreement of the parties.
7. GMIPL is required to ensure that any Supplier also undertakes to be bound by this MoA.
8. In the event that our Company defaults on its payment obligations to GMIPL and such default is not remedied within the material time or in case our Company becomes a subsidiary of TM International, our Company shall be responsible for any obligations owed by GMIPL with the supplier.

## **6. Tie up agreement for Mobile Handsets**

On March 31, 2007, Spice Communications Ltd ("SCL") and Spice Mobiles Limited ("SL") (formerly Spice Limited) entered into a strategic tie up agreement (hereinafter referred to as the "SLA").

Under the SLA SCL had agreed to promote, bundle, sell, distribute and market mobile handsets manufactured by SL to potential clients of SCL. The mobile handsets manufactured by SL would be bundled with pre-paid cards and post-paid cards of SCL in Punjab and Karnataka.

This SLA is valid for a period of 5 years commencing from April 1, 2007. On expiry of the SLA the term may be extended for such period and on such terms as may be mutually agreed.

Neither party can transfer any of their rights and / or obligations under the SLA to any third party without the prior approval of the other party.

The parties have agreed that any disputes arising under the SLA the same would be resolved by way of arbitration under the provisions of the Arbitration and Conciliation Act, 1996, to be held at New Delhi.

## **7. National Franchise Agreement**

Spice Communications Limited ("SCL") and Hotspots Retails Private Limited ("HRPL") entered into a national franchise agreement dated February 28, 2007 (hereinafter referred to as "NFA").

Under the terms of the NFA, SCL has appointed HRPL as its national franchise for promotion, sale, distribution, marketing and exclusive dealing in the products and services offered by SCL. HRPL would operate as the national franchise of SCL in Punjab and Karnataka.

SCL has been entrusted with the task of furnishing the retail outlets at its own costs. HRPL would amongst others carry on the following tasks –  
promoting the sales and marketing of the products and services provided by SCL,  
identify potential clients, assist SCL in promotional schemes and advertising in relation to the products and services offered,  
supply periodical reports relating to market conditions, customers taste and preferences etc.

In addition to the above HRPL would provide sales personnel, accountant(s), and other personnel as may be requested by SCL from time to time.

HRPL would not promote the products and services being offered by competitors of SCL, within Punjab and Karnataka without the prior approval of SCL.

HRPL has also been entrusted with the task of accepting / collecting payments from the subscribers of the products and services offered by SCL.

The NFA is valid for a period of 5 years commencing from April 1, 2007. On expiry of the NFA the term may be extended for such period and on such terms as may be mutually agreed.

The parties can terminate the NFA by giving a three months prior written notice. Prior to serving the notice, the party exercising the right to terminate the NFA would have to provide reasons for the same to the other party.

HRPL has agreed to indemnify and hold harmless SCL, its employees and officers against all costs, actions, claims, losses, damages, suits, prosecutions arising due to its breach of the NFA.

The parties have agreed that any dispute arising under the NFA would be resolved by way of arbitration under the provisions of the Arbitration and Conciliation Act, 1996, to be held at New Delhi.

## **8. Service Provider Agreement**

Vide an agreement dated March 1, 2007, entered into between Spice Communications Limited (“SCL”) and M/s. Omnia BPO Services Limited (“OBPOS”) (hereinafter referred to as the “Service Provider Agreement”), OBPOS would provide the following services - handling inbound calls; query and complaint resolution; contacting customers of SCL and potential customers for relationship calls, collection calls etc. (hereinafter referred to as “Support Services”).

OBPOS has provided various representations and warranties to SCL, for instance, in relation to its management, staff, organization, authority etc.

With respect to payment OBPOS will at the end of every month send a detailed invoice along with supporting documentary details to SCL. The monthly invoices must be received by SCL within 7 business days after month end.

The Service Provider Agreement shall be valid for a period of 3 years unless terminated earlier by either party after giving a prior written notice of 3 months.

As per the terms of the Service Provider Agreement OBPOS shall maintain at its sole expenses throughout the term of the agreement insurance protecting against employee dishonesty, theft, robbery, forgery, altered documents and / or any dishonest act on the part of employees of OBPOS.

OBPOS cannot assign its rights and / or obligations in whole or in part to any third party.

## **9. Master Infrastructure Provisioning Agreement**

On February 27, 2007, Spice Communications Ltd. (“SCL”) and Tower Vision India Private Limited (“TVIPL”) entered into an agreement TVIPL (hereinafter referred to as the “Master Infrastructure Provisioning Agreement” / “MIPA”), wherein, TVIPL agreed to provide SCL with passive telecom infrastructure facility and services, which would include completely built up sites as per the specifications of SCL for the purpose of installing and operating telecommunication equipment.

It has been agreed between the parties that TVIPL will finance, build, own, manage, maintain and operate antenna tower, accessories, antenna tower foundation, MW antenna pole, cable trays, grounding, shelter, generator, cabins at all the sites (hereinafter collectively referred to as “Equipment”). On the other hand, the installation, operation, maintenance and ownership of all Equipment will be the responsibility of SCL.

TVIPL would in turn be responsible for the security of all sites and equipments. In addition, it is the responsibility of TVIPL to obtain all municipality permits and approvals.

Either party may terminate the MIPA with immediate effect and without incurring any liability in case of insolvency, bankruptcy of the other party, sale or transfer of the whole or part of the business, or on mutual consent.

In addition, SCL may terminate the MIPA after 3 years of commencement, by giving a 6 month prior written notice and payment of termination fee.

With regard to the mode of resolution of any disputes which might arise under the Agreement, the parties have agreed that the same would be resolved by way of arbitration under the provisions of the Arbitration and Conciliation Act, 1996, to be held at New Delhi.

#### **10. Service Provider Agreement**

3D Networks Pte Ltd (“3D”) and Spice Communications Ltd. (“SCL”) have entered into an agreement dated May 4, 2007 (hereinafter referred to as “SPA”), wherein 3D would install, configure, integrate, test, commission, commercial roll out of national long distance / international long distance traffic termination network and services in respect of operation and maintenance (collectively referred to as the “Services”).

The parties have agreed that the commissioning of network would be completed within 12 weeks of the issue of the first purchase order.

Under the SPA, Spice is obliged to –

- (i) provide equipment locations along with appropriate space and electrical power,
- (ii) facilitate availability of WAN links,
- (iii) procure all the regulatory permits and security clearances,
- (iv) provide adequate network security,

The obligations of 3D include amongst others –

- (i) install necessary equipment and provide labour and requisite material,
- (ii) integrate the network within the stipulated timeframe,
- (iii) obtain necessary approvals, permits, licenses etc.

As consideration for the Services provided SCL would make the following payments –

- (i) Rs. 7,000,000 towards project related services, and
- (ii) Rs. 6,600,000 towards operations and maintenance related services

The SPA is valid for a period of 5 years unless terminated by either party after giving a prior written notice.



## OUR MANAGEMENT

### Board of Directors

As per the Articles of Association of the Company, the Company must have a minimum of 3 Directors. At present, the Company has 8 Directors.

The following table sets forth current details regarding Board of Directors of the Company:

Name, Designation, Father's Name, Address, Occupation	Age (In Years)	Nationality	Date of Appointment and Term	Other Directorships	Director Identification No. (DIN)
Mr. Dilip Modi, Chairman & Managing Director (Executive), S/o Dr. B.K. Modi, 36, Amrita Shergil Marg, New Delhi-110003,  Occupation : Industrialist	33	Indian	Appointed as Director on May 10, 2006 and appointed as Chairman & Managing Director on November 1, 2006 for a period of three years.	1. Modi Wellvest Pvt. Ltd. 2. Spice Mobiles Limited (formerly Spice Limited) 3. MCorpGlobal Pvt. Ltd. 4. Hotspots Retails Pvt. Ltd. 5. Super Infosys Pvt. Ltd. 6. Omnia BPO Services Limited (formerly Stracon Back Office Solutions Ltd.) 7. Indian Televentures Pvt. Ltd. 8. MobiSoc Technology Pvt. Ltd. 9. MCorp Communications Pte. Ltd. 10. Cellebrum.com Pvt. Ltd.	00029062
Mr. D. R. Mehta Independent (Additional) Director, S/o Late Shri H.R Mehta B – 5, Mahavir Udyan Marg, Bajaj Nagar, Jaipur – 302 015  Occupation: Retd. Civil servant	69	Indian	Appointed as Director on March 23, 2007. His term of office is upto the date of the forthcoming AGM of the Company under the provisions of the Companies Act.	1. Poly Medicure Limited 2. Oseta Investments Trustee Company Private Limited.	01067895

Name, Designation, Father's Name, Address, Occupation	Age (In Years)	Nationality	Date of Appointment and Term	Other Directorships	Director Identification No. (DIN)
Mr. Hetal Gandhi, Independent Director, S/o Sh. Madhukant Gandhi, Rosy House, Flat No. 61, North Avenue, Santacruz (W), Mumbai 400054,  Occupation: Professional	42	Indian	Appointed as Director on August 17, 2006. His term of office is liable to be determined by way of retirement by rotation under the provisions of the Companies Act.	1. Chalet Hotels Ltd. 2. Ravin Cables Ltd 3. Virgo Engineers Limited 4. Tano India Advisors Private Limited	00106895
Mr. Krishan Lal Chugh, Independent Director, S/o Late Sh. Ram Lal Chugh, N – 79 Panchsheel Park, New Delhi – 110017,  Occupation: Professional	69	Indian	Appointed as Director on May 10, 2006. His term of office is liable to be determined by way of retirement by rotation under the provisions of the Companies Act.	1. Urban Mass transit Company Limited 2. Gati Limited 3. Sandhar Technologies Limited 4. Cosmos Biotechnologies Private Limited 5. Kullu Valley Power Private Limited 6. Fozal Power Private Limited 7. Cosmos Carbon Credits Private Limited 8. Cosmos Electric Supply Private Limited 9. Cosmos Ignite Innovations Private Limited	00140124
Mr. Mahesh Prasad, Independent Director, S/o Late Sh. Mahadeo Prasad, Kanak Champa, 20, Sector-14A, Noida, Occupation: Service	71	Indian	Appointed as Director on November 9, 2006. His term of office is liable to be determined by way of retirement by rotation under the provisions of the Companies Act.	1. Sahara One Media and Entertainment Limited 2. Silver Smith India Ltd 3. Bougainvillea Multiplex And Entertainment Center Pvt Ltd 4. Paradise Marcon Private Limited 5. Indian Broadcasting Foundation	00004605

Name, Designation, Father's Name, Address, Occupation	Age (In Years)	Nationality	Date of Appointment and Term	Other Directorships	Director Identification No. (DIN)
<p>Ir. Prabahar N K Singam, Director (Executive), S/o Sh. Nagalingam Kirupalasingam,</p> <p>33, Jalan BU, 4/9 Bandar Utama, Petaling Jaya Selangor, Malaysia,</p> <p>Occupation: Professional</p>	44	Malaysian	<p>Appointed as Director on May 10, 2006. His term of office is liable to be determined by way of retirement by rotation under the provisions of the Companies Act.</p>	<ol style="list-style-type: none"> <li>1. Dialog Telekom Limited</li> <li>2. Menara Kuala Lumpur Sdn. Bhd.</li> <li>3. PS Sinaran Sdn Bhd</li> <li>4. Samart Corporation Public Company Limited</li> <li>5. Telekom Malaysia Berhad</li> <li>6. Telekom Research &amp; Development Sdn. Bhd.</li> <li>7. TM International (Bangladesh) Limited</li> <li>8. Telekom Malaysia International (Cambodia) Company Limited [Formerly known as Cambodia Samart Communication Company Limited]</li> <li>9. Samart I-Mobile Public Company Limited</li> </ol>	00252496
<p>Dr. Shridhir Sariputta Hansa Wijayasuriya, Director (Executive), S/o Muhamadhiramge Wiimalasena Patabendi Wijayasuriya, 19, Bagatalle Road, Colombo, Sri Lanka, Occupation: Service</p>	37	Sri Lankan	<p>Appointed as Director on May 19, 2006. His term of office is liable to be determined by way of retirement by rotation under the provisions of the Companies Act.</p>	<ol style="list-style-type: none"> <li>1. Dialog Telekom Limited</li> <li>2. TM International Lanka (Pvt.) Limited</li> <li>3. Asset Media (Private) Limited</li> <li>4. Communiq Broadband Network (Private) Limited</li> <li>5. CBN Sat (Private) Limited</li> <li>6. Dialog Broadband Networks (Private) Limited</li> </ol>	00363174

Name, Designation, Father's Name, Address, Occupation	Age (In Years)	Nation ality	Date of Appointment and Term	Other Directorships	Director Identificati on No. (DIN)
Mr. Yusof Annuar bin Yaacob, Director (Executive), S/o Mr. Yaccob bin Abdul Rahman, 18, Jalan Bunga Melati, 2/2, Shah Alam, Selangor, Malaysia,  Occupation: Service	41	Malaysian	Appointed as Director on May 10, 2006 . His term of office is liable to be determined by way of retirement by rotation under the provisions of the Companies Act.	1. Telekom Malaysia International (Cambodia) Company Limited (formerly known as Cambodia Samart Communications Co. Ltd.) 2. Celcom (Malaysia) Berhad 3. Communiq Broadband Networks (Private) Limited 4. CBN Sat (Private) Limited 5. Dialog Telekom Limited 6. Dialog Broadband Networks (Private) Limited (formerly known as MTT Network (Private) Limited) 7. Asset Media (Private) Limited 8. Indocel Holding Sdn. Bhd. 9. Mobile Telecommunication Company of Esfahan 10. MobileOne Limited 11. Multinet Pakistan (Private) Limited 12. OCB Berhad 13. P.T Excelcomindo Pratama Tbk 14. Societe Des Telecommunications De Guinea 15. SunShare Investments Limited 16. Telekom Management Services Sdn. Bhd. 17. TM International (Bangladesh) Limited 18. TM International (L) Limited 19. TM International Sdn. Bhd. 20. Tess International Limited 21. TMI India Limited (formerly known as Distacom Communications (India) Limited 22. TMI Mauritius Limited 23. Samart Corporation Public Company Limited 24. Samart I Mobile Phone Company Limited	00252486

## Details of Directors

**Mr. Dilip Modi:** Mr. Dilip Modi, coming from a reputed family of industrialist is an alumnus of the Brunel University, London, UK, having graduated with First Class Honours in Bachelor of Science (Management & Technology). He has also done his Masters in Business Administration (MBA) from the Management School, Imperial College, London, UK, with specialisation in Finance. Mr. Modi belongs to the new generation entrepreneurs in India who are spearheading the transition of family run businesses to professionally managed businesses. Mr. Modi is having a vast experience in Telecom business for over ten years and had been the President of Cellular Operators Association of India (COAI). He has developed many companies in last few years in the areas of value added services relating to telecom business and IT enabled business.

**Mr. D.R. Mehta:** Mr. D R Mehta is a Graduate of Arts and Law from the Rajasthan University. He also studied at the Royal Institute of Public Administration, London, and Alfred Sloan School of Management, MIT, Boston, U.S.A. A civil servant for almost four decades, Mr. Mehta has extensive and diverse experience of administration and management of public affairs. His experience spans the areas like rural development, industrial growth, anti-poverty programs, maintenance of law and order, regulation and development of banking sector, capital market and trade policy. He has been the Chairman of the Securities and Exchange Board of India (SEBI) and also of the Asia Pacific Regional Committee (APRC) of International Organization of Securities Commissions (IOSCO) with a membership of more than 100 capital market regulators of the developed & emerging markets. Mr. Mehta was also the Deputy Governor of the Reserve Bank of India and served the Government of Rajasthan in various capacities such as Secretary (Industries), Mines, State Enterprises. He is deeply involved in social causes both at the policy and actual operational levels and is also interested in environmental issues and animal welfare.

**Mr. Hetal Gandhi:** Mr. Gandhi is the former Chief Executive Officer (CEO) for the financial services business of Infrastructure Leasing and Financial Services Limited (IL & FS), a well-known Financial Institution in India focusing on infrastructure financing and financial services. He is a Chartered Accountant and has over 20 years of experience out of which the majority has been in the financial services business, which specifically includes investment banking, private equity and business advisory. He co-founded Tano Capital, an international Alternative Asset Management Company ([www.tanocapital.com](http://www.tanocapital.com)) along with Mr. Chuck Johnson and Carlton Pereira.

**Mr. Krishan Lal Chugh:** Mr. K.L. Chugh, Management Consultant, Mechanical Engineer from Delhi University (1960) had been the Chairman of ITC Group from November 1991 to December 1995. On his retirement he was honored with the title of Chairman Emeritus - ITC. Prior to joining ITC in 1971, Mr. Chugh worked for 10 years with India's largest Engineering Enterprise the Public Sector Heavy Engineering Corporation, Ranchi, achieving valuable experience in Heavy Industry.

**Mr. Mahesh Prasad:** Mr. Prasad has had a multi-faceted distinguished career. As a very senior member of the Indian Administrative Services (IAS), he has held many important positions in the Central and State Governments. He was Chairman of the Delhi Public Grievance Commission in the rank of Cabinet Minister from 1997 to 1999. In 1999 he took over as President of Sahara India TV Network. He has held Secretary level jobs in the Ministry of Finance and Ministry of Industry, Ministry of Information & Broadcasting and was the Chairman and Managing Director (CMD) of India Trade Promotion Organisation in the rank of Cabinet Secretary. An M.A. from Lucknow University, Mr. Prasad has a post graduate qualification in Economic Development from Cambridge University and he has been a topper all through his academic career.

**Mr. Prabakar N K Singam:** Mr. Prabakar is an engineer by profession and has a Bachelor of Science in Civil Engineering, Portsmouth Polytechnic, U.K. He has a wide experience in the civil engineering sector, especially in the areas of consultancy, contracting, project management and project financing. He is also on the Board of Directors of various public and private overseas companies of TM.

**Dr. Shridhir Sariputta Hansa Wijayasuriya:** Mr. Wijayasuriya presently the chief executive, Dialog Telekom Limited holds a Master in Business Administration, University of Warwick, U.K. He also holds MA from University of Cambridge, U.K. and PhD from University of Bristol, U.K. He has been awarded GSM (100) Role of Honour; Contribution to GSM in Asia Pacific and Business Leader of the Year – Gold Award 2003.

**Mr. Yusof Annuar bin Yaacob:** Mr. Yusof presently the Chief Executive officer of TM International Sdn. Bhd. Sits on various Boards and Committees within TM group. Mr. Yusof, is a Chartered Accountant by profession and a Member of the Chartered Institute of Management Accountants and also the Malaysian Institute of Accountants. He has an experience of over 18 years in managing businesses with distinguished experience in Telecom Industry. In addition he has investment banking and corporate management experience throughout his career.

### Compensation of the Directors

#### Mr. Dilip Modi, Chairman and Managing Director

Mr. Dilip Modi was appointed as Chairman and Managing Director of the Company with effect from November 1, 2006 for a period of 3 years on a remuneration package of Rs.36 Million per annum.

### Compensation for Non Executive Directors

The Company pays sitting fee to all non executive Directors subject to limits provided, if any, under Companies Act, 1956, and rules framed there under for attending each meeting of the Board of Directors or Sub Committee thereof. In addition they are eligible to receive remuneration under Section 198 of the Companies Act subject to profits and decisions of the appropriate authorities.

### Corporate Governance

Pursuant to listing of Equity Shares of the Company, the Company would be required to enter into listing agreements with the Stock Exchange. The Company is in compliance with the applicable provisions of listing agreement pertaining to corporate governance, including appointment of independent Directors and constitution of committees of Board viz. Audit Committee, Remuneration Committee and Investor Grievance Committee. The Board of Directors of the Company comprises of eight Directors including 4 Independent Directors.

### Committees of the Board:

#### Audit Committee

The composition of the Audit Committee complies with the requirements of Clause 49 of the Listing Agreement to be entered into with the Stock Exchange. The Audit Committee was re-constituted on May 31, 2007. The present members are:

#### Constitution of the Audit Committee

Sl. No.	Name	Designation	Independent/Non Independent
1.	Mr. D.R. Mehta	Chairman	Independent
2.	Mr. Hetal Gandhi	Member	Independent
3.	Mr. Mahesh Prasad	Member	Independent

Ms. Preeti Malhotra, Company Secretary acts as Secretary to the Committee.

#### Role and Functions of the Audit Committee

The Audit Committee provide directions to and review functions of the Audit Department. The Audit Committee would also evaluate Company's financial reporting process internal audit policies, plans, procedures and performance and review the other functions through various other internal audit reports and certificates issued by the Statutory Auditors. Quarterly and annual accounts are placed before the Audit Committee prior to being presented to the board. The Audit Committee would also recommend to the Board, the appointment, or removal of the statutory auditors and the fixation of audit fees and to review the functioning of Whistle Blower Mechanism.

## Remuneration Committee

The Remuneration Committee was re-constituted on March 23, 2007. The present members are:

Sl. No.	Name	Designation	Independent/Non Independent
1.	Mr. K.L. Chugh	Chairman	Independent
2.	Mr. Hetal Gandhi	Member	Independent
3.	Mr. Mahesh Prasad	Member	Independent

Ms. Preeti Malhotra, Company Secretary acts as secretary to the Committee.

## Role and functions of the Remuneration Committee

The Remuneration Committee review and recommend the remuneration and performance linked bonuses of the executive director(s) and evaluate their performance periodically.

## Shareholders / Investor Grievance Committee

The composition of Shareholders / Investor Grievance Committee complies with the requirements of Clause 49 of the Listing Agreement to be entered into with the Stock Exchange. The Shareholders / Investor Grievance Committee was re-constituted on May 31, 2007. The present members are:

SL. No.	Name	Designation	Independent/Non Independent
1.	Mr. Mahesh Prasad	Chairman	Independent
2.	Mr. Hetal Gandhi	Member	Independent
3.	Mr. Krishan Lal Chugh	Member	Independent
4	Mr. Prabahar N.K. Singam	Member	Non-Independent

Ms. Preeti Malhotra, Company Secretary acts as secretary to the Committee.

## Role and functions of the Shareholders / Investor Grievance Committee

The Shareholders/Investor Grievance Committee would look into the grievances of the investors of the Company in matters relating to transfer of equity shares, non-receipt of balance-sheet, non-receipt of declared dividend, etc. and resolve them under the provisions of the Companies Act, 1956, SEBI regulations/guidelines and the BSE listing clauses.

## Performance Review Committee

The Performance Review Committee was re-constituted on May 31, 2007. The present members are:

### *Constitution of the Performance Review Committee*

Sl. No.	Name	Designation	Independent/Non Independent
1.	Mr. Dilip Modi	Chairman	Non-Independent
2.	Mr. K.L. Chugh	Member	Independent
3	Ir. Prabahar N.K. Singam	Member	Non-Independent
4.	Dr. Shridhir Sariputta Hansa Wijayasuriya	Member	Non-Independent
5.	Mr. Mahesh Prasad	Member	Independent
6.	Mr. Yusof Annuar bin Yaacob	Member	Non-Independent

Ms. Preeti Malhotra, Company Secretary acts as Secretary to the Committee.

### Role and functions of the Performance Review Committee

Performance Review Committee is responsible for reviewing overall business operations and performance of the Company, integration issues and other issues as the Board may prescribe from time to time and have such powers and authority delegated to it by the board as shall be agreed from time to time by the Shareholders.

### Shareholding of the Directors in the Company

Our Directors does not hold any shares in the Share capital of the Company except Mr. Dilip Modi who holds 10 Equity Shares.

### Interest of Directors / Promoters

All the Directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or Committee thereof as well as to the extent of remuneration, reimbursement of expenses payable to them under the Articles of Association. All the Directors may also be deemed to be interested to the extent of equity shares, that may be subscribed for and allotted to them and/or their friends and relatives in the Company, out of the present Issue in terms of this Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said equity shares. The Directors may also be regarded as interested in the 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 and/or trustees.

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by the Company with any Company in which they hold directorships or any partnership firm in which they are partners as declared in their respective declarations. Except as stated otherwise in this Red Herring Prospectus, the Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of this Red Herring Prospectus in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made to them.

Directors of the Company have no interest in any property in which the Company has an interest within preceding two years of the date of filing of this Red Herring Prospectus.

### Changes in Board of Directors during the last three years

S. No.	Name	Date of Appointment	Date of Cessation	Reason
1.	Mr. Richard J Siemens	April 15, 1996	February 20, 2006	Cessation
2.	Mr. Stephen Temple	August 27, 2002	February 24, 2006	Cessation
3.	Mr. Bharat Parashar	April 18, 2003	February 20, 2006	Appointment & Cessation
4.	Mr. Edward F. Hummer	May 2, 2003	February 20, 2006	Appointment & Cessation
5.	Mr. Anil Gorthy	February 20, 2006	May 10, 2006	Appointment & Cessation
6.	Mr. Chetan Baxi	February 20, 2006	May 10, 2006	Appointment & Cessation
7.	Mr. Umang Das	February 20, 2006	May 18, 2007	Appointment & Cessation
8.	Mr. Seumas Dawes	February 24, 2006	May 10, 2006	Appointment & Cessation
9.	Mr. Yusof Annuar bin Yaacob	May 10, 2006	-	Appointment
10.	Ir. Prabahar N K Singam	May 10, 2006	-	Appointment



S. No.	Name	Date of Appointment	Date of Cessation	Reason
11.	Mr. Dilip Modi	May 10, 2006	-	Appointment
12.	Mr. Krishan Lal Chugh	May 10, 2006	-	Appointment
13.	Mr. Kashi Nath Memani	May 19, 2006	October 26, 2006	Appointment & Cessation
14.	Dr. Shridhir Sariputta Hansa Wijayasuriya	May 19, 2006	-	Appointment
15.	Mr. Hetal Gandhi	August 17, 2006	-	Appointment
16.	Dr. B.K. Modi	Since Incorporation	November 9, 2006	Appointment & Cessation
17.	Dr. Ramesh Chandra Vaish	October 31, 2006	March 22, 2007	Appointment & Cessation
18.	Mr. Mahesh Prasad	November 9, 2006	-	Appointment
19.	Mr. Chetan Bhagat	February 20, 2006	May 10, 2006	Appointment & Cessation
20.	Mr. D.R. Mehta	March 23, 2007	-	Appointment as Additional Director

[illegible]

**Mr. Umang Das, Joint Managing Director (JMD)**

He has also been actively involved in the Industry activities through Cellular Operators Association of India (COAI), GSM India and the Apex Chambers of Commerce like ASSOCHAM. Currently he is the Chairman of Assocham's BPO & IT Committee and also the chairman of COAI Special Projects Group besides being the Former Chairman of GSM India. His remuneration is Rs. 5.2 million per annum.

Mr. Ashok Goyal, aged 50, is Joint Managing Director. He has over 25 years of experience in Corporate Laws and Corporate Finance. He joined our Company on January 1, 2007. Mr. Goyal is a member of Institute of Chartered Accountants, Institute of Company Secretaries and Institute of Cost and Works Accountant. He has also done Masters in Business Administration (MBA) and Bachelors in Law (LL.B). Prior to joining the Company he was working as Global Financial Advisor of MCorp Global Private Limited. His remuneration is Rs. 4.80 million per annum.

### **G P Singh, Chief Financial Officer (CFO)**

Mr. G P Singh, aged 46, is Chief Financial Officer (CFO). He has over 20 years of experience in various companies including manufacturing and services in Telecom industry. Mr. Singh is a Fellow member of the Institute of Chartered Accountants of India and an honours graduate in commerce. Prior to joining the Company, he was responsible as Head of Accounts, Fujitsu. He joined the Company in August 1996. His remuneration is Rs. 5.20 million per annum.

### **H.N. Nanani, Chief Executive Officer (CEO)**

Mr. H.N. Nanani, aged 59, is Chief Executive Officer. Mr. H.N. Nanani is an engineer from BITS, Pilani. He joined the Company in August 2005. He has 24 years of experience and has significantly contributed to Indian industries in the fields of IT, Office Automation, Telecom and FMCG. He has over 35 years of experience and had held various senior positions in Indian and multinational groups. Prior to this he was Chief Operating Officer of US\$ 2 billion Jumbo Group. He has also been Group Managing Director – Xerox India and was associated with the Company since inception and has the distinguished credit of establishing 'Xerox' brand in India and also for developing and implementing Major Account Sales Process for Xerox world. His remuneration is Rs. 5.20 million per annum.

### **M.Nandwani, Chief Operating Officer (COO) - Punjab**

Mr. M.Nandwani, aged 56, is Chief Operating Officer (COO) - Punjab. Mr. Nandwani holds a Post graduate Diploma in Marketing & sales Management from Faculty of Management Studies, Delhi and is a commerce graduate from Delhi University. He joined the Company in July 2006. He has 32 years of experience in various fields and has served many companies including Tata Indicom Enterprise, Xerox Modicorp Limited, Ricoh India Limited, DCM Data Products. His remuneration is Rs. 4.00 million per annum.

### **Navin Kaul, Chief Operating Officer (COO) - Karnataka**

Mr. Navin Kaul, aged 52, is Chief Operating Officer (COO) – Karnataka. He is responsible for the entire Karnataka operations. He has 28 years of experience in managing operations of various businesses. He joined the Company in December 2003. He is a senior management professional with proven experience and a successful track record in managing businesses in highly competitive markets. Prior to this he was Chief Executive Officer in Samsung Group. His remuneration is Rs. 5.20 million per annum.

### **Preeti Malhotra, Director and Company Secretary,**

Ms. Preeti Malhotra, aged 42 is Director and Company Secretary. Ms. Malhotra is a Fellow Member of the Institute of Company Secretaries of India and is a Law Graduate. She has around 18 years of varied experience in the fields of Secretarial, Legal & Taxation with the McorpGlobal group. She joined the Company in May 2006. Prior to joining the Company, she was the Director and Company Secretary of Spice Mobiles Limited.

Ms. Malhotra is Central Council member and is President of the Institute of Company Secretaries of India (ICSI). She is chairperson of various committees of ICSI and is also the member of Governing council of National Foundation for Corporate Governance in India and of the National Advisory Committee on Accounting Standards in India. She was also a member of the Dr. JJ Irani Expert Committee constituted by the Ministry of Company Affairs, Government of India, to advise the Government on the new Company Law. She was awarded the prestigious Bharat Nirman Talented Ladies Award in the field of profession in the year 2003. Her remuneration is Rs. 5.20 million per annum.

### **R.K. Singh, President-New Projects**

Mr. R.K. Singh, aged 49, is President-New Projects. Over last 25 years, Mr Singh has served Telecom sector under the monopolistic model of Government owned Telecom services to present flexi and multi operator environment of post liberalization era. An Electronics Engineer and post graduate in Business Management from IIT –Delhi , Mr. Singh is presently heading “Spice Communications Project group” on Pan- India expansion and NLD-ILD business roll out. Prior to this, he had been associated with ESSAR group on various projects and was part of long distance call revolution on behalf of Data Access India Ltd. His last assignment was with Essar Telecom, as Vice President. He joined the Company in May 2006. His remuneration is Rs. 4.30 million per annum.

### S.K. Jain, Executive Director

Mr. S.K. Jain, aged 51, is Executive Director of our Company. Mr. Jain, is a Fellow member of the Institute of Company Secretaries of India, the Institute of Chartered Accountants of India, and is also a Law Graduate. He carries with him an experience of over 30 years in the field of Legal, Taxation, Finance and company secretarial.

Prior to joining the Company he was working with Mcorp Global group since January 1991 on senior positions including as Vice President-Finance, Director Finance, Executive Director and Company Secretary, and successfully handled the public issue/operational merger in Mcorp companies. Mr. Jain has been associated with the restructuring of the Company including settlement of the vendor's debt and also the refinancing of debt. He joined the Company in February 1997. His remuneration is Rs. 5.20 million per annum

### Vijay Raghavan, Chief Technical Officer (CTO)

Mr. Vijay Raghavan, aged 54, is Chief Technical Officer (CTO). He holds a Bachelor of Engineering and Masters of Business Administration qualifications with 30 years of diverse experience. He joined our Company in June 2006. His last assignment was with Bharti Cellular Limited as their Chief Technical Officer for the- Southern region from 2000 to May, 2006. His remuneration including bonus is Rs. 7.00 million per annum.

None of the Key Managerial Personnel are related to each other. All the above-mentioned Key Managerial Personnel are permanent employees of the Company.

### Shareholding of Key Managerial Personnel in the Company

The key managerial personnel do not hold any shares in the Company at present except as follows:

Name of Shareholder	Number of Shares
Dilip Modi	10
Ashok Goyal	82,000
H.N.Nanani	67,211

### Changes in the Key Managerial Personnel during the last 3 years

Name	Date of Joining	Department	Designation	Date of leaving	Reason
Ashok Goyal	January 1, 2007	Delhi Office	Joint Managing Director	-	-
Vijay Raghavan	June 2, 2006	Engineering	Chief Technical Officer	-	-
Hasa Nand Nanani	August 16, 2005	Delhi Office	Chief Executive Officer	-	-
R.K. Singh	May 23, 2006	Delhi Office	President - New Projects	-	-
Man Mohan Nandwani	July 20, 2006	COO Office	Chief Operating Officer	-	-
Preeti Malhotra	May 19, 2006	Delhi Office	Director & Company Secretary	-	-
Capt. Vijay Kumar Trehan	January 3, 2005	Delhi Office	Chief - Ambiance Management	-	-
Rajeev Mittal	October 19, 2006	Engineering-Switch	Assistant Vice President	-	-
Anupma Tyagi	May 10, 2006	Customer Services	Assistant Vice President	-	-
Sanjeev Garg	November 24, 2005	Commercial	General Manager	-	-
Harjeet Singh	July 12, 2004	Engineering-RF	General Manager	-	-
Tejinder Pal Singh	July 25, 2005	Engineering-Switch	General Manager	-	-
Samarjit Mohanty	July 1, 2005	Information Technology	General Manager	-	-

Name	Date of Joining	Department	Designation	Date of leaving	Reason
K.K. Raman	August 4, 2005	Engineering-Switch	Chief Technical Officer	-	-
Rakesh Kumar Singh	March 15, 2006	Sales & Distribution	Vice President	-	-
Vivek J K	August 28, 2006	Revenue Assurance	Sr. Manager	-	-
Sudheendra R. R.	October 15, 2004	Purchase	Sr. Manager	-	-
Ashok Agarwal	January 1, 2006	Delhi Office	General Manager-Legal		
Rajeev Gupta	July 31, 2003	Sales	General Manager - Chan. Sales	May 20, 2005	Resignation
Anand Krishnan	May 26, 2004	Retail Business	Vice President	June 15, 2005	Resignation
Anupma Tyagi	February 19, 2001	Customer Services	Assistant General Manager	June 30, 2004	Resignation
Rani Kamran	January 4, 2004	Delhi Office	General Manager	June 30, 2004	Resignation
Anil Lekhi	April 30, 2001	Information Technology	Vice President	June 30, 2004	Resignation
Ashok Kumar Sharma	July 2, 1997	CFO Office	Vice President	August 26, 2004	Resignation
Unnikrishnan Nair	January 19, 2004	Marketing	Assistant Vice President	November 15, 2004	Resignation
Prasad K.	August 1, 2002	Finance	General Manager	November 25, 2005	Resignation
Jacob Perez	March 16, 2001	Sales & Marketing	Vice President	November 18, 2005	Resignation
Satish N. K.	October 7, 1996	Corporate Affairs	General Manager	January 31, 2006	Resignation
Gurumurthy Kote	May 15, 2003	IT	Vice President	March 22, 2006	Resignation
Marthi U N Sarma	June 16, 2003	Engineering	Vice-President	June 30, 2006	Resignation
Sathya Karthik R.	September 22, 1998	Revenue Assurance	General Manager	September 30, 2006	Resignation
Shampa Kochhar	May 2, 2001	Human Resources	Vice President	April 30, 2005	Resignation
Lakshminarayanan T. V.	October 16, 2000	Finance	Vice President	November 15, 2005	Resignation
Jacob Perez	March 16, 2001	Sales & Marketing	Vice President	November 18, 2005	Resignation
Satish N. K.	October 7, 1996	Corporate Affairs	General Manager	January 31, 2006	Resignation
Gurumurthy Kote	May 15, 2003	IT	Vice President	March 22, 2006	Resignation
Marthi U N Sarma	June 16, 2003	Engineering	Vice President	June 30, 2006	Resignation
Sathya Karthik R.	September 22, 1998	Revenue Assurance	General Manager	September 30, 2006	Resignation
Jojan Thomas	December 1, 2004	Human Resources	Senior Manager-HR	December 8, 2006	Resignation

Name	Date of Joining	Department	Designation	Date of leaving	Reason
Monica Bajpai	May 1, 1997	Human Resources	Assistant Vice President	April 30, 2007	Resignation
K. Prasad	February 26, 2007	Finance	Vice President- Finance	-	-
Tapas Acharya	May 1, 2007	Human Resources	General Manager	-	-
K.K. Raman	August 4, 2005	Engineering	Chief Technical Officer	March 31, 2007	Resignation
Anupama	May 10, 2006	Customer Services	Assistant Vice President	March 31, 2007	Resignation

#### Interest of Key Managerial Personnel

None of our Key Managerial employees has interest in our company except to the extent of their remuneration and reimbursement of expenses and the shares held by them in the Company.

#### Bonus or Profit sharing plan for the Key Managerial Personnel

There are no bonuses or profit sharing plan for the Key Managerial Personnel.

#### Employees Share Purchase Scheme / Employee Stock Option Scheme

The Company does not currently have any stock option scheme or stock purchase scheme for its employees.

#### Details of loans taken by Directors / Key Managerial Personnel

The Directors and key managerial personnel have not taken any loan from the Company.

#### Payment or benefit to officers of the Company

There has been no other benefit or payment given to the employees / Key Managerial Personnel of the Company other than salary.

## OUR PROMOTERS

### INDIVIDUALS

#### Mr. Dilip Modi



**Dilip Modi**, aged 33, resident of 36, Amrita Shergill Marg, New Delhi, is a Promoter of our Company. For more details refer to section titled “Our Management - Brief Biographies of our Directors” on page 114 of this Red Herring Prospectus.

His Driving License Number is 9209087.

His PAN Number is ABNPM 2471 R.

His Passport No. is F-7680545.

He does not possess a Voter Id.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the Promoters have been submitted to the BSE at the time of filing the Draft Red Herring Prospectus with the Stock Exchange.

For further details of Mr. Dilip Modi please refer to the section titled “Our Management” on page 114 of this Red Herring Prospectus.

Dilip Modi also hold shares in some of the other group companies as detailed in the sections titled “Our Promoters - Promoter Group” beginning on page 131 of this Red Herring Prospectus.

### BODY CORPORATE

#### Modi Wellvest Private Limited

MWPL was incorporated on June 1, 1995 as a private limited company under registration No. 20-17382 with Registrar of Companies, Uttar Pradesh at Kanpur and is having its registered office at D-1, Sector – 3, Noida 201 301, Uttar Pradesh..

The main business activity of the company is to carry on the business of investment and to buy, sell, underwrite, invest, acquire and hold shares and other securities issued by any company.

MWPL PAN No. is AADCM6624Q

#### Share Capital Structure of MWPL

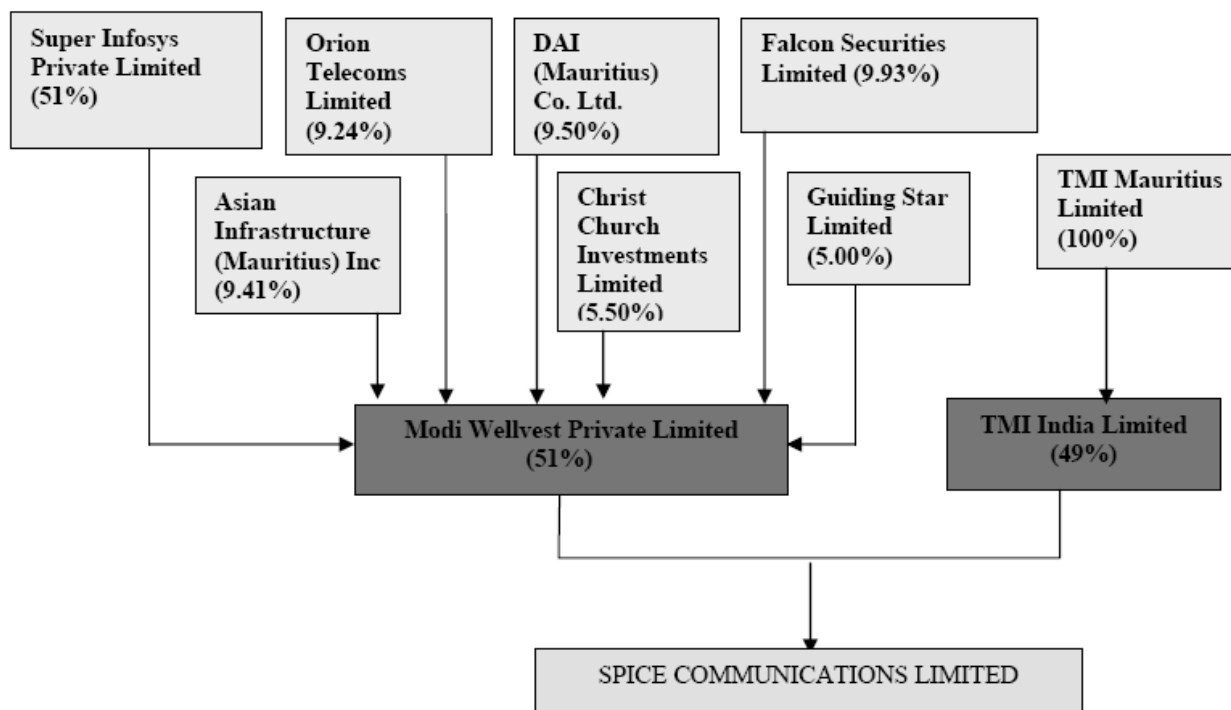
Authorised Share capital	Rs. 1,600,000,000 divided into 160,000,000 equity shares of Rs. 10 each
Issued, subscribed and paid up Share capital	Rs. 1,570,667,370 divided into 157,066,737 equity shares of Rs. 10 each

#### Share Holding Pattern of MWPL as on May 20, 2007

SL. No.	Name of shareholder	Number of shares held	% of shareholding
1.	Super Infosys Private Limited	80,758,354	51.42
2.	Orion Telecoms Limited*	14,515,043	9.24

SL. No.	Name of shareholder	Number of shares held	% of shareholding
3.	Asian Infrastructure (Mauritius) Inc*	14,779,980	9.41
4.	DAI (Mauritius) Co. Ltd.*	14,921,352	9.50
5.	Falcon Securities Limited*	15,600,000	9.93
6.	Guiding Star Limited*	7,853,337	5.00
7.	ChristChurch Investments Limited*	8,638,671	5.50
<b>Total</b>		<b>157,066,737</b>	<b>100</b>

#### Shareholding Structure



\* Foreign Companies considered for calculating the effective foreign shareholding in the Company.

#### Board of Directors of MWPL

1. Dr. Bhupendra Kumar Modi
2. Mr. Dilip Modi

#### Audited Financial Results for the Last Three Fiscal Years

Financial Information	(Rs. in Million)		
	June 30, 2004	June 30, 2005	June 30, 2006
Turnover/Income	Nil	Nil	Nil
Profit/(Loss) after tax during the year	(0.64)	(0.70)	(0.80)
Paid Up Equity Share Capital	1570.67	1570.67	1,570.67
Reserves excluding revaluation reserves	1234.52	1234.28	1233.70
Earning Per Share in Rs. (Face Value Rs. 10/- each)	(0.004)	(0.004)	(0.005)
Book Value per equity share (Rs.)	17.86	17.86	17.85



The Company is not sick within the meaning of SICA and is not under winding up.

### **Promoters of MWPL**

The promoters of MWPL are Dilip Modi and Super Infosys Private Limited. For further information about them, please refer to the sections titled “Our Management – Brief Biographies of our Directors”, “Our Promoters - Individuals” and “Our Promoters – Promoter Group – Body Corporate” beginning on pages 114, 128 and 131 respectively of this Red Herring Prospectus. Further, in relation to further details of Super Infosys Private Limited, please refer to the section titled “Our Promoters – Bodies Corporate – Super Infosys Private Limited” on page 128 of this Red Herring Prospectus.

Since 1996, there has been no change in the management of MWPL and the controlling shareholders continue to be Super Infosys Private Limited.

The Permanent Account Number, Company Registration Number and the address of the RoC with which MWPL is registered have been submitted to the Stock Exchange at the time of filing the Draft Red Herring Prospectus with them.

### **Interests of Promoters and Common Pursuits**

The aforementioned Promoters of the Company are interested to the extent of their shareholding in the Company. Further, the individual Promoters who are also the Directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them as per the terms of our Articles and relevant provisions of Companies Act. Our Promoter Directors may also be deemed to be interested to the extent of Equity Shares that may be subscribed for and allotted to them, out of the present Issue in terms of this Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Further, our Promoter Director is also director on the boards of certain Promoter Group companies and he may be deemed to be interested to the extent of the payments made by the Company, if any, to these Promoter Group companies.

For a list of such Promoter who is a director of our Promoter Group companies, please refer to the sections titled “Our Promoters – Promoter Group” beginning on page 128 of this Red Herring Prospectus. For the payments that are made by our Company to certain Promoter Group companies, please refer to the section titled “Related Party Transactions” on page 235 of this Red Herring Prospectus.

Except as stated otherwise in this Red Herring Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of this Red Herring Prospectus in which the Promoters are directly or indirectly interested and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be made with them including the properties purchased by the Company other than in the normal course of business.

Further, except as disclosed in the sections titled “Our Promoters - Promoter Group” and “Related Party Transactions” beginning on pages 128 and 131 respectively of this Red Herring Prospectus, our Promoters do not have any interest in any venture that is involved in any activities similar to those conducted by us.

It is hereby confirmed that the permanent account number, bank account number and passport number wherever available of all the above Promoters were submitted to the Stock Exchange at the time of filing the Draft Red Herring Prospectus with the Stock Exchange.

## PROMOTER GROUP

### Individuals

Relatives of Mr. Dilip Modi:

Sl. No.	Name	Relationship
1.	Mrs. Sonal Modi	Wife of Mr. Dilip Modi
2.	Dr. Bhupendra Kumar Modi	Father of Mr. Dilip Modi
3.	Mrs. Veena Modi	Mother of Mr. Dilip Modi
4.	Mrs. Ritika Rungta	Sister of Mr. Dilip Modi
5.	Ms. Divya Modi	Sister of Mr. Dilip Modi
6.	Baby Siya Modi	Child of Mr. Dilip Modi
7.	Mr. Rakesh Himatsingka	Father of Mrs. Sonal Modi
8.	Mrs. Anita Himatsingka	Mother of Mrs. Sonal Modi
9.	Mr. Shaurya Veer Himatsingka	Brother of Mrs. Sonal Modi
10	Ms. Maalika Himatsingka	Sister of Mrs. Sonal Modi

For holding of the relatives of the Promoter in the Company refer to the section titled “Capital Structure of the Company-Pre Issue and Post Issue Shareholding” on page 19 of this Red Herring Prospectus.

### Promoter Group Companies / Entities

The Promoter Group of the Company consists of the following companies/HUFs:

1. Ace Airways Pvt. Ltd.
2. APL Holdings & Investments Ltd.
3. APL Investments Ltd.
4. Assam Plywood Ltd.
5. Burlington Investments Pvt Ltd.
6. Budge Budge Carbon Limited
7. Duro International Rubber Pvt Ltd
8. Fund Flow Investment & Trading Co. Ltd.
9. G M Modi Hospitals Corporation Private Ltd.
10. Goneril Investment & Trading Co. Ltd.
11. Harjas Logic Systems Pvt Ltd
12. Indian Televentures Private Limited
13. Jyotsana Investment Company Limited
14. Kallol Investments Limited
15. Khatu Investment & Trading Company Limited
16. MCorpGlobal Pvt Ltd
17. ModiKem Ltd.
18. New Look Investment (Bengal) Limited
19. Nik Travels Pvt Ltd
20. Oasis Cineplex Pvt Ltd
21. Omnia Investments Pvt. Ltd.
22. Plus Paper Foodpac Ltd
23. Spice Systems Ltd
24. Spice Mobiles Ltd (formerly known as Spice Limited).
25. Super Infosys Private Limited
26. Teesho Rubbers Pvt. Ltd
27. Tuberoze Investments Pvt Ltd
28. Twenty First Century Capitals Ltd

## HUF

29. Dr B K Modi & Sons (HUF)
30. Rakesh Kumar Shaurya Veer (HUF)

## 1. ACE AIRWAYS PRIVATE LIMITED

Ace Airways Private Limited was incorporated on January 9, 1984 in the name of Delhi Gulf Airways Services Private Limited under registration number 55-17298 with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi. The name of the company was changed to Ace Airways Private Limited w.e.f January 23, 1996. Its registered office is situated at 60 – D, Street No. C – 5, Sainik Farms, New Delhi – 110 062.

The main object of the company is to maintain, construct equip, work, to take or give on lease, to purchase or hire aeroplanes, helicopters and hovercrafts for the carriage of passengers or freight and to carry on the business of carriers by air or hovercraft.

### Board of Directors

The Board of Directors of Ace Airways Private Limited as at May 20, 2007 is comprised as under:

1. Mr. Hemant Kumar
2. Mr.R.K.Gupta
3. Mr. Harish Nag

### Shareholding Pattern

The shareholding pattern of Ace Airways Private Limited as at May 20, 2007 is as under:

Sl. No.	Names of Shareholder	No. of Shares held	% of Shareholding
1.	Twenty First Century Capitals Ltd.	255,875	23.23
2.	Positive Investment Pvt. Ltd.	178,750	16.23
3.	McorpGlobal Pvt. Ltd.	548,125	49.77
4.	MCorp Ltd.	51,625	4.69
5.	Ms. Divya Modi	45,000	4.09
6.	Ms.Ritika Modi Rungta	22,000	2.00
7.	Total	1,101,375	100.00

### Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Ace Airways Private Limited extracted from the audited accounts for the past three years are as follows:

FINANCIAL INFORMATION	(Rs. in Million except per share data)		
	Year ended December 31, 2003	Year ended December 31, 2004	Period ended March 31, 2006 (15 months)
Equity Capital	11.01	11.01	11.01
Reserves and Surplus	1.16	(4.50)	11.40
Total Income	29.10	80.55	25.77
Profit/(Loss) after Tax	(2.30)	(3.84)	15.90
Earnings per share (Rs.) (Face Value Rs. 10)	(2.09)	(3.48)	14.44
Book Value per equity share (Rs.)	11.05	5.91	20.37

## 2. APL HOLDINGS & INVESTMENTS LIMITED

APL Holdings & Investments Limited was incorporated on October 10, 1991 under registration number 21-53342 with the Registrar of Companies, Kolkata. The company received its certificate of commencement of business on October 24, 1991. Its registered office is situated at 6, Old Post Office Street, 4<sup>th</sup> Floor, Kolkata-700 001.

The main object of the company is to invest in the security and sell or otherwise deal with shares, stocks, bonds and debentures etc issued by any body corporate and to purchase, lease, hire develop land, buildings, flats.

### Board of Directors

The Board of Directors of APL Holdings & Investments Limited as at May 20, 2007 is comprised as under:

1. Mrs. Rohini Himatsingka
2. Mr. Hemant Kumar Ruia
3. Mrs. Manju Jalan
4. Mr. Rajeev Kumar Mehta

### Shareholding Pattern

The shareholding pattern of APL Holdings & Investments Limited as at May 20, 2007 is as under:

Sl. No.	Names of Shareholder	No. of Shares held	% of Shareholding
1.	Anita Himatsingka	2,500	25
2.	Rohini Himatsingka	2,500	25
3.	Gaurav Himatsingka	900	9
4.	Vivek Himatsingka	900	9
5.	Sonal Himatsingka	1,000	10
6.	Maalika Himatsingka	1,000	10
7.	Shaurya Veer Himatsingka	1,000	10
8.	Gaurav Himatsingka jointly with Dipak Himatsingka	100	1
9.	Vivek Himatsingka jointly with Dipak Himatsingka	100	1
	Total	10,000	100

### Audited Financial Results for the Last Three Fiscal Years

Brief financial details of APL Holdings & Investments Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Equity Capital	0.10	0.10	0.10
Reserves and Surplus	1.23	1.57	1.95
Total Income	0.76	0.77	0.81
Profit/(Loss) after Tax	0.22	0.31	0.38
Earnings per share (Rs.) (Face Value Rs. 10)	22.01	31.40	37.82
Book Value per equity share (Rs.)	133	167	205

## 3. APL INVESTMENTS LIMITED

APL Investments Limited was incorporated on May 30, 1991, under registration number 21-51882 with the Registrar of Companies, Kolkata. Its registered office is situated at 6, Old Post Office Street, 4<sup>th</sup> Floor, Kolkata-700 001.

The main object of the company is to invest in the security and sell or otherwise deal with shares, stocks, bonds and debentures etc issued by any body corporate.

#### Board of Directors

The Board of Directors of APL Investments Limited as at May 20, 2007 is comprised as under:

1. Mrs. Anita Himatsingka
2. Mr. Dipak Himatsingka
3. Mr. Susheel Kumar Sharma

#### Shareholding Pattern

The shareholding pattern of APL Holdings & Investments Limited as at May 20, 2007 is as under:

Sl. No.	Names of Shareholder	No. of Shares held	% of Shareholding
1.	Anita Himatsingka	2,500	25
2.	Rohini Himatsingka	2,500	25
3.	Gaurav Himatsingka	900	9
4.	Vivek Himatsingka	900	9
5.	Sonal Himatsingka	1,000	10
6.	Maalika Himatsingka	1,000	10
7.	Shaurya Veer Himatsingka	1,000	10
8.	Gaurav Himatsingka jointly with Dipak Himatsingka	100	1
9.	Vivek Himatsingka jointly with Dipak Himatsingka	100	1
	<b>Total</b>	<b>10,000</b>	<b>100</b>

#### Audited Financial Results for the Last Three Fiscal Years

Brief financial details of APL Holdings & Investments Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Equity Capital	0.10	0.10	0.10
Reserves and Surplus	0.73	1.04	1.36
Total Income	0.77	0.75	0.76
Profit/(Loss) after Tax	0.20	0.29	0.32
Earnings per share (Rs.) (Face Value Rs. 10)	20	28.71	31.83
Book Value per equity share (Rs.)	83.00	114.00	146.3

#### 4. ASSAM PLYWOOD LIMITED

Assam Plywood Limited was incorporated on June 25, 1952, under registration number 21-20483 with the Registrar of Companies, Kolkata. Its registered office is situated at 6, Old Post Office Street, 4<sup>th</sup> Floor, Kolkata-700 001.

The main object of the company is to invest in the security and sell or otherwise deal with shares, stocks, bonds and debentures etc issued by any body corporate and to acquire by purchase or otherwise of any business of plywood.

## Board of Directors

The Board of Directors of Assam Plywood Limited as at May 20, 2007 is comprised as under:

1. Mr. Dharendra Nath Maity
2. Mr. Ashok Jajra
3. Mr. Santosh Kumar Bajaj

## Shareholding Pattern

The shareholding pattern of Assam Plywood Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholder	No. of Shares held	% of Shareholding
1.	Subarna Plantation & Trading Co. Ltd.	68,000	18.90
2.	Rakesh Kumar Shauryavir (HUF)	51,000	14.18
3.	Gulmohar Trading Co. Pvt. Ltd.	40,000	11.12
4.	Shauryavir Himatsingka	35,050	9.74
5.	Sonal Himatsingka	35,000	9.73
6.	Maalika Himatsingka	35,000	9.73
7.	Fund Flow Investment & Trading Co. Ltd.	27,500	7.65
8.	Rohini Himatsingka	25,000	6.95
9.	Anand Kumar Himatsingka	6,025	1.68
10.	Vivek Himatsingka	5,000	1.39
11.	Mahendra Kumar Himatsingka	4,700	1.31
12.	Rajendra Kumar Himatsingka	4,000	1.11
13.	New LookInvestment (Bengal )Ltd.	3,750	1.04
14.	Remaining 27 shareholders	19,675	5.47
	Total	359,700	100.00

## Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Assam Plywood Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Equity Capital	1.44	1.44	1.44
Reserves and Surplus	(0.21)	(0.13)	(0.61)
Total Income	0.40	0.87	0.20
Profit/(Loss) after Tax	0.01	0.07	(0.48)
Earnings per share (Rs.) (Face Value Rs. 4)	(0.02)	0.19	(1.33)
Book Value per equity share (Rs.)	3.42	3.64	2.31

## 5. BURLINGTON INVESTMENTS PRIVATE LIMITED

Burlington Investments Private Limited was incorporated on September 12, 1983 under registration number 21-36763 with the Registrar of Companies, Kolkata. Its registered office is situated at 6, Old Post Office Street, 4<sup>th</sup> Floor, Kolkata-700 001.

The main object of the company is to invest in the security and to sell or otherwise deal with shares, stocks, bonds and debentures etc issued by any body corporate and to purchase, lease, hire develop land, buildings, flats etc.

### Board of Directors

The Board of Directors of Burlington Investments Private Limited as at May 20, 2007 is comprised as under:

1. Mrs. Manju Jalan
2. Mr. Jyotish Chandra Goswami
3. Mr. Ashok Jajra

### Shareholding Pattern

The shareholding pattern of Burlington Investments Private Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholder	No. of Shares held	% of Shareholding
1.	Rajendra Kanoria	10	0.00
2.	Ashok Chaturvedi	10	0.00
3.	Urmila Kothari	500	0.21
4.	N. K. Padmanabhan	500	0.21
5.	Nirmala Jha	500	0.21
6.	Aradhana Jha	500	0.21
7.	Sadhana Jha	500	0.21
8.	Vikram Jha	500	0.21
9.	Shree Kunwar Kothari	500	0.21
10.	Ram Gopal Chakroborty	500	0.21
11.	Manoj Kothari	500	0.21
12.	Alok Kothari	500	0.21
13.	Hemanta Kumar Chatterjee	1,160	0.48
14.	Sujata Chatterjee	1,000	0.42
15.	Malay Bhaduari	300	0.13
16.	Basant Kumar Chatterjee	300	0.13
17.	Goutam Mukherjee	400	0.17
18.	New Look Investment (Bengal) Ltd.	1,000	0.42
19.	Tower Investment & Trading Co. Ltd.	50,000	20.84
20.	Kallol Investments Ltd.	10,000	4.17
21.	Goneril Investment & Trading Co. Ltd.	30,800	12.83
22.	Fund Flow Investment & Trading Co. Ltd.	20,000	8.33
23.	Subarna Plantation & Trading Co. Ltd.	40,000	16.67
24.	Jyotsana Investment Co. Ltd.	20,000	8.33
25.	Gaurav Himatsingka	30,000	12.50
26.	Shaurya Veer Himatsingka	30,000	12.50
	<b>Total</b>	<b>239,980</b>	<b>100.00</b>

### Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Burlington Investments Private Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Equity Capital	2.40	2.40	2.40
Reserves and Surplus	2.84	3.18	3.31
Total Income	0.47	0.61	0.32
Profit/(Loss) after Tax	0.12	0.35	0.12
Earnings per share (Rs.) (Face Value Rs. 10)	0.51	1.44	0.53
Book Value per equity share (Rs.)	21.82	23.25	23.79

## 6. BUDGE BUDGE CARBON LIMITED

Budge Budge Carbon Limited was incorporated on June 26, 1980 under registration number 21-32824 with the Registrar of Companies, Kolkata. The company received its certificate of commencement of business on June 28, 1980. Its registered office is situated at 6, Old Post Office Street, 4<sup>th</sup> Floor, Kolkata-700 001.

The main object of the company is to invest in the security and sell or otherwise deal with shares, stocks, bonds and debentures etc issued by any body corporate and to manufacture, refine, import, export, graphitize, coke, coal, hydrocarbons and other by products.

### Board of Directors

The Board of Directors of Budge Budge Carbon Limited as at May 20, 2007 is comprised as under:

1. Mr. Susheel Kumar Sharma
2. Mr. Sujit Kumar Das
3. Mr. Samar Ranjan Biswas

### Shareholding Pattern

The shareholding pattern of Budge Budge Carbon Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	Juwita Trading Company Pvt. Ltd.	2,000	0.68
2.	Mokara Trading Company Pvt. Ltd.	2,000	0.68
3.	Subhag Mercantile Pvt. Ltd.	40,000	13.67
4.	Jyotsana Investment Company Ltd.	38,000	12.98
5.	Subarna Plantation & Trading Co. Ltd.	38,700	13.22
6.	Saket Cement Products Pvt. Ltd.	40,000	13.67
7.	Gulmohur Trading Co. Pvt. Ltd.	40,000	13.67
8.	Burlington Investments Pvt. Ltd.	40,000	13.67
9.	Sudama Trading & Investments Ltd.	5,000	1.71
10.	Nortel Cosmetics Pvt. Ltd.	7,000	2.39
11.	Zipper Mercantiles Pvt. Ltd.	5,000	1.71
12.	Veeyu Traders Pvt. Ltd.	5,000	1.71
13.	Nahar Viniyog Pvt. Ltd.	5,000	1.71
14.	Namokar Consultants Pvt. Ltd.	5,000	1.71
15.	Jajra Trading Company Pvt. Ltd.	8,000	2.73
16.	Manju Jalan	4,250	1.45
17.	Rani sharma	2,000	0.68
18.	Rajat Jalan	5,750	1.96
	Total	292,700	100.00



## Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Budge Budge Carbon Limited extracted from the audited accounts for the past three years are as follows:  
(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Equity Capital	2.41	2.93	2.93
Reserves and Surplus	0.77	5.98	15.32
Total Income	0.44	2.47	0.91
Profit/(Loss) after Tax	(0.29)	0.50	0.44
Earnings per share (Rs.) (Face Value Rs. 10)	(1.2)	1.72	1.50
Book Value per equity share (Rs.)	13.22	30.44	62.35

## 7. DURO INTERNATIONAL RUBBER PRIVATE LIMITED

Duro International Rubber Private Limited was incorporated on June 22, 1987 in the name of Royal Rubber Private Limited. Its registration number is 55-127404 and it is registered with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi. The name of the company was changed to Duro International Rubber Private Limited w.e.f October 22, 1997. Its registered office is situated at 60 – D, Street No. C – 5, Sainik Farms, New Delhi – 110 062.

The main objects of the Company is to carry on the business of manufacturers, fabricators, traders, importers, exporters and distributors of tyres, tubes, flaps, fan-belts, tread rubber and other related rubber and polymer product for automobiles, aeroplanes, vehicles, cycles, and the like including manufacturing or maintaining the machines and presses thereof.

### Board of Directors

The Board of Directors of Duro International Rubber Private Limited as at May 20, 2007 is comprised as under:

1. Mr S K Jain
2. Mr Rakesh Haldia

### Shareholding Pattern

The shareholding pattern of Duro International Rubber Private Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	Mr Nikhil Rungta	22,000	50.00
2.	Mrs Ritika Rungta	22,000	50.00
	Total	44,000	100.00

## Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Duro International Rubber Private Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Period ended December 31, .2003 (9 months)	Period ended March 31, 2005 (15 months)	Year ended March 31, 2006
Equity Capital	4.40	4.40	4.40
Reserves and Surplus	(2.88)	(3.12)	(3.51)
Total Income	1.45	0.55	0.03
Profit/(Loss) after Tax	0.95	(0.26)	(0.40)
Earnings per share (Rs.) (Face Value Rs. 100)	21.59	(5.43)	(8.86)
Book Value per equity share (Rs.)	34.46	29.02	20.17

## 8. FUND FLOW INVESTMENT & TRADING COMPANY LIMITED

Fund Flow Investment & Trading Company Limited was incorporated on November 25, 1982 under registration number 21-35482 with the Registrar of Companies, Kolkata. The company received its certificate of commencement of business on January 5, 1983. Its registered office is situated at 6, Old Post Office Street, 4<sup>th</sup> Floor, Kolkata-700 001.

The main object of the company is to trade in shares, stocks, debentures and other securities issued by any Government, State, public bodies and local bodies, companies etc.

### Board of Directors

The Board of Directors of Fund Flow Investment & Trading Company Limited as at May 20, 2007 is comprised as under:

1. Mr. Jyotish Chandra Goswami
2. Mr. Arun Das
3. Mrs. Bimla Bajaj

### Shareholding Pattern

The shareholding pattern of Fund Flow Investment & Trading Company Limited as at May 20, 2007 is as under:

Sl. No.	Name of the Shareholders	No. of Shares held	% of Shareholding
1.	Rakesh Kumar Shauryavir	45,200	18.83
2.	Tower Investment & Trading Co. Ltd.	35,000	14.58
3.	Kallol Investments Limited	31,775	13.24
4.	Goneril Investment & Trading Co. Ltd.	30,000	12.50
5.	Maalika Himatsingka	15,000	6.25
6.	Sonal Himatsingka	15,000	6.25
7.	Assam Plywood Limited	14,300	5.96
8.	Shaurya Vir Himatsingka	10,000	4.17
9.	Subarna Plantation & Trading Co. Ltd.	10,000	4.17
10.	Jyotsana Investment Co. Ltd.	10,000	4.17
11.	Vivek Himatsingka	7,500	3.13
12.	Rakesh Kumar Himatsingka (HUF)	5,000	2.08
13.	Anita Himatsingka	2,500	1.04
14.	Remaining 64 shareholders	8,725	3.64
	Total	240,000	100.00

### Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Fund Flow Investment & Trading Company Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Equity Capital	2.40	2.40	2.40
Reserves and Surplus	0.01	1.08	1.33
Total Income	8.38	10.49	3.17
Profit/(Loss) after Tax	2.09	1.05	0.25
Earnings per share (Rs.) (Face Value Rs. 10)	8.72	4.37	1.02
Book Value per equity share (Rs.)	10.04	14.50	15.54

### Disclosure on Capital Issue

The company came out with a public issue of 200,000 equity shares of Rs. 10 each for cash at a price of Rs. 10 each pursuant to a statement in lieu of prospectus dated November 30, 1982.

The equity shares of the company are listed on at Calcutta Stock Exchange Association Limited. The shares of the company are not actively traded since last five years and accordingly no market price may be provided for the shares of the company.

### Promise vs. Performance

The proceeds of the issue were applied for the objects of the issue as disclosed in the prospectus for the said issue i.e. raising long-term capital. There were no deviation from the objects and the manner in which the issue proceeds were utilized. No projections were made since the issue was to meet the long term requirement of funds.

### Details of Public/Rights Issue in the Last Three Years

The company has not made any public issue or rights issue of Equity Shares during the last three years.

### Mechanism for redressal of investor grievance

The Company has an effective mechanism to redress the grievances of the investor as and when such are received. For redressal of investor grievances, the company has nominated its Director as the compliance officer. The compliance officer is responsible for attending to investor queries / complaints etc to present the same before the shareholder grievance committee on a regular basis for their review and comments / suggestions. Generally, investor queries are attended in three days and the complaints are resolved with in next two days. As of December 30, 2006, there were no investor grievances pending.

## 9. G. M. MODI HOSPITALS CORPORATION PRIVATE LIMITED

G. M. Modi Hospitals Corporation Private Limited was incorporated on January 8, 1991 as 'G.M. Modi Hospitals Corporation Limited' under registration number 55-42646 with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi and consequent to the conversion to a Private Limited Company, the name of the Company was changed to 'G.M. Modi Hospitals Corporation Pvt. Ltd.' on June 18, 2003. The company received the Certificate of Commencement of Business on January 18, 1991. Its registered office is situated at 60-D, Sainik Farm, Street No.C-5, New Delhi – 110 062.

The main object of this company is to purchase, lease or otherwise acquire establish, maintain, operate, run, manage or administer hospitals, medicare, day care and health care centres, nursing homes, clinics for in-door and out-door patients and facilities for reception and treatment of persons suffering from injuries and illness, disabilities and deficiencies of any kind or nature whatsoever, contagious or otherwise and treatment of persons, during convalescence or of persons requiring medical attention or rehabilitation and to provide for free treatment to a reasonable number of patients belonging to economically weaker sections of society in the specialty and super specialty departments.

### Board of Directors

The Board of Directors of G. M. Modi Hospitals Corporation Private Limited as at May 20, 2007 is comprised as under:

1. Dr. N.K. Gupta
2. Mr. Suresh Kumar Jain
3. Mr. Rakesh Haldia

## Shareholding Pattern

The shareholding pattern of G. M. Modi Hospitals Corporation Private Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	Mr. Atul Prakash	10	0.00
2.	Mr. S.K. Jain	10	0.00
3.	Mr. S.K. Gupta	10	0.00
4.	Mr. R.L. Ahuja	10	0.00
5.	Mr. R.P. Goyal	30	0.00
6.	Mrs. Sukhmani Ganguli	30	0.00
7.	Mr. M.C. Mittal	100	0.00
8.	McorpGlobal Pvt. Ltd.	8,049,000	97.57
9.	Fine Installments Pvt. Ltd.	200,000	2.42
	Total	8,249,200	100.00

## Audited Financial Results for the Last Three Fiscal Years

Brief financial details of G. M. Modi Hospitals Corporation Private Limited extracted from the audited accounts for the past three years are as follows:

FINANCIAL INFORMATION	(Rs. in Million except per share data)		
	Year ended December 31 2003	Year ended December 31, 2004	Period ended March 31, 2006 (15 months)
Equity Capital	47.29	78.49	82.49
Reserves and Surplus	1.48	1.88	2.25
Total Income	20.94	20.79	39.93
Profit/(Loss) after Tax	(0.18)	0.79	(0.35)
Earnings per share (Rs.) (Face Value Rs. 10)	(0.04)	0.10	(0.04)
Book Value per equity share (Rs.)	10.31	10.24	10.27

## 10. GONERIL INVESTMENT & TRADING COMPANY LIMITED

Goneril Investment & Trading Company Limited was incorporated on November 29, 1982 under registration number 21-35494 with the Registrar of Companies, Kolkata. The company received its certificate of commencement of business on January 5, 1983. Its registered office is situated at 6, Old Post Office Street, 4<sup>th</sup> Floor, Kolkata-700 001.

The main object of the company is to trade in shares, stocks, debentures and other securities issued by any Government, State, public bodies and local bodies, companies etc

## Board of Directors

The Board of Directors of Goneril Investment & Trading Company Limited as at May 20, 2007 is comprised as under:

1. Mr. Jyotish Chandra Goswami
2. Mr. Sujit Kumar Das
3. Mr. Arun Das

## Shareholding Pattern

The shareholding pattern of Goneril Investment & Trading Company Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	Shauryavir Himatsingka	63,800	26.58
2.	Maalika Himatsingka	30,000	12.50
3.	New LookInvestment (Bengal ) Ltd.	20,000	8.33
4.	Sonal Himatsingka	20,000	8.33
5.	Subarna Plantation & Trading Co. Ltd.	15,000	6.25
6.	Vivek Himatsingka	15,000	6.25
7.	Kallol Investments Ltd.	15,000	6.25
8.	Rakesh Kumar Shauryavir	12,900	5.38
9.	Fund Flow Investment & Trading Co. Ltd.	10,100	4.21
10.	Dipak Kumar Gaurav Kumar	7,500	3.13
11.	Prabhudayal Himatsingka	5,000	2.08
12.	Bhagwati Prasad Himatsingka	5,000	2.08
13.	Remaining 33 shareholders	20,700	8.62
	Total	240,000	100.00

## Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Goneril Investment & Trading Company Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Equity Capital	2.40	2.40	2.40
Reserves and Surplus	1.87	2.47	3.08
Total Income	2.05	2.67	2.57
Profit/(Loss) after Tax	0.39	0.58	0.60
Earnings per share (Rs.) (Face Value Rs. 10)	1.63	2.42	2.50
Book Value per equity share (Rs.)	17.79	20.29	22.83

## Disclosure on Capital Issue

The company came out with a public issue of 200,000 equity shares of Rs. 10 each for cash at a price of Rs. 10 each pursuant to a statement in lieu of prospectus dated December 8, 1982.

The equity shares of the company are listed on at Calcutta Stock Exchange Association Limited. The shares of the company are not actively traded since last five years and accordingly no market price may be provided for the shares of the company.

## Promise vs. Performance

The proceeds of the issue were applied for the objects of the issue as disclosed in the prospectus for the said issue i.e. raising long-term capital. There were no deviation from the objects and the manner in which the issue proceeds were utilized. No projections were required and hence not made.

## Details of Public/Rights Issue in the Last Three Years

The company has not made any public issue or rights issue of Equity Shares during the last three years.

## Mechanism for redressal of investor grievance

The Company has an effective mechanism to redress the grievances of the investor as and when such are received. For redressal of investor grievances, the company has nominated its Director as the compliance officer. The compliance officer is responsible for attending to investor queries / complaints etc to present the same before the shareholder grievance committee on a regular basis for their review and comments / suggestions. Generally, investor queries are attended in three days and the complaints are resolved with in next two days. As of December 30, 2006, there were no investor grievances pending.

## 11. HARJAS LOGIC SYSTEMS PRIVATE LIMITED

Harjas Logic Systems Private Limited was incorporated on February 19, 2002 under registration number 55-114284 with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi. Its registered office is situated at 60-D, Sainik Farm, Street No.C-5, New Delhi – 110 062.

The main objects of the company is to carry on the business of manufacturers, importers, exporters of computer, computer parts, accessories and other items connected with or incidental to computer hardware and to import, export, manufacture, develop or deal-in software, data storage devices and management information systems.

### Board of Directors

The Board of Directors of Harjas Logic Systems Private Limited as at May 20, 2007 is comprised as under:

1. Mr. Ashok Agarwal
2. Ms. Preeti Malhotra

### Shareholding Pattern

The shareholding pattern of Harjas Logic Systems Private Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	MCORPGlobal Private Limited	12,499	99.992
2.	Mr. O.P. Dani (Beneficial Owner MCORPGlobal Private Limited)	1	0.008
	Total	12,500	100.00

## Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Harjas Logic Systems Private Limited extracted from the audited accounts for the past three years are as follows

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended March 31, 2004	Period ended February 15, 2005 (10.5 months)	Period ended March 31, 2006 (13.5 months)
Equity Capital	0.10	1.20	1.25
Reserves and Surplus	(0.03)	(0.21)	12.18
Total Income	-	0.05	16.93
Profit/(Loss) after Tax	(0.01)	(0.03)	12.32
Earnings per share (Rs.) (Face Value Rs. 100)	(9.79)	(2.57)	985.73
Book Value per equity share (Rs.)	68	82.58	1074.4

## 12. INDIAN TELEVENTURES PRIVATE LIMITED

Indian Televentures Private Limited was incorporated on June 18, 2001 under registration number 55-111304 with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi. Its registered office is situated at 60 – D, Street No. C – 5, Sainik Farms, New Delhi – 110 062.

The main object of the company is to develop, install, maintain and run all type of services in the telecommunication (including cellular mobile telephone or fixed telephone), information technology, electronics and multi-media, and also to manufacture, produce, import, export, and deal in any manner in any product relating to telecommunication, electronics, information technology and multi-media.

### Board of Directors

The Board of Directors of Indian Televentures Private Limited as at May 20, 2007 is comprised as under:

1. Mr.Dilip Modi
2. Ms.Divya Modi
3. Mr.Ravinder Lal Ahuja
4. Mr.Atul Prakash

### Shareholding Pattern

The shareholding pattern of Indian Televentures Private Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	Mr. Dilip Modi	1,020,000	51.00
2.	Mrs. Veena Modi	980,000	49.00
	Total	2,000,000	100.00

### Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Indian Televentures Private Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended 31.03.2004	Year ended 31.03.2005	Period ended 30.06.2006 (15 months)
Equity Capital	0.10	0.10	10.00
Reserves and Surplus	(0.12)	(0.08)	(0.07)
Total Income	-	0.05	0.06
Profit/(Loss) after Tax	(0.11)	0.04	0.01
Earnings per share (Rs.) (Face Value Rs. 10/-)	(10.80)	3.43	0.01
Book Value per equity share (Rs.)	(1.67)	1.96	9.93

## 13. JYOTSANA INVESTMENT COMPANY LIMITED

Jyotsana Investment Company Limited was incorporated on May 10, 1974 under registration number 21-29417 with the Registrar of Companies, Kolkata. The company received its certificate of commencement of business on June 7, 1974. Its registered office is situated at 6, Old Post Office Street, 4<sup>th</sup> Floor, Kolkata-700 001.

The main object of the company is to trade in shares, stocks, debentures and other securities issued by any Government, State, public bodies and local bodies, companies etc.

## Board of Directors

The Board of Directors of Jyotsana Investment Company Limited as at May 20, 2007 is comprised as under:

1. Mr. Sujit Kumar Das
2. Mr. Narayan Kar
3. Mr. Jyotish Chandra Goswami

## Shareholding Pattern as on February 10, 2007

The shareholding pattern of Jyotsana Investment Company Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	Tower Investment & Trading Co. Ltd.	49,000	24.5
2.	Rohini Himatsingka	40,000	20
3.	Fund Flow Investment & Trading Co. Ltd.	34,600	17.3
4.	Amrit Kumar Sanghi	20,000	10
5.	Vijay Kumar Sanghi	10,000	5
6.	Deepika Agarwal	10,000	5
7.	Goneril Investment & Trading Co. Ltd.	10,000	5
8.	Kallol Investments Ltd.	10,000	5
9.	Remaining 136 shareholders	16,400	8.2
	Total	200,000	100

## Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Jyotsana Investment Company Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Equity Capital	2.00	2.00	2.00
Reserves and Surplus	(3.75)	(4.13)	(4.08)
Total Income	2.49	2.49	2.36
Profit/(Loss) after Tax	(0.22)	0.12	0.05
Earnings per share (Rs.) (Face Value Rs. 10)	0.00	0.62	0.23
Book Value per equity share (Rs.)	(8.75)	(10.63)	(10.39)

## Disclosure on Capital Issue

The company came out with a public issue in 1974. Since the relevant papers / documents relating to the said issue are not in the custody of the company as Income-tax department has taken the same into their custody during a routine survey and scrutiny conducted on September 23, 1983, details related to the issue are not available.

The shares of the company are listed at Calcutta Stock Exchange Association Limited since May 14, 1974. The shares of the company are not actively traded since last five years and accordingly no market price may be provided for the shares of the company.



## Details of Public/Rights Issue in the Last Three Years

The Company has not made any public issue or rights issue of Equity Shares during the last three years.

## Mechanism for redressal of investor grievance

The Company has an effective mechanism to redress the grievances of the investor as and when such are received. For redressal of investor grievances, the company has nominated its Director as the compliance officer. The compliance officer is responsible for attending to investor queries / complaints etc to present the same before the shareholder grievance committee on a regular basis for their review and comments / suggestions. Generally, investor queries are attended in three days and the complaints are resolved with in next two days. As of December 30, 2006, there were no investor grievances pending.

## 14. KALLOL INVESTMENTS LIMITED

Kallol Investments Limited was incorporated on December 8, 1982 under registration number 21-35533 with the Registrar of Companies, Kolkata. The company received its certificate of commencement of business on February 1, 1983. Its registered office is situated at 6, Old Post Office Street, 4<sup>th</sup> Floor, Kolkata-700 001.

The main object of the company is to trade in shares, stocks, debentures and other securities issued by any Government, State, public bodies and local bodies, companies etc.

## Board of Directors

The Board of Directors of Kallol Investments Limited as at May 20, 2007 is comprised as under:

1. Mr. Susheel Kumar Sharma
2. Mr. Swarup Kumar Maity
3. Mr. Narayan Kar

## Shareholding Pattern

The shareholding pattern of Kallol Investments Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	Tower Investment & Trading Co. Ltd.	35,725	14.89
2.	Subarna Plantation & Trading Co. Ltd.	30,000	12.50
3.	Jyotsana Investment Company Ltd.	24,925	10.39
4.	Goneril Investment & Trading Co. Ltd.	24,300	10.13
5.	Saket Cement Products Pvt. Ltd.	20,000	8.33
6.	Fund Flow Investment & Trading Co. Ltd.	19,450	8.10
7.	Rakesh Kumar Shauryavir	15,000	6.25
8.	Rohini Himatsingka	14,375	5.99
9.	New LookInvestment (Bengal) Ltd.	14,300	5.96
10.	Vivek Himatsingka	10,000	4.17
11.	Maalika Himatsingka	10,000	4.17
12.	Shaurya Vir Himatsingka	10,000	4.17
13.	Anita Himatsingka	5,000	2.08
14.	Gaurav Himatsingka	5,000	2.08
15.	Remaining 14 shareholders	1,925	0.80
	<b>Total</b>	<b>240,000</b>	<b>100</b>

## Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Kallol Investments Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Equity Capital	2.40	2.40	2.40
Reserves and Surplus	(0.41)	0.27	0.85
Total Income	1.92	1.72	1.69
Profit/(Loss) after Tax	0.79	0.49	0.44
Earnings per share (Rs.) (Face Value Rs. 10)	3.29	2.79	1.83
Book Value per equity share (Rs.)	8.27	11.12	13.54

## Disclosure on Capital Issue

The company came out with a public issue of 200,000 equity shares of Rs. 10 each for cash at a price of Rs. 10 each pursuant to a statement in lieu of prospectus dated Jan 18, 1983.

The equity shares of the company are listed on at Calcutta Stock Exchange Association Limited since September 15, 1983. The shares of the company are not actively traded since last five years and accordingly no market price may be provided for the shares of the company.

## Promise vs. Performance

The proceeds of the issue were applied for the objects of the issue as disclosed in the prospectus for the said issue i.e. raising long-term capital. There were no deviation from the objects and the manner in which the issue proceeds were utilized. No projections were made since the issue was to meet the long term requirement of funds.

## Details of Public/Rights Issue in the Last Three Years

The company has not made any public issue or rights issue of Equity Shares during the last three years.

## Mechanism for redressal of investor grievance

The Company has an effective mechanism to redress the grievances of the investor as and when such are received. For redressal of investor grievances, the company has nominated its Director as the compliance officer. The compliance officer is responsible for attending to investor queries / complaints etc to present the same before the shareholder grievance committee on a regular basis for their review and comments / suggestions. Generally, investor queries are attended in three days and the complaints are resolved with in next two days. As of December 30, 2006, there were no investor grievances pending.

## 15. KHATU INVESTMENT & TRADING COMPANY LIMITED

Khatu Investment & Trading Company Limited was incorporated on December 10, 1979 under registration number 21-32406 with the Registrar of Companies, Kolkata. The company received its certificate of commencement of business on December 17, 1979. Its registered office is situated at 6, Old Post Office Street, 4<sup>th</sup> Floor, Kolkata-700 001.

The main object of the company is to trade in shares, stocks, debentures and other securities issued by any Government, State, public bodies and local bodies, companies etc.

## Board of Directors

The Board of Directors of Khatu Investment & Trading Company Limited as at May 20, 2007 is comprised as under:

1. Mr. Sujit Kumar Das
2. Mr. Goutam Kumar Das
3. Mr. Jyotish Chandra Goswami

## Shareholding Pattern

The shareholding pattern of Khatu Investment & Trading Company Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	Tower Investment& Trading Co. Ltd.	39,100	19.55
2.	Kallol Investments Ltd.	31,900	15.95
3.	Fund flow Investment & Trading Co. Ltd.	22,150	11.08
4.	Dipak Kumar Gaurav Kumar	15,000	7.50
5.	Goneril Investment & Trading Co. Ltd.	15,000	7.50
6.	Subarna Plantation & Trading Co. Ltd.	15,000	7.50
7.	Rohini Himatsingka	14,000	7.00
8.	Jyotsana Investment Co. Ltd.	13,900	6.95
9.	Burlington Investments Pvt. Ltd.	11,800	5.90
10.	New LookInvestment(Bengal ) Ltd.	9,000	4.50
11.	Rakesh Himatsingka	5,000	2.50
12.	Remaining 64 shareholders	8,150	4.07
	Total	200,000	100

## Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Khatu Investment & Trading Company Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Equity Capital	2.00	2.00	2.00
Reserves and Surplus	(2.90)	(2.89)	(2.85)
Total Income	0.24	0.39	0.38
Profit/(Loss) after Tax	(0.16)	0.01	0.05
Earnings per share (Rs.) (Face Value Rs. 10)	0.00	0.04	0.23
Book Value per equity share (Rs.)	(4.50)	(4.45)	(4.23)

## Disclosure on Capital Issue

The company came out with a public issue of 169,300 equity shares of Rs. 10 each for cash at a price of Rs. 10 each pursuant to a statement in lieu of prospectus dated December 13, 1979.

The equity shares of the company are listed on at Calcutta Stock Exchange Association Limited since May 2, 1980. The shares of the company are not actively traded since last five years and accordingly no market price may be provided for the shares of the company.

## Promise vs. Performance

The proceeds of the issue were applied for the objects of the issue as disclosed in the prospectus for the said issue i.e. raising long-term capital. There were no deviation from the objects and the manner in which the issue proceeds were utilized. No projections were made since the issue was to meet the long term requirement of funds.

## Details of Public/Rights Issue in the Last Three Years

The company has not made any public issue or rights issue of Equity Shares during the last three years.

## Mechanism for redressal of investor grievance

The Company has an effective mechanism to redress the grievances of the investor as and when such are received. For redressal of investor grievances, the company has nominated its Director as the compliance officer. The compliance officer is responsible for attending to investor queries / complaints etc to present the same before the shareholder grievance committee on a regular basis for their review and comments / suggestions. Generally, investor queries are attended in three days and the complaints are resolved with in next two days. As of December 30, 2006, there were no investor grievances pending.

## 16. MCORPGLOBAL PRIVATE LIMITED

MCorpGlobal Private Limited was originally incorporated as ‘Modi Holdings Ltd.’ on January 24, 1992. The Company received the Certificate of Commencement of Business on March 16, 1992.

The Company changed its name to ‘Modi Holdings Private Limited’ and the fresh certificate of incorporation was issued on January 29, 1997. Again the Company changed its name to ‘Modi Holdings Limited’ and the fresh certificate of incorporation was issued on July 18, 2001.

Later on the company changed its name to ‘Mcorp Limited’ and the fresh certificate of incorporation was issued to the company on March 6, 2002. The company further changed its name to ‘Mcorp Private Limited’ and the fresh certificate of incorporation was issued to the company on May 8, 2003.

On February 23, 2004, ‘Mcorp Private Limited’ changed its name to the present name ‘MCorpGlobal Private Limited. Its registered office is situated at D-1, Sector-3, Noida – 201 301, U.P.

This is an Investment Company and is managing its subsidiaries/associate companies engaged in the Information, Communication and Entertainment Sector. This company is running its operations under the brand “SPICE” which stands for Synchronized Performance through Information, Communication and Entertainment.

## Board of Directors

The Board of Directors of MCorpGlobal Private Limited as at May 20, 2007 is comprised as under:

1. Dr. Bhupendra Kumar Modi – Chairman
2. Mrs. Veena Modi – Executive Vice-Chairman
3. Mr. Dilip Modi – Vice Chairman & President
4. Mr. Ravinder Lal Ahuja
5. Mr. Umang Das
6. Mr. Atul Prakash – Director & Secretary

## Shareholding Pattern

The shareholding pattern of MCorpGlobal Private Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	Mrs. Veena Modi	2,884,637	46.09
2.	Mr. Dilip Modi	251,129	4.01
3.	Mrs. Ritika N Rungta	26,579	0.42
4.	Ms. Divya Modi	26,621	0.43
5.	Dr. B. K. Modi & Sons (HUF)	42,017	0.67
6.	Twenty First Century Capitals Ltd.	158,112	2.53
7.	MCorp Ltd.,	2,859,311	45.69
8.	Touchwood Investments Pvt. Ltd.	1,274	0.02
9.	Daisey Investments Pvt. Ltd.	1,274	0.02
10.	Leaf Investments Pvt. Ltd.	1,274	0.02
11.	Momentum Investments Pvt. Ltd.	1,274	0.02
12.	Laoleen Investments Pvt. Ltd.	1,274	0.02
13.	Longwell Investments Pvt. Ltd.	1,274	0.02
14.	Upasana Investments Pvt. Ltd.	1,274	0.02
15.	Swasth Investments Pvt. Ltd.	1,261	0.02
16.	Mr. Atul Prakash	10	0.00
17.	Mr. R. P. Goyal	10	0.00
18.	Mr. S. K. Jain	10	0.00
19.	Mr. S. K. Gupta	10	0.00
20.	Mr. R. K. Gupta	10	0.00
21.	Mr. G. S. Negi	10	0.00
	<b>Total</b>	<b>6,258,645</b>	<b>100.00</b>

### Audited Financial Results for the Last Three Fiscal Years

Brief financial details of MCorpGlobal Private Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended December 31, 2003	Year ended December 31, 2004	Period ended March 31, 2006 (15 months)
Equity Capital	59.58	62.59	62.59
Preference Capital	95.69	-	-
Reserves and Surplus	2997.81	3038.42	2686.62
Total Income	103.09	145.42	172.17
Profit/(Loss) after Tax	22.41	44.34	63.52
Earnings per share (Rs.) (Face Value Rs. 10)	3.76	7.08	10.15
Book Value per equity share (Rs.)	513.16	495.45	439.24

### 17. MODIKEM LIMITED

Modikem Limited was originally incorporated as 'Modikem Private Limited' on October 31, 1995 under registration number 55-73505 and on July 25, 2001, pursuant to conversion to Public Limited Company, the name of the Company was changed to Modikem Limited Its registered with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi. Its registered office is situated at 60 – D, Street No. C – 5, Sainik Farms, New Delhi – 110 062.

The main objects of the company is to carry on the business of manufacturers of and dealers in chemical products of any nature and kind whatsoever, importers, exporters, and manufacturers of and dealers in heavy chemicals, alkalies, acids, chemical, petrochemical, industrial and other preparations, and articles of any nature and kind whatsoever, waxes natural and synthetic industrial solvents, and gases, extenders, anti-oxidants, inhibitors, catalysts, iron-exchanger, resin, water treatment chemicals and special chemical substance, plasticizers and extenders.

## Board of Directors

The Board of Directors of Modikem Limited as at May 20, 2007 is comprised as under:

1. Mr. B.K. Gupta - Whole Time Director
2. Mr. G.S. Negi
3. Mr. R.K. Gupta

## Shareholding Pattern

The shareholding pattern of Modikem Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	MCORPGlobal Pvt. Ltd.	9,345,000	49.99
2.	Avon Mercantile Ltd.	2,760,000	14.76
3.	GCORP International Ltd (formerly Sidh International Limited)	3,628,173	19.41
4.	Mcorp Limited	1,945,566	10.41
5.	Licensintorg & Co India Pvt. Ltd.	646,500	3.46
6.	Toplight Corporate Management Pvt. Ltd.	368,400	1.97
7.	Mr. R.L. Ahuja	10	0.00
8.	Mr. R.P. Goyal	10	0.00
9.	Mr. Atul Prakash	10	0.00
10.	Mr. S.K. Jain	10	0.00
11.	Dr.B.K. Modi	60	0.00
	Total	18,693,739	100.00

## Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Modikem Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended December 31, 2003 (9 months)	Year ended March 31, 2005 (15 months)	Year ended March 31, 2006 (12 months)
Equity Capital	186.94	186.94	186.94
Reserves and Surplus	105.80	94.49	84.26
Total Income	0.11	0.16	0.01
Profit/(Loss) after Tax	(3.74)	(10.59)	(10.24)
Earnings per share (Rs.) (Face Value Rs. 10)	(0.20)	(0.57)	(0.55)
Book Value per equity share (Rs.)	15.66	15.05	14.51

## 18. NEW LOOK INVESTMENT (BENGAL) LIMITED

New Look Investment (Bengal) Limited was incorporated on May 27, 1975 under registration number 21-30035 with the Registrar of Companies, Kolkata. Its registered office is situated at 6, Old Post Office Street, 4<sup>th</sup> Floor, Kolkata-700 001.

The main object of the company is to trade in shares, stocks, debentures and other securities issued by any Government, State, public bodies and local bodies, companies etc.

## Board of Directors

The Board of Directors of New Look Investment (Bengal) Limited as at May 20, 2007 is comprised as under:

1. Mr. Susheel Kumar Sharma
2. Mrs. Manju Jalan
3. Mrs. Bimla Bajaj

## Shareholding Pattern

The shareholding pattern of New Look Investment (Bengal) Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	Goneril Investment & Trading Co. Ltd.	39,750	19.88
2.	Tower Investment & Trading Company Ltd.	38,150	19.08
3.	Kallol Investments Ltd.	21,750	10.88
4.	Fund Flow Investment & Trading Co. Ltd.	20,000	10.00
5.	Sushil Himatsingka	19,750	9.88
6.	Assam Plywood Limited	15,000	7.50
7.	Rohini Himatsingka	14,950	7.48
8.	Khatu Investment & Trading Co. Ltd.	1,600	0.80
9.	Remaining 142 shareholders	29,050	14.53
	Total	200,000	100

## Audited Financial Results for the Last Three Fiscal Years

Brief financial details of New Look Investment (Bengal) Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Equity Capital	2.00	2.00	2.00
Reserves and Surplus	(0.12)	(0.08)	(0.05)
Total Income	0.57	0.60	0.55
Profit/(Loss) after Tax	0.03	0.05	0.04
Earnings per share (Rs.) (Face Value Rs. 10)	0.14	0.27	0.19
Book Value per equity share (Rs.)	9.40	9.60	9.75

## Disclosure on Capital Issue

The company's shares are listed on the Calcutta Stock Exchange. Since the relevant papers / documents relating to the last issue are not in the custody of the company as Income-tax department has taken the same into their custody during a routine survey and scrutiny conducted on September 23, 1983, details related to the issue are not available.

The shares of the Company are not actively traded since last five years and accordingly no market price may be provided for the shares of the company.

## Details of Public/Rights Issue in the Last Three Years

The company has not made any public issue or rights issue of Equity Shares during the last three years.

## Mechanism for redressal of investor grievance

The Company has an effective mechanism to redress the grievances of the investor as and when such are received. For redressal of investor grievances, the company has nominated its Director as the compliance officer. The compliance officer is responsible for attending to investor queries / complaints etc to present the same before the shareholder grievance committee on a regular basis for their review and comments / suggestions. Generally, investor queries are attended in three days and the complaints are resolved with in next two days. As of December 30, 2006, there were no investor grievances pending.

## 19. NIK TRAVELS PRIVATE LIMITED

Nik Travels Private Limited was incorporated on September 18, 1995 under registration number 55-72526 with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi. Its registered office is situated at 60 – D, Street No. C – 5, Sainik Farms, New Delhi – 110 062.

The main objects of the company is to carry in the business as a travel agents and tour operators by land, sea and air and to facilitate traveling and to provide for tourist and travelers, or promote the provisions of conveniences of all kinds in the way of through tickets, circular tickets, sleeping cars or berths, reserved places, hotel and boarding and / or lodging accommodation and guides, safe, deposits, enquiry, bureau, libraries, resting rooms, baggage transport, and otherwise and to charter steamships and aeroplanes for fixed periods or for particular voyages and fights.

## Board of Directors

The Board of Directors of Nik Travels Private Limited as at May 20, 2007 is comprised as under:

1. Mr. Ramesh Nair
2. Mr. Atul Prakash
3. Mr. R.K.Gupta

## Shareholding Pattern

The shareholding pattern of Nik Travels Private Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	MCORPGlobal Pvt. Ltd.	200,000	50.00
2.	Modikem Ltd.	199,900	49.98
3.	Mr. Atul Prakash	100	0.02
	Total	400,000	100.00

## Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Nik Travels Private Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Equity Capital	4.00	4.00	4.00
Preference Capital	-	-	-
Reserves and Surplus	(0.68)	(0.44)	(0.30)
Total Income	2.83	4.58	5.61



Profit/(Loss) after Tax	(0.59)	0.15	0.05
Earnings per share (Rs.) (Face Value Rs. 10)	(1.47)	0.37	0.13
Book Value per equity share (Rs.)	8.29	8.90	9.25

## 20. OASIS CINEPLEX PRIVATE LIMITED

Oasis Cineplex Private Limited was incorporated on February 10, 1987 in the name of Oasis Overseas Private Limited under Registration no. 55-26953 with Registrar of Companies, NCT of Delhi & Haryana at New Delhi. The name of the company was changed to Oasis Cineplex Private Limited on May 6, 2004. Its registered office is situated at 60 – D, Street No. C – 5, Sainik Farms, New Delhi – 110 062.

The main objects of the company is to carry on the business of exhibition of films, cinema owners, film distributors, studio owners and all other allied materials, trader and techniques.

### Board of Directors

The Board of Directors of Oasis Cineplex Private Limited as at May 20, 2007 is comprised as under:

1. Ms Divya Modi
2. Mr Hemant Kumar Samor
3. Mr S K Jain

### Shareholding Pattern

The shareholding pattern of Oasis Cineplex Private Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	Mr Dilip Modi	600	14.3
2.	Mr Santosh Kumar Gupta	500	11.9
3.	Mr Rakesh Haldia	500	11.9
4.	Mr Atul Prakash	500	11.9
5.	Mr Ram Prakash Goyal	500	11.9
6.	First Choice Enterprises Pvt Ltd	1,600	38.1
	Total	4,200	100.00

### Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Oasis Cineplex Private Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)			
FINANCIAL INFORMATION (Rs. in Million)	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Equity Capital	0.04	0.04	0.04
Preference Capital	10.00	10.00	10.00
Reserves and Surplus	(0.17)	(0.19)	0.47
Total Income	-	-	1.67
Profit/(Loss) after Tax	(0.20)	(0.08)	0.50
Earnings per share (Rs.) (Face Value Rs. 10)	(47.70)	(1.81)	118
Book Value per equity share (Rs.)	31.43	(34.28)	121.19

## 21. OMNIA INVESTMENTS PRIVATE LIMITED

Omnia Investments Private Limited was originally incorporated as 'T.R. Metal Industries Pvt. Ltd.' on November 27, 1980 under registration number 55-11082 with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi. The name of the Company was changed to 'SpiceSoft Solutions Pvt. Ltd.' on April 21, 2003 and to 'Omnia Investments Pvt. Ltd.' on January 20, 2005. Its registered office is situated at D - 4, Okhla Industrial Area, Phase - I, New Delhi – 110 020.

The main objects of the company is to invest in and acquire and hold either in the name of the company or in that of any nominees of the company, shares, stocks, debentures, debenture stock, bonds obligations and securities issued or guaranteed by any Company or body corporate.

### Board of Directors

The Board of Directors of Omnia Investments Private Limited as at May 20, 2007 is comprised as under:

1. Dr.Bhupendra Kumar Modi – Chairman
2. Mr. Umang Das
3. Mr. Ashok Kumar Goyal

### Shareholding Pattern

The shareholding pattern of Omnia Investments Private Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	Indian Televentures Private Limited	97,821	60.00
2.	MC Corp Communications Pte. Ltd.	65,214	40.00
	Total	1,63,035	100.00

## Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Omnia Investments Private Limited extracted from the audited accounts for the past three years are as follows:

FINANCIAL INFORMATION	(Rs. in Million except per share data)		
	Year ended March 31, 2004*	Year ended March 31, 2005	Year ended March 31, 2006
Equity Capital	0.18	9.78	9.78
Reserves and Surplus	(0.04)	(0.29)	(1.61)
Total Income	-	-	0.22
Profit/(Loss) after Tax	-	(0.26)	(1.33)
Earnings per share (Rs.) (Face Value Rs. 100)	-	(0.25)	(13.61)
Book Value per equity share (Rs.)	78.09	97.03	83.52

\* Operations not started.

## 22. PLUS PAPER FOODPAC LIMITED

Plus Paper Foodpac Limited was originally incorporated as 'Modi Federal Ltd.' on January 28, 1994 under registration number is 55-57146 with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi. The Company received the Certificate of Commencement of Business on April 15, 1994. On December 9, 1996, the name of the Company was changed from 'Modi Federal Ltd.' to 'Modi International Paper Ltd.'. The name was further changed to 'International Paper Food Services Packaging Limited' on October 3, 2001 and further to 'Plus Paper Foodpac Ltd.' on July 1, 2003. Its registered office is situated at 60-D, Sainik Farm, Street No.C-5, New Delhi – 110 062.

The main objects of the Company is to carry on the business as manufacturers, distributors, importers, exporters, buyers, sellers, agents, stockists of and to market, transport, supply, assemble, alter, service, repair, store, and deal, in paperboards and other forest based products, pulp of all kinds including, soda pulp, chemical pulp, paper including paper cups for hot and cold drinks, copier paper, printing and packaging material, cartons and containers and consumable for based products.

### Board of Directors

The Board of Directors of Plus Paper Foodpac Limited as at May 20, 2007 is comprised as under:

1. Dr. Surendra Ambalal Dave – Chairman
2. Mr. Nikhil Rungta – Managing Director
3. Mr. R.P. Goyal
4. Mrs. Ritika Rungta
5. Mr. B.K. Gupta
6. Mr. Atul Prakash

### Shareholding Pattern

The shareholding pattern of Plus Paper Foodpac Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	Mrs. Ritika Rungta	3,615,900	12.7500
2.	Mr. Atul Prakash	40	0.0001
3.	Mr. D.V. Tyagi	30	0.0001
4.	Mr. R.P. Goyal	30	0.0001
5.	Mr. R.K. Gupta	30	0.0001
6.	Mr. S.K. Gupta	30	0.0001
7.	Mr. S.K. Jain	40	0.0001
8.	Mr. Nikhil Rungta	3,615,900	12.7500
9.	Dr. Bhupendra Kumar Modi	7,231,800	25.5000
10.	Toplight Corporate Management Pvt. Ltd.	2,350,000	8.2863
11.	MCorpGlobal Pvt. Ltd.	8,001,200	28.2130
12.	Odyssey Capital Pvt. Ltd.	125,000	0.4408
13.	Accelerate Investments Pvt. Ltd.	125,000	0.4408
14.	Brook Trading Co. Pvt. Ltd.	125,000	0.4408
15.	Radiant (International) Pvt. Ltd.	125,000	0.4408
16.	Hinduja Finance Ltd.	1,045,000	3.6848
17.	SICOM Ltd.	1,000,000	3.5261
18.	Niskalp Investments & Trading Co. Ltd.	1,000,000	3.5261
	<b>Total</b>	<b>28,360,000</b>	<b>100.00</b>

### Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Plus Paper Foodpac Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION (Rs. In Million)	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Equity Capital	141.80	141.80	141.80
Reserves and Surplus	72.68	77.40	85.66
Total Income	193.97	203.88	221.29
Profit/(Loss) after Tax	4.34	4.71	8.27
Earnings per share (Rs.) (Face Value Rs. 10)	0.38	0.31	0.58
Book Value per equity share (Rs.)	15.13	15.46	16.04

Plus Paper Foodpac Ltd. on November 1, 2004 had filed draft Prospectus for IPO. SEBI vide letter dated January 3, 2005 raised observations with respect to the promoter's contribution for the purpose of the eligibility of the proposed IPO planned by the Company. Subsequently, the Lead Manager vide letter dated March 4, 2005 withdrew the draft Offer document.

Plus Paper Foodpac Limited had offered 1,41,80,000 Equity shares of Rs. 10/- each for cash at par aggregating to Rs. 14,18,00,000/- to the existing shareholders of the Company on Rights basis in the ratio of 1:1 to the existing Equity Shareholders of the Company. The offer opened on May 15, 2006 and closed on September 7, 2006 after getting extended thrice to June 15, to July 15, and to August 31. On 16th September 2006, the Company allotted 1,41,80,000 Equity shares to Dr. Bhupendra Kumar Modi (7231800 Equity shares), Toplight Corporate Management Pvt. Ltd. (2350000 Equity shares) and MCorpGlobal Pvt. Ltd. (4598200 Equity shares). Post Rights Issue, the paid-up capital of Plus Paper Foodpac Ltd. is Rs.28,36,00,000/- divided into 2,83,60,000 Equity Shares of Rs.10/- each.

### 23. SPICE SYSTEMS LIMITED

Spice Systems Limited was originally incorporated as 'GBC Hi-Tech (India) Ltd.' on May 25, 1987 under registration number is 20-08764 and is registered in the State of Uttar Pradesh. The Company received the Certificate of Commencement of Business on October 20, 1987.

The name of the Company was changed from 'GBC Hi-Tech (India) Ltd.' to 'Modi GBC Ltd.' on July 9, 1992 and was further changed to 'GBC Modicorp Ltd.' on July 13, 2000 and on January 1, 2003 to the present name 'Spice Systems Ltd.' Its registered office is situated at E-53, Sector-3, Noida – 201 301, U.P.

The main business of the company is to carry on the business as manufacturers, distributors, importers, exporters, buyers, sellers, agents, stockists of and to market, transport, supply assemble, alter, service, repair, store, and deal in printing machinery and equipment and their systems, components, including spiral punching and / or binding machines, laminating machines, lettering machines and consumables items used therein.

#### Board of Directors

The Board of Directors of Spice Systems Limited as at May 20, 2007 is comprised as under:

1. Mr. Arun Seth– Chairman
2. Mr. Satish Kumar Gupta
3. Mr. Ramesh Chandra Agarwal

#### Shareholding Pattern

The shareholding pattern of Spice Systems Limited as at March 31, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
	Promoter and Promoter Group Shareholding :		
1.	MCorpGlobal Pvt. Ltd.	16,270,400	96.28
2.	Individuals	29,600	0.17
	Public Shareholding :		
1.	Individuals	566,100	3.35
2.	Bodies Corporate	19,800	0.117
3.	NRI	14,100	0.083
	Total	16,900,000	100.00

## Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Spice Systems Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended December 31, 2003	Year ended December 31, 2004	Period ended March 31, 2006 (15 months)
Equity Capital	1,69.00	1,69.00	1,69.00
Reserves and Surplus	(136.62)	(147.62)	(161.11)
Total Income	90.70	58.14	20.02
Profit/(Loss) after Tax	(3.35)	(11.00)	(13.50)
Earnings per share (Rs.) (Face Value Rs. 10)	(0.20)	(0.65)	(0.80)
Book Value per equity share (Rs.)	1.92	1.27	0.47

## Disclosure on Capital Issue

The company's shares are listed on Bombay Stock Exchange, Delhi Stock Exchange and Uttar Pradesh Stock Exchange.

Out of the total paid up Equity Share Capital of Rs.169 million, 3 million Equity Shares of Rs.10/- each amounting to Rs. 30 million are listed with the above mentioned stock exchanges and continue to remain listed and there has been no suspension/discontinuance of these equity shares in the past.

The balance 13,900,000 shares of Rs.10/- each amounting to Rs.139 million, allotted on preferential basis on September 28, 1999 to the two corporate Promoters of the Company, continue to remain unlisted for which the Company was served with show cause notices, last received dated July 10, 2003 from the Delhi Stock Exchange Ltd.

The Company has applied for listing of the above said unlisted shares for Listing at Delhi Stock Exchange Association Ltd. and Uttar Pradesh Stock Exchange Association Ltd. vide letters dated November 8, 2006 and November 9, 2006 respectively. Further, the Company is pursuing its application made earlier for listing with the Bombay Stock Exchange Association Ltd.

The Company has also received show cause notices from Delhi Stock Exchange Association Limited and Bombay Stock Exchange Limited for non-compliance of clause 41 of listing agreement and dematerialization of shares. The company has submitted the replies to the said notices.

Further, as on date the company is not in compliance with the prescribed minimum public shareholding requirement of the listing agreement.

## Information about the Share Price of Spice Systems Limited

The existing Equity Shares of Spice Systems Limited are Listed at U.P. Stock Exchange, Bombay Stock Exchange and Delhi Stock Exchange. There has been no trading of shares in the last six months at U.P. Stock Exchange and Delhi Stock Exchange.

The monthly high and low of the market price of the shares on BSE for the last six months are as follows:

	High (BSE)	Low (BSE)
November 2006	27.35	26.50
December 2006	28.05	27.00
January 2007	30.50	27.50
February 2007	30.00	29.45
March 2007	-	-
April 2007	31.70	30.60

## Details of Public/Rights Issue in the Last Three Years

The company has not made any public issue or rights issue of equity shares during the last three years.

## Mechanism for redressal of investor grievance

For redressal of investor grievances, the company has nominated its Company Secretary as the compliance officer, who is responsible for attending to investor queries / complaints etc., to present the same before shareholders grievance committee on a quarterly basis for their review and comment / suggestions. The normal time taken to process the share transfer / transmission is within 15 days and for redressal of grievances/ complaints received from the shareholders is within 30 days.

Investor Grievances during the quarter ended March 31, 2007: -

Received: Three complaints; Resolved: Three complaints; Pending: Nil

## 24. SPICE MOBILES LIMITED (FORMERLY SPICE LIMITED)

Spice Mobiles Limited was incorporated as a Public Limited Company in the name of Modi Olivetti Limited on December 23, 1986 with the Registrar of Companies, Uttar Pradesh and received the Certificate of Commencement of Business on March 25, 1988. Its registered office is situated at D-1, Sector-3, District Gautam Budh Nagar, Noida – 201 301, Uttar Pradesh.

The name of the company was changed from Modi Olivetti Limited to MOL India Limited w.e.f. August 23, 1999. The name of the Company was further changed to Spice Net Limited on December 5, 2000 and subsequently to Spice Limited w.e.f. July 4, 2005 to reflect the increase in the diversified nature of Company's area of operations. The name of the company has recently been changed to Spice Mobiles Limited w.e.f. April 26, 2007. Its registration No. is 20-08448 and is registered in the State of Uttar Pradesh

The company is engaged in two business segments:

- Mobile Handsets
- Information Technology (IT)

Mobile Handset segment represents the business of trading in Mobile Handsets. IT segment is primarily engaged in the business of manufacturing, trading and installation/erection of computer hardware, including maintenance and servicing thereof.

The shareholders of the company have u/s 293(1) (a) of the Act passed the necessary resolution effective from April 24, 2007 to discontinue the manufacturing/assembly of IT products carried out at its manufacturing unit located at Baddi, Himachal Pradesh and the sale/transfer/disposal of the said manufacturing unit excluding land and building.

## Board of Directors

The Board of Directors of Spice Mobiles Limited as at May 20, 2007 is comprised as under:

1. Dr. Bhupendra Kumar Modi – Non-Executive Non-Independent Chairman
2. Mr. Dilip Modi – Non-Executive Non-Independent Vice Chairman
3. Mr. Radha Krishna Pandey – Non-Executive Independent Director
4. Mr. Ram Nath Bansal - Non-Executive Independent Director
5. Mr. S.K. Jain - Non-Executive Independent Director
6. Mr. Umang Das - Non-Executive Non-Independent Director
7. Mr. Ashok Kumar Goyal - Non-Executive Non-Independent Director

## Shareholding Pattern

The shareholding pattern of Spice Mobiles Limited as at March 31, 2007 is as under:

	Category of Shareholder	Total No. of Equity Shares	Total Shareholding as a % of total number (as a % of (A+B))
(A)	Shareholding of Promoter & Promoter Group		
1	Indian		
(a)	Individuals/ Hindu Undivided Family	0	0.00
(b)	Bodies Corporate	47,194,234	63.23
	Total Shareholding of Promoter and Promoter Group (A)	47,194,234	63.23
(B)	Public Shareholding		
1	Institutions		
(a)	Financial Institutions / Banks	8,545	0.01
(b)	Central Government/ State Government(s)	104,596	0.14
(c)	Insurance Companies	0	0
	Sub-Total (B)(1)	113,141	0.15
2	Non-Institutions		
(a)	Bodies Corporate	18,176,147	24.35
(b)	Individuals	8,618,966	11.55
(c)	NRI's / OCBs	528,875	0.71
(d)	Clearing Members	6,637	0.01
	Sub-Total (B)(2)	27,330,625	36.62
	Total Public Shareholding (B)= (B)(1)+(B)(2)	27,443,766	36.77
	TOTAL (A)+(B)	74,638,000	100

## Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Spice Mobiles Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended December 31, 2003	Period ended June 30, 2005 (18 months)	Period ended March 31, 2006 (9 months)
Equity Capital	55.98	111.96	111.96
Reserves & Surplus	99.71	168.36	197.31
Total Income	10,41.24	1413.57	1180.65
Profit/(Loss) after tax	15.16	47.30	41.71
Earnings per share (Rs.) (Face Value Rs. 10)	0.81	1.37	1.12
Book Value per equity share (Rs.)	27.81	25.04	27.62

## Disclosure on Capital Issue

Rights Issue in the year 2006

The company has last come out with rights issue of 3,73,19,000 equity shares of Rs. 3/- each for cash at a premium of Rs. 7/- (issue price of Rs. 10/-) per equity share on rights basis to the existing equity shareholders of the company in the ratio of 1 (One) equity share for every 1 (One) equity share (1:1) held as on December 1, 2006 (record date) aggregating to Rs. 3731.90 Lacs. The objects of the issue of equity shares on rights basis were to meet working capital requirements, to repay existing unsecured loans and to meet the general corporate purposes etc.

## Rights issue in the year 2004

In the year 2004, Spice Mobiles Limited came out with rights issue of 1,86,59,500 equity Shares of Rs. 3/- each for cash at a premium of Rs. 2/- per share aggregating to Rs. 9,32,97,500/- to the existing equity shareholders of the Company in the ratio of one equity share for every existing one equity share held on the record date i.e. December 13, 2003 to augment the working capital resources of the company.

## Information about the Share Price of Spice Mobiles Limited

The existing equity shares of Spice Mobiles Limited are listed at the Bombay Stock Exchange Limited (BSE) since January 1, 1990. The monthly high and low of the market price of the shares on BSE for the last six months are as follows:

	High (BSE)	Low (BSE)
December 2006	16.35	10.50
January 2007	15.85	11.15
February 2007	16.00	9.80
March 2007	11.60	7.82
April 2007	12.75	9.10
May 2007	12.24	9.45

## Promise vs. Performance

In the year 2004, Spice Mobiles Limited came out with Rights Issue of 1,86,59,500 Equity Shares of Rs. 3/- each for cash at a premium of Rs. 2/- per share aggregating to Rs. 9,32,97,500/- to the existing equity shareholders of the Company in the ratio of one Equity Share for every existing one Equity Share held on the Record Date i.e. December 13, 2003 to augment the working capital resources of the Company. The opening date of the issue was 27th January, 2004 and the closing date was 26th February, 2004. The objectives of the Issue were achieved. The Company had not made any future forecasts for financial performances in the Letter of Offer.

## Mechanism for redressal of investor grievance

For redressal of Investor Grievances, Spice Mobiles Limited has nominated its company secretary as the compliance officer. The compliance officer is responsible for attending to investor queries/complaints etc. to present the same before the share transfer and investor grievance committee on fortnightly basis for their review and comments / suggestions.

Generally, investors' queries are attended to and the complaints are resolved within a fifteen to thirty days time. Spice Mobiles Limited confirms that its name has not appeared in the list of SEBI with the highest number of outstanding investor complaints. As of March 31, 2007, there was no investor complaints pending against Spice Mobiles Limited.

## 25. SUPER INFOSYS PRIVATE LIMITED

Super Infosys Private Limited was incorporated on June, 09 1995. under the Registration No. 55-69600 with the Registrar of Companies, NCT of Delhi & Haryana. Its registered office is situated at D 60, Sainik Farm, Street No. C-5, New Delhi 110062.

The main objects of the Company are relating to the services in the telecommunication, information technology, electronics, multimedia and software industry as well as to deal in the products of telecommunication, information technology, electronics, multimedia and software industry.

## Board of Directors

The Board of Directors of Super Infosys Private Limited as at May 20, 2007 is comprised as under:

1. Dr. Bhupendra Kumar Modi
2. Mr. Dilip Modi



## Shareholding Pattern

The shareholding pattern of Super Infosys Private Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	Indian Televentures Pvt. Ltd.	41,664,919	100
2.	Mr. Dilip Modi	1	0.00
	Total	41,664,920	100.00

## Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Super Infosys Private Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)			
FINANCIAL INFORMATION	Year ended June 30, 2004	Year ended June 30, 2005	Year ended June 30, 2006
Equity Capital	416.65	416.65	416.65
Reserves and Surplus	390.57	390.34	390.19
Total Income	-	-	-
Profit/(Loss) after Tax	(0.43)	(0.33)	(0.19)
Earnings per share (Rs.) (Face Value Rs. 10)	(0.00)	(0.00)	(0.00)
Book Value per equity share (Rs.)	19.37	19.37	19.36

## 26. TEESHO RUBBERS PRIVATE LIMITED

Teesho Rubbers Private Limited was incorporated on December 24, 1993 under registration number 55-56621 and is registered with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi. Its registered office is situated at 60 – D, Street No. C – 5, Sainik Farms, New Delhi – 110 062.

The main objects of the Company are manufacture of and dealers in all types of natural rubber, synthetic rubbers and Rubber and Plastic Products and goods.

### Board of Directors

The Board of Directors of Teesho Rubbers Private Limited as at May 20, 2007 is comprised as under:

1. Mr. S K Gupta
2. Mr. S K Jain

## Shareholding Pattern

The shareholding pattern of Teesho Rubbers Private Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	Mr Ravinder Lal Ahuja	10	0.01
2.	Mr Atul Prakash	10	0.01
3.	Fine Installments Pvt Ltd	12,500	17.1
4.	Modikem Ltd	36,000	49.3
5.	Toplight Corporate Management Pvt Ltd	12,500	17.1
6.	Oasis Cineplex Pvt Ltd	12,000	16.4
	Total	73,020	100.00

## Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Teesho Rubbers Private Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Period ended December 31, 2003 (9 months)	Period ended March 31, 2005 (15 months)	Year ended March 31, 2006
Equity Capital	0.73	0.73	0.73
Reserves and Surplus	(0.92)	(0.95)	(0.96)
Total Income	0.92	0.00	-
Profit/(Loss) after Tax	0.51	(0.03)	(0.01)
Earnings per share (Rs.) (Face Value Rs. 10)	6.99	(0.41)	-
Book Value per equity share (Rs.)	(2.71)	(3.14)	(3.29)

The Company has negative net worth but the company neither is a sick company nor is under winding up process.

## 27. TUBEROSE INVESTMENTS PRIVATE LIMITED

Tuberose Investments Private Limited was incorporated on November 27, 1996 under registration number 55-83487 and is registered with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi. Its registered office is situated at 60 – D, Street No. C – 5, Sainik Farms, New Delhi – 110 062.

The main objects of the Company is to carry on the business of investment and to buy, sell, acquire and hold shares, debentures, stocks etc issued by any body corporate.

### Board of Directors

The Board of Directors of Tuberose Investments Private Limited as at May 20, 2007 is comprised as under:

1. Mrs Veena Modi
2. Ms Divya Modi
3. Mr R P Goyal
4. Mr S K Gupta
5. Mr Harish Nag

### Shareholding Pattern

The shareholding pattern of Tuberose Investments Private Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	Mrs Veena Modi	20	0.20
2.	Ms Divya Modi	10,000	99.80
	Total	10,020	100.00

**Audited Financial Results for the Last Three Fiscal Years**

Brief financial details of Tuberose Investments Private Limited extracted from the audited accounts for the past three years are as follows:

(Rs. in Million except per share data)

FINANCIAL INFORMATION	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006
Equity Capital	0.10	0.10	0.10
Reserves and Surplus	(0.04)	(0.05)	(0.17)
Total Income	-	-	-
Profit/(Loss) after Tax	(0.00)	(0.00)	(0.12)
Earnings per share (Rs.) (Face Value Rs. 10)	(0.23)	(0.36)	(12.24)
Book Value per equity share (Rs.)	5.8	5.4	(6.8)

The Company has negative net worth but the company neither is a sick company nor is under winding up process.

**28. TWENTY FIRST CENTURY CAPITALS LIMITED**

Twenty First Century Capitals Limited was originally incorporated as 'Progressive Automobiles Limited' on January 25, 1985 and is registered with the Registrar of Companies, NCT of Delhi & Haryana at New Delhi. The Company received the Certificate of Commencement of Business on February 26, 1985. The name of the Company was changed to 'Twenty First Century Capitals Ltd.' on June 27, 1994. Its registered office is situated at 60 – D, Street No. C – 5, Sainik Farms, New Delhi – 110 062.

The company is registered with RBI as a NBFC under Regn. No.-14.00303. The object of the Company is Asset Financing, purchase, sell or otherwise deal in equity shares, debentures, bonds and other types of securities and to acts general financiers and Corporate Advisory Services.

**Board of Directors**

The Board of Directors of Twenty First Century Capitals Limited as at May 20, 2007 is comprised as under:

1. Mr. Atul Prakash
2. Mr. R. K. Gupta
3. Mr. S. K. Jain

**Shareholding Pattern**

The shareholding pattern of Twenty First Century Capitals Limited as at May 20, 2007 is as under:

Sl. No.	Names of the Shareholders	No. of Shares held	% of Shareholding
1.	MCORPGlobal Private Limited	28,25,800	43.08
2.	Oasis Cineplex Private Limited	1,45,000	2.21
3.	Fine Installments Private Limited	4,27,000	6.51
4.	Handsome Investments Private Ltd.	4,27,000	6.51
5.	Modikem Ltd.	10,87,800	16.58
6.	Avon Mercantile Ltd.	2,75,000	4.19
7.	Others (233 shareholders)	13,71,964	20.92
	Total	65,59,564	100.00

## Audited Financial Results for the Last Three Fiscal Years

Brief financial details of Twenty First Century Capitals Limited extracted from the audited accounts for the past three years are as follows:

FINANCIAL INFORMATION	(Rs. in Million except per share data)		
	Period ended December 31, 2003 (9 months)	Year ended March 31, 2005 (15 months)	Year ended March 31, 2006
Equity Capital	65.60	65.60	65.60
Reserves and Surplus	(40.94)	5.90	12.37
Total Income	46.05	1,06.61	33.71
Profit/(Loss) after Tax	(45.58)	39.31	0.47
Earnings per share (Rs.) (Face Value Rs. 10)	(7.94)	7.14	0.99
Book Value per equity share (Rs.)	3.76	10.90	11.89

## Disclosure on Capital Issue

The Company came out with a public issue of 150,000 equity shares of Rs. 10 each for cash at par pursuant to a prospectus dated December 30, 1985. Further, in the year 1990 company came out with a right issue of 1,000,000 equity shares of Rs. 10 each for cash at par pursuant to Letter of Offer dated April 4, 1990. Thereafter, the company came out with a further right issue of 979,200 equity shares of Rs. 10 each for cash at par pursuant to Letter of Offer dated December 3, 1991.

The Shares of the Company are listed on Delhi Stock Exchange since 1986 and Uttar Pradesh Stock Exchange since 1991. However, the shares are not traded since the last 3 years and accordingly no market price may be provided for the shares of the company.

## Promise vs. Performance

The proceeds of the aforesaid issues were duly applied for the objects of the issue as disclosed in the offer documents i.e. working capital requirements of the company. No projections were made in the offer document.

## Details of Public/Rights Issue in the Last Three Years

The company has not made any public issue or rights issue of Equity Shares during the last three years.

## Mechanism for redressal of investor grievance

For redressal of investor grievances, the company has nominated its manager and company secretary as the compliance officer. The compliance officer is responsible for attending to investor queries / complaints etc and to present the same before the shareholder grievance committee on a quarterly basis for their review and comments / suggestions. As on February 10, 2007 there are no investor complaints pending against the company.

## 29. Dr B K Modi & Sons (HUF)

### Constitution of 'Dr. B. K. Modi & Sons (HUF)'

Dr. B. K. Modi, Karta  
Mrs. Veena Modi, Member  
Mr. Dilip Modi, Member  
Ms. Divya Modi, Member

### Business of the said HUF entity

Investments

### 30. Rakesh Kumar Shaurya Veer (HUF)

#### Constitution of 'Rakesh Kumar Shaurya Veer (HUF)'

Mr. Rakesh Himatsingka, Karta  
Mrs. Anita Himatsingka, Member  
Mr. Shauryaveer Himatsingka, Member

### Business of the said HUF entity

Investments

Apart from what has been disclosed in this section, there are no other companies/partnerships/entities that form part of our Promoter Group or that have been promoted by our Promoters. None of the companies listed hereinabove, except as stated below are listed on any stock exchange in India.

1. Spice Mobiles Limited (formerly known as Spice Limited),
2. Spice Systems Limited
3. Twenty First Century Capitals Limited
4. Goneril Investment & Trading Co. Limited
5. New LookInvestment (Bengal) Limited
6. Khatu Investment & Trading Company Limited
7. Kallol Investments Limited
8. Jyotsana Investment Company Limited
9. Fund Flow Investment & Trading Co. Limited

Further, none of the Promoter Group entities listed hereunder have been termed as sick companies under the SICA and there are no winding up proceedings against any of such companies.

There are no companies from which the Promoters have disassociated themselves in last 3 years.

For details of litigation against these companies, please refer to the section titled "Outstanding Litigation and Defaults – Promoter Group" beginning on page 295 of this Red Herring Prospectus.

## **DIVIDEND POLICY**

The Company has not declared any dividend in the last five years.

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

## **SECTION V: FINANCIAL INFORMATION OF THE COMPANY**

### **Report by Auditor on Financial Information in relation to Offer Documents (or “the report”)**

**(All figures in this report are in Rs. million)**

The Board of Directors  
Spice Communications Limited  
(formerly *Spice Communications Private Limited upto 27 December 2006*)  
60-D, Sainik Farms  
New Delhi-110062

- (1) We have examined the attached financial information of Spice Communications Limited (“the Company”) (formerly Spice Communications Private Limited upto 27 December 2006) comprising statement of Profit and Loss, as restated, statement of Assets and Liabilities, as restated and statement of Cash Flows, as restated, and other financial information, explained in para 3 and para 4 below, which are the revised statements of the original statement of Profit and Loss, as restated, statement of Assets and Liabilities, as restated and statement of Cash Flows, as restated, and other financial information (or “financial information”) as approved by the Board of Directors of the Company, adopted by board on 5 June 2007 and covered by our earlier Report dated 5 June 2007 (original financial information) prepared in terms of the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956, Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, and the Guidance Notes issued in this regard by the Institute of Chartered Accountants of India (‘ICAI’), as amended from time to time, and in terms of our engagement agreed upon with you in accordance with our engagement letter dated 27 September 2006, in connection with the proposed issue of Equity shares of the Company.

As explained in note 6 of Annexure V to this report, in respect of the proposed Initial Public Offering (“the offering”), the Book Running Lead Managers (“the BRLMs”) to the offering M/s Enam Financial Consultants Private Limited, based on their discussions with Securities Exchange Board of India (SEBI) have directed that the Company should maintain consistency in respect of significant accounting policies and accounting estimates between the last audited accounts considered in the Draft Red Herring prospectus and the accounts for the period ended 31 December 2006. Consequently, the BRLM have advised the Company to revise the accounts (“original financial statements”) already adopted by the Board of directors of the Company on 1 June 2007 as well as the restated financial information. Accordingly, the Board of Directors have considered the recommendations of the BRLM and have made the revisions in its original financial statements for the period ended 31 December 2006 as well as in the original restated financial information. We have considered our earlier report by Auditors’ dated 5 June 2007 on the original financial information and have examined the revisions made therein.

- (2) The financial information has been extracted by the management from the financial statements for the financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and six months ended 31 December 2006, being the last date to which the accounts of the Company have been made up by the management, and audited by us for presentation to the members of the Company in those years.
- (3) In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956, Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, and the Guidance Notes issued in this regard by the Institute of Chartered Accountants of India (‘ICAI’), as amended from time to time, and terms of our engagement as agreed with you in respect of financial information referred to in paragraph (1) above, we further report that:
- (a) (i) The statement of Profit and Loss of the Company, as restated, for the financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005 and 30 June 2006, and for the period 1 July 2006 to 31 December 2006 (or “restated statement”) is as set out in Annexure I to this report. These profits and losses have been arrived at after charging all expenses of management including depreciation and after making such adjustments and regroupings described in para (3)(a)(v) below, as in our opinion are appropriate and more fully described in the notes appearing in Annexure V to this report.

- (ii) The statement of Assets and Liabilities of the Company, as restated, as at 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and 31 December 2006 (or “restated statement”) is as set out in Annexure II to this report, after making such adjustments and regroupings, as described in para (3)(a)(v) below, as in our opinion are appropriate and more fully described in the notes appearing in Annexure V to this report.
  - (iii) The statement of Cash Flows, as restated, for the financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005 and 30 June 2006 and for the period 1 July 2006 to 31 December 2006 (or “restated statement”), as appearing in Annexure III to this report, after making such adjustments and regroupings in para (3)(a)(v) below, as in our opinion are appropriate and more fully described in the notes appearing in Annexure V to this report.;
  - (iv) The Statement of significant accounting policies applied to all reporting periods in the financial information, described in para 3(a)(i) to 3(a)(iii) above, as appearing in Annexure IV to this report, the Statement of significant notes on restated profit and loss account and the restated assets and liabilities, and Statement of qualifications in Auditor’s Report during the reporting period, as in our opinion are appropriate and more fully described in the notes appearing in Annexure V to this report.
  - (v) On the basis of our examination of these “restated statements”, as highlighted above, we state that:
    - i. As explained in Note 1(c)(A) of Annexure V to this report, changes in accounting policies have been adjusted with retrospective effect in the attached “restated statements” to reflect what the profits and losses for those years would have been, if uniform accounting policies were followed in each of these years. Further, there are no corrections of accounting policies which require an adjustment in the “restated statements”.
    - ii. There are no qualifications in the auditors’ report which require any adjustments in the “restated statements”. However, the qualifications in the auditors’ report in respect of financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and for the six months ended 31 December 2006, where it is not possible to make adjustments/rectifications, have been summarised in Note 2 of Annexure V to this report;
    - iii. As explained in Note 1(c)(B) of Annexure V to this report, material amounts relating to previous years have been adjusted in the “restated statements” in the years to which they relate irrespective of the year in which the event triggering the profit or loss or asset and liability occurred;
    - iv. there are no extraordinary items, which need to be disclosed separately in the “restated statements” and
    - v. there are no revaluation reserves which need to be disclosed separately in the “restated statements”.
- As a result of these adjustments, the amounts reported in the above mentioned statements/financial information are not necessarily the same as those appearing in the audited financial statements for the relevant financial years/period.
- (b) The Company has not declared any dividend during the financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and for the period 1 July 2006 to 31 December 2006.
  - (4) We have also examined the following other financial information relating to the Company and annexed to this report as stated below:
    - i. Contingent liabilities as at 31 December 2006 and as at 30 June 2006, as appearing in Note 4 of Annexure V to this report;
    - ii. Statement of secured and unsecured loans, as restated as at 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and 31 December 2006, including transactions with related parties, and details of terms and conditions, including interest rates, principal terms of security and repayment terms of the loans outstanding as at 31 December 2006, as appearing in Annexure VI to this report;
    - iii. Statement of other income, as restated for the financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005 and 30 June 2006 and for the period 1 July 2006 to 31 December 2006, as appearing in Annexure VII to this report;



- iv. Statement of accounting ratios, for the financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005 and 30 June 2006 and for the period 1 July 2006 to 31 December 2006, as appearing in Annexure VIII to this report;
  - v. Statement of Capitalisation, as restated as at 30 June 2006 and 31 December 2006, as appearing in Annexure IX to this report;
  - vi. Statement of tax shelter, as restated for the financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005 and 30 June 2006 and for the period 1 July 2006 to 31 December 2006, as appearing in Annexure X to this report;
  - vii. The "schedule of sundry debtors" and of "loans and advances", as restated, including transactions with related parties, as at 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and 31 December 2006, as appearing in Annexure XI to this report;
  - viii. Statement of aggregate book value and market value of investments, as restated, as at 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and 31 December 2006, including details of investments made to related parties, as appearing in Annexure XII to this report;
  - ix. Statement of Related party disclosures, as restated for the financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005 and 30 June 2006 and for the period 1 July 2006 to 31 December 2006 as per Accounting Standard 18 on Related Parties issued by the ICAI, as appearing in Annexure XIII to this report;
  - x. Statement of Segmental reporting, as restated for the financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005 and 30 June 2006 and for the period 1 July 2006 to 31 December 2006 as per Accounting Standard 17 on Segment Reporting issued by the 'ICAI', as appearing in Annexure XIV to this report;
  - xi. Statement on Basis of Issue Price, as appearing in Annexure XV to this report;
  - xii. Statement of tax benefits, as appearing in Annexure XVI to this report; and
- (5) In our opinion, the financial information referred to in para 3 and 4 above, after making adjustments and regrouping as specified in para 3(a)(v) above, and as considered appropriate, has been prepared, in accordance with relevant requirements of Part II of Schedule II of the Companies Act, 1956, the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, and the Guidance Notes issued in this regard by the Institute of Chartered Accountants of India, as amended from time to time, and our terms of engagement with the Company dated 27 September 2006.
- (6) This report is intended solely for your information and use of management and for inclusion in the offer document in connection with the proposed issue of equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our consent in writing.

**For BSR & Co.**  
*Chartered Accountants*

**Akhil Bansal**  
*Partner*  
**Membership No.: 090906**

Place: Noida  
**Date: June 15, 2007**

**Statement of Profit and Loss, as restated**
**Annexure I**

Particulars	Year ended 30 June 2002	Year ended 30 June 2003	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006	1 July to 31 December 2006
<b>Income</b>						
Service Income	5,016.99	4,942.59	5,363.41	6,018.96	6,614.86	3,814.79
Sales of traded products	-	-	-	46.71	0.07	36.33
	<b>5,016.99</b>	<b>4,942.59</b>	<b>5,363.41</b>	<b>6,065.67</b>	<b>6,614.93</b>	<b>3,851.12</b>
Other Income	311.63	853.89	186.37	369.08	187.94	88.37
<b>Total</b>	<b>5,328.62</b>	<b>5,796.48</b>	<b>5,549.78</b>	<b>6,434.75</b>	<b>6,802.87</b>	<b>3,939.49</b>
<b>Expenditure</b>						
Operating costs	1,237.63	1,454.76	1,800.51	2,149.08	2,377.51	1,580.46
Personnel costs	296.49	315.55	346.82	381.51	406.68	227.93
Revenue sharing license fees	488.04	452.70	424.95	340.49	358.49	209.83
Administrative costs	590.98	461.72	513.81	601.27	809.85	421.27
Sales and marketing costs	803.43	597.72	773.20	928.55	1,156.29	565.62
Loan prepayment and restructuring Cost	-	-	-	-	40.55	-
<b>Operating profit before finance cost &amp; depreciation/amortisation</b>	<b>1,912.05</b>	<b>2,514.03</b>	<b>1,690.49</b>	<b>2,033.85</b>	<b>1,653.50</b>	<b>934.38</b>
Finance cost	1,061.13	766.39	680.54	718.99	869.74	638.05
Depreciation and amortisation	1,004.45	1,171.59	1,235.09	1,239.25	1,458.21	709.55
<b>Net profit/(loss) before tax</b>	<b>(153.53)</b>	<b>576.05</b>	<b>(225.14)</b>	<b>75.61</b>	<b>(674.45)</b>	<b>(413.22)</b>
<b>Provision for tax</b>						
- Fringe benefit tax	-	-	-	1.76	12.97	4.92
<b>Net profit/(loss) after tax</b>	<b>(153.53)</b>	<b>576.05</b>	<b>(225.14)</b>	<b>73.85</b>	<b>(687.42)</b>	<b>(418.14)</b>
Profit/(Loss) brought forward from previous year	(6,009.24)	(6,162.77)	(5,586.72)	(5,811.86)	(5,738.01)	(6,425.43)
<b>Profit/(Loss) carried forward to Balance Sheet</b>	<b>(6,162.77)</b>	<b>(5,586.72)</b>	<b>(5,811.86)</b>	<b>(5,738.01)</b>	<b>(6,425.43)</b>	<b>(6,843.57)</b>

**Notes:**

- 1) To be read in conjunction with audited accounts for the financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and six months ended 31 December 2006 and summary of significant accounting policies (Annexure IV) and Notes to statement of profit and loss, as restated and statement of assets and liabilities, as restated (Annexure V) and Annexure VI to Annexure XVI in respect of other financial information.
- 2) There are no extraordinary items, which need to be disclosed separately in the restated statements.
- 3) The adjustments pertaining to financial years ended on or before 30 June 2001 have been adjusted in the opening reserves as at 1 July 2001.

**For and on behalf of the Board of Spice Communications Limited**

*Director*

Place: Noida  
Date: June 15, 2007

GP Singh  
*Chief financial officer*

Place: Noida  
Date: June 15, 2007

*Director*

Place: Noida  
Date: June 15, 2007

Preeti Malhotra  
*Company Secretary*

Place: Noida  
Date: June 15, 2007

**Statement of Assets and Liabilities, as restated**
**Annexure II**

Particulars	As at 30 June 2002	As at 30 June 2003	As at 30 June 2004	As at 30 June 2005	As at 30 June 2006	As at 31 December 2006
<b>A Fixed Assets</b>						
(i) Gross block	13,928.98	14,590.78	15,632.70	16,663.68	18,458.35	20,002.16
Less : Accumulated Depreciation	4,340.58	5,500.87	6,708.44	7,934.85	9,370.35	10,066.92
Net Block	9,588.40	9,089.91	8,924.26	8,728.83	9,088.00	9,935.24
(ii) Capital work in Progress/advances	212.53	118.79	239.32	271.91	318.93	441.30
	<b>9,800.93</b>	<b>9,208.70</b>	<b>9,163.58</b>	<b>9,000.74</b>	<b>9,406.93</b>	<b>10,376.54</b>
<b>B Investments</b>	-	-	-	-	-	-
<b>C Current assets, Loans and advances</b>						
(i) Inventories	9.64	3.90	-	0.52	-	6.59
(ii) Sundry debtors	561.19	503.22	532.34	597.83	505.29	544.53
(iii) Cash and bank balances	1,132.77	1,542.20	2,072.96	2,099.06	1,472.69	1,272.88
(iv) Loans and advances	303.62	698.82	642.81	762.72	520.38	898.34
	2,007.22	2,748.14	3,248.11	3,460.13	2,498.36	2,722.34
<b>(A+B+C)</b>	<b>11,808.15</b>	<b>11,956.84</b>	<b>12,411.69</b>	<b>12,460.87</b>	<b>11,905.29</b>	<b>13,098.88</b>
<b>D Liabilities and provisions</b>						
(i) Secured loans	7,300.73	7,180.24	7,451.41	7,278.16	10,360.02	11,440.15
(ii) Unsecured Loans	3,602.24	3,368.41	3,364.28	3,483.48	713.09	638.98
(iii) Current Liabilities and Provisions	1,565.94	1,489.63	1,899.29	1,925.40	1,973.32	2,625.00
	12,468.91	12,038.28	12,714.98	12,687.04	13,046.43	14,704.13
<b>Net worth ( A+B+C-D)</b>	<b>(660.76)</b>	<b>(81.44)</b>	<b>(303.29)</b>	<b>(226.17)</b>	<b>(1,141.14)</b>	<b>(1,605.25)</b>
<b>E Represented by</b>						
(i) Equity Share Capital	5,519.40	5,519.40	5,519.40	5,519.40	5,519.40	5,519.40
(ii) Reserves and surplus						
- Profit and Loss Account	(6,162.77)	(5,586.72)	(5,811.86)	(5,738.01)	(6,425.43)	(6,843.57)
(iii) Misc Expenditure to the extent not written off or adjusted	(17.39)	(14.12)	(10.83)	(7.56)	(235.11)	(281.08)
<b>Net Worth (i+ii+iii)</b>	<b>(660.76)</b>	<b>(81.44)</b>	<b>(303.29)</b>	<b>(226.17)</b>	<b>(1,141.14)</b>	<b>(1,605.25)</b>

**Notes:**

- 6) To be read in conjunction with audited accounts for the financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and six months ended 31 December 2006 and significant accounting policies (Annexure IV) and Notes to statement of profit and loss, as restated and statement of assets and liabilities, as restated (Annexure V) and Annexure VI to Annexure XVI in respect of other financial information.
- 7) Investments for the years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and six months ended 31 December 2006 have been shown as NIL due to rounding off.
- 8) The adjustments pertaining to financial years ended on or before 30 June 2001 have been adjusted in the opening reserves as at 1 July 2001.

**For and on behalf of the Board of Spice Communications Limited**

*Director*

Place: Noida  
Date: June 15, 2007

GP Singh  
*Chief financial officer*

Place: Noida  
Date: June 15, 2007

*Director*

Place: Noida  
Date: June 15, 2007

Preeti Malhotra  
*Company Secretary*

Place: Noida  
Date: June 15, 2007

**Statement of Cash flows, as restated**
**Annexure III**

Particulars	Year ended 30 June 2002	Year ended 30 June 2003	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006	1 July to 31 December 2006
<b>Cash Flow from Operating Activities</b>						
Net Profit/ (Loss) before tax	(153.53)	576.05	(225.14)	75.61	(674.45)	(413.22)
<b>Adjustment for :</b>						
Depreciation and amortization	1,004.45	1,171.59	1,235.09	1,239.25	1,458.21	709.55
Write down in capital work in progress	-	16.68	12.44	11.06	-	9.46
Investments written off	-	-	-	-	-	-
Loss/(Profit) on sale of fixed assets	1.00	0.88	0.51	0.75	0.54	3.05
Interest Income	(66.12)	(57.28)	(54.89)	(58.43)	(44.58)	(31.88)
Interest cost	1,057.86	763.12	668.01	661.81	821.39	603.87
Bad debts written off	14.26	55.91	-	0.19	3.41	-
Provision for bad and doubtful debts	118.36	75.21	102.73	119.21	155.16	51.53
Liabilities/ Provisions no longer required written back	-	(54.48)	(0.61)	(28.95)	(66.04)	(3.82)
Unrealised foreign Exchange (gain)/loss	113.18	(190.66)	(51.11)	(186.86)	6.23	(32.55)
Amortised charge on loan	-	-	-	-	5.73	18.07
Extinguishment of liabilities (loans written back)	-	-	-	-	(737.59)	-
<b>Operating (Loss)/profit before changes in working capital</b>	<b>2,089.46</b>	<b>2,357.02</b>	<b>1,687.03</b>	<b>1,833.64</b>	<b>928.01</b>	<b>914.06</b>
<b>Adjustments for:</b>						
(Increase)/ decrease in sundry debtors	(407.74)	(70.32)	(131.84)	(177.42)	(60.03)	(90.65)
(Increase)/ decrease in loans and advances	(939.73)	(414.77)	159.13	(93.63)	203.96	(324.19)
(Increase)/ decrease in inventories	5.73	5.73	3.91	(0.52)	0.52	(6.59)
Increase/( decrease) in current Liabilities and provisions	189.29	35.67	338.38	(86.78)	244.50	348.45
<b>Net changes in working capital</b>	<b>(1,152.45)</b>	<b>(443.69)</b>	<b>369.58</b>	<b>(358.35)</b>	<b>388.95</b>	<b>(72.98)</b>
Income tax refund/ (paid)	800.92	8.72	(30.10)	(6.88)	(9.27)	(24.28)
Fringe benefit tax paid	-	-	-	-	(9.37)	(7.47)
<b>Cash generated from operations</b>	<b>1,737.93</b>	<b>1,922.05</b>	<b>2,026.51</b>	<b>1,468.41</b>	<b>1,298.32</b>	<b>809.33</b>

**Annexure III (continued)**

Particulars	Year ended 30 June 2002	Year ended 30 June 2003	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006	1 July to 31 December 2006
<b>Cash Flow from Investing Activities</b>						
Increase/( decrease) in capital creditors	198.28	(257.21)	80.77	81.84	(118.49)	327.33
Proceeds from sale of fixed assets	4.65	0.76	0.63	0.43	5.55	1.40
Additions to fixed assets (including CWIP)	(784.50)	(519.03)	(1,187.47)	(1,325.25)	(1,867.09)	(1,758.17)
Interest received	60.39	61.30	52.78	48.44	50.67	14.10
<b>Net cash from (used in) investing activities</b>	<b>(521.18)</b>	<b>(714.18)</b>	<b>(1,053.29)</b>	<b>(1,194.54)</b>	<b>(1,929.36)</b>	<b>(1,415.34)</b>
<b>Cash Flow from financing Activities</b>						
Proceeds from borrowings - short term	2,905.60	252.88	-	1,444.49	-	-
Proceeds from borrowings - long term	-	-	-	52.47	10,911.92	1,112.68
Repayment of Debentures	(693.39)	-	-	-	(2,347.73)	-
Repayment of borrowings - Long Term	(168.91)	(69.98)	(56.94)	-	(4,859.50)	(50.83)
Repayment of borrowings - Short Term	(2,212.21)	(467.08)	(0.46)	(1,444.50)	(3,364.28)	-
Loan origination cost	3.28	3.28	3.29	3.28	(233.29)	(9.11)
Share issue expenses	-	-	-	-	-	(54.93)
Interest paid	(793.06)	(517.54)	(388.35)	(303.51)	(102.45)	(591.61)
<b>Net cash from (used in) financing Activities</b>	<b>(958.69)</b>	<b>(798.44)</b>	<b>(442.46)</b>	<b>(247.77)</b>	<b>4.67</b>	<b>406.20</b>
Net increase/(decrease) in cash and cash equivalents	258.06	409.43	530.76	26.10	(626.37)	(199.81)
Cash and cash equivalents at the beginning of the year	874.71	1,132.77	1,542.20	2,072.96	2,099.06	1,472.69
<b>Cash and cash equivalents at the end of the year</b>	<b>1,132.77</b>	<b>1,542.20</b>	<b>2,072.96</b>	<b>2,099.06</b>	<b>1,472.69</b>	<b>1,272.88</b>
<i>Cash and cash equivalents at the year end comprise :</i>						
Cash in hand	4.75	3.22	4.16	4.60	3.25	5.01
Cheques in hand	66.75	22.21	34.40	4.74	10.27	16.07
Balance with scheduled banks:						
-On current accounts	141.72	125.52	620.51	875.02	474.68	204.61
-In other accounts	919.55	1,391.25	1,413.89	1,214.70	984.49	1,047.19
	<b>1,132.77</b>	<b>1,542.20</b>	<b>2,072.96</b>	<b>2,099.06</b>	<b>1,472.69</b>	<b>1,272.88</b>

**Notes:**

- 1) To be read in conjunction with audited accounts for the financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and six months ended 31 December 2006 and summary of significant accounting policies (Annexure IV) and Notes to statement of restated profit and loss and restated assets and liabilities (Annexure V) and Annexure VI to Annexure XVI in respect of other financial information.
- 2) Figures have been regrouped to ensure consistency of presentation.

**For and on behalf of the Board of Spice Communications Limited**

*Director*

Place: Noida  
Date: June 15, 2007

GP Singh  
*Chief financial officer*

Place: Noida  
Date: June 15, 2007

*Director*

Place: Noida  
Date: June 15, 2007

Preeti Malhotra  
*Company Secretary*

Place: Noida  
Date: June 15, 2007



***Summary of significant accounting policies***

**1. Basis of preparation of financial statements**

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles and mandatory accounting standards issued by the Institute of Chartered Accountants of India ('ICAI') and in accordance with the presentational and measurement requirements of the Companies Act, 1956.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements and the results of operations during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

**2. Revenue recognition**

*Service income*

Cellular service revenues are recognised as services are rendered on accrual basis when no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the service.

Call charges primarily include airtime revenue, roaming revenue from own subscribers and other operators. Unbilled revenues in respect of post-paid customers resulting from cellular services provided from the billing cycle date to the end of each month are calculated and recorded on the basis of actual usage. Revenues from prepaid cards are recognised based on actual usage by the customers. The Company offers roaming related services to certain national and international operators. Commission received in respect of such transactions is recognised as income in the financial statements on accrual basis. Value added service and other service revenue are recognised as services are rendered.

Fixed rentals are recognised on pro-rata basis in accordance with applicable billing cycles.

Activation fee is being recognised upfront except on products (both postpaid and prepaid), which are valid for life time, where activation fee is being recognised over the expected life of customers using those products.

All service revenues are recognised net of applicable service tax.

*Agency service income*

Agency service income comprises, income earned on rendering roaming related agency services to other national and international operators. This is in respect of airtime and other services rendered on behalf of operators who do not have necessary service tie ups amongst themselves. The Company accounts for agency service income on accrual basis at the net amount receivable by the Company for such services when no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the service.

### *Handset sales*

Handset sales are recognised on transfer of title of such sets to customers over the counter. Handset sales are recognised net of sales tax.

### *Interest income*

Interest income is recognised on accrual basis at applicable interest rates and time period.

## **3. Fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation. The Company capitalises all direct costs (including direct relatable interest costs, if any) relating to the acquisition and installation of fixed assets, excluding recoverable taxes. Fixed assets are depreciated from the month in which the asset is put to use, on the straight-line method, based on the estimated economic useful lives of the assets as stated below after considering the estimated residual value, which in the opinion of management reflects the economic useful life of the underlying assets.

<b>Particulars</b>	<b>Years</b>
Leasehold land and buildings	40
Network equipment	9
Structural network equipment	15
Second hand network equipment	5
Optical fibre cable	15
Office equipment	7
Computers	3
Furniture and fixtures	10
Motor vehicles	5

Leasehold land and building and leasehold improvements are being amortised over the period of lease including the optional period, if any, available to the Company, where it is reasonably certain at the inception of lease that such option would be exercised by the Company.

These rates are higher than/equal to the minimum rates specified in Schedule XIV to the Companies Act, 1956.

Assets costing less than Rs. 0.005 are written off in the year of purchase.

Adjustments made to the carrying value of fixed assets on account of foreign exchange fluctuation arising on restatement of foreign currency liabilities incurred to acquire such assets from outside India, are depreciated over the remaining useful life of such assets.

## **4. Intangible assets and amortisation**

The fixed component of license fee paid by the Company upon migration to the National Telecom Policy (NTP 1999) i.e., entry fee, has been capitalised and is amortised over the remainder of the revised license period of 20 years from commencement of operations at the respective circles on a straight line basis, reflecting economic useful life of the asset. The unamortised portion of the license fees has been disclosed as a part of fixed assets.

Stand alone software is being amortised over a period of five years.

## 5. Investments

Long term investments are stated at cost. Any diminution in the value of investments which is other than temporary is charged to the Profit and Loss Account.

## 6. Foreign currency transactions

Transactions in foreign currency are translated at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are translated at exchange rates prevailing as at the year-end. Exchange gains or losses arising out of fluctuation in exchange rates on settlement during the year / translation at year-end are recognised in the Profit and Loss Account except in case of outstanding foreign currency liabilities relating to fixed assets acquired from outside India, which are adjusted to the carrying cost of the respective asset and is depreciated over the remaining useful life of the underlying asset.

## 7. Inventories

Inventories as at 30 June 2002 and 30 June 2003 comprise replacement spares for the network equipment, which are recorded at lower of cost and net realisable value. Inventories as at 30 June 2005 and 31 December 2006 comprise handsets held for resale, which are recorded at lower of cost and net realisable value. Cost of inventories is determined on a first in first out basis. Consumable stores and spares are charged off in the year of consumption.

## 8. Retirement benefits

The Accounting Standard (AS) 15, "Employee Benefits (revised 2005)", issued by the Council of Institute of Chartered Accountants of India, originally comes into effect in respect of the accounting periods commencing on or after 1 April 2006 and was mandatory in nature from that date. Consequently, the above standard becomes applicable to the Company for any period on or after the effective date. However, subsequently the council of the Institute has deferred the mandatory applicability of the standard for all periods on and after 7 December 2007. The Company adopted the Accounting Standard (AS) 15, "Employee Benefits (revised 2005)" for the first time in preparing the financial statements for the period 01 July 2006 to 31 December 2006. For the purpose of the restated statements, AS-15 (revised) has not been applied for the years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005 and 30 June 2006 as the same was not applicable in those years. The restated financial statements for those years have been prepared in compliance with the erstwhile Accounting Standard (AS) 15. Consequently significant impact, if any, of applicability of the new standard has not been recognised in the restated statements for the years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005 and 30 June 2006.

For the year ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005 and 30 June 2006.

### i. Provident fund and gratuity benefits

Retirement benefits to employees comprise contributions to provident fund and gratuity. Provident fund contributions are charged to the Profit and Loss Account. Annual contributions to the employee's gratuity fund, established with the Life Insurance Corporation of India ('LIC') are determined based on an actuarial valuation by the LIC as at 31 March each year. Further, provision is made for the shortfall, if any, between the amounts required to be contributed to meet the accrued liability for gratuity as determined by the LIC and as determined by an independent actuary as at year-end.

### ii. Leave encashment

Provision for leave encashment is made on the basis of actuarial valuation at year-end and incremental provision is charged to the Profit and Loss Account on accrual basis.

For the period 1 July 2006 to 31 December 2006

### (i) Defined contribution plan

In respect of retirement benefits in the form of provident fund, the contribution payable by the Company for a year is charged to the profit and loss account for the year. A shortfall of the amount of contribution paid compared to the amount

payable for the year is charged to the profit and loss account for the year. On the other hand, if contribution paid is in excess of the amount payable for the year, the excess is treated as a pre-payment.

(ii) *Defined payment plan*

**General description of plans**

**Leave encashment:** The Company has a scheme under which unavailed leave of their employees is allowed to be accumulated within specified limits and allowed to be encashed at the time of employee's separation (on retirement, resignation or on death) on the basis of the salary drawn at the time of his separation from the company.

**Gratuity:** Gratuity benefit is applicable to all permanent and full time employees of the Company. Gratuity paid out is based on last drawn basic salary and dearness allowance at the time of termination or retirement. The scheme takes into account each completed year of service or part thereof in excess of six months. Annual contributions to the employee's gratuity fund, established with the Life Insurance Corporation of India ('LIC') are determined based on an actuarial valuation by the LIC as at the period end.

**Valuation and recognition**

The net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The calculation has been performed by a qualified actuary, as at 30 September 2006, using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the Profit and Loss account on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Profit and Loss account.

All actuarial gains and losses for the period upto 1 July 2006, the date of transition to the revised AS 15 (Employee Benefits), are recognised in the opening revenue reserves. Subsequent to 1 July 2006, the Company's net obligation in respect of a plan, service cost, interest costs and actuarial gains and losses are recognised in the Profit and Loss account in the period in which they arise.

The Company has changed the method of computing provision for gratuity and leave encashment from the method prescribed under AS 15 (Employee Benefit) to AS 15 (Employee Benefit) (revised 2005). Had the Company followed the earlier method, the impact of the change in accounting policy would not have been significant on the financial statements

**9. Dealer related costs**

Dealer related costs, comprising dealer commissions, equipment subsidies, if any, and direct scheme advertisement costs are charged to the Profit and Loss Account on accrual basis.

**10. Advertising and marketing costs**

Advertising and marketing costs comprise inter-alia Company's share of such expenditure for business promotion. Such expenditure is incurred on an accrual basis.

**11. Leases**

Lease payments under operating leases are recognised as an expense in the Profit and Loss account on a straight line basis over the lease term. Operating lease revenue in respect of optic fibre cables leased out to other operators is recognised as income in Profit and Loss account on a straight line basis.

**12. Revenue sharing license fee**

With effect from 1 August 1999, the variable license fee is computed as a percentage of revenue prescribed by the NTP 1999 and at revised percentage with effect from 1 February 2001 as stated in the amended license agreement executed by the Company with the Department of Telecommunications ('DoT') on 19 December 2001. The license fee comprising fee payable to DoT is being charged off to the profit and loss account in the year in which the related revenue arises. Revenue for this purpose means adjusted gross revenue as per NTP 1999 read together with subsequent clarifications. The Company has migrated its Cellular Mobile Licenses in Karnataka and Punjab to Unified Access Service Licenses (UASL) after

obtaining the necessary approvals from DoT vide letter dated 27 April 2004. In view of the said letters, all the above licenses now stand converted to UASL with effect from 27 April 2004. Wireless spectrum usage charges and license fee has been provided for in accordance with the license agreement and charged to Profit and Loss account.

### **13. Taxation**

Income tax expense comprises current tax, being the amount of tax for the period determined in accordance with the Income tax Act, 1961 and deferred tax charge or credit (reflecting the tax effects of timing difference between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liability or deferred tax asset are recognised using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty of realisation. Such assets are reviewed at each Balance Sheet date to reassess realisation. Where there are unabsorbed depreciation and carry forward losses under tax laws, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised in future.

In view of the limited specific interpretations available, particularly from Central Board of Direct Taxes, provision for Fringe Benefits Tax has been recognised on the basis of a harmonious, contextual interpretation of the provisions of the Income-tax Act, 1961.

### **14. Provisions, contingent liabilities and contingent assets**

A provision is recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. A contingent liability is recognised where there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. The Company does not recognise assets which are of contingent nature until there is virtual certainty of realisability of such assets. However, if it has become virtually certain that an inflow of economic benefits will arise the asset and related income are recognised in the financial statements of the period in which the change occurs.

### **15. Impairment**

The carrying value of assets is reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the amount recoverable towards such assets is estimated. An impairment loss is recognised when ever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Profit and Loss Account. An impairment loss is reversed if there is a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent the carrying amount of the asset that does not exceed the carrying amount that would have been determined net off depreciation or amortisation, if no impairment loss had been recognised.

The Company adopted Accounting Standard 28 – Impairment of Assets as issued and required by The Institute of Chartered Accountants of India for the first time in preparing the financial statements for the year ended 30 June 2005. For the purpose of restated statements, AS-28 has not been applied for the years ended 30 June 2002, 30 June 2003 and 30 June 2004 as the same was not applicable in those years.

### **16. Borrowing costs and amortisation**

Borrowing costs are interest and other costs incurred by the Company in connection with borrowing of funds. Ancillary costs incurred in connection with the arrangement of borrowings are amortised over the period of borrowings on a straight line basis. The exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost are recognised as an expense in the period in which they are incurred.

Any expense incurred by the Company for extinguishment/liquidation or prepayment of borrowings is charged off when such expenditure is incurred.

**17. Events occurring after the balance sheet date**

Adjustments to assets and liabilities are made for events occurring after the Balance Sheet date that provide additional information materially affecting the determination of the amounts of assets or liabilities relating to conditions existing at the balance sheet date.

**18. Earnings per share**

Basic earnings per share are computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of equity and dilutive potential equity shares outstanding during the year.

**19. Miscellaneous expenditure to the extent not written off**

It includes loan origination charges, brokerage and other share issue expenses which are accounted for in accordance with Accounting Standard 26, "Intangible Assets" issued by the Institute of Chartered Accountants of India ("ICAI").

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*Notes to statement of Profits and loss, as restated in Annexure I of the report and statement of assets and liabilities, as restated in Annexure II of the Report*

**Annexure V**

**1. Summary of adjustments**

**1.(a) The summary of results of adjustments made in the audited accounts of the respective years and its net impact on profits and losses is given below:**

Adjustments [Income/ expense] in statement of Profit and (Loss) arising out of :	Opening Reserves as at 1 July 2001	Year ended 30 June 2002	Year ended 30 June 2003	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006	1 July to 31 December 2006	Net impact on Profit and (loss)
<b>I Profit/ (loss) for the year before adjustments</b>	(6,369.74)	(409.08)	226.22	(169.57)	19.49	46.35	(386.88)	(7,043.21)
<b>II Changes in accounting policies (refer Note 1(c)(A) below)</b>								
(a) Personnel Costs (refer note 1( c ) (A)(a))	-	(0.89)	(0.19)	1.08	-	-	-	-
(b) Finance cost (refer note 1( c ) (A)(b))	(20.67)	3.28	3.28	3.28	3.28	7.55	-	-
(c) Administrative costs (refer note 1( c ) (A)(c))	-	26.80	(63.91)	(11.06)	-	-	-	(48.17)
(d) Depreciation impact on II (c) above	-	(4.74)	9.02	12.08	12.08	12.08	3.86	44.38
	<b>20.67</b>	<b>(24.45)</b>	<b>51.80</b>	<b>(5.38)</b>	<b>(15.36)</b>	<b>(19.63)</b>	<b>(3.86)</b>	<b>3.79</b>
<b>III Previous year adjustments (refer Note 1(c)(B) below)</b>								
(a) Service Income	-	0.99	0.21	(1.20)	-	-	-	-
(b) Other Income	274.93	241.90	250.95	(71.86)	50.09	(728.50)	(17.51)	-
(c) Operating Costs	40.64	(30.89)	(9.76)	2.52	1.22	(3.73)	-	-
(d) Revenue Sharing License Fees	(3.47)	3.47	-	6.65	12.01	(18.66)	-	-
(e) Administrative costs	0.54	1.35	0.83	0.57	11.95	(15.24)	-	-
(f) Finance Cost	-	-	-	9.25	1.20	(10.45)	-	-
(g) Depreciation	(102.63)	(11.04)	(37.94)	(41.87)	(46.01)	33.71	9.90	(195.88)
	<b>339.85</b>	<b>280.00</b>	<b>298.03</b>	<b>(50.18)</b>	<b>69.72</b>	<b>(714.13)</b>	<b>(27.41)</b>	<b>195.88</b>

Adjustments [Income/ expense] in statement of Profit and (Loss) arising out of :	Opening Reserves as at 1 July 2001	Year ended 30 June 2002	Year ended 30 June 2003	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006	1 July to 31 December 2006	Net impact on Profit and (loss)
<b>IV Regrouping (refer Note 1(c)(C) below)</b>								
(a) Service Income	-	24.71	80.75	23.20	32.74	-	-	161.40
(b) Other Income	-	(24.71)	-	-	(38.78)	-	-	(63.49)
(c) Operating Costs	-	-	75.41	7.65	-	-	-	83.06
(d) Personnel Costs	-	(1.47)	-	-	-	-	-	(1.47)
(e) Administrative costs	-	0.89	(2.23)	(15.32)	(23.90)	-	-	(40.56)
(f) Sales and marketing costs	-	0.58	7.57	30.87	17.86	-	-	56.88
	-	-	-	-	-	-	-	-
<b>V (a) Net impact on EBITDA</b>	237.22	243.05	324.19	(72.82)	24.91	(690.87)	(17.51)	48.17
<b>(b) Net impact on finance cost &amp; depreciation</b>	123.30	12.50	25.64	17.26	29.45	(42.89)	(13.76)	151.50
<b>VI Net impact on Profit/(loss) after tax</b>	360.52	255.55	349.83	(55.56)	54.36	(733.76)	(31.27)	199.67
<b>VII Net profit/(loss) after tax as per restated profit and loss statement (I+VI)</b>	(6,009.22)	(153.53)	576.05	(225.13)	73.85	(687.41)	(418.15)	(6,843.54)

**Notes:**

Figures in parenthesis other than profit/ (loss) figures for the years indicate a reduction of the respective amounts from the financial statement captions.



*Notes to statement of profits and losses, as restated in Annexure I of the report and statement of assets and liabilities, as restated in Annexure II of the Report*

**Annexure V (continued)**

**1. Summary of adjustments**

**1.(b) The summary of results of adjustments made in the audited accounts of the respective years and its net impact on assets and liabilities is given below:**

Cumulative effect of above [Increase/(decrease)] in Statement of Assets and Liabilities :	As at 30 June 2002	As at 30 June 2003	As at 30 June 2004	As at 30 June 2005	As at 30 June 2006	As at 31 December 2006
<b>I Changes in accounting policies (refer Note 1(c)(A) below)</b>						
(a) Reserves and surplus	(3.78)	48.02	42.64	27.28	7.65	3.79
(b) Current Liabilities and provisions	(0.89)	(1.08)	-	-	-	-
<b>Liabilities</b>	<b>(4.67)</b>	<b>46.94</b>	<b>42.64</b>	<b>27.28</b>	<b>7.65</b>	<b>3.79</b>
(c) Miscellaneous expenditure (to the extent not written off)	17.39	14.11	10.83	7.55	-	-
(d) Net Fixed assets	(22.06)	32.83	31.81	19.73	7.65	3.79
(e) Debtors	-	-	-	-	-	-
<b>Assets</b>	<b>(4.67)</b>	<b>46.94</b>	<b>42.64</b>	<b>27.28</b>	<b>7.65</b>	<b>3.79</b>
<b>II Previous year adjustments (refer Note 1(c)(B) below)</b>						
(a) Reserves and surplus	619.85	917.88	867.70	937.42	223.29	195.88
(b) Secured loans	(366.08)	(429.39)	(485.21)	(551.91)	-	-
(c) Current liabilities and provisions	(131.35)	(113.60)	(115.16)	(75.10)	-	-
<b>Liabilities</b>	<b>122.42</b>	<b>374.89</b>	<b>267.33</b>	<b>310.41</b>	<b>223.29</b>	<b>195.88</b>
(d) Net Fixed assets	113.67	151.61	193.48	239.49	205.78	195.88
(e) Debtors	8.74	31.42	35.89	58.05	17.51	-
(f) Loans and advances	-	191.85	37.96	12.87	-	-
<b>Assets</b>	<b>122.41</b>	<b>374.88</b>	<b>267.33</b>	<b>310.41</b>	<b>223.29</b>	<b>195.88</b>
<b>III Regrouping (refer Note 1(c)(C) below)</b>						
(a) Loans and advances	15.38	7.67	17.85	47.62	(11.85)	-
<b>Assets</b>	<b>15.38</b>	<b>7.67</b>	<b>17.85</b>	<b>47.62</b>	<b>(11.85)</b>	<b>-</b>
(b) Secured Loans	-	-	(0.46)	(119.17)	(713.09)	-
(c) Unsecured Loans	-	-	-	119.17	713.09	-
(d) Current Liabilities and provisions	15.38	7.67	18.31	47.62	(11.85)	-
<b>Liabilities</b>	<b>15.38</b>	<b>7.67</b>	<b>17.85</b>	<b>47.62</b>	<b>(11.85)</b>	<b>-</b>

**Notes:**

Figures in parenthesis other than profit/ (loss) figures indicate a reduction of the respective amounts from the financial statement captions.

**Notes to statement of profits and losses of the report, as restated in Annexure I and statement of assets and liabilities, as restated in Annexure II of the report**

**Annexure V (continued)**

**1(c) Notes to summary of results of adjustments as given in para 1(a) and 1(b) of this annexure, made in the audited accounts of the respective years:**

**A. Changes in accounting policies / correction of incorrect accounting policies (Also refer to Note 6 of Annexure V to this report)**

***(a) Provision for leave encashment***

The Company had changed the method of computing provision for leave encashment from full liability basis to actuarial valuation with effect from 1 July 2003. Accordingly, provision for leave encashment has been ascertained on the basis of actuarial valuation for the years ended 30 June 2002 and 30 June 2003. Consequently, the adjustments have been made in the restated financial statements of 30 June 2004 with corresponding impact in years ended 30 June 2003 and 30 June 2002.

***(b) Loan arrangement charges***

The Company has, with effect from 1 July 2005, adopted the accounting policy of amortising the cost of arranging long term loans over the period of the loan, commencing from the date of first drawdown, on a straight line basis. As at the year ended 30 June 2001, the Company had a policy of charging off loan origination charges completely in the year in which they were incurred. There were no fresh long term loans taken by the Company during the period 1 July 2001 to 30 June 2005. To bring the accounting policy as at 30 June 2001 in line with that followed in the last financial year audited, the unadjusted loan origination charges that would have remained outstanding at 30 June 2001, if the company had followed the existing accounting policy, has been retrospectively deferred and amortised over the tenure of loans taken before 30 June 2001. Accordingly adjustments to this effect have been made in the years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005 and 30 June 2006. No adjustment to this effect is required to be made for the financial period 1 July 2006 to 31 December 2006.

***(c) Foreign exchange fluctuation***

As per the requirements of Schedule VI of Companies Act, 1956 read in consonance with Accounting Standard (Revised AS) 11, applicable for the financial years starting on or after 1 April 2004, the amount of foreign exchange fluctuation on outstanding liabilities, relating only to fixed asset acquired from a country outside India, shall be added to, or, as the case may be deducted from the cost of the asset. However, prior to above mentioned change, the Company had a policy of adjusting foreign exchange fluctuation on outstanding foreign currency liabilities irrespective of whether the asset was procured from within or outside India. The impact of the aforesaid change in the accounting policy has been made with retrospective effect in the restated financial statement so that the profits or losses of earlier years can be reflected on the basis of the changed accounting policy. Accordingly, exchange fluctuations on foreign currency liabilities incurred for fixed assets procured from within India in those earlier years have been added or deducted, as the case may be from the cost of the asset in the restated financial statements for the financial years ended 30 June 2002, 30 June 2003 and 30 June 2004 (upto 31 March 2004) and the consequent impact on depreciation for those years has been adjusted in the restated financial statements for the years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and for the period 01 July 2006 to 31 December 2006. There were no assets procured from within India but the liability of which was incurred in foreign currency before 1 July 2001.

## **B. Previous year Adjustments (Also refer to Note 6 of Annexure V to this report)**

### **(a) Prior Period items**

For the purpose of restated statement of profits and losses and the restated statement of assets and liabilities, in respect of financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and six months ended 31 December 2006, the prior period items appearing in the financial statements for the relevant financial years have been appropriately adjusted in the respective years to which they pertain. The prior period items pertaining to financial years ended on or before 30 June 2001 have been adjusted in the opening reserves as at 1 July 2001.

### **(b) Material adjustments related to previous years**

- 1) In previous years, the Company had accrued remuneration contractually payable to its Managers. The amount outstanding as at 30 June 2005, which included accumulated foreign exchange fluctuation till that date, was Rs.70. In respect of one manager the Central Government approval expired on 6 April 2003. In respect of another manager the Central Government and the Reserve Bank of India approval for appointment/renewal could not be obtained till 30 June 2005. Further, in respect of the manager in whose case the approval could not be obtained has not responded to various requests/emails made by the Company. Accordingly, in management's opinion these amounts may be no longer required and consequently, the management has written back the entire outstanding during the year ended 30 June 2006 after obtaining the waiver, where applicable, and ratification of the board.

The aforesaid amounts have been appropriately adjusted in the respective years in which the remuneration including foreign exchange fluctuation was accrued for the purpose of restated financial statements for the financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005 and 30 June 2006. The adjustments pertaining to financial years ended on or before 30 June 2001 have been adjusted in the opening reserves as at 1 July 2001.

- 2) In previous years (refer to para 3(II) (a) of this annexure), the Company had entered into financing agreements for purchase of network equipment with Motorola Inc and Siemens AG. The Company had defaulted in payment of certain contractual sums due (including interest) as per terms of these agreements. Accordingly, there were various disputes outstanding at various legal forums. During the year ended 30 June 2006, the Company had entered into an out of court settlement with both the parties and eventually disbursed Rs 2,248.48 each, being INR equivalent of USD 50 million to Motorola Inc. and Siemens AG on 10 May 2006.

The balance outstanding in respect of Motorola Inc. in the Company's books as at the date of settlement was Rs.2,712.38 including interest accrued thereon of Rs 438.41 till that date. Consequently, Rs. 463.91 (Rs.438.41 - interest and Rs. 25.50 - principal), being the difference between the amount outstanding on the date of settlement and amount paid on settlement has been written back in the profit and loss account for year ended 30 June 2006.

The balance outstanding in respect of Siemens AG in the Company's books as at the date of settlement was Rs 2,371.54 including interest accrued thereon of Rs 484.02 till that date. Consequently, Rs 123.06 (interest only), being the difference between the amount outstanding on the date of settlement and amount paid on settlement has been written back in the profit and loss account for year ended 30 June 2006.

The write back of interest portion as mentioned above has been appropriately adjusted in the respective years in which the corresponding liability for interest was accrued for the purpose of restated statement of profit and loss and the restated statement of assets and liabilities. The adjustments pertaining to financial years ended on or before 30 June 2001 have been adjusted in the opening reserves as at 1 July 2001.

- 3) In the previous years (refer to para 3(II)(b) of this annexure), the debenture holders of the Company had sent notices of default, declaring the entire principal and all unpaid interest to be immediately due and payable without further presentment, demand, protest or other notice of any kind. During the year ended 30 June 2006, the Company had entered into an out of court settlement and eventually disbursed Rs 2,473.32 INR equivalent of USD 55 million to DAI (Mauritius) on 10 May 2006. The balance outstanding in the Company's books as at date of payment was Rs 2,553.94 including interest accrued thereon of Rs 754.91 till the date of settlement. Consequently, Rs 80.62 (interest portion only) being the difference between the amount outstanding on the date of payment /settlement and amount paid on settlement has been written back in the profit and loss account for the year ended 30 June 2006.

The write back of interest portion as mentioned above has been appropriately adjusted in the respective years in which the corresponding liability for interest was accrued for the purpose of restated statement of profit and loss and the restated statement of assets and liabilities. The adjustments pertaining to financial years ended on or before 30 June 2001 have been adjusted in the opening reserves as at 1 July 2001.

- 4) The exceptional items, appearing in the financial statements for the relevant financial years, represents refund of Interest received from DoT pursuant to the judgment dated 4 March 2003 given by Supreme Court of India. This Interest was charged in excess by Department of Telecommunications ("DoT") at the time of migration from fixed license fee regime to Revenue sharing regime under NTP w.e.f 1 August 1999. These refunds were passed by DoT to the Company only in subsequent years. The Company had accounted for these refunds in those years in accordance with the accounting policy of the Company. These amounts though determined in subsequent years are related to a prior year. Accordingly these have been adjusted in the year to which they pertain.
- 5) The Company has availed a credit available on its input services in excess of eligible limit of twenty percent of service tax payable on the output services permitted by the law. Accordingly service tax dues payable in arrears, as at 30 June 2006, amounted to Rs. 34.97 and penal interest thereon amounted to Rs. 4.27. These amounts are related to the period 1 October 2004 to 30 June 2006 and were determined and adjusted during the year ended 30 June 2006. The amounts pertaining to period 1 October 2004 to 30 June 2005 have been appropriately adjusted in the financial year ended 30 June 2005, for the purpose of restated statement of profit and loss and the restated statement of assets and liabilities. Also refer to para 2(II)(ix) of this annexure.
- 6) Other liabilities written back, and bad debts recovered, disclosed under the head other Income for the financial years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and for the period 1 July 2006 to 31 December 2006 have been appropriately adjusted in the respective years in which the corresponding liability was accrued/ created as bad debts were written off in the books of accounts. The adjustments pertaining to financial years ended on or before 30 June 2001 have been adjusted in the opening reserves as at 1 July 2001.
- 7) The Company has revised the estimates of useful life of certain components of plant and machinery like structurals for network equipment and optical fibre cables from 9 years to 15 years with effect from 1 July 2005. As a result of this revision in estimated useful life, depreciation had been charged prospectively over the revised useful life as at 1 July 2005 in the financial year ended 30 June 2006. Further, under Indian GAAP, annual review of useful lives of fixed assets is not mandatory. Given the sharp rise in estimate of useful life, it does not seem likely that the rise can be attributed to only to developments during the year ended 30 June 2006. It seems quite likely that the rise is attributable to events of one or more earlier years, which may not have been captured due to absence of a mandatory requirement for annual review of useful lives of fixed assets. Accordingly, revision of useful life of certain items of fixed assets is considered as material adjustment determined in the current year but can be said to be pertaining to earlier years. Consequently, appropriate adjustments have been made with retrospective effect to the rates of depreciation for the years ended 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and for the period 1 July 2006 to 31 December 2006 so as to present the restated

statements on a uniform basis. The adjustments pertaining to financial years ended on or before 30 June 2001 have been adjusted in the opening reserves as at 1 July 2001.

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### C. Regroupings (Also refer to Note 6 of Annexure V to this report)

Figures have been regrouped to ensure consistency of presentation. The following significant regroupings have been made in the restated statement of profit and loss and the restated statement of assets and liabilities:

- 1) Upto the year ended 30 June 2005, balances due from excise and customs authorities were netted off the current liabilities and provisions. During the year ended 30 June 2006, the balances due from excise and custom authorities have been shown under loans and advances. In the statement of assets and liabilities, as restated for the years ended 30 June 2002, 30 June 2003, 30 June 2004 and 30 June 2005 balances with excise and customs authorities have been disclosed under loans and advances.
- 2) Upto the year ended 30 June 2005, octroi paid on sims sold to dealers were shown as part of administrative costs. During the year ended 30 June 2006, such octroi was disclosed as part of sales and marketing costs. In the statement of profit and loss, as restated for the year ended 30 June 2002, 30 June 2003, 30 June 2004 and 30 June 2005 the octroi has been regrouped and disclosed under sales and marketing costs.
- 3) For the year ended 30 June 2003, 30 June 2004 and 30 June 2005, airtime sold to dealers in lieu of commission, was netted off the service income. During the year ended 30 June 2006, such airtime sold in lieu of commission was disclosed under sales and marketing costs. In the statement of profit and loss, as restated for the year ended 30 June 2003, 30 June 2004 and 30 June 2005 the airtime sold in lieu of commission has been regrouped and disclosed under sales and marketing costs.
- 4) For the year ended 30 June 2002 and 30 June 2005, leaseline revenue was disclosed under other income. During the year ended 30 June 2006 and other years, if applicable, such leaseline revenue was disclosed under service income. In the statement of profit and loss, as restated for the year ended 30 June 2002 and 30 June 2005, the leaseline revenue has been regrouped and disclosed under service income.
- 5) For the year ended 30 June 2004, debit balances of creditors were netted off under current liabilities and provisions. During the year ended 30 June 2005, such balance was reclassified under loans and advances. In the statement of assets and liabilities, as restated for the year ended 30 June 2004 the debit balance of creditors has been regrouped and disclosed under loans and advances.
- 6) For the year ended 30 June 2004, interest accrued and not due was disclosed under secured loans. During the year ended 30 June 2005 and other years, if applicable, such balance was reclassified under current liabilities and provisions. In the statement of assets and liabilities, as restated for the year ended 30 June 2004 the interest accrued and not due has been regrouped and disclosed under current liabilities and provisions.
- 7) For the year ended 30 June 2004, VAS outsourcing cost was disclosed under administrative cost. During the year ended 30 June 2005 and 30 June 2006, such VAS outsourcing cost was disclosed under operating cost. In the statement of profit and loss, as restated for the year ended 30 June 2004, the VAS outsourcing cost has been regrouped and disclosed under operating cost.
- 8) For the year ended 30 June 2003, roaming cost was netted off with the service revenue. During the year ended 30 June 2006, such roaming cost was disclosed under operating cost. In the statement of profits and loss, as restated for the year ended 30 June 2003, roaming cost was disclosed under operating cost.
- 9) For the year ended 30 June 2002, rent cost was debited to personnel cost. During the year ended 30 June 2003, such rent cost was regrouped under administrative cost. In the statement of profit and loss, as restated for the year ended 30 June 2002, rent cost was regrouped under administration cost.
- 10) For the year ended 30 June 2002, license fee payable to Department of Telecommunications was disclosed under loans and advances. During the year ended 30 June 2003, such balance payable was regrouped under current liabilities and provisions. In the statement of assets and liabilities, as restated for the year ended 30 June 2002, license fee payable to Department of telecommunications was regrouped under current liabilities and provisions.
- 11) For the years ended 30 June 2005 and 30 June 2006, the equipment finance facilities availed from ZTE Corporation, China, Huawei Technologies Co., Ltd. and Comba Telecom Technology was disclosed as secured loans. During the period 01 July 2006 to 31 December 2006, the loans availed from the abovementioned parties have been disclosed as unsecured loans in the absence of registration of charge on equipment purchased from the mentioned parties. In the statement of assets and liabilities,

as restated, for the year ended 30 June 2005 and 30 June 2006 the abovementioned loan facility has been regrouped under unsecured loans.

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**2. Audit qualifications and matters of emphasis, as the case may be, including our comments in annexure to our main audit report (Company's Auditors' Report Order 2003 / Manufacturing And Other Company's Auditors' Report Order 1988), where it is not possible to make adjustments or rectifications, has been summarised below:**

**I. Financial period 1 July 2006 to 31 December 2006 (Audit qualifications)**

***Main Auditors' Report***

- (i) Without qualifying our opinion, we draw attention to Note 3 (I) (k) below (Note 26 of Schedule 20 in original audited financial statements), the Company had not accrued revenue share licensee fees and spectrum charges on certain items, as explained in the aforesaid note, in the year ended 30 June 2006. The whole issue of computation of Adjusted Gross Revenue ("AGR") is being reviewed before the Telecom Regulatory Authority of India ("TRAI") by the Government as well as the cellular operators. The ultimate outcome of the matter cannot presently be determined, and no provision for liability, if any, that may result has been made in the financial statements.

***Annexure to main Auditors' Report***

- (ii) As informed to us, the Company has physically verified all its network equipment subsequent to Balance Sheet date. However, the Company has not physically verified its fixed assets during the financial period. Further, as on the date of signing of this report, it is still in process of reconciling differences, if any, observed on physical verification as mentioned above.
- (iii) The Company has constituted the internal audit system during the current period. However, the Company needs to strengthen the internal audit system to make it commensurate with the size and nature of its business.
- (iv) The Company is providing taxable as well as tax exempted services; however it is not maintaining separate sets of accounts required by the provisions of rule 6(2) and 6(3)(c) of Cenvat Credit Rules 2004. The Company has availed credit available on its input services in excess of eligible limit of twenty percent of service tax payable on the output services permitted by the law. Accordingly, service tax dues payable in arrears, if any, as at 31 December 2006 for a period of more than six months amounts to Rs. 34.97 and penal interest thereon amounts to Rs. 4.27. The amount of service tax dues payable in arrears, if any, for the period before October 1, 2004 is presently not reasonably ascertainable.
- (v) The Company's accumulated losses exceed its entire net worth at the end of the financial period.

**II. Financial year ended 30 June 2006 (Audit qualifications)**

***Main Auditors' Report***

- (i) During the previous year, the Company had retired from active use, certain old MSC having written down value of Rs. 203.21 as at the year-end (30 June 2006). As per information provided and explanations made available, the Company is in the process of evaluating future alternative use of such assets and accordingly, has not adjusted the carrying value of these assets to bring them down to net realizable value if lower than the carrying value. Taking into consideration the fact that there are currently no identified alternate plans to use these assets and further considering that these assets are specialised in nature and are subjected to a high degree of technological obsolescence, there is uncertainty on the extent of realisability / use of these assets in future. Consequently, the impact, if any, on depreciation and profit for the year, carrying value of these assets, accumulated depreciation and carry forward losses at year-end is unascertainable.
- (ii) The Company had received notice of default from its debenture holders in earlier years declaring the entire principal and unpaid interest thereon to be immediately payable. The Company has been legally advised that the notice for payment by the debenture holders does not tantamount to redemption and therefore the defaults do not fall within the purview of clause (g) of



sub section (1) of section 274 of the Companies Act, 1956. Hence, in the opinion of management, the directors of the Company were not disqualified being appointed as directors in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956. This interpretation of the debenture deed and the law is not free from doubt and accordingly, it is not possible to conclude on whether the relevant director(s) (who was a director(s) of the Company during default) of the Company was disqualified under clause (g) of sub section (1) of section 274 of the Companies Act, 1956 as at 30 June 2006. During the year, the Company has made full and final settlement of their dues.

- (iii) Without qualifying our opinion, we draw attention to Note 3 (II) (e) below (Note 35 of Schedule 20 in original audited financial statements). The company has not accrued revenue share licensee fees and spectrum charges on certain items, as explained in the aforesaid note. The whole issue of computation of Adjusted Gross Revenue ("AGR") is being reviewed before the Telecom Regulatory Authority of India ("TRAI") by the Government as well as the cellular operators. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

#### ***Annexure to main Auditors' Report***

- (iv) The Company has not physically verified its fixed assets during the year.
- (v) The internal control system for purchase of fixed assets needs to be strengthened to make it commensurate with the size of the Company and the nature of its business. There is a continuing failure to correct major weaknesses in internal control for purchase of fixed assets.
- (vi) The Company does not have an internal audit system during the year. However it was informed that the management has initiated concrete steps to establish an internal control system to make it commensurate with the size and nature of its business.
- (vii) The Company is providing taxable as well as tax exempted services; however it is not maintaining separate sets of accounts required by the provisions of rule 6(2) and 6(3)(c) of Cenvat Credit Rules 2004. The Company has availed a credit available on its input services in excess of eligible limit of twenty percent of service tax payable on the output services permitted by the law. Accordingly service tax dues payable in arrears, if any, as at 30 June 2006 for a period of more than six months amounts to Rs. 24.58 and penal interest thereon amounts to Rs. 3.74. The amount of service tax dues payable in arrears, if any, for the period before October 1, 2004 is presently not reasonably ascertainable. Also refer to para 1(c)(B)(b)(5) of this annexure for adjustments made in the restated financial statements.
- (viii) The dues payable in arrears as at 30 June 2006 towards provident fund contribution on leave encashment paid during the year, in respect of Karnataka Circle, for a period of more than six months amounts to Rs. 0.05. However, the company has subsequently deposited the aforesaid amount.
- (ix) The Company's accumulated losses exceed its entire net worth at the end of the financial year.
- (x) The Company had defaulted in repayment of dues to holders of privately placed debentures. However during the current year the Company has entered into a settlement agreement with the debenture holders and accordingly paid all its dues in full and final settlement to the debenture holders.

#### **III. Financial year ended 30 June 2005 (Audit qualifications)**

##### ***Main Auditors' Report***

- (i) During the year, the Company has retired from active use, certain old MSC having written down value of Rs. 268.03. As per information provided and explanations made available, the Company is in the process of evaluating future alternative use of

such assets and accordingly, has not adjusted the carrying value of these assets to bring them down to net realizable value if lower than the carrying value. Taking into consideration the fact that there are currently no identified alternate plans to use these assets and further considering that these assets are specialised in nature and are subjected to a high degree of technological obsolescence, there is uncertainty on the extent of realisability / use of these assets in future. Consequently, it is not possible to ascertain the impact, if any, on depreciation and profit for the year, carrying value of these assets, accumulated depreciation and carry forward losses at year-end.

- (ii) The debenture holders had sent a notice of default dated 24 November 2004 to the Company, which was in continuation of their earlier notices of default dated 25 November 2003, 2 December 2002, 12 December 2001 and 3 December 2001, declaring the entire principal and all unpaid interest to be immediately due and payable without further presentment, demand, protest or other notice of any kind. The Company has been legally advised that the notice for payment by the debenture holders does not tantamount to redemption and therefore the defaults do not fall within the purview of clause (g) of sub section (1) of section 274 of the Companies Act, 1956. Hence, in the opinion of management, the directors of the Company were not disqualified for a period of five years as on 30 June 2005 from being appointed as directors in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956. This interpretation of the debenture deed and the law is not free from doubt and accordingly, it is difficult to conclude whether the directors of the Company were disqualified under clause (g) of sub section (1) of section 274 of the Companies Act, 1956 as at 30 June 2005.
- (iii) The financial statements have been prepared on a going concern basis. As at 30 June 2005, the Company has reported significant accumulated losses of Rs. 6,702.68 which has completely eroded its net worth of Rs. 5,519.40. Further as at 30 June 2005, the Company has a working capital deficiency of Rs. 9,805.65, after considering short-term unsecured loans of Rs. 3,364.28 (including interest) and loans payable on demand of Rs. 7,830.08 (including interest). The Company has received default notices stating that short term secured loans of Rs. 5,482.34 (including interest) and debentures of Rs. 2,347.73 (including interest), have become immediately payable.
- (b) In previous years, the Company had entered into financing agreements for purchase of network equipment with its vendors, Motorola Inc. and Siemens AG. The Company had defaulted in payment of certain contractual sums due (including interest) as per terms of these agreements. During 2002, Motorola Inc. had obtained an order through the High Court of Justice, United Kingdom, restraining the Company from permitting and facilitating any transfer or change in its shareholding without the consent of the vendor. In the same year, the legal representative of Motorola Inc. also served on the Company, a statutory notice for winding up of the Company. Further, in 2003, Motorola Inc had filed an application before Delhi High Court under Section 9 of Arbitration and Conciliation Act against the Company, inter-alia seeking to restrain the Company from effecting and / or registering any transfer of 281,489,400 equity shares of the Company held by Modi Wellvest Private Limited. The Company had undertaken in the court not to register any transfer of the aforementioned shares. Motorola Inc. also approached the High Court of Justice, United Kingdom for legal recourse through a petition for a Summary Judgment against the Company for GBP 30.92 million (equivalent to Rs. 2,456.36 approximately) plus costs. As explained to us, the Company has not been served any order so far by the High Court of Justice, United Kingdom. The balance outstanding due to Motorola Inc. as at 30 June 2005 as per Company's books is Rs. 2,534.05 (Previous year Rs. 2,596.79) including accrued interest thereon Rs. 322.76 (Previous year Rs. 256.05).
- (c) The High Court of Justice, United Kingdom had issued an Order dated 12 April 2002 for the Company to pay forthwith to Siemens AG, another vendor, a sum of USD 61.58 million (equivalent to Rs.2,692.76 approximately) including interest thereon for the period 31 October 2001 to the date of the judgment. Siemens AG had also initiated legal action against the Company in Delhi High Court for enforcement of the Order of the High Court of Justice, United Kingdom claiming relief through (a) attachment of bank accounts, (b) sale of all moveable and immovable assets and appropriation of sale proceeds towards its dues and (c) sale of the Company as a going concern and appropriation of sale proceeds towards its dues. It had also requested for an ex parte injunction order for freezing the bank accounts of the Company. The Delhi High Court vide its Orders dated 14 August 2002 (subsequently modified by Order dated 27 August 2002), 4 October 2002 and 1 November 2002 eventually, directed the Company to deposit Rs. 90 within a stipulated time and attached 281,489,400 shares of Modi Wellvest Private Limited, the holding company. An amount of Rs. 90 was duly deposited by the Company within the stipulated time as ordered by the Court. Further, in accordance with the judgment of the Delhi High Court, the designated bank accounts of the Company were frozen. The Delhi High Court vide its order dated 31 March 2003 vacated the attachment of 281,489,400 shares of Modi Wellvest Private Limited. The balance outstanding in

the designated banks stated above as at 30 June 2005 is Rs. 890.92 (Previous year Rs. 946.81). The total amount outstanding, in respect of Siemens AG as at 30 June 2005 is Rs. 2,925.57 (Previous year Rs. 2,997.26) including interest accrued thereon Rs. 353.15 (Previous year Rs.274.24 ).

Subsequent to year-end, pending the execution petition and objections filed by the Company, the Company made an application to the Delhi High Court for the release of the entire amounts lying in the attached bank accounts without prejudice to the rights and contentions of the Company. DAI Mauritius Company, a Debenture-holder (DAI) and Distacom Communications (India) Limited, a shareholder in the Company ('Distacom') made objections to the division bench of the Delhi High Court objecting to the release of the said amounts and requesting for impleading them as parties in the proceedings. The Division Bench of Delhi High Court dismissed the applications of DAI and Distacom as withdrawn since both DAI and Distacom wanted to pursue their applications filed before Single Judge of Delhi High Court. The Division Bench vide order dated 15 July 2005 has directed that the entire amount lying in the Company's designated bank accounts be released to Siemens AG. Subsequently, DAI and Distacom filed Special leave Petition before Supreme Court for opposing the release of funds to Siemens AG. The Supreme Court vide its order dated 10 August 2005 obtained an undertaking from Siemens AG, that in the event of an adverse order being ultimately passed against them in respect of outstanding litigation matters, they would deposit the money released together with interest, if any, awarded by the Court. Consequently, the Supreme Court permitted the payment of amount lying in the designated bank accounts to Siemens AG and also directed Siemens AG to give one day's notice to DAI and Distacom as to the quantum of funds intended to be withdrawn, particulars of bank accounts, account numbers and dates of withdrawal of funds. An aggregate amount of Rs. 748.01 was released to Siemens AG from the Company's designated bank accounts subsequent to year-end. Also refer to para 1(c)(B)(b)(2) of this annexure for adjustments made in the restated financial statements.

- (d) The debenture holders of 9% Senior Subordinated debentures had sent a notice of default dated 24 November 2004 to the Company, which was in continuation of their earlier notices of default dated 25 November 2003, 2 December 2002, 12 December 2001 and 3 December 2001, declaring the entire principal of USD 40 million (equivalent to Rs. 1,749.20 approximately) and all unpaid interest upto the date of notice aggregating USD 14.14 million (including penal interest) (equivalent to Rs. 618.12 approximately) to be immediately due and payable without further presentment, demand, protest or other notice of any kind. The total interest due and payable as per the Company's books of accounts is USD 13.69 million (equivalent to Rs. 598.53 approximately) as at 30 June 2005. The Company has not repaid the debentures to date. Also refer to para 1(c)(B)(b)(3) of this annexure for adjustments made in the restated financial statements.
- (e) There is a need to review the management structure and control of the Company and initiate corrective action, if any, in view of the requirements of the cellular license agreement signed between the Company and the Department of Telecommunications, Government of India ('DoT').
- (f) The Company has not yet been successful in arranging long-term funding though it has been in constant negotiation with a number of potential lenders. Therefore, success of the Company's operations, among others, is dependent upon arranging long term funding.

In the event that the Company is not successful in arranging long term funds in the near future, there is a substantial doubt on the Company's ability to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business. Management has prepared the financial statements on the basis that the going concern assumption holds true at year-end. Accordingly, the financial results do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

- (iv) In respect of Karnataka circle, there are certain old disputes with DoT due to certain adjustment / encashment of bank guarantees by DoT in previous years. Further, in respect of Punjab circle, DoT has not considered certain payments made by the Company for the purposes of computing the penalties. Management is in the process of evaluating the payments made to DoT / encashment of bank guarantees in previous years against actual license fee dues payable to ascertain if the Company is in default. Pending such evaluation and settlement of disputes, the Company is not in a position to ascertain financial impact, if any, on the financial statements. Considering the above, there is considerable uncertainty as to the quantum of financial loss,

if any that might ultimately devolve on the Company in relation to the demand. Consequently, it is not possible to ascertain the impact, if any, resulting from old outstanding disputes, demand and encashment of bank guarantees on the financial statements of the current year.

- (v) The Company was converted to a private limited company with effect from 27 October 2003. During the period prior to this date in respect of one Manager, remuneration was accrued in excess of the limits specified in Part I of Schedule XIII to the Companies Act, 1956 to the extent of Rs. 31.37. In respect of another Manager, requisite Central Government approval for payment of managerial remuneration had expired on 6 April 2003 and remuneration accrued for the period 7 April 2003 – 27 October 2003 amounting to Rs. 5.15 was therefore in excess of limits specified in Part I of Schedule XIII to the Companies Act, 1956. Pending renewal of Central Government permission, the impact, if any, on the profit for the year as well as the resultant impact on the accumulated losses is unquantifiable

This qualification was made in the light of information available at the time of finalisation of the audit report for the financial year ended 30 June 2005. Also refer to para 1(c)(B)(b)(1) of this annexure for adjustments made in the restated financial statements.

***Annexure to main Auditors' Report***

- (vi) The Company has not physically verified its fixed assets during the year.
- (vii) The internal control system for purchase of fixed assets needs to be strengthened to make it commensurate with the size of the Company and the nature of its business. There is a continuing failure to correct major weaknesses in internal control for purchase of fixed assets.
- (viii) The Company did not have an internal audit system at the Punjab circle during the year. The Company needs to strengthen its internal audit system in Karnataka circle and establish an internal audit system in Punjab circle to make it commensurate with the size and nature of its business.
- (ix) The Company's accumulated losses exceed its entire net worth at the end of the financial year
- (x) The Company has defaulted in repayment of dues to its bankers or to any financial institutions in a few numbers of cases. Further, the debenture holders had served notices of default to the Company on 3 December 2001 and on subsequent dates declaring the entire principal and all unpaid interest upto the date of notice to be immediately due and payable without further presentment, demand, protest or other notice of any kind. The Company has not repaid the dues of debenture holders till the end of the financial year.
- (xi) The funds raised on short-term basis have been used for long-term investment to the extent of Rs. 9,805.64, being the difference between long term uses of funds Rs. 15,444.22 and long-term sources of funds Rs. 5,638.57. Further, the Company may face both liquidity as well as solvency problems as it has not been successful in arranging long-term funding.

**IV. Financial year ended 30 June 2004 (Audit qualifications)**

***Main Auditors' Report***

- (xii) The debenture holders had sent a notice of default dated 24 November 2004 to the Company, which was in continuation of their earlier notices of default dated 25 November 2003, 2 December 2002, 12 December 2001 and 3 December 2001, declaring the entire principal and all unpaid interest to be immediately due and payable without further presentment, demand, protest or other notice of any kind. The Company has been legally advised that the notice for payment by the debenture holders does not tantamount to redemption and therefore the defaults do not fall within the purview of clause (g) of sub section (1) of section 274 of the Companies Act, 1956. Hence, in the opinion of management, the directors of the Company were not disqualified for a period of five years as on 30 June 2003 from being appointed as directors in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956. This interpretation of the debenture deed and the law is not free from doubt and accordingly, it is difficult to conclude whether the directors of the Company were disqualified under clause (g) of sub section (1) of section 274 of the Companies Act, 1956 as at 30 June 2004.
- (xiii) As at 30 June 2004, the company has reported significant accumulated losses of Rs. 6,772.17 which has completely eroded its net worth of Rs. 5,519.40. Further as at 30 June 2004, the company has a working capital deficiency of Rs. 10,141.09 after considering short term loans of Rs. 11,301.36 including interest. In addition, with respect to short term loans of Rs. 5,618.09 (including interest), and debentures of Rs. 2,318.99 (including interest), the company has received default notices stating that these amounts have become immediately payable.
- (a) Motorola Inc, one of the vendors, had obtained an order through the High Court of Justice, UK, restraining the company from permitting and facilitating any transfer or change in its shareholding without the consent of the vendor. The legal representative of Motorola Inc. had served a notice dated 23 August 2002 on the company instructing repayment of sums due to Motorola Inc. within stipulated time, which the company did not pay. Per the legal representatives, notice was to be treated as statutory notice for winding up of the company. During the previous year, Motorola Inc. filed an application before Delhi High Court under section 9 of Arbitration and Conciliation Act inter alia against the company seeking to

restrain the company from effecting and/ or registering any transfer of 281,489,400 equity shares of the company held by Modi Wellvest Private limited. The company has undertaken in the court not to register any transfer of 281,489,400 equity shares of the company as aforesaid. During the year Motorola Inc, has filed an application before English High court seeking the Summary Judgment against the company for GBP 30.92 million (equivalent to Rs. 2,592.98 approximately) plus costs. The application for summary judgment was fixed for hearing on 15 September 2004. The company has not served any order so far.

- (b) Further, the high court of justice, UK had issued an order dated 12 April 2002 to pay forthwith to Siemens AG a sum of USD 61.58 million (equivalent to Rs. 2,850.40 approximately) including interest thereon for the period 31 October 2001 to the date of judgment. Since then, Siemens AG has initiated legal action against the company in Delhi High Court for enforcement of the order of the High court of Justice, UK claiming relief through (a) attachment of bank accounts; (b) sale of all movable and immovable assets and appropriation of sale proceeds towards its dues; and (c) sale of the company as a going concern and appropriation of sale proceeds towards its dues. It has requested for an ex parte injunction order for freezing the bank accounts of the company. The Delhi High court vide its order dated 14 August 2002 has restrained the company from withdrawing the amount to the extent of Rs. 2,800 from the designated bank accounts. The Delhi High Court vide its order dated 27 August 2002 thereafter modified its earlier order dated 14 August 2002 by permitting the company to withdraw Rs. 150 till further hearing. Thereafter, the Delhi high court in its order dated 4 October 2002 vacated the order dated 14 August 2002 and directed the company to deposit Rs. 90 within a stipulated time and has attached 281,489.40 equity shares of Modi Wellvest Private limited, the holding company. Subsequently, the division bench of Delhi high court vide order dated 1 November 2002 stayed the operation of the order dated 4 October 2002 in so far as it vacated the order dated 14 August 2002 as modified by subsequent order dated 27 August 2002. The amount of Rs. 90 was deposited by the company within stipulated time. In accordance with the order, the designated bank accounts of the company were frozen during the year. The Delhi court vide its order dated 31 March 2003 vacated the attachment of 281,489,400 shares of Modi Wellvest Private limited. The balance outstanding in the designated banks stated above as at 30 June 2004 is Rs. 946.81 (previous year Rs. 847.00). The proceedings are pending in the Delhi High court. Also refer to para 1(c)(B)(b)(2) of this annexure for adjustments made in the restated financial statements.
- (c) Additionally, the company had also defaulted in the payment of interest of 9% Senior Subordinated debentures. The debenture holders have sent a notice of default dated 24 November 2004 to the company in continuation of their notice of default dated 25 November 2003, 2 December 2002, 12 December 2001 and 3 December 2001 declaring the entire principal of USD 40 million (equivalent to Rs. 1,851.60 approximately) and all unpaid interest upto the date of notice of USD 14.14 millions (including penal interest) ( equivalent to Rs. 654.31 approximately) to be immediately due and payable without further presentment, demand, protest or other notice of any kind. The total interest due and payable as per the company's books of accounts is USD 10.10 millions (equivalent to Rs. 467.39 approximately) as at 30 June 2004. The company has not repaid the debentures till date. The company has not yet been successful in arranging long term funding for the project though it has been in constant negotiation with a number of potential lenders. Therefore, success of the company's operations, among others, is dependent upon arranging long term funding for the project. Also refer to para 1(c)(B)(b)(3) of this annexure for adjustments made in the restated financial statements.
- (d) There is a need to review the management structure and control of the company in view of the requirements of the license agreement, as amended, relating to management structure and control and initiate corrective action, if required.

These factors raise a substantial doubt on the company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might result should the company be unable to continue as a going concern.

- (xiv) Managerial remuneration accrued upto 27 October 2003 (i.e. date of receipt of intimation of change of status by the registrar of companies) by the company in case of one of the managers is in excess of the maximum limit specified in schedule XIII Part I to the companies act, 1956 to the extent of Rs. 3.02. In case of the other manager, the central government permission expired on 6 April 2003. Remuneration accrued upto 27 October 2003 is therefore in excess of the limits specified in the schedule XIII to the companies act, 1956 to the extent of Rs. 3. The cumulative excess amount as at the year end is Rs. 36.51. Pending finalization of contract of employment with one manager and submission of the application to the central government for both the managers in this regard, the impact on the loss for the year as well as the resultant impact on the accumulated losses is not quantifiable.

This qualification was made in the light of information available at the time of finalisation of the audit report for the financial year ended 30 June 2004. Also refer to para 1(c)(B)(b)(1) of this annexure for adjustments made in the restated financial statements.

- (xv) The company has continued to make a provision of Rs. 16.31 for management fees payable to Mcorp private limited for the period January 2004 to June 2004 based on the original contract entered in October 1999 which expired on 31 December 2003 without obtaining specific approval for extending the contract from the board. Accordingly, the loss for the year and current liabilities are overstated by Rs. 16.31.

This qualification was made in the light of information available at the time of finalisation of the audit report for the financial year ended 30 June 2004. Subsequently, however, the information as to specific approval for extending the contract from the board was made available which rendered the audit qualification unnecessary and hence no adjustment has been made in respect of this qualification in the restated statement of profit and loss and the statement of assets and liabilities for the year ended 30 June 2004.

***Annexure to main Auditors' Report***

- (xvi) The internal control system for purchase of fixed assets needs to be strengthened to make it commensurate with the size of the Company and the nature of its business. There is a continuing failure to correct major weaknesses in internal control for purchase of fixed assets.
- (xvii) The company did not have an internal audit system at the Punjab circle during the year. Internal audit has been conducted at the Karnataka circle. In our opinion, the company needs to strengthen its internal audit system to make it commensurate with the size and nature of its business.
- (xviii) The company's accumulated losses exceed its entire net worth at the end of the financial year.
- (xix) The company has defaulted in the repayment of dues to the holders of privately held debentures. The debenture holders served a notice of default to the company dated 3 December 2001 and on subsequent date declaring the entire principal and all unpaid interest upto the date of notice to be immediately due and payable without further presentment, demand, protest or other notice of any kind. The company has repaid the dues of debenture holders during the year ended 30 June 2006.

**V. Financial year ended 30 June 2003 (Audit qualifications)**

***Main Auditors' Report***

- (i) The company has defaulted in payment of interest on privately held debentures. Accordingly, as per the terms of debenture deed, the principal amounts have become due and payable on the basis of the notices received from the debenture holders on 12 December 2001 and 2 December 2002. The company has not paid debentures till date. However, the company has been legally advised that the notice for the payment by the debenture holders does not tantamount to redemption and therefore the defaults do not fall within the purview of clause (g) of sub section (1) of section 274 of the companies act, 1956. Hence, in the opinion of the management, the directors of the company are not disqualified as on 30 June 2003 from being appointed as directors in terms of clause (g) of sub section (1) of section 274 of the companies act, 1956. In our opinion, this interpretation of the debenture deed and law is not free from doubt and accordingly, we are unable to conclude whether the directors of the company are disqualified under clause (g) of sub section (1) of section 274 of the companies act, 1956.
- (ii) As at 30 June 2003, the company has reported significant accumulated losses of Rs. 6,552.60 which has completely eroded its net worth of Rs. 5,519.40. Further as at 30 June 2003, the company has a net working capital deficiency of Rs. 10,978.04 after considering short term loans of Rs. 10,978.04 including interest. In addition, with respect to short term loans of Rs. 5,542.18 (including interest), and debentures of Rs. 2,066.34 (including interest), the company has received default notices stating that these amounts have become immediately payable.
  - (a) During the previous year, Motorola Inc., one of the vendors, had obtained an order through the High Court of Justice, UK, restraining the company from permitting and facilitating any transfer or change in its shareholding without the consent of the vendor. The legal representative of Motorola Inc. has served a notice dated 23 August 2002 on the company instructing repayment of sums due to Motorola Inc. within a stipulated time, which the company did not pay. Per the legal representatives, the notice was to be treated as a statutory notice for winding up of the company. During the year, Motorola Inc. filed an application before Delhi High court under section 19 of Arbitration and Limitation Act inter alia against the company seeking to restrain the company from effecting and/ or registering any transfer of 281,489,400 equity shares of the company held by Modi Wellvest Private limited. The company has undertaken in the court not to register any transfer of 281,489,400 equity shares of the company as aforesaid.
  - (b) Further the High court of Justice, UK had issued an order dated 12 April 2002 to pay forthwith to Siemens AG a sum of USD 61.58 millions (equivalent to Rs. 3,021.58 approximately) including interest thereon for the period 31 October 2001 to the date of the judgment. Since then, Siemens AG has initiated legal action against the company in Delhi High Court for enforcement of the order of High Court of Justice, UK claiming relief through (a) attachment of bank accounts; (b) sale of all movable and immovable assets and appropriation of sale proceeds towards its dues; sale of the company as a



going concern and appropriation of sale proceeds towards its dues. It has requested for an ex parte injunction order for freezing the bank accounts of the company. The Delhi High court vide its order dated 14 August 2002 has restrained the company from withdrawing the amount to the extent of Rs. 2,800 from the designated bank accounts. The Delhi High Court vide its order dated 27 August 2002 thereafter modified its earlier order dated 14 August 2002 by permitting the company to withdraw Rs. 150 till further hearing. Thereafter, the Delhi high court in its order dated 4 October 2002 vacated the order dated 14 August 2002 and directed the company to deposit Rs. 90 within a stipulated time and has attached 281,489,400 equity shares of Modi Wellvest Private limited, the holding company. Subsequently, the division bench of Delhi high court vide order dated 1 November 2002 stayed the operation of the order dated 4 October 2002 in so far as it vacated the order dated 14 August 2002 as modified by subsequent order dated 27 August 2002. The amount of Rs. 90 was deposited by the company within stipulated time. In accordance with the order, the designated bank accounts of the company were frozen during the year. The Delhi court vide its order dated 31 March 2003 vacated the attachment of 281,489,400 shares of Modi Wellvest Private limited. The balance outstanding in the designated banks stated above as at 30 June 2003 is Rs. 847. Also refer to para 1(c)(B)(b)(2) of this annexure for adjustments made in the restated financial statements.

- (c) Additionally, the company has also defaulted in the payment of interest of 9% senior subordinated debentures. During the year, the debenture holders sent a Notice of default to the company, declaring the entire principal of USD 40 millions and all unpaid interest (including penal interest) up to the date of notice amounting to USD 5.29 millions to be immediately due and payable without further presentment, demand, protest or other notice of any kind. However, against the above demand of USD 5.29 million, the company has made a provision of interest amounting to USD 3.6 million for the year ended 30 June 2003 at the rate of 9%. Also refer to para 1(c)(B)(b)(3) of this annexure for adjustments made in the restated financial statements.

The company has not been successful in arranging long term funding for the project. Therefore, success of the company's operations, among others, is dependent upon arranging long term funding for the project. These factors raise a substantial doubt on the company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might result should the company be unable to continue as a going concern.

- (iii) Managerial remuneration accrued by the company in case of one of the managers is in excess of the maximum limit specified in schedule XIII part 1 to the companies act, 1956 to the extent of Rs. 8.44. In case of the other manager, the central government permission expired on 6 April 2003. Remuneration accrued beyond 6 April 2003 is therefore in excess if the maximum limits specified in the schedule XIII to the companies act, 1956 to the extent of Rs. 2.15. The cumulative excess amount as at the year end is Rs. 30.49. Pending finalization of contract of employment with one manager and submission of the application to the central government for both the managers in this regard, we are unable to quantify the impact on the profit for the year as well as the resultant impact on the accumulated losses.  
This qualification was made in the light of information available at the time of finalisation of the audit report for the financial year ended 30 June 2003. Also refer to para 1(c)(B)(b)(1) of this annexure for adjustments made in the restated financial statements.

#### ***Annexure to main Auditors' Report***

- (iv) The fixed assets of the company have not been verified by the management during the year in the Karnataka circle and hence discrepancies, if any, could not be determined. Further, in respect of verification at Punjab circle, the management has not reconciled physical balances with book records and accordingly no adjustments have been made in the books of accounts.
- (v) The company has granted interest free loan or advances in the nature of loans to employees who are repaying the principal amounts as stipulated. Interest free advances in the nature of loan amounting to Rs.11. 89 has been given to a company, for which no terms of repayment have been stipulated.
- (vi) The internal control procedure needs to be strengthened to make it commensurate with the size of the company and the nature of its business for purchase of spare parts, components and other assets.

- (vii) The company has conducted internal audit for the year. However, the scope of the internal audit needs to be enhanced and extended to all areas to make it commensurate with the size of the company and the nature of its business.

VI. Financial year ended 30 June 2002 (Audit qualifications)

***Main Auditors' Report***

- (i) As at 30 June 2002, the company has reported significant accumulated losses of Rs. 6,778.83 which has completely eroded its net worth of Rs. 5,519.40. Further as at 30 June 2002, the company has a net working capital deficiency of Rs. 10,748.97 after considering short term loans of Rs. 11,049.26 including interest. In addition, with respect to short term loans of Rs. 5,664.48 (including interest), and debentures of Rs. 1,994.55 (including interest), the company has received default notices stating that these amounts have become immediately payable.
- (a) During the year, Motorola Inc., one of the vendors, had obtained an order through the High Court of Justice, UK, restraining the company from permitting and facilitating any transfer or change in its shareholding without the consent of the vendor. The legal representative of Motorola Inc. has served a notice dated 23 August 2002 on the company instructing repayment of sums due to Motorola Inc. within a stipulated time, which the company did not pay. Per the legal representatives, the notice was to be treated as a statutory notice for winding up of the company.
- (b) Further the High court of Justice, UK had issued an order dated 12 April 2002 to pay forthwith to Siemens AG a sum of USD 61.58 millions (equivalent to Rs. 3,021.58 approximately) including interest thereon for the period 31 October 2001 to the date of the judgment. Since then, Siemens AG has initiated legal action against the company in Delhi High Court for enforcement of the order of High Court of Justice, UK claiming relief through (a) attachment of bank accounts; (b) sale of all movable and immovable assets and appropriation of sale proceeds towards its dues; sale of the company as a going concern and appropriation of sale proceeds towards its dues. It has requested for an ex parte injunction order for freezing the bank accounts of the company. The Delhi High court vide its order dated 14 August 2002 has restrained the company from withdrawing the amount to the extent of Rs. 2,800 from the designated bank accounts. Thereafter, the Delhi High Court vide its order dated 27 August 2002 thereafter modified its earlier order dated 14 August 2002 by permitting the company to withdraw Rs. 150 till further hearing. Thereafter, the Delhi high court in its order dated 4 October 2002 vacated the order dated 14 August 2002 and directed the company to deposit Rs. 90 within a stipulated time and has attached 281,489,400 equity shares of Modi Wellvest Private limited, the holding company. Subsequently, the division bench of Delhi high court vide order dated 1 November 2002 stayed the operation of the order dated 4 October 2002 in so far as it vacated the order dated 14 August 2002 as modified by subsequent order dated 27 August 2002. The amount of Rs. 90 was deposited by the company within stipulated time. In accordance with the order, the designated bank accounts of the company were frozen subsequent to the year end. Also refer to para 1(c)(B)(b)(2) of this annexure for adjustments made in the restated financial statements.
- (c) Additionally, the company has also defaulted in the payment of interest of 9% senior subordinated debentures. The interest payable as on 18 November 2001 was USD 3.60 million, out of which the Company paid an amount of USD 2.95 millions on 13 May 2002. The balance of USD 0.65 millions is still outstanding as on date. Subsequent to the year end, the debenture holders have sent a Notice of default to the company, declaring the entire principal of USD 40 millions and all unpaid interest (including penal interest) up to the date of notice amounting to USD 5.29 millions to be immediately due and payable without further presentment, demand, protest or other notice of any kind. Also refer to para 1(c)(B)(b)(3) of this annexure for adjustments made in the restated financial statements.
- (d) There is a need to review the management structure and control of the company in view of the requirements of the license agreement, as amended, relating to management structure and control and initiate corrective action, if required.

The company has not been successful in arranging long term funding for the project. Therefore, success of the company's operations, among others, is dependent upon arranging long term funding for the project. These factors raise a substantial doubt on the company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might result should the company be unable to continue as a going concern.

- (ii) Managerial remuneration accrued by the company in case of one of the managers is in excess of the maximum limit specified in schedule XIII part 1 to the companies act, 1956 to the extent of Rs. 8.91. The cumulative excess amount as at the year end is Rs. 19.91. Pending submission of the application to the central government in this regard, we are unable to quantify the impact on the profit for the year as well as the resultant impact on the accumulated losses.  
This qualification was made in the light of information available at the time of finalisation of the audit report for the financial year ended 30 June 2002. Also refer to para 1(c)(B)(b)(1) of this annexure for adjustments made in the restated financial statements.

***Annexure to main Auditors' Report***

- (iii) The fixed assets of the company have not been verified by the management during the year except for network equipment in the Karnataka circle and hence discrepancies, if any, could not be determined.
- (iv) The internal control procedure needs to be strengthened to make it commensurate with the size of the company and the nature of its business.
- (v) The company needs to strengthen its internal audit system to make it commensurate with the size and nature of its business.

**3. Significant notes (based on audited financial statements) and changes in the business of the Company during the last five financial years, other than those covered in para 1 below**

**I. Period ended 31 December 2006 (significant notes)**

**(a) Background**

The Company was originally incorporated as a private limited company on March 28, 1995 under the name of "Modicom Network Private Limited". The Company subsequently became a deemed public company under section 43(1A) of the Companies Act, 1956 with effect from April 1, 1999 and the name of the Company was changed to "Modicom Network Limited". The name of the Company was further changed to "Spice Communications Limited" vide fresh Certificate of Incorporation dated December 3, 1999. With addition of the word 'Private' in the name of the Company under Section 43A (2A) of the Companies Amendment Act, 2000, the name was again changed to "Spice Communications Private Limited" with effect from October 28, 2003. On December 28, 2006, the Company was converted into a public limited company and the name was changed to "Spice Communications Limited".

**(b) Going concern**

As at Balance Sheet date, the Company has significant accumulated losses of Rs.7,043 which has completely eroded its net worth of Rs. 5,519. The Company, during the previous year, had settled all old outstanding disputes with its vendors and debenture holders. Further, the Company had also arranged for long term loan facilities for repayment of existing indebtedness and for continuation and expansion of business operations in future. These loan facilities have been supported by Telecom Malaysia Group which effectively holds 49% shares in the Company from 10 May 2006.

However, the Company has devised formal plans and has restructured the operations of the Company, so as to improve significantly its future results. Accordingly, management is of the view that the going concern assumption still holds true and that the Company will be able to realise its assets and discharge its liabilities in the normal course of business. Consequently, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

- (c) During the previous years, the Company had retired from active use existing Mobile Switching Centres (MSC's) and related assets and has replaced the same with new MSCs. Accordingly, all call processing and other related activities were completely migrated from the old MSC's to the new MSC's. The gross block of MSC's and related assets retired from active use as at 31 December 2006 is Rs. 613.18 and net book value as on the same date is Rs.172.64. However, during the current period the

Company has commissioned and integrated the switches in Karnataka Circle. The switches are being used as Transit switches routing the domestic long distance calls to and from Spice, Karnataka network. Consequently the Company is confident of recovering the value in use from such future operations.

- (d) The Company has entered into infrastructure sharing agreements with other cellular operators in the Punjab and Karnataka circles whereby both the operators have decided to share various identified sites with each other to provide cellular services more effectively to their respective subscribers and income/expenditure arising out of the same has been accounted on a net basis. The same has been netted off against repair and maintenance cost of period 1 July 2006 to 31 December 2006.
- (e) Telecom Disputes Settlement Appellate Tribunal ('TDSAT') had vide its order dated 29 March 2004 directed BSNL to refund to the Company the arrears of 5% pass through charges aggregating Rs. 19,851 in respect of the Punjab circle and Rs. 16,474 in respect of the Karnataka circle, including interest thereon @ 12% per annum for the period 25 January 2001 to 31 March 2002. Subsequently, BSNL had filed an appeal with the Hon'ble Supreme Court against the above-mentioned order of TDSAT. During the previous year, the Hon'ble Supreme Court, vide its interim order had granted interim relief to the Company allowing it to adjust the arrears of pass through charges receivable from BSNL as per TDSAT order, against other amounts payable to BSNL from time to time provided the Company furnishes a financial bank guarantee of equivalent amount. BSNL had vide its letter dated 31 March 2005 allowed adjustment of this amount to the Company upon the Company furnishing a bank guarantee from a nationalized bank. Per the interim order received from the Hon'ble Supreme Court, such financial bank guarantee was provided by the Company in respect of Punjab circle in April 2005. However, the Company has not provided BSNL with such financial bank guarantee in respect of Karnataka circle. Per the interim order of the Hon'ble Supreme Court, in the event of BSNL succeeding in its appeal, the Company shall have to refund the amount so adjusted with BSNL, together with interest thereon, at the rate to be determined by the Supreme Court. Due to lack of virtual certainty of ultimate recoverability of such circle-wise refunds awarded by TDSAT, the Company has not recognised the contingent asset during the period ended 31 December 2006.
- (f) The Company has in the current period, received a circle-wise demand for penalty including interest thereon from the Wireless Planning Finance branch (or "WPC") of DoT vide letter No. 1000-54/2004-05/WFD. Through this demand, the WPC has sought to levy the interest on the outstanding dues as per WPC, for the period between February 1999 to December 2001. In addition a penalty was also sought to be levied on, these outstanding dues of WPC charges for the period 2003-04. Further interest was levied for the period from January 2002 to till date on the opening difference as at 31 December 2001 and penalty charge as stated above. The circle-wise details of demand are as follows:

	<b>Punjab</b>	<b>Karnataka</b>	<b>Total</b>
Principal due	37.37	13.36	<b>50.73</b>
Interest due	166.49	140.25	<b>306.74</b>
<b>Total</b>	<b>203.86</b>	<b>153.61</b>	<b>357.47</b>

The Company has filed a response to the demand wherein the Company has disputed the basis of outstanding penalty and interest as explained above and is in the process of initiating discussions/ reconciliations with WPC. The Company, in response to the demand has claimed that:

- The increase in opening balance of WPC dues as on 31 December 2001 is solely attributable to the interest being levied for the period February 1999 to December 2001. This charge of interest on spectrum dues, resulting into revision of opening balance as on 31 December 2001 which is further impacting other computations, is totally arbitrary and unjustified for the reasons set out hereinafter. Neither clause 19 nor 20 of the Licence Agreement dated 9 September 1996 nor communications from WPC fixing rates of royalty/licence Fee provide for levy of any interest on delayed WPC charges. The words "overdue payment" in clause 19 are referable to overdue Licence Fee payments and not any other payments/charges. Further, even clause 20 of the Licence Agreement, which deals with WPC Wing Licence, does not prescribe levy of any interest on WPC Charges.
- The charge of penalty is also not justified in terms of clause 3.8 of Licence agreement which provide, inter alia, that if the total amount paid on self assessment of the Operator as quarterly licence fee for the four quarters of the financial year, falls short by more than 10% of the payable Licence fee, then it will attract a penalty of 150% of the entire amount of short payment. The words "total amount paid on self assessment of the Licensee as quarterly licence fee" in clause 3.8 are

specifically referable to the amount of licence fee alone. This clause does not refer to include an amount on any other account. Therefore, any unpaid WPC charges cannot result in a shortfall of 10% as contemplated in the said clause 3.8 because under the said clause the shortfall of 10% must arise out of the amount paid on account of Licence fee alone and not on any other account.

- Interest from January 2002 till date on the opening difference as stated in point (a) and on penalty charge as stated in point (b) above is not payable by the Company for the reasons that interest for the period February 1999 to December 2001 resulting in revision of opening difference and penalty imposed are not payable. Therefore payment of interest on such amount will not arise.

Further, the Company has subsequent to the period end obtained legal opinions from eminent lawyers which also confirm the aforesaid claims by the Company and reiterate that no interest or penalty as demanded can be charged by WPC. Accordingly, the Company is of the view that the above demand is not tenable in law and consequently the Company has no obligation to make good the demand.

- (g) The Company has adopted Accounting Standard 22 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India with effect from 1 July 2002. As at 1 July 2006 and 31 December 2006, the Company has significant unabsorbed tax losses. In view of the absence of virtual certainty of realisation of unabsorbed tax losses, deferred tax asset has been recognised only to the extent of deferred tax liabilities. The break up of deferred tax assets and deferred tax liabilities into major components of the respective balances are stated below:

	As at 31 December 2006	As at 30 June 2006
<b>Deferred tax assets</b>		
Provision for doubtful advances	8,015	7,983
Provision for doubtful debts	76,402	88,094
Provision for staff benefits	18,144	13,336
Provision for contingencies	4,331	4,331
Provision for service tax	2,346	1,398
Business losses and unabsorbed depreciation	3,280,170	2,271,086
Disallowance under section 40(a) of Income Tax Act, 1961	92,300	397,886
<b>Total deferred tax assets</b>	<b>3,481,709</b>	<b>2,784,114</b>
<b>Deferred tax assets recognized (a)</b>	<b>865,337</b>	<b>782,390</b>
<b>Deferred tax liabilities</b>		
Accumulated depreciation	595,811	511,628
Amortisation of licence entry fees	193,403	191,622
Amortisation of loan origination cost	76,123	79,140
<b>Total deferred tax liability (b)</b>	<b>865,337</b>	<b>782,390</b>
<b>Net deferred tax assets / (liabilities) (a-b)</b>	<b>-</b>	<b>-</b>

- (h) Central Board of Excise and Customs ('CBEC') has vide its circular dated 3 January 2007 has clarified that the domestic telecom operators providing roaming service to international in-bound roamers are liable to pay service tax on the amount received through the home network on account of service provided to such international roaming subscriber with effect from 15 January 2007.

The Board has also clarified that the service to in-bound roamers is delivered and consumed in India and, therefore, it is not an export of service, hence not exempt. The date of applicability of this circular is 15 January 2007. For the period prior to this date, the matter is under examination of the Board. However, the Company has been charging service tax on such international roaming services with effect from 1 July 2006.

- (i) On December 28, 2006, the Company was converted into a public limited company thereby attracting certain additional provisions of the Companies Act, 1956, including compliance with Schedule XIII to the Act. Consequently, the Company has initiated the requisite procedures to obtain all necessary approvals as contemplated by the Companies Act, 1956 in respect of appointment/remuneration of Managing/Whole time director. Further the managing director has waived his right to receive any remuneration for the period 1 November 2006 (being the date of his appointment as managing director and approval to his remuneration by board) to 31 December 2006.
- (j) The Company has changed its statutory year ending from 30 June to 31 December vide Board resolution passed dated 8 January 2007. Accordingly, the financial statements have been prepared for the six-month period from 1 July 2006 to 31 December 2006.
- (k) The Company accrues and pays for revenue share license fees to the Department of Telecommunications ("DoT") and spectrum charges to the Wireless Planning and Coordination wing of the Ministry of Communications ("WPC") by applying applicable rates on Adjusted Gross Revenue ("AGR") as defined under clause 19 of the Unified Access Services Licensee ("UASL") agreement. Interalia, per UASL AGR is defined to include 'Revenue from permissible sharing of infrastructure' and 'any other item of miscellaneous revenue'.

The Company had not accrued revenue share licensee fees and spectrum charges as explained above on certain items pertaining to year ended 30 June 2006, being write back of liability on settlement of vendor litigations of Rs.563.22, write back of liability on account of settlement/repayment of debentures of Rs. 80.62, write back of managerial remuneration payable to its managers no longer required of Rs. 70, write back of old outstanding from vendors of Rs. 17.75, write back of old spectrum charges payable to Wireless Planning and Coordination wing of the Ministry of Communications no longer required of Rs. 8.36 and other liabilities no longer required written back of Rs. 5.55. However no such write backs have been made in the current period.

In the opinion of the management these items merely represent write back of certain liabilities pertaining to certain expenses charged in earlier years and therefore are an adjustment to the amount of the expense as estimated in the earlier years. Therefore the aforesaid items cannot be included in the definition of revenue. Further, based on constructive interpretation of the definition of 'AGR' and other provisions of UASL, management considers that write back of liabilities which did not correspond to expenses charged to previous year have not been envisaged by UASL.

The whole issue of computation of AGR is being reviewed before the Telecom Regulatory Authority of India ("TRAI") by the Government as well as the cellular operators. The matter has been referred back to TRAI by Telecom Dispute Settlement Appellate Tribunal ("TDSAT"), subsequent to the year end. Further, we are informed that, during the period TRAI has since made its recommendations to TDSAT, however the final outcome is still pending and accordingly no provision for any liability of WPC/DOT License fees, if any that may result has been made in the financial statements.

## **II. Year ended 30 June 2006**

### **a) Settlement of vendor litigations**

In previous years, the Company had entered into financing agreements for purchase of network equipment with Motorola Inc. The Company had defaulted in payment of certain contractual sums due (including interest) as per terms of these agreements. During 2002, Motorola Inc, had obtained an order through the High Court of Justice, United Kingdom, restraining the Company from permitting and facilitating any transfer or change in its shareholding without the consent of the vendor. In the same year, the legal representative of Motorola Inc. also served on the Company, a statutory notice for winding up of the Company. Further, in 2003, Motorola Inc had filed an application before Delhi High Court under Section 9 of Arbitration and Conciliation Act against the Company, inter-alia seeking to restrain the Company from effecting and / or registering any transfer of 281,489,400 equity shares of the Company held by Modi Wellvest Private Limited. The Company had undertaken in the court not to register any transfer of the afore-mentioned shares. Motorola Inc. also approached the High Court of Justice, United

Kingdom for legal recourse through a petition for a Summary Judgment against the Company for GBP 30.92 millions (equivalent to Rs. 2,456.36 approximately) plus costs.

During the year, the Company has entered into an out of court settlement on 28 April 2006 with Motorola Inc. whereby the Company agreed to pay INR equivalent of USD 50 millions as settlement of all outstanding dues. Accordingly, the Company and Motorola Inc. moved a joint application with the Delhi High Court together with a copy of the settlement agreement recording the terms of settlement. Consequently, all pending applications, interim orders on and undertakings given by either parties in the past were discharged by the court vide its order dated 5 May 2006. To give effect to the settlement and court approval thereof, the Company transferred necessary funds to an escrow account and eventually disbursed Rs. 2,248.48 being INR equivalent of USD 50 millions to Motorola Inc. on 10 May 2006.

The balance outstanding in the Company's books as at date of payment was Rs 2,712.38 including interest accrued thereon of Rs 438.41 till the date of settlement.

Consequently, Rs 463.91 being the difference between the amount outstanding on the date of payment /settlement and amount paid on settlement has been written back in the profit and loss account for current year.

In previous years, the Company had entered into financing agreements for purchase of network equipment with Siemens AG. The Company had defaulted in payment of certain contractual sums due (including interest) as per terms of these agreements. The High Court of Justice, United Kingdom had issued an Order dated 12 April 2002 for the Company to pay forthwith to Siemens AG, another vendor, a sum of USD 61.58 millions (equivalent to Rs. 2,692.76 approximately) including interest thereon for the period 31 October 2001 to the date of the judgment. Siemens AG had also initiated legal action against the Company in Delhi High Court for enforcement of the Order of the High Court of Justice, United Kingdom claiming relief through (a) attachment of bank accounts, (b) sale of all moveable and immovable assets and appropriation of sale proceeds towards its dues and (c) sale of the Company as a going concern and appropriation of sale proceeds towards its dues. It had also requested for an ex parte injunction order for freezing the bank accounts of the Company. The Delhi High Court vide its Orders dated 14 August 2002 (subsequently modified by Order dated 27 August 2002), 4 October 2002 and 1 November 2002 eventually, directed the Company to deposit Rs. 90 within a stipulated time and attached 281,489,400 shares of Modi Wellvest Private Limited, the holding company. An amount of Rs. 90 was duly deposited by the Company within the stipulated time as ordered by the Court. Further, in accordance with the judgment of the Delhi High Court, the designated bank accounts of the Company were frozen. The Delhi High Court vide its order dated 31 March 2003 vacated the attachment of 281,489,400 shares of Modi Wellvest Private Limited.

During the year, pending the execution petition and objections filed by the Company, the Company made an application to the Delhi High Court for the release of the entire amounts lying in the attached bank accounts without prejudice to the rights and contentions of the Company. DAI Mauritius Company, a Debenture-holder (DAI) and Distacom Communications (India) Limited, a shareholder in the Company ('Distacom') made objections to the division bench of the Delhi High Court objecting to the release of the said amounts and requesting for impleading them as parties in the proceedings. The Division Bench of Delhi High Court dismissed the applications of DAI and Distacom as withdrawn since both DAI and Distacom wanted to pursue their applications filed before Single Judge of Delhi High Court. The Division Bench vide order dated 15 July 2005 has directed that the entire amount lying in the Company's designated bank accounts be released to Siemens AG. Subsequently, DAI and Distacom filed Special leave Petition before Supreme Court for opposing the release of funds to Siemens AG. The Supreme Court vide its order dated 10 August 2005 obtained an undertaking from Siemens AG, that in the event of an adverse order being ultimately passed against them in respect of outstanding litigation matters, they would deposit the money released together with interest, if any, awarded by the Court. Consequently, the Supreme Court permitted the payment of amount lying in the designated bank accounts to Siemens AG and also directed Siemens AG to give one day's notice to DAI and Distacom as to the quantum of funds intended to be withdrawn, particulars of bank accounts, account numbers and dates of withdrawal of funds. An aggregate amount of Rs.748.01 was released to Siemens AG from the Company's designated bank accounts.

Further during the year, the Company has entered into an out of court settlement on 28 April 2006 with Siemens AG whereby the Company agreed to pay INR equivalent of USD 50 millions as settlement of all outstanding dues. Accordingly, the Company and Siemens AG moved a joint application with the Delhi High Court together with a copy of the settlement agreement recording the terms of settlement. Consequently, all pending applications, interim orders on and undertakings given by either parties in the past were discharged by the court vide its order dated 5 May 2006. To give effect to the settlement and court approval thereof, the

Company transferred necessary funds to an escrow account and eventually disbursed Rs 2,248.48 being INR equivalent of USD 50 millions to Siemens AG on 10 May 2006.

The balance outstanding in the Company's books as at date of payments was Rs 2,371.54 including interest accrued thereon of Rs 484.02 till the date of settlement.

Consequently, Rs 123.06 being the difference between the amount outstanding on the date of payment /settlement and amount paid on settlement has been written back in the profit and loss account for current year.

Pursuant to the settlement, Rs 90 deposited with the Delhi High Court as explained earlier has been refunded to the Company along with interest of Rs 14.31 thereon. Also refer to para 1(c)(B)(b)(2) of this annexure for adjustments made in the restated financial statements

- b) The Company issued in previous years 9% Senior Subordinated Debentures Series I and II, each of USD 20 million (i.e. USD 40 million) non-convertible redeemable in 2008. The debenture facility was to be paid out in three equal installments at the end of the 7th, 8th and 9th anniversary of the draw-down date i.e. November 18, 1999.

The debenture holders of 9% Senior Subordinated debentures had sent a notice of default dated 24 November 2004 to the Company, which was in continuation of their earlier notices of default dated 25 November 2003, 2 December 2002, 12 December 2001 and 3 December 2001, declaring the entire principal of USD 40 millions (equivalent to Rs. 1,749.20 approximately) and all unpaid interest (including penal interest) upto the date of notice aggregating USD 14.14 millions (equivalent to Rs. 618.12 approximately) to be immediately due and payable without further presentment, demand, protest or other notice of any kind. During the year, the Company has entered into a settlement agreement dated 28 April 2006 with DAI (Mauritius) Company Limited whereby the Company agreed to pay INR equivalent of USD 55 millions as full and final settlement of all outstanding dues. To give effect to the settlement, the Company transferred necessary funds to an escrow account and eventually disbursed Rs 2,473.32 INR equivalent of USD 55 million to DAI (Mauritius) on 10 May 2006.

The balance outstanding in the Company's books as at date of payment was Rs 2,553.94 including interest accrued thereon of Rs 754.91 till the date of settlement.

Consequently, Rs 80.62 being the difference between the amount outstanding on the date of payment /settlement and amount paid on settlement has been written back in the profit and loss account for the current year. Also refer to para 1(c)(B)(b)(3) of this annexure for adjustments made in the restated financial statements

- c) Financing and other restructuring

During the year, the Company has undertaken significant financing restructuring with respect to debts by taking fresh debts and repaying the existing debts. The company entered in to an agreement on 4 May 2006 with 5 banks, namely DBS, Duetsche Bank, HSBC, Barclays and YES Bank, to form a consortium and borrow a sum of USD 265 million.

The loan utilization is as follows:

(a) USD 215 million (Rs. 9,668.55) to discharge the amount due to Motorola Inc, Siemens AG, Senior subordinate debentures and other shareholders debts.

(b) USD 50 million (Rs 2,315.45) shall be used for the specific purposes as defined in the agreement (i.e., capex, payment of long outstanding, capital advance, etc.). Out of the total USD 50 million, the company has drawdown USD 15 million (Rs. 683.40) upto 30 June 2006. The balance outstanding as at 30 June 2006 amounts to Rs. 691.47, including exchange rate fluctuation loss of Rs. 8.07.

The repayment of USD 215 million outstanding loan amounts will commence after the lapse of 16 months and the entire amount has to be repaid within 84 months from the end of date of agreement.

The repayment of USD 50 million outstanding loan amounts will commence after the lapse of 63 months and the entire amount has to be repaid within 84 months from the end of the date of agreement.

Pursuant to refinancing, the Company has incurred certain upfront administrative fees, lawyers fees etc amounting to Rs 240.85 as ancillary costs in connection with arrangement of borrowing. In accordance with the Company's policy, the Company has accounted for such costs as deferred revenue expenditure under the head "miscellaneous expenditure to the extent not written off" in balance sheet and is accounting such costs over the life of the loan on a straight line basis. Accordingly, during the year, Rs 5.74 has been charged to the profit and loss account.

As the Company has prepaid its unsecured loans, the Company has also incurred certain prepayment charges amounting to Rs 17.44. The Company has charged off the same in the current year's profit and loss account. Further the Company has incurred



Rs. 23.11 in relation to restructuring of shareholding during the year and charged off the same in the current year's profit and loss account.

- d) During the year, the Company has entered into "Infrastructure Leasing" agreements with various vendors whereby the vendors will provide services to the Company in the nature of acquisition and construction of sites for installation of Base Transceivering Stations (BTSs or cell sites), which mainly includes obtaining legal approvals and permissions, tower construction, electrical works, installation of air conditioner, SMS power plant, maintenance of infrastructure etc. The Company has accounted for these agreements as an operating lease as required by Accounting Standard-19 on "Accounting for Leases". The lease rentals paid under such agreement amounts to Rs. 36.82.
- e) The Company accrues and pays for revenue share license fees to the Department of Telecommunications ("DoT") and spectrum charges to the Wireless Planning and Coordination wing of the Ministry of Communications ("WPC") by applying applicable rates on Adjusted Gross Revenue ("AGR") as defined under clause 19 of the Unified Access Services Licensee ("UASL") agreement. Inter alia, per UASL AGR is defined to include 'Revenue from permissible sharing of infrastructure' and 'any other item of miscellaneous revenue'.

The Company has not accrued revenue share licensee fees and spectrum charges as explained above on certain items, being write back of liability on settlement of vendor litigations of Rs. 563.22, write back of liability on account of settlement/repayment of debentures of Rs. 80.62, write back of managerial remuneration payable to its managers no longer required of Rs. 70 write back of old outstanding from vendors of Rs. 17.75, write back of old spectrum charges payable to Wireless Planning and Coordination wing of the Ministry of Communications no longer required of Rs. 8.36 and other liabilities no longer required written back of Rs. 5.55.

These items merely represent write back of certain expenses and liabilities charged in earlier years and therefore are an adjustment to the amount of the expense as estimated in the earlier years. Therefore the aforesaid items cannot be included in the definition of revenue.

The whole issue of computation of AGR is being reviewed before the Telecom Regulatory Authority of India ("TRAI") by the Government as well as the cellular operators.

### **III. Year ended 30 June 2005 (significant notes)**

#### **a) Going concern**

The accompanying financial statements have been prepared assuming that the Company would continue as a going concern. The Company has reported significant accumulated losses of Rs. 6,702.68 which has completely eroded its net worth of Rs. 5,519.40. Further, as at 30 June 2005, the Company has a working capital deficiency of Rs. 9,805.65 after considering short-term unsecured loans of Rs. 3,364.28 (including interest) and loans payable on demand of Rs. 7,830.08 (including interest). In addition, with respect to short-term loans of Rs. 5,482.34 (including interest) and debentures of Rs. 2,347.73 (including interest), the Company had received default notices from the parties and these amounts have become immediately payable.

In previous years, the Company had entered into financing agreements for purchase of network equipment with its vendors, Motorola Inc. and Siemens AG. The Company had defaulted in payment of certain contractual sums due (including interest) as per terms of these agreements. During 2002, Motorola Inc. had obtained an order through the High Court of Justice, United Kingdom, restraining the Company from permitting and facilitating any transfer or change in its shareholding without the consent of the vendor. In the same year, the legal representative of Motorola Inc. also served on the Company, a statutory notice for winding up of the Company. Further, in 2003, Motorola Inc had filed an application before Delhi High Court under Section 9 of Arbitration and Conciliation Act against the Company, inter-alia seeking to restrain the Company from effecting and / or registering any transfer of 281,489,400 equity shares of the Company held by Modi Wellvest Private Limited. The Company had undertaken in the court not to register any transfer of the afore-mentioned shares. Motorola Inc. also approached the High Court of Justice, United Kingdom for legal recourse through a petition for a Summary Judgment against the Company for GBP 30.92 million (equivalent to Rs. 2,456.36 approximately) plus costs. As explained to us, the Company has not been served any order so far by the High Court of Justice, United Kingdom. The balance outstanding due to Motorola Inc. as at 30 June 2005 as per Company's books is Rs. 2,534.05 (Previous year Rs. 2,596.79) including accrued interest thereon Rs. 322.76 (Previous year Rs. 256.05).

Siemens AG obtained an order in 2002 from the High Court of Justice, United Kingdom directing Company to pay forthwith to Siemens AG, a sum of USD 61.58 million (equivalent to Rs. 2,692.76 approximately) including interest thereon. Siemens AG had initiated legal action against the Company in Delhi High Court for enforcement of the Order of the High Court of Justice, United Kingdom claiming relief through (a) attachment of bank accounts, (b) sale of all moveable and immovable assets and appropriation of sale proceeds towards its dues and (c) sale of the Company as a going concern and appropriation of sale proceeds towards its dues. It had also requested for an ex parte injunction order for freezing the bank accounts of the Company. The Delhi High Court vide its Orders dated 14 August 2002 (subsequently modified by Order dated 27 August 2002), 4 October 2002 and 1 November 2002 directed the Company to deposit Rs. 90 within a stipulated time and attached 281,489,400 shares of Modi Wellvest Private Limited, the holding company. Further, in accordance with the judgment of the Delhi High Court, the designated bank accounts of the Company were frozen. The Delhi High Court vide its order dated 31 March 2003 vacated the attachment of 281,489,400 shares of Modi Wellvest Private Limited. The balance outstanding in the designated banks stated above as at 30 June 2005 is Rs. 890.92 (Previous year Rs. 946.81). The total amount outstanding, in respect of Siemens AG as at 30 June 2005 is Rs.2,925.57 (Previous year Rs. 2,997.26) including interest accrued thereon Rs. 353.15 (Previous year Rs. 274.24).

Subsequent to year-end, the Company made an application to the Delhi High Court for the release of the entire amount lying in the attached designated bank accounts aforementioned, without prejudice to the rights and contentions of the Company. DAI Mauritius Company, a Debenture-holder ('DAI') and Distacom Communications (India) Limited, a shareholder in the Company ('Distacom') filed an application before the Division Bench of the Delhi High Court objecting to the release of the said amounts, but the same was dismissed by the Division Bench of Delhi High Court. The Division Bench vide order dated 15 July 2005 directed that the entire amount lying in the Company's designated bank accounts be released to Siemens AG. DAI Mauritius Company, a Debenture-holder ('DAI') and Distacom Communications (India) Limited, a shareholder in the Company ('Distacom') filed a Special Leave Petition before Supreme Court opposing the release of funds to Siemens AG. The Supreme Court, vide its order dated 10 August 2005 obtained an undertaking from Siemens AG, that in the event of an adverse order being ultimately passed against them in respect of outstanding litigation matters, they would deposit the money released, together with interest, if any, awarded by the Court. An aggregate amount of Rs. 748.01 was released to Siemens AG from the Company's designated bank accounts subsequent to year-end.

The debenture holders of 9% Senior Subordinated debentures had sent a notice of default dated 24 November 2004 to the Company, which was in continuation of their earlier notices of default dated 25 November 2003, 2 December 2002, 12 December 2001 and 3 December 2001, declaring the entire principal of USD 40 million (equivalent to Rs. 1,749.20 approximately) and all unpaid interest (including penal interest) upto the date of notice aggregating USD 14.14 million (equivalent to Rs. 618.12 approximately) to be immediately due and payable without further presentment, demand, protest or other notice of any kind. The total interest due and payable as per the Company's books of accounts (excluding penal interest) is USD 13.69 million (equivalent to Rs. 598.53 approximately) as at 30 June 2005. The Company has not repaid the debentures to date.

Though the long-term funding has not yet been arranged, the Company is in constant negotiations with a number of potential lenders for arranging funding for the project. Accordingly, management is of the view that the going concern assumption still holds true and that the Company will be able to realise its assets and discharge its liabilities in the normal course of business. Consequently, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

## **b) Vendor litigations**

The vendor financing facility obtained from Motorola Inc. is due and payable on demand as at the Balance Sheet date as the final extension of such facility expired on 31 March 2001. The Company had been served a default notice for immediate repayment of this facility on 2 April 2001. Due to the continuing default by the Company, Motorola Inc through orders served on 20 July 2001 and 3 August 2001 through the High Court of Justice, United Kingdom, restrained the Company from permitting or facilitating any change in its shareholding without the consent of Motorola Inc. Further, Standard Chartered Bank, India, which had extended a credit facility of Rs. 960 terminated the same and demanded immediate payment of all outstanding amounts from the Company. This credit facility was secured by a counter guarantee provided by Motorola Inc. Upon the Company's failure to pay the amounts outstanding, Standard Chartered Bank, USA invoked the guarantee given by Motorola, on 24 January 2002.

Consequently, Motorola Inc. paid a sum of USD 19.93 million (equivalent to Rs. 871.45) to Standard Chartered Bank, USA on 25 January 2002. The legal representatives of Motorola Inc. served a notice on 26 March 2002 for repayment of the said amount of USD 19.93 million together with interest of USD 0.11 million (equivalent to Rs. 4.68) till the date of notice. The legal representative of Motorola Inc. had served a notice dated 23 August 2002 on the Company instructing repayment of sums due to Motorola Inc. within a stipulated time, which the Company did not make. Per the legal representatives, the notice is to be treated as a statutory notice for winding up of the Company. During the previous year, Motorola Inc. filed an application before Delhi High Court under Section 9 of Arbitration and Conciliation Act inter alia against the Company seeking to restrain from effecting and/ or registering any transfer of the 281,489,400 equity shares of the Company held by Modi Wellvest Private Limited. The Company has undertaken in the court not to register any transfer of 281,489,400 equity shares of the Company as aforesaid. The Company has not been served a copy of the order so far.

The vendor financing facility obtained from Siemens AG is due and payable on demand as at the Balance Sheet date as the final extension of such facility expired on 31 March 2001. On 17 April 2001, the Company received a demand notice for the immediate repayment of the loan, together with the accrued interest and other charges. In September 2001, Bank of America, India, which had extended a credit facility of Rs. 2,855 terminated the same and demanded immediate payment of all outstanding dues. This credit facility had been provided on the basis and security of a stand-by letter of credit from Bayerische Landesbank, Germany, and further secured by a counter guarantee provided by Siemens, USA. Upon the Company's failure to pay the outstanding amounts, the Siemens guarantee was invoked by Bayerische Landesbank, Germany, on 15 October 2001. Consequently, Siemens, USA paid a sum of USD 57.71 million (equivalent to Rs. 2,523.75) to Bayerische Landesbank, Germany on 15 October 2001. Siemens AG initiated the recovery proceedings in the High Court of Justice, United Kingdom against the Company and Distacom Communications (India) Limited for immediate payment of principal sums together with interest due thereon. The High Court of Justice, United Kingdom passed a summary judgement and order dated 12 April 2002 ordering the Company to pay forthwith to Siemens AG a principal sum of USD 57.71 million (equivalent to Rs. 2,523.75 approximately) and interest thereon of USD 3.87 million (equivalent to Rs. 169.02 approximately) at the rate of 15% for the period commencing 31 October 2001 to the date of the judgement. However, as per letter dated 26 June 1997 received from the Reserve Bank of India while availing the credit facility, a restriction was placed for payment of interest in the event of such invocation of guarantee. The Company has made provisions at LIBOR plus 125 basis points on all amounts due to Siemens.

The debenture holders of 9% Senior Subordinated debentures had sent a notice of default dated 24 November 2004 to the Company, which was in continuation of their earlier notices of default dated 25 November 2003, 2 December 2002, 12 December 2001 and 3 December 2001, declaring the entire principal of USD 40 millions (equivalent to Rs. 1,749.20 approximately) and all unpaid interest (including penal interest) upto the date of notice aggregating USD 14.14 millions (equivalent to Rs. 618.12 approximately) to be immediately due and payable without further presentment, demand, protest or other notice of any kind. The total interest due and payable (excluding penal interest) as per the Company's books of accounts is USD 13.69 millions (equivalent to Rs. 598.53 approximately) as at 30 June 2005. The Company has not repaid the debentures to date.

- c) During the year, the Company has retired from active use existing Mobile Switching Centres (MSCs) and related assets and has replaced the same with new MSCs. Accordingly, all call processing and other related activities were completely migrated from the old MSCs to the new MSCs. The gross block of MSCs and related assets retired from active use as at 30 June 2005 is Rs. 613.18 and net book value as on the same date is Rs. 268.03. The Company is in the process of evaluating if the old MSCs can have any alternative use in light of expected future expansion plans of the Company. In case the Company is not able to crystallize its plan for use of these assets, the Company would initiate enquiries to evaluate the net realisable value of these assets. Consequently, management is not in a position to establish if the carrying value of these assets needs to be adjusted, if required to bring them down to their net realisable value.

#### **IV. Year ended 30 June 2004 (significant notes)**

##### **(a) Going concern**

The accompanying financial statements have been prepared assuming that the Company would continue as a going concern. As at 30 June 2004, the Company has reported significant accumulated losses of Rs. 6,722.17, which have completely eroded its net worth of Rs. 5,519.40. Further as at 30 June 2004, the Company has a working capital deficiency of Rs. 10,141.09 after considering short-term loans of Rs. 11,301.36 including interest. In addition, as discussed in Note 3 and Note 4 below, with

respect to short-term loans of Rs. 5,618.09 (including interest) and debentures of Rs. 2,318.99 (including interest), the Company had received default notices from the parties and these amounts have become immediately payable.

During 2002, Motorola Inc. one of the vendors obtained an order through the High Court of Justice, United Kingdom, restraining the Company from permitting and facilitating any transfer or change in its shareholding without the consent of the vendor. The legal representative of Motorola Inc. served a notice dated 23 August 2002 on the Company instructing repayment of sums due to Motorola Inc. within a stipulated time, which the Company did not pay. Per the legal representatives, the notice is to be treated as a statutory notice for winding up of the Company. During 2003, Motorola Inc. filed an application before Delhi High Court under Section 9 of Arbitration and Conciliation Act inter alia against the Company seeking to restrain from effecting and/or registering any transfer of the 281,489,400 equity shares of the Company held by Modi Wellvest Private Limited. The Company has undertaken in the court not to register any transfer of 281,489,400 equity shares of the Company as aforesaid. During the year, Motorola Inc. has filed an application before English High Court seeking the Summary Judgement against the Company for GBP 30.92 million (equivalent to USD 56.02 million and Rs. 2,592.98) plus cost. The application for summary judgement was fixed for hearing on 15 September, 2004. The Company has not been served copy of the order so far.

Further, the High Court of Justice, United Kingdom had issued an Order dated 12 April 2002, to pay forthwith to Siemens AG a sum of USD 61.58 million (equivalent to Rs. 3,021.58 approximately) including interest thereon for the period commencing 31 October 2001 to the date of the judgment. Since then, Siemens AG has initiated legal action against the Company in Delhi High Court for enforcement of the Order of The High Court of Justice, United Kingdom claiming relief through (a) attachment of bank accounts; (b) sale of all moveable and immoveable assets and appropriation of sale proceeds towards its dues; and (c) sale of the Company as a going concern and appropriation of sale proceeds towards its dues. It had requested for an ex parte injunction order for freezing the bank accounts of the Company. The Delhi High Court vide its Order dated 14 August 2002 had restrained the Company from withdrawing the amount to the extent of Rs. 2,800 from designated bank accounts. The Delhi High Court vide its Order dated 27 August 2002 thereafter modified its earlier Order dated 14 August 2002 by permitting the Company to withdraw Rs. 150.

Thereafter, the Delhi High Court in its Order dated 4 October 2002 vacated the Order dated 14 August 2002 and directed the Company to deposit Rs. 90 within a stipulated time and had attached 281,489,400 shares of Modi Wellvest Private Limited, the holding Company. Subsequently, the Division Bench of Delhi High Court vide Order dated 1 November 2002 stayed the operation of the Order dated 4 October 2002 in so far as it vacated the Order dated 14 August 2002 as modified by subsequent Order dated 27 August 2002. The amount of Rs. 90 was deposited by the Company within the stipulated time. The Delhi High Court vide its order dated 31 March 2003 vacated the attachment of 281,489,400 shares of Modi Wellvest Private Limited as directed in the order dated 4 October 2002. The proceedings are pending in Delhi High Court.

Though the long-term funding has not yet been arranged, the Company is in constant negotiations with a number of potential lenders for arranging funding for the project. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

#### **(b) Vendor litigations**

The vendor financing facility obtained from Motorola Inc, is due and payable on demand as at the Balance Sheet date as the final extension of such facility expired on 31 March 2001. The Company had been served a default notice for immediate repayment of this facility on 2 April 2001. Due to the continuing default by the Company, Motorola Inc through an order served on 20 July 2001 and 3 August 2001 through the High Court of Justice, United Kingdom, restrained the Company from permitting or facilitating any change in its shareholding without the consent of Motorola Inc. Further, Standard Chartered Bank, India, terminated the credit facility of Rs. 960 and demanded immediately payment of all outstanding amounts from the Company. This credit facility was secured by a counter guarantee provided by Motorola Inc. Upon the Company's failure to pay the amounts outstanding, the Motorola guarantee was invoked by Standard Chartered Bank, USA, on 24 January 2002. Motorola Inc. was therefore constrained to pay to Standard Chartered Bank, USA on 25 January 2002 a sum of USD 19.93 million. The legal representatives of Motorola Inc. served a notice on 26 March 2002 for repayment of USD 19.93 million plus interest of USD 0.11 million, till the date of notice. During the previous year, the legal representative of Motorola Inc. had served a notice dated 23 August 2002 on the Company instructing repayment of sums due to Motorola Inc. within a stipulated time, which the Company did not make. Per the legal representatives, the notice is to be treated as a statutory notice for winding up of the Company. During the previous year, Motorola Inc. filed an application before Delhi High Court under Section 9 of Arbitration

and Conciliation Act inter alia against the Company seeking to restrain from effecting and/ or registering any transfer of the 281,489,400 equity shares of the company held by Modi Wellvest Private Limited. The Company has undertaken in the court not to register any transfer of 281,489,400 equity shares of the Company as aforesaid.

The vendor financing facility obtained from Siemens AG is due and payable on demand as at the Balance Sheet date as the final extension of such facility expired on 31 March 2001. On 17 April 2001, the Company received a demand notice for the immediate repayment of the loan, together with the accrued interest and other charges. In September 2001, Bank of America, India, terminated the credit facility of Rs. 2,855 and demanded immediate payment of all outstanding dues. This credit facility had been provided on the basis and security of a stand-by letter of credit from Bayerische Landesbank, Germany, and further secured by a counter guarantee provided by Siemens, USA. Upon the Company's failure to pay the outstanding amounts, the Siemens guarantee was invoked by Bayerische Landesbank, Germany, on 15 October 2001. Siemens, USA was therefore constrained to pay to Bayerische Landesbank, Germany on 15 October 2001 a sum of USD 57.71 million. Siemens AG initiated the recovery proceedings in the High Court of Justice, United Kingdom against the Company and Distacom Communications (India) Limited for immediate payment of principal sums together with interest due thereon. The High Court of Justice, United Kingdom passed a summary judgement and order dated 12 April 2002 ordering the Company to pay forthwith to Siemens AG a principal sum of USD 57.71 million (equivalent to Rs. 2,671.49 approximately) and interest thereon of USD 3.87 million (equivalent to Rs. 178.91 approximately) at the rate of 15% for the period commencing 31 October 2001 to the date of the judgement. However, as per letter dated 26 June 1997 received from the Reserve Bank of India while availing the credit facility, a restriction was placed for payment of interest in the event of such invocation of guarantee. The Company has made provisions at LIBOR plus 125 basis points (rate ranging from 2.37% to 2.47%) on all amounts due to Siemens.

In the meanwhile, Siemens AG had initiated legal action against the Company in Delhi High Court for enforcement of the Order of The High Court of Justice, United Kingdom claiming relief through (a) attachment of bank accounts; (b) sale of all moveable and immoveable assets and appropriation of sale proceeds towards its dues; and (c) sale of the Company as a going concern and appropriation of sale proceeds towards its dues. It has requested for an ex parte injunction order for freezing the bank accounts of the Company. The Delhi High Court vide its Order dated 14 August 2002 has restrained the Company from withdrawing the amount to the extent of Rs. 2,800 from the designated bank accounts. The Delhi High Court vide its Order dated 27 August 2002 thereafter modified its earlier Order dated 14 August 2002 by permitting the Company to withdraw Rs. 150 till further hearing. Thereafter, the Delhi High Court in its Order dated 4 October 2002 vacated the earlier Order dated 14 August 2002 and directed the Company to deposit Rs. 90 within a stipulated time and has attached 281,489,400 shares of Modi Wellvest Private Limited, the holding Company. Subsequently, the Division Bench of Delhi High Court vide order dated 1 November 2002 stayed the operation of the order dated 4 October 2002 in so far as it vacated the order dated 14 August 2002 as modified by subsequent order dated 27 August 2002. The amount of Rs. 90 was deposited by the Company within the stipulated time. The Delhi High Court vide its order dated 31 March 2003 vacated the attachment of 281,489,400 shares of Modi Wellvest Private Limited. The balance outstanding in the banks stated above as at 30 June 2004 is Rs. 946.81 (Previous year Rs. 847). The proceedings are pending in the Delhi High Court.

The debenture holders of 9% Senior Subordinated debentures have sent a notice of default dated 24 November 2004 to the Company, which was in continuation of their earlier notices of default dated 25 November 2003, 2 December 2002, 12 December 2001 and 3 December 2001, declaring the entire principal of USD 40 million (equivalent to Rs. 1,551.60 approximately) and all unpaid interest (including penal interest) upto the date of notice aggregating USD 14.14 million (equivalent to Rs. 554.31 approximately) to be immediately due and payable without further presentment, demand, protest or other notice of any kind. The total interest due and payable as per the Company's books of accounts (excluding penal interest) is USD 10.10 million (equivalent to Rs. 467.79 approximately) as at 30 June 2005

## **V. Year ended 30 June 2003 (significant notes)**

### **(a) Going concern**

The financial statements for the year ended 30 June 2003 have been prepared assuming that the Company would continue as a going concern. As at 30 June 2003, the Company has reported significant accumulated losses of Rs. 6,552.60, which have completely eroded its net worth of Rs. 5,519.40. Further as at 30 June 2003, the Company has a working capital deficiency of Rs. 10,057.48 after considering short-term loans of Rs. 10,978.04 including interest. In addition, with respect to short-term loans

of Rs. 5,542.18 (including interest) and debentures of Rs. 2,066.34 (including interest), the Company has received default notices from the parties and these amounts have become immediately payable.

During the previous year, Motorola Inc. one of the vendors had obtained an order through the High Court of Justice, United Kingdom, restraining the Company from permitting and facilitating any transfer or change in its shareholding without the consent of the vendor. The legal representative of Motorola Inc. has served a notice dated 23 August 2002 on the Company instructing repayment of sums due to Motorola Inc. within a stipulated time, which the Company did not pay. Per the legal representatives, the notice is to be treated as a statutory notice for winding up of the Company. During the year, Motorola Inc. filed an application before Delhi High Court under Section 9 of Arbitration and Limitation Act inter alia against the Company seeking to restrain from effecting and/or registering any transfer of the 281,489,400 equity shares of the Company held by Modi Wellvest Private Limited. The Company has undertaken in the court not to register any transfer of 281,489,400 equity shares of the Company as aforesaid.

Further, the High Court of Justice, United Kingdom had issued an Order dated 12 April 2002, to pay forthwith to Siemens AG a sum of USD 61.58 million (equivalent to Rs. 3,021.58 approximately) including interest thereon for the period commencing 31 October 2001 to the date of the judgment. Since then, Siemens AG has initiated legal action against the Company in Delhi High Court for enforcement of the Order of The High Court of Justice, United Kingdom claiming relief through (a) attachment of bank accounts; (b) sale of all moveable and immoveable assets and appropriation of sale proceeds towards its dues; (c) sale of the Company as a going concern and appropriation of sale proceeds towards its dues. It had requested for an ex parte injunction order for freezing the bank accounts of the Company. The Delhi High Court vide its Order dated 14 August 2002 had restrained the Company from withdrawing the amount to the extent of Rs. 2,800 from designated bank accounts. The Delhi High Court vide its Order dated 27 August 2002 thereafter modified its earlier Order dated 14 August 2002 by permitting the Company to withdraw Rs. 150 till further hearing.

Thereafter, the Delhi High Court in its Order dated 4 October 2002 vacated the Order dated 14 August 2002 and directed the Company to deposit Rs. 90 within a stipulated time and had attached 281,489,400 shares of Modi Wellvest Private Limited, the holding Company. Subsequently, the Division Bench of Delhi High Court vide Order dated 1 November 2002 stayed the operation of the Order dated 4 October 2002 in so far as it vacated the Order dated 14 August 2002 as modified by subsequent Order dated 27 August 2002. The amount of Rs. 90 was deposited by the Company within the stipulated time. The Delhi High Court vide its order dated 31 March 2003 vacated the attachment of 281,489,400 shares of Modi Wellvest Private Limited as directed in the order dated 4 October 2002.

Additionally, the Company has also defaulted in the payment of interest on 9% Senior Subordinated debentures. During the year, the debenture holders sent a Notice of Default to the Company, declaring the entire principal of USD 40 million and all unpaid interest (including penal interest) upto the date of notice of USD 5.29 million to be immediately due and payable without further presentment, demand, protest or other notice of any kind. The total interest due and payable amounted to USD 4.25 million as on 30 June 2003, which includes interest provision at the rate of 9% amounting to USD 3.60 million for the year ended 30 June 2003.

Even though the Company is in constant negotiations with a number of potential lenders, the Company has not been successful in arranging long-term funding for the project. The success of the Company's operations, among others, is dependent upon arranging long term funding for the project. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

## **(b) Vendor litigations**

The vendor financing facility obtained from Motorola Inc, is due and payable on demand as at the Balance Sheet date as the final extension of such facility expired on 31 March 2001. The Company had been served a default notice for immediate repayment of this facility on 2 April 2001. Due to the continuing default by the Company, Motorola Inc through an order served on 20 July 2001 and 3 August 2001 through the High Court of Justice, United Kingdom, restrained the Company from permitting or facilitating any change in its shareholding without the consent of Motorola Inc. Further, during the previous year, Standard Chartered Bank, India, terminated the credit facility of Rs. 960 and demanded immediately payment of all outstanding amounts from the Company. This credit facility was secured by a counter guarantee provided by Motorola Inc. Upon the Company's failure to pay the amounts outstanding, the Motorola guarantee was invoked by Standard Chartered Bank, USA, on 24 January 2002. Motorola Inc. was therefore constrained to pay to Standard Chartered Bank, USA on 25 January 2002 a sum of

USD 19.93 million. The legal representatives of Motorola Inc. served a notice on 26 March 2002 for repayment of USD 19.93 million plus interest of USD 0.11 million, till the date of notice. During the year, the legal representative of Motorola Inc. had served a notice dated 23 August 2002 on the Company instructing repayment of sums due to Motorola Inc. within a stipulated time, which the Company did not make. Per the legal representatives, the notice is to be treated as a statutory notice for winding up of the Company. During the year, Motorola Inc. filed an application before Delhi High Court under Section 9 of Arbitration and Limitation Act inter alia against the Company seeking to restrain from effecting and/ or registering any transfer of the 281,489,400 equity shares of the company held by Modi Wellvest Private Limited. The Company has undertaken in the court not to register any transfer of 281,489,400 equity shares of the Company as aforesaid.

The vendor financing facility obtained from Siemens AG is due and payable on demand as at the Balance Sheet date as the final extension of such facility expired on 31 March 2001. On 17 April 2001, the Company received a demand notice for the immediate repayment of the loan, together with the accrued interest and other charges. In September 2001, Bank of America, India, terminated the credit facility of Rs. 2,855 and demanded immediate payment of all outstanding dues. This credit facility had been provided on the basis and security of a stand-by letter of credit from Bayerische Landesbank, Germany, and further secured by a counter guarantee provided by Siemens, USA. Upon the Company's failure to pay the outstanding amounts, the Siemens guarantee was invoked by Bayerische Landesbank, Germany, on 15 October 2001. Siemens, USA was therefore constrained to pay to Bayerische Landesbank, Germany on 15 October 2001 a sum of USD 57.71 million. Siemens AG initiated the recovery proceedings in the High Court of Justice, United Kingdom against the Company and Distacom Communications (India) Limited for immediate payment of principal sums together with interest due thereon. The High Court of Justice, United Kingdom passed a summary judgement and order dated 12 April 2002 ordering the Company to pay forthwith to Siemens AG a principal sum of USD 57.71 million (equivalent to Rs. 2,831.93 approximately) and interest thereon of USD 3.87 million (equivalent to Rs. 189.66 approximately) at the rate of 15% for the period commencing 31 October 2001 to the date of the judgement. However, as per letter dated 26 June 1997 received from the Reserve Bank of India while availing the credit facility, a restriction was placed for payment of interest in the event of such invocation of guarantee. The Company has made provisions at LIBOR plus 125 basis points (rate ranging from 2.63% to 3.21%) on all amounts due to Siemens.

In the meanwhile, Siemens AG had initiated legal action against the Company in Delhi High Court for enforcement of the Order of The High Court of Justice, United Kingdom claiming relief through (a) attachment of bank accounts; (b) sale of all moveable and immoveable assets and appropriation of sale proceeds towards its dues; (c) sale of the Company as a going concern and appropriation of sale proceeds towards its dues. It has requested for an ex parte injunction order for freezing the bank accounts of the Company. The Delhi High Court vide its Order dated 14 August 2002 has restrained the Company from withdrawing the amount to the extent of Rs. 2,800 from the designated bank accounts. The Delhi High Court vide its Order dated 27 August 2002 thereafter modified its earlier Order dated 14 August 2002 by permitting the Company to withdraw Rs. 150 till further hearing. Thereafter, the Delhi High Court in its Order dated 4 October 2002 vacated the earlier Order dated 14 August 2002 and directed the Company to deposit Rs. 90 within a stipulated time and has attached 281,489,400 shares of Modi Wellvest Private Limited, the holding Company. Subsequently, the Division Bench of Delhi High Court vide order dated 1 November 2002 stayed the operation of the order dated 4 October 2002 in so far as it vacated the order dated 14 August 2002 as modified by subsequent order dated 27 August 2002. The amount of Rs. 90 was deposited by the Company within the stipulated time. The Delhi Court vide its order dated 31 March 2003 vacated the attachment of 281,489,400 shares of Modi Wellvest Private Limited. The balance outstanding in the banks stated above as at 30 June 2003 is Rs. 847.

## **VI. Year ended 30 June 2002 (significant notes)**

### **(a) Going concern**

The accompanying financial statements have been prepared assuming that the company would continue as a going concern. As at 30 June 2002, the company has reported significant accumulated losses of Rs. 6,778.83 which has completely eroded its net worth of Rs. 5,519.40. Further, as at 30 June 2002, the company has a working capital deficiency of Rs. 10,748.97 after considering short term loans of Rs. 11,049.26 including interest. In addition, with respect to short term loans of Rs. 5,664.48 (including interest) and debentures of Rs. 1,994.55 (including interest), the company has also received default notices from the parties stating that these amounts have become immediately payable.

During the year, Motorola Inc. one of the vendors has obtained through the High Court of Justice, United Kingdom, restraining the company from permitting and facilitating any transfer of change in its shareholding without the consent of the vendor. The legal representative of Motorola Inc. has served a notice dated 23 August 2002 on the company instructing repayment of sums due to Motorola Inc. within a stipulated time, which the company did not pay. Per the legal representatives, the notice is to be treated as a statutory notice for winding up of the company.

Further, the high court of justice, United Kingdom had issued an order dated 12 April 2002 to pay forthwith to Siemens AG a sum of USD 61.58 million (equivalent to Rs. 3,021.58 approximately) including interest thereon for the period commencing 31 October 2001 to the date of judgment. Since then, Siemens AG has initiated legal action against the company in Delhi High Court for enforcement of the order of the High court of Justice, UK claiming relief through (a) attachment of bank accounts; (b) sale of all movable and immovable assets and appropriation of sale proceeds towards its dues; (c) sale of the company as a going concern and appropriation of sale proceeds towards its dues. It has requested for an ex parte injunction order for freezing the bank accounts of the company. The Delhi High court vide its order dated 14 August 2002 has restrained the company from withdrawing the amount to the extent of Rs. 2,800 from the designated bank accounts. The Delhi High Court vide its order dated 27 August 2002 thereafter modified its earlier order dated 14 August 2002 by permitting the company to withdraw Rs. 150 till further hearing. Thereafter, the Delhi high court in its order dated 4 October 2002 vacated the order dated 14 August 2002 and directed the company to deposit Rs. 90 within a stipulated time and had attached 281,489,400 equity shares of Modi Wellvest Private limited, the holding company. Subsequently, the division bench of Delhi high court vide order dated 1 November 2002 stayed the operation of the order dated 4 October 2002 in so far as it vacated the order dated 14 August 2002 as modified by subsequent order dated 27 August 2002. The amount of Rs. 90 was deposited by the company within stipulated time. In accordance with the order, the designated bank accounts of the company were frozen subsequent to the year end.

Additionally, the company had also defaulted in the payment of interest of 9% Senior Subordinated debentures. The interest payable as on 18 November 2001 was USD 3.60 million out of which the company paid an amount of USD 2.95 million on 13 May 2002. The balance of USD 0.65 million is still outstanding as on date. Subsequent to the year end, the debenture holders sent a notice of default to the company, declaring the entire principal of USD 40 million and all unpaid interest (including penal interest) upto the date of notice of USD 5.29 million to be immediately due and payable without further presentment, demand, protest or other notice of any kind.

The Company has not been successful in arranging long term funding. Therefore, success of company's operations, among others, is dependent upon arranging long term funding for the project. These factors raise a substantial doubt on the Company's ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might result should the company be unable to continue as a going concern.

#### **(b) Vendor litigations**

The vendor financing facility obtained from Motorola Inc. is due and payable on demand as at the balance sheet as the final extension of such facility on 2 April 2001. Due to the continuing default by the company, Motorola Inc. through an order served on 20 July 2001 and 3 August 2001 through the High Court of Justice, United Kingdom, restrained the company from permitting or facilitating any change in its shareholding without the consent of Motorola Inc. Upon the company's failure to pay the outstanding amounts, the Motorola Inc. guarantee was invoked by standard chartered bank, USA, on 24 January 2002. Motorola Inc. was therefore constrained to pay to standard chartered bank, USA on 25 January 2002 a sum of USD 19.93 million. The legal representative of Motorola Inc. had served a notice dated 23 August 2002 on the company instructing payment of sums due to Motorola Inc. within a stipulated time, which has since expired. Per the legal representative, the notice is to be treated as a statutory notice for winding up of the company.

The vendor financing facility obtained from Siemens AG was due and payable on demand as at the balance sheet date as the final extension of such facility expired on 31 March 2001. On 17 April 2001, the company received a demand notice for the immediate repayment of the loan, together with the accrued interest and other charges. In September 2001, bank of America, India, terminated the credit facility of Rs. 2,855 and demanded immediate payment of all outstanding dues. This credit facility had been provided on the basis and security of a stand by letter of credit from Bayerische Landesbank, Germany, and further secured by a counter guarantee provided by Siemens, USA. Upon the company's failure to pay the outstanding amounts, the Siemens guarantee invoked by Bayerische Landesbank, Germany, on 15 October 2001. Siemens, USA was therefore constrained to pay Bayerische Landesbank, Germany, on 15 October 2001 a sum of USD 57.71 million. Siemens AG initiated the recovery proceedings in the



High Court of Justice, United Kingdom against the company and Distacom communications (India) limited for immediate payment of principal sums together with the interest due thereon. The High Court of Justice, United Kingdom passed a summary judgment 2002 ordering the company to pay forthwith to Siemens AG a principal sum of USD 57.71 million (equivalent to Rs. 2,831.93 approximately) and interest thereon of USD 3.87 million (equivalent to Rs. 189.66 approximately) at the rate of 15% for the period commencing 31 October 2001 to the date of the judgment. However, as per letter dated 26 June 1997 received from the Reserve Bank of India while availing the credit facility, a restriction was placed for payment of interest in the event if such invocation of guarantee. The company in the meanwhile has made provisions at LIBOR plus 125 points (rate ranging from 3.2% to 5.16%) on all amounts due to Siemens.

Thereafter, Siemens AG had initiated legal action against the company in Delhi high Court for enforcement of the order of The High court of Justice, United Kingdom claiming relief through (a) attachment of bank accounts; (b) sale of all movable and immovable assets and appropriation of sale proceeds towards its dues; and (c) sale of the company as a going concern and appropriation of sale proceeds towards its dues. It has requested for an ex parte injunction order for freezing the bank accounts of the company. The Delhi High court vide its order dated 14 August 2002 has restrained the company from withdrawing the amount to the extent of Rs. 2,800 from the designated bank accounts. The Delhi High Court vide its order dated 27 August 2002 thereafter modified its earlier order dated 14 August 2002 by permitting the company to withdraw Rs. 150 till further hearing. Thereafter, the Delhi high court in its order dated 4 October 2002 vacated the order dated 14 August 2002 and directed the company to deposit Rs. 90 within a stipulated time and has attached 281,489,400 equity shares of Modi Wellvest Private limited, the holding company. Subsequently, the division bench of Delhi high court vide order dated 1 November 2002 stayed the operation of the order dated 4 October 2002 in so far as it vacated the order dated 14 August 2002 as modified by subsequent order dated 27 August 2002. The amount of Rs. 90 was deposited by the company within stipulated time. The total balance outstanding in these designated bank accounts as on 4 November 2002 was Rs. 723.56.

During the current year, the company has defaulted in the payment of interest on 9% senior subordinated debentures. The interest payable as on 18 November 2001 was USD 3.60 million out of which the company paid an amount of USD 2.95 million on 13 May 2002. The balance of USD 0.65 million is still outstanding as on date. Subsequent to the year end, the debenture holders sent a notice of default to the company, declaring the entire principal of USD 40 million and all unpaid interest upto the date of notice of USD 5.29 million (including penal interest) to be immediately due and payable without further presentment, demand, protest or other notice of any kind.

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#### 4. Contingent liabilities as at 30 June 2006 and 31 December 2006

- a) The estimated amount of contracts remaining to be executed on capital account, and not provided for, net of advances, is Rs. 667.03 and Rs. 121.99 as at 30 June 2006 and 31 December 2006 respectively.
- b) Claims against the Company not acknowledged as debts:

Particulars	As at 30 June 2006	As at 31 December 2006
Karnataka Sales Tax Authorities*	Rs. 66.65	Rs. 113.86
Service Tax*	Rs. 2.93	Rs. 4.11
Custom Authorities*	Rs. 3.47	-
Entry Tax*	Rs. 8.92	Rs. 8.92
Provident fund on leave encashment**	Rs. 2.67	Rs. 2.67
TDSAT refund and interest thereon *	-	Rs. 30.57
License fee and Spectrum charges and interest thereon	-	Rs. 86.35
Spectrum Charges	-	Rs. 357.46
<b>Total</b>	<b>Rs. 84.64</b>	<b>Rs. 630.43</b>

\*The Company has received demands/ notices from various authorities as highlighted above. The company is contesting these and the dispute is outstanding at various levels. Pending the final settlement of these cases, the company considers all the amounts described above as contingent liability.

\*\* The Employee Provident Fund Organisation (EPFO) has on 9 September 2005 issued a clarification as per which provident fund contribution should be deducted on leave encashment paid from 1 May 2005 onwards. It has also been stated that the claims between 1 October 1994 and 30 April 2005 should be kept in abeyance till this issue is decided by the Central Board of Trustees. Accordingly, the Company has been accruing and paying its dues on an ongoing basis.

Pending decision by the Central Board of Trustees, a contingent liability of Rs. 2.67 exists for provident fund on leave encashment claims between 1 October 1994 and 30 April 2005 in respect of Punjab Circle. However the amount of contingent liability in respect of Karnataka Circle for provident fund on leave encashment claims between 1 October 1994 and 30 April 2005 is presently not reasonably ascertainable.

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**5. Transactions of sales, purchases and material items of income and expenditure with the Promoter Group**

Promoter	Transaction *	Year ended 30 June 2002	Year ended 30 June 2003	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006	For the period 1 July 2006 to 31 Dec 2006
Dilip Modi	Foreign travel	3.50	2.21	-	-	-	.82
	Inland travel	0.10	0.72	-	0.02	-	-
	Business promotion expenses	0.23	0.16	0.25	-	-	-
	Salary	9.20	9.20	9.20	9.20	-	-
	Miscellaneous expense	-	-	-	-	-	0.008
Telecom Malaysia Berhad	Legal and Professional	-	-	-	-	-	15.98

\* Disclosures with respect to Promoter Group have been given to the extent of information available by the Company.

6. (a) In respect of the proposed Initial Public Offering (“the offering”), the Book Running Lead Managers (“the BRLMs”) to the offering M/s Enam Financial Consultants Private Limited, based on their discussions with Securities Exchange Board of India (SEBI) have recommended that the Company should maintain consistency in respect of significant accounting policies and significant accounting estimates between the last audited accounts considered in the Draft Red Herring prospectus and the accounts for the period ended 31 December 2006. Consequently, the BRLM have advised the Company to revise the accounts (“original financial statements”) already adopted by the Board of directors of the Company on 1 June 2007. Accordingly, since the financial statements were pending adoption at the Annual General Meeting, the Board of Directors have considered the recommendations of the BRLM and have made the following revisions in its original financial statements:
- (i) The Company had recognized refunds aggregating to Rs. 19,851 and Rs. 16,474 in respect of the Punjab circle and the Karnataka Circle respectively awarded by Telecom Disputes Settlement Appellate Tribunal (“TDSAT”) as miscellaneous income in the original financial statements based on industry practices and legal opinion obtained by the Company. Further, the Company had also accrued for corresponding license fees. As discussed in para 1(a) above, the board of directors has reversed the accounting of such refunds as miscellaneous income as well as the accrual for license fee and accordingly revised original financial statements.
  - (ii) The Company had accounted for the expenditure incurred on glow sign boards as fixed assets to be depreciated over two years, based on management estimates of useful life. As discussed in para 6 (a) above, the board of directors has charged off such expenditure in the revised financial statements.
  - (iii) The Company had, based on past trends, evaluated and revised its provision for receivable policy. Consequently, provision for doubtful debts charged to the profit and loss for the period 1 July 2006 to 31 December 2006 was lower by Rs. 49,367 in its original financial statements. As discussed in para 6(a) above, the board of directors has reversed the revision made to its provision for receivable policy and has accounted for Rs. 49, 367 as provision for doubtful debts in these financial statements.
  - (iv) In respect of the “Infrastructure Provisioning” agreements entered with other cellular operators whereby all the operators had decided to share various identified sites with each other to provide cellular services more effectively to their respective subscribers, the income arising out of the same is accounted for on a gross basis and the cost arising out of the arrangement is

charged to the Profit and Loss account in the original financial statements. As discussed in para 1(a) above, the board of directors has accounted for such income/expenditure arising out of these arrangements on a net basis.

The Institute of Chartered Accountants has deferred the applicability of AS 15 (revised 2005) from the earlier applicability for all the periods commencing on or after 1 April 2006 to all accounting period commencing on or after 7 December 2007. Accordingly, the Company had initially followed the erstwhile AS 15 for the purpose of the original financial statements. As discussed in para 1(a) above, the board of directors have followed AS 15 (revised 2005) for these financial statements.

Accordingly, the adjustments/regroupings pertaining to the adjustments described in 6 (a) (i) to (iv) above have been made in the restated financial information.

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**Statement of unsecured and secured loans, as restated**  
**(A) Unsecured Loans, as restated**

**Annexure VI**

Source	Year ended 30 June 2002	Year ended 30 June 2003	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006	1 July to 31 December 2006
<b>Short term loans and advances *</b>						
<i>From related parties</i>						
-Asia Pacific Capital India Private Limited	1,359.84	1,359.84	1,359.84	1,359.84	-	-
-Twenty First Century Capital Limited	252.88	253.19	722.25	722.25	-	-
<i>From Others</i>						
-Rabo India Finance Private Limited	899.19	903.01	899.19	899.19	-	-
-HDFC bank	870.54	852.37	383.00	383.00	-	-
<b>Other loans and advances</b>						
<i>From related parties</i>						
Mcorp Global Private Limited (formerly known as Spice Corp Private Limited)	219.79	-	-	-	-	-
<i>From Others</i>						
Equipment Finance from Vendors (refer Note 2 below)	-	-	-	119.20	713.09	638.98
<b>Total</b>	<b>3,602.24</b>	<b>3,368.41</b>	<b>3,364.28</b>	<b>3,483.48</b>	<b>713.09</b>	<b>638.98</b>

\* Guaranteed by shareholders

**Annexure VI (continued)**
**(B) Secured Loans, as restated**

Source	Year ended 30 June 2002	Year ended 30 June 2003	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006	1 July to 31 December 2006
1. Term Loans from Bank (refer Note 2 below)	7.78	1.11	-	-	10,360.02	11,440.15
2. 9% Senior Subordinate Debentures (refer Note 1 below)	1,913.93	2,066.34	2,318.99	2,347.73	-	-
3. Equipment Finance from Motorola and Siemens	5,379.02	5,112.79	5,132.42	4,930.43	-	-
<b>Total</b>	<b>7,300.73</b>	<b>7,180.24</b>	<b>7,451.41</b>	<b>7,278.16</b>	<b>10,360.02</b>	<b>11,440.15</b>

**Note 1:**

The debentures were partly secured by a legal mortgage, in favour of the Mortgage Trustees, of company's specific properties situated at Nasik, Maharashtra, under a mortgage deed dated 25 April 2000. In addition, a floating charge was created in the favour of the Mortgage Trustees on all the other assets of the company.

**Note 2:**

The terms and conditions of the loans outstanding as at 31 December 2006, including interest rates, principal terms of security and repayment terms are given in the table below:

**Secured loans**

Item	Source	Security	Interest Rate	Repayment terms
<b>1) Term Loan from Bank</b>				
a) INR Facility	Consortium of Banks - DBS Bank, Deutsche Bank, Barcalays Bank, HSBC Bank & YES Bank	Both INR Facility and USD Facility is secured by way of (a) first charge on the hypothecated properties of the Company as defined under Hypothecation Agreement entered into with DBS Bank Ltd. (the Security Agent); (b) Deed of Undertaking entered by Telekom Malaysia Berhad and TM International Sdn Bhd, in favour of the Security Agent; (c) pledge of 136,770,732 equity shares of the Company held by Modi Wellvest Pvt. Ltd. with the Security Agent; and (d) Non-disposal Agreement by TM International Sdn. Bhd. in respect of 270,450,600 equity shares of the Company held by TMI India Ltd. and 144,718,668 equity shares of the Company held by Modi Wellvest Pvt. Ltd.”	Interest=Margin+ Benchmark Rate Margin = 3.70%	Repayment Period 84 Months including 16 Months Moratorium Period
b) USD Facility	DBS Bank, Malaysia		Benchmark Rate ( Refer Note(a)) Interest = Margin+LIBOR Margin = Refer Note (b)	Repayment Period 84 Months including 63 Months Moratorium Period

**Unsecured loans**

Item	Source	Security	Interest Rate	Repayment terms
<b>2) Equipment Finance/Suppliers' Credit</b>	a) ZTE Corporation, China	The Company is in the process of getting the charge registered on equipments purchased from ZTE Corporation, China, Huawei Technologies Co. Limited,	Interest = Margin+LIBOR Margin = 1.25~1.5%	Repayment after every 90/180 days in Eight instalments  Amount of repayment 5%~15% of the loan amount in each installment depending on Total Credit Period 30/36 months
	b) Huawei Technologies Co., Ltd	Comba Telecom Limited on equipment finance facility. Such equipment finance shall be fully secured by a first charge on all equipment supplied under the said	Reimbursement of Insurance Premium paid by ZTE to Sinasure @ 2.7%~3.0% of the loan amount Interest = Margin+LIBOR Margin = 1.25%	1) For GSM Equipments - 5% after 9 months of AWB thereafter 10% amount to be paid every subsequent quarter, for next 8 quarters 2) For Switch - Repayment Period 12 Months (Quarterly Instalments)
	b) Comba Telecom Technology	arrangement.	Interest = Margin+LIBOR Margin = 1.25%	Repayment Period 36 Months (Half Yearly Instalments)

**Note (a):**

Benchmark Rate : means the rate based on the yields on the debt securities issued by the Govt. of India, which on the date of reckoning, is described as the "5-year rate". In the event such rate is not published by Reuters on any date reckoning, the benchmark rate will be interpolated by utilising the rates published for tenors closest to 5 years. In the event Reuters ceases to publish the above rates, the benchmark rate shall be determined by the INR facility agent.

**Note (b):**

Margin Rate is linked to the Ratio of Consolidated Total Borrowings to Consolidated EBITDA as follows:

Ratio of Consolidated Total Borrowings to Consolidated EBITDA	Margin (% p.a.)
Greater than or equal to 5	1.00
Between 4 (inclusive) and 5	0.85
Between 3 (inclusive) and 4	0.70
Between 2 (inclusive) and 3	0.60
Less than 2	0.50



**Annexure VII**
**Other income, as restated**

Particulars	Year ended 30 June 2002	Year ended 30 June 2003	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006	1 July to 31 December 2006	Related / incidental to business activity
<b>Recurring</b>							
Interest Received on Fixed Deposit	66.12	57.28	54.89	58.43	44.58	31.88	Incidental
Exchange Gain	-	126.25	40.00	186.86	-	32.55	Related
Miscellaneous Income	3.60	1.30	7.59	13.06	7.29	36.01	Incidental
Bad Debts Recovered	3.53	3.94	6.91	7.33	6.09	(15.89)	Related
<b>Non Recurring</b>							
Interest-Others	-	-	-	-	14.31	-	Incidental
Refund of Interest from DoT	-	382.16	-	37.97	-	-	Related
Liabilities No Longer required written back	238.38	282.96	76.98	65.43	115.67	3.82	Related
<b>Total</b>	<b>311.63</b>	<b>853.89</b>	<b>186.37</b>	<b>369.08</b>	<b>187.94</b>	<b>88.37</b>	

**Notes:**

1. Other income considered above is as per the statement of profit and loss, as restated in Annexure I.
2. The classification of income as recurring/ non recurring and related/ incidental to business activity is based on the current operations and business activity of the company as determined by the management.

**Annexure VIII**
**Accounting ratios**

Particulars	Year ended 30 June 2002	Year ended 30 June 2003	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006	1 July to 31 December 2006
Net Profit after tax adjusted (A)	(153.53)	576.05	(225.14)	73.85	(687.42)	(418.14)
Net worth at the end of the year (B)	(660.76)	(81.44)	(303.29)	(226.17)	(1,141.14)	(1,605.25)
Weighted average number of equity shares outstanding during the year (C)	551,940,000	551,940,000	551,940,000	551,940,000	551,940,000	551,940,000
Weighted average number of equity shares and dilutive potential equity shares outstanding during the year (D)	807,112,000	807,112,000	807,112,000	807,112,000	785,847,667	551,940,000
Total number of equity shares outstanding at the end to the year (E)	551,940,000	551,940,000	551,940,000	551,940,000	551,940,000	551,940,000
a) Earnings per equity share (in Rupees)						
- Basic (A/C)	(0.28)	1.04	(0.41)	0.13	(1.25)	(0.76)
- Diluted(A/D)	(0.19)	0.71	(0.28)	0.09	(0.87)	(0.76)
b) EPS after proposed issue	(0.22)	0.83	(0.33)	0.11	(1.00)	(0.61)
c) Return on Net worth (%) (A/B)	*	*	*	*	*	*
d) Net Asset Value per share (in Rupees) (B/E)	(1.20)	(0.15)	(0.55)	(0.41)	(2.07)	(2.91)

**Notes:**

Basic Earning per share ('EPS')	Net profit/ (loss) after tax attributable to equity shareholders
	Weighted average number of equity shares outstanding during the year
Diluted EPS	Net profit/ (loss) after tax attributable to equity shareholders
	Weighted average number of equity shares outstanding during the year/ period after taking into account all outstanding conversions and options
EPS after proposed issue	<u>Net profit/ (loss) after tax attributable to equity shareholders</u> (Number of equity shares outstanding during the year/ period) + (Proposed offering of 13,798,500 equity shares pursuant to an initial public offering in India)
Return on net worth	<u>Net profit/ (loss) after adjusting tax</u> Net worth as at the year end

Net asset value (NAV)	<u>Net worth as at the year end</u> Number of equity shares outstanding as at the year end
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\* Not applicable since the Company has a negative net worth.  
No. of equity shares and ratios are not in Rupees millions.

**Annexure IX**

**Statement of Capitalisation, as restated**

<b>As at 31 December, 2006</b>		
<b>Particulars</b>	<b>Pre - issue</b>	<b>Post - issue</b>
<b>Borrowings</b>		
Short term debts	-	Note 1
Long term debts	12,079.13	Note 1
<b>Total debts</b>	<b>12,079.13</b>	
<b>Shareholders' funds</b>		
(i) Equity Share Capital	5,519.40	Note 1
(ii) Reserves and surplus		
- Profit and Loss Account	(6,843.57)	Note 1
(iii) Misc Expenditure to the extent not written off or adjusted	(281.08)	Note 1
<b>Total Shareholder Funds</b>	<b>(1,605.25)</b>	Note 1
<b>Long Term Debt/Equity Ratio</b>	*	Note 1

**Notes:**

1. The post- issue debt equity ratio will be computed on the conclusion of book building process.
2. The figures computed above are as per the statements of assets and liabilities and profits and losses, as restated.
3. Long term debt/ equity ratio: Long term debt

Total Shareholders funds

\* Not computed since the company has a negative net worth.

**Annexure X**
**Statement of tax shelter**

Particulars	Year ended 30 June 2002	Year ended 30 June 2003	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006	1 July to 31 December 2006
Profit/(loss) before tax, as per audited financial statements (A)	(409.08)	226.22	(169.57)	21.24	59.32	(381.96)
Tax Rate	35.70%	36.75%	36.88%	36.59%	33.66%	33.66%
<b>Notional Tax on book profit/ (loss) (B)*</b>	<b>-</b>	<b>83.14</b>	<b>-</b>	<b>7.77</b>	<b>19.97</b>	<b>-</b>
	**		**			**
<b>Adjustments to (A):</b>						
<b>Permanent Differences (C)</b>						
<b>Add:</b>						
Capital expenses debited to Profit and loss account	-	16.68	12.44	11.06	-	9.46
Prior Period Expenses	40.65	9.58	-	4.47	37.15	-
<b>Total Permanent Differences (C)</b>	<b>40.65</b>	<b>26.26</b>	<b>12.44</b>	<b>15.53</b>	<b>37.15</b>	<b>9.46</b>
<b>Timing Differences (D)</b>						
<b>Add:</b>						
Depreciation as per books	643.95	751.00	864.51	873.38	1,012.44	496.86
Loss / (Profit) on sale of assets	1.00	0.88	0.51	0.75	0.54	3.05
Provision for contingencies	-	-	-	12.87	-	-
Provision for service tax	-	-	-	-	4.15	2.82
Provision for doubtful debts	118.36	131.13	94.62	111.74	149.16	51.41
Provision for doubtful advances	-	-	8.10	7.47	6.00	0.13
Disallowance u/s 43 B	(82.67)	49.44	189.78	48.39	93.24	92.81
Disallowance u/s 40 (a) (i)	371.24	151.90	124.99	480.82	638.29	401.34
<b>Less:</b>						
Depreciation as per tax	(862.55)	(839.50)	(871.03)	(903.32)	(720.07)	(932.06)
License Fee u/s 35ABB	(12.54)	(12.14)	(11.62)	(12.14)	(12.01)	(5.29)
Preliminary expenses written off	(0.88)	(0.88)	(0.88)	(0.88)	(0.88)	-
Unamortised loan origination cost not debited in books	-	-	-	-	(235.12)	(226.15)
Bad debts written off against provision	-	-	(102.72)	(43.89)	(179.44)	(86.14)
<b>Total Timing Differences (D)</b>	<b>175.91</b>	<b>231.83</b>	<b>296.26</b>	<b>575.19</b>	<b>756.30</b>	<b>(201.22)</b>
<b>Net Adjustments (C+D)</b>	<b>216.56</b>	<b>258.09</b>	<b>308.70</b>	<b>590.72</b>	<b>793.45</b>	<b>(191.76)</b>
<b>Profit/(loss) as per Income Tax (E)= (A+C+D)</b>	<b>(192.52)</b>	<b>484.31</b>	<b>139.13</b>	<b>611.96</b>	<b>852.77</b>	<b>(573.72)</b>
<b>Tax on net adjustments (F)</b>	<b>77.31</b>	<b>94.85</b>	<b>113.85</b>	<b>216.14</b>	<b>267.08</b>	<b>(64.55)</b>
<b>Tax as per Income Tax Act ***</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Notes:**

1. The aforesaid statement of Tax Shelters has been prepared as per the audited accounts of Spice Communications Limited and is not based on the profits as per the "Restated Profit and loss Account".
2. Fixed assets additions used for calculation of depreciation includes unrealised foreign exchange gain/loss as the bifurcation between realised and unrealized exchange gain/ loss is not practically feasible.
3. The above adjustments are based on statutory year end i.e. 30 June 2002, 30 June 2003, 30 June 2004, 30 June 2005, 30 June 2006 and 31 December 2006.

- \* The above profits/(loss) per book figures are for respective statutory year end purposes. Accordingly notional tax has been computed using the tax rates that were applicable for the relevant previous years ended on 31 March immediately preceding the respective statutory financial year end.
- \*\* Not Applicable since the Company did not have book profits.
- \*\*\* The Company does not have any tax liability per the Income Tax Act, 1961 due to significant brought forward losses and unabsorbed depreciation.

**Annexure XI**
**Sundry debtors, as restated**

Particulars	As at 30 June 2002	As at 30 June 2003	As at 30 June 2004	As at 30 June 2005	As at 30 June 2006	As at 31 December 2006
<b>Considered good</b>						
Debts outstanding for a period						
- exceeding six months	58.89	129.07	79.31	116.72	99.08	3.09
- less than six months	502.30	374.15	453.04	481.10	406.22	541.44
<b>Considered doubtful</b>						
-debts outstanding for a period exceeding six months	103.72	174.41	151.62	211.25	161.65	176.22
-other debts	50.90	52.58	72.52	80.76	100.06	50.76
	<b>715.81</b>	<b>730.21</b>	<b>756.49</b>	<b>889.83</b>	<b>767.01</b>	<b>771.51</b>
Less : Provision for doubtful debts	154.62	226.99	224.15	292.00	261.72	226.98
	<b>561.19</b>	<b>503.22</b>	<b>532.34</b>	<b>597.83</b>	<b>505.29</b>	<b>544.53</b>

**Annexure XI (continued)**
**Loans and advances, as restated**

Particulars	As at 30 June 2002	As at 30 June 2003	As at 30 June 2004	As at 30 June 2005	As at 30 June 2006	As at 31 December 2006
<b>Considered good</b>						
Advances recoverable in cash or in kind or for value to be received	255.59	338.61	437.67	539.06	318.64	517.07
Tax deducted at Source	14.42	5.70	35.80	42.68	51.95	76.23
Interest Accrued But Not Due	16.77	11.18	11.55	21.55	15.46	33.24
Advances to Others	0.10	0.11	-	-	5.47	0.15
Department of Telecommunications Receivable	11.39	334.19	147.97	97.59	-	-
Balance with customs and excise authorities	5.35	9.03	9.82	61.84	128.86	271.65
	<b>303.62</b>	<b>698.82</b>	<b>642.81</b>	<b>762.72</b>	<b>520.38</b>	<b>898.34</b>
<b>Considered doubtful</b>						
Advances recoverable in cash or in kind or for value to be received	6.21	9.04	10.25	17.72	23.72	23.81
Less: Provision for doubtful advances	6.21	9.04	10.25	17.72	23.72	23.81
	-	-	-	-	-	-
<b>Total</b>	<b>303.62</b>	<b>698.82</b>	<b>642.81</b>	<b>762.72</b>	<b>520.38</b>	<b>898.34</b>

**Notes:**

- Loans and advances as at 30 June 2005 includes amount due from Mcorp Global Private Limited amounting to Rs. 190. This amount has been recovered back in the year ending 30 June 2006.



**Annexure XII**
**Investments, as restated**

Particulars	As at 30 June 2002	As at 30 June 2003	As at 30 June 2004	As at 30 June 2005	As at 30 June 2006	As at 31 December 2006
<b>Unquoted- book value</b>						
Govt Securities - Indira Vikas Patra	0.002	0.002	0.001	0.001	0.001	0.001
Investment in Subsidiaries (non trade)						
- Modicom Punjab (Private) Limited * (Number of fully paid up equity shares of Rs. 10 each - 101 )	0.001	0.001	*	*	*	*
- Modicom Karnataka (Private) Limited * (Number of fully paid up equity shares of Rs. 10 each - 100 )	0.001	0.001	*	*	*	*
<b>Total book value</b>	<b>0.004</b>	<b>0.004</b>	<b>0.001</b>	<b>0.001</b>	<b>0.001</b>	<b>0.001</b>

\* These two companies are no longer subsidiaries of the Company as they have become defunct and wound up.

**Annexure XIII**
**(a) Related party disclosure for the year ended 30 June 2002, as restated**
**Related party and nature of the related party relationship where control exists, irrespective of whether or not there have been transactions between the related parties**

Ultimate controlling individuals	Dr. Bhupendra Kumar Modi
Ultimate holding company	Spice Corp Limited
Holding company and Intermediaries	Modi Wellvest Private Limited (MWPL)- Holding Company Super Infosys Private Limited ( Holding Company of MWPL)
Subsidiaries	Modicom (Punjab) Private Limited Modicom (Karnataka) Private Limited
<b>Related party and nature of the related party relationship with whom transactions have taken place during the year</b>	
Ultimate holding company	Spice Corp Limited
Fellow subsidiaries	Xerox Modicorp Limited Cellebrum.com Private Limited Spicenet Limited
Related Parties which have significant influence	Distacom Communications India Limited DAI (Mauritius) Company Limited
Key management personnel	Dilip Modi Bruce Hicks
Enterprises over which key management personnel/ Ultimate Controlling individuals exercise significant influence	Lifetree Convergence Limited Mandarin Communications Limited
Subsidiaries	Modicom (Punjab) Private Limited Modicom (Karnataka) Private Limited

**Related party disclosure for the year ended 30 June 2002, as restated (Continued)**

	Ultimate holding company	Fellow subsidiaries	Related Parties which have significant influence	Key management personnel	Enterprises over which key management personnel exercise significant influence	Subsidiaries
Service income	-	-	-	-	0.09	-
Interest on loan	28.38	-	-	-	-	-
Interest on debentures	-	-	175.44	-	-	-
Interest on debentures written back (refer note 1(c) (B)(b)(3) of Annexure V)	-	-	80.62	-	-	-
Repairs and maintenance	-	0.34	-	-	-	-
Management service fee	28.55	-	28.79	-	-	-
Managerial Remuneration	-	-	-	18.85	-	-
Managerial Remuneration written back (refer note 1(c) (B)(b)(7) of Annexure V)	-	-	-	10.27	-	-
Advertising & Marketing	-	0.19	-	-	-	-
Legal and professional	-	0.22	2.20	-	8.76	-
Printing and stationery	-	10.59	-	-	-	-
Travelling and conveyance	-	-	-	-	0.03	-
Miscellaneous expenses	0.40	-	-	-	-	-
<b>Outstanding balance as at year end</b>						
Accounts payable	228.41	2.09	2,062.06	32.19	0.42	-
Accounts receivable	-	-	-	-	0.02	(0.10)

**Notes:**

- Related party Disclosures have been given to the extent of information available.
- For the purpose of the restated statements, the related party transactions for the years ended 30 June 2002 have not been disclosed as per the ASI 13 which requires separate disclose of such related party transactions, amounts of which are in excess of 10% of total related party transactions of the same type, against the name of the concerned individual party, rather than aggregating the same with transactions of similar nature, as the detailed information and documentation required for such a disclosure is not available with the Company and as explained to us, it is not practically feasible to retrieve such an information.

**Annexure XIII (continued)**
**(b) Related party disclosure for the year ended 30 June 2003, as restated**
**Related party and nature of the related party relationship where control exists, irrespective of whether or not there have been transactions between the related parties**

Ultimate controlling individuals	Dr. Bhupendra Kumar Modi
Ultimate holding company	Spice Corp Limited
Holding company and Intermediaries	Modi Wellvest Private Limited (MWPL)- Holding Company Super Infosys Private Limited ( Holding Company of MWPL)
Subsidiaries	Modicom (Punjab) Private Limited Modicom (Karnataka) Private Limited

**Related party and nature of the related party relationship with whom transactions have taken place during the year**

Ultimate holding company	Spice Corp Limited
Fellow subsidiaries	Xerox Modicorp Limited Cellebrum.com Private Limited Spicenet Limited
Related Parties which have significant influence	Distacom Communications India Limited DAI (Mauritius) Company Limited
Key management personnel	Dilip Modi Bruce Hicks
Enterprises over which key management personnel/ Ultimate Controlling individuals exercise significant influence	Lifetree Convergence Limited Sunday Communications Limited Mandarin Communications Limited
Subsidiaries	Modicom (Punjab) Private Limited Modicom (Karnataka) Private Limited

**Related party disclosure for the year ended 30 June 2003, as restated (Continued)**

	Ultimate holding company	Fellow subsidiaries	Related Parties which have significant influence	Key management personnel	Enterprises over which key management personnel	Subsidiaries
Purchase of fixed assets	0.24	-	-	-	0.29	-
Service income	-	-	-	-	0.37	-
Interest on loan	13.30	-	163.92	-	-	-
Interest on debentures	-	-	168.12	-	-	-
Repairs and maintenance	-	0.39	-	-	-	-
Management service fee	34.50	-	35.14	-	-	-
Managerial Remuneration	-	-	-	18.57	-	-
Managerial Remuneration written back (refer note 1(c) (B)(b)(7) of Annexure V)	-	-	-	13.96	-	-
Legal and professional	-	-	-	-	14.85	-
Printing and stationery	-	6.76	-	-	-	-
Repayment of loan	214.20	-	-	-	-	-
Miscellaneous expenses	0.57	0.39	-	-	-	-
Advances given	-	-	-	-	-	0.01
Advances written off	-	-	-	-	0.30	-
<b>Outstanding balance as at year end</b>						
Accounts payable	739.52	1.24	4,162.32	22.15	0.60	-
Accounts receivable	-	-	2.49	-	0.31	0.12

**Notes:**

- For the purpose of the restated statements, the related party transactions for the years ended 30 June 2003 have not been disclosed as per the ASI 13 which requires separate disclose of such related party transactions, amounts of which are in excess of 10% of total related party transactions of the same type, against the name of the concerned individual party, rather than aggregating the same with transactions of similar nature, as the detailed information and documentation required for such a disclosure is not available with the Company and as explained to us, it is not practically feasible to retrieve such an information.

**Annexure XIII (continued)**

**(c) Related party disclosure for the year ended 30 June 2004, as restated**

**Related party and nature of the related party relationship where control exists, irrespective of whether or not there have been transactions between the related parties**

Ultimate controlling individuals	Dr. Bhupendra Kumar Modi
Ultimate holding company	Mcorp Global Private Limited (formerly Spice Corp Limited)
Holding company and Intermediaries	Modi Wellvest Private Limited (MWPL)- Holding Company Super Infosys Private Limited ( Holding Company of MWPL)
Subsidiaries	Modicom (Punjab) Private Limited Modicom (Karnataka) Private Limited

**Related party and nature of the related party relationship with whom transactions have taken place during the year**

Ultimate holding company	Mcorp Global Private Limited (formerly known as Spice Corp Private Limited)
Fellow subsidiaries	Xerox Modicorp Limited Cellebrum.com Private Limited Spicenet Limited
Related Parties which have significant influence	Distacom Communications India Limited DAI (Mauritius) Company Limited Twenty First Century Capital Limited Asia Pacific Capital India Private Limited
Key management personnel	Dilip Modi Bruce Hicks
Enterprises over which key management personnel/ Ultimate Controlling individuals exercise significant influence	Lifetree Convergence Limited Sunday Communications Limited Mandarin Communications Limited
Subsidiaries	Modicom (Punjab) Private Limited Modicom (Karnataka) Private Limited

**Related party disclosure for the year ended 30 June 2004, as restated (Continued)**

	Ultimate holding company	Fellow subsidiaries	Related Parties which have significant influence	Key management personnel	Enterprises over which key management personnel exercise significant influence	Subsidiaries
Purchase of fixed assets	-	7.85	-	-	-	-
Interest free loans advanced	-	-	78.59	-	-	-
Service income	-	-	-	-	0.22	-
Interconnect usage charges	-	-	-	-	0.12	-
Vas outsourcing and roaming management	-	57.69	-	-	-	-
Interest on loan	3.20	-	211.74	-	-	-
Interest on debentures	-	-	166.64	-	-	-
Repairs and maintenance	-	0.47	-	-	-	-
Management service fee	17.62	-	74.23	-	-	-
Managerial Remuneration	-	-	-	18.46	-	-
Managerial Remuneration written back (refer note 1(c) (B)(b)(7) of Annexure V)	-	-	-	18.19	-	-
Legal and professional	-	-	-	-	11.79	-
Printing and stationery	-	9.05	-	-	-	-
Miscellaneous expenses	-	-	-	-	0.77	-
Advances written off	-	-	-	-	-	0.13
Investments written off	-	-	-	-	-	0.00
Rental Income	-	2.04	-	-	-	-
<b>Outstanding balance as at year end</b>						
Accounts payable	-	1.61	2,090.27	-	80.58	-
Accounts receivable	-	0.29	81.08	18.19	-	-

**Notes:**

For the purpose of the restated statements, the related party transactions for the years ended 30 June 2004 have not been disclosed as per the ASI 13 which requires separate disclose of such related party transactions, amounts of which are in excess of 10% of total related party transactions of the same type, against the name of the concerned individual party, rather than aggregating the same with transactions of similar nature, as the detailed information and documentation required for such a disclosure is not available with the Company and as explained to us, it is not practically feasible to retrieve such an information.

**Annexure XIII (continued)**

**(d) Related party disclosure for the year ended 30 June 2005, as restated**

**Related party and nature of the related party relationship where control exists, irrespective of whether or not there have been transactions between the related parties**

Ultimate controlling individuals	Dr. Bhupendra Kumar Modi
Ultimate holding company	Mcorp Global Private Limited (formerly Spice Corp Limited)
Holding company and Intermediaries	Modi Wellvest Private Limited (MWPL)- Holding Company Super Infosys Private Limited ( Holding Company of MWPL)
Subsidiaries	Modicom (Punjab) Private Limited* Modicom (Karnataka) Private Limited*

**Related party and nature of the related party relationship with whom transactions have taken place during the year**

Ultimate holding company	Mcorp Global Private Limited (formerly known as Spice Corp Private Limited)
Fellow subsidiaries	Cellebrum.com Private Limited Spicenet Limited
Related Parties which have significant influence	Distacom Communications India Limited DAI (Mauritius) Company Limited Twenty First Century Capital Limited Asia Pacific Capital India Private Limited
Key management personnel	Dilip Modi Bruce Hicks Richard J Siemens
Enterprises over which key management personnel/ Ultimate Controlling individuals exercise significant influence	Lifetree Convergence Limited Sunday Communications Limited



**Related party disclosure for the year ended 30 June 2005, as restated (Continued)**

	Ultimate holding company	Fellow subsidiaries	Related Parties which have significant influence	Key management personnel	Enterprises over which key management personnel exercise significant influence
Interest free loans advanced **	190.00	-	-	-	-
Service income	-	-	-	-	0.46
Vas outsourcing and roaming management	-	146.23	-	-	-
Interest on loan	-	-	187.29	-	-
Interest on debentures	-	-	157.43	-	-
Repairs and maintenance	0.52	0.17	-	-	-
Management service fee	32.63	-	1.35	-	-
Managerial Remuneration	-	-	-	17.95	-
Managerial Remuneration written back (refer note 1(c) (B)(b)(7) of Annexure V)	-	-	-	15.80	-
Legal and professional	-	-	-	-	12.63
Travelling and conveyance	-	0.02	-	-	-
Repayment of loan	-	-	800.84	-	-
Loan taken	-	722.25	-	-	-
Miscellaneous expenses	2.52	13.55	-	-	-
Investments written off	-	-	-	-	-
Rental Income	-	3.27	-	-	-
Call centre hire charges	-	87.20	-	-	-
<b>Outstanding balance as at year end</b>					
Accounts payable	10.87	11.61	4,431.62	54.21	-
Accounts receivable	190.00	0.001	2.13	-	4.91

**Notes**

- \* These two companies are no longer subsidiaries of Spice Communications Private Limited as they have become defunct and wound up. No transactions have been entered with the companies in the current year.
- \*\* This is the interest free loan given to Mcorp Global Private Limited against guarantee given by Mcorp Global to ZTE for payments relating to equipment purchase by Spice Communications Private Limited from ZTE.
- For the purpose of the restated statements, the related party transactions for the years ended 30 June 2005 have not been disclosed as per the ASI 13 which requires separate disclose of such related party transactions, amounts of which are in excess of 10% of total related party transactions of the same type, against the name of the concerned individual party, rather than aggregating the same with transactions of similar nature, as the detailed information and documentation required for such a disclosure is not available with the Company and as explained to us, it is not practically feasible to retrieve such an information.

**Annexure XIII (continued)**

**(e) Related party disclosure for the year ended 30 June 2006, as restated**

**Related party and nature of the related party relationship where control exists, irrespective of whether or not there have been transactions between the related parties**

Ultimate controlling individuals	Dr. Bhupendra Kumar Modi till 18 January 2006 Dilip Modi, Veena Modi from 18 January 2006
Ultimate holding company	Mcorp Global Private Limited till 18 January 2006 (formerly Spice Corp Limited) Indian Televentures Private Limited from 18 January 2006
Holding company and Intermediaries	Modi Wellvest Private Limited (MWPL)- Holding Company Super Infosys Private Limited ( Holding Company of MWPL)
Relative of key management personnel having control over the affairs of the company	B.K.Modi

**Related party and nature of the related party relationship with whom transactions have taken place during the year**

Ultimate holding company	Mcorp Global Private Limited (formerly known as Spice Corp Private Limited) (Ultimate Holding Company till 18 January 2006)
Fellow subsidiaries	Cellebrum.com Private Limited till 18 January 2006 Spice Limited till 18 January 2006 Spice Global Private Ltd. till 18 January 2006
Related Parties which have significant influence	Distacom Communications India Limited DAI (Mauritius) Company Limited till 20 February 2006 Twenty First Century Capital Limited till 18 January 2006 TMI India Limited TM International Sdn Bhd Telekom Malaysia Berhad
Key management personnel	Dilip Modi till 24 February 2006 and from 10 May 2006 Bruce Hicks till 24 February 2006 Richard J Siemens till 20 February 2006 Umang Das from 10 May 2006 H.N.Nanani from 16 August 2005 B.K Modi
Enterprises over which key management personnel/ Ultimate Controlling individuals exercise significant influence	Lifetree Convergence Limited till 24 February 2006 Sunday Communications Limited till 24 February 2006 Mcorp Global Private Limited from 18 January 2006 Cellebrum .com Private Limited from 18 January 2006 Spicenet Limited from 18 January 2006 Spice Global Private Limited from 18 January 2006 Xerox Modicorp Limited from 18 January 2006 Hot Spot Retail Private Limited from 24 February 2006 Asia Pacific Capital India Private Limited till 20 February 2006 Twenty First Century Capital Limited from 18 January 2006

**Related party disclosure for the year ended 30 June 2006, as restated (Continued)**

	Distaco m Communi cation s India Limited	DAI (Mauriti us) Compan y Limited	Twenty First Century Capital Limited	Asia Pacific Capital India Private Limited	Mcorp Global Private Limited	Cellebru m .com Private limited	Spice Limite d	Spice Global Private Limited	Sunday Comm unicati ons Limite d	Hot Spot Retail Privat e Limite d	Umang Dass	H.N. Nanani	Dilip Modi / Bruce Hicks	Teleko m Malays ia Berhad	TM Internat ional Sdn Bhd	Modi Wellve st Private Limite d	TMI India Limite d
Purchase of fixed assets	-	-	-	-	-	-	1.14	0.66	-	-	-	-	-	-	-	-	-
Service Income	-	-	-	-	-	1.00	-	0.24	0.14	-	-	-	-	-	-	-	-
Service Cost	-	-	-	-	-	-	-	-	0.19	-	-	-	-	-	-	-	-
Interest for Corporate Guarantee	-	-	-	-	0.31	-	-	-	-	-	-	-	-	-	-	-	-
Interest free loans advanced	-	-	-	-	10.00	-	-	-	-	-	-	-	-	-	-	-	-
Interest on debentures	-	103.75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Loan	-	-	16.18	96.00	-	-	-	-	-	-	-	-	-	-	-	-	-
Managerial Remuneration written back	-	-	-	-	-	-	-	-	-	-	-	-	70.00	-	-	-	-
Loan Taken	-	-	205.80	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Call Center Hire Charges*	-	-	-	-	-	-	-	124.51	-	-	-	-	-	-	-	-	-
Vas outsourcing and roaming	-	-	-	-	-	199.31	-	-	0.29	-	-	-	-	-	-	-	-
Traveling & Conveyance	-	-	-	-	-	-	-	-	-	-	-	1.55	-	-	-	-	-
Management service fee	-	-	-	-	32.63	-	-	-	-	-	-	-	-	-	-	-	-
Legal and professional	-	-	-	-	-	-	-	-	7.07	-	-	-	-	-	-	-	-
Commitment Charges	-	-	8.58	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent Income	-	-	-	-	-	0.36	-	-	-	-	-	-	-	-	-	-	-
Remuneration	-	-	-	-	-	-	-	-	-	-	0.42	4.46	-	-	-	-	-
Reimbursement of Expenses	-	-	-	-	-	17.37	4.77	15.03	-	-	-	-	-	-	-	-	-
Miscellaneous Expenses	-	-	-	-	0.05	3.08	0.81	1.08	-	-	0.54	0.26	-	-	-	-	-
Transfer and Assignment of Brand Name-"Spice"	-	-	-	-	0.000001	-	-	-	-	-	-	-	-	-	-	-	-
Use of Company's Office Building	-	-	-	-	-	-	-	-	-	**	-	-	-	-	-	-	-
Security Given	-	-	-	-	-	-	-	-	-	-	-	-	-	#	#	@	#
<b>Outstanding balance as at your end</b>																	
Account Payable	-	-	-	-	2.60	17.50	0.01	7.95	0.15	-	0.05	0.01	-	-	-	-	-
Account Receivable	0.19	-	0.16	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**Notes:**

\* Inclusive of service tax

\*\* Free of cost

# The security is as per the deed of Undertaking entered by Telekom Malaysia Berhad and TM International Sdn Bhd, in favour of the DBS Bank Limited wherein the related parties have agreed to cure any payment default on part of the Company.

# Non-disposal Agreement has been entered by TM International Sdn. Bhd. ("TMI") in respect of 270,450,600 equity shares of the Company held by TMI India Limited (subsidiary of TMI) and 144,718,618 equity shares of the Company held by Modi Wellvest Private Limited.

@This represents pledge of 136,770,732 equity shares of the Company held by Modi Wellvest Private Limited with DBS Bank Limited.

**Annexure XIII (continued)**
**(f) Related party disclosure for the period 1 July 2006 to 31 December 2006, as restated**
**Related party and nature of the related party relationship where control exists, irrespective of whether or not there have been transactions between the related parties**

Ultimate controlling individuals	Dilip Modi, Veena Modi
Ultimate holding company	Indian Televentures Private Limited
Holding company and Intermediaries	Modi Wellvest Private Limited (MWPL)- Holding Company Super Infosys Private Limited ( Holding Company of MWPL)
Relative of key management personnel having control over the affairs of the company	B.K.Modi

**Related party and nature of the related party relationship with whom transactions have taken place during the period**

Fellow subsidiaries	Spice Mobile Private Limited (now Global Infrastructure Private Limited w.e.f 26.03.07)
Related Parties which have significant influence	TMI India Limited TM International Sdn Bhd Telekom Malaysia Berhad
Key management personnel	Dilip Modi Umang Das H.N.Nanani
Enterprises over which key management personnel/ Ultimate Controlling individuals exercise significant influence	Mcorp Global Private Limited Cellebrum .com Private Limited Spice Limited Hot Spot Retail Private Limited

**Related party disclosure for the period 1 July 2006 to 31 December 2006, as restated (Continued)**

	Telekom Malaysia Berhad	TM International Sdn Bhd	Modi Wellvest Private Limited	TMI India Limited	Spice Mobile Private Limited	M Corp Global Private Limited	Cellebrum.com Private Limited	Spice Limited	Hot Spot Retail Private Limited	Dilip Modi	H N Nanani	Uman g Dass
Purchase of fixed assets and intangibles	-	-	-	-	-	-	71.96	2.75	-	-	-	-
Service Income	-	-	-	-	-	-	0.78	-	-	-	-	-
Purchase of Handsets*	-	-	-	-	-	-	-	35.39	-	-	-	-
Miscellaneous Expenses	-	-	-	-	-	1.32	-	0.47	0.27	0.01	0.28	0.99
Vas outsourcing and roaming management *	-	-	-	-	-	-	110.20	-	-	-	-	-
Recovery of Common Expenses	-	-	-	-	-	-	5.18	1.04	-	-	-	-
Reimbursement of Marketing Expenses	-	-	-	-	-	43.05	-	27.49	-	-	-	-
Rent for use of office premises	-	-	-	-	-	-	0.18	2.93	-	-	-	-
Managerial Remuneration	-	-	-	-	-	-	-	-	-	-	1.82	1.72
Management service fee	-	-	-	-	-	16.31	-	-	-	-	-	-
Legal and professional	-	15.98	-	-	-	-	-	-	-	-	-	-
Advances given	-	-	-	-	60.00	2.00	-	-	-	-	1.50	-
Security Given	#	#	@	#	-	-	-	-	-	-	-	-
Transfer and assignment of Brand Name-" Spice" in previous year	-	-	-	-	-	0.000001	-	-	-	-	-	-
<b>Outstanding balance as at period end</b>												
Account Payable	-	-	-	-	-	-	59.10	-	-	-	-	0.16
Account Receivable	-	-	-	-	60.00	39.61	-	31.26	-	-	-	-

**Notes:**

\* Inclusive of service tax

# The security is as per the deed of Undertaking entered by Telekom Malaysia Berhad and TM International Sdn Bhd, in favour of the DBS Bank Limited wherein the related parties have agreed to cure any payment default on part of the Company.

# Non-disposal Agreement has been entered by TM International Sdn. Bhd. ("TMI") in respect of 270,450,600 equity shares of the Company held by TMI India Limited (subsidiary of TMI) and 144,718,618 equity shares of the Company held by Modi Wellvest Private Limited.

@This represents pledge of 136,770,732 equity shares of the Company held by Modi Wellvest Private Limited with DBS Bank Limited.

**Annexure XIV**
**Segment Reporting, as restated**

<b>Segment reporting for the year ended 30 June 2002</b>					
<b>Reportable Segments</b>	<b>Karnataka</b>	<b>Punjab</b>	<b>Unallocated balances</b>	<b>Eliminations</b>	<b>Total</b>
<b>Revenue</b>					
Billing Revenue / Sale of Goods and Other Income*	2,037.91	3,096.78	193.93	-	5,328.62
<b>Total Revenue</b>	<b>2,037.91</b>	<b>3,096.78</b>	<b>193.93</b>	<b>-</b>	<b>5,328.62</b>
<b>Results</b>					
Segment Result, Profit / (Loss)	766.39	1,175.65	(29.99)	-	1,912.05
<b>Operating Profit/ (Loss) before depreciation/ amortisation, finance expenses and prior period items</b>	<b>766.39</b>	<b>1,175.65</b>	<b>(29.99)</b>	<b>-</b>	<b>1,912.05</b>
Finance Cost	(24.15)	(31.09)	(1,005.89)	-	(1,061.13)
Depreciation/ amortisation Expense	(502.47)	(501.98)	-	-	(1,004.45)
<b>Net Profit / (Loss)</b>	<b>239.77</b>	<b>642.58</b>	<b>(1,035.88)</b>	<b>-</b>	<b>(153.53)</b>
Fringe Benefit Tax	-	-	-	-	-
<b>Net Profit / (Loss) after tax</b>	<b>239.77</b>	<b>642.58</b>	<b>(1,035.88)</b>	<b>-</b>	<b>(153.53)</b>
<b>Other Information</b>					
Segment Assets	5,763.66	5,740.83	306.63	-	11,811.12
Inter Segment Assets	-	-	12,690.10	(12,690.10)	-
Tax deducted at source	-	-	14.42	-	14.42
<b>Total Assets</b>	<b>5,763.66</b>	<b>5,740.83</b>	<b>13,011.15</b>	<b>(12,690.10)</b>	<b>11,825.54</b>
Segmental Liabilities	470.77	825.04	11,173.10	-	12,468.91
Inter Segment Liabilities	7,174.58	5,515.52	-	(12,690.10)	-
Fringe benefit tax	-	-	-	-	-
<b>Total Liabilities</b>	<b>7,645.35</b>	<b>6,340.56</b>	<b>11,173.10</b>	<b>(12,690.10)</b>	<b>12,468.91</b>
<b>Capital Expenditure</b>	<b>196.05</b>	<b>609.89</b>	<b>-</b>	<b>-</b>	<b>805.94</b>
<b>Depreciation and amortisation</b>	<b>502.47</b>	<b>501.98</b>	<b>-</b>	<b>-</b>	<b>1,004.45</b>
<b>Non Cash Expenses other than Depreciation</b>	<b>33.04</b>	<b>100.58</b>	<b>-</b>	<b>-</b>	<b>133.62</b>

\*The amount of Inter segment revenue is unascertainable

**Annexure XIV (continued)**
**Segment Reporting, as restated**
**Segment reporting for the year ended 30 June 2003**

Reportable Segments	Karnataka	Punjab	Unallocated balances	Eliminations	Total
<b>Revenue</b>					
Billing Revenue / Sale of Goods and Other Income*	2,214.33	3,365.06	217.09	-	5,796.48
<b>Total Revenue</b>	<b>2,214.33</b>	<b>3,365.06</b>	<b>217.09</b>	<b>-</b>	<b>5,796.48</b>
<b>Results</b>					
Segment Result, Profit / (Loss)	882.17	1,560.26	71.60	-	2,514.03
<b>Operating Profit/ (Loss) before depreciation/ amortisation, finance expenses and prior period items</b>	<b>882.17</b>	<b>1,560.26</b>	<b>71.60</b>	<b>-</b>	<b>2,514.03</b>
Finance Cost	(22.06)	(22.52)	(721.81)	-	(766.39)
Depreciation/ amortisation Expense	(584.69)	(586.90)	-	-	(1,171.59)
<b>Net Profit / (Loss)</b>	<b>275.42</b>	<b>950.84</b>	<b>(650.21)</b>	<b>-</b>	<b>576.05</b>
Fringe Benefit Tax	-	-	-	-	-
<b>Net Profit / (Loss) after tax</b>	<b>275.42</b>	<b>950.84</b>	<b>(650.21)</b>	<b>-</b>	<b>576.05</b>
<b>Other Information</b>					
Segment Assets	5,529.83	6,092.30	343.13	-	11,965.26
Inter Segment Assets	-	-	11,620.39	(11,620.39)	-
Tax deducted at source	-	-	5.70	-	5.70
<b>Total Assets</b>	<b>5,529.83</b>	<b>6,092.30</b>	<b>11,969.22</b>	<b>(11,620.39)</b>	<b>11,970.96</b>
Segmental Liabilities	429.79	825.29	10,783.20	-	12,038.28
Inter Segment Liabilities	6,715.81	4,904.58	-	(11,620.39)	-
Fringe benefit tax	-	-	-	-	-
<b>Total Liabilities</b>	<b>7,145.60</b>	<b>5,729.87</b>	<b>10,783.20</b>	<b>(11,620.39)</b>	<b>12,038.28</b>
<b>Capital Expenditure</b>	<b>163.95</b>	<b>355.07</b>	<b>-</b>	<b>-</b>	<b>519.02</b>
<b>Depreciation and amortisation</b>	<b>584.69</b>	<b>586.90</b>	<b>-</b>	<b>-</b>	<b>1,171.59</b>
<b>Non Cash Expenses other than Depreciation</b>	<b>65.03</b>	<b>83.65</b>	<b>-</b>	<b>-</b>	<b>148.68</b>

\* The amount of Inter segment revenue is unascertainable



**Annexure XIV (continued)**
**Segment Reporting, as restated**

<b>Segment reporting for the year ended 30 June 2004</b>					
<b>Reportable Segments</b>	<b>Karnataka</b>	<b>Punjab</b>	<b>Unallocated balances</b>	<b>Eliminations</b>	<b>Total</b>
<b>Revenue</b>					
Billing Revenue / Sale of Goods and Other Income*	1,729.06	3,701.36	120.36	-	5,549.78
<b>Total Revenue</b>	<b>1,729.06</b>	<b>3,701.36</b>	<b>120.36</b>	<b>-</b>	<b>5,549.78</b>
<b>Results</b>					
Segment Result, Profit / (Loss)	370.96	1,307.48	12.05	-	1,690.49
<b>Operating Profit/ (Loss) before depreciation/ amortisation, finance expenses and prior period items</b>	<b>370.96</b>	<b>1,307.48</b>	<b>12.05</b>	<b>-</b>	<b>1,690.49</b>
Finance Cost	(5.90)	(26.66)	(647.98)	-	(680.54)
Depreciation/ amortisation Expense	(572.13)	(662.96)	-	-	(1,235.09)
<b>Net Profit / (Loss)</b>	<b>(207.07)</b>	<b>617.86</b>	<b>(635.93)</b>	<b>-</b>	<b>(225.14)</b>
Fringe Benefit Tax	-	-	-	-	-
<b>Net Profit / (Loss) after tax</b>	<b>(207.07)</b>	<b>617.86</b>	<b>(635.93)</b>	<b>-</b>	<b>(225.14)</b>
<b>Other Information</b>					
Segment Assets	5,132.20	6,922.09	332.43	-	12,386.72
Inter Segment Assets	-	-	11,093.46	(11,093.46)	-
Tax deducted at source	-	-	35.80	-	35.80
<b>Total Assets</b>	<b>5,132.20</b>	<b>6,922.09</b>	<b>11,461.69</b>	<b>(11,093.46)</b>	<b>12,422.52</b>
Segmental Liabilities	525.43	1,310.41	10,879.14	-	12,714.98
Inter Segment Liabilities	6,445.31	4,648.15	-	(11,093.46)	-
Fringe benefit tax	-	-	-	-	-
<b>Total Liabilities</b>	<b>6,970.74</b>	<b>5,958.56</b>	<b>10,879.14</b>	<b>(11,093.46)</b>	<b>12,714.98</b>
<b>Capital Expenditure</b>	<b>219.93</b>	<b>967.54</b>	<b>-</b>	<b>-</b>	<b>1,187.47</b>
<b>Depreciation and amortisation</b>	<b>572.13</b>	<b>662.96</b>	<b>-</b>	<b>-</b>	<b>1,235.09</b>
<b>Non Cash Expenses other than Depreciation</b>	<b>42.02</b>	<b>73.66</b>	<b>-</b>	<b>-</b>	<b>115.68</b>

\* The amount of Inter segment revenue is unascertainable

**Annexure XIV (continued)**
**Segment Reporting, as restated**

<b>Segment reporting for the year ended 30 June 2005</b>					
<b>Reportable Segments</b>	<b>Karnataka</b>	<b>Punjab</b>	<b>Unallocated balances</b>	<b>Eliminations</b>	<b>Total</b>
<b>Revenue</b>					
Billing Revenue / Sale of Goods and Other Income*	1,541.21	4,573.60	319.94	-	6,434.75
<b>Total Revenue</b>	<b>1,541.21</b>	<b>4,573.60</b>	<b>319.94</b>	<b>-</b>	<b>6,434.75</b>
<b>Results</b>					
Segment Result, Profit / (Loss)	323.90	1,473.37	236.58	-	2,033.85
<b>Operating Profit/ (Loss) before depreciation/ amortisation, finance expenses and prior period items</b>	<b>323.90</b>	<b>1,473.37</b>	<b>236.58</b>	<b>-</b>	<b>2,033.85</b>
Finance Cost	(22.65)	(21.84)	(674.50)	-	(718.99)
Depreciation/ amortisation Expense	(541.65)	(697.60)	-	-	(1,239.25)
<b>Net Profit / (Loss)</b>	<b>(240.40)</b>	<b>753.93</b>	<b>(437.92)</b>	<b>-</b>	<b>75.61</b>
Fringe Benefit Tax	-	-	(1.76)	-	(1.76)
<b>Net Profit / (Loss) after tax</b>	<b>(240.40)</b>	<b>753.93</b>	<b>(439.68)</b>	<b>-</b>	<b>73.85</b>
<b>Other Information</b>					
Segment Assets	4,500.90	7,735.17	189.68	-	12,425.75
Inter Segment Assets	-	-	10,600.22	(10,600.22)	-
Tax deducted at source	-	-	42.68	-	42.68
<b>Total Assets</b>	<b>4,500.90</b>	<b>7,735.17</b>	<b>10,832.58</b>	<b>(10,600.22)</b>	<b>12,468.43</b>
Segmental Liabilities	516.63	1,448.43	10,720.22	-	12,685.28
Inter Segment Liabilities	6,020.89	4,579.33	-	(10,600.22)	-
Fringe benefit tax	-	-	1.76	-	1.76
<b>Total Liabilities</b>	<b>6,537.52</b>	<b>6,027.76</b>	<b>10,721.98</b>	<b>(10,600.22)</b>	<b>12,687.04</b>
<b>Capital Expenditure</b>	<b>119.21</b>	<b>958.39</b>	<b>-</b>	<b>-</b>	<b>1,077.60</b>
<b>Depreciation and amortisation</b>	<b>541.65</b>	<b>697.60</b>	<b>-</b>	<b>-</b>	<b>1,239.25</b>
<b>Non Cash Expenses other than Depreciation</b>	<b>24.09</b>	<b>107.12</b>	<b>-</b>	<b>-</b>	<b>131.21</b>

\* The amount of Inter segment revenue is unascertainable

**Annexure XIV (continued)**
**Segment Reporting, as restated**

<b>Segment reporting for the year ended 30 June 2006</b>					
<b>Reportable Segments</b>	<b>Karnataka</b>	<b>Punjab</b>	<b>Unallocated balances</b>	<b>Eliminations</b>	<b>Total</b>
<b>Revenue</b>					
Billing Revenue / Sale of Goods and Other Income*	1,612.47	5,059.06	131.34	-	6,802.87
<b>Total Revenue</b>	<b>1,612.47</b>	<b>5,059.06</b>	<b>131.34</b>	<b>-</b>	<b>6,802.87</b>
<b>Results</b>					
Segment Result, Profit / (Loss)	293.69	1,507.35	(147.54)	-	1,653.50
<b>Operating Profit/ (Loss) before depreciation/ amortisation, finance expenses and prior period items</b>	<b>293.69</b>	<b>1,507.35</b>	<b>(147.54)</b>	<b>-</b>	<b>1,653.50</b>
Finance Cost	(25.36)	(53.11)	(791.27)	-	(869.74)
Depreciation/ amortisation Expense	(652.20)	(806.01)	-	-	(1,458.21)
Prior period (Expense)/ Income	-	-	-	-	-
<b>Net Profit / (Loss)</b>	<b>(383.87)</b>	<b>648.23</b>	<b>(938.81)</b>	<b>-</b>	<b>(674.45)</b>
Fringe Benefit Tax	-	-	(12.97)	-	(12.97)
<b>Net Profit / (Loss) after tax</b>	<b>(383.87)</b>	<b>648.23</b>	<b>(951.78)</b>	<b>-</b>	<b>(687.42)</b>
<b>Other Information</b>					
Segment Assets	4,349.32	6,930.90	808.23	-	12,088.45
Inter Segment Assets	-	-	8,837.37	(8,837.37)	-
Tax deducted at source	-	-	51.95	-	51.95
<b>Total Assets</b>	<b>4,349.32</b>	<b>6,930.90</b>	<b>9,697.55</b>	<b>(8,837.37)</b>	<b>12,140.40</b>
Segmental Liabilities	836.48	1,687.31	10,517.29	-	13,041.08
Inter Segment Liabilities	5,958.83	2,878.54	-	(8,837.37)	-
Fringe benefit tax	1.71	3.64	-	-	5.35
<b>Total Liabilities</b>	<b>6,797.02</b>	<b>4,569.49</b>	<b>10,517.29</b>	<b>(8,837.37)</b>	<b>13,046.43</b>
<b>Capital Expenditure</b>	<b>777.07</b>	<b>1,093.42</b>	<b>-</b>	<b>-</b>	<b>1,870.49</b>
<b>Depreciation and amortisation</b>	<b>652.20</b>	<b>806.01</b>	<b>-</b>	<b>-</b>	<b>1,458.21</b>
<b>Non Cash Expenses other than Depreciation</b>	<b>10.04</b>	<b>146.26</b>	<b>2.81</b>	<b>-</b>	<b>159.11</b>

\* The amount of Inter segment revenue is unascertainable

**Annexure XIV (continued)**
**Segment Reporting, as restated**
**Segment reporting for the period 1 July 2006 to 31 December 2006**

Reportable Segments	Karnataka	Punjab	Unallocated balances	Eliminations	Total
<b>Revenue</b>					
Billing Revenue / Sale of Goods and Other Income*	1,128.35	2,768.54	42.60	-	3,939.49
<b>Total Revenue</b>	<b>1,128.35</b>	<b>2,768.54</b>	<b>42.60</b>	<b>-</b>	<b>3,939.49</b>
<b>Results</b>					
Segment Result, Profit / (Loss)	141.08	790.38	2.92	-	934.38
<b>Operating Profit/ (Loss) before depreciation/ amortisation, finance expenses and prior period items</b>	<b>141.08</b>	<b>790.38</b>	<b>2.92</b>	<b>-</b>	<b>934.38</b>
Finance Cost	(15.69)	(17.98)	(604.38)	-	(638.05)
Depreciation/ amortisation Expense	(305.30)	(404.25)	-	-	(709.55)
<b>Net Profit / (Loss)</b>	<b>(179.91)</b>	<b>368.15</b>	<b>(601.46)</b>	<b>-</b>	<b>(413.22)</b>
Fringe Benefit Tax	-	-	(4.92)	-	(4.92)
<b>Net Profit / (Loss) after tax</b>	<b>(179.91)</b>	<b>368.15</b>	<b>(606.38)</b>	<b>-</b>	<b>(418.14)</b>
<b>Other Information</b>					
Segment Assets	5,042.05	7,620.05	717.86	-	13,379.96
Inter Segment Assets	-	-	9,446.84	(9,446.84)	-
Tax deducted at source	-	-	-	-	-
<b>Total Assets</b>	<b>5,042.05</b>	<b>7,620.05</b>	<b>10,164.70</b>	<b>(9,446.84)</b>	<b>13,379.96</b>
Segmental Liabilities	1,121.19	1,943.33	11,639.61	-	14,704.13
Inter Segment Liabilities	6,552.11	2,894.73	-	(9,446.84)	-
Fringe benefit tax	-	-	-	-	-
<b>Total Liabilities</b>	<b>7,673.30</b>	<b>4,838.06</b>	<b>11,639.61</b>	<b>(9,446.84)</b>	<b>14,704.13</b>
<b>Capital Expenditure</b>	<b>865.75</b>	<b>828.28</b>	<b>-</b>	<b>-</b>	<b>1,694.03</b>
<b>Depreciation and amortisation</b>	<b>305.30</b>	<b>404.25</b>	<b>-</b>	<b>-</b>	<b>709.55</b>
<b>Non Cash Expenses other than Depreciation</b>	<b>9.46</b>	<b>54.58</b>	<b>-</b>	<b>-</b>	<b>64.04</b>

\* The amount of Inter segment revenue is unascertainable

**Notes to Segment reporting:****1. Revenue and expenses**

Segment revenue and expenses include that portion of enterprise revenue and expenses that are directly attributable to the segment or can be allocated on a reasonable basis. Costs, which though attributable to the segments but cannot be allocated on a reasonable basis, have been shown as “unallocated corporate expenses”.

**2. Segment assets and liabilities**

Segment assets include all operating assets employed by the segment in its operating activities and consist principally of operating cash, debtors, other advances, inventories and fixed assets, net of allowances and provisions. Assets in relation to segments are categorised based on items that are directly attributable to the segment, while the remainder is allocated to the segments on a reasonable basis. The assets which are not specifically allocable to the reportable segments are disclosed as “unallocated corporate assets”. Segment liabilities include operating liabilities and consist principally of creditors and other accrued liabilities allocated to the segments on a reasonable basis. The liabilities which are not specifically allocable to the reportable segments are disclosed as “unallocated corporate liabilities”. Assets and liabilities relating to corporate office have been shown as “unallocated corporate assets and liabilities”.

**3. Secondary segment reporting (By business segment)**

In view of management, cellular services represents one business segment in the context of Accounting Standard 17 on 'Segment Reporting', issued by the Institute of Chartered Accountants of India.

**Annexure XV**
**Basis of issue price**

Particulars	Year ended 30 June 2004	Year ended 30 June 2005	Year ended 30 June 2006	1 July to 31 December 2006	Weighted Average
1 Adjusted Earning Per Share	(0.28)	0.09	(0.87)	(0.76)	(0.45)
2 Price/ Earning Ratio (P/E) in relation to issue price	*	*	*	*	*
3 Return on net worth	**	**	**	**	**
4 Minimum return on Total Net Worth after issue needed to maintain pre-issue EPS	*	*	*	*	*
5 Net Asset Value (NAV) (post-issue)	*	*	*	*	*

**Notes:**

1 The ratios, where applicable, have been computed as follows:

Adjusted earning per share	Net profit/ (loss) after tax attributable to equity shareholders
	Weighted average number of equity shares outstanding during the year/ period after taking into account all outstanding conversions and options
Price/ earning ratio (P/E) in relation to issue price	Issue price per share
	Earnings per share
Return on net worth	<u>Net profit/ (loss) after adjusting tax</u> Net worth as at the year end
Net asset value (NAV)	<u>Net worth as at the year end</u> Number of equity shares outstanding as at the year end

- 2 Restated net profit/ (loss), as appearing in the statement of profits and losses, as restated and net worth as appearing in the statement of assets and liabilities, as restated, has been considered for the purpose of computing the above ratios.
- 3 Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings Per Share" issued by the ICAI.
- \* Not applicable at the time of filling of Red Herring Prospectus as the Company's shares are not listed on any Stock Exchange.
- \*\* Not applicable since the Company has a negative net worth.

**Annexure XVI**
**STATEMENT OF TAX BENEFITS**

The “statement on tax benefits” (or the “statement”) as appearing below, states the possible tax benefits available to the Company and its shareholders under the Income Tax Act, 1961, Wealth Tax Act, 1957 and the Gift Tax Act, 1958, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant 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 in this statement below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

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

The contents of this statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

The year-wise brought forward losses and unabsorbed depreciation as at 31 March 2005 has been given below:

Previous year ended	Brought Forward	
	Unabsorbed depreciation	Business Loss
1996- 1997	-	-
1997- 1998	488.83	723.62
1998- 1999	719.19	1,525.92
1999- 2000	811.02	1,316.64
2000- 2001	790.25	332.39
2001- 2002	381.19	-
<b>Total</b>	<b>3,190.48</b>	<b>3,898.57</b>

## **Annexure XVI (Continued)**

As per the present provisions of Income-tax Act, 1961 (hereinafter referred to as “the Act”) and other laws as applicable for the time being in force in India, the following possible tax benefits are available to the Company and to the shareholders of the Company, subject to fulfillment of prescribed conditions:

### **A. To the Company under the Act**

#### Specific Tax Benefits

5. In accordance with Section 35ABB, in respect of any expenditure, being in the nature of capital expenditure, incurred for acquiring any right to operate telecommunication services either before the commencement of the business to operate telecommunication services or thereafter at any time during any previous year and for which payment has actually been made to obtain a license, there shall, subject to and in accordance with the provisions of this section, be allowed for each of the relevant previous years, a deduction equal to the appropriate fraction of the amount of such expenditure.
6. In accordance with and subject to conditions specified under section 80IA of the Act, Company is eligible for a deduction of 100% of its profits and gains derived from provision of telecommunication services for the first five assessment years commencing at any time during fifteen years, beginning from the year in which the Company started providing telecommunication services, and thereafter, 30% of such profits and gains for further five assessment years.

#### General Tax Benefits

7. Under Section 10(34) of the Act, dividend income (whether interim or final) received by the Company from any other domestic company (in which the company has invested) is exempt from tax in the hands of the Company.
8. The income received by the Company from distribution made by any mutual fund specified under Section 10(23D) of the Act or from the Administrator of the specified undertaking or from the specified companies referred to in Section 10(35) of the Act is exempt from tax in the hands of the Company under Section 10(35) of the Act.

### **B. To the Shareholders of the Company**

#### **I Resident Shareholders**

#### General Tax Benefits

8. Under Section 10(34) of the Act, dividend (whether interim or final) received from a domestic company is exempt from tax in the hands of the shareholders.
9. Under Section 10(38) of the Act, the Long-term Capital Gain arising on transfer of equity shares in the Company, which are chargeable to Securities Transaction Tax, are exempt from tax in the hands of the shareholders.
10. In accordance with and subject to the conditions specified in Section 54EC of the Act and subject to the conditions and to the extent specified therein, Long term Capital Gains (which are not exempt under section 10(38) of the Act) would not be chargeable to tax to the extent such capital gains are invested in long term specified assets within 6 months from the date of transfer and held for a period of 3 years, from the date of acquisition, in bonds issued by:
  - c) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;



- d) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.
11. In case of a shareholder, being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent provided in Section 54F of the Act, Long-term Capital Gains arising from the transfer of shares in the Company [which are not exempt under Section 10 (38) of the Act], will be exempt from capital gains tax, if the net consideration is invested for purchase or construction of a residential house. If, however, such new residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains for which the exemption was availed earlier would be taxed as long-term capital gains of the year in which such residential house is transferred.
  12. As per the provisions of Section 88E of the Act, where the business income of an assessee includes profits and gains from sale of securities liable to Securities Transaction Tax, a rebate is allowable from the amount of income tax on such business income, to the extent of Securities Transaction Tax paid on such transactions. The amount of rebate shall, however, be limited to the amount of income tax arrived at by applying the average rate of income tax on such business income.
  13. As per the provisions of Section 111A of the Act, Short-term Capital Gains arising to the shareholders from the transfer of Equity Shares in the Company are subject to tax @ 10% (plus applicable surcharge and education cess) where such a transaction is subjected to Securities Transaction Tax.
  14. As per the provisions of Section 112 of the Act, long term capital gains (which are not exempt under Section 10(38) of the Act) arising on transfer of shares in the Company would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess) after indexation. However, if the tax on long term capital gains resulting on transfer of listed securities 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 capital gains are chargeable to tax at a rate of 10 percent (plus applicable surcharge and education cess), at the option of the shareholder.

## **II Mutual Funds**

### General Tax Benefits

In case of a shareholder being a Mutual fund, 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 there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorised by the Reserve Bank of India are exempt from income-tax, subject to the conditions notified by Central Government in this regard.

## **III Venture Capital Companies /Funds**

### General Tax Benefits

In case of a shareholder being a Venture Capital Company / Fund, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, are exempt from income-tax, as per the provisions of and subject to the conditions specified in Section 10(23FB) of the Act. As per Section 155U of the Income Tax Act, any income derived by a person from his investment in venture capital companies/ funds would be taxable in the hands of the person making an investment, in the same manner as if it were the income received by such person, had the investments been directly made in the venture capital undertaking.

## **IV Non-Resident / Non-Resident Indian Member**

### General Tax Benefits

10. As per the provisions of Section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April, 2003) received on the shares of any domestic company is exempt from the tax.

11. Under Section 10(38) of the Act, the Long-term Capital Gain arising on transfer of equity shares in the Company, which are chargeable to Securities Transaction Tax, are exempt from tax in the hands of the shareholders.
12. In accordance with and subject to the conditions specified in Section 54EC of the Act and subject to the conditions and to the extent specified therein, Long term Capital Gains (which are not exempt under section 10(38) of the Act) would not be chargeable to tax to the extent such capital gains are invested in long term specified assets within 6 months from the date of transfer and held for a period of 3 years, from the date of acquisition, in bonds issued by:
  - e. National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
  - f. Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.
13. In case of a shareholder, being an individual or a Hindu Undivided Family, in accordance with and subject to the conditions and to the extent provided in Section 54F of the Act, Long-term Capital Gains arising from the transfer of shares in the Company [which are not exempt under Section 10 (38) of the Act], will be exempt from capital gains tax, if the net consideration is invested for purchase or construction of a residential house. If, however, such new residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains for which the exemption was availed earlier would be taxed as long-term capital gains of the year in which such residential house is transferred.
14. As per the provisions of Section 88E of the Act, where the business income of an assessee includes profits and gains from sale of securities liable to Securities Transaction Tax, a rebate is allowable from the amount of income tax on such business income, to the extent of Securities Transaction Tax paid on such transactions. The amount of rebate shall, however, be limited to the amount of income tax arrived at by applying the average rate of income tax on such business income.
15. As per Section 90(2) of the Act, the provisions the Double Taxation Avoidance Agreement between India and the country of residence on Non-resident/ Non Resident Indian would prevail would prevail over the provisions of the Act to the extent they are more beneficial to the non-resident/non-resident Indian shareholder. Thus, a non- resident/non-resident Indian shareholder can opt to be governed by the beneficial provisions of an applicable Double Taxation Avoidance Agreement.
16. As per the provisions of Section 111A of the Act, Short-term Capital Gains arising to the shareholders from the transfer of Equity Shares in the Company are subject to tax @ 10% (plus applicable surcharge and education cess) where such a transaction is subjected to Securities Transaction Tax.
17. Benefits outlined in Paragraph B(I)(3) above are also available to a non-resident/non-resident Indian shareholder except that under first proviso to Section 48 of the Act, the capital gains arising on transfer of capital assets being shares of an Indian Company need to be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on stipulated dates. Further, the benefit of indexation is not available to non-resident shareholders.
18. Where shares have been subscribed in convertible foreign exchange, the 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:
  - Under section 115E of the Act, where the total income of a non-resident Indian includes any income from investment or income from long term capital gains of an asset, other than a specified asset, such income shall be taxed at a concessional rate of 20 percent (plus applicable surcharge and education cess). Also, where shares in the company are subscribed for in convertible foreign exchange by a non-resident Indian, long term

capital gains arising to the non resident Indian shall be taxed at a concessional rate of 10 per cent (plus applicable surcharge and education cess). The benefit of indexation of cost would not be available.

- Under Section 115F of the Act, long-term capital gains arising to a Non-Resident Indian from transfer of shares of the Company, subscribed in convertible foreign exchange, shall be exempt from income tax, if the entire net consideration is reinvested in specified assets/ saving certificates within 6 months of the date of transfer. Where only a part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets/ saving certificates are transferred or converted within 3 years from the date of their acquisition.
- 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.

## **V Foreign Institutional Investors (FIIs)**

### General Tax Benefits

8. Dividend (both interim and final) income, if any, received by the shareholder from the domestic company shall be exempt under Section 10(34) read with Section 115O of the Act.
9. Under Section 10(38) of the Act, the Long-term Capital Gain arising on transfer of equity shares in the Company, which are chargeable to Securities Transaction Tax, are exempt from tax in the hands of the shareholders.
10. In accordance with and subject to the conditions specified in Section 54EC of the Act and subject to the conditions and to the extent specified therein, Long term Capital Gains (which are not exempt under section 10(38) of the Act) would not be chargeable to tax to the extent such capital gains are invested in long term specified assets within 6 months from the date of transfer and held for a period of 3 years, from the date of acquisition, in bonds issued by:
  - g. National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
  - h. Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.
11. As per the provisions of Section 88E of the Act, where the business income of an assessee includes profits and gains from sale of securities liable to Securities Transaction Tax, a rebate is allowable from the amount of income tax on such business income, to the extent of Securities Transaction Tax paid on such transactions. The amount of rebate shall, however, be limited to the amount of income tax arrived at by applying the average rate of income tax on such business income.
12. As per Section 90(2) of the Act, the provisions the Double Taxation Avoidance Agreement between India and the country of residence on Non-resident/ Non Resident Indian would prevail would

prevail over the provisions of the Act to the extent they are more beneficial to the non-resident/non-resident Indian shareholder. Thus, a non-resident/non-resident Indian shareholder can opt to be governed by the beneficial provisions of an applicable Double Taxation Avoidance Agreement.

13. As per the provisions of section 111A of the Act, short term capital gains arising from transfer of equity shares in the Company would be taxable at a concessional rate of 10%(plus applicable surcharge and education cess), if such a transaction is subjected to Securities Transaction Tax.
14. As per the provisions of Section 115AD, income (other than income by way of dividends referred in Section 115-O) received in respect of securities (other than units referred to in Section 115AB) shall be taxable at the rate of 20% (plus applicable surcharge on tax and education cess on tax and surcharge).

Further, capital gains arising from transfer of securities (other than units referred to in Section 115AB) which are not exempt under Section 10(38), shall be taxable as follows:

<i>Nature of Income</i>	<i>Rate of tax</i>
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 would not be available.

#### **C. Benefits available under the Wealth Tax Act, 1957**

##### General Tax Benefits

‘Asset’ as defined under Section 2(ea) of the Wealth Tax Act, 1957, does not include share in companies. Hence, the shares in companies are not liable to Wealth Tax.

#### **D. Benefits available under the Gift Tax Act, 1958**

##### General Tax Benefits

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.

#### **Notes:**

4. All the above benefits are as per the current tax law and will be available only to the first named holder in case the shares are held by joint holders. Shareholder is advised to consider in his/her/its own case, the tax implications of any new enactments which may change / modify the law.
5. In view of the nature of tax consequences, being based on all the facts, in totality, of the investors, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences.
6. The benefits discussed above 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.

## SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

The Company has prepared the “Summary of Significant Differences between Indian GAAP and U.S. GAAP” (the “Summary”) without any quantification or financial impact which is included in this Red Herring Prospectus.

This summary is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional advice. Further the summary does not necessarily indicate the accounting policies that the Company would have adopted had they presented the financial statements under US GAAP. Various U.S. GAAP and Indian GAAP pronouncements have been issued for which the mandatory application date is later than the reporting dates in this Red Herring Prospectus. These together with standards that are in process of being developed in both the jurisdictions, could have a significant impact on future comparisons between U.S. GAAP and Indian GAAP.

The following table highlights the summary, insofar as they affect financial information in this Red Herring Prospectus:

Particulars	Company’s accounting policy per Indian GAAP	U.S. GAAP
<b>Basis of preparation</b>	The financial statements are prepared under the historical cost convention, on the accrual basis of accounting in accordance with the Generally Accepted Accounting Principles and mandatory accounting standards issued by the Institute of Chartered Accountants of India (‘ICAI’).	U.S. GAAP advocates four basis of accounting- historical cost, current cost, realisable value and present value. Though historical cost is most commonly adopted basis, recent trend tends to tilt more towards fair value and therefore is more Balance-Sheet focused. Exceptions to historical cost are fair valuation of financial instruments, other biological assets, revaluation of fixed assets/ intangible assets, impairment of assets, etc.
<b>Use of estimates</b>	<p>The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements and the results of operations during the reporting period. Actual results could differ from those estimates.</p> <p>Any revision to accounting estimates is recognised prospectively in current and future periods.</p>	<p>The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements and the results of operations during the reporting period. Actual results could differ from those estimates.</p> <p>Any revision to accounting estimates is recognised prospectively in current and future periods.</p>

Particulars	Company's accounting policy per Indian GAAP	U.S. GAAP
<b>Revenue</b>	<p><i>Service Income</i></p> <p>Cellular service revenues are recognised on accrual basis when no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the service.</p> <p>Call charges primarily include airtime revenue, roaming revenue from own subscribers and other operators. Unbilled revenues in respect of post-paid customers resulting from cellular services provided from the billing cycle date to the end of each month are calculated and recorded on the basis of actual usage. Revenues from prepaid cards are recognised based on actual usage by the customers. The Company offers roaming related services to certain national and international operators. Commission received in respect of such transactions are recognised as income in the financial statements on accrual basis. Value added service and other service revenue are recognised as services are rendered.</p> <p><i>Fixed rentals</i></p> <p>Fixed rentals are recognised on pro-rata basis in accordance with applicable billing cycles.</p> <p><i>Activation fee, recharge fee and airtime revenue</i></p> <p>Activation fee is being recognised upfront except on products (both postpaid and prepaid), which are valid for life time, where activation fee is being recognised over the expected life of customers using those products.</p> <p>All service revenues are recognised net of applicable service tax.</p> <p><i>Interest income</i></p> <p>Interest income is recognised on accrual basis at applicable interest rates and time period.</p>	<p><i>Service Income</i></p> <p>Revenue represents actual or expected cash inflows (or the equivalent) that have occurred or will result from the entity's ongoing major operations.</p> <p><i>Activation revenue</i></p> <p>If the arrangement has separate units of accounting under EITF 00-21-“Revenue recognition with multiple deliverables” and unless the upfront fee is in exchange for products or services delivered that represent the culmination of a separate earnings process, deferral of the revenue is appropriate.</p> <p>When a telecommunication company receives the upfront fee, the staff of SEC is of the view that the activities completed by the company are not discrete earnings event, further they believe that the earnings process is completed by performing all the conditions of the agreement and not simply by originating a revenue generating arrangement. The recognition of revenue should occur over time, reflecting the provision of service.</p> <p><i>Recharge fee and airtime revenue</i></p> <p>The recharge fees is basically in the nature of service fees, which is paid by the customer for availing the incoming and outgoing connectivity services for a specific period (the voucher's validity period). In view of this, under US GAAP, the recharge fees should be recognized as revenue over the validity period and the airtime component should be recognized as revenue based on actual usage.</p> <p><i>Interest income</i></p> <p>Revenue arising from the use by others of the enterprise assets yielding interest, royalties and dividends should be recognised if:</p>

Particulars	Company's accounting policy per Indian GAAP	U.S. GAAP
	<p><i>Agency service income</i></p> <p>Agency service income comprises, income earned on rendering roaming related agency services to other national and international operators. This is in respect of airtime and other services rendered on behalf of operators who do not have necessary service tie ups amongst themselves. The Company accounts for agency service income on accrual basis at the net amount receivable by the Company for such services when no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the service.</p> <p><i>Handset sales</i></p> <p>Handset sales are recognised on transfer of title of such sets to customers over the counter. Handset sales are recognised net of sales tax.</p>	<ul style="list-style-type: none"> <li>It is probable that the economic benefits associated with the transaction will flow to the enterprise.</li> <li>The amount of revenue can be measured reliably.</li> </ul> <p>Basis of recognition:</p> <ul style="list-style-type: none"> <li>Interest should be recognised using effective interest method.</li> <li>Royalties shall be recognised on accrual basis in accordance with the substance of the relevant agreement and</li> <li>Dividends shall be recognised even when the shareholder's right to receive payment is established.</li> </ul> <p>Interest is recognised based on time-proportion basis based on rates applicable.</p>
<b>Fixed assets and depreciation</b>	<p>Fixed assets are stated at cost less accumulated depreciation. The Company capitalises all direct costs (including direct relatable interest costs, if any) relating to the acquisition and installation of fixed assets, excluding recoverable taxes. Fixed assets are depreciated from the month in which the asset is put to use, on the straight-line method, based on the estimated economic useful lives of the assets as stated below after considering the estimated residual value, which in the opinion of management reflects the economic useful life of the underlying assets. Leasehold land and building and leasehold improvements are being amortised over the period of lease including the optional period, if any, available to the Company, where it is reasonably certain at the inception of lease that such option would be exercised by the Company.</p> <p>Change in useful life, cost and residual value is accounted for prospectively.</p> <p>Change in method of depreciation is accounted for retrospectively.</p>	<p>Fixed assets should be depreciated over its estimated useful life, and the depreciation charge must be recognised as an expense unless it has to be included in the carrying amount of another asset. A depreciation charge must be recognised even when the value of the asset exceeds its carrying amount. There is significant emphasis on separate accounting and depreciation of components of fixed assets.</p> <p>The residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate.</p> <p>A variety of depreciation methods can be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. These methods include the straight-line method, the diminishing balance method and the units of production method.</p> <p>Change in useful life, cost, method of</p>

Particulars	Company's accounting policy per Indian GAAP	U.S. GAAP
		depreciation and residual value is accounted for prospectively.
<b>Intangible assets and amortisation</b>	<p>The fixed component of license fee paid by the Company upon migration to the National Telecom Policy (NTP 1999) i.e., entry fee, has been capitalised as an intangible and is amortised over the remainder of the revised license period of 20 years from commencement of operations at the respective circles on a straight line basis, reflecting economic useful life of the asset. The unamortized portion of the license fees has been disclosed in schedule of fixed assets.</p> <p>Stand alone software is being amortized over a period of five years.</p>	<p><i>Definition</i></p> <p>An identified non monetary asset without physical substance, which may be acquired or internally generated.</p> <p><i>Initial measurement</i></p> <p>An intangible asset acquired either individually or with a group of assets, other than when acquired in a business combination, should be initially recognized and measured based on its fair value. An intangible asset is recognised apart from goodwill, if it arises from contractual or other legal rights.</p> <p>An intangible asset with a finite useful life is amortised and the one with an infinite useful life is not amortised. A recognized intangible asset should be amortised over the useful life unless that life is indefinite. If the life is finite but actual length is not known then amortization should be based on best estimate of useful life. The method of amortization should reflect the pattern of depletion of economic benefits from the intangible asset. If the pattern cannot be determined, a straight line amortization should be followed.</p>
<b>Foreign currency transactions</b>	<p>Transactions in foreign currency are translated at the exchange rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are translated at exchange rates prevailing as at the year-end. Exchange gains or losses arising out of fluctuation in exchange rates on settlement during the year / translation at year-end are recognized in the Profit and Loss Account except in case of outstanding foreign currency liabilities relating to fixed assets acquired from outside India, which are adjusted to the carrying cost of the respective asset and is depreciated over the remaining useful life of the underlying asset.</p>	<p>Under US GAAP all gains or losses arising from foreign currency transactions are included in determining net income. Foreign exchange gains or losses are not included in the interest cost.</p> <p>All Foreign exchange fluctuation directly attributable to fixed assets has to be reported as a gain / (loss) in the Income Statement.</p>



Particulars	Company's accounting policy per Indian GAAP	U.S. GAAP
<b>Retirement benefits</b>	<p>(i) <i>Defined contribution plan</i></p> <p>In respect of retirement benefits in the form of provident fund, the contribution payable by the Company for a period is charged to the Profit and Loss account for the period. A shortfall of the amount of contribution paid compared to the amount payable for the period is charged to the Profit and Loss account for the period. On the other hand, if contribution paid is in excess of the amount payable for the period, the excess is treated as a pre-payment.</p> <p>(ii) <i>Defined payment plan</i></p> <p>General description of plans</p> <p>Leave encashment: The Company has a scheme under which unavailed leaves of their employees is allowed to be accumulated within specified limits and allowed to be encashed at the time of employee's separation (on retirement, resignation or on death) on the basis of the salary drawn at the time of his separation from the company.</p> <p>Gratuity: Gratuity benefit is applicable to all permanent and full time employees of the Company. Gratuity paid out is based on last drawn basic salary and dearness allowance at the time of termination or retirement. The scheme takes into account each completed period of service or part thereof in excess of six months. Annual contributions to the employee's gratuity fund, established with the Life Insurance Corporation of India ('LIC') are determined based on an actuarial valuation by the LIC as at the period end.</p> <p>Valuation and recognition</p> <p>The net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The calculation has been performed by a qualified actuary, at the end of the period, using the projected unit</p>	<p>US GAAP provides options to recognize actuarial gains and losses as follows:</p> <ul style="list-style-type: none"> <li>All actuarial gains and losses can be recognised immediately in the profit and loss account, except, If all or almost all plan participants are retired, in which actuarial gains and losses are amortised over the remaining life expectancy of the plan participants.</li> </ul> <p>The liability for defined benefit retirement plans is reported at the present value of future benefits using the projected unit credit method, with a stipulated method to define assumptions.</p>

Particulars	Company's accounting policy per Indian GAAP	U.S. GAAP
	<p>credit method.</p> <p>When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the Profit and Loss account on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Profit and Loss account.</p> <p>All actuarial gains and losses for the period upto 1 July 2006, the date of transition to the revised AS 15 (Employee Benefits), are recognised in the opening revenue reserves. Subsequent to 1 July 2006, the Company's net obligation in respect of a plan, service cost, interest costs and actuarial gains and losses are recognised in the Profit and Loss account in the period in which they arise.</p>	
<b>Dealer related costs</b>	Dealer related costs, comprising dealer commissions, equipment subsidies, if any, and direct scheme advertisement costs are charged to the Profit and Loss Account on accrual basis.	Under US GAAP, incremental customer acquisition cost is allowed for deferral to the extent of deferred revenue.
<b>Advertising and marketing costs</b>	Advertising and marketing costs comprise inter-alia Company's share of such expenditure for business promotion. Such expenditure is incurred on an accrual basis.	Advertising and marketing costs comprise inter-alia Company's share of such expenditure for business promotion. Such expenditure is incurred on an accrual basis.
<b>Operating Leases</b>	Lease payments under operating leases are recognised as an expense in the profit and loss account on a straight line basis over the lease term. Operating lease revenue in respect of optic fibre cables leased out to other operators is recognised as income in profit and loss account on a straight line basis.	<p>Under US GAAP, if a lease transaction does not meet the criteria for classification as a finance lease, it should be classified in the financial statements as an operating lease.</p> <p>A lessee should be classified as a finance lease if any one of the following criteria is met:</p> <ul style="list-style-type: none"> <li>• it transfers ownership to the lessee by the end of the lease term;</li> <li>• there is a bargain purchase option;</li> <li>• the lease term is for 75% or more of the leased asset's estimated economic life; or</li> </ul>

Particulars	Company's accounting policy per Indian GAAP	U.S. GAAP
		<ul style="list-style-type: none"> <li>the present value of the minimum lease payments, discounted at the lessee's incremental borrowing rate (or, if known, the implicit rate in the lease if that is lower) is greater than or equal to 90% of the fair value of the asset to the lessor at the inception of the lease less any investment tax credit retained by the lessor.</li> </ul> <p>Fair value is the price for which the property could be sold in an arm's-length transaction between unrelated parties.</p>
<b>Inventories</b>	Inventories comprise handsets held for resale, which are recorded at lower of cost and net realizable value. Cost of inventories is determined on a weighted average basis.	<p>Inventory measurement is done at lower of cost or market price. Market price is defined as being current replacement value and a lower limit of net realizable value less a normal profit margin.</p> <p>FIFO, LIFO and weighted average are acceptable method of determining cost. Same cost formula should be used consistently for all the inventories that have similar nature and use of the entity.</p>
<b>Revenue sharing license fee</b>	Wireless spectrum usage charges and license fee has been provided for in accordance with the license agreement and charged to profit and loss account.	Wireless spectrum usage charges and license fee has been provided for in accordance with the license agreement and charged to profit and loss account.
<b>Taxation</b>	Income tax expense comprises current tax, being the amount of tax for the period determined in accordance with the Income tax Act, 1961 and deferred tax charge or credit (reflecting the tax effects of timing difference between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liability or deferred tax asset are recognised using the tax rates that have been enacted or substantially enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty of realisation. Such assets are reviewed at each Balance Sheet date to reassess realisation. Where there are unabsorbed depreciation and carry forward losses under tax laws, deferred tax assets are recognised only if there is virtual	<p>SFAS 109 requires accounting for taxation using the Balance Sheet liability method, which focuses on temporary differences in accounting for the expected future tax consequences of the events. Temporary differences are the differences between the tax bases of assets and liabilities and their book values, that will result in taxable or tax deductible amounts in future years. The taxation recognised comprises of the current tax and the change in deferred tax assets and liabilities of the entity.</p> <p><i>Tax rates for computation of deferred tax</i></p> <p>Deferred tax liabilities/ assets using</p>

Particulars	Company's accounting policy per Indian GAAP	U.S. GAAP
	<p>certainty supported by convincing evidence that such deferred tax assets can be realized in future.</p> <p>In view of the limited specific interpretations available, particularly from Central Board of Direct Taxes, provision for Fringe Benefits Tax has been recognised on the basis of a harmonious, contextual interpretation of the provisions of the Income-tax Act, 1961.</p>	<p>the enacted tax rates expected to apply to taxable income in the periods in which the deferred tax liability or asset is expected to be settled or realized.</p> <p><i>Recognition of deferred tax assets</i></p> <p>Deferred tax assets should be recognized in full unless it is "more likely than not" that some portion or all of the deferred tax assets will not be realized. A provision (or 'valuation allowance') should be made to reduce the tax asset to an amount that is 'more likely than not' to be realized.</p>
<b>Provisions, contingent liabilities and contingent assets</b>	<p>A provision is recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. A contingent liability is recognised where there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources.</p>	<p>An estimated loss from a loss contingency shall be accrued by a charge to income if both the following conditions are met:</p> <ul style="list-style-type: none"> <li>information available prior to issuance of financial statements indicates that it is probable, that the asset has been impaired or a liability has been incurred at the date of the financial statements. Thus it is implicit that it must be probable that one or more future events will occur confirming the fact of loss <i>and</i></li> <li>the amount of loss can be reasonable estimated.</li> </ul> <p>Disclosure is required for loss contingencies not meeting both those conditions if there is a reasonable possibility that a loss may have been incurred. Gain contingencies shall not be credited to income because to do so would recognize income prior to realization.</p> <p>The use of probable is prone to subjective evaluation. If expressed as statistical assessment, probable as used in US GAAP requires an 80% or a greater chance of occurrence.</p> <p>If the range of estimates is present and no amount in the range is more likely than any other amount in the range, the minimum amount should be used to measure the liability.</p>

Particulars	Company's accounting policy per Indian GAAP	U.S. GAAP
		However, if any amount in the range is a better (more likely) estimate than other amounts in the range, that amount is used to measure the liability.
<b>Impairment</b>	The carrying value of assets is reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the amount recoverable towards such assets is estimated. An impairment loss is recognised when ever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Profit and Loss Account. An impairment loss is reversed if there is a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent the carrying amount of the asset that does not exceed the carrying amount that would have been determined net off depreciation or amortisation, if no impairment loss had been recognised.	The impairment loss is based on the asset's fair value, being either market value or the sum of discounted future cash flows or other valuation techniques, using market assumptions. However determination of impairment of asset is based on the undiscounted future cash flows and the second step only requires the use of discounted cash flows to determine the extent of impairment loss.
<b>Borrowing costs and amortization</b>	<p>Borrowing costs are interest and other costs incurred by the Company in connection with borrowing of funds.</p> <p>Ancillary costs incurred in connection with the arrangement of borrowings are amortised over the period of borrowings on a straight line basis. The exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost are recognised as an expense in the period in which they are incurred.</p> <p>Any expense incurred by the Company for extinguishment/liquidation or prepayment of borrowings is charged off when such expenditure is incurred.</p>	<p>Borrowing cost should be recognized as an expense in the period in which they are incurred.</p> <p>All debt origination cost like upfront fee etc. incurred in acquiring the loan taken should be deferred over the period of loan using effective interest yield method as straight line is prohibited.</p>
<b>Prior period items</b>	The nature and amount of income or expenses which arise in the current period as a result of errors or omissions in the preparation of financial statements of one or more prior periods are separately disclosed in the statement of profit and loss for the current period in a manner that their impact on current profit or loss can be perceived.	All the errors or omissions have to be incorporated in the previous year's accounts or to opening reserve as the case may be i.e. previous year accounts have to be restated.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of our financial condition and results of operations is based on the restated financial statements and should be read in conjunction with them, including the notes thereto, included elsewhere in this Red Herring Prospectus. Our restated financial statements were prepared in accordance with Indian GAAP, which differ in certain material respects from U.S. GAAP. Unless otherwise indicated, references in this discussion and analysis to our results of operations or financial condition for a specified year are to our fiscal year ended June 30 of such year or the six months period ended December 31, 2006.*

### Overview

We commenced operations in 1997 as a cellular services provider in the states of Punjab and Karnataka in India. As of March 31, 2007, we were the second largest cellular services provider in Punjab and fifth largest cellular services provider in Karnataka, measured by the total number of subscribers (based on data compiled by the COAI). On a combined basis, our market share of subscribers is 14.49% in these states. Our customer base consisted of approximately 2.73 million subscribers as of March 31, 2007, comprising approximately 2.20 million pre-paid subscribers and approximately 0.53 million post-paid subscribers. Our total billable subscribers as on March 31, 2007 were 2.12 million comprising approximately 1.67 million pre-paid subscribers and approximately 0.45 million post-paid subscribers. According to data compiled by COAI, the Punjab and Karnataka circles in which we operate accounted for 11.95% of India's telecommunications market share as of March 31, 2007, measured by total number of subscribers. Both of these states are recognised as major economic hubs of India, with Punjab enjoying the highest per capita income in the country, and Karnataka (whose major city is Bangalore) known as the "Silicon Valley" of India. To complement our existing markets, we have recently embarked on a pan-India expansion strategy by applying for licences for an additional 21 circles throughout India to provide GSM cellular services, in addition to licences for providing NLD and ILD services. In the three years ended June 30, 2004, 2005 and 2006, our total income was Rs. 5,549.78 million, Rs. 6,434.75 million and Rs. 6,802.87million, respectively, and our earnings before income, tax, depreciation and amortization ("EBITDA") was Rs. 1,690.49 million, Rs. 2,033.85 million and Rs. 1,653.50 million, respectively. For the six months period ended December 31, 2006 our total income was Rs. 3,939.49 million and our EBITDA was Rs. 934.38 million.

We are an incumbent cellular operator in the states of Punjab and Karnataka with an allocation in the 900 MHz spectrum in both these states. As of March 31, 2007, we had installed 1,358 sites throughout Punjab and 1,019 sites throughout Karnataka. We own/lease optical fibre backbone and micro transmission links with back-up and redundancy support in the markets in which we operate. As of March 31, 2007 we distributed our services through 300 exclusive distributors, which tapped into a network of 90 corporate dealers and over 28,000 independent retailers. We believe that our network coverage and large number of distribution outlets have enabled us to compete effectively in the cellular services market in these states.

We have a recognised and vibrant brand, which we currently promote in a targeted manner in each of our markets, using local languages and cultural norms. As we expand our business outside of Punjab and Karnataka, we expect to supplement this local brand strategy with a national brand strategy which focuses on India's relatively youthful population by providing marketing, customer retention and loyalty programs and lifestyle features, including value-added services that appeal to younger subscribers. Currently, we also offer various value-added services and international roaming services.

One of the challenges faced by the Indian cellular industry is high churn rate. We have implemented a comprehensive churn prediction module which helps us to estimate potential loss of subscribers on the basis of certain parameters such as usage, calls to competitor help lines, the payment pattern and history of subscribers' network. This module helps us in reaching out to customers proactively instead of reacting when the customer has decided to churn.

### Principal Factors Affecting Our Results of Operations

**Macroeconomic factors in India:** Macroeconomic factors in India such as interest rates, growth of the Indian economy and the political and economic environment, have a direct significant impact on our business, results of operations and financial condition.

**Regulatory environment in India:** Liberalisation of the telecom industry which began in the early 1990s has transformed this industry from a government-controlled monopoly to an industry with widespread private participation. The various initiatives taken by the Government include announcing the unified access service licence (“UASL”) policy in November 2003, which allowed operators to offer both fixed-line and mobile services, to shift from fixed licence fees to a revenue sharing tariff structure, to implement the caller party pays (“CPP”) regime and to reduce the access deficit charges (“ADC”) announced in February 2006. Liberalisation has resulted in substantial growth of the industry. However, our industry continues to be regulated in varying degrees by national, state and regional or local government and regulatory authorities. We are substantially dependent on the continued liberalisation and deregulation policies initiated by the Government including further reduction in the amount of ADC paid by the operators. To illustrate, in 2006, the DoT had set a deadline of March 31, 2007 for all telecom companies to complete authentication of their entire customer base, especially for the pre-paid segment after security agencies had pointed out that anti-socials and terrorists were using fake connections to carry out their operations. All operators were asked to submit verification reports for all connections, and were also directed to follow the verification norms for all future connections issued. While we are in the process of completing the verification of all our remaining subscribers, we cannot assure you that we will be able to reactivate the accounts for all these subscribers which may result in significantly higher churn for the quarter ending June 2007. Any similar regulations and changes in policies in the future could have a material adverse effect on our business, financial condition and results of operations.

**Our ability to grow our subscriber base:** Our revenues are affected by our ability to grow our subscriber base in the circles we operate in. Our customer base consisted of approximately 2.73 million subscribers as of March 31, 2007, comprising approximately 2.20 million pre-paid subscribers and approximately 0.53 million post-paid subscribers. Our total billable subscribers as on March 31, 2007 were 2.12 million comprising approximately 1.67 million pre-paid subscribers and approximately 0.45 million post-paid subscribers. The total number of billable subscribers in Punjab has increased from 0.58 million as of June 30, 2004 to 1.35 million as of December 31, 2006. The total numbers of billable subscribers in Karnataka declined from 0.23 million as of June 30, 2004 to 0.18 million as of June 30, 2005 but has increased to 0.59 million as of March 31, 2007. Growth of our subscriber base is dependent on our network rollout as well as our ability to competitively price and market our plans and products.

**Dominance of pre-paid subscribers:** According to data compiled by TRAI, the share of pre-paid subscribers in the total cellular subscriber base increased to 81% in fiscal 2006 from 39% in fiscal 2000. Based on the same data, over the last five years, the number of post-paid subscribers has grown at a CAGR of 56%, while the pre-paid segment has grown at a CAGR of 112%. As of March 31, 2007, our pre-paid customers constituted 76.76% and 88.06% of our billable subscriber base in Punjab and Karnataka, respectively. In line with industry trends, we have historically experienced higher churn rates in the pre-paid customer category. While we are in the process of completing the verification of all our remaining pre-paid subscribers, we cannot assure you that we will be able to reactivate the accounts for all these subscribers which may result in significantly higher churn for the quarter ending June 2007. Failure to comply with the verification required deactivation of the unverified subscriber accounts and/or fine of Rs. 1,000 per unverified subscriber. The dominance of pre-paid subscribers coupled with the higher churn in this category may cause our revenues and profits to vary significantly from quarter to quarter and may adversely affect our business, financial condition and results of operations.

**Reducing ARPU:** The Indian telecommunications industry has witnessed declining ARPUs in the past several years, due to various factors, including increase in competition, decrease in tariffs and increase in pre-paid subscribers. In line with industry trends, our ARPU in Punjab declined from Rs. 611 in fiscal 2004 to Rs. 402 in fiscal 2006 and Rs. 347 for six months period ended December 31, 2006 and our ARPU in Karnataka declined from Rs. 742 in fiscal 2004 to Rs. 515 in fiscal 2006 and Rs. 432 for months period ended December 31, 2006. Our levels of ARPU are closely tied to our competitors’ actions and our strategy to minimise churn and grow our subscriber base. Further decrease in the ARPUs may have a material adverse effect on our business, financial condition and results of operations.

**Competition:** With the increase in the foreign direct investment limit from 49% to 74%, we expect competition to intensify as new entrants and existing operators, with fresh capital infusion or consolidation, begin to compete against us. This is particularly relevant in the new markets we propose to enter which already have several established operators. The NLD and ILD services sector where we have recently received a Letter of Intent (“LOI”) from the Ministry of Communications and IT, DoT, for providing non-exclusive NLD and ILD services, is open to

intense competition including competition from government-owned or otherwise controlled companies. We expect the intensity of competition in our market to continue to affect our performance.

**Capital expenditures:** Network and equipment requirements in the cellular industry are capital intensive. Our strategy to expand our network in our existing markets and enter into new geographical areas and to provide NLD and ILD services require significant capital expenditure. Further, we have applied for additional spectrum to support our expansion plans. The availability of adequate spectrum at the right frequency band is likely to impact our capital expenditure. Inadequate spectrum will require us to install additional equipment to improve our coverage resulting in increased capital and operating expenditure. Our application for additional spectrum is pending with the DoT. We may use debt financing to fund our existing operations and future expansion needs. This would result in increasing our interest obligations and could result in our lenders placing additional restrictions on us including restrictions on payment of dividends and incurrence of further debt.

**Change in technology:** The Indian wireless market has historically evolved around two different technology platforms – GSM and CDMA. While most of the initial players, including us, adopted GSM technology for our networks, CDMA was used by players such as Reliance Infocomm and Tata Teleservices who received their limited mobility licences in 2001. The key CDMA players – Reliance Infocomm and Tata Teleservices – have deployed CDMA 1.0x technology in most of their coverage area, which is superior to the traditional GSM technology particularly in delivering high speed data services and efficient utilisation of spectrum. Moreover, subscribers with CDMA services have pre-programmed handsets which can usually not be re-programmed if the subscriber switches to another service provider, resulting in a barrier to switch, leading to lower churn rates for CDMA providers. As of March 2007, CDMA based service providers had a 36.16% market share as opposed to nil market share in March 2002, reflecting stronger growth being witnessed by the CDMA-based players. The Government is currently contemplating allocation of spectrum in the 2,000 MHz band, which would allow operators to offer 3G services. 3G technology is superior to existing technology used by service providers in respect to speed and data transfer rate.

**Foreign exchange rates and regulations:** Our financial statements under Indian GAAP are reported in Rupees. While substantially all our income is generated in Indian Rupees, as of December 31, 2006, we had a total outstanding balance of US-Dollar denominated loans of Rs. 1,771.60 million (US\$ 40 million). Further, substantially all the network and other equipment purchased by us are acquired on deferred payment terms from outside India. We realise a foreign exchange loss or gain in respect of these amounts to the extent that the value of the Rupee increases or decreases between the time the assets or services are acquired and the time we make the payments. We also recognize unrealized foreign exchange loss or gain in respect of our US dollars denominated debts and payables as of our balance sheet date. The exchange rate between the Rupee and the US Dollar has changed substantially in recent years and may continue to fluctuate substantially in the future. From December 31, 1999 to May 31, 2002, the value of the Rupee declined by 12.8% against the US Dollar. From May 31, 2002 to March 31, 2006, the value of the Rupee against the US Dollar rose by approximately 12.5%. Our operating and financial results could be negatively affected by fluctuations in the value of the Rupee against the US Dollar.

#### **Auditor Qualifications**

Our auditors have made various qualifications to their audit report for fiscal 2003, 2004, 2005 and 2006 and for the six months ended December 31, 2006, including qualifications regarding our debt defaults and our ability to continue as a going concern if we are not successful in obtaining long term funds. For more details, please see the section entitled “Financial Statements” on page 168 of this Red Herring Prospectus.

For the six months ended December 31, 2006 without qualifying their opinion, our auditors have noted that we have not accrued revenue share licence fees and spectrum charges on certain liabilities written back in fiscal 2006. Licence fees and spectrum charges are required to be calculated on total income in any given period. In fiscal 2004 and 2005, we wrote back Rs. 55.82 million, Rs. 66.71 million, respectively, being the difference between the amount outstanding on the date of settlement of vendor disputes and the amount paid in settlement. Since these write-backs were merely book-entries (and therefore do not involve a transaction with third party), we believe that we are not required to include these amounts in calculating adjusted gross revenue (“AGR”). The whole issue of computation of AGR is being reviewed before TRAI by the Government as well as the cellular operators. As the ultimate outcome of the matter cannot presently be determined, no provision for any liability that may result has been made in the financial statements.



During fiscal 2006, we had retired from active use, certain old MSC having written down value of Rs. 203.21 million at June 30 2006. We are in the process of evaluating future alternative uses of such assets and accordingly, have not adjusted the carrying value of these assets to state them at net realisable value. In the view of our auditors, there is uncertainty as to the extent of realisability or use of these assets in future. Consequently, according to our auditors, the impact, if any, on depreciation and profit for the year, carrying value of these assets, accumulated depreciation and carry forward losses at year-end is not ascertainable.

### **Vendor Disputes and Debt Default**

As of June 30, 2005, we had accumulated losses of Rs. 5,738.01 million which exceeded our entire paid-up capital at such time. Due to our accumulated losses and non-availability of long term funding in past years, we were in default of our obligations under certain equipment financing arrangements. Our vendors had initiated legal action against us. However, in fiscal 2006, we entered into out of court settlements with our vendors and all pending applications, interim orders and undertakings given by the parties to the litigation in the past were discharged by court orders. Our vendor disputes are briefly discussed below:

#### **1. Disputes with Motorola Inc.**

During fiscal 1996 to fiscal 1997, we obtained an equipment finance facility from Motorola Inc., a supplier of telecommunications equipment, and Standard Chartered Bank (Rupee portion guaranteed by Motorola India Limited) for equipment financing and related customs duty payments amounting to US\$39 million and Rs. 900 million, respectively.

We defaulted on the loan facilities when they became due on March 31, 2001. We were served a notice for immediate repayment of this facility in April 2001. Further, Standard Chartered Bank, India, which had extended a credit facility of Rs. 900 million terminated the facility and demanded immediate payment of all outstanding amounts. Upon our failure to pay the outstanding amounts, Standard Chartered Bank, USA invoked the guarantee given by Motorola Inc., and consequently, Motorola Inc. paid a sum of US\$19.9 million (equivalent to approximately Rs. 960 million) to Standard Chartered Bank, USA. Subsequently, Motorola Inc. served us a notice instructing repayment of all sums due to them within a stipulated time, which we were unable to comply with.

In 2002, Motorola Inc. served us with a statutory notice of winding up and in 2003 they filed an application before the Delhi High Court under section 9 of Arbitration and Conciliation Act, seeking to restrain us from effecting and/or registering any transfer of our equity shares held by Modi Wellvest Private Limited, our Promoter Company. Motorola Inc. also approached the High Court of Justice, United Kingdom for legal recourse through a petition for a summary judgment against us for GBP 30.9 million (equivalent to approximately Rs. 2,456 million) plus costs.

In fiscal 2006, we entered into an out of court settlement with Motorola Inc. whereby we agreed to pay Rs. 2,248.50 million, being the Rupee equivalent of US\$50 million, as settlement of all outstanding dues.

#### **2. Dispute with Siemens AG**

During the fiscal 1996 and 1997, we had also entered into an arrangement with Siemens AG, supplier of telecommunications equipment, for equipment finance facility and related customs duty payments of US\$28.3 million and Rs.1500 million to be provided by an overseas bank counter guaranteed by Siemens AG. These facilities were also secured by a first charge on all equipment.

These facilities were due and payable on March 31, 2001. On April 17, 2001, we received a demand notice for the immediate repayment of the loan, together with the accrued interest and other charges. Upon our failure to pay the outstanding amounts, Siemens AG initiated recovery proceedings in the High Court of Justice, United Kingdom against us and Distacom Communications (India) Limited for immediate payment of principal sums together with interest due thereon. The High Court of Justice, United Kingdom passed a summary judgment and order dated April 12, 2002 ordering us to pay Siemens AG a sum of US\$61.5 million (equivalent to approximately Rs. 2,692.7 million).

Thereafter, Siemens AG initiated legal action against us before the Delhi High Court for enforcement of the Order of the High Court of Justice, United Kingdom claiming relief through (a) attachment of bank accounts, (b) sale of all moveable and immovable assets and appropriation of sale proceeds towards its dues and (c) sale of the Company as

a going concern and appropriation of sale proceeds towards its dues. It had also requested for an ex parte injunction order for freezing our bank accounts. The Delhi High Court directed us to deposit Rs. 90 million within a stipulated time and attached 281,489,400 shares of Modi Wellvest Private Limited. Further, in accordance with the judgment of the Delhi High Court, our designated bank accounts were frozen.

Subsequently, the Division Bench of the Delhi High Court by its order dated July 15, 2005 directed that the entire amount lying in our designated bank accounts be released to Siemens AG. DAI and DCIL had filed special leave petition before the Supreme Court of India opposing the release of funds to Siemens AG. However, the Supreme Court by its order dated August 10, 2005 upheld the directions of the Delhi High Court but obtained an undertaking from Siemens AG that in the event of an adverse order being ultimately passed against them in respect of outstanding litigation matters, they would deposit the money released together with interest, if any, awarded by the Court.

In fiscal 2006, we entered into an out of court settlement with Siemens AG where we agreed to pay Rs. 2,248.50 million, being the Rupee equivalent of US\$50 million, as settlement of all outstanding dues.

**Overview of our Results of Operations for fiscal 2003, 2004, 2005 and 2006 and six months ended December 31, 2006:** The following table sets forth certain information with respect to our revenues, expenditures and profits for the periods indicated.

Particulars	For the year ended June 30,								Six months period ended December 31	
	2003		2004		2005		2006		2006	
	Amount in Rs. million	% of Service Income	Amount in Rs. Million	% of Service Income	Amount in Rs. Million	% of Service Income	Amount in Rs. million	% of Service Income	Amount in Rs. million	% of Service Income
<b>Income</b>										
Service Income	4,942.59	100.00%	5,363.41	100.00%	6,018.96	100.00%	6,614.86	100.00%	3,814.79	100.00%
Sales of products traded in by the company	0	0.00%	0	0.00%	46.71	0.78%	0.07	0.00%	36.33	0.95%
Other income	853.89	17.28%	186.37	3.47%	369.08	6.13%	187.94	2.84%	88.37	2.32%
<b>Total (A)</b>	<b>5,796.48</b>	<b>117.28%</b>	<b>5,549.78</b>	<b>103.47%</b>	<b>6,434.75</b>	<b>106.91%</b>	<b>6,802.87</b>	<b>102.84%</b>	<b>3,939.49</b>	<b>103.27%</b>
<b>Expenditure</b>										
Operating Costs	1,454.76	29.43%	1,800.51	33.57%	2,149.08	35.71%	2,377.51	35.94%	1,580.46	41.43%
Personnel costs	315.55	6.38%	346.82	6.47%	381.51	6.34%	406.68	6.15%	227.93	5.97%
Revenue sharing licence fees	452.7	9.16%	424.95	7.92%	340.49	5.66%	358.49	5.42%	209.83	5.50%
Administrative costs	461.72	9.34%	513.81	9.58%	601.27	9.99%	809.85	12.24%	421.27	11.04%
Sales and marketing costs	597.72	12.09%	773.2	14.42%	928.55	15.43%	1,156.29	17.48%	565.62	14.83%
Loan prepayment and restructuring cost	0	0.00%	0	0.00%	0	0.00%	40.55	0.61%	0	0.00%

Particulars	For the year ended June 30,								Six months period ended December 31	
	2003		2004		2005		2006		2006	
	Amount in Rs. million	% of Service Income	Amount in Rs. Million	% of Service Income	Amount in Rs. Million	% of Service Income	Amount in Rs. million	% of Service Income	Amount in Rs. million	% of Service Income
Finance cost	766.39	15.51%	680.54	12.69%	718.99	11.95%	869.74	13.15%	638.05	16.73%
Depreciation and amortisation	1,171.59	23.70%	1,235.09	23.03%	1,239.25	20.59%	1,458.21	22.04%	709.55	18.60%
<b>Total (B)</b>	<b>5,220.43</b>	<b>105.62%</b>	<b>5,774.92</b>	<b>107.67%</b>	<b>6,359.14</b>	<b>105.65%</b>	<b>7,477.32</b>	<b>113.04%</b>	<b>4,352.71</b>	<b>114.10%</b>
<b>Net profit/(loss) before tax (A-B)</b>	<b>576.05</b>	<b>11.65%</b>	<b>-225.14</b>	<b>-4.20%</b>	<b>75.61</b>	<b>1.26%</b>	<b>-674.45</b>	<b>-10.20%</b>	<b>-413.22</b>	<b>-10.83%</b>
<b>Provision for tax</b>										
- Fringe benefit tax	-	0.00%	-	0.00%	1.76	0.03%	12.97	0.20%	4.92	0.13%
- Current tax	-		-		-		-		-	
- Deferred tax (benefit)/ expense	-		-		-		-		-	
<b>Net profit/(loss) after tax</b>	<b>576.05</b>	<b>11.65%</b>	<b>-225.14</b>	<b>-4.20%</b>	<b>73.85</b>	<b>1.23%</b>	<b>-687.42</b>	<b>-10.39%</b>	<b>-418.14</b>	<b>-10.96%</b>
Profit/(Loss) brought forward from previous year	-6,162.77		-5,586.72		-5,811.86		-5,738.01		-6,425.43	
<b>Profit/(Loss) carried forward to Balance Sheet</b>	<b>-5,586.72</b>		<b>-5,811.86</b>		<b>-5,738.01</b>		<b>-6,425.43</b>		<b>-6,843.57</b>	

The following table sets forth certain information with respect to our subscriber base for the periods indicated.

Particulars	For the year ended June 30,				For six months ended December 31
	2003	2004	2005	2006	2006
<b>Subscribers ('000s)</b>					
Prepaid	<b>515</b>	986	1,039	1,522	1,924
Postpaid	195	317	435	533	526

Total	710	1,303	1,473	2,055	2,450
<b>% of Net adds</b>					
Prepaid	142%	80%	31%	83%	102%
Postpaid	-42%	20%	69%	17%	(2)%
Total	100%	100%	100%	100%	100%
<b>ARPU</b> (Rs. /subscriber/month)	<b>799</b>	<b>647</b>	<b>544</b>	<b>425</b>	<b>368</b>
<b>MoU</b> (mins/sub/month)					
Prepaid	206	236	235	335	395
Postpaid	409	642	620	586	663
Total	289	371	380	422	468

### Total Income

Total income comprises income from service income, sales of products traded in by the company, and other income.

#### Service income

Service income consists of income from call charges, fixed monthly subscription fee, VAS revenues, activation charges and leaseline revenues.

Call charges include airtime revenues, termination charges and roaming revenues. We receive termination charges from other telecommunications providers for calls made by their subscribers to subscribers on our network, but we do not receive airtime revenues from our subscribers for incoming calls. As of May 2003, the Government implemented the CPP regime, pursuant to which subscribers did not have to pay any airtime charges on incoming calls. Currently, the termination charges are Rs. 0.30 per minute. Roaming revenues arise primarily from airtime usage of our networks by customers from other cellular networks, known as in-roamers. From our customers using other networks, known as out-roamers, we charge a fixed monthly charge for using domestic and international roaming facility. Call charge revenues are recognised as they are incurred.

We offer distinct tariff structures to our post-paid and pre-paid subscribers. Typically, our post-paid customers mainly consist of businesses and professionals with high airtime usage requirement and our pre-paid customers mainly consist of low airtime usage customers. For our post-paid customers, the charges are calculated based on the tariff plan subscribed by our customers. We currently offer our customers varying monthly subscription charges and airtime charges suitable for different customer segments. We also offer customised tariffs for corporate and other institutional customers.

For our pre-paid customers, we offer products with varying validity periods and recharge coupons of different values. Payment for airtime usage is recovered from pre-paid customers in advance, although we recognise the revenue from pre-paid subscribers are based on actual usage. Although we do not charge any security deposit or monthly subscription charges from our pre-paid subscribers, new customers are charged a one-time activation charge. The activation charges are recognised on an accrual basis except in the case of lifetime plans, where it is recognized over the estimated period that a customer is expected to stay on the network. This estimate is based on the historic average churn rate on our network.

Recently, the growth in our customer base has been driven largely by the growth in the pre-paid category and we expect this trend to continue. Low entry barriers and financial commitment, a longer validity period and wide availability have typically driven growth in the pre-paid category. Although revenue generated per subscriber from the pre-paid category is lower than that generated by the post-paid category, lower costs associated with managing pre-paid customers contributes overall to our profitability. Further, although we have experienced significantly higher churn in the pre-paid category than in the post-paid category, we do not believe this has had a material adverse impact on our earnings since the one-time activation fees that we charge a new pre-paid customer substantially covers the direct costs related to acquiring that customer. However, there can be no assurance that we will continue to cover our direct costs of acquiring customers with activation fees.

We offer a variety of value-added services to our customers depending on the demand for services, pricing and technical capability of the networks. Typically, we charge a fixed monthly fee for providing value-added services. For short messaging services ("SMS"), we charge our customers per message for each outgoing message, while we do not charge any amount for incoming messages. SMS services are our highest revenue generating value-added services.

We consider ARPU to be an important tool for analysing our customer profile and devising strategies to increase revenues. We calculate ARPU by taking the total service revenues reduced by activation charges and dividing it by the total billable subscribers during the period (calculated as the average of the sum of the billable subscribers at the end of the previous fiscal year and at the end of the current fiscal year). The result obtained is divided by the number of months in that period to arrive at the average revenue per customer per month. Typically, average revenue from a post-paid customer is higher than that from a pre-paid customer. This is largely due to a higher usage pattern for a post-paid customer as a result of lower tariffs. In the past, the immediate impact of the tariff reduction has been a decline in the ARPU; however, historically, an increase in usage and an increase in customer base had offset any decline in revenue over the period. Our ARPU, based on our average billable subscriber base, was Rs. 647, Rs. 544, Rs. 425 and Rs. 368 in fiscal 2004, 2005, 2006 and the six months ended December 31, 2006, respectively.

We bill our post-paid customers on a monthly basis. However, we have four different billing cycles for Punjab and three for Karnataka, as a result of which we have unbilled revenues from the billing cycle date to the end of each month. We provide our postpaid customers a 15 day credit from the date of invoice for making payments. According to our collection policies, if a customer does not pay his or her bills on or before the due date, we send a SMS reminder to remind them to make payment. If such customer still does not pay the bill, we send a second SMS reminder on the third day after the due date. If we do not receive payment after 24 days from the time a bill is overdue, we block both incoming and outgoing services and assign the collection responsibility to a collection and recovery agency. In our financial statements, we provide for amounts that are due for more than 90 days and that could not be recovered by us from the customers. Consequently, when we deactivate the customer's number, we provide for the entire amount due from the customer as a bad debt after adjusting the security deposit.

#### *Sales of products traded in by the Company*

Sales of products traded in by the Company consist of revenues from sale of mobile handsets.

#### *Other Income*

Other income comprises income from exchange gain, interest income on fixed deposits, liabilities/ provisions no longer required written back and miscellaneous income. Miscellaneous income includes income from sale of scrap metal and packing materials. Income from exchange gain arises from foreign exchange fluctuations between US Dollar and Indian Rupees. Liabilities no longer required written back include write-back of accrued remuneration to managers and difference in amount repaid to creditors and the actual liability outstanding on the date of settlement.

**Expenditure**
**Cost structure breakdown**

<b>Cost item</b>	<b>Fiscal 2006</b>		<b>Fiscal 2005</b>		% change in cost from fiscal 2005 - 2006
	<b>Amount in Rs. Million</b>	<b>% of Service Income</b>	<b>Amount in Rs. Million</b>	<b>% of Service Income</b>	
Operating costs	2,377.51	35.94%	2,149.08	35.71%	10.63%
Personnel costs	406.68	6.15%	381.51	6.34%	6.60%
Revenue sharing license fees	358.49	5.42%	340.49	5.66%	5.29%
Administrative costs	809.85	12.24%	601.27	9.99%	34.69%
Sales and marketing costs	1,156.29	17.48%	928.55	15.43%	24.53%
Loan prepayment and restructuring Cost	40.55	0.61%	0	0.00%	0.00%
Finance cost	869.74	13.15%	718.99	11.95%	20.97%
Depreciation and amortization	1,458.21	22.04%	1,239.25	20.59%	17.67%
<b>Total (B)</b>	<b>7,477.32</b>	<b>113.04%</b>	<b>6,359.14</b>	<b>105.65%</b>	<b>17.58%</b>

Our total expenditure comprises operating costs, personnel costs, revenue sharing licence fees, administrative costs, sales and marketing costs, loan prepayment and restructuring cost, finance cost and miscellaneous expenditure.

**Operating costs**

Operating costs include expenses incurred by us for network operation and maintenance including spectrum charges, interconnect charges, roaming charges, operating lease charges, fuel and power charges, repair and maintenance charges and other miscellaneous expenses. Spectrum charges are charges (based on our AGR) paid to Wireless Planning Commission ("WPC") for use of allocated spectrum.

**Personnel costs**

Our personnel costs cover salaries of all employees including contribution for provident funds and welfare expenses.

### *Revenue sharing licence fees*

Revenue sharing licence fees covers payment to the Department of Telecommunications (“DoT”) under the amended licence agreement executed by us on December 19, 2001. Under the original terms of our cellular licences, we were required to pay a fixed annual licence fee. Under the NTP 1999, the DoT allowed the existing operators the option to migrate to a revenue sharing regime with a one-time entry fee equal to the total licence fees payable up to July 31, 1999. Effective August 1, 1999, we elected to migrate all of our cellular licences to a revenue sharing arrangement. Since that date, we have paid licence fees at applicable rates, which at present are 6% of AGR in Punjab and 8% of AGR in Karnataka. Being the incumbent operators, we get a discount of 2% of AGR on licence fees in both circles until March 2008. Thus, in Punjab and Karnataka our licence fee after March 2008 will be 8% and 10% respectively. We account for the licence fees as an expense when incurred. Licence fees are payable quarterly in arrears, with a year-end adjustment based on audited adjusted gross revenue numbers.

### *Administrative costs*

Our administrative costs cover legal and professional expenses, travel costs, exchange losses, office rent, provision for doubtful debts and other miscellaneous office expenses.

### *Sales and marketing costs*

Our sales and marketing costs cover dealer commissions, business promotion costs and advertising expenses.

### *Loan prepayment and restructuring costs*

Loan prepayment and restructuring cost covers upfront payment made to lenders for providing new debt and payment made to consultants/lawyers for arranging new debt.

### *Finance cost*

Our finance cost covers interest on debentures, vendor debt, loan from banks and companies, interest on delayed payment of licence fees and WPC charges.

### ***Restatements***

The restated financial information for each of fiscal 2003, 2004, 2005 and 2006 and the six months ended December 31, 2006, has been presented in compliance with paragraph B(1) of Part II of Schedule II to the Companies Act and SEBI guidelines. The effect of such restatements is that the previous years’ financial statements included in this Red Herring Prospectus have been restated to conform to methods used in preparing the latest financial statements, as well as to conform to any changes in accounting policies and estimates. The cumulative effect of these adjustments on the net profit after tax for fiscal 2003, 2004, 2005 and 2006 and the six months ended December 31, 2006, was Rs. 349.83 million, Rs. (55.56) million, Rs. 54.36 million, Rs. (733.76) million and Rs. (31.27) million, respectively. The principal adjustments to our financial statements, including on account of changes in accounting policies and estimates, are depicted in the table below and thereafter briefly discussed.

*(Amounts in Rs. Millions)*

Particulars	For the year ended June 30,				For the six months ended December 31
	2003	2004	2005	2006	2006
<b>Profit/ (loss) after taxation as per the Audited statement of accounts – (A)</b>	226.22	(169.57)	19.49	46.35	(386.88)
<b>Adjustments on account of changes in accounting policies</b>					
(a) Provision for Leave encashment (net)	(0.19)	1.08	-	-	-
(b) Loan arrangement charges	3.28	3.28	3.28	7.55	-

(c) Foreign exchange fluctuation	(63.91)	(11.06)	-	-	-
(d) Depreciation impact on II (c) above	9.02	12.08	12.08	12.08	3.86
	<b>51.80</b>	<b>(5.38)</b>	<b>(15.36)</b>	<b>(19.63)</b>	<b>(3.86)</b>
<b>Adjustments on account of previous year adjustments</b>					
(a) Service Income	0.21	(1.20)	-	-	-
(b) Other Income	250.95	(71.86)	50.09	(728.50)	(17.51)
(c) Operating Costs	(9.76)	2.52	1.22	(3.73)	-
(d) Revenue Sharing License Fees	-	6.65	12.01	(18.66)	-
(e) Administrative costs	0.83	0.57	11.95	(15.24)	-
(f) Finance Cost	-	9.25	1.20	(10.45)	-
(g) Depreciation	(37.94)	(41.87)	(46.01)	33.71	9.90
	<b>298.03</b>	<b>(50.18)</b>	<b>69.72</b>	<b>(714.13)</b>	<b>(27.41)</b>
<b>Adjustments on account of Regrouping</b>					
(a) Service Income	80.75	23.20	32.74	-	-
(b) Other Income	-	-	(38.78)	-	-
(c) Operating Costs	75.41	7.65	-	-	-
(d) Personnel Costs	-	-	-	-	-
(e) Administrative costs	(2.23)	(15.32)	(23.90)	-	-
(f) Sales and marketing costs	7.57	30.87	17.86	-	-
	-	-	-	-	-
<b>Net impact on Profit and Loss Account – (B)</b>	<b>349.83</b>	<b>(55.56)</b>	<b>54.36</b>	<b>(733.76)</b>	<b>(31.27)</b>
<b>Net Adjusted Profit (A+B)</b>	<b>576.05</b>	<b>(225.13)</b>	<b>73.85</b>	<b>(687.41)</b>	<b>(418.15)</b>

**A. Restatements arising out of changes in accounting policies/correction of incorrect accounting policies for the following periods:**

*Provision for leave encashment*

We changed the method of computing provision for leave encashment from full liability basis to actuarial valuation with effect from July 1, 2003. Accordingly, provision for leave encashment has been ascertained on the basis of actuarial valuation for fiscal 2003. Consequently, the adjustments have been made in the restated financial statements for fiscal 2004 with corresponding impact in fiscal 2003.

*Loan arrangement fee*

With effect from July 1, 2005, we adopted the accounting policy of amortising the cost of arranging long term loans over the period of the loan, commencing from the date of first drawdown, on a straight line basis. Previously, we had a policy of charging off loan origination charges completely in the year in which they were incurred. Accordingly adjustments to this effect have been made in fiscal 2003, 2004 and 2006. No adjustment is required to be made for the six months ended December 31, 2006.

*Foreign exchange fluctuation*

As per the requirements of Schedule VI of Companies Act, 1951 read in conjunction with Accounting Standard (Revised AS) 11, applicable for the fiscal years starting on or after April 1, 2004, the amount of foreign exchange fluctuation on outstanding liabilities, relating only to fixed assets acquired from a country outside India, shall be



added to, or, as the case may be deducted from the cost of the asset. However, prior to that time, we had a policy of adjusting foreign exchange fluctuation on outstanding foreign currency liabilities irrespective of whether the asset was procured from within or outside India. Such change has been applied with retrospective effect in the restated financial statements. Accordingly, exchange fluctuations on foreign currency liabilities incurred for fixed assets procured from within India in those earlier years have been added or deducted, as the case may be from the cost of the asset and the consequent impact on depreciation for those years adjusted, in the restated financial statements for fiscal 2003, 2004, 2005 and 2006 and for the six months ended December 31, 2006..

## ***B. Previous year Adjustments***

### *Prior Period items*

For the purpose of the restated statement of profit and losses in respect of fiscal 2003, 2004, 2005 and 2006 and the six months ended December 31, 2006, the prior period items appearing in the financial statements for the relevant financial years have been appropriately adjusted in the respective years to which they relate.

### *Material adjustments related to previous years:*

- 1) In previous years, we had accrued remuneration contractually payable to our managers, which in our management's opinion are no longer required and consequently, we have written back the entire outstanding during fiscal 2006 after obtaining waivers, where applicable, and ratification by the board and such amounts have been appropriately adjusted in the respective years in which the remuneration was accrued.
- 2) During fiscal 2006, we settled our disputes arising out of equipment financing agreements with Motorola Inc. and Siemens AG and disbursed Rs. 2,248.50 million each, which is the Rupee equivalent of US\$50 million to Motorola Inc. and Siemens AG on May 10, 2006. The difference between the amount outstanding on our books on the date of payment and amount paid on settlement to Motorola Inc. and Siemens AG was written back in the profit and loss account for fiscal 2006.
- 3) During fiscal 2006, we settled our disputes with our debenture holders and disbursed Rs. 2,473.35 million, which is the equivalent of US\$55 million to DAI (Mauritius) on May 10, 2006. The difference between the amount outstanding on our books on the date of payment/settlement and amount paid on settlement has been written back in the profit and loss account for fiscal 2006.
- 4) The exceptional items, appearing in the financial statements for the relevant financial years, represent refund of interest received from DoT pursuant to the judgment dated March 4, 2003 given by Supreme Court of India. This interest was charged in excess by DoT at the time of migration from fixed license fee regime to revenue sharing regime under National Telecom Policy with effect from August 1, 1999. These refunds were passed by DOT to us only in subsequent years. We had accounted for these refunds in those subsequent years in accordance with our accounting policy. Accordingly, in our restated financial statements, these have been adjusted in the year to which they relate.
- 5) Service tax dues payable in arrears, as at June 30, 2006, amounted to Rs. 34.9 million and penal interest thereon amounted to Rs. 4.2 million. These amounts are related to the period October 1, 2004 to June 30, 2006 and were determined and adjusted during the year ended June 30, 2006. Accordingly, in our restated financial statements, these have been adjusted in the year to which they relate.
- 6) We have revised the estimates of useful life of certain components of plant and machinery like structural components for network equipment and optical fibre cables from nine years to 15 years with effect from July 1, 2005. As a result of this revision in estimated useful life, depreciation had been charged prospectively over the revised useful life as of July 1, 2005 in the financial year ended June 30, 2006. Therefore, in our restated financial statements, appropriate adjustments have been made with retrospective effect to the rates of depreciation for relevant years so as to present the restated financial statements on a uniform basis.
- 7) By its order dated March 29, 2004, TDSAT had directed BSNL to refund to us the arrears of 5% pass through charges aggregating Rs.19.85 million in respect of the Punjab circle and Rs. 16.47 million in respect of the Karnataka circle, including interest thereon at the rate of 12% per annum for the period January 25,

2001 to March 31, 2002. During fiscal 2005, the Supreme Court, by its interim order allowed us to adjust these amounts against other amounts payable by us to BSNL. We have furnished a bank guarantee of equivalent amount and in the event BSNL succeeds in its appeal, we have to refund the amount so adjusted with BSNL, together with interest thereon. Due to lack of certainty of ultimate recoverability of such refunds, we had not recognised the income during the fiscal 2004, 2005 and 2006.

### **C. Regroupings**

Certain items have been regrouped under different line items in accordance with the requirements of the Companies Act and the SEBI guidelines.

For more details, please see Annexure V to restated financial statements on page 168 of this Red Herring Prospectus.

### **Results of Operations for the six months ended December 31, 2006**

The results of operations for the six months ended December 31, 2006 are shown below:

**Service Income.** Service income was Rs. 3,814.79 million in the six months ended December 31, 2006 representing 57.67% of our service revenues for fiscal 2006.

**Service Income – Punjab –** Our service income in Punjab for the six months ended December 31, 2006 was Rs. 2,694.77 million. Our total billable subscribers in Punjab as of December 31, 2006 were 1,352 thousand. Pre-paid subscribers as a percentage of total billable subscribers base increased from 65.98% in fiscal 2006 in Punjab to 71.75% for the six months ended December 31, 2006 due to 77.80% of new gross additions to subscribers opting for pre-paid tariff plans. Total MOU for the six months ended December 31, 2006 were 3,474 million. ARPU in Punjab decreased from Rs. 402 in fiscal 2006 to Rs. 347 for the six months ended December 31, 2006 due to decline in tariffs.

**Service Income – Karnataka –** Our service income in Karnataka for the six months ended December 31, 2006 was Rs. 1,120.02 million. Our total billable subscribers in Karnataka as of December 31, 2006 were 511 thousand. Pre-paid subscribers as a percentage of total billable subscribers base increased from 81.33% in fiscal 2006 in Karnataka to 85.35% for the six months ended December 31, 2006 due to 86.78% of new gross additions to subscribers opting for pre-paid tariff plans. Total MOU for the six months ended December 31, 2006 were 1,239 million. ARPU in Karnataka decreased from Rs. 515 in fiscal 2006 to Rs. 432 for the six months ended December 31, 2006 due to decline in tariffs.

**Other Income.** Other income for the six months ended December 31, 2006 was Rs. 88.37 million, mainly comprising of interest of Rs. 31.88 million received on fixed deposits, exchange gains of Rs. 32.55 million and miscellaneous income of Rs. 23.94 million.

**Total Income.** As a result of the foregoing, total income for the six months ended December 31, 2006 was Rs. 3,939.49 million.

**Operating costs.** Operating costs were Rs. 1,580.46 million for the six months ended December 31, 2006. Operating costs as percentage of service income increased from 35.94% in fiscal 2006 to 41.43% for the six months ended December 31, 2006 of our service income primarily on account of increase in operating lease charges for cell sites due to an increase in the number of cell sites on lease from 554 in fiscal 2006 to 1,212 for the six months ended December 31, 2006.

**Personnel costs.** Personnel costs were Rs. 227.93 million for the six months ended December 31, 2006. Our total number of employees increased from 903 in fiscal 2006 to 992 on December 31, 2006.

**Revenue sharing licence fees.** Revenue sharing licence fees for the six months ended December 31, 2006 were Rs. 209.83 million.

Revenue sharing licence fees as a percentage of our service income increased from 5.42% in fiscal 2006 to 5.50% for the six months ended December 31, 2006, primarily due to change in revenue mix of Punjab and Karnataka

which have different revenue sharing percentage license fees which is deductible from service income to calculate Adjusted Gross Revenue.

**Administrative costs.** Administrative costs were Rs. 421.27 million for the six months ended December 31, 2006. Administrative costs as a percentage of service income decreased from 12.24% in fiscal 2006 to 11.04% in the six months ended December 31, 2006 primarily due to no exchange loss in six months ended December 31, 2006.

**Sales and marketing costs.** Sales and marketing costs were Rs. 565.62 million and as a percentage of our service income, decreased from 17.48% in fiscal 2006 to 14.40% for the six months ended December 31, 2006.

**Finance cost.** Finance cost was Rs. 638.05 million equivalent to 16.73% of our service income for the six months ended December 31, 2006. Finance cost as a percentage of service income increased from 13.15% in fiscal 2006 to 16.73% in the six months ended December 31, 2006 mainly on account of a (i) higher loan and (ii) higher interest rate on INR-denominated loan from DBS and consortium lenders

**Depreciation and amortisation.** Depreciation and amortisation expenses were Rs. 709.55 million for the six months ended December 31, 2006.

**Total Expenditure.** As a result of the foregoing, total expenditure was Rs. 4,352.71 million for the six months ended December 31, 2006.

**Net profit/loss before tax.** As a result of the foregoing, the net loss before taxation was Rs. 413.22 million for the six months ended December 31, 2006.

**Fringe benefit tax.** Fringe benefit tax for the six months ended December 31, 2006 was Rs. 4.92 million.

**Net profit/loss after tax.** As a result of the foregoing, the net loss after taxation was Rs. 418.14 million for the six months ended December 31, 2006.

#### **Comparison of the year ended June 30, 2006 with the year ended June 30, 2005**

**Service Income.** Service income increased by 9.90% from Rs. 6,018.96 million in fiscal 2005 to Rs. 6,614.86 million in fiscal 2006. This increase was primarily due to the increase in service revenue of Punjab.

**Service Income – Punjab –** Our service income in Punjab increased by 12.37% from Rs. 4,456.144 million in fiscal 2005 to Rs. 5,007.30 million in fiscal 2006 primarily due to an increase in total billable subscribers from 803 thousand as of June 30, 2005 to 1,164 thousand as of June 30, 2006. The increase in billable subscribers was primarily due to increased network coverage in Punjab and aggressive marketing strategies. The increase in billable subscribers was partially offset by decline in tariffs. Pre-paid subscribers as a percentage of total billable subscribers base increased from 56.79% in fiscal 2005 in Punjab to 65.98% in fiscal 2006 due to 72.10% of new gross additions to subscribers opting for pre-paid tariff plans. Total MOU increased by 51.04% from 3,231 million in fiscal 2005 to 4,880 million in fiscal 2006, primarily due to an increase in billable subscribers. ARPU in Punjab decreased by 22.54% from Rs. 521 in fiscal 2005 to Rs. 402 in fiscal 2006 due to decline in tariffs.

**Service Income – Karnataka –** Our service income in Karnataka increased by 2.86% from Rs. 1,562.82 million in fiscal 2005 to Rs. 1,607.56 million in fiscal 2006 due to an increase in total billable subscribers from 181 thousand in fiscal 2005 to 332 thousand in fiscal 2006 reflecting increase in our network coverage in Karnataka and aggressive tariff structures, including a Rs. 0.10 tariff plan for “Spice to Spice” calls within Karnataka. The increase in billable subscribers was offset by decline in tariffs. Pre-paid subscribers as a percentage of total billable subscribers base increased from 71.82% in fiscal 2005 in Karnataka to 81.33% in fiscal 2006 due to 87.22% of new gross additions to subscribers opting for pre-paid tariff plans. Total MOU increased by 60.23% from 870 million in fiscal 2005 to 1,394 million in fiscal 2006 primarily due to higher billable base. ARPU in Karnataka decreased by 17.20% from Rs. 622 in fiscal 2005 to Rs. 515 in fiscal 2006 due to decline in tariffs.

**Sales of products traded in by the company.** Sales of products traded in by the company decreased by 99.85% from Rs. 46.71 million in fiscal 2005 to Rs. 0.07 million in fiscal 2006. This decrease primarily reflected the temporary discontinuation of mobile handset trading by us in fiscal 2006.

**Other Income.** Other income decreased by 49.08% from Rs. 369.08 million in fiscal 2005 to Rs. 187.94 million in fiscal 2006, primarily due to Rs. Nil foreign exchange gain recognised in fiscal 2006 compared to a foreign exchange gain of Rs. 186.86 million in fiscal 2005 (ii) Rs. Nil refund of interest from DoT in fiscal 2006 compared to a refund of Rs. 37.97 million in fiscal 2005 and (iii) and a decrease in miscellaneous income from Rs. 13.06 million in fiscal 2005 to Rs. 7.29 million in fiscal 2006.

**Total Income.** As a result of the foregoing, total income increased by 5.72% from Rs. 6,434.75 million in fiscal 2005 to Rs. 6,802.87 million in fiscal 2006.

**Operating costs.** Operating costs increased by 10.63% from Rs. 2,149.08 million in fiscal 2005 to Rs. 2,377.51 million in fiscal 2006, primarily reflecting an (i) increase in interconnection usage charges from Rs. 795.47 million in fiscal 2005 to Rs. 892.13 million in fiscal 2006 due to an increase in number of billable customers, (ii) increase in roaming management and VAS outsourcing charges from Rs. 165.19 million in fiscal 2005 to Rs. 203.42 million in fiscal 2006 due to an increase in roaming and VAS revenues, (iii) increase in power and fuel cost from Rs. 132.38 million in fiscal 2005 to Rs. 194.22 million in fiscal 2006 due to increase in our number of cell sites from 799 in fiscal 2005 to 1,289 in fiscal 2006 and (iv) increase in call centre hire charges from Rs. 79.51 million in fiscal 2005 to Rs. 116.26 million in fiscal 2006, due to expansion of the call centre to meet service demands of increased subscriber base.

Operating costs as a percentage of service income was 35.94% in fiscal 2006 compared to 35.71% in fiscal 2005.

**Personnel costs.** Personnel costs increased by 6.60% from Rs. 381.51 million in fiscal 2005 to Rs. 406.68 million in fiscal 2006, primarily reflecting an increase in salary costs due to both increase in number of employees from 681 as of June 30, 2005 to 903 as of June 30, 2006 and regular annual salary increases.

**Revenue sharing licence fees.** Revenue sharing licence fees increased by 5.29% from Rs. 340.49 million in fiscal 2005 to Rs. 358.49 million in fiscal 2006, primarily reflecting an increase in total income in fiscal 2006. Revenue sharing licence fees as a percentage of service income decreased from 5.66% in fiscal 2005 to 5.42% in fiscal 2006 due to change in adjusted gross revenue mix of Punjab and Karnataka, which have a different revenue sharing licence fee rate (6% and 8%, respectively).

**Administrative costs.** Administrative costs increased by 34.69% from Rs. 601.27 million in fiscal 2005 to Rs. 809.85 million in fiscal 2006, primarily reflecting (i) an increase in legal and professional fees due to settlement of vendor litigation and work relating to the acquisition of 49.00% of our shares by TM, (ii) a provision for doubtful debts from Rs. 111.74 million in fiscal 2005 to Rs. 149.15 million in fiscal 2006 due to increase in post-paid customers and higher churn due to increase in competition in the telecommunications industry and (iii) an increase in miscellaneous expenditure due to increase in business expenses.

Administrative costs as a percentage of service income increased from 9.99% in fiscal 2005 to 12.24% in fiscal 2006.

**Sales and marketing costs.** Sales and marketing costs increased by 24.53% from Rs. 928.55 million in fiscal 2005 to Rs. 1,156.29 million in fiscal 2006, primarily reflecting an increase in dealer commissions due to increase in gross additions to the subscribers base in fiscal 2006, which was partially offset by a decrease in advertising expenses due to cost-efficient methods of advertisement employed, which included a mix of outdoor hoardings, kiosks, print media and electronic media.

Sales and marketing costs as a percentage of service income increased from 15.43% in fiscal 2005 to 17.48% in fiscal 2006.

**Loan prepayment and restructuring cost.** Loan prepayment and restructuring cost increased from Rs. nil million in fiscal 2005 to Rs. 40.55 million in fiscal 2006, primarily due to repayment of outstanding loans.

**Finance cost.** Finance cost increased by 20.97% from Rs. 718.99 million in fiscal 2005 to Rs. 869.74 million in fiscal 2006, primarily reflecting an increase in loans in fiscal 2006 and also an increase in interest on loans due to a debt restructuring that involved conversion of US Dollar-denominated loans with an average interest rate of 5% to Rupee-denominated loans with an average interest rate of 11%.

Finance cost as a percentage of service income increased from 11.95% in fiscal 2005 to 13.15% in fiscal 2006.

**Depreciation and amortisation.** Depreciation and amortisation increased by 17.67% from Rs. 1,239.25 million in fiscal 2005 to Rs. 1,458.21 million in fiscal 2006, primarily reflecting an increase in capital expenditure in fiscal 2006, including an increase in cell sites.

**Total Expenditure.** As a result of the foregoing, total expenditure increased by 17.58% from Rs. 6,359.14 million in fiscal 2005 to Rs. 7,477.32 million in fiscal 2006.

**Net profit/loss before tax.** As a result of the foregoing, the net profit before taxation decreased from a net profit of Rs. 75.61 million in fiscal 2005 to a net loss of Rs. 674.45 million in fiscal 2006.

**Fringe benefit tax.** Fringe benefit tax increased by 636.93% from Rs. 1.76 million in fiscal 2005 to Rs. 12.97 million in fiscal 2006, primarily because FBT was introduced in April 2005 and therefore was included only for the last quarter of fiscal 2005 compared to the whole fiscal year of 2006. In addition, total expenditure of fringe benefits increased in fiscal 2006.

**Net profit/loss after tax.** As a result of the foregoing, the net profit after taxation decreased from a net profit of Rs. 73.85 million in fiscal 2005 to a net loss of Rs. 687.42 million in fiscal 2006.

#### **Comparison of the year ended June 30, 2005 with the year ended June 30, 2004**

**Service Income.** Service income increased by 12.22% from Rs. 5,363.41 million in fiscal 2004 to Rs. 6,018.96 million in fiscal 2005. This increase was primarily due to increase in service revenue of Punjab.

**Service Income – Punjab –** Our service income in Punjab increased by 21.73% from Rs. 3,660.54 million in fiscal 2004 to Rs. 4,456.14 million in fiscal 2005 due to increase in billable subscribers from 583 thousand as of June 30, 2004 to 803 thousand as of June 30, 2005. The increase in billable subscribers was due to increased network coverage in Punjab and aggressive marketing strategies. As a percentage of total billable subscribers, pre-paid subscribers decreased by 4.79% in Punjab due to our focus on maintaining our strong position in post-paid category. Total MOU increased by 49.17% from 2,166 million in fiscal 2004 to 3,231 million in fiscal 2005 due to higher subscriber base and higher usage per subscriber. ARPU in Punjab decreased by 14.73% from Rs. 611 in fiscal 2004 to Rs. 521 in fiscal 2005 due to a decline in tariffs resulting from increased competition.

**Service Income – Karnataka –** Our service income in Karnataka decreased by 8.22% from Rs. 1,702.87 million in fiscal 2004 to Rs. 1,562.82 million in fiscal 2005 due to decrease in billable subscribers by 21.98% and decrease in tariffs in Karnataka. Also, as a percentage of total billable subscribers, pre-paid subscribers decreased by 4.90% due to lack of intelligent network (“IN”) in fiscal 2005, which allowed subscribers to utilise the entire balance amount in their pre-paid account to make NLD and ILD calls. Lack of IN meant that many potential subscribers did not subscribe to our network because our competitors (who have the IN system in place) were able to offer utilisation of entire balance. The loss of billable subscribers was due to limited network coverage in Karnataka. Total MOU increased by 5.59% from 797 million in fiscal 2004 to 870 million in fiscal 2005 due to a decline in tariffs. ARPU in Karnataka decreased by 16.17% from Rs. 742 in fiscal 2004 to Rs. 622 in fiscal 2005 due to decline in tariffs resulting from increased competition.

**Other Income.** Other income increased by 98.04% from Rs. 186.37 million in fiscal 2004 to Rs. 369.08 million in fiscal 2005, primarily reflecting (i) an increase in exchange gain from Rs. 40.00 million in fiscal 2004 to Rs. 186.86 million in fiscal 2005 due to the strengthening of the Rupee against US Dollar and (ii) adjustment of Rs. 37.97 million in respect of refund of interest received from the DoT which was charged in excess at the time of migration from fixed license fee regime to revenue sharing regime.

**Total Income.** As a result of the foregoing, total income increased by 15.95% from Rs. 5,549.78 million in fiscal 2004 to Rs. 6,434.75 million in fiscal 2005.

**Operating costs.** Operating costs increased by 19.36% from Rs. 1,800.51 million in fiscal 2004 to Rs. 2,149.08 million in fiscal 2005, primarily reflecting an (i) increase in spectrum charges from Rs. 159.35 million in fiscal 2004 to Rs. 204.56 million in fiscal 2005, (ii) increase in roaming management and VAS outsourcing charges from Rs. 65.34 million in fiscal 2004 to Rs. 165.19 million in fiscal 2005 and (iii) increase in interconnection usage charges

from Rs. 750.16 million in fiscal 2004 to Rs. 795.47 million in fiscal 2005, all due to increase in service income in fiscal 2005. Operating costs as a percentage of service income increased from 33.57% in fiscal 2004 to 35.71% in fiscal 2005.

**Personnel costs.** Personnel costs increased by 10.00% from Rs. 346.82 million in fiscal 2004 to Rs. 381.51 million in fiscal 2005, primarily reflecting an increase in salary costs due to both increase in number of employees from 615 as of June 30, 2004 to 681 as of June 30, 2005 and regular annual salary increases.

**Revenue sharing licence fees.** Revenue sharing licence fees decreased by 19.88% from Rs. 424.95 million in fiscal 2004 to Rs. 340.49 million in fiscal 2005, primarily reflecting a decrease in effective rate of revenue sharing licence fee from 10% to 6% in Punjab and from 12% to 8% in Karnataka announced by DoT in April 2004.

Revenue sharing licence fees as a percentage of service income decreased from 7.92 % in fiscal 2004 to 5.66% in fiscal 2005.

**Administrative costs.** Administrative costs increased by 17.02% from Rs. 513.81 million in fiscal 2004 to Rs. 601.27 million in fiscal 2005, primarily reflecting (i) an increase in legal and professional fees from Rs. 131.83 million in fiscal 2004 to Rs. 183.27 million in fiscal 2005 due to settlement of vendor litigation expenses and and (ii) increase in costs related to repair of fixed assets from Rs. 29.13 million in fiscal 2004 to Rs. 43.14 million in fiscal 2005.

Administrative costs as a percentage of service income increased from 9.58% in fiscal 2004 to 9.99% in fiscal 2005.

**Sales and marketing costs.** Sales and marketing costs increased by 20.09% from Rs. 773.20 million in fiscal 2004 to Rs. 928.55 million in fiscal 2005, primarily reflecting an increase in dealer commissions due to increase in gross additions to the subscribers base in fiscal 2005 and an increase in advertising expenses due to extensive publicity campaigns.

Sales and marketing costs as a percentage of service income increased from 14.42% in fiscal 2004 to 15.43% in fiscal 2005.

**Finance cost.** Finance cost increased by 5.65% from Rs. 680.54 million in fiscal 2004 to Rs. 718.99 million in fiscal 2005, primarily reflecting an increase in LIBOR in fiscal 2005 compared to fiscal 2004. Finance cost as a percentage of service income decreased from 12.69% in fiscal 2004 to 11.95% in fiscal 2005.

**Depreciation and amortisation.** Depreciation and amortisation increased by 0.34% from Rs. 1,235.09 million in fiscal 2004 to Rs. 1,239.25 million in fiscal 2005, primarily reflecting an increase in capital expenditure on networks in fiscal 2005, including increase in cell sites.

**Total Expenditure.** As a result of the foregoing, total expenditure increased by 10.12% from Rs. 5,774.92 million in fiscal 2004 to Rs. 6,359.14 million in fiscal 2005.

**Net profit/loss before tax.** As a result of the foregoing, the net profit before taxation increased from a net loss of Rs. 225.14 million in fiscal 2004 to a net profit of Rs. 75.61 million in fiscal 2005.

**Fringe benefit tax.** Our fringe benefit tax was Rs. 1.76 million in fiscal 2005.

**Net profit/loss after tax.** As a result of the foregoing, the net profit after taxation increased from a net loss of Rs. 225.14 million in fiscal 2004 to a net profit of Rs. 73.85 million in fiscal 2005.

#### **Comparison of the year ended June 30, 2004 with the year ended June 30, 2003**

**Service Income.** Service income increased by 8.51% from Rs. 4,942.59 million in fiscal 2003 to Rs. 5,363.41 million in fiscal 2004. This increase was primarily due to increase in service revenue of Punjab.

**Service Income – Punjab –** Our service income in Punjab increased by 17.91% from Rs. 3,104.42 million in fiscal 2003 to Rs. 3,660.54 million in fiscal 2004 due to increase in billable subscribers from 382 thousand as of June 30, 2003 to 583 thousand as of June 30, 2004, which was partially offset by decline in tariffs. The increase in billable

subscribers was due to increased network coverage in Punjab and growth in the market size in Punjab from 1.27 million as of June 30, 2003 to 2.74 million in June 30, 2004. Pre-paid subscribers, as a percentage of total subscribers, decreased in Punjab in fiscal 2004 due to our focus on maintaining our strong position in post-paid category. Total MOU increased by 103.95% from 1,062 million in fiscal 2003 to 2,166 million in fiscal 2004 due to introduction of the CPP regime pursuant to which incoming calls became free. ARPU in Punjab decreased by 14.19% from Rs. 712 in fiscal 2003 to Rs. 611 in fiscal 2004 due to decline in tariffs resulting from increased competition and incoming calls becoming free.

**Service Income – Karnataka –** Our service income in Karnataka decreased by 7.36% from Rs. 1,838.17 million in fiscal 2003 to Rs. 1,702.87 million in fiscal 2004 due to decline in tariffs, which was partially offset by increase in billable subscribers from 135 thousand as of June 2003 to 232 thousand as of June 2004 due to substantial growth in the market size in Karnataka from 1.16 million as of June 30, 2003 to 2.55 million as of June 30, 2004 due to incoming calls becoming free in fiscal 2004. Pre-paid subscribers, as a percentage of total billable subscribers, increased from 65.19% in fiscal 2003 to 76.72% in fiscal 2004 in Karnataka due to our focused strategy on increasing our pre-paid subscriber base. Total MOU increased by 18.25% from 674 million in fiscal 2003 to 797 million in fiscal 2004 due to increase in billable subscriber base. ARPU in Karnataka decreased by 26.39% from Rs. 1,008 in fiscal 2003 to Rs. 742 in fiscal 2004 due to decline in tariffs resulting from increased competition, higher prepaid subscriber ratio and incoming calls becoming free.

**Other Income.** Other income decreased by 78.17% from Rs. 853.89 million in fiscal 2003 to Rs. 186.37 million in fiscal 2004, primarily reflecting a decrease in refund of interest from DoT to Rs. nil in fiscal 2004 from Rs. 382.16 million in fiscal 2003 and on account of decrease in liabilities no longer required written back from Rs. 282.96 million in fiscal 2003 to Rs. 76.98 million in fiscal 2004..

**Total Income.** As a result of the foregoing, total income decreased by 4.26% from Rs. 5,796.48 million in fiscal 2003 to Rs. 5,549.78 million in fiscal 2004.

**Operating costs.** Operating costs increased by 23.77% from Rs. 1,454.76 million in fiscal 2003 to Rs. 1,800.51 million in fiscal 2004, primarily reflecting an increase in power and fuel charges from Rs. 68.51 million in fiscal 2003 to Rs. 95.84 million in fiscal 2004, due to increase in cell sites from 407 in fiscal 2003 to 525 in fiscal 2004, increase in roaming management and VAS outsourcing charges due to an increase in total income in fiscal 2004 and an increase in roaming costs from Rs. 75.41 million in fiscal 2003 to Rs. 292.56 million in fiscal 2004 due to increase in roaming revenues. Operating costs as a percentage of service income increased from 29.43% in fiscal 2003 to 33.57% in fiscal 2004.

**Personnel costs.** Personnel costs increased by 9.91% from Rs. 315.55 million in fiscal 2003 to Rs. 346.82 million in fiscal 2004, primarily reflecting an increase in employees from 595 as of June 30, 2003 to 615 as of June 30, 2004 and regular annual salary increases.

**Revenue sharing licence fees.** Revenue sharing licence fees decreased by 6.13% from Rs. 452.70 million in fiscal 2003 to Rs. 424.95 million in fiscal 2004, primarily reflecting a decrease in effective rate of revenue sharing licence fee in the last quarter of fiscal 2004 and change in adjusted gross revenue mix of Punjab and Karnataka.

Revenue sharing licence fees as a percentage of service income decreased from 9.16% in fiscal 2003 to 7.92% in fiscal 2004.

**Administrative costs.** Administrative costs increased by 11.28% from Rs. 461.72 million in fiscal 2003 to Rs. 513.81 million in fiscal 2004, primarily reflecting an increase in miscellaneous expenditure from Rs. 98.22 million in fiscal 2003 to Rs. 129.47 million in fiscal 2004 due to increase in business expenses.

Administrative costs as a percentage of service income increased from 9.34 % in fiscal 2003 to 9.58% in fiscal 2004.

**Sales and marketing costs.** Sales and marketing costs increased by 29.36% from Rs. 597.72 million in fiscal 2003 to Rs. 773.20 million in fiscal 2004, primarily reflecting an increase in dealer commissions due to increase in gross additions to the subscribers base in fiscal 2004 and an increase in advertising expenses due to extensive publicity in Punjab.

Sales and marketing costs as a percentage of service income increased from 12.09% in fiscal 2003 to 14.42% in fiscal 2004.

**Finance cost.** Finance cost decreased by 11.20% from Rs. 766.39 million in fiscal 2003 to Rs. 680.54 million in fiscal 2004, primarily due to a reduction in interest rates on fixed loans due to a decrease in LIBOR in fiscal 2004 and a decrease in interest on delayed payment of WPC charges from Rs. 17.66 million in fiscal 2003 to Rs. 9.23 million in fiscal 2004 due to timely payment of WPC charges.

**Depreciation and amortisation.** Depreciation and amortisation increased by 5.42% from Rs. 1,171.59 million in fiscal 2003 to Rs. 1,235.09 million in fiscal 2004, primarily reflecting an increase in capital expenditure in fiscal 2004.

**Total Expenditure.** As a result of the foregoing, total expenditure increased by 10.62% from Rs. 5,220.43 million in fiscal 2003 to Rs. 5,774.92 million in fiscal 2004.

**Net profit/loss before tax.** As a result of the foregoing, the net profit before taxation decreased by 139.08% from a net profit of Rs. 576.05 million in fiscal 2003 to a net loss of Rs. 225.14 million in fiscal 2004.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flow Data

(Rs. in million)

	For the years ended June 30,			
	2003	2004	2005	2006
Net cash flow from (used in) operating activities	1,922.05	2,026.51	1,468.41	1,298.32
Net cash flow from (used in) investing activities	(714.18)	(1,053.29)	(1,194.54)	(1,929.36)
Net cash from (used in) financing activities	(798.44)	(442.46)	(247.77)	4.67
Effect of exchange difference on translation of foreign currency	-	-	-	-
Cash and cash equivalents at the beginning of the year	1,132.77	1,542.20	2,072.96	2,099.06
Cash and cash equivalents at the end of the year	1,542.20	2,072.96	2,099.06	1,472.69

### Cash flows from (used in) Operating Activities

**Six months ended December 31, 2006.** Net cash from operating activities was Rs. 809.33 million for the six months ended December 31, 2006, which was primarily due to cash generated from operations before working capital changes of Rs. 914.06 million and adjusted for an increase in current liabilities of Rs. 348.45 million being partially offset by an increase in sundry debtors of Rs. 90.65 million and a increase in loans and advances of Rs. 324.19 million, increase in inventories of Rs. 6.59 million and income taxes and fringe benefit tax paid of Rs. 31.75 million.

**Fiscal 2006.** Net cash from operating activities was Rs. 1,298.32 million in fiscal 2006, which was primarily due to cash generated from operations before working capital changes of Rs. 928.01 million and adjusted for an increase in current liabilities of Rs. 244.50 million and a decrease in loans and advances and inventory of Rs. 203.96 million and Rs. 0.52 million respectively, being partially offset by an increase in sundry debtors of Rs. 60.03 million and income taxes and FBT paid of Rs. 18.64 million.

**Fiscal 2005.** Net cash from operating activities was Rs. 1,468.41 million in fiscal 2005, which was primarily due to cash generated from operations before working capital changes of Rs. 1,833.64 million and adjusted for a decrease in current liabilities of Rs. 86.78 million, an increase in sundry debtors of Rs. 177.42 million, income tax paid of Rs. 6.88 million and an increase in loans and advances of Rs. 93.63 million.



**Fiscal 2004.** Net cash from operating activities was Rs. 2,026.51 million in fiscal 2004, which was primarily due to cash generated from operations before working capital changes of Rs. 1,687.03 million and adjusted for an increase in current liabilities of Rs. 338.38 million, a increase in sundry debtors of Rs. 131.84 million, a decrease in loans and advances of Rs. 159.13 million, decrease in inventory of Rs. 3.91 million and income taxes paid of Rs. 30.10 million.

#### ***Cash Flow from (used in) Investing Activities***

**Six months ended December 31, 2006.** Net cash used in investing activities amounted to Rs. 1,415.34 million for the six months ended December 31, 2006. This primarily comprised of the purchase of fixed assets of Rs. 1,758.17 million, which included network equipment and other office equipments, which was partially offset by proceeds from sale of fixed assets of Rs. 1.40 million and interest of Rs. 14.10 million received on fixed deposits and increase in capital loans by Rs. 327.33 million.

**Fiscal 2006.** Net cash used in investing activities amounted to Rs. 1,929.36 million in fiscal 2006. This primarily comprised of the purchase of fixed assets of Rs. 1,867.09 million, which included network equipment and other office equipment, and decrease in capital loans of Rs. 118.49 million, which was partially offset by proceeds from the sale of fixed assets of Rs. 5.55 million and interest of Rs. 50.67 million received on fixed deposits.

**Fiscal 2005.** Net cash used in investing activities amounted to Rs. 1,194.54 million in fiscal 2005. This primarily comprised the purchase of fixed assets of Rs. 1,325.25 million, which included network equipment and other office equipment, which was partially offset by increase in capital loans of Rs. 81.84 million and interest of Rs. 48.44 million received on fixed deposit.

**Fiscal 2004.** Net cash used in investing activities amounted to Rs. 1,053.29 million in fiscal 2004. This primarily comprised the purchase of fixed assets of Rs. 1,187.47 million, which included network equipment and other office equipment, which was partially offset by increase in capital creditors of Rs. 80.77 million and interest of Rs. 52.78 million received on fixed deposit.

#### ***Cash Flow from Financing Activities***

**Six months ended December 31, 2006.** Net cash from financing activities amounted to Rs. 406.20million for the six months ended December 31, 2006. This primarily comprised proceeds from long-term borrowings of Rs. 1,112.68 million, which was offset by repayment of long-term borrowings of Rs. 50.83 million, loan origination cost of Rs. 9.11 million, share issue expenses of Rs.54.93 million and interest paid of Rs. 591.61 million.

**Fiscal 2006.** Net cash from financing activities amounted to Rs. 4.67 million in fiscal 2006. This primarily comprised proceeds from long-term borrowings of Rs. 10,911.92 million, which was offset by repayment of long-term and short-term borrowings of Rs. 4,859.50 million and Rs. 3,364.28 million, respectively, repayment of debentures of Rs. 2,347.73 million and interest paid of Rs. 102.45 million and loan origination cost of Rs. 233.29 million.

**Fiscal 2005.** Net cash used in financing activities amounted to Rs. 247.77 million in fiscal 2005. This primarily comprised repayment of short-term debt of Rs. 1,444.50 million and interest paid of Rs. 303.51 million, which was partially offset by proceeds from short-term and long-term borrowings of Rs. 1,444.49 million and Rs. 52.47 million, respectively.

**Fiscal 2004.** Net cash used in financing activities amounted to Rs. 442.46 million in fiscal 2004. This primarily comprised repayment of long-term debt of Rs. 56.94 million and interest and loan origination cost of Rs. 388.35 million and Rs. 3.29 million respectively.

#### ***Anticipated Expenditure***

Total capital expenditure for fiscal 2003, 2004, 2005 and 2006 and the six months ended December 31, 2006, which totalled Rs. 519.03 million, Rs. 1,187.47 million, Rs. 1,077.60 million, Rs. 1,870.49 million and Rs. 1,694.04million, respectively, consisted primarily of costs related to expansion of network both in existing markets and any future markets within Punjab and Karnataka we enter into. We anticipate that our capital expenditure in the

next 24 months will increase significantly due to network expansion. For more details, please see the section entitled “Objects of the Issue” on page 28 of this Red Herring Prospectus.

### ***Anticipated Sources of Funds***

As of December 31, 2006, our cash and cash equivalents were Rs. 1,272.88 million. As of December 31, 2006, we had an outstanding long term debt of Rs. 12,079.13 million. As of December 31, 2006, we had available lines of credit of US\$50 million, and the aggregate amount outstanding under these facilities was US\$40 million. We have in the past relied principally on cash flow from operations and borrowings from banks as our main sources of funds. We expect that, going forward, we will finance our growth and our working capital requirements with a combination of the proceeds from this Issue, bank borrowings and operating cash flows.

Taking into account the estimated net proceeds available to us from the Issue, available bank facilities and net operating cash flows, we believe we will have sufficient working capital for our requirements for at least the next 12 months. However, we cannot assure you that our business or operations will not change in a manner that would consume our available capital resources more rapidly than anticipated, especially as we continue to evaluate other investment and development opportunities. For more details, please see the section entitled “Objects of the Issue” on page 28 of this Red Herring Prospectus.

### **Indebtedness, Contractual Obligations, Commitments and Other Off-Balance Sheet Arrangements**

As of December 31, 2006, the aggregate amount of outstanding loans was Rs. 12,079.13 million. Some of our contractual obligations, including purchase obligations, may result in future cash requirements. The following table summarises our contractual obligations and commitments to make future payments as of December 31, 2006, and the effect such obligations and commitments are expected to have on our liquidity and cash flow in future periods:

	As of December 31, 2006				
	Payment Due by Period (Amount in Rs. million)				
	Total	Within One Year	Second Year	Third to Fifth Year	After Five Years
<b>DBS Loan</b>					
- US Dollar-denominated	1,771.60	NIL	NIL	nil	1,731.60
- Rupees-denominated	9,668.55	323.89	1,102.21	5,213.28	3,029.16
	11,440.15	323.89	1,102.21	5,213.28	4,800.76

The estimated amount of contracts remaining to be executed on capital account, and not provided for, net of advances, is Rs. 121.99 million as of December 31, 2006.

### **Claims against the Company not acknowledged as debts: (in Rs. millions)**

Particulars	As of December 31, 2006
Karnataka Sales Tax Authorities*	113.86
Service Tax*	4.11
Entry Tax*	8.92
Provident fund on leave encashment**	2.67
TDSAT refund and interest thereon*	57.06
License fee and Spectrum charges and interest thereon	86.35
Spectrum Charges	357.46
<b>Total</b>	<b>630.43</b>

\*The Company has received demands/ notices from various authorities as highlighted above. The company is contesting these and the dispute is outstanding at various levels. Pending the final settlement of these cases, the company considers all the amounts described above as contingent liability.

\*\* The Employee Provident Fund Organisation (EPFO) has on 9 September 2005 issued a clarification as per which provident fund contribution should be deducted on leave encashment paid from 1 May 2005 onwards. It has also been stated that the claims between 1 October 1994 and 30 April 2005 should be kept in abeyance till this issue is decided by the Central Board of Trustees. Accordingly, the Company has been accruing and paying its dues on an ongoing basis.

Pending decision by the Central Board of Trustees, a contingent liability of Rs. 2.67 exists for provident fund on leave encashment claims between 1 October 1994 and 30 April 2005 in respect of Punjab Circle. However the amount of contingent liability in respect of Karnataka Circle for provident fund on leave encashment claims between 1 October 1994 and 30 April 2005 is presently not reasonably ascertainable.

Except as disclosed above, there are no other off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that we believe are material to investors.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

### **Foreign exchange risk**

We are exposed to foreign currency risk in the ordinary course of business, as our capital loans are in US Dollars. Substantial equipment purchased by us is acquired on deferred payment terms from outside India. We realise a foreign exchange loss or gain in respect of these amounts to the extent that the value of the Rupee increases or decreases between the time the assets or services are acquired and the time we make the payments. We also recognize unrealized foreign exchange loss or gain in respect of our US dollars denominated debts and payables as of our balance sheet date. Future economic or political development may cause a decline in the value of the Rupee which in could increase the effective cost of equipment and services purchased outside India and adversely affect our cash flow, financing requirements and net income. At present we do not enter into any hedging transaction to mitigate our foreign exchange risk.

### **Interest rate risk**

Interest rate risk arises when we are exposed to changes in the fair value of our interest sensitive financial instruments and borrowings which arise from changes in market interest rates. As of December 31, 2006 all of our total debt was sensitive to interest rate fluctuations. We do not enter into interest rate swaps to mitigate our interest rate risks.

### **Credit Risk**

Our risk management systems are designed to enable us to detect and prevent fraudulent usage of our services and to minimize bad debts in the post-paid category. When activating new post-paid subscribers we carry out credit checks by doing Contact Point Verification ("CPV") and allocate credit limit based on CPV assessment. We also conduct continuous exposure control for all our post-paid subscribers by reference to these pre-determined credit limits, which are reviewed monthly. If a subscriber exceeds its credit limit, we initiate a number of corrective steps such as sending reminders, requesting interim payments and barring all outgoing calls.

We generally allow our post-paid subscribers 15 days from the date of the bill to make payment. Subscribers who fail to make payment within the stipulated time are sent reminders for payment followed by recovery attempts, which include partial or total disconnection of services. As part of our recovery attempts, we send telephonic and SMS messages as reminders and use the services of recovery agencies. As a last recourse, depending on the merits of the case and the amount due, we initiate legal proceedings.

We are not exposed to credit-risk in relation to our pre-paid customers. We also do not bear any credit risk from our distributors and retailers for the pre-paid segment, as our distributors purchase items such as prepaid starter packs and pre-paid cards up-front for cash and then on-sell these to retailers.

## CRITICAL ACCOUNTING POLICIES

### Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. We capitalise all direct costs (including direct relatable interest costs, if any) relating to the acquisition and installation of fixed assets, excluding recoverable taxes. Fixed assets are depreciated from the month in which the asset is put to use, on the straight-line method, based on the estimated economic useful lives of the assets as stated below after considering the estimated residual value, which in the opinion of management reflects the economic useful life of the underlying assets.

Particulars	Years
Leasehold land and buildings	40
Network equipment	9
Structural network equipment	15
Second hand network equipment	5
Optical fibre cable	15
Office equipment	7
Computers	3
Furniture and fixtures	2-10
Motor vehicles	5

Leasehold land and building and leasehold improvements are being amortised over the period of lease including the optional period, if any, available to us, where it is reasonably certain at the inception of lease that such option would be exercised by us. These rates are higher than/equal to the minimum rates specified in Schedule XIV to the Companies Act, 1956.

Assets costing less than Rs. 0.005 million are written off in the year of purchase.

Adjustments made to the carrying value of fixed assets on account of foreign exchange fluctuation arising on restatement of foreign currency liabilities incurred to acquire such assets from outside India, are depreciated over the remaining useful life of such assets.

### Intangible assets and amortisation

The fixed component of licence fee paid by us upon migration to the National Telecom Policy (NTP) i.e., entry fee, has been capitalised and is amortised over the remainder of the revised licence period of 20 years from commencement of operations at the respective circles on a straight line basis, reflecting economic useful life of the asset. The unamortised portion of the licence fees has been disclosed as a part of fixed assets.

Stand alone software is being amortised over a period of five years.

### Retirement benefits

#### *Provident fund and gratuity benefits*

Retirement benefits to employees comprise contributions to provident fund and gratuity. Provident fund contributions are charged to the Profit and Loss Account. Annual contributions to the employee's gratuity fund, established with the Life Insurance Corporation of India ('LIC') has been determined based on an actuarial valuation by the LIC as at the year end. Further, we also make provisions for the shortfall, if any, between the amounts required to be contributed to meet the accrued liability for gratuity as determined by the LIC and as determined by an independent actuary as at year-end.

#### *Leave encashment*

Provision for leave encashment is made on the basis of actuarial valuation at year-end and incremental provision is charged to the Profit and Loss Account on accrual basis.

## **Taxation**

Income tax expense comprises current tax, being the amount of tax for the period determined in accordance with the Income tax Act, 1961 and deferred tax charge or credit (reflecting the tax effects of timing difference between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liability or deferred tax asset are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty of realisation. Such assets are reviewed at each balance sheet date to reassess realisation. Where there are unabsorbed depreciation and carry forward losses under tax laws, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised in future.

## **Provisions, contingent liabilities and contingent assets**

A provision is recognised when we have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. A contingent liability is recognised where there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. We do not recognise assets which are of contingent nature until there is virtual certainty of realisability of such assets. However, if it becomes virtually certain that an inflow of economic benefits will arise the asset and related income are recognised in the financial statements of the period in which the certainty first occurs.

## **Impairment**

The carrying value of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the amount recoverable towards such assets is estimated. An impairment loss is recognised when ever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account. An impairment loss is reversed if there is a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent the carrying amount of the asset that does not exceed the carrying amount that would have been determined net off depreciation or amortisation, if no impairment loss had been recognised.

We adopted Accounting Standard 28 – Impairment of Assets as issued and required by The Institute of Chartered Accountants of India for the first time in preparing the financial statements for the year ended 30 June 2005. For the purpose of restated statements, AS-28 has not been applied for the years ended 30 June 2002, 30 June 2003 and 30 June 2004 as the same was not applicable in those years.

## **SECTION VI: LEGAL AND OTHER INFORMATION**

### **OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS**

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions or tax liabilities against the Company, its Directors, Promoters or companies promoted by its promoters that would have a material impact on the business of the Company and there are no defaults, non payment or statutory dues, institutional/bank dues and dues payable to holders of debentures, bonds and fixed deposits and arrears of preference shares that would have a material adverse effect on the business other than unclaimed liabilities by the Company or its directors, its Promoters or companies promoted by its promoters. Further, the directors, promoters or companies promoted by the promoters have not been declared as willful defaulter by Reserve Bank of India, and also have not been debarred from dealing in securities and/or accessing the capital markets by SEBI and no disciplinary action has been taken against them by SEBI or any stock exchanges.

#### **I. OUTSTANDING LITIGATIONS INVOLVING COMPANY**

##### **a) Litigations of Cellular Operators Association of India involving the Company**

Following cases have been filed by or against the Cellular Operators Association of India of which the Company is a member, and in these cases the Company is also one of the parties along with COAI.

Cellular Operators Association of India and Others have filed an execution application (M.A. 26 of 2006 in Petition No. 48 of 2004) before TDSAT for the enforcement of the pulse petition order pronounced by TDSAT dated November 11, 2005 with respect to implementation of the following by BSNL with effect from November 11, 2005 : (i) CDR /Reciprocal Billing (ii) Reciprocity in interest charges (iii) Application of intra circle carriage charge of only 20p/minute for calls handed over by CMSPs at Level II TAX and (iv) Refund of excess payments made together with interest (at a reciprocal rate). The matter is presently pending adjudication. The next date of hearing is July 13, 2007.

BSNL has filed an appeal against TRAI and COAI and others (Appeal No. 1 of 2006) before TDSAT. In this appeal, BSNL has challenged TRAI's IUC regulation of October 29, 2003 prescribing a charge of 20p/minute for calls handed over by CMSPs to BSNL at Level II TAX as the same is contrary to the principles of work done and TRAI has no jurisdiction to frame such regulations that override the terms and conditions of interconnect agreement between the service providers. The appeal is presently pending adjudication. The next date of hearing is July 13, 2007.

BSNL has filed an appeal against TRAI and COAI and others (Appeal No. 8 of 2006) before TDSAT. In this appeal, BSNL has sought quashing of impugned communication of TRAI dated May 17, 2006 pertaining to carriage charges collectible by BSNL from private cellular operators and for stay of operation of the said communication. The appeal is presently pending adjudication. The next date of hearing is July 13, 2007.

COAI and Others have filed an appeal (Appeal No. 3 of 2006) before TDSAT against the TRAI direction dated November 29, 2005 to operators to ensure strict compliance to the Quality of Service benchmarks laid down by TRAI without taking any steps for ensuring that the operators have the basic back-up infrastructural facility required for the same in form of inter alia adequate, timely and effective interconnection. The Appeal further challenges the arbitrary decision taken by TRAI to issue show cause notices to some operators on a selective basis demanding an explanation as to why penal action not be taken against them under Section 29, 30 read with Section 34 of the TRAI Act, 1997 in spite of implicitly recognizing the fact that the parameters set by it are incapable of being achieved. The appeal is presently pending adjudication. The next date of hearing is July 17, 2007.

COAI and Others have filed an appeal (Appeal No. 4 of 2006) before TDSAT challenging TRAI's Telecommunication Interconnection Usage Charges (Sixth Amendment) Regulation (1 of 2006) dated February 23, 2006 only insofar as the same has maintained the Mobile Termination Charge at Rs. 0.30 per minute which is not cost based as is being alleged by TRAI. The appeal is presently pending adjudication. The next date of hearing is July 17, 2007.

COAI and others have filed a petition before TDSAT (Petition No. 140 of 2005) against Reliance Infocomm and others for providing their Mobile Services namely “Unlimited Cordless” in the garb of Fixed Wireless Services, and thereby forcing the Cellular Operators to pay Access Deficit Charge (ADC) on such calls on which otherwise no ADC is admissible or payable as per the applicable IUC / ADC Regime. Simultaneously, by passing off their said Mobile Services as Fixed Service, Reliance Infocomm is retaining ADC, which otherwise it is not entitled to retain. This has created and continues to create non-level playing field conditions for the Cellular Operators. It is also violative of, inter alia, IUC Regulations, the Directions / Clarifications issued by Telecom Regulatory Authority of India (TRAI) and Department of Telecommunications (DoT), terms of the License of Reliance Infocomm and is also violative of the Petitioners' rights under Article 14 and 19(1) (g) of the Constitution. The petition is presently pending adjudication. The next date of hearing is September 6, 2007.

COAI and Others have filed a Petition before TDSAT (Petition No. 74 of 2005) against Tata Teleservices Limited (TTSL) for providing their Mobile Services namely “WALKY” in the garb of Fixed Wireless Services and thereby forcing the Cellular Operators to pay Access Deficit Charge (ADC) on such calls on which otherwise no ADC is admissible or payable. Simultaneously, by passing off their said Mobile Services as Fixed Service, TTSL is retaining ADC, which otherwise it is not entitled to retain. This has created and continues to create non-level playing field conditions for the Cellular Operators. It is also violative of, inter alia, IUC Regulations, the directions / clarifications issued by Telecom Regulatory Authority of India (TRAI) and Department of Telecommunications (DoT), terms of the License of TTSL and is also violative of the Petitioners' rights under Article 14 and 19(1) (g) of the Constitution. The petition is presently pending adjudication. The next date of hearing is September 6, 2007.

BSNL has filed an appeal against TRAI, COAI and others (Appeal No. 14 of 2006) before TDSAT. In this appeal, BSNL has challenged TRAI's decision of September 11, 2006 which reconfirms that there is no justification for a revenue share on roaming calls and that the terminating network is entitled to only the termination charge as prescribed by relevant regulations. The appeal is presently pending adjudication. The next date of hearing is July 11, 2007.

COAI and Others have filed a petition before TDSAT (Petition No.319 of 2006) against BSNL challenging the arbitrary and unlawful demand of revenue share on National and International Roaming calls made by BSNL and imposition of charges not permissible under the Interconnection Usage Charge (IUC) Regulations on such calls. The Petition has been admitted by TDSAT on December 21, 2006. In the Interim Order passed by the TDSAT, TDSAT has noted that the Learned Counsel for the Petitioners has submitted that the Petitioners will continue to pay as per the demands of BSNL. However, this will be subject to the final result in the Petition including restitution of the amounts. The matter has been tagged with Appeal No. 14 of 2006 (BSNL Appeal against TRAI decision of September 11, 2006) and is presently pending adjudication. The next date of hearing is July 11, 2007.

COAI and others have filed an appeal in TDSAT (being Appeal No. 16 of 2006) challenging the TRAI decision of September 11, 2006 only to the extent that the same while reconfirming that there should be no revenue sharing in roaming, applied the decision on a prospective basis. The Appeal has been admitted by TDSAT on December 21, 2006. In the Interim Order passed by the TDSAT, TDSAT has noted that the Learned Counsel for the Appellants has submitted that the Appellants will continue to pay as per the demands of BSNL. However, this will be subject to the final result in the Appeal including restitution of the amounts. The matter has been tagged with Appeal No. 14 of 2006 (BSNL Appeal against TRAI decision of September 11, 2006) and is presently pending adjudication. The next date of hearing is July 11, 2007.

COAI and Others have filed an appeal (Civil Appeal No. 4352 of 2006) before Supreme Court of India against the order pronounced by TDSAT dated November 11, 2005 to the extent that it does not provide the relief with retrospective effect and has only directed implementation of the following by BSNL with effect from November 11, 2005: (i) CDR /Reciprocal Billing, (ii) Reciprocity in interest charges, (iii) Application of intra circle carriage charge of only 20p/minute for calls handed over by CMSPs at Level II TAX and (iii) Refund of excess payments made together with interest (at a reciprocal rate). The appeal was last listed on March 20, 2006. The appeal is presently pending adjudication and is connected to Civil Appeal No. 1676 of 2006 pending in the Supreme Court. The next date of hearing is yet to be fixed.

BSNL has filed an appeal against COAI and others before the Supreme Court of India (Civil Appeal No 1676 of 2006). In this appeal, BSNL has inter alia, challenged the directions of Hon'ble TDSAT in the judgment given in petition no. 48 of 2004 dated November 11, 2005 on the primary ground that the TRAI has no jurisdiction to modify

or override any of the term or condition of the Interconnection Agreement between the parties as laid down in earlier judgments of the Hon'ble Tribunal dated April 27, 2005 in Appeal no. 11 of 2002 and judgment dated May 3, 2005 in Appeal no. 31 of 2003. The appeal is presently pending adjudication. The next date of hearing is yet to be fixed.

BSNL has filed an appeal against the COAI and others before the Supreme Court of India (Civil Appeal No. 5546 of 2004). In this appeal, BSNL has challenged the order of TDSAT dated March 29, 2004 on a petition (being Petition 10 of 2003) filed by COAI & others against DoT & others in which they had sought credit of 5% of revenues (for the period from January 8, 2001 to January 31, 2002) that were allowed to be retained by the cellular operators vide TRAI's Interconnection Determination dated January 8, 2001. TDSAT in its order dated March 29, 2004 had allowed the said petition and directed BSNL and MTNL to implement the TRAI recommendations dated January 8, 2001 allowing the petitioners to retain the 5% of their passed through revenue paid to them for calls made by the petitioners w.e.f. January 25, 2001 and both BSNL and MTNL shall refund/adjust all the excess amounts received from the petitioners towards the 5% of their passed through revenues w.e.f. January 25, 2001 up to January 31, 2002. On January 3, 2005 COAI has filed its reply to the BSNL appeal and the Supreme Court has ordered BSNL to adjust the amount to the respondents subject to respondents giving a bank guarantee of the refunded amount to BSNL. The appeal is presently pending adjudication. The next date of hearing is yet to be fixed.

MTNL has filed an appeal against COAI and others before the Supreme Court of India (Civil Appeal No. 6969 of 2004). In this appeal, MTNL has challenged the order of TDSAT dated March 29, 2004 on a petition (being Petition 10 of 2003) filed by COAI & others against DoT & others in which they had sought credit of 5% of revenues (for the period from January 8, 2001 to January 31, 2002) that were allowed to be retained by the cellular operators vide TRAI's Interconnection Determination dated January 8, 2001. TDSAT in its order dated March 29, 2004 had allowed the said petition and directed BSNL and MTNL to implement the TRAI recommendations dated January 8, 2001 allowing the petitioners to retain the 5% of their passed through revenue paid to them for calls made by the petitioners w.e.f. January 25, 2001 and both BSNL and MTNL shall refund/adjust all the excess amounts received from the petitioners towards the 5% of their passed through revenues w.e.f. January 25, 2001 up to January 31, 2002. On January 3, 2005 COAI has filed its reply to the MTNL appeal and the Supreme Court has ordered MTNL to adjust the amount to the respondents subject to respondents giving a bank guarantee of the refunded amount to MTNL. The appeal is presently pending adjudication. The next date of hearing is yet to be fixed.

COAI and Others have filed a special leave petition before the Supreme Court of India against Mr. Jagbir Singh, Union Territory of Chandigarh and others. The Company is a co-petitioner in the matter. In this petition, the petitioners have appealed against an interim order passed by the High Court of Punjab & Haryana at Chandigarh which had directed that there will be no further construction of any tower except in the non-residential areas and that too after the necessary sanction has been taken as per the Policy. The above SLP was listed before the Hon'ble Supreme Court on November 13, 2006. The Hon'ble Court was pleased to direct impleadment of Union of India, Department of Telecommunication as Respondent No. 11 in the case to get its view on the case and further grant full stay of the impugned order. The matter is presently pending adjudication. The next date of hearing is yet to be fixed.

BSNL has filed a petition before TDSAT (Appeal No. 4 of 2007) against TRAI, COAI and others. In this petition, BSNL has challenged TRAI's Port Charges Regulation issued on February 2, 2007. The grounds of challenge are inter alia, that TRAI does not have the jurisdiction to amend the Interconnect Agreements, which have been mutually agreed between the operators, and further, that TRAI has not taken into account all costs while determining the port charges. The matter is presently pending adjudication. The next date of hearing is July 16, 2007.

#### **b) Department of Telecommunications Demands:**

The Company has received letters from Wireless Finance Division of Department of Telecommunications (DoT) in respect of the payment of outstanding towards GSM Spectrum dues for Punjab and Karnataka telecom circles. DoT has intimated the outstanding of Rs. 213 million as on June 30, 2006 for Punjab circle, which has been subsequently revised by DoT vide its letter dated February 2, 2007 to Rs. 204 million as on December 15, 2006. DoT has also intimated the outstanding of Rs. 114 million as on June 30, 2006 for Karnataka circle, which has been subsequently revised by DoT vide its letter dated February 2, 2007 to Rs. 154 million as on December 15, 2006. These outstanding amounts mainly comprise of interest charges for the delayed payment for the period upto December 31, 2001 and penalty charges. The Company has contested these outstanding amounts and filed its detailed reply for each of the above components of outstanding payment for Punjab and Karnataka circles vide its letters dated December 5, 2006 and has requested DoT to withdraw the demand letters immediately. Since the issues pertain to the Cellular Industry in general and in case demand letters are not withdrawn by DoT, the Company proposes to take



up the matter with the Cellular Operators Association of India (COAI) and to go ahead with the Industry stand on the matter.

## **II. OUTSTANDING LITIGATIONS INVOLVING THE COMPANY IN KARNATAKA**

### **a) Cases filed against the Company**

#### **i) Criminal Cases**

Complaint has been filed by the Assistant Controller of Legal Metrology, Tumkur against the Company in the Court of Judicial Magistrate, First Class, Tumkur (complaint case no. CC 1448/04) under the Standard Weights and Measures Act, 1976 and Rules made there under for not maintaining the pre-paid packet of SIM cards as per the rules i. e. the pre paid packet does not contain manufacture date, address of the manufacturer etc. The Company has moved to the High Court of Karnataka (Criminal Petition No. 756/2006) u/s 482 Criminal Procedure Code pleading the High Court to quash the impugned complaint in the lower court. The High Court of Karnataka has passed an interim order for staying the proceedings before the lower court. The next date of hearing in the High Court is yet to be fixed. The matter is presently pending in the lower court.

Three complaints have been filed by the Labour Enforcement Officer (Central) against the company in the Court of Additional Chief Metropolitan Magistrate, Bangalore for not maintaining the register in prescribed Form as required under The Equal Remuneration Act, 1976, non registration of the establishment and for not displaying the required statutory notice and for non submission of the statutory notices to the inspector under Contract Labour (Regulation and Abolition) Act, 1970. The Company has moved to the High Court of Karnataka (Criminal Petition Nos. 3603/05, 3604/05, 3605/05) for quashing the proceedings before the lower court stating that the complaint is not maintainable. The High Court of Karnataka has passed an interim order for staying the proceedings before the lower court. The next date of hearing in the High Court is yet to be fixed. The complaints in the lower court are presently pending.

#### **ii) Consumer Cases**

As on May 20, 2007 there is no consumer case pending against the Company.

#### **iii) Civil Cases**

A Civil suit (O.S. No. 140/2006) has been filed by the Antony G. Oliver (Plaintiff) in the court of Principal Civil Judge, Hubli against Spice Communications Private Limited (Defendant) praying for declaration that the demand notice issued by the Defendant to the Plaintiff to pay the outstanding balance for usage of the service is illegal and not binding on the Plaintiff. The Defendant has filed the written statement. The matter is presently pending in the court. The next date of hearing is yet to be fixed.

A writ petition (WP No. 21397/05) has been filed by Spice Communications Private Limited against the Commissioner Corporation of the city of Belgaum in the High Court of Karnataka, Bangalore for issuing a writ of certiorari to quash the demand notice issued by the respondent to pay Rs. 60,000/- as tax for 3 cell sites put up by Petitioner and 5% share in revenue is not valid and therefore it should be quashed. The High Court has passed an interim order granting stay on the execution of the demand notice. In the mean time the Petitioner has also received one more demand notice from the respondent to pay Rs. 40,000 as service charges for 4 cell sites and for this, the Petitioner has filed Contempt petition in High Court of Karnataka against the Commissioner Corporation of the city of Belgaum. Contempt Petition by the Petitioner has been withdrawn since the High Court has instructed for clarification of the order dated September 12, 2005 passed in Writ petition filed by Petitioner. The matter is pending in the High Court. The total amount involved is Rs 0.1 Million. The next date of hearing is yet to be fixed.

A Civil suit (O.S.No - 81/2003) has been filed by the plaintiff, Chacko Varghesse in the court of Civil Judge, Senior Division at Puttur DK seeking vacant possession of the premises leased out by the plaintiff to the defendant on yearly tenancy for a period of ten years by way of a registered lease deed on various terms and conditions. The plaintiff has sought vacant possession of the premises in its original condition and also direction to the defendant to pay damages/cost of repair of Rs. 50,000. The defendant has filed written statement and an application to refer the matter to an arbitrator, now the matter is posted for objections to this application by Plaintiff. The total amount involved is Rs. 50,000. The next date of hearing is June 12, 2007.

M.N. Vijay Kumar, complainant had filed a case against Spice Communications Private Limited before Assistant Labour Commissioner, Bangalore alleging that he is directly employed in the Company and his services cannot be terminated. Subsequently, proceedings were initiated before IIInd Additional Labour Court at Bangalore on reference by the Government of Karnataka vide its order dated October 25, 2005 for adjudication of points of disputes. The first point of dispute referred to was whether termination of services of Mr. M. N. Vijay Kumar by the Company is legally permissible. The second point of reference was if termination of services was not legally permissible, then what relief is he entitled for. The matter is presently pending before the said Labour court. The next date of hearing is June 25, 2007.

A civil suit (O. S. NO. 260/2006) has been filed by Bhamy Vittaldas Shenoy ("Plaintiff") in the court of Ist Additional Civil Judge Senior Division, Mangalore D.K. against V. Nagendra Baliga ("first defendant") to give the vacant possession of the subject property and restrain Spice Communications. Pvt. Ltd ("second defendant") from putting up any telecommunication tower in the subject property. Spice Communications Private Limited has filed an application stating that it is not a necessary party. The next date of hearing in the matter is yet to be fixed.

A civil suit (O. S. NO. 51/2007) has been filed by Mr. Sridhar ("Plaintiff") in the court of IIIrd Additional Civil Judge Senior Division, Gulbarga, against Nidhi Distributors ("first defendant") Raghavendra Prasad S. Patil ("second defendant") Lingaraj Appa ("third defendant") Spice Communications ("fourth defendant") R.P.P. Agency (fifth defendant") and R.P. Agency ("sixth defendant"). Plaintiff along with Defendant no 2 & 3 is a partner of Nidhi Distributors i.e. defendant no 1. Plaintiff has filed a case for misappropriation of fund by Defendant no 2, damages sustained by defendant no 1 from breach of contract by Defendant no 4 and for accounting the profit gained by defendant no 2 through Defendant No 5. Spice Communications has appeared before the court. The matter is presently pending in the court. The next date of hearing is June 18, 2007.

A Memorandum of Writ Appeal (W. A. no. 92/2007) has been filed by Ms. Reetha Bheemaiah (Appellant) against the Company (Respondent) in the High Court of Karnataka at Bangalore against the order dated December 5, 2006 passed by Learned single judge of the Honourable High Court in writ petition no 2607/2003 c/w writ petition no 749/2003 wherein the claim of the Appellant was rejected by the Honourable High Court. The Appellant has filed this Memorandum of Writ Appeal to set aside the aforesaid order dated December 5, 2006 and reject the W.P. no. 2607/2003 filed by the respondent Company and allow the W.P. no 749/2003 filed by the Appellant alleging that the resignation letter submitted by her was not out of her free will and volition, she was forced to resign from her post and she should be allowed to continue her work as an employee in Respondent Company. The matter is presently pending in the High Court. The next date of hearing is yet to be fixed.

#### **b) Cases Filed by the Company**

The company has filed 1 (one) Civil suit for recovery, the total amount involved is 168,413.20 (one hundred sixty eight thousand four hundred thirteen approximately).

The Company has filed 71 (Seventy One) criminal complaints u/s Sec. 138 of Negotiable Instruments Act, with the total amount involved being Rs.983, 696 (nine eighty three thousand six hundred ninety six approximately).

The Company has filed 1059 Lok Adalat cases before the District Legal Services Authority, Bangalore City for amicable settlement of due amount to be recovered. The total amount involved is Rs. 1,434,000 (One Million four hundred thirty four thousand approximately).

#### **i) Indirect tax cases**

SL. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Amount (Rs.)
1.	Sales Tax  KST A.P. No. 1026/1999-2000	Spice Communications Ltd. vs.  Asstt. Commissioner of Commercial Taxes	The Company has filed an appeal before the joint commissioner of commercial taxes (appeals) against the order of the assistant commissioner of commercial taxes levying	The case is presently pending before the Joint Commissioner of Commercial Taxes (Appeals). The next date of hearing is yet to be fixed.	Rs. 9,293/-

SL. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Amount (Rs.)
			tax of Rs. 9,293/- on the sale of SIM cards for the A.Y. 1996-97.		
2.	Sales Tax Review Petition No. 11 / 2007	Spice Communications Ltd. (Applicant) vs. The State of Karnataka (Respondent)	<p>The Company has filed a review petition before the Karnataka Appellate Tribunal praying the Tribunal to rectify / review and recall its order dated August 31, 2006 passed in Appeal No.'s 151 and 152 / 2004 preferred by the applicant</p> <p>The Appeal No. 151 / 2004 was against the order of assessing officer imposing sales tax and penalty on the activation fee charged by the Company for the assessment year 1999 - 2000. The applicant's case in said appeal was that activation charges received by the applicant from its subscribers did not constitute turnover at all and as such not liable to sales tax. The Hon'ble Tribunal had disposed of the appeal by the impugned order holding that there was an element of sale involved while issuing SIM cards and remanding the matter back to the assessing authority.</p>	After the order of the Karnataka Appellate Tribunal (KAT) of August 31, 2006 remanding the case back to the Assessing Authority the Company had filed a sales tax revision petition with the High Court of Karnataka, praying to set aside the judgment of KAT. The High Court ordered the Company to file a review petition before the KAT. So, the review petition no. 11 / 2007 has been filed with KAT on March 24, 2007, which is pending adjudication. The next date of hearing is June 14, 2007.	Rs. 13,120,303
3.	Sales Tax Review Petition No. 12 / 2007	Spice Communications Ltd. (Applicant) vs. The State of Karnataka (Respondent)	<p>The Company has filed a review petition before the Karnataka Appellate Tribunal praying the Tribunal to rectify / review and recall its order dated August 31, 2006 passed in Appeal No.'s 151 and 152 / 2004 preferred by the applicant</p> <p>The Appeal No. 152 / 2004 was against the order of assessing officer imposing sales tax and penalty on the activation fee charged by the</p>	After the order of the Karnataka Appellate Tribunal (KAT) of August 31, 2006 remanding the case back to the Assessing Authority the Company had filed a sales tax revision petition with the High Court of Karnataka, praying to set aside the judgment of KAT. The High Court ordered the Company to file a review petition before the	Rs. 8,845,520

SL. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Amount (Rs.)
			Company for the assessment year 2000 - 2001. The applicant's case in said appeal was that activation charges received by the applicant from its subscribers did not constitute turnover at all and as such not liable to sales tax. The Hon'ble Tribunal had disposed of the appeal by the impugned order holding that there was an element of sale involved while issuing SIM cards and remanding the matter back to the assessing authority.	KAT. So, the review petition no. 12/ 2007 has been filed with KAT on March 24, 2007, which is pending adjudication. The next date of hearing is June 14, 2007.	

### III. OUTSTANDING LITIGATIONS INVOLVING THE COMPANY IN PUNJAB

#### a) Cases filed against the Company

##### i) Criminal Cases

A Criminal Complaint (Complaint No. 324 of 1998) u/s 420 of the IPC has been filed by Sukhjot Singh Chandi in the Court of Judicial Magistrate First Class, Chandigarh against the Company alleging mis-representation and suppression of material facts as the complainant had purchased a mobile SIM card from a dealer of the Company under a scheme floated by the Company and the SIM card got locked and was unable for future usage and thus, the complainant has alleged that the SIM card was projected by the Company as similar in quality to the other marketed cards if not of a better quality, whereas they are of an inferior quality. The matter is fixed for August 25, 2007 on discharge application filed by the Company.

Complaint (Complaint no. 200 T of 2003) has been filed by Municipal Commissioner, Mandi Gobindgarh in the Court of Sub-Judicial Magistrate, Amloh, Distt. Fatehgarh Sahib, Punjab against the Company and other alleging violations of provisions under Sections 195, 195-A, 220 and other provisions of the Punjab Municipal Act, 1911 in relation to construction and installation of transmission tower. The stand taken by the Company in an application filed in the court is that the complaint is not maintainable as offences under Section 195, 195A and 220 of Punjab Municipal Act, 1911 are compoundable offences and transmission tower has been installed as per the policy of Govt. of Punjab. However the said application has been dismissed. The matter is presently pending in the court. The next date of hearing is September 14, 2007.

##### ii) Consumer Cases

Thirty five consumer cases are pending against the Company. The issues involved in these cases include deficiency of services, excess bill amount, refunds, rectification of bills, disconnection due to non-verification, compensation for damages, unwanted promotional calls, and mental agony. The financial implication on the Company is Rs. 2.13 million.

##### iii) Civil Cases

A civil suit (Suit No. 35 of 2005) has been filed by the Charanit Singh & another, plaintiff before the Addl. Civil Judge (Senior Div.) against the Company praying for permanent injunction for restraining it from disbursing/paying the amount of Rs. 68,000/- as licence fees for the period from August 4, 2003 to January 4, 2005 @ Rs. 4,000/- p.m. for the use and occupation of the site admeasuring 12 Marlas out of 3 Kanals 8 Marlas bearing Khasra no. 168/335,

Khasra No. 6/16 (3-8) situated in the area of village Sekhowal H.B. No. 493 to any other person except the co-owners recorded in farad jamabandi 2001-2002 without the consent of the plaintiff. The plaintiff has also prayed for mandatory injunction for directing the defendant to pay the licence fee allegedly due to the plaintiff and other co-sharer as per their share. The Company has filed the written statement. The matter is pending adjudication. The next date of hearing is June 12, 2007.

A Writ Petition has been filed by the Company ("Petitioner") before the High Court of Punjab & Haryana (Civil Writ Petition No. 7807 of 2001) challenging the orders passed by various authorities. The Petitioner challenged the applicability of The Employees Provident Fund And Misc. Provisions Act, 1952 ('Act') vide letter dated August 12, 1998 made to the Regional Provident Fund Commissioner (RPFC) which rejected the application of the company and directed it to comply with the provisions of the EPF Act in letter and spirit vide impugned order dated January 10, 2000. Being aggrieved from the order of RPFC, the Petitioner preferred an appeal before the Employees Provident Fund Appellate Tribunal which was dismissed vide order dated July 12, 2000. Being aggrieved by the said order(s), the Petitioner has filed the present Writ Petition before the High Court of Punjab & Haryana and challenged the said orders passed by the authorities below. A prayer has also been made by the petitioner for issuance of a writ of Certiorari for quashing the impugned orders and restraining RPFC from enforcing the provisions of the Act. Interim prayer was also made for issuing directions to the RPFC for restraining it from taking further action pursuant to the impugned orders during the pendency of the writ petition. The interim prayer made by the petitioner was granted by the High Court vide order dated May 29, 2001 and further proceedings before the Regional Provident Fund Commissioner, Chandigarh has been stayed. The matter is presently pending adjudication. The next date of hearing is yet to be fixed.

Sh. Jatinder Singh has filed a rent petition before the Rent Controller, Chandigarh (Rent Petition No. 42 of 2005) under section 13(2) (i) and 13(2) (ii) (a) of the East Punjab Urban Rent Restriction Act, 1949 praying for the eviction of the respondents the Company from the mezzanine floor of SCO 89-90-91, Sector 17-D, Chandigarh on the alleged grounds of non-payment of rent and subletting. The matter is still pending adjudication.

A Civil suit (Civil Suit No. 1631 of 2006) has been filed by the plaintiff M/s. Super Scientific Works Pvt. Ltd. before the Addl. Civil Judge (Sr. Div.), Kharar praying for declaration that the plaintiff is the owner/subscriber of the mobile phone connection bearing no. 98140 08241 issued by the Company and for consequential relief of mandatory injunction directing the Company to transfer the said mobile connection in the name of the plaintiff or its nominee. The matter is presently pending adjudication. The next date of hearing is June 23, 2007.

A Civil suit (Suit No. 1376/A of 2006) has been filed by the plaintiff Hatish Kataria before the Addl. Civil Judge (Sr. Div.), Kharar for recovery of an amount of Rs. 3,846,619/- from the Company (defendant no.1). The plaintiff has alleged that he used to earn commission over sales and marketing of services and product of the Company and that the disputed amount was transferred from the account of the plaintiff by the Company to the accounts of the defendant's no. 2 & 3 without the consent of the plaintiff. Written statement to the plaint and the reply to an interim application has been filed by the Company. The next date of hearing in the matter is January 19, 2007. The total amount involved in this case is Rs. 3,846,619 plus interest. The matter is still pending in the court. The next date of hearing is August 14, 2007.

Proceedings have been initiated against the Company by Asst. Estate Officer (Appeals) Estate Office, U.T. Chandigarh (Memo No. 35063/SDE (E) CPL 5249/17/11/05) on a notice dated July 25, 2006 from the said authority wherein it is alleged that the Company has effected unauthorized construction of tower on building at site no. B-219, Sector 39-C & D, Chandigarh in contravention of the provisions of Section 15 of the Capital of Punjab (Development and Regulation) Act, 1952. The company has represented before the said authority for grant of permission to install the transmission Towers as per policy framed by Chandigarh Administration and has stated that the Company has submitted all necessary papers along with demand draft of Rs. 0.5 million as installation fee. The matter is pending for orders.

A civil suit (Suit No.34 of 2006) has been filed by the Lovenish Kumar & Others (plaintiff) against the Company (one of the defendants) in the Court of Civil Judge, Faridkot, Punjab under order 39 Rule 1&2 read with section 151 of CPC restraining the Company from installing any transmission tower in the residential area as the height of the tower may cause damage to the ad-joining properties on falling and it also causes health hazard to human life. The written statement and reply to the application made under order 39 rules 1 & 2 have been filed on behalf of the Company. The matter is still pending adjudication. The next date of hearing is July 9, 2007.

A civil suit (Suit No. 124 of 2006) has been filed by the plaintiff, Chabeel Dass and Others against the Company (one of the defendants) in the Court of the Civil Judge (Sr. Div., Faridkot) praying for permanent injunction restraining the defendants from installing the transmission tower over the first floor of the house of the defendant no.1. The plaint is accompanied with an application under order 39 rules 1 & 2 of the CPC praying for grant of temporary injunction restraining the defendants from installing transmission tower at the above mentioned premises. The matter is presently pending before the court. The next date of hearing is October 10, 2007.

A writ petition (Civil Writ Petition No. 10982 of 2004) has been filed by the Company (“petitioner”) before the High Court of Punjab & Haryana praying for issuance of a writ in the nature of Certiorari quashing the orders dated July 19, 2004 passed by the respondent no. 4 (Land Acquisition Officer, Chandigarh) directing the petitioner to remove the cell sites/towers of the petitioner within three days. The High Court was pleased to direct vide order dated July 23, 2004 that towers shall not be demolished and parties were further directed to maintain status quo in relation to the structure and functioning of the towers. Vide order dated August 5, 2004, the High Court has directed that no further towers will be erected and status quo to be maintained. Vide order dated February 7, 2005, the High Court has modified the order dated August 5, 2005 to the extent that if the petitioner approaches the respondent/ administration and applies for permission to set up cellular mobile telephony provider towers in non-residential areas, the administration would dispose off the application of the petitioner in accordance with the guidelines framed by it within a period of 4 weeks. Vide order dated May 11, 2006, the High Court has adjourned the writ petition *sine die*. The next date of hearing in the matter is yet to be fixed.

A civil suit ((Suit No. 283 of 2004) has been filed by the plaintiff, Thakural Transport Corporation in the Court of Civil Judge Senior Division, Chandigarh against the Company claiming for damages of Rs. 10,00,000/- on account of alleged deficiency of services, cheating and mental harassment (inadequate services, bad signals, disturbances in calls etc.). The plaintiff has further prayed that a permanent injunction be granted in favor of the plaintiff for restraining the defendants from discontinuing the connection bearing no. 98149-08872 and a mandatory injunction directing the defendant to restore the connections of mobile numbers which have been discontinued by the defendant. The matter is presently pending before the court. The next date of hearing is July 17, 2007.

Eviction Proceedings (Notice no. JCB/4563/C dated March 23, 2004, JCB/ENGG/693/C dated May 17, 2004, JCB/ENGG/691/C dated May 17, 2004) have been initiated under Section 5 (b) and (c) of Public Premises (eviction of unauthorised occupants) Act, 1971 against the Company by the Cantonment Board Jalandhar on Notice no. JCB/4563/C dated March 23, 2004, JCB/ENGG/693/C dated May 17, 2004 and JCB/ENGG/691/C dated May 17, 2004 issued by the said authority alleging unauthorised construction and illegal occupancy of the cantonment land by the Company. The matter is pending and the next date of hearing is yet to be fixed.

A civil suit (no. 230 OF 2004) has been filed in the court of Civil Judge Sr. Division, Jalandhar by the Company for declaration to the effect that various notices issued by the defendant, Cantonment Board, Jalandhar are illegal, arbitrary and void ab initio and are liable to be declared as null and void and for permanent injunction restraining the defendant from proceeding with the said notices and from removing/ demolishing the structures raised by the plaintiff in the said notices. The matter is presently pending adjudication. The next date of hearing is July 11, 2007.

A civil suit (Civil Suit No.159/06) has been filed by the Plaintiff, Meena Rani against the Company (one of the defendants) in the Court of Civil Judge, Jagraon, Punjab under Order 39 Rule 1&2 read with section 151 of CPC for grant of injunction restraining the Company from installing, construction and operation of any transmission tower during the pendency of the suit. In this case, Hutch has installed its tower in the area and the Company is at sharing basis. The plaintiff who is the landlady of the cell site premises has alleged that sharing of the cell site by the Company is against the terms of the lease deed executed by her with Hutch. The matter is presently pending for order.

Proceedings have been initiated against the Company (Memo No. 4509/SDE (E) RP – CP 10) by the land acquisition officer on a notice dated February 3, 2006 issued u/s 15 of the Capital of Punjab (Development and Regulation) Act, 1952 from the said authority wherein it is alleged that the Company has effected unauthorized construction at site no 10, Sector 16, Chandigarh in contravention of building rules of Capital of Punjab (Development and Regulation) Act, 1952. It has been alleged that the sanctioned plan of the building has been changed and an unauthorized tower has been installed at the terrace without getting the permission from the competent authority. The company has represented before the land acquisition officer for grant of permission to install the transmission Towers as per policy framed by Chandigarh Administration and has stated that the Company

has submitted all necessary papers along with demand draft of Rs. 0.1 million as installation fee. The matter is presently pending adjudication.

A civil suit (Suit No. 167/06) has been filed by the Plaintiff, Praveen Anand and others against the Company (one of the defendants) before the Court of Civil Judge Senior Division, Ludhiana for grant of permanent injunction restraining the Company from constructing a transmission tower in their locality since the same is claimed to pose a risk to people and property. The matter is presently pending before the court. The next date of hearing is August 31, 2007.

A civil revision petition (no. 6571 of 2005) has been filed by the Company (petitioner) before the High Court of Punjab & Haryana against Lakhwinder Singh & Another praying for quashing of the order dated October 28, 2005 passed by the Additional Civil Judge, Senior Division, Ludhiana vide which, the application of the petitioner under Section 10 of the CPC for granting stay of the suit filed by the respondent no.1 in the lower Court has been dismissed. It is also prayed that the further proceedings of the said suit pending before the trial court be stayed during the pendency of the instant revision petition. The respondent no.1 herein had prayed in the said suit before the lower Court, for a permanent injunction against the petitioner restraining the petitioner from raising a transmission tower in his premises. The matter is presently pending adjudication. The next date of hearing is July 27, 2007.

Ramesh Kumar, Bhagwan Dass and Surinder Singh have filed a civil suit against the Company before the court of Add. Civil Judge Nabha. seeking permanent injunction for restraining the Company from installing transmission tower on the roof of their shop at old sabzi mandi, Nabha. The written Statement has been filed by the Company. The matter is presently pending before the court. The next date of hearing is August 10, 2007.

Sheela Devi has filed a civil suit (no. 300/06) before the court of Civil Judge (Sr. Div.) Ropar against Garib Dass and the Company for permanent injunction restraining the defendants from interfering into the use and peaceful possession of the plaintiff over her house and further restraining the defendants from installing any tower upon the house of the defendant and further restraining the defendants from causing any damage to the house of the plaintiff under Order 7 Rules 1 & 2 CPC. The matter is presently pending before the court. The next date of hearing is July 19, 2007.

Charanjit Singh has filed a civil suit (no. 238 of 06) filed before the court of Civil Judge (Sr. Div.) Patiala for Permanent injunction restraining M/s. Nand Lal (defendant no. 1) and the Company (defendant no. 2) from installing the transmission tower and generators over the roof of the shop of the defendant no.1. Municipal Corporation Patiala is defendant no. 3 in the matter. The matter is presently pending in the court.

Kanwal Jit Singh has filed a Civil Suit (no. 210 of 2006) before the court of Civil Judge (Sr. Div.) Amritsar for permanent injunction for restraining the Company and Brightway Holy Innocent School (the defendants) from installing the mobile tower in the premises of the Brightway Holy Innocent School. The matter is presently pending before the court. The next date of hearing is July 19, 2007.

Baldev Jolly has filed a Civil Suit (no. 216 of 2006) before the court of Civil Judge (Sr. Div.) Amritsar for permanent injunction for restraining the Company and Manjit Singh (the defendants) from installing the mobile tower. The matter is presently pending before the court. The next date of hearing is July 18, 2007.

Baltej Singh (No. 308 of 2006) has filed a civil suit before the court of Civil Judge (Sr. Div.) Bathinda for permanent Injunction restraining the defendants (including the Company) from encroaching upon, raising of any sort of construction and installation of transmission tower over the land in dispute. The matter is presently pending in the Court.

Tarsem Singh has filed a civil suit before the court of Civil Judge (Sr.Div.) Anandpur Sahib against Ram Singh and others (the Company being Defendant no. 2) for issuance of permanent injunction restraining the defendants from any way or in any manner forcibly and illegally occupying the specific portion of the land measuring 2 kanal 5 marla without partition of land by metes and bounds or in alternative, suit for possession by way of partition of the land mentioned above. The matter is presently pending before the court.

Darshanlal has filed a civil suit before the court of Additional Civil Judge (Sr. Division) Ludhiana against the Company and others. The suit is for grant of mandatory injunction for a direction to the defendants for removing

generator set and mobile tower installed on the top of the building and suit for permanent injunction for restraining the defendants, their representatives and agents from parking their vehicles in front of the shops of the plaintiff. The matter is presently pending before the court. The next date of hearing is July 26, 2007.

Smt. Laj Rani Bansal has filed a Rent petition (no. 34 of 2006) before the court of Rent Controller, Chandigarh U/s 13 of the East Punjab Urban Rent Restriction Act, 1949 for ejectment of the Company from the premises given on lease on expiry of lease period. The matter is presently pending before the court. The next date of hearing is July 17, 2007.

Tejbir Singh has filed a civil suit in the court of civil judge junior division Amritsar against Subhash Gandhi and the Company for permanent injunction restraining the defendant no.1, his agent, representative, privies from installing cell/mobile phone signal transmission tower for transmission of signal on the property of defendant no.1, i.e. on the top floor of his property without the prior permission from the neighbours. The matter is presently pending before the court. The next date of hearing is July 18, 2007.

Charanjit Singh has filed application before the Permanent Lok Adalat at Patiala under section 22C of Legal Services Authorities Act 1987 as amended by the Legal Services Authorities (Amendment) Act 2002 for directing the respondent to immediately set right its poor & failing quality in the lawyers chambers & court complex Patiala and to pay compensation of Rs.25000/- to the applicant for unnecessary extra expenses incurred due to poor & failing signal quality loss of business mental tension agony hardship and harassment suffered by the applicant because of respondent. The matter is presently pending for final order.

Municipal Corporation Chandigarh has issued a notice no. MC/Estate/2007/391 under rule 20 of the Chandigarh Lease hold of sites and building rules, 1973 for breach of rules 5 of The Punjab (Development and Regulation) Building rules 1952 stating that the tower has been constructed in the violation of the rules mentioned above. The matter is presently pending before the court. The next date of hearing is yet to be fixed.

Nathu Ram Kaushal has filed a complaint against the Company (respondent) in the court of Permanent Lok Adalat (Public Utility Services) Amritsar seeking direction of the court to respondent to activate outgoing facility to his mobile numbers which was allegedly abruptly de-activated without notice/intimation with further direction to provide uninterrupted services to said mobile numbers. The matter is presently pending before the court May 28, 2007

Surinder Jit Singh has filed a civil suit in the court of Civil Judge (Senior Division) Gurdaspur against the Company (defendant no. 1) and Ravinder Kumar (defendant no. 2) for grant of decree for permanent injunction restraining the defendants from installing mobile tower on the roof of shop marked in the site plan. The plaintiff has alleged that defendant no. 2 has made illegal encroachment over his property while constructing his said shop. The matter is presently pending before the court. The next date of hearing is June 14, 2007.

Harbhajan Singh and others have filed a civil suit in the court of Civil Judge (Senior Division) Gurdaspur against Ram Nath and others including Company (defendant no. 4) for grant of decree for mandatory injunction directing the defendants to remove the mobile phone tower from the site as marked in the site plan, installed by defendant no. 4 in the roof of the house of defendants nos. 1 to 3. The plaintiffs have alleged that said installation of mobile phone tower caused disturbance, harassment, physical and mental pain etc. to the plaintiffs and other residents of the residential locality. The matter is presently pending before the court September 11, 2007

Kulbhushan Sharma ("Plaintiff") has filed a civil suit (no. 43/2007) before the court of Civil Judge (Sr. Div.) Ludhiana against the Company ("Defendant") for recovery of Rs. 100,000/- and interest thereon towards rent and damages alleging breach of Contract with respect to earlier termination of lease deed executed between the Plaintiff and Defendant for lease of the premises by Plaintiff to Defendant for installing its transmission tower. The Plaintiff has also alleged that termination of lease deed by the Defendant is illegal, void and arbitrary and without any sufficient reason and cause. The matter is presently pending before the court. The next date of hearing is July 20, 2007.

#### **b) Cases filed by the Company**

The company has filed 103 Civil suits for recovery, the total amount involved is Rs. 2,087,242 (Two Million Eighty Seven Thousand Two Hundred and Forty Two).



The Company has filed 499 criminal complaints u/s Sec. 138 of Negotiable Instruments Act, 1881 with the total amount involved being Rs. 4,466,713 (Fourty Four Lacs Sixty Six Thousand Seven Hundred and Thirteen ).

The Company has filed 1573 permanent Lok Adalat matters with the total amount involved being Rs. 7,284,435 (Seven Million Two Hundred Eighty Four Thousand Four Hundred and Thirty Five).

**i) Indirect Tax Cases**

S.No.	Type of Matter	Parties	Brief Description of the Matter	Status	Amount
1..	SERVICE TAX Appeal No. ST/189/05-ST.	CCE, Chandigarh v. Spice Communications Pvt. Ltd.	Appeal has been filed by the Service Tax Dept. before the Customs, Excise and Service Tax Appellate Tribunal, New Delhi ("CESTAT") against the order dated August 17, 2005 of Commissioner (Appeals), Chandigarh made in favour of the Company. The matter pertains to demand raised on adjustment of Service Tax on Interconnect bills of Department of Telecommunications for the period October 1998 – March 1999. The total demand is for Rs. 2,317,625/- + interest & penalty thereon.	Appeal has been decided vide order dated April 11, 2007 of CESTAT in favour of the Service Tax Dept. against which the company is contemplating to file an appeal before Punjab and Haryana High Court.	Rs. 2,317,625 plus interest & penalty
2.	Dairy No. O-27101 dated October 28, 2006	Spice Communications Pvt. Ltd. V. CESTAT, New Delhi & Deputy Commissioner of Central Excise Division, Chandigarh	Appeal has been filed by the Company in the High Court of Punjab and Haryana at Chandigarh under Section 35G of the Central Excise Act, 1994 for setting aside the order dated January 9, 2006 passed by the Customs, Excise and Service Tax Appellate Tribunal, New Delhi ("CESTAT"). The matter pertains to demand raised on adjustment of Service Tax on Interconnect bills of Department of Telecommunications for the period April 2002 – September 2002. The total demand is for Rs. 660,720/- plus interest & penalty thereon. CESTAT, vide its order dated January 9, 2006 has rejected any adjustment of service tax made by the Company under rule 6 (3) of the Service Tax Rules, 1994.	Appeal is pending adjudication. The next date of hearing is September 7, 2007 .	Rs. 660,720 plus interest & penalty
3.	Appeal No. 76/CE/CHD/07	Spice Communications Ltd. V. Addl. Commissioner Central Excise	Appeal has been filed by the Company before the Commissioner of Central Excise (Appeals) Chandigarh against the order of Additional Commissioner, Central Excise dated December 21, 2006. The issue in dispute is whether cenvat credit on pre-fabricated building/shelter is admissible as capital goods/inputs or not. The period under dispute is September 2004 – August 2005. Vide its order	Appeal is pending adjudication. The next date of hearing is June 18, 2007.	Rs. 2,933,396 as demand plus Rs. 2,933,396 as penalty plus interest.

S.No.	Type of Matter	Parties	Brief Description of the Matter	Status	Amount
			dated December 21, 2006, the Addl. Commissioner has held that cenvat credit taken by the Company against pre-fabricated building/shelter is irregular and is required to be recovered and thus has confirmed the demand alongwith interest and imposed penalty under Rule 14 and 15 of Cenvat Credit Rules, 2004 read with Section 73 and 75 of Finance Act, 1994.		
4.	Appeal No. 77/CE/CHD/07	Spice Communications Ltd. V Addl. Commissioner, Central Excise	Appeal has been filed by the Company before the Commissioner of Central Excise (Appeals) Chandigarh against the order of Additional Commissioner, Central Excise dated December 21, 2006. The issue in dispute is whether cenvat credit on pre-fabricated building/shelter is admissible as capital goods/inputs or not. The period under dispute is September 2005 – August 2006. Vide its order dated December 21, 2006, the Addl. Commissioner has held that cenvat credit taken by the Company against pre-fabricated building/shelter is irregular and is required to be recovered and thus has confirmed the demand alongwith interest and imposed penalty under rule 14 and 15 of Cenvat Credit Rules, 2004 read with Section 73 and 75 of Finance Act, 1994.	Appeal is pending adjudication. The next date of hearing is June 18, 2007.	Rs. 1,181,895/- as demand plus Rs. 1,181,895/- as penalty plus interest

#### IV. OUTSTANDING LITIGATIONS INVOLVING THE COMPANY IN DELHI

##### Income tax cases

Sl. No.	Assessment Year	Parties	Brief Description of the Matter	Pending Before	Status
1.	2004-05	Spice Communications Pvt Ltd  Vs.  Dy. Commissioner of Income Tax	Disallowance of expenses on account of Advertisement & Sales Promotion (Rs. 34,888,000/-), Software expenses (Rs. 8815/-) and Management Service Charges (Rs. 45,984,000/-).	The appeal is pending before the CIT (A)-12, New Delhi.	The next date of hearing is yet to be fixed.

Sl. No.	Assessment Year	Parties	Brief Description of the Matter	Pending Before	Status
2.	2003-04	Spice Communications Pvt Ltd  Vs.  Dy. Commissioner of Income Tax	Disallowance of expenses on account of Advertisement & Sales Promotion (Rs. 35,000,000/-), Software expenses (Rs. 3,900,000/-) and Management Service Charges (Rs. 51,200,000/-).	The appeal is pending before the CIT (A)-12, New Delhi.	The next date of hearing is yet to be fixed.

## V. OUTSTANDING LITIGATIONS INVOLVING PROMOTERS

### OUTSTANDING LITIGATIONS OF MODI WELLVEST PVT. LTD.

NIL

## VI. OUTSTANDING LITIGATIONS OF PROMOTER GROUP COMPANIES

### A) MCORPGLOBAL PRIVATE LIMITED

#### a) Cases filed against MCorpGlobal Private Limited

S. No.	Case no.	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
1	Special Leave Petition (Civil) 17214 OF 2006 (From the judgement and order dated September 4, 2006 in FAO No. 4676/2002 & FAO No. 5737/2002 of the High Court of Punjab & Haryana at Chandigarh)	Haryana Power Generation Corporation Ltd. Vs. M/s Indian Electricity Supply and Transmission Pvt. Ltd & Another	Indian Electricity Supply & Transmission Pvt Ltd ("IESTL") (since amalgamated with MCorpGlobal Pvt Ltd) undertook a power project at Panipat. It provided a Bank Guarantee of Deutsche Bank for Rs 5 million which was to be encashed in case of default. Due to backing out of Foreign partners, Haryana Power Generation Corporation Ltd (HPGC) (formerly Haryana Power Generation Board) demanded the payment of Bank guarantee of Rs 5 million. IESTL filed a petition against the demand of HPGC in the Court of District Judge, Ambala, which was dismissed. IESTL filed a revision petition in High Court of Punjab & Haryana at Chandigarh restraining the HPGC from encashing the guarantees and to refer the matter to arbitration since there was an arbitration clause in MoU. The High Court restrained the HPGC from encashing the guarantees till the disposal of the matter. Latter on HPGC invoked the Arbitration	The Supreme Court has passed an order on November 3, 2006 for issue of notice and stay on the operation of order of the High Court. The next date of hearing in the Supreme Court is July 25, 2007.	Rs. 2,531,750/- with interest from January 17, 2000 @ 15% per annum

S. No.	Case no.	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
			<p>Clause and referred the matter to Secretary-Law of Government of Haryana at Chandigarh. HPGC lodged a separate additional claim on January 17, 2000 for recovery of Rs 2,531,750/- incurred by them on advisory services from M/s ICICI, Mumbai for completion of project, before Secretary-Law of the Government of Haryana for arbitration. This claim was in addition to the Bank Guarantee of Rs 5 million.</p> <p>Secretary-Law decided the matter on April 27, 2001 in favour of HPGC and ordered for payment of Rs 2,531,750/- and also encashment of Bank guarantee. On May 9, 2001, IESTL filed appeal in the Court of Ld. Addl. District Judge (I), Panchkula against the order of Arbitrator. Panchkula Court decided the matter on August 7, 2002 and held that HPGC is not entitled for Bank Guarantee of Rs 5 million. They are entitled for their claim of Rs 2,531,750/- along with interest @ 15% p.a. (compounded annually) w.e.f. January 17, 2000.</p> <p>HPGC preferred an appeal in the High Court of Punjab &amp; Haryana, Chandigarh for the modification of the judgement and order dated August 7, 2002 passed by Ld. Addl. District Judge (I), Panchkula and the restoration of the award passed by the Arbitrator dated April 27, 2001 under which the Arbitrator decided the matter in the favour of the Appellant Company and directed the Respondent Company for payment of Rs 2,531,750/- and further directed for encashment of Bank Guarantee of Rs. 5 Million.</p> <p>IESTL also preferred an appeal in the High Court of Punjab &amp; Haryana, Chandigarh against the judgement and order dated</p>		

S. No.	Case no.	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
			<p>August 7, 2002 passed by Ld. Addl. District Judge (I), Panchkula wherein the Ld. Addl. District Judge (I), held that the Respondent Corporation is entitled to forfeit, encash and recover an amount of Rs. 2,531,750/- with interest from January 17, 2000 @ 15% per annum till the date of recovery from the Bank Guarantee, furnished by the Appellants in the sum of Rs. 5 Million.</p> <p>The Hon'ble High Court vide order dated September 4, 2006 allowed the appeal filed by the IESTL and dismissed the appeal filed by HPGC.</p> <p>HPGC has filed a special leave petition in the Supreme Court against the order dated September 4, 2006 of the High Court.</p>		
2	Civil Suit No. 310/2007	1. Mohd Irfan Alamgir Mulla, 2. Mohd Nasir Alamgir Mulla, 3. Mohd Asim Alamgir Mulla Vs. 1. Jauss Polymers Ltd 2. Modicorp Pvt Ltd (since merged with MCorpGlobal Pvt Ltd) 3. Indian Televentures Pvt Ltd 4. Mr Harish Chota Bhai Patel 5. The Talathi Saja Met 6. The Circle Officer, Wada Revenue Circle 7. The Tehsildar Wada,	<p>A Registered Sale Deed was executed on September 29, 1995 by Mrs Safiyabibi Gulam Mohd Mulla, Mohd Asim Alamgir, Mohd Irfan Alamgir, Mohd Nasir Alamgir in favour of Jauss Polymers Ltd (Jauss) for sale of land at Gram Panchayat Nara, Taluka Wada, Dist.Thane, Maharashtra for Rs 3.5 Million.</p> <p>Then a Registered Sale Deed was executed on March 24, 1998 by Jauss in favour of Modifin Pvt Ltd (Modifin) for the said land at Rs 3.5 Million</p> <p>Then a Registered Sale Deed was executed on September 28, 1998 by Modifin in favour of Modicorp Pvt Ltd (Modicorp) for the said land at Rs 3.67 Million</p> <p>Then a Registered Sale Deed was executed on December 26, 2005 by MCorpGlobal Pvt Ltd (since Modicorp Pvt Ltd merged with MCorpGlobal Pvt Ltd) in favour of Indian Televentures Pvt Ltd (ITPL) for the said land at Rs 4 Million .</p>	The Civil Judge, Thane has issued Notice on May 3, 2007 and fixed the hearing in Civil Court, Thane on June 15, 2007	The sale of land by MCorpGlobal Pvt Ltd to Indian Televentures Pvt Ltd at Rs 4 Million

S. No.	Case no.	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
		8. State of Maharashtra 9. Mrs Safiyabibi Gulam Mohd Mulla	<p>Then a Notice was issued by Civil Judge, Thane in Civil Suit No. 310/2007 on the Suit for Declaration &amp; Injunction filed by Mohd Irfan Alamgir Mulla &amp; Others against Jauss Polymers Ltd &amp; Others.</p> <p>Mohd Irfan Alamgir Mulla &amp; Others filed Suit for Declaration &amp; Injunction and also application stating the following:-</p> <p>That the Plaintiffs have sold the land to Jauss but never handed the possession.</p> <p>That Jauss never taken the possession.</p> <p>That Mr Pramod Kumar Pant (from Jauss) came to the Plaintiffs for possession. The Plaintiffs refused to handover the possession. Then Mr Pramod Kumar Pant said that he will file a suit for possession. Since nobody has filed suit for possession, the Plaintiffs have become the owners.</p> <p>That Plaintiffs are occupying, holding and cultivating the land as owners and occupants.</p> <p>That Plaintiffs have also constructed a Farm House on land.</p> <p>That they never sold the land to Modicorp or to ITPL</p> <p>That Tehsildar and other Revenue Officers are trying to change the revenue records.</p> <p>Now The Plaintiffs have made prayer for a declaration that they are absolute owners of the land ; That the Sale deed dated December 26, 2005 between Modicorp and ITPL may be declared illegal ; That Plaintiff should not be disposed from the land ; That Jauss, Modicorp, ITPL etc may be restrained from transferring the land.</p>		

**b) Cases filed by MCorpGlobal Private Limited**

S. No.	Case no.	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
1	W.P.No. 13358 of 2007	MCorpGlobal Pvt Ltd Vs State of U P through ADM (Finance & Revenue, Kanpur & Others)	<p>Order passed by District Magistrate, Kanpur on February 9, 2007 imposing stamp fee Rs 150 Million, interest @ 1.5% per month and penalty of Rs 30 Million on alleged violation of non-payment of stamp fee on the amalgamation order for amalgamation of Modi Infotech Pvt Ltd, Panipat Power Corporation Pvt Ltd, Radhakrishna Rubber Chem Pvt Ltd, SpiceCorp Pvt Ltd, Indian Electricity Supply &amp; Transmission Pvt Ltd, Atman Productions Pvt Ltd, B K Modi Capitals Ltd, Indian Rubber Machinery Manufacturers Pvt Ltd, Modi Petrochemicals Pvt Ltd &amp; Privilege Investments Pvt Ltd with MCorpGlobal Pvt Ltd (valuing the transfer of assets at Rs 1,500,000,000/- from transferor companies)</p> <p>Writ Petition filed by MCorpGlobal Pvt Ltd in Allahabad High Court against the abovesaid order of DM, Kanpur which was listed for hearing on March 13, 2007.</p> <p>Stay order passed by Allahabad High Court on March 13, 2007 for staying the demand of DM, Kanpur till further orders. The High Court also directed the opposite party to file the reply.</p>	The Opposite Party has to file the reply in Allahabad High Court. The case will be listed in the cause list	Payment of stamp fee Rs 150 Million + interest @ 1.5% per month and penalty of Rs 30 Million.

2	W.P.No. 13381 of 2007	MCorpGlobal Pvt Ltd Vs State of U P through ADM (Finance & Revenue, Kanpur & Others)	<p>Order passed by District Magistrate, Kanpur on February 9, 2007 imposing stamp fee Rs 3.05 Million, interest @ 1.5% per month and penalty of Rs 0.95 Million on alleged violation of non-payment of stamp fee on the amalgamation order for amalgamation of Diamondstone (India) Pvt Ltd, Fortunate Holdings Pvt Ltd, Attractive Investments Pvt Ltd, Veena Modi Agro Pvt Ltd, Kush Investment Pvt Ltd, Wellvest Investment Pvt Ltd with MCorpGlobal Pvt Ltd (valuing the transfer of assets at Rs 30.5 Million from transferor companies)</p> <p>Writ Petition filed by MCorpGlobal Pvt Ltd in Allahabad High Court against the abovesaid order of DM, Kanpur which was listed for hearing on March 13, 2007.</p> <p>Stay order passed by Allahabad High Court on March 13, 2007 for staying the demand of DM, Kanpur till further orders. The High Court also directed the opposite party to file the reply.</p>	The Opposite Party has to file the reply in Allahabad High Court. The case will be listed in the cause list	Payment of stamp fee Rs 3.05 Million + interest @ 1.5% per month and penalty of Rs 0.95 Millions.
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**ii) Income Tax Cases**

S. No.	Assessment Year	Issues in brief	Pending before	Demand pending	Next date of hearing
1.	1996-97	<p>Company Appeal: Disallowance of Rs. 135,000/- on a/c of prior period expenses &amp; Rs. 80,000/- on a/c of consultancy charges.</p> <p>Departmental appeal against the order of CIT (A) deleting:-</p> <p>Disallowance of expense on publication of books – Rs. 977,765/-.</p> <p>Disallowance of expense on market survey – Rs. 680,000/-.</p> <p>Disallowance of salary and traveling expense of Mr. U.R. Saha as pertaining to new projects – Rs. 1,351,732/-.</p> <p>Disallowance of Consultancy fee to business strategy group – Rs.906,600/-</p>	ITAT New Delhi	Nil	Finally heard on May 22, 2007. orders still awaited
2	2000-01	<p>Company appeal: Long Term Capital Gain of Rs.1,387,876/- treated as Business Profit of Rs.3,262,087/-.</p>	ITAT New Delhi	Nil	Sine-die



S. No.	Assessment Year	Issues in brief	Pending before	Demand pending	Next date of hearing
		Notice u/s 143(2) invalid.  Departmental appeal against the order of CIT (A) deleting:-  Disallowance of expense under the head printing and stationery – Rs. 343,800/-. Disallowance of interest – Rs. 61,447/- and allowing diminution in the value of investment – Rs. 134,742/-			
3	2001-02	Company appeal: Long Term Capital loss of Rs.180,920/- treated as Business loss of Rs.15,546/-. Notice u/s 143(2) invalid.  Departmental appeal against the order of CIT (A) w.r.t:- Business Loss of Rs. 2,011,277/- treated as Speculative loss, disallowance of foreign tour expenses of Rs. 85,244/-, Disallowance of interest of Rs. 145,000/-	ITAT New Delhi	Nil	June 5, 2007
4	2002-03	Company appeal: Short Term Capital loss of Rs. 2,511,080/- treated as Business loss.  Departmental appeal against the order of CIT (A) deleting:- Disallowance of membership & subscription expenses– Rs. 733,950/- Disallowance of interest – Rs. 68,425/-	ITAT New Delhi	Nil	Not yet fixed
5	2003-04	Company appeal: Long Term Capital loss of Rs. 19,669,710/- treated as Business loss of Rs. 2,825,238/-, Disallowance of Rs. 290,000/- on a/c of Membership & Subscription.	Appeal being filed before ITAT, New Delhi	Nil	NA
6	2004-05	Company appeal: Long Term Capital loss of Rs. 8,918,938/- treated as Business loss of Rs. 102,865/-, Disallowance on account of Membership & Subscription of Rs. 1,934,650/-	CIT (Appeals) Ghaziabad	Nil	Not yet fixed
7	2005-06	Company appeal: Long Term Capital loss of Rs. 21,464,900/- treated as Business Profit of Rs. 8,030,800/-, Disallowance on account of Membership & Subscription of Rs. 618,050/- and treating the advertisement expenses of Rs. 200,000/- as donation u/s 80G.	CIT (Appeals) Ghaziabad	3,614,524/-	Not yet fixed

**iii). Indian Management Advisors & Leasing Pvt. Ltd.**  
 (Since amalgamated with MCorpGlobal Pvt. Ltd.)

S. No.	Assessment Year	Issues in brief	Pending before	Demand Pending	Next date of hearing
1	1989-90	Allowability of Depreciation of Rs. 10,393,667/- on Computers purchased from Pertech Computers Ltd and given on lease to Altos India Ltd (Departmental appeal)	ITAT, New Delhi	Nil	Sine-die
2	1990-91	Prosecution by Income Tax Department alleging that the Company has claimed depreciation on bogus lease transactions.	ACMM Tis Hazari Court	Nil	Stayed by High Court
3	1991-92	Prosecution by Income Tax Department alleging that the Company has claimed depreciation on finance transactions by showing as lease transactions.	ACMM Tis Hazari Court	Nil	August 8, 2007
4	1992-93	Disallowance of depreciation on soft drink bottles amounting to Rs. 4,207,107/- on the basis of Order of CIT u/s 263 of the Act.	CIT (Appeals)-XII, New Delhi	Nil	Order awaited
5	1992-93	Challenge to Order u/s 263 passed by CIT.	ITAT, New Delhi	Nil	July 12, 2007
6	1993-94	Allowability of depreciation of Rs. 1,089,458/- on WDV of computers purchased from Pertech Computers Ltd. and given to lease to Altos India Ltd. (Departmental appeal)	ITAT, New Delhi	Nil	Not yet fixed
7	1996-97	Departmental Appeal against the decision of CIT (A) allowing 100% depreciation on Windmills	ITAT New Delhi	Nil	June 5, 2007

**iv) Spicecorp Pvt Ltd.**  
 (Since amalgamated with MCorpGlobal Pvt. Ltd.)

S. No.	Assessment Year	Issues in brief	Pending before	Demand pending	Next date of Hearing
1	2002-03	Company appeal: Disallowance of Foreign Travel Expenses of Rs. 10.11 million and inclusion of Non-Compete fee of Rs. 5.01 million as business income of the assessee.	CIT (Appeals)-XII, New Delhi	Nil	Yet to be fixed
2	2003-04	Company appeal: Disallowance of Foreign Travel Expenses of Rs. 11.42 million and Legal & Professional expenses of Rs. 60,000/-.	CIT (Appeals)-XII, New Delhi	Nil	Order awaited

**v) Silvertone India Pvt. Ltd.**  
(Since amalgamated with MCorpGlobal Pvt. Ltd.)

S. No.	Assessment Year	Issues in brief	Pending before	Demand Pending	Next date of hearing
1	1985-86	Allowability of Horticulture expenses (Rs. 39,527/-) and Investment Allowance (Rs. 397,533/-) by Department.	Allahabad High Court	Nil	To be heard
2	1989-90	Computation of Book Profit u/s 115J of the I.T. Act, 1961 in regard to transfer from revaluation Reserves and depreciation on revalued assets amounting to Rs. 2,224,361/-	Allahabad High Court	Nil	To be heard
3	1990-91	Re-opening of assessment u/s 263, withdrawal of deduction u/s 80HH and 80I and taxability of income from letting out of properties under the head Income from House Property aggregating to Rs. 829,460/-.	Allahabad High Court	Nil	To be heard
4	1991-92	Reopening of assessment u/s 263, withdrawal of deduction u/s 80HH and 80I and taxability of income from letting out of properties under the head Income from House Property aggregating to Rs. 333,220/-.	Allahabad High Court	NIL	To be heard

**vi) Privilege Investments Pvt. Ltd.**  
(Since amalgamated with MCorpGlobal Pvt. Ltd.)

S. No.	Assessment Year	Issues in brief	Pending before	Demand pending	Next date of hearing
1	1996-97	<p>Departmental Appeal against Order of CIT(A) holding:</p> <ul style="list-style-type: none"> <li>- that the assessment Order is void ab-initio since the Notice u/s 148 was not properly served on the assessee.</li> <li>- that the assessment Order is void ab-initio inspite of the fact that the issues regarding the jurisdiction as well as framing of assessment order have been held justified by the Id. CIT(A) himself.</li> </ul> <p>Cross Objection filed by the Company: The Company has inter-alia filed cross objection against the Order of CIT(A):</p> <ul style="list-style-type: none"> <li>- Not deciding all the grounds of appeal raised by the appellant before him ad seriatim.</li> <li>- Filing appeal against Privilege Investments Pvt. Ltd., by the Assessing Officer, which company stood dissolved w.e.f. July 1, 2003 consequent upon its amalgamation with MCorpGlobal Pvt. Ltd. pursuant to the orders of Hon'ble Allahabad High Court and is a non-entity with effect from the above date.</li> </ul>	ITAT, New Delhi	NIL	Heard on April 3, 2007. Orders still awaited

- vii) **Calcutta Instalments Pvt Ltd.**  
(Since amalgamated with MCorpGlobal Pvt. Ltd.)

S. No.	Assessment Year	Issues in brief	Pending before	Demand pending	Next date of hearing
1	1996-97	Departmental Appeal against Order of ITAT: That the ITAT has erred in holding that assessment made in the name of Calcutta Installments Pvt Ltd is Null & Void since Calcutta Installments Pvt Ltd stood dissolved w.e.f. May 16, 1996 consequent upon its amalgamation and was thus a non-entity from the above date.	Allahabad High Court	NIL	Yet to be fixed
2	1995-96	Departmental Appeal against Order of ITAT: That the ITAT has erred in dismissing the appeals of the Department on the ground that the assessment itself was Null & Void due to the reason that the Notice u/s 143(2) was not served on the assessee within the time prescribed by the proviso to section 143(2).	Allahabad High Court	NIL	Yet to be fixed

## B. SPICE MOBILES LIMITED (FORMERLY KNOWN AS SPICE LIMITED)

### a) Cases Filed Against Spice Mobiles Limited

#### i). Civil Cases

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
1.	Case No. 133/1997 (A.A)	Bharat Stock & Share Brokers Ltd. & others Vs. Modi Olivetti Limited	The Company entered into an Agreement on July 19, 1992 to set up an on-line Computerized Stock Market Information and Security Trading Project (Project) with Bharat Stock and Share Brokers Ltd., a company promoted by M/s N.R.I. Financial Services Limited. The Project was agreed to be executed within 12 months from the date of signing of the Agreement for a total sum of Rs. 82.5 million inclusive of excise duty & sales tax. However, the project could not be implemented and disputes arose between the parties, therefore, Bharat Stock & Share Brokers Ltd. filed an Arbitration application before the Hon'ble High Court of Delhi for reference of disputes to arbitration as the disputes between the parties are covered by the arbitration clause in the said agreement and the Hon'ble High Court by its order dated March 13,	The sole Arbitrator, Justice M. K. Chawla (Retd.) has died and the other party has not yet filed any application for the appointment of an alternative arbitrator. The company's advocates M/s Khaitan Jayakar Sud &	Damages of Rs. 60.10 million together with future interest at the rate 24% p.a. plus litigation costs

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
			<p>2000 allowed the application and directed the claims of the claimants to be decided by an Arbitrator, Justice M. K. Chawla (Retd.) in terms of the said Arbitration Agreement. Thereafter, Bharat Stock &amp; Share Brokers Ltd. on July 6, 2000 filed a claim for damages of Rs. 60.10 million together with future interest at the rate 24% p.a. plus litigation costs arising out of non-implementation of the project.</p> <p>The Company's contention is that the project could not be implemented on account of failure of Bharat Stock &amp; Share Brokers Ltd. to perform their part of obligations under the contract and operational problems beyond control of the Company and filed the counter claim of Rs. 15.78 million against Bharat Stock &amp; Share Brokers Ltd. together with interest with 18% per annum and cost of arbitration proceedings.</p>	<p>Vohra opined that as the limitation period of 3 years to file the fresh application for the appointment of an alternate arbitrator has expired, the Company can take a stand that litigation/proceedings relating to case are over and the company can delete the present case from the list of contingent liabilities. Though the matter is still pending in the High Court of Delhi at New Delhi.</p>	
2	Case No. 1681/2005	Super Cassettes Industries Limited Vs. Spice Limited	<p>A suit has been filed against the company in the Hon'ble High Court of Delhi by Super Cassettes Industries Limited for permanent injunction restraining infringement of copyright in respect of embedded ring tone in the handset marketed by the company, damages, delivery of infringing articles, renditions of accounts, etc. An application under order 39 Rules 1 &amp; 2 read with section 151 of CPC for seeking stay/interim injunction</p>	<p>Being aggrieved by the order of the Hon'ble Court, the Company filed the application for setting aside of</p>	Rs. 2.10 million

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
			<p>restraining the Company, its directors, officers, servants, agents, and representatives, group companies, subsidiaries and all others acting for or on its behalf from producing, reproducing or making available to the public ring tones/song clippings, etc. produced from the Plaintiff's copyrighted sound recordings in the movies Dus, Maine Pyar Kyun Kiya, Mujhse Shaadi Karogee has also been filed along with the suit.</p> <p>The Hon'ble High Court passed an ex parte order dated December 9, 2005 granting interim injunction and restraining the Company from producing, reproducing or making available to the public ring tones/ song clippings produced from the plaintiffs copyrighted sound recordings in the movies Dus, Maine Pyar Kyun Kiya and Mujhse Shadi Karogi till the next date of hearing.</p>	<p>Ex-parte ad-interim order of injunction dated December 9, 2005 on the ground that Plaintiff has failed to disclose to this Hon'ble Court about the MoU, which was executed between the parties. Pursuant to the terms of the MoU, the Plaintiff Company allowed the Defendant Company to use the ring tones for minimum 90,000 Mobile Handsets.</p> <p>The matter is now fixed before Joint Registrar of the Hon'ble Delhi High Court for completion of pleadings and</p>	

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
				Admission / Denial of documents  The next date of hearing is July 6, 2007.	
3.	Case No. W.P.No.8297 of 2006	Mr. Dinesh Singh Bisht Vs. Modi Olivetti Limited	<p>On June 11, 1990 the Plaintiff joined the Company at the post of Technician. During the tenure, the Plaintiff had been absenting himself unauthorisedly without informing the Company. The Company sent letter to the Plaintiff about his unauthorized absence and warned him about the serious repercussions of such unauhorised absence. On June 12, 1996 the Company struck the name of the Plaintiff from the muster rolls with immediate effect and deposited a sum of Rs. 4,802/- as full and final payment in the account of the Plaintiff.</p> <p>The Plaintiff raised an Industrial dispute and filed a statement of claim in the Labour Court. On March 7, 2005. Ld. Presiding Officer, Labour Court, Delhi passed an award in favour of the Plaintiff and granting the relief of lump-sum compensation of Rs. 50,000/- and rejected the claim of reinstatement.</p> <p>Being aggrieved by the order of the Labour court, the Company filed the writ petition on April 21, 2006 before the Hon'ble High Court of Delhi and praying to issue a writ of certiorari or any other appropriate writ, order or direction in the nature of certiorari quashing/setting aside the award dated March 7, 2005 and consequently the certified award dated November 21, 2005 was published as required under section 17-A of the Industrial Disputes Act,1947.</p>	<p>The High Court has granted unconditional stay against the operation of the award.</p> <p>The case is still pending adjudication.</p>	Rs. 50,000
4.	Case No. CS (OS)1438/99	Redington India Limited Vs. Modi Olivetti Limited	A suit for recovery of Rs. 2,804,626.50/- together with future interest at the rate of 24% per annum has been filed by Redington India Limited in the High Court of Delhi at New Delhi for which Letter of credit was issued by the Defendant Company and the same was not submitted by Plaintiff before the Bank.	The case is at the stage of arguments. The next date of hearing is yet to be fixed.	Rs. 2,804,626.50/-

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
			Defendant Company filed its reply and stated that the civil suit is not maintainable as it is barred by time and moreover Defendant Company cannot be blamed for the negligence, inaction & latches on the part of the Plaintiff Company.		
5.	Case No. 2731 of 1993	Calicut Engineering Works Limited Vs. Modi Olivetti Limited	The petitioner purchased a M-250 computer and an Olivetti DoT Matrix Printer for a price of Rs.50,420/- and Rs.20,000/- with a warranty of 365 days from the date of installation and 375 days from the date of dispatch, whichever is earlier. MOL would make necessary arrangement for recruiting a programmer for the petitioner and operate the said system. The petitioner alleges breach of its contractual obligations as the machine is giving trouble and no programmer is arranged. The said agreement for sale contains an arbitration clause. Accordingly, the plaintiff approached the Civil Court at Calcutta for appointment of arbitrator.	The Petitioner failed to produce original documents before the court inspite of multiple opportunities, hence the arbitrator could not be appointed till date.	NA
6.	Civil Appeal No. 47/2004	Ravinder Kumar Jain Vs. Modi Olivetti Limited	Mr. Ravinder Kumar Jain preferred an appeal in the Court of District Judge, Rampur (U.P.) against the judgement & decree dated April 29, 2004 passed by Civil Judge (S.D.), Rampur in O.S. 3 of 2000, under which the Civil Judge partly allowed his claim upto the amount of Rs. 16,000/- in lieu of Rs. 34,228/-. By filing an appeal he prayed for the set aside of the findings of the Civil Judge, Rampur and claimed the entire amount. Mr. Ravinder Kumar Jain also filed an execution application vide No. 9/2004 before the Civil Judge (I), Rampur for the execution of the decree dated April 29, 2004 passed by Civil Judge (S.D.), Rampur in O.S. 3 of 2000, for the total amount of Rs.35,200/- (ie. Rs.16,000/- plus interest upto the date of July 5, 2004.). The matter has been stayed by the court vide its order dated August 23, 2004 till final disposal of the appeal.	The appeal is pending in the Court of District Judge, Rampur (U.P.). The next date of hearing in the matter is yet to be fixed.	Rs. 35,200/-



**b) Cases Filed By Spice Mobiles Limited**
**i) Civil Cases**

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
1	Case No. 730/2006	Spice Limited Vs. Mr. Bhushan Kumar & Another	<p>A suit has been filed against the company in the Hon'ble High Court of Delhi by Super Cassettes Industries Limited for permanent injunction restraining infringement of copyright in respect of embedded ring tone in the handset marketed by the company, damages, delivery of infringing articles, renditions of accounts, etc. An application under order 39 Rules 1 &amp; 2 read with section 151 of CPC for seeking stay/interim injunction restraining the Company, its directors, officers, servants, agents, and representatives, group companies, subsidiaries and all others acting for or on its behalf from producing, reproducing or making available to the public ring tones/song clippings, etc. produced from the Plaintiff's copyrighted sound recordings in the movies Dus, Maine Pyar Kyun Kiya, Mujhse Shaadi Karogee has also been filed along with the suit.</p> <p>The Hon'ble High Court passed an ex parte order dated December 9, 2005 granting interim injunction and restraining the Company from producing, reproducing or making available to the public ring tones/ song clippings produced from the plaintiffs copyrighted sound recordings in the movies Dus, Maine Pyar</p>	<p>The matter is now fixed before Joint Registrar of the Hon'ble Delhi High Court for completion of pleadings and Admissions / Denial of documents.</p> <p>In the meantime the Company has made a counter claim of Rs.2 million against Mr. Bhushan Kumar. The case is posted for hearing on August 13, 2007.</p>	Rs. 2 Million.

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
			<p>Kyun Kiya and Mujhse Shadi Karogi till the next date of hearing.</p> <p>Being aggrieved by the order of the Hon'ble Court, the Company filed the application for setting aside of Ex-parte ad-interim order of injunction dated December 9, 2005 on the ground that Plaintiff has failed to disclose to this Hon'ble Court about the MoU, which was executed between the parties. Pursuant to the terms of the MoU, the Plaintiff Company allowed the Defendant Company to use the ring tones for minimum 90,000 Mobile Handsets.</p>		

**ii) Consumer Cases**

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
1.	Case No. A-2553/2001	S. S. L. Tandon Vs Spice Net Limited	<p>The Company has preferred an appeal against the order of District Forum, Agra directing the Company to either rectify the defects in the printer supplied to Mr. S. S. L. Tandon at their own cost or to refund Rs. 24,832/- towards price of the machine and Rs. 2,000/- towards compensation for mental torture and harassment. Hon'ble State Commission, Lucknow has vide its order dated August 7, 2002 stayed the operation of the impugned order of the District Forum and the execution proceedings till further orders. The respondent has not appeared in the said appeal till date and summons have been issued.</p>	The appeal is still pending and the date of next hearing is still not fixed.	Rs. 26,832/-

**iii) Civil Recovery Cases**

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of claim stake in Rupees
1.	Civil Appeal No. 46/2004	Modi Olivetti Limited Vs. Ravinder Kumar Jain	A recovery suit has been filed by Mr. Ravinder Kumar Jain before the Rampur Civil Court. The Company has preferred an appeal against the order of Civil Judge (Sr. Div.), Rampur who partly decreed the amount of Rs. 16,000/- plus interest @18% p.a. in favour of Mr. Ravinder Kumar Jain. Contention of the Company is that the amount decreed is barred by law of limitation and therefore, praying for the set aside of the judgment and decree passed by the Civil Judge, Rampur.	The appeal is still pending in the court of District Judge, Rampur, Uttar Pradesh.	Rs. 16,000/-
2.	Case No 2094/2000	MOL Limited Vs. Unicorp Industries Limited	A recovery suit of Rs. 10,00,798/- has been filed by the Company in the High Court of Delhi at New Delhi under Order XXXVII of the CPC, 1908 against Unicorp Industries Limited for defaults in payments of Sales Tax claims of Rs. 2,63,622/- and payments against supplies of Rs. 5,14,080/- made by the Company. Also claiming a sum of Rs. 2,23,096/- towards interest @ 18% p.a. on the outstanding amount till the date of filing of the suit.	The matter has been transferred from the High Court of Delhi to the District Court at Tis Hazari and the matter is still pending.	Rs. 10,00,798/-
3.	Case No 1442/1999	MOL Limited Vs. Unicorp Industries Limited	The Company supplied the equipments/computer peripherals of Rs. 685,440/- to the Defendant Company. Despite making several requests to the Defendant Company, no payments were received by the Company. Being aggrieved by that, the Company filed the recovery suit of Rs. 844,959/- in the High Court of Delhi under order XXXVII of the CPC, 1908 against Unicorp Industries Ltd. for defaults of payment against supplies of Rs. 685,440/- made by the Company. Also claiming a sum of Rs. 159,519/- towards interest @ 21% p.a. on the outstanding amount till the date of filing of the suit.	The matter has been transferred from the High Court of Delhi to the District Court at Tis Hazari and the matter is still pending	Rs. 844,959/-
4.	Case No 40/99	Modi Olivetti Limited Vs. Vallabhbhai Patel Chest Institute & Ors.	The Company supplied the computer systems to the Defendant No.1 through Defendant No.2 of Rs. 238,300/-. Against that amount the Company has received an amount of Rs. 60,000/- only. The Company requested to the Defendants for the balance amount, but no payment was received. Being aggrieved by that, the Company filed the recovery suit of Rs. 277,544/- in the Court of District Judge, Tis Hazari Courts, Delhi under order XXXVII of the CPC, 1908 against Vallabhbhai Patel Chest Institute (Defendant No.1) and Mr. Atul Mathur (Defendant No.2) for defaults of outstanding payment of Rs. 178,300/-. Also claiming a sum of Rs. 99,244/- towards interest @ 18% p.a. on the outstanding amount till the date of filing of the suit.	The matter is pending before the District Judge, Tis Hazari Courts, Delhi.	Rs. 277,544/-

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
5.	Case No 33/2001	MOL India Limited Vs. Anil Joglekar	The Company supplied the computer/computer peripherals to the Respondent of Rs. 19,69,230/-. In this respect the Respondent issued in favour of the Company, a cheque of an amount of Rs. 1,00,000/- but the same was dishonored. Being aggrieved by that, the Company filed the recovery suit of Rs. 19,69,230/- in the High Court of Delhi against the Respondent for defaults of payment against supply of goods of Rs. 19,69,230/- made by the Company. Also claiming an interest @ 21% p.a. on the outstanding amount from the date of filing of the suit till the date of realisation.	The matter has been transferred from the High Court of Delhi to the District Court at Tis Hazari and the matter is still pending.	Rs. 19,69,230/-
6.	Case No 925/2000	MOL India Limited Vs. Crompton Greaves Limited	A recovery suit has been filed by the Company in the High Court of Delhi at New Delhi against Crompton Greaves Limited for defaults in payments against supplies of goods/materials of Rs. 1,04,44,456/- . Also claiming a pendente lite and future interest compounded monthly at the rate of 20% per annum.	The matter is pending in the High Court of Delhi. The case is fixed for evidence on September 5, 2007.	Rs. 1,04,44,456/-
7.	Case No 980/99	Modi Olivetti Limited Vs. Jayanti Business Systems Limited	A recovery suit has been filed by the company against M/s Jayanti Business Systems India for Rs.621,781/- plus interest on the said amount @ 18% p.a. from the date of filing of suit till date of realization for non-payment against supplies made by the company.	The matter is pending in Tis Hazari Courts, New Delhi.	Rs.621,781/-
8.	Case No 970/99	Modi Olivetti Limited Vs. New India Assurance Company Limited	A recovery suit has been filed by the company against M/s New India Assurance Company Limited for Rs.1,060,508/- plus interest on the said amount @ 18% p.a. from the date of filing of suit till date of realization for non-payment against supplies made by the company.	The matter has been transferred from the High Court of Delhi to the District Court at Tis Hazari and the matter is still pending.	Rs.1,060,508/-

**iv) Criminal Complaint Cases**

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
1.	Complaint No. 626/2002 under Section 138, 141 of the Negotiable Instruments Act read with section 420 of IPC.	Spice Limited Vs. Shivam Telecom & others	Shivam Telecom issued a cheque of Rs. 60,000/- bearing No. 540072 in the favour of the Company. The cheque was presented by the Company in the State Bank of Bikaner and Jaipur, Nehru Place, New	The Hon'ble Magistrate has issued the summons against the other party and the matter is	Rs. 60,000/-

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
			<p>Delhi on August 31, 2001 but the same was dishonoured. The Company has also served the Legal Notice to Shivam Telecom but no payment was made within 15 days of the date of the receipt of the notice. Therefore, a Criminal complaint under Section 138, 141 &amp; 142 of the Negotiable Instruments Act has been filed by the Company against Shivam Telecom and their partners for dishonour of cheque in the Court of Additional Chief Metropolitan Magistrate, Patiala House Courts, New Delhi.</p>	<p>presently pending before the court. The matter is posted for hearing on December 7, 2007.</p>	
2	<p>Criminal Complaint Case No: 67814 of 2005 &amp; 67816 of 2005 under Section 138, 141 of the Negotiable Instruments Act read with section 420 of IPC.</p>	<p>Spice Limited Vs. Gromax Infonet Limited &amp; others</p>	<p>Gromax Infonet Ltd. has purchased the Computers from the Company vide their order dated July 6, 2005. In order to discharge their part liability Gromax Infonet Ltd. issued two cheque for an amount of Rs. 125,000/- each bearing No. 852651 &amp; 852652 dated September 20, 2005 &amp; September 30, 2005 respectively. Both cheques were presented by the Company in the State Bank of Bikaner &amp; Jaipur, Nehru Place, New Delhi but the same were dishonoured.</p> <p>Despite receipt of the Demand Notices, Gromax Infonet Ltd. have failed to make the payment of the dishonored cheques within the stipulated period of time. Therefore, a Criminal complaint under Section 138, 141 of the Negotiable Instruments Act read with section 420 of IPC has been filed by the Company against Gromax Infonet Ltd. and its director for dishonour of cheque in the Court of Additional Chief Metropolitan Magistrate, Patiala House Courts, New Delhi.</p>	<p>The Hon'ble Magistrate issued the non-bailable warrant against the other party and fixed the matter for July 16, 2007.</p>	<p>Rs. 0.25 Million.</p>

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
3.	Case No 247/1995 under Section 138, 141 of the Negotiable Instruments Act read with section 420 of IPC.	Modi Olivetti Limited Vs. Super Star Confectionary Limited & others.	Super Star Confectionary Limited has placed an order for Computer Software and Hardware to the Company for 3 items vide its order dated September 30,, 1994. In order to discharge their liability Super Star Confectionary Limited issued 3 cheques bearing No. 814254, 814255 & 814256 dated January 25, 1995 & January 30, 1995 respectively for a total sum of Rs. 83,980/- . All the three cheques were presented by the Company in the Corporation Bank Ltd., Bangalore but the same were dishonoured. Despite receipt of the Notice, Super Star Confectionary Limited have failed to make the payment of the dishonored cheque within the stipulated period of time. Therefore, a Criminal complaint under Section 138, 141 of the Negotiable Instruments Act read with section 420 of IPC has been filed by the Company against Super Star Confectionary Limited and their Managing Director for dishonour of cheque in the Court of Additional Chief Metropolitan Magistrate, Bangalore.	The Hon'ble Magistrate had issued the summons against the other parties and in the last hearing which took place on May 1, 2006 the Hon'ble Magistrate issued non-bailable warrants against their Managing Director. The non-bailable warrants remain unserved till date.	Rs. 83,980/-
4	Criminal Complaint Case No 5608 of 2006 under Section 138, 141 of the Negotiable Instruments Act read with section 420 of IPC.	Spice Limited Vs. Sai Computer and Others	The company supplied certain products to M/s Sai Computers against invoice no.RIRT050311, RIRT050312, RIRT050313 and RIRTO600004 against which the party issued two cheques of Rs.98,336/- and Rs.68,748/-. All the cheques were duly presented by the company with its Bankers State Bank of Hyderabad and State Bank of Patiala, but the same were dishonoured. Despite receipt of the notice M/s Sai Computers failed to make the payment of the dishonoured cheques within the stipulated period of time.	The matter is fixed for hearing before the Chief Judicial Magistrate, Gautam Budh Nagar, Noida on May 24, 2007.	Rs. 1,67,084/-

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
			Therefore, a criminal complaint under Section 138, 141 of the Negotiable Instruments Act has been filed by the company against M/s Sai Computer and Mr. Pankaj Singh, its proprietor. The pre-summoning evidence is in process.		
5	Criminal Complaint Case No 7099 of 2006 under Section 138, 141 of the Negotiable Instruments Act read with section 420 of IPC.	Spice Limited Vs. Sai Computer and Others	The company supplied certain products to M/s Sai Computers against invoice no. RIRTO600009 against which the party issued a cheque of Rs.58,749. The said cheque was duly presented by the company with its Bankers State Bank of Patiala, but the same were dishonoured. Despite receipt of the notice M/s Sai Computers failed to make the payment of the dishonoured cheque within the stipulated period of time. Therefore a criminal complaint under Section 138, 141 of the Negotiable Instruments Act has been filed by the company against M/s Sai Computer and Mr. Pankaj Singh, its proprietor. The pre-summoning evidence is in process.	The matter is fixed for hearing before the Chief Judicial Magistrate, Gautam Budh Nagar, Noida on May 24, 2007.	Rs. 58,749/-
6	Criminal Complaint Case No 7098 of 2006 under Section 138, 141 of the Negotiable Instruments Act read with section 420 of IPC.	Spice Limited Vs. Mobile Planet and Others	The company supplied certain products to M/s Mobile Planet against invoice no. RIHPO60052 and RIHPO60053 against which the party issued a cheque of Rs.158,780/-. The said cheque was duly presented by the company with its Bankers Corporation Bank, but the same were dishonoured. Despite receipt of the notice M/s Mobile Planet failed to make the payment of the dishonoured cheque within the stipulated period of time. Therefore, a criminal complaint under Section 138, 141 of the Negotiable Instruments Act has been filed by the company against M/s	The matter is fixed for hearing before the Chief Judicial Magistrate, Gautam Budh Nagar, Noida on May 24, 2007.	Rs. 1,58,780/-

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
			Mobile Planet and its partners Mr. Rajesh Kumar and Mr. Satvit Singh. The pre-summoning evidence is in process.		
7	Criminal Complaint Case No 6480 of 2006 under Section 138, 141 of the Negotiable Instruments Act read with section 420 of IPC.	Spice Limited Vs. Allied Systems and Others	The company supplied certain products to M/s Allied Systems against invoice no.RIRPO60007 against which the party issued a cheque of Rs.54,624/-. The said cheque was duly presented by the company with its bankers Corporation Bank but the same were dishonoured. Despite receipt of the notice M/s Allied Systems failed to make the payment of the dishonoured cheque within the stipulated period of time. Therefore, a criminal complaint under Section 138, 141 of the Negotiable Instruments Act has been filed by the company against M/s Allied Systems and its partner Mr.Anoop.	The pre-summoning evidence is in process. The matter is fixed for hearing before the Chief Judicial Magistrate, Gautam Budh Nagar, Noida on May 24, 2007.	Rs. 54,624/-
8	Criminal Complaint Case No 7101 of 2006 under Section 138, 141 of the Negotiable Instruments Act read with section 420 of IPC.	Spice Limited Vs. Allied Systems and Others	The company supplied certain products to M/s Allied Systems against invoice no.RIRTO60001 and RIRTO60002 against which the party issued a cheque of Rs.222,491/-. The said cheque was duly presented by the company with its Bankers Corporation Bank, but the same were dishonoured. Despite receipt of the notice M/s Allied Systems failed to make the payment of the dishonoured cheque within the stipulated period of time. Therefore, a criminal complaint under Section 138, 141 of the Negotiable Instruments Act has been filed by the company against M/s Allied Systems and its partner Mr. Anoop.	The pre-summoning evidence is in process. The matter is fixed for hearing before the Chief Judicial Magistrate, Gautam Budh Nagar, Noida on May 24, 2007.	Rs.222,491/-
9	Criminal Complaint Case No 7097 of 2006 under Section 138, 141 of the	Spice Limited Vs. Computer Software and Service and	The company supplied certain products to M/s Computer Software and Service and Others against invoice no.TIHA060001 against which	The pre-summoning evidence is in process. The matter is fixed	Rs. 58,094/-



S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
	Negotiable Instruments Act read with section 420 of IPC.	Others	the party issued a cheque of Rs.58,094/-. The said cheque was duly presented by the company with its Bankers Corporation Bank, but the same were dishonoured. Despite receipt of the notice M/s Computer Software and Service failed to make the payment of the dishonoured cheque within the stipulated period of time. Therefore, a criminal complaint under Section 138, 141 of the Negotiable Instruments Act has been filed by the company against M/s Computer Software and Service and its proprietor Mr.Gulshan Arora.	for hearing before the Chief Judicial Magistrate, Gautam Budh Nagar, Noida on May 24, 2007.	
10	Criminal Complaint Case No 5174 of 2006 under Section 138, 141 of the Negotiable Instruments Act read with section 420 of IPC.	Spice Limited Vs. Prime Infosoft Limited and Others	The company supplied certain products to M/s Prime Infosoft Limited and Others against invoice no. TIPU 050015 and RPU050238 against which the party issued two cheques of Rs.41,500/- each. All the cheques were duly presented by the company with its Bankers Corporation Bank, but the same were dishonoured. Despite receipt of the notice M/s Prime Infosoft Limited, failed to make the payment of the dishonoured cheques within the stipulated period of time. Therefore, a criminal complaint under Section 138, 141 of the Negotiable Instruments Act has been filed by the company against M/s Prime Infosoft Limited and its Director Mr. Sikander Sheikh and Mr.Bilkish Vivian.	The pre-summoning evidence is in process. The matter is fixed for hearing before the Chief Judicial Magistrate, Gautam Budh Nagar, Noida on May 24, 2007.	Rs. 83,000/-
11	Criminal Complaint Case No 6479 of 2006 under Section 138, 141 of the Negotiable Instruments Act read with section 420 of IPC.	Spice Limited Vs. Pearl Infotech and Others	The company supplied certain products to M/s Pearl Infotech and Others against invoice no. RIHP051113 against which the party issued a cheque of Rs.92,320/-. The said cheque was duly presented by the company with its Bankers State Bank of Hyderabad, but the same were dishonoured. Despite receipt of the notice	The pre-summoning evidence is in process. The matter is fixed for hearing before the Chief Judicial Magistrate, Gautam Budh Nagar, Noida	Rs. 92,320/-

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
			M/s Pearl Infotech failed to make the payment of the dishonoured cheque within the stipulated period of time. Therefore, a criminal complaint under Section 138, 141 of the Negotiable Instruments Act has been filed by the company against M/s Pearl Infotech Limited and its Proprietor Mr. Deepak Lamba.	on May 24, 2007.	
12	Criminal Complaint Case No 6482 of 2006 under Section 138, 141 of the Negotiable Instruments Act read with section 420 of IPC.	Spice Limited Vs. Delhi Computer and Others	The company supplied certain products to M/s. Delhi Computer and Others against invoice no. RIRT050279 and RIRT050280 against which the party issued a cheque of Rs.155,316/-. The said cheque was duly presented by the company with its Bankers Corporation Bank, but the same were dishonoured. Despite receipt of the notice, M/s Delhi Computer failed to make the payment of the dishonoured cheque within the stipulated period of time. Therefore, a criminal complaint under Section 138, 141 of the Negotiable Instruments Act has been filed by the company against M/s Delhi Computer and its Proprietor Mr. Jagjeet Singh.	The pre-summoning evidence is in process. The matter is fixed for hearing before the Chief Judicial Magistrate, Gautam Budh Nagar, Noida on May 24, 2007.	Rs. 155,316/-
13	Criminal Complaint Case No 5443 of 2006 under Section 138, 141 of the Negotiable Instruments Act read with section 420 of IPC.	Spice Limited Vs. Global Education Tree and Another	The company supplied its products to M/s Global Education Tree and Another against invoice no. RIHP050721 against which the party issued two cheques of Rs.100,000/- and Rs.50,000/-. All the cheques were duly presented by the company with its Bankers Corporation Bank, but the same were dishonoured. Despite receipt of the notice M/s Global Education Tree failed to make the payment of the dishonoured cheques within the stipulated period of time. Therefore, a criminal complaint under Section 138,	The pre-summoning evidence is in process. The matter is fixed for hearing before the Chief Judicial Magistrate, Gautam Budh Nagar, Noida on May 24, 2007.	Rs. 150,000/-

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
			141 of the Negotiable Instruments Act has been filed by the company against M/s Global Education Tree and its Director/Vice President Mr. Ajay Changani.		

**v) Income Tax Appeals**

Sr. No.	Assessment Year	Parties	Pending with Authority	Appeal Status	Amount disallowed under the head	Amount involved (Rs. Millions)
1	1990-91	Modi Olivetti Limited Vs. DCIT Special Range, Merrut	ACIT, Meerut	First Appeal	Warranty provision Entertainment Expenses	0.910 0.086
			"A"	Total		0.996
2	1991-92	Modi Olivetti Limited Vs. DCIT Special Range, Merrut	ITAT (Order effecting the order of ITAT not yet filed by Assessing Officer)	Further Appeal	Warranty provision Excess consumption of raw material MD salary Statutory dues	3.378 7.076 0.098 0.130
			"B"	Total		10.682
3	1992-93	Modi Olivetti Limited Vs. DCIT Special Range, Merrut	ITAT	Further Appeal	Commission to Indian Reprographic Systems Pvt. Ltd / – Licensintorg & Co. (India) Pvt. Ltd. Provision for doubtful debts Payment to clubs Gifts and articles MD remuneration	3.764 0.863 0.012 0.010 0.240
			"C"	Total		4.889
4	1993-94	Modi Olivetti Limited Vs. DCIT Special Range, Merrut	ITAT (Order effecting the order of ITAT not yet filed by Assessing Officer)	Further Appeal	Commission to Indian Reprographic Systems Pvt. Ltd Commission to Computer point Foreign Travel expenses MD remuneration	0.206 1.602 0.113 0.272
			"D"	Total		2.193
5	1994-95	Modi Olivetti Limited Vs. DCIT Special Range, Merrut	ITAT (Order effecting the order of ITAT not yet filed by Assessing Officer)	Further Appeal	Commission to – Indian Management Advisor & Leasing Pvt. Ltd. MD remuneration Statutory Dues Provision for Warranty	5.672 0.022 0.049 0.981
			"E"	Total		6.724

Sr. No.	Assessment Year	Parties	Pending with Authority	Appeal Status	Amount disallowed under the head	Amount involved (Rs. Millions)
6	1995-96	Modi Olivetti Limited Vs. DCIT Special Range, Merrut	ITAT (Order effecting the order of ITAT not yet filed by Assessing Officer)	Spice Limited	Warranty provision Entertainment expenses MD salary Commission to – Indian Management Advisor & Leasing Pvt. Ltd. Royalty & Cess	1.252 0.059 0.212 1.435 6.671
			“F”	Total		9.629
7	1996-97	Modi Olivetti Limited Vs. DCIT Special Range, Merrut	ITAT (Order effecting the order of ITAT not yet filed by Assessing Officer)	Further Appeal	Business Promotion expenses Commission to – Indian Management Advisor & Leasing Pvt. Ltd. Provision for warranty Bad Debts	0.793 0.428 3.908 2.833
			“G”	Total		7.962
8	2002-03	Spice Net Limited Vs. Assistant Commissioner, Income Tax, Merrut	CIT(A)	Spice Limited	Change in accounting policy	10.269
			“H”	Total		10.269
<b>Grand Total (A+B+C+D+E+F+G+H)</b>						<b>53.344</b>

**vi) Sales Tax Cases**

Pending with	Claim made for	Amount of claim	Status
High Court (Tamil Nadu)	Tax on transfer/replacement of material under ‘Annual Maintenance Contract’ for the period related to 1993-1994	Amount Involved: Rs. 1.09 million Amount Paid : Rs. 0.73 million	Appeal has been filed before the High Court.
Tamil Nadu Taxation Special Tribunal, Chennai	Tax on transfer / replacement of material under ‘AMC’ for the period related to 1994-1995	Amount Involved : Rs. 0.90 million Amount Paid : Rs. 1.02 million	Second appeal has been filed before the Special Tribunal. Now Special Tribunal has been abolished and case has been referred to High Court. A.O. has wrongly taken the computer spares received from Delhi Office used in AMC as outright sale.

Pending with	Claim made for	Amount of claim	Status
Tamil Nadu Taxation Special Tribunal, Chennai	Tax on Assessment, Surcharge, Additional Surcharge on replacement of spares for the period related to 1996-1997	Amount Involved : Rs. 0.78 million Amount Paid : Rs. 0.32 million	A tax revision Petition has been filed before the Special Tribunal. While the matter was thus pending disposal before the Tribunal, the Tribunal itself was abolished by the Government. All matters have been transferred to the Madras High Court for disposal. The High Court has not yet taken up the case for hearing.
Appellant Asst. Commissioner (C.T.) – Chennai	Rate of Tax on fax machines disputed – CST for the period related to 2002-2003	Amount Involved : Rs. 0.04 million Amount Paid : Rs. 0.04 million	The appeal has been filed and remaining amount of Rs. 31,782 has also been paid on July 13, 2005. The A.O. has charged a higher rate of tax on the ground that Form 'C' were not produced. The appeal has been numbered as APCST27/04 and is pending disposal. The appeal will be disposed in favor of the company and concessional rate of tax @ 4% will be allowed, if company files 'C' Forms.
Sales Tax Tribunal, Bangalore	Date of variation of rate for the period 2000-01	Amount involved : Rs. 0.44 million Amount Paid : Rs. 0.44 million	The case is pending for disposal.
High Court, Allahabad	Penalty for late depositing of Return for the period September 1992 (U.P. Sales Tax)	Amount Involved : Rs. 0.001 million Amount Paid : Nil	The department has filed this appeal against the order of Tribunal. Department has already lost the case in first and second appeal and have now filed before the High Court.
High Court, Allahabad	Penalty for late depositing of Return for the period September 1992, CST	Amount Involved : Rs. 0.02 million Amount Paid : Nil	-do -
High Court, Allahabad	Penalty for late depositing of Return for the period October 1992, CST	Amount Involved : Rs. 0.04 million Amount Paid : Nil	-do -

Pending with	Claim made for	Amount of claim	Status
High Court, Allahabad	Penalty for late depositing of Return for the period November 92, CST	Amount Involved : Rs. 0.03 million Amount Paid : Nil	-do -
High Court, Allahabad	Import of goods in to the state without Form-31 for the period related to 1990-1991	Amount Involved : Rs. 0.27 million Amount Paid : Nil	-do -
High Court, Allahabad	Intra-state movement of goods without Form-31 for the period related to 1991-1992	Amount Involved : Rs. 0.20 million Amount Paid : Nil	-do -
High Court, Allahabad	Incomplete Form-31 with the goods. Allegation of violation of Section 4-A for the period 1992-1993	Amount Involved : Rs. 0.50million Amount Paid : Nil	-do -
Trade Tax Tribunal, Moradabad	Disputed rate of tax on scanner for the period related to 2003-2004	Amount Involved : Rs. 0.03 million Amount Paid : Rs. 0.03 million	Second Appeal has been filed against the order before the Tribunal on January 23, 2006. The only point disputed was rate of tax on scanners. The appeal was filed and has been presented on August 9, 2005. Order is pending on the appeal.
Asst. Commissioner, South Circle, Kolkatta	Local Sales Tax – disallowance of expenses on AMC for the period related to 2000-2001	Amount Involved : Rs. 0.11 million Amount Paid : Nil	The appeal has been filed under West Bengal Sales Tax Act, 1994 on September 2, 2004. Case is pending before Appellate Authority.
Asst. Commissioner, South Circle, Kolkatta	Central Sales Tax – non-furnishing of Forms ‘C’ for the period related to 2000-2001	Amount Involved : Rs. 0.097 million Amount Paid : Nil	The appeal has been filed under West Bengal Sales Tax Act, 1994 on September 2, 2004 Case is pending before Appellate Authority.
Asst. Commissioner, South Circle, Kolkatta	Local Sales Tax – disallowance of expenses on AMC for the period related to 2002-2003	Amount Involved : Rs. 9,000 Amount Paid : Nil	Company has filed an appeal on October 5, 2005 against the order of the Assessing officer. Case is pending before Appellate Authority.
Asst. Commissioner, South Circle, Kolkatta	Central Sales Tax – non-furnishing of Forms ‘C’ for the period related to 2002-2003	Amount Involved : Rs. 14,000 Amount Paid : Nil	Company has filed an appeal on October 5, 2005 against the order of the Assessing Officer. Case is pending before Appellate Authority.

Pending with	Claim made for	Amount of claim	Status
Addl. Commissioner (Appeals) Delhi	Local Sales Tax – non-furnishing of Form ST-35 & disallowance of exempted sales for the period related to 2002-2003 to BSES Yamuna Power Ltd. & BSES Rajdhani Power Limited	Amount Involved : Rs. 0.42 million Amount Paid : Rs. 10,000	The appeal has been filed, stay granted and stay condition has been complied with and furnished to authorities. Company has received Form 35 and furnished complete documentation required to claim exemption. Demand is yet to be deleted. The next date of hearing is fixed for December 29, 2006.
Addl. Commissioner (Appeals), Delhi	Central Sales Tax – non-furnishing of Form ‘C’ and ‘F’ and rejection of export sales vide order dated 29.03.04 for the period related to 2002-2003	Amount Involved : Rs. 2.21million Amount Paid : Rs. 10,000	The appeal has been filed, stay granted and stay condition has been complied with. As per the information provided by the company Substantial Form ‘F’ and ‘C’ have been obtained and complete documentation furnished for the claim of export sale. Case is pending before Appellate Authority. The next date of hearing is fixed for December 29, 2006.
Addl. Commissioner (Appeals), Delhi	Central – non-furnishing of Form ‘C’ and ‘D’ for the period related to 2003-2004	Amount Involved : Rs. 1.09 million Amount Paid : Rs.32,101/-	The appeal has been filed, stay granted and stay condition has been complied with. Substantial Form ‘F’ and ‘C’ have been obtained. Case is pending before Appellate Authority.
Assessing Officer Bangalore, Karnataka	Karnataka General Sales Tax – 1995-96	Amount involved : Rs.0.19 million Amount paid: Rs.0.19 million	Case is pending before Assessing Officer due to disallowance of Annual Maintenance Charges

Pending with	Claim made for	Amount of claim	Status
Joint Commissioner (Appeals), City Division, Bangalore	Karnataka General Sales Tax – 2003 – 04	Amount involved: Rs. 11.80 million Amount paid: NIL	The case is pending before the Joint Commissioner (Appeals) due to disallowance of total sales for assessment year 2003 – 04.
Addl. Commissioner (Appeals), Delhi	Non furnishing of Forms for the period 2004-05	Amount involved : Rs.1.70 million Amount paid: Rs.0.12 million	The company filed an appeal along with stay application. The stay was granted subject to a payment of Rs.0.12 million. Case is pending before Appellate Authority.
Asst. Commissioner (Appeals), South Circle, Calcutta	Non-furnishing of Forms ‘C’ for the year 2003-04	Amount involved : Rs. 39,000 Amount paid: Rs.39,000	The Company filed an appeal. The forms are pending for collection. The case is pending before Appellate Authority.

**vii) Excise and Customs Cases**

S. No.	Case No.	Parties	Brief Description of the Matter	Status	Amount involved in Rs. Millions
1	Appeal No. E/1471/96-A	Modi Olivetti Limited Vs. Commissioner of Central Excise, Meerut	EXCISE CASE Valuation case : Department allowed 11% abatement as against 30% for the period January 1, 1991 to March 31, 1994	Commissioner of Central Excise Noida charged Spice Limited for suppression of the sale arrangement in order to evade the excise duty and done a re-quantification of central excise duty payable. Spice Limited filed an appeal and got the order from CESTAT (earlier CEGAT) asking Commissioner of Central Excise to reassess the case. The Commissioner of Central Excise, vide its order dated November 30, 2006 has confirmed a demand of Rs. 38,263,475/- and a penalty of Rs. 28,000,000/-, against which the Company has filed an appeal before CESTAT which has restored back the case on the file of Commissioner, Meerut for reassessment.	Rs. 66.26 Millions
2	Appeal No. Appeal/Delhi/Customs/D-I/ASU/Import/132/2005	Spice Net Limited Vs. Assistant Commissioner, Customs	CUSTOMS CASE Company imported PIN DoT matrix printer and cleared the same under Custom Tariff Heading No. 8471.60 and were assessed to Basic duty @ 20%,	Commissioner of customs in hearing of appeal on January 4, 2006 granted waiver of pre deposit of entire amount of duty demanded in the matter and he has agreed to dispose of the appeal on merits without insisting on any amount to be deposited. The appeal has been finally heard on April 10, 2007 and	Rs. 0.129 Millions



S. No.	Case No.	Parties	Brief Description of the Matter	Status	Amount involved in Rs. Millions
		s Group-VA, New Delhi	CVD @16% while Special Additional Duty was exempt as per government notification. Department alleged that goods were imported under CKD/SKD conditions and sold after assembling thus alleging short levy of SAD as exemption notification was not fulfilled because goods were sold after assembling and not as such.	the orders are awaited.	

**C. SPICE SYSTEMS LIMITED**

(Formerly known as 'Modi GBC Limited' and 'GBC Modicorp Limited')

**a) Cases filed by Spice Systems Limited**
**i) Civil Recovery Cases**

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of Claim in Rs.
1	Civil Recovery Case No. 48/2000	Modi GBC Limited Vs. Mr. Gurpreet Singh Bedi & Another	Spice Systems Limited supplied the Lamination Machine of model No. GBC 5400 LM (40") to the Defendants for an amount of Rs. 260,100/- (inclusive of sales tax). Against the total amount due, Spice Systems Limited received an amount of Rs. 113,750/- only. Spice Systems Limited demanded for the balance amount from Mr. Gurpreet Singh Bedi, but no payment was received. Being aggrieved, the Company filed the recovery suit of Rs.201,650/- in the Court of Civil Judge, Tis Hazari Courts, Delhi against Mr. Gurpreet Singh Bedi & others for defaults in payment of outstanding principal amount of Rs.146,350 along with interest till the date of the filing of the suit and also to pay interest and damages @ 18% p.a. during the pendency of the suit till the recovery of the suit amount.	The matter is presently pending before the Civil Judge, Tis Hazari Courts, Delhi.	Rs.201,650/-

ii) **Criminal Cases**

Sl. No.	Case No.	Parties	Brief Description of the Matter	Status	Amount (Rs)
1	Criminal Complaint No. 1347/01	Spice Systems Limited Vs. Winsome Enterprises Pvt. Ltd.	<p>The Company supplied certain goods and against the said supply, the Respondent Company through its Managing Director issued cheque of Rs.78,324/- bearing No. 930321 in favour of the Company which was dishonoured due to insufficiency of funds in the accounts of the accused persons.</p> <p>The Company filed a criminal complaint u/s 138, 141 &amp; 142 of Negotiable Instruments Act read with Section 200 of Criminal Procedure Code, before the Metropolitan Magistrate, Patiala House Courts, Delhi</p>	<p>The case is pending before the Metropolitan Magistrate, Patiala House Courts, Delhi.</p> <p>The Ld. Metropolitan Magistrate issued summons to the defendants and fixed the matter on November 8, 2007.</p>	Rs.78,324/-
2	Criminal Complaint No. 870/01	Spice Systems Limited Vs. Indigo Images Pvt. Ltd. & others	<p>The Company supplied certain goods and against the said supply the Respondent Company through its Director issued 5 cheques bearing No. 310558 to 310562 for a total amount of Rs.205,000/- in favour of the Company which were dishonoured due to insufficiency of funds in the Bank Account of the accused persons.</p> <p>Being aggrieved the Company filed a criminal complaint u/s 138 &amp; 141 of Negotiable Instruments Act read with Section 200 of Criminal Procedure Code, and section 420 of Indian Penal Code before the Metropolitan Magistrate, Patiala House Courts, Delhi.</p>	<p>The case is presently pending before the Metropolitan Magistrate, Patiala House Courts, Delhi.</p> <p>The case is fixed for hearing on November 23, 2007</p>	Rs. 205,000/-
3	Criminal Complaint No. 2493/01	Spice Systems Limited Vs. Communication Media Products (India) Pvt. Ltd.	<p>The Company supplied certain goods and against the said supply the Respondent Company through its Director issued cheque of Rs.165,000/- bearing No. 765521 in favour of the Company which was dishonoured due to insufficiency of funds in the Bank Account of the accused persons.</p> <p>The Company filed a criminal complaint u/s 138, 141 &amp; 142 of Negotiable Instruments Act read with Section 200 of Criminal Procedure Code, before the Metropolitan Magistrate, Patiala House Courts, Delhi.</p>	<p>The case is pending before the Metropolitan Magistrate, Patiala House Courts, Delhi.</p> <p>The Ld. Metropolitan Magistrate issued summons to the defendants and fixed the matter on January 22, 2007.</p>	Rs.165,000/-

Sl. No.	Case No.	Parties	Brief Description of the Matter	Status	Amount (Rs)
4	Criminal Complaint No. 647/01	Spice Systems Limited Vs. Sanjeev Prasad	<p>Mr. Sanjeev Prasad was Area Sales Manager of the Company. The Company issued two drafts bearing No. 209542 &amp; 209543 for an amount of Rs. 25,470 and Rs. 25,000/-, respectively, in his name for the purpose of product launch and other promotional expenses, but these amounts were not utilized by him for the said purpose. After regular reminders, he issued a cheque bearing No. 437285 for an amount of Rs 39,150 in favour of the Company which was dishonoured due to insufficiency of funds in his Bank Account.</p> <p>Being aggrieved, the Company filed a criminal complaint u/s 138 of Negotiable Instruments Act read with Section 200 of Criminal Procedure Code, and section 420 of Indian Penal Code before the Metropolitan Magistrate, Patiala House Courts, Delhi.</p>	<p>The case is pending before the Metropolitan Magistrate, Patiala House Courts, Delhi.</p> <p>The Ld. Metropolitan Magistrate issued summons to the defendants and fixed the matter on December 7, 2007</p>	Rs. 39,150/-
5	Criminal Complaint No. 870/01	Spice Systems Limited Vs. Parth Khakkas & others	<p>The Company supplied certain goods and against the said supply M/s Creative Papers through its Proprietor issued a cheque bearing No. 739689 for an amount of Rs. 61,971.87/- in favour of the Company which was dishonoured due to insufficiency of funds in the Bank Account of the accused persons.</p> <p>The Company filed a criminal complaint u/s 138 of Negotiable Instruments Act read with Section 200 of Criminal Procedure Code, and section 420 of Indian Penal Code before the Metropolitan Magistrate, Patiala House Courts, Delhi.</p>	<p>The Ld. Metropolitan Magistrate has issued summons to the defendants and the case is pending before the Metropolitan Magistrate, Patiala House Courts, Delhi.</p>	Rs. 6,1971.87/-
6.	Criminal Complaint No.8347/2001	Spice Systems Limited Vs. Mr. Umakanth	<p>The Company supplied certain goods to M/s Mega Lazars against invoice No. 259 dated July 28, 2000 and 261 dated July 29, 2000. M/s Mega Lazars issued two cheques bearing nos. 185121 dated September 10, 2000 drawn at Punjab National Bank, Chennai for Rs. 410,000/- and 949531 dated November 29, 2000 drawn at Standard Chartered Bank, Chennai for Rs.86,743/-. The said cheques were duly presented by the Company with its Bankers but the same were dishonored due to insufficiency of funds in the accounts of M/s Mega Lazars.</p> <p>Despite receipt of the notice M/s Mega Lazars failed to make the payment of the dishonoured cheques within the stipulated period of time. Therefore, a Criminal Complaint under Section 138, 141 of the Negotiable Instrument Act has been filed by</p>	<p>The matter is presently pending for adjudication before the Metropolitan Magistrate, Chennai on July 7, 2007.</p>	Rs. 496,743/-

Sl. No.	Case No.	Parties	Brief Description of the Matter	Status	Amount (Rs)
			the Company against Mr. Umakanth, Proprietor of M/s Mega Lazars.		
7.	Yet to be notified	Spice Systems Limited Vs. Neopost and Sanjiv Sharma	Criminal Complaint filed against the Neopost and its directors for encashing Letter of credit after without sending the complete set of goods and fraudulently inducing the company not to sign any maintenance contract (offences u/s 120-B, 418 and 420).	The case is posted for summoning parties on July 2, 2007.	Rs.6,000,000

**b) Cases filed against Spice Systems Limited**
**i) Civil Recovery Cases**

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of Claim in Rs.
1	Civil recovery case No. 159/2001	Devender Vatsal Vs. Spice Systems Limited	Mr. Devender Vatsal filed a suit in the court of Civil Judge, Sr. Division, Chandigarh for recovery of an amount of Rs.25,494/- (Rs.21,000/- on account of cash reimbursement to him in lieu of foreign trip to Dubai) as he has qualified in General's Club qualifiers list of Spice Systems Limited by achieving his target as Customer Engineer together with interest thereon at the rate of 24% per annum amounting to Rs. 4,494/-).	The Company in its filed written statement stated that the suit is not maintainable as it is time barred and there was no policy of the Company for cash reimbursement in lieu of proposed foreign trip for Generals' Club nominees, therefore the suit is not maintainable. The case is pending and next date of hearing is May 24, 2007	Rs. 25,494/-
2	Summary suit 3807/1997 under order XXXVII Rule 2 of the Civil Procedure Code, 1908	Spice Systems Vs. Damani Shipping Pvt. Ltd.	The defendant is engaged in the business of Customs House agents and clearance of various kinds of goods. The defendants filed a summary suit (no. 3807 of 1997) under order XXXVII Rule 2 of the Civil Procedure Code, 1908 against the company in the Hon'ble High Court of Bombay. The Hon'ble High Court of Bombay on August 10, 2001 passed an ex-parte decree against the Company. Spice	The case is pending and date of hearing is not yet finalized.	Rs. 586,664/-

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of Claim in Rs.
			Systems Limited has filed an appeal in the High Court of Bombay against the ex-parte decree of the Hon'ble High Court in the summary suit no. 3807 of 1997.		

- c) **Modi GBC Limited**  
(Now known as Spice Systems Limited)

i) **Consumer cases against Modi GBC Limited**

S. No.	Type of Matter	Parties	Brief Description of the Matter	Status	Extent of Claim in Rs.
1	Case No. 1238/02	Jaswinder Singh Vs. Modi GBC Corp Ltd.	Complainant purchased one LCD projector from the company for Rs. 306,000/- and filed a complaint for deficiency in service to remove the alleged defect in the projector. The Company's contention is that the said complaint is not maintainable as the complainant is not a consumer as per Consumer Protection Act and is a company running a cinema hall, further complainant has given two satisfaction letters for the services given. Based on the above facts, District Consumer Disputes Redressal Forum dismissed the appeal of the complainant.	Aggrieved by the order of the District Forum, the complainant has appealed to State Consumer Disputes Redressal Commission, Punjab at Chandigarh. The matter is presently pending before State Commission.	Rs. 306,000/-

ii) **Income Tax Cases against Spice Systems Limited**

S. No.	Assessment Year	Parties	Pending with Authority	Appeal By	Expenses disallowed in the financial statements	Amount involved (Rs. in Millions)
1.	1996-97	Spice Systems Limited Vs. Assistant Commissioner of Income Tax, Noida	CIT (A) Gaziabad	First appeal by Spice Systems Limited	Unexpired Service Contract	4.599
					Loss on Exchange Rate Fluctuation	0.567
					Interest on Cash Credit	0.008
					Interest- 234B	0.216
				"A"	Total	5.390
2.	1997-98	Spice Systems Limited Vs. Assistant	CIT (A) Gaziabad	First appeal by Spice Systems Limited	Commission	2.341

S. No.	Assessment Year	Parties	Pending with Authority	Appeal By	Expenses disallowed in the financial statements	Amount involved (Rs. in Millions)
		Commissioner of Income Tax, Noida				
				"B"	Total	2.341
3.	2001-02	Spice Systems Limited Vs. Assistant Commissioner of Income Tax, Noida	CIT (A) Gaziabad	First appeal by Spice Systems Limited	Commission	5.585
					Unexpired Service Contract	4.285
					Prior Period expenses	1.669
					Late payment of PF	0.187
					Depreciation on Demonstration Machines	0.694
					Sales Incentive	0.684
					Exchange Fluctuation	0.492
				"C"	Total	13.596
4.	2002-03	Spice Systems Limited Vs. Assistant Commissioner of Income Tax, Noida	CIT (A) Gaziabad	First appeal by Spice Systems Limited	Depreciation	0.517
					Unexpired Service Contract	0.059
					Commission	3.423
					Prior Period expenses	0.789
					Sales Tax	0.987
				"D"	Total	5.776
5.	2003-04	Spice Systems Limited Vs. Assistant Commissioner of Income Tax, Noida	CIT(A) Gaziabad	First appeal by Spice Systems Limited	Bad Debts	11.076
					Addition u/s 43-B	0.351
					Depreciation on Demo Machines	0.577
					Commission	3.486
					Advertising and Marketing expenses	1.334
				"E"	Total	16.825
6.	2004-05	Spice Systems Limited Vs. Deputy Commissioner of Income Tax, Noida	CIT (A) Gaziabad	First appeal by Spice Systems Limited	Prior period expenses	0.266
					Depreciation on Demo Machines	0.388
					Profit on sale of demo machines	0.075
					Commission	0.839
					Bad Debts	0.532
				"F"	Total	2.10
Total (A+B+C+D+E+F)						46.026

**iii) Customs Cases**

S. No.	Case No.	Parties	Brief Description of the Matter	Status	Amount Involved Disputed/ Demanded
1.	Appeal No. C/605/95-B-2	Modi GBC Ltd. Vs. Additional Collector of Customs	A Paper Shredder Machine Model 926X imported vide Bill of Entry 268219 dated September 27, 1994 under Open General License, while Department asked for Specific License. Show Cause Notice dated January 28, 1995 was issued alleging that the shredders are consumer goods requiring an import license and asked to show cause why the goods valued at Rs. 414,587/- should not be confiscated u/s 111 and penalty u/s 112 of the Customs Act, 1962 should not be imposed. The Addl. Collector of Customs adjudicated the matter imposing a redemption fine of Rs. 50,000/- a penalty of Rs. 25,000/-. On appeal, the Commissioner of Customs (Appeals) vide order-in-appeal no. 134-C/DLH/95 dated August 31, 1995 confirmed the same.	Spice Systems Limited has paid redemption fine of Rs. 50,000/- and penalty of Rs. 25,000/- and cleared the material from the Customs.  However, appeal is still pending with CESTAT (earlier CEGAT).	Rs.75,000/-
2.	Case under the Customs Law File No. S/49-273/98 TE  Against Order-in-original no. S/40-B-1078/90 VA dated February 27, 1998 passed by Astt. Commissioner of Customs, VA, NCH, Mumbai.	Modi GBC Ltd. Vs. Assistant Commissioner of Customs	As per the conditions of End use Bond, the Importer was required to file consumption certificate for imported goods. Certificate was submitted, but Department has not accepted the same and passed an order for recovery of Rs. 67,000/-	Appeal is decided by the Commissioner (A) and set aside the impugned order-in-original and remanded the matter back to the lower authority for deciding the matter in de-novo proceedings after ensuring the compliance with the notification as required in terms of section 143 and after giving an opportunity of being heard.	Rs.67,000/-
3.	Case under the Customs Law File No. S/49-110/98 LIC  Against Order-in-original No. S/10-45/98	Modi GBC Ltd. Vs. Assistant Commissioner of Customs	Spice Systems Limited imported plastic binding strips under Customs Tariff Heading 3920.42 as plastic strips which is freely importable under EXIM Policy. The said strips were examined by the Department on 2nd	The redemption fine and penalty was paid. Appeal is still pending.	Rs.60,000/-

S. No.	Case No.	Parties	Brief Description of the Matter	Status	Amount Involved Disputed/ Demanded
	2B(I) dated May 15, 1998 passed by Addl. Commissioner of Customs, Mumbai.		appraisement basis and it was noticed by the appraiser that the strips were moulded plastic articles and were not in regular geometric shape of a square or a rectangle in order to merit classification under Customs Tariff Heading 3920.42 as a 'strip' and wanted to classify the same under EXIM Code No. 392690 09 90 the import of which is restricted in terms of ITC (HS) Classification. The Department asked for specific import license for the clearance of goods and accordingly allowed the goods to be redeemed on payment of fine of Rs. 50,000/- and penalty of Rs. 10,000/- for import without License.		
4.	Case under the Customs Law SCN No. F.No. S/26-Misc-459/98-4 dated November 17, 1998 issued u/s 124 of Customs Act.	Modi GBC Ltd. Vs. Assistant Commissioner of Customs	Notice asking that why the goods imported be not confiscated u/s 111(d) and penal action u/s 112 as the import is classified under 8305.10, whereas the same is restricted item as classified under 8308.90 and specific import license is required.	The appeal is still pending with the Dy. Commissioner of Customs, In-charge Group-IV, Mumbai.	Rs.1,20,927/-

**iv) Excise Cases**

S.No.	Type of Matter	Parties	Brief Description of the Matter	Status	Amount Involved Disputed/Demanded
1.	Appeal No. 1140/96-B under the Central Excise & Salt Act, 1944.	Modi GBC Ltd. Vs. Commissioner of Central Excise, Meerut	Spice Systems Limited had been availing the benefit of exemption under notification No.175/86 dated March 1, 1986 during 1988-98 to 1990-91. Spice Systems Limited used to sell goods to wholesalers as well as to retailers. Spice Systems Limited was paying duty in respect of retail sales on the basis of the wholesale price declared by Spice Systems Limited in their price list filed	Spice Systems Limited has filed an appeal with CEGAT New Delhi along with stay petition against the Commissioner's order. CEGAT has decided the stay application and ordered the Company to deposit Rs. 0.7 Million in pursuance	Rs.892,500/- Rs.467,376/- Rs.150,000/-



S.N o.	Type of Matter	Parties	Brief Description of the Matter	Status	Amount Involved Disputed/Demanded
			<p>with the department.</p> <p>The Department initiated proceedings against Spice Systems Limited vide Show Cause Notice C.No. V(15) off/Adj/32/95/7797 dated April 20, 1995 wherein it was proposed to :</p> <p>(a) demand a sum of Rs.8,92,500/- as due for the period April 1, 1990 to April 27, 19990 invoking the extended time limit provisions on the ground that Spice Systems Limited was not entitled to the benefit of exemption under Notification No.175/86 as Spice Systems Limited was using the trade mark "GBC" on their products and that this trade mark 'GBC' belongs to General Binding Corporation of USA who were not eligible for the benefit of notification;</p> <p>(b) demand a sum of Rs.467,376/- as due for the period April 1, 1991 to March 31, 1992 invoking the extended time limit provisions on the ground that Spice Systems Limited had charged an amount of Rs.32,36,138/- in excess of the price declared by the department.</p> <p>(c) impose penalty of Rs.1,50,000/- for the alleged contravention of the Central Excise Rules, 1944.</p> <p>The Commissioner of Central Excise has passed the adjudication order dated May 23, 1996 and confirmed the demand made in the Show Cause Notice and imposed a penalty of Rs.150,000/-.</p>	of stay order. The Company has deposited the same on April 30, 1997. Hearing on appeal is awaited.	
2.	Appeal Numbers 2201 and 2202 of 2006	Spice Systems Limited Vs. Commissioner of Excise, Meerut	The Department of Central Excise issued 35 show cause notices for recovery of differential amount of Wholesale Price and Retail	The two appeals are pending with the CESTAT, New Delhi. which has granted stay on	Rs.2,387,850/-

S.N o.	Type of Matter	Parties	Brief Description of the Matter	Status	Amount Involved Disputed/Demanded
			Price for an aggregate amount of Rs. 4,139,612/- pertaining to period from April, 1992 to September, 2000, out of which 25 notices have been dropped in favour of the Company. The company filed two appeals before Commissioner (Appeals), Meerut against 6 show cause notices in one appeal and against 4 show cause notices in second appeal. Both the appeals were dismissed vide common order both dated April 27, 2006 against which the Company has filed two separate appeals before CESTAT.	August 1, 2006 on demand raised by the department. The next date of hearing is yet to be fixed.	
3.	Yet to be notified	Spice Systems Ltd. Vs. Commissioner of Central Excise, Noida	<p>The Department of Central Excise issued Show Cause Notices for recovery of short paid duty i.e. excise duty on the additional amount arising on account of sale of the machines at higher prices for the period July 1999 to September 2001.</p> <p>The Dy. Commissioner, Central Excise, Noida decided the above said show cause notices against the company vide its order dated September 30, 2002 and demanded the duty amount of Rs. 54,969/- and penalty of equal amount. On appeal filed by the Company, the Commissioner Central excise reduced the penalty amount to Rs. 15000/- while disposing off the appeal vide its order dated August 9, 2004, against which the Company has filed an appeal before CESTAT.</p>	Appeal filed by the Company is pending with the CESTAT, New Delhi. The next date of hearing is yet to be fixed.	Rs.54,969/- and penalty of Rs.15,000/-
4.	Yet to be notified	Spice Systems Ltd. Vs. Commissioner of Central Excise, Noida	The Department of Central Excise issued Show Cause Notices for recovery of short paid duty i.e. excise duty on the additional amount arising on account of sale of the machines at higher prices for the period October 1, 2001 to March 31, 2002.	Appeal filed by the Company is pending with the CESTAT, New Delhi. The next date of hearing is yet to be fixed.	Rs.14,427/- along with interest of Rs.1,922/- and penalty of Rs.5,000/-

S.N o.	Type of Matter	Parties	Brief Description of the Matter	Status	Amount Involved Disputed/Demanded
			The Dy. Commissioner, Central Excise, Noida decided the above said show cause notices against the company vide order dated December 26, 2002 and demanded the duty amount of Rs. 14,427/- with interest and penalty of equal amount. On appeal filed by the Company, the Commissioner Central excise reduced the penalty amount to Rs. 5,000/- while disposing off the appeal vide its order dated August 9, 2004, against which the Company has filed an appeal before CESTAT.		

#### v) Sales Tax Cases

Following cases are relating to non-submission of concessional Forms (ie. Form 'C', ST-1, ST-35, F and 'D') with the Assessing Authority, in which the assessing officer has raised Demand on which the company has gone for appeal:

Sr. #	Assessment Year	Amt.of Demand	Amt. Paid	Nature of Matter	Forum Where Case is Pending
1	1997-98 (U.P. Trade Taxes)	151,436	34,900	Ist Appeal by SSL	Joint Commissioner of Trade Tax, Noida
2	1998-99 (U.P. Trade Taxes)	45,254	-	Ist Appeal by SSL	Joint Commissioner of Trade Tax, Noida
3	1999-00 (U.P. Trade Taxes)	-	134,756	In the Ist Appeal by the company, the Deputy Commissioner (Appeals) has reduced the demand from Rs. 7,21,397 to 586,642 vide its order dt. September 16, 2002, against which the department has filed the Appeal.	Tribunal of Trade Tax, Noida
4	2000-01 (U.P. Trade Taxes)	1,151,438	1,151,438	Appeal before Tribunal	Tribunal of Trade Tax, Noida
5	2001-02 (U.P. Trade Taxes)	6,887,262	237,684	Appeal before Tribunal	Tribunal of Trade Tax, Noida
6	2002-03 (U.P. Trade Taxes)	6,665,954	1,041,158	Appeal before Tribunal	Tribunal of Trade Tax, Noida
7	2003-04 (U.P. Trade Taxes)	622,657	-	Ist Appeal by SSL	Joint Commissioner, Trade Tax, Noida
	<b>Total (A)</b>	<b>15,524,001</b>	<b>2,599,936</b>		

Sr. #	Assessment Year	Amt.of Demand	Amt. Paid	Nature of Matter	Forum Where Case is Pending
8	1998-99 (Delhi Sales Tax)	516,329	174,689	Ist Appeal by SSL	Joint Commissioner, Delhi Sales Tax
9	1999-00 (Delhi Sales Tax)	643,840	293,000	Ist Appeal by SSL	Joint Commissioner, Delhi Sales Tax
10	2000-01 (Delhi Sales Tax)	198,506	126,717	Ist Appeal by SSL	Asst. Commissioner - IX, Delhi Sales Tax
11	2001-02 (Delhi Sales Tax)	2,682,528	110,000	Ist Appeal by SSL	Addl. Commissioner - II, Delhi Sales Tax
12	2002-03 (Delhi Sales Tax)	350,535	221,300	Ist Appeal by SSL	Deputy Commissioner (Appeal-IV, Delhi Sales Tax)
13	2003-04 (Delhi Sales Tax)	2,261,574	396,000	Ist Appeal by SSL	Addl. Commissioner, Delhi Sales Tax
14	2004-05 (Delhi Sales Tax)	230,073	-	For Rectification of Order dt. 23/3/06 of STO-Ward 92	Sales Tax Officer ward -92, Delhi Sales Tax
	Total (B)	6,883,385	1,321,706		
15	2000-01 (Tamilnadu Sales Tax)	328,621	143,772	Ist Appeal by SSL	Appellate Asst. Commissioner CT III, Tamilnadu Sales Tax
16	2001-02 (Tamilnadu Sales Tax)	264,414	120,569	Ist Appeal by SSL	Appellate Asst. Commissioner CT VII, Tamilnadu Sales Tax
17	2002-03 (Tamilnadu Sales Tax)	289,271	149,160	Ist Appeal by SSL	Appellate Asst. Commissioner CT III, Tamilnadu Sales Tax
	Total (C)	882,306	413,501		
18	2001-02 (Karnatka Sales Tax)	395,984	395,984	Ist Appeal by SSL	Deputy Commissioner of Commercial Taxes (T-13), Karnatka Sales Tax
	Total (D)	395,984	395,984		
19	1999-00 (Directrate of Commercial Taxes West Bengal)	288,098	-	Ist Appeal by SSL	Asst. Commissioner South Circle, Directorate of Commercial Taxes, West Bengal
20	2000-01 (Directrate of Commercial Taxes West Bengal)	1,016,606	5,500	Ist Appeal by SSL	Asst. Commissioner South Circle, Directorate of Commercial Taxes, West Bengal
21	2001-02 (Directrate of Commercial Taxes West Bengal)	3,273,212	87,399	IInd Appeal by SSL	Asst. Commissioner South Circle, Directorate of Commercial Taxes, West Bengal

Sr. #	Assessment Year	Amt.of Demand	Amt. Paid	Nature of Matter	Forum Where Case is Pending
22	2002-03 (Directrate of Commercial Taxes West Bengal)	90,650	-	Ist Appeal by SSL	Asst. Commissioner South Circle, Directorate of Commercial Taxes, West Bengal
	<b>Total (E)</b>	4,668,566	92,899		
	<b>Total (A+B+C+D+E)</b>	<b>28,354,242</b>	<b>4,824,026</b>		

**d) Show Cause Notices**

**i) Show Cause Notices reveived from Directorate General of Foreign Trade by Spice Systems Limited**

Company has received show-cause notices from Zonal Joint Director of Foreign Trade, New Delhi for non-fulfillment of export obligations against advance license obtained. Company is required to submit prescribed documents within two months of the due dates to fulfill export obligations which were not filed by the company on time. In response to show-cause notices, the company has deposited some of the documents like Duty Entitlement Exemption Certificate (DEEC) Books, Advance License and some Bank Realization Certificate (BRC). As per the information provided by the company, company has collected maximum original invoices, shipping bills & rest of the documents and will be submitted in the next date of hearing as to be called by the Joint Director General Foreign Trade Office. Amount involved in such cases are as under:

S.No.	Advance License No.	Issue Date	CIF value of Advance License (in Rs.)	Amount of Export Obligation - FOB value to be exported within 18 months from the date of issue of Advance Licence (in Rs.)
1	P/L/2309067	September 8, 1994	2,008,256	27,31,264
2	P/L/2309068	September 8, 1994	1,057,472	15,36,864
3	P/L/2270704	December 12, 1994	2,118,848	72,23,360
4	P/L/3492181	March 30, 1995	546,599	7,43,375
5	P/L/0002573	May 13, 1996	1,611,898	23,44,999
<b>Total</b>				<b>1,45,79,862</b>

**ii) Show Cause Notices received from Stock Exchange by Spice Systems Limited**

The Company has received following show cause notices from Stock Exchange

Sl. No.	Date of Show Cause Notice	Received from	Subject matter	Status as on date
1.	October 18, 2002	BSE	Non submission of the quarterly results for the period ended March 31 and June 30, 2002 under the provisions of clause 41 of the listing agreement.	Reply dated November 16, 2002 submitted
2	July 10, 2003	DSE	Clarifications about the difference in the issued share capital and the listed share capital.	Reply dated August 13, 2003 submitted
3.	July 7, 2003	BSE	Clarifications about the difference in the issued share capital and the listed share capital and dematerialisation of unlisted share capital.	Reply dated August 13, 2003 submitted.

4.	January 15, 2007	BSE	Notice for non-compliance of provisions of clause 15/16 of the listing agreement.	Reply dated January 24, 2007 submitted.
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**D. SUPER INFOSYS PVT. LTD.**

Sr. No.	Ass. year	Issues in brief	Pending before	Demand pending (Rs.)	Next date of Hearing
1	1998-99	Disallowance of exchange fluctuation loss of Rs.6,145,326/- alleging that the advance received against export of software has been used for investment activities, which has been upheld by the ITAT. However, there is no tax demand in view of assessable loss.	Delhi High Court	NIL	Appeal filed by the company and fixed for hearing on December 5, 2007.
2	1999-2000	Disallowance of exchange fluctuation loss of Rs.7,074,905/- alleging that the advance received against export of software has been used for investment activities, which has been upheld by the ITAT. However, there is no tax demand in view of assessable loss.	Delhi High Court	NIL	Appeal filed by the company and fixed for hearing on December 5, 2007.

**E. TWENTY FIRST CENTURY CAPITALS LIMITED**
**a) Income Tax Cases**

S. No.	Assessment Year	Issues in brief	Pending before	Demand pending	Next date of Hearing
1	1998-99	Disallowance of Foreign Travel expenses of Rs. 2,427,861/-.	ITAT New Delhi	Nil	The Appeal has been heard on May 15, 2007 and order submitted.
2	2001-02	Disallowance of Foreign Travel expenses of Rs.4,031,589/- and Interest expense of Rs.1,620,000/-	ITAT New Delhi	Nil	Not yet fixed

**F. PLUS PAPER FOODPAC LTD.**
**a) Income Tax Cases**

S. No.	Assessment Year	Issues in brief	Pending before	Next date of Hearing	Demand pending
1.	1996-97	Assessment order passed by the Assessing Officer by adding Rs.1,675,541/- to the total income of the Assessee. Appellate Order passed by the CIT(A) dismissed the appeal of the Assessee. Appellate Tribunal allowed the appeal of the assessee against which the CIT, Mumbai filed an appeal before the Bombay High Court.	Bombay High Court	Not yet fixed	Rs.1,041,846/- (excluding Interest & Penalty)

**G. APL HOLDINGS & INVESTMENTS LTD.**
**a) Civil Case**

Sr. No.	Case number Case Title	Brief Particulars and contentions	Court/Forum/Current Status	Claim amount
1.	CS-450/98 Dipak Himatsingka & Others vs. Rakesh Himatsingka & Others	A civil suit has been filed by the plaintiffs in Kolkata High Court against the defendants (APL Holdings & Investments Ltd. being one of the defendants) in family partition suit.	The suit being no. CS – 450 / 98 along with contempt proceedings in the matter is pending before Kolkata High Court for adjudication. The next date of hearing is yet to be fixed.	There are no financial implications on the Company.

**H. APL INVESTMENTS LTD.**
**a) Civil Case**

Sr. No.	Case number Case Title	Brief Particulars and contentions	Court/Forum/Current Status	Claim amount
1.	CS-450/98 Dipak Himatsingka & Others vs. Rakesh Himatsingka & Others	A civil suit has been filed by the plaintiffs in Kolkata High Court against the defendants (APL Investments Ltd. being one of the defendants) in family partition suit.	The suit being no. CS – 450 / 98 along with contempt proceedings in the matter is pending before Kolkata High Court for adjudication. The next date of hearing is yet to be fixed.	There are no financial implications on the Company.

**I. BURLINGTON INVESTMENTS PVT LTD.**
**a) Civil Case**

Sr. No.	Case number Case Title	Brief Particulars and contentions	Court/Forum/Current Status	Claim amount
1.	CS-450/98 Dipak Himatsingka & Others vs. Rakesh Himatsingka & Others	A civil suit has been filed by the plaintiffs in Kolkata High Court against the defendants (Burlington Investments Private Limited being one of the defendants) in family partition suit.	The suit is pending before Kolkata High Court for adjudication. The next date of hearing is yet to be fixed.	There are no financial implications on the Company.

**J. ASSAM PLYWOOD LTD.**
**a) Civil Case**

Sr. No.	Case number Case Title	Brief Particulars and contentions	Court/Forum/Current Status	Claim amount
1.	CS-450/98 Dipak Himatsingka & Others vs. Rakesh Himatsingka & Others	A civil suit has been filed by the plaintiffs in Kolkata High Court against the defendants (Assam Plywood Limited being one of the defendants) in family partition suit.	The suit is pending before Kolkata High Court for adjudication. The next date of hearing is yet to be fixed.	There are no financial implications on the Company.

**K. GONERIL INVESTMENT & TRADING CO. LTD.**
**a) Sales Tax**

Sr. No.	Case number Case Title	Brief Particulars and contentions	Court/Forum/Current Status	Claim amount
1.	A-42/E2/05-06  Goneril Investment & Trading Co. Limited vs. Commercial Tax Officer, Esplanade Charge, Kolkata	Appeal has been filed by the Company before the Assitant Commissioner, Sales Tax, Chowringee Circle, Kolkata against the assessment order dated June 9, 2005 passed by Commercial Tax	The Appeal which was pending before Assistant Commissioner, Sales Tax, Chowringee Circle, Kolkata, has been disposed off by an ex parte order dated April 11, 2007..  Revision has been filed by the Company before the Commissioner, Commercial taxes, West Bengal against ex-parte order of Assistant Commissioner, Commercial	The total demand is for Rs. 149,576/-



		Officer, Esplanade Charge, Kolkata for the period from May 3, 2002 to June 18, 2002. raising the demand amounting to Rs. 149576/-	Taxes dated December 15, 2006 praying for setting aside the impugned order on the ground, inter alia, that it is bad in law as given without giving reasonable effective opportunity.	
2.	A/42/CH/EL/05-06  Goneril Investment & Trading Co. Limited vs. Commercial Tax Officer, Esplanade Charge, Kolkata	Appeal has been filed by the Company before the Assistant Commissioner, Sales Tax, Chowringee Circle, Kolkata against the assessment order dated June 9, 2005 passed by Commercial Tax Officer, Esplanade Charge, Kolkata for the period from June 19, 2002 to March 31, 2003, raising the demand amounting to Rs. 5,160/-	The Appeal which was pending before the Assistant Commissioner, Sales Tax, Chowringee Circle, Kolkata, has been disposed off by an ex parte order dated April 11, 2007.  Revision has been filed by the Company before the Commissioner, Commercial taxes, West Bengal against ex-parte order of Assistant Commissioner, Commercial Taxes dated December 15, 2006 praying for setting aside the impugned order on the ground, inter alia, that it is bad in law as given without giving reasonable effective opportunity.	The total demand is for Rs. 5,160/-

**b) Civil Case**

Sr. No.	Case number Case Title	Brief Particulars and contentions	Court/Forum/Current Status	Claim amount
1.	CS-450/98 Dipak Himatsingka & Others vs. Rakesh Himatsingka & Others	A civil suit has been filed by the plaintiffs in Kolkata High Court against the defendants (Goneril Investment & Trading Co. Limited being one of the defendants) in family partition suit.	The suit is pending before Kolkata High Court for adjudication. The next date of hearing is yet to be fixed.	There are no financial implications on the Company.

**L. FUND FLOW INVESTMENT & TRADING CO. LTD.**
**a) Civil Case**

Sr. No.	Case number Case Title	Brief Particulars and contentions	Court/Forum/Current Status	Claim amount
1.	CS-450/98 Dipak Himatsingka & Others vs. Rakesh Himatsingka & Others	A civil suit has been filed by the plaintiffs in Kolkata High Court	The suit is pending before Kolkata High Court for	There are no financial implications on the Company.

	Himatsingka & Others	against the defendants (Fund Flow Investment & Trading Co. Limited being one of the defendants) in family partition suit.	adjudication. The next date of hearing is yet to be fixed.	
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**b) Proposed Litigation of the Promoter Group Company:**

Sr. No.	Case number Case Title	Brief Particulars and contentions	Court/Forum/Curent Status	Claim amount
1.	Not applicable	Appeal is to be filed by the Company before the Appellate Authority at Kolkata against the order dated April 24, 2006 passed by Assistant Director, Employees State Insurance Corporation, Guwahati for alleged short deduction of the Employees contribution amounting to Rs. 201,682/- for the period from June 2003 to March 2004.	Not applicable	Rs. 201,682/-

**M. BUDGE BUDGE CARBON LIMITED**

**a) Civil Case**

Sr. No.	Case number Case Title	Brief Particulars and contentions	Court/Forum/Curent Status	Claim amount
1.	CS-450/98 Dipak Himatsingka & Others vs. Rakesh Himatsingka & Others	A civil suit has been filed by the plaintiffs in Kolkata High Court against the defendants (Budge Budge Carbon Limited being one of the defendants) in family partition suit.	The suit is pending before Kolkata High Court for adjudication. The next date of hearing is yet to be fixed.	There are no financial implications on the Company.

**N. KALLOL INVESTMENTS LIMITED**

**a) Civil Case**

Sr. No.	Case number Case Title	Brief Particulars and contentions	Court/Forum/Curent Status	Claim amount
1.	CS-450/98 Dipak Himatsingka & Others vs. Rakesh Himatsingka & Others	A civil suit has been filed by the plaintiffs in Kolkata High Court against the defendants (Kallol Investments Limited being one of the defendants) in family partition suit.	The suit is pending before Kolkata High Court for adjudication. The next date of hearing is yet to be fixed.	There are no financial implications on the Company.

**O. JYOTSANA INVESTMENT COMPANY LIMITED**
**a) Income Tax**

Sr. No.	Case number Case Title	Brief Particulars and contentions	Court/Forum/Currency Status	Claim amount
1.	1445/CIT (Appeals) - XXXVI/ Wd 55(1)/CQ-4126/01-02  Jyotsana Investment Company Limited vs. Income Tax Officer, Kolkata	Appeal has been filed by the Company before the CIT (Appeals) XXXVI, Kolkata against the assessment order dated March 29, 2001 passed by Deputy Commissioner, Income Tax, Circle 5 (4)/Cal for the assessment year 1998-99 making disallowance of certain miscellaneous expenses amounting to Rs. 260,384/-.	Appeal is pending before CIT (Appeals) XXXVI, Kolkata. The next date of hearing is yet to be fixed.	There is no demand raised.
2.	Ref No. DCIT(P)/J-13/2000-01/609 dated February 7, 2001 Prosecution proceedings against Jyotsana Investment Company Limited	Prosecution proceedings under Section 276 B/ 278 B of Income Tax Act, 1961 have been initiated by Deputy Commissioner of Income Tax, Kolkata against the Company for failure to timely deposit TDS with Central Government for the assessment year 1976-77 to 1983-84.	Pursuant to order no. DC, Cir-5(4)/CQ-4126/ Cal./2000-01/664 dated February 7, 2001 passed by Deputy Commissioner of Income Tax, Kolkata, the Company has deposited an amount of Rs. 396,943/- on April 6, 2001 as composition fees and establishment expenses. Accordingly, the Company has requested several times for withdrawal of the prosecution proceedings. The official communication regarding withdrawal of the prosecution proceedings is yet to be received.	NIL

**b) Civil Suit**

Sr. No.	Case number Case Title	Brief Particulars and contentions	Court/Forum/Currency Status	Claim amount
1.	CS-450/98 Dipak Himatsingka & Others vs. Rakesh Himatsingka & Others	A civil suit has been filed by the plaintiffs in Kolkata High Court against the defendants (Jyotsana Investment Company Limited being one of the defendants) in family partition suit.	The suit is pending before Kolkata High Court for adjudication. The next date of hearing is yet to be fixed.	There are no financial implications on the Company.

2.	CS-196/99 Jyotsana Investment Company Limited vs. Dipak Kumar Himatsingka	An eviction suit has been filed by the plaintiff in Kolkata High Court against the defendant for eviction of premises being flat no. 9A at 46C, 9th Floor, Chowringee Road, Kolkatta given to defendant on lease.	The suit is pending before Kolkata High Court for adjudication. The next date of hearing is yet to be fixed.	nil
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**P. KHATU INVESTMENT AND TRADING COMPANY LIMITED**

**a) Civil Case**

Sr. No.	Case number Case Title	Brief Particulars and contentions	Court/Forum/Curent Status	Claim amount
1.	CS-450/98 Dipak Himatsingka & Others vs. Rakesh Himatsingka & Others	A civil suit has been filed by the plaintiffs in Kolkata High Court against the defendants (Khatu Investment & Trading Company Limited being one of the defendants) in family partition suit.	The suit is pending before Kolkata High Court for adjudication. The next date of hearing is yet to be fixed.	There are no financial implications on the Company.

**Q. NEW LOOK INVESTMENT (BENGAL) LIMITED**

**a) Civil Case**

Sr. No.	Case number Case Title	Brief Particulars and contentions	Court/Forum/Curent Status	Claim amount
1.	CS-450/98 Dipak Himatsingka & Others vs. Rakesh Himatsingka & Others	A civil suit has been filed by the plaintiffs in Kolkata High Court against the defendants (New Look Investment (Bengal) Limited being one of the defendants) in family partition suit.	The suit is pending before Kolkata High Court for adjudication. The next date of hearing is yet to be fixed.	There are no financial implications on the Company.

**R. INDIAN TELEVENTURES PRIVATE LIMITED**
**a) Cases filed against Indian Televentures Private Limited**

S. No.	Case no.	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
1	Civil Suit No. 310/2007	1. Mohd Irfan Alamgir Mulla, 2. Mohd Nasir Alamgir Mulla, 3. Mohd Asim Alamgir Mulla vs. Jauss Polymers Ltd Modicorp Pvt Ltd (since merged with MCorpGlobal Pvt Ltd) Indian Televentures Pvt Ltd Mr Harish Chota Bhai Patel The Talathi Saja Met The Circle Officer, Wada Revenue Circle The Tehsildar Wada, State of Maharashtra Mrs Safiyabibi Gulam Mohd Mulla	<p>A Registered Sale Deed was executed on September 29, 1995 by Mrs Safiyabibi Gulam Mohd Mulla, Mohd Asim Alamgir, Mohd Irfan Alamgir, Mohd Nasir Alamgir in favour of Jauss Polymers Ltd (Jauss) for sale of land at Gram Panchayat Nara, Taluka Wada, Dist. Thane, Maharashtra for Rs 3.5 million.</p> <p>Then a Registered Sale Deed was executed on March 24, 1998 by Jauss in favour of Modifin Pvt Ltd (Modifin) for the said land at Rs 3.5 million.</p> <p>Then a Registered Sale Deed was executed on September 28, 1998 by Modifin in favour of Modicorp Pvt Ltd (Modicorp) for the said land at Rs 3.67 million.</p> <p>Then a Registered Sale Deed was executed on December 26, 2005 by MCorpGlobal Pvt Ltd (since Modicorp Pvt Ltd merged with MCorpGlobal Pvt Ltd) in favour of Indian Televentures Pvt Ltd (ITPL) for the said land at Rs 4Million.</p> <p>Then a Notice was issued by Civil Judge, Thane in Civil Suit No. 310/2007 on the Suit for Declaration &amp; Injunction filed by Mohd Irfan Alamgir Mulla &amp; Others against Jauss Polymers Ltd &amp; Others.</p> <p>Mohd Irfan Alamgir Mulla &amp; Others filed Suit for Declaration &amp; Injunction and also application stating the following:-</p> <p>That the Plaintiffs have sold the land to Jauss but never handed the possession.</p> <p>That Jauss never taken the possession.</p>	The Civil Judge, Thane has issued Notice on May 3, 2007 and fixed the hearing in Civil Court, Thane on June 15, 2007	The sale of land by MCorpGlobal Pvt Ltd to Indian Televentures Pvt Ltd at Rs 4million

S. No.	Case no.	Parties	Brief Description of the Matter	Status	Extent of claim at stake in Rupees
			<p>That Mr Pramod Kumar Pant (from Jauss) came to the Plaintiffs for possession. The Plaintiffs refused to handover the possession. Then Mr Pramod Kumar Pant said that he will file a suit for possession. Since nobody has filed suit for possession, the Plaintiffs have become the owners.</p> <p>That Plaintiffs are occupying, holding and cultivating the land as owners and occupants.</p> <p>That Plaintiffs have also constructed a Farm House on land.</p> <p>That they never sold the land to Modicorp or to ITPL</p> <p>That Tehsildar and other Revenue Officers are trying to change the revenue records.</p> <p>Now The Plaintiffs have made prayer for a declaration that they are absolute owners of the land ; That the Sale deed dated December 26, 2005 between Modicorp and ITPL may be declared illegal ; That Plaintiff should not be dispossessed from the land ; That Jauss, Modicorp, ITPL etc may be restrained from transferring the land.</p>		

## VII. OUTSTANDING LITIGATIONS INVOLVING DIRECTORS

There are no outstanding litigations against the Directors of the Company,

## VIII. COMPANIES UNDER RBI'S DEFAULTER LIST

### 1. Modi Stones Limited

Modi Stones Limited (MSL) figures on the RBI's list of defaulters. MSL was declared as a sick industrial company by BIFR vide its order dated April 15, 1998. The rehabilitation proposal submitted to BIFR was not acceptable to the secured creditors and therefore, BIFR vide its order dated April 25, 2001 confirmed its prima facie opinion that MSL is not likely to make its net worth exceed its accumulated losses within the reasonable time while meeting its financial obligations and as a result MSL should be wound-up in public interest u/s 20(1) of Sick Industrial (Special Provisions) Act 1985. The opinion of BIFR was forwarded to Hon'ble Bombay High Court for further actions under law by the Registrar of BIFR vide its letter dated May 11, 2001. Hon'ble Bombay High Court vide its order dated July 25, 2002 has confirmed the opinion of BIFR for winding up of MSL, and also appointed the official liquidator of MSL. Since then the official liquidator is proceeding in the matter and all records have been handed over to the official liquidator by the MSL.

Mr. Dilip Modi, one of our Promoter, was a director on the Board of MSL during the period August 20, 1992 till November 7, 1998 and Dr. Bhupendra Kumar Modi, part of our Promoter Group, was also a director on the board of Modi Stones Limited upto December 7, 1998.

State Bank of Bikaner and Jaipur acting in its capacity of Lead Bank, of the consortium of Banks, which have granted the loan facilities to the MCL, has filed a recovery suit with Debt Recovery Tribunal (“DRT”) for an amount of Rs.388.92 Million, as detailed in the table below. The said loan facilities amongst other was guaranteed by Dr. Bhupendra Kumar Modi. The matter came before the DRT on April 17, 2007 and the next hearing for the final argument is fixed for July 7, 2007.

Sl. No.	Name of the Bank	Amount Outstanding
1.	State Bank of Bikaner & Jaipur	131,962,625
2.	State Bank of India	48,649,632
3.	State Bank of Patiala	113,989,481
4.	Canara Bank	51,933,464
4.	Punjab National Bank	42,345,021
	<b>Total</b>	<b>388,920,229</b>

## 2. Modi Rubber Limited

Dr. Bhupendra Kumar Modi, part of our Promoter Group, is presently a director on the board of Modi Rubber Ltd. Modi Rubber Ltd. (“MRL”) was registered with Board for Industrial and Financial Reconstruction (“BIFR”) as Sick Industrial Undertaking vide Registration No. 153/ 2004. Subsequently BIFR declared MRL as sick undertaking vide its order dated May 17, 2006 and appointed an operating agency to prepare the draft revival scheme for MRL. The revival scheme of the company is under preparation and all the dues of the company including its bankers will be dealt with as per the revival scheme. As per the balance sheet of MRL as at March 31, 2006, the outstanding of principal amount towards HSBC Bank was Rs. 49.2 Million. HSBC Bank has assigned their debt to Deutsche Bank AG vide their letter dated October 4, 2006. The operating agency is currently preparing the revival scheme and all the dues of the Company including its bankers will be dealt with as per the draft revival scheme.

## **MATERIAL DEVELOPMENTS**

### **Significant development since the last audited balance sheet as on December 31, 2006 till the date of this Red Herring Prospectus.**

No circumstances have arisen since the date of last financial statement until the date of filing of this Red Herring Prospectus with SEBI, which materially and adversely affect or is likely to affect the operations or profitability of the Company, or value of its assets, or its ability to pay its liability within next twelve months.

There is no subsequent development after the date of the Auditor's Report, which will have a material impact on the reserves, profits, earnings per share and book value of the Equity Shares of the Company.



## **GOVERNMENT LICENSES AND OTHER APPROVALS**

Our Company has received all the necessary consents, licenses, permissions and approvals from the GoI and various GoI agencies / private certification bodies required for its present business and no further approvals are required for carrying on the present as well as proposed business except as mentioned herein. It must, however, be distinctly understood that in granting the above consents/ licenses/ permissions/ approvals, the GoI does not take any responsibility for our company's financial soundness or for the correctness of any of the statements or any commitments made or opinions expressed. We undertake to obtain all necessary licenses / registrations / permissions as may be required to carry out our operations.

### **1. Incorporation Details:**

- a. Certificate of Incorporation No. 55-66827 dated March 28, 1995.
- b. Originally incorporated as a private limited company on March 28, 1995 under the name of "Modicom Network Private Limited" for providing telecommunication services. The name of our Company was further changed to "Spice Communications Limited" vide fresh Certificate of Incorporation dated December 3, 1999.
- c. On June 26, 2003, our Company made a request to the RoC to insert the word "Private" in the name of the Company. RoC endorsed the change by adding the word "Private" in the name of our Company with effect from October 28, 2003 on the Certificate of Incorporation. As a result the name of our Company became "Spice Communications Private Limited."
- d. On December 28, 2006 our Company was converted into a Public Company and the name changed to "Spice Communications Limited".

### **2. Labour Licenses:**

- a. Registration Certificate under Section 7 (2) of the Contract Labour (Regulation and Abolition) Act 1970 and the Rules permitting the Company to employ any number of contract labour through approved contractors with effect from January 13, 2005 for its Mohali Circle Office vide Certificate No. 46 (R- C3) / 05/ ACH.I.
- b. Registration Certificate under Section 7 (2) of the Contract Labour (Regulation and Abolition) Act 1970 and the Rules permitting the Company to employ any number of contract labour through approved contractors with effect from November 24, 1998 for its Karnataka Circle Office vide Certificate No. ALCB-4/CLA/P.30/98-99.
- c. Master Policy No. C.A. 520417 dated July 18, 2000 in respect of the Spice Telecom Employees Gratuity Scheme. The Policy commenced on January 1, 2000.
- d. The Spice Telecom Employees Gratuity Fund Trust for the Bangalore Circle Office of the Company has been approved by the Commissioner of Income Tax, Karnataka vide letter dated August 21, 2000 and granted recognition under Income Tax Act, 1961 with effect from March 31, 2000.

### **3. Investment/Regulatory Approvals:**

- 3.1 Indian laws regulate the foreign ownership of Indian equity shares. In compliance with these regulations, our Company has in the past obtained, where required, necessary approvals from the Ministry of Industry (FIPB or SIA) and the RBI for foreign investors to make investments in Spice Communications Limited. Similarly, changes in the equity structure of the companies that hold telecommunications license require the approval of, or a notification to, the Ministry of Communication (Department of Telecommunication) and, where required, our Company has obtained such approvals or made such notifications.

The following are the details of those FIPB approvals received by Spice Communications Limited:

FIPB Approval dated November 10, 1995 for foreign collaboration for cellular mobile telephone services with M/s Vanguard Cellular Systems Inc, U.S.A and Telecom International Co. Limited, Thailand vide approval letter no. FC II 847 (95) / 565 (95). The foreign equity participation in the Company was 49% amounting to INR 490 million.

FIPB Amendment Approval dated July 17, 1996 amending the FIPB approval dated November 10, 1995 wherein the name of foreign collaborators as mentioned in the original approval was changed to M/s Motorola Inc, U.S.A and M/s Distacom Communications Limited, Hong Kong each contributing 10% and 39% as foreign equity contribution in the Company.

FIPB Amendment Approval dated September 30, 1996 amending the FIPB approval dated November 10, 1995 and July 17, 1996 by allowing 49% foreign equity participation amounting to INR 1,715 million in the revised paid up capital of the Company of INR 3,500 million by M/s Motorola Inc, U.S.A contributing 10% and M/s Distacom Communications Limited, Hong Kong contributing 39% of the total paid up capital of the Company.

FIPB Amendment Approval dated May 30, 1997 reiterated the amendment under letter dated September 30, 1996 and allowed M/s Motorola Inc, U.S.A to contribute 10% of the total paid up share capital of the Company through their wholly owned subsidiary in Mauritius and M/s Distacom Communications Limited, Hong Kong to contribute 39% of the total paid up capital of the Company through their wholly owned subsidiary in Mauritius.

FIPB Amendment Approval dated February 11, 1998 amended the approval to allow 49% foreign equity participation amounting to INR 2,032 million in the revised paid up capital of the Company of INR 4,146.8 million by M/s Motorola Inc, U.S.A (through their wholly owned subsidiary in Mauritius) contributing 10% being INR 414.7 million and M/s Distacom Communications Limited, Hong Kong (through their wholly owned subsidiary in Mauritius) contributing 39% being INR 1,617.2 million.

FIPB Amendment Approval dated April 9, 1999 amended Clause 4 of the Approval Letter dated November 10, 1995 (as amended vide letters dated July 17, 1996, September 30, 1996, September 30, 1997 and February 11, 1998) allowing 49% foreign equity participation amounting to INR 2281.8 million in the revised paid up capital of the Company of INR 4656.8 million by M/s Motorola Inc, U.S.A (through their wholly owned subsidiary in Mauritius) contributing 10% being INR 465.7 million and M/s Distacom Communications Limited, Hong Kong (through their wholly owned subsidiary in Mauritius) contributing 39% being INR 1816.1 million.

FIPB Amendment Approval dated July 30, 1999 amended Clause 4 of the Approval Letter dated November 10, 1995 (as amended vide letters dated July 17, 1996, September 30, 1996, September 30, 1997, February 11, 1998 and April 9, 1999) allowing 49% foreign equity participation amounting to INR 2708.1 million in the revised paid up capital of the Company of INR 5526.8 million by M/s Motorola Inc, U.S.A (through their wholly owned subsidiary in Mauritius) contributing 10% through issue of 42630000 shares and M/s Distacom Communications Limited, Hong Kong (through their wholly owned subsidiary in Mauritius) contributing 39% through issue of 46538000 shares in the Company.

#### **4. Cellular Service License:**

Our Company has obtained licenses from the DoT for providing telecom services the telecom circles of Karnataka and Punjab.

License number 842-714/2005 VAS w.e.f. December 20, 2005 (Old Number 842-53 (A)/ 95 – VAS dated September 9, 1996) for provision of Unified Access Services in Karnataka Telecom Circle Service Area.

License Agreement (License Number 820-616/2002-LR) dated May 15, 2002 with the Government of India, Ministry of Communication, Department of Telecommunication for provision of Internet Services in Karnataka Circle.

License number 842-485/2004 VAS w.e.f. November 19, 2004 (Old Number 842-65 (B)/ 95 – VAS dated September 9, 1996) for provision of Unified Access Services in Punjab Telecom Circle Service Area.

License Agreement (License Number 820-617/2002-LR) dated May 15, 2002 with the Government of India, Ministry of Communication, Department of Telecommunication for provision of Internet Services in Punjab Circle.

Our Company has been given an approval by the Government of India, Ministry of Communication and IT, Department of Telecommunications vide letter No. 842-585/2005-VAS/9 dated February 01, 2006 approving amendments to UASL that merger of Indian Companies as long as competition is not compromised as defined in condition 1.4 (ii) of the UASL, the licensee shall ensure that any changes in the shareholding shall be subject to all applicable statutory permissions, no single company or legal person, either directly or through its associates shall hold more than 10% equity holding in more than one Licensee Company in the same service area for the Access Services namely; Basic, Cellular and Unified Access Service and that management control of the Licensee Company shall remain in Indian hands.

Our Company has been further given an approval by the Government of India, Ministry of Communication and IT, Department of Telecommunications vide letter No. 842-585/2005-VAS/12 dated March 16, 2006 approving amendment to UASL relating to ownership of the Licensee Company, composition of the board of directors including Chairman, Managing Director and Chief Executive Officer, appointment of Indian residents as CTO and CFO, transfer of any accounting, user or infrastructure information.

Our Company has obtained registration as infrastructure provider under IP-I category with the DoT bearing registration number 71/ 2003 by the DoT dated December 22, 2003.

#### 5. **LICENCE FOR NLD SERVICE**

Our Company has been awarded a Letter of Intent (LOI) for non-exclusive NLD service Licence by Government of India, Ministry of Communications and IT, Department of Telecommunications on May 9, 2007 subject to compliance of the guidelines announced by Department of Telecom on December 14, 2005 and other conditions such as payment of entry fee within three months from the date of grant of LOI.

#### 6. **LICENCE FOR ILD SERVICE**

Our Company has been awarded a Letter of Intent (LOI) for non-exclusive ILD service Licence by Government of India, Ministry of Communications and IT, Department of Telecommunications on May 9, 2007 subject to compliance of the guidelines announced by Department of Telecom on December 14, 2005 and other conditions such as payment of entry fee and submission of performance bank guarantee within a period of three months from the date of grant of LOI.

#### 5. **LICENCES APPLIED BY THE COMPANY**

- i) Our Company has also with an aim of pan-India expansion has applied for licences for an additional 21 circles throughout India to provide GSM cellular services in India,

#### 6. **TAX RELATED REGISTRATIONS:**

6.1 Permanent Account Number of the Company is AAGCS6070H.

6.2 The TDS Account Number of the Company is DELS24786G.

6.3 Our Company has been registered provisionally for VAT vide letter of Commercial Tax department of Karnataka with the following details:

TIN	-	29960097842
Effective date of registration	-	April 1, 2003

6.4 Our Company is registered under section 69 of the Finance Act, 1994 in respect of its Bangalore office (Embassy Square, 148, Infantry Road) for providing Telephone Services (Mobile Telephony)/ Advertising Agency vide certificate of Registration in Form ST-2 dated February 2, 2005. The registration number is (TSU/ADV)/ AAGCS6070HST001 and The service tax code number is AAGCS6070HST001.

6.5 **Service Tax registration**

The Company is registered under the Finance Act, 1994 for payment of service tax on account of providing cellular mobile telephone services. The registration details are given hereunder:

Service Tax Registration No. (Punjab Circle): AAACM7911MST002 dated January 15, 2004.

Service Tax Registration No. (Karnataka Circle): AAGCS6070HST001 dated February 15, 2005.

## SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

Our Board of Directors authorised an issue of up to 140 Million Equity Shares of the Company pursuant to a resolution passed at its meeting held on November 22, 2006. Our shareholders subsequently authorised the issue of up to 140 Million Equity Shares by a resolution passed unanimously at the EGM of the Company held on November 22, 2006. The Board of Directors has pursuant to the aforementioned resolution authorised an issue of 137,985,000 Equity Shares on January 2, 2007, and authorised the IPO Committee to take decisions on behalf of the Board in relation to the Issue. Further, the Board approved and authorized this Draft Red Herring Prospectus and Red Herring Prospectus on February 17, 2007 and June 15, 2007 respectively by passing a resolution by way of circulation. We have also obtained all necessary contractual consents required for the Issue. For further information, see section titled "Government and Other Approvals" on page 362 of this Red Herring Prospectus.

### Prohibition by SEBI

Neither the Company, nor its Promoters, its directors, any of its Group Companies, and the companies or entities with which directors of the Company are associated, as directors or promoters, have been prohibited from accessing or operating in the capital market or restrained from buying, selling or dealing in securities under any order or directions passed by SEBI.

None of the Promoters, their relatives, the Company or the Promoter Group Companies are detained as willful defaulters by RBI/ government authorities and there are no proceedings relating to violations of securities laws pending against them and there are no violations of securities laws committed by them in the past.

The Listing of any securities of the Issuer has never been refused at anytime by any of the Stock Exchange in India.

### Eligibility for the Issue

The Company is an unlisted company and does not comply with the conditions specified in Clause 2.2.1 (b), 2.2.1 (c) and 2.2.1 (e) of the SEBI Guidelines which relates to track record of distributable profits for last three out five preceeding years, minimum net worth criteria of Rs. 10 million in each of the three preceding years and size of proposed offering in excess of five times of the pre-issue net worth respectively. Therefore, the Company proposes to make the issue under the conditions set forth in Clause 2.2.2(a) and clause 2.2.2(b) of the SEBI Guidelines, as specified above.

The company is eligible for the Issue as per Clause 2.2.2. of the SEBI Guidelines as explained under:

2.2.2 An unlisted company not complying with any of the condition specified in Clause 2.2.1 may make an initial public offering (IPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets both the conditions (a) and (b) given below:

(a) (i) The Issue is made through the book-building process, with at least (50% of Net Offer to Public) being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.

OR

(a) (ii) The "project" has at least 15% participation by Financial Institutions/Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the Issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded

AND

(b) (i) The minimum post-issue face value capital of the Company shall be Rs. 10 crores.

OR

(b) (ii) There shall be a compulsory market-making for at least 2 years from the date of listing of the shares subject to the following:

(a) Market makers undertake to offer buy and sell quotes for a minimum depth of 300 shares;

- (b) Market makers undertake to ensure that the bid -ask spread (difference between quotations for sale and purchase) for their quotes shall not at any time exceed 10%:
- (c) The inventory of the market makers on each of such stock exchanges, as on the date of allotment of securities, shall be at least 5% of the proposed Issue of the company

In terms of Rule 19(2) (b) of the Securities Contracts Regulation Rules, 1957, as amended from time to time ("SCRR"), with respect to the Issue being less than 25% of post Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue to the public shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, upto 10% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and upto 30% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, 2,000,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price. Furthermore, the size of the offer to the public shall be at least Rs. 1000 million and a minimum of 2 million securities are to be issued to the public, excluding reservations and promoter contribution.

The Company is also complying with Clause 2.2.2(b) (i) of the SEBI Guidelines wherein the post-issue face value capital of the Company shall be Rs. 100 millions as the post-issue face value capital of the Company at present is Rs. 5,768.14 Millions.

**Further, in accordance with Clause 2.2.2(A) of the SEBI Guidelines**, the Company undertakes that the number of allottees in the Issue shall be at least 1,000; otherwise, the entire application money shall be refunded forthwith. In case of delay, if any, in refund, the Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

#### **SEBI 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 MANAGERS, ENAM HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES 2000, IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER ENAM, IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED FEBRUARY 19, 2007. IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:**

- (1) **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;**

- (2) 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.**

- (3) 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;**
- C. THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;**
- D. BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND**
- E. WE HAVE CERTIFIED OURSELVES ABOUT THE WORTH OF UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

- (4) WE CERTIFY THAT A WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF ITS SECURITIES AS A PART OF PROMOTERS CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING OF THE DRAFT RED HERRING PROSPECTUS WITH THE BOARD TILL THE DATE OF COMMENCEMENT OF THE LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.**

**ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, NCT OF DELHI AND HARYANA, IN TERMS OF SECTION 60B OF THE COMPANIES ACT, 1956.**

**THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTIONS 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER, RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS (MERCHANT BANKER), ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.**

#### **DISCLAIMER FROM THE COMPANY AND THE BOOK RUNNING LEAD MANAGERS**

The Company, its Directors and the Book Running Lead Managers accepts no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisement or any other material issued by or at its instance and that anyone placing reliance on any other source of information, including website of the Company, [www.spiceindia.com](http://www.spiceindia.com), would be doing so at his or her own risk.

The BRLMs accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the Book Running Lead Managers, Enam and UBS, and the Company dated February 12, 2007 and June 9, 2007 respectively and the Underwriting agreement to be entered into between the Underwriters and the Company.

All information shall be made available by the BRLMs and the Company to the public and investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever including road show presentations, research or sales reports or at collection centres or elsewhere.

Neither the Company nor BRLMs or Syndicate Members shall be liable to the Bidders for any failure in downloading the bids due to faults in any software/ hardware system or otherwise.

## **CAUTION**

Investors that bid in this Issue will be required to confirm and will be deemed to have represented to the Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approval to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approval to acquire Equity Shares. The Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares.

## **DISCLAIMER IN RESPECT OF JURISDICTION**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India), who are majors, Hindu Undivided Families, Companies, Corporate Bodies and Societies registered under the applicable laws in India and authorized to invest in shares, Indian Mutual Funds registered with SEBI, Indian Financial Institutions, Commercial Banks, Regional Rural Banks, Co-operative Banks (subject to RBI permission), or trusts under the applicable trust laws and who are authorized under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted non residents including Eligible NRIs, FIIs registered with SEBI and other eligible foreign investors. This Red Herring Prospectus does not, however, constitute an Issue to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an issue or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself 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 Delhi only.

No action has been or will be taken to permit a public offering in any jurisdiction where permission would be required for that purpose, except that the Draft Red Herring Prospectus has been filed with SEBI for observations and SEBI has given its observations and the final Red Herring Prospectus has been filed with RoC as per the provisions of the Act. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the US Securities Act ("the Securities Act") or any state securities laws in the United States and may not be issued or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Accordingly, the Equity Shares are only being issued and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those issues and sales occur.

## **Disclaimer Clause of BSE**

As required, a copy of the Draft Red Herring Prospectus has been submitted to BSE. BSE has given by its letter no. DCS/IPO/PS/IPO-IP/0018/2007-08 dated April 9, 2007, permission to the Company to use BSE's name in this offer



document as one of the stock exchanges on which this Company's securities proposed to be listed. BSE has scrutinised the offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. BSE does not in any manner:

- (i) warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
- (ii) warrant that this Company's securities will be listed or will continue to be listed on BSE; or
- (iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this offer document has been cleared or approved by BSE. Every Person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

## FILING

A copy of the Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Plot No.C4-A,'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051.

A copy of the Red Herring Prospectus, along with the documents is required to be filed under Section 60B of the Companies Act, will be delivered for registration to the RoC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the RoC situated at Paryavaran Bhawan, CGO Complex, New Delhi 110003.

## LISTING

The initial listing applications have been made to Bombay Stock Exchange Limited (BSE) for permission to list and trade the Equity Shares and for an official quotation of the Equity Shares of the Company. BSE will be the Designated Stock Exchange.

***In case the permission for listing of the Equity Shares and for official quotation of the Equity Shares is not granted by the above mentioned Stock Exchange, the Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of this Red Herring Prospectus and if such money is not repaid within eight days after the day from which the Issuer becomes liable to repay it, then the Company and every director of the Company who is an officer in default shall, on and from the expiry of 8 days, be jointly and severally liable to repay the money with interest prescribed under Section 73 of the Companies Act 1956.***

The Company with the assistance of the Book Running Lead Manager shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchange are taken within seven working days of finalization and adoption of the basis of allotment for the Issue.

## CONSENTS

Consents in writing of: (a) Directors, the Company Secretary, Compliance Officer, the Auditors, Bankers to the Company; and (b) Book Running Lead Manager to the Issue, Registrar to the Issue and legal advisors, Syndicate Members, Underwriters to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, NCT of Delhi and Haryana as required under Sections 60 of the Companies Act, 1956 and such consents have not been withdrawn up to the time of delivery of a copy of this Red Herring Prospectus, for registration with the Registrar of Companies, NCT of Delhi and Haryana.

M/s BSR & Co., Statutory Auditors, have also given their consent to the inclusion of their report as appearing hereinafter in the form and context in which it appears in this Red Herring Prospectus and also tax benefits accruing to the Company and to the members of the Company and such consent and report have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the Registrar of Companies, NCT of Delhi and Haryana.

## EXPERT OPINION

No opinion of any expert has been obtained by the Company, except that of M/s BSR & Co. Chartered Accountants, Statutory Auditors of the Company.

## PUBLIC ISSUE EXPENSES

The expenses for this Issue includes issue management fees, selling commission, underwriting commission, distribution expenses, legal fees, fees to advisors, stationery costs, advertising expenses and listing fees payable to the Stock Exchange, among others. The total expenses for this Issue are estimated at approximately Rs. [●] Millions, details of which are as under:

The following table gives break-up of estimated issue expenses and contingencies and is approximately % of the Issue Size.

Category	Estimated expenses (Rs. in million)	% of the Issue Expenses	% of total Issue Size
Lead Managers Fees*	[●]	[●]	[●]
Fees for the Registrar to the Issue*	[●]	[●]	[●]
Fees for the legal counsel for the Issue*	[●]	[●]	[●]
Advertisement Expenses*	[●]	[●]	[●]
Printing, Postage, Stationery*	[●]	[●]	[●]
Contingency, Stamp duty, Listing Fees*	[●]	[●]	[●]
Total	[●]	[●]	[●]

*\* the details will be incorporated at the time of filling of prospectus.*

### Fees Payable to the BRLMs, Underwriting, Brokerage and Selling Commission

The total fees payable to the BRLMs includes fees as a lead manager, brokerage and selling commission for the Issue will be as per the engagement letters dated July 24, 2006, and June 9, 2007 with ENAM and UBS respectively, copies of which are available for inspection at the Registered Office of the Company.

### Fees Payable to the Registrar

The total fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding executed between the Company and the Registrar dated April 13, 2007, copy of which is available for inspection at the Registered Office of the Company.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund order(s) or allotment advice by registered post or speed post or under certificate of posting.

### Previous Public and Rights Issues

The Company has not made any public or rights issue since its inception, except as stated in the title "Capital Structure" on page 19 of this Red Herring Prospectus.

### Previous Issues of Shares Otherwise than for Cash

The Company has not issued shares for consideration other than for cash

### Commission and Brokerage paid on Previous Issues

Since this is the initial public offer of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of Equity Shares of the Company since its incorporation

### Companies under the Same Management

There are no companies under the same management within the meaning of Section 370 (1B) of the Companies Act, 1956 which has made any capital issues during the last three years

## Promise v/s Performance for the last three issues

### (A) Last issue made by the Issuer Company

The company has not made any issue of Equity Shares to the public prior to the present Public Issue.

### (B) Last issue of group/ associate companies

The listed ventures of our Promoters are

1. Spice Mobiles Limited,
2. Spice Systems Limited
3. Twenty First Century Capitals Limited
4. Goneril Investment & Trading Co. Limited
5. New LookInvestment (Bengal) Limited
6. Khatu Investment & Trading Company Limited
7. Kallol Investments Limited
8. Jyotsana Investment Company Limited
9. Fund Flow Investment & Trading Co. Limited

For further details, please refer to the sections titled “Our Promoter – Promoter Group - Spice Mobiles Limited,– Promise v. Performance”, “Our Promoter – Promoter Group - Spice Systems Limited,– Promise v. Performance” and “Our Promoter – Promoter Group - Twenty First Century Capitals Limited – Promise v. Performance” under chapter “Our Promoter – Promoter Group” starting on pages 131 of this Red Herring Prospectus.

### Option to Subscribe

Equity Shares being issued through this Red Herring Prospectus can be applied for in Dematerialized form only.

### Outstanding Debentures, Bonds, Redeemable Preference Shares or other Instruments

The Company, since its incorporation has not issued any Redeemable Preference shares and debentures, bonds or other instruments.

### Stock Market Data for Equity Shares of the Company

This being the Initial Public Issue of Spice Communications Limited, the Equity Shares of the company are not listed on any stock exchange.

### Mechanism for Redressal of Investor Grievances

The Company has appointed Karvy Computershare Private Limited, as the Registrar to the Issue, to handle the investor grievances in co-ordination with Compliance Officer of the Company. All grievances relating to the present issue may be addressed to the registrar with a copy to the Compliance Officer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and Bidder/Bank branch where the application was submitted. The Company will monitor the work of the Registrar to ensure that the grievances are settled expeditiously and satisfactorily.

### Disposal of Investor Grievances

Karvy Computershare Private Limited, the Registrar to the Issue, will handle investor grievances pertaining to the Issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to the Company. The Company would also be coordinating with Registrar to the Issue in attending to the grievances of the investors. The Company assures that the Board of Directors, in respect of the complaints, if any, to be received, shall adhere to the following schedules:

Sr. No.	Nature of Complaint	Time Taken
1.	Non-receipt of refund	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2.	Change of Address notification	Within 7 days of receipt of Information

3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details
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The Company has appointed Ms. Preeti Malhotra Compliance Officer and Company Secretary of the Company, as Compliance Officer who would directly deal with SEBI with respect to implementation /compliance of various laws, regulations and other directives issued by SEBI and matters related to investor Complaints. The investor may contact the Compliance Officer in case of any pre issue/post issue related problems. The Compliance Officer can be contacted at the following address:

Spice Communications Limited  
D- 1, Sector 3,  
NOIDA- 201301  
Uttar Pradesh  
India  
Phone No: + 91-120-4363600/3800  
Fax No: + 91-120-436 3845  
E-mail: [complianceofficer@spiceindia.com](mailto:complianceofficer@spiceindia.com)

#### **Mechanism for redressal of Investor Grievances by companies under the same management**

We do not have any other company under the same management within the meaning of erstwhile Section 370(1B) of the Companies Act, save and except for the Promoter Group companies mentioned in the section titled “Our Promoter & Promoter Group” on page 128 of this Red Herring Prospectus.

#### **Changes in Auditors**

There has been no change in the Auditors of the Company during the last three years.

#### **Capitalization of Reserves or Profits (during the last five years)**

The Company has not capitalized its profits or reserves at any time except as stated in the section titled “Financial Information” on page no. 168 of this Red Herring Prospectus.

#### **Revaluation of Assets (during the last five years)**

The Company has not revalued its assets during the last five years.

## SECTION VIII: OFFERING INFORMATION

### ISSUE STRUCTURE

THE PRESENT ISSUE OF 113,111,111 EQUITY SHARES COMPRISING OF NET ISSUE OF 111,111,111 EQUITY SHARES AND A RESERVATION FOR EMPLOYEES OF UPTO 2,000,000 EQUITY SHARES, AT A PRICE OF RS. [●] FOR CASH AGGREGATING RS. [●] MILLION IS BEING MADE THROUGH THE BOOK BUILDING PROCESS.

	<b>Employees</b>	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail individual Bidders</b>
Number of Equity Shares	Upto 2,000,000 Equity Shares	At least 66,666,667 Equity Shares or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Upto 11,111,111 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Upto 33,333,333 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Issue Size Available for allocation	Upto 1.77% of size of the Issue	At least 60% Net Issue or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders with 5% compulsory to mutual funds.	Upto 10% of Net Issue or Net Issue less allocation to QIB Bidders and Retail Individual Bidders	Upto 30% of Net Issue or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate	Proportionate	Proportionate
Minimum Bid#	135 Equity Shares	Such number of Equity Shares that the Bid Amount exceeds Rs. 1, 00,000 and in multiples of 135 Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 135 Equity Shares thereafter	135 Equity shares and in multiples of 135 Equity Share thereafter
Maximum Bid	Such number of Equity Shares in multiples of 135 Equity Shares not exceeding 2,000,000 Equity Shares.	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.	Such number of Equity Shares whereby the Bid amount does not exceeds Rs. 1,00,000
Mode of Allotment	Compulsorily in dematerialised mode	Compulsorily in dematerialised mode	Compulsorily in dematerialised mode	Compulsorily in dematerialised mode
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can apply***	All or any of the following:  a permanent employee of the Company as of March 31, 2007 and based working and present in India as	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI,	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions, societies and trusts.	Individuals (including NRIs and HUFs) applying for Equity Shares such that the Bid amount does not exceed Rs. 100,000 in value.

	<b>Employees</b>	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail individual Bidders</b>
	on the date of submission of the Bid cum Application Form.  a director of the Company, except any Promoters or members of the Promoter group, whether a whole time Director, part time Director or otherwise as of the date of the Red Herring Prospectus and based and present in India as on the date of submission of the Bid cum Application	multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI and state Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable laws.		
Terms of Payment	Margin Money applicable to Employees at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Money applicable to QIBs at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Money applicable to Non institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Money applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Members.
Margin Amount	Full Bid amount on Bidding	10% of the bid amount	Full Bid amount on Bidding	Full Bid amount on Bidding

\* Subject to valid Bids being received at or above the Issue Price and subject to a minimum of 60% of the Issue being allocated to QIBs. In terms of Rule 19(2) (b) of the Securities Contracts Regulation Rules, 1957, as amended from time to time ("SCRR"), with respect to the Issue being less than 25% of post Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue to the public shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 10% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 30% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, 2,000,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price. If the aggregate demand by Mutual Funds for Equity Shares is less than 3,333,334 Equity Shares, the balance of the Equity Shares available for allocation to Mutual Funds will be available for allocation to QIBs in proportion to their Bids. If the minimum allotment of 60% of the Net Issue to the public is not made to QIBs the entire subscription monies

Subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in the Non-Institutional Portion and Retail Individual Portion would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLMs.

\*\*Under-subscription, if any, in any category would be met with spillover from other categories at the sole discretion of the Company, in consultation with the BRLMs. If a minimum allotment of 10% of the Issue size is not made to the QIBs, the entire subscription monies shall be refunded.

\*\*\* In case the bid cum application form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the bid cum application form.

## ISSUE PROCEDURE

### Book Building Procedure

In terms of Rule 19(2) (b) of the Securities Contracts Regulation Rules, 1957, as amended from time to time ("SCRR"), with respect to the Issue being less than 25% of post Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue to the public shall be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 10% of the Net Issue to the public shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 30% of the Net Issue to the public shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, 2,000,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Net Issue cannot be allotted to QIBs, the entire application money will be refunded.

Bidders are required to submit their Bids through the Syndicate Members only. In case of QIB bidders, the Company, in consultation with the BRLMs, may reject any Bids procured by any or all members of the Syndicate, at the time of acceptance of Bid-cum-Application Form provided that the reasons for rejecting the same shall be disclosed to the Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialized segment of the Stock Exchange.

### Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allotment 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 authorized the Company to make the necessary changes in this Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by the 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 Nationals or NRIs applying on a non-repatriation basis	White
Eligible NRIs applying on repatriation basis or FIIs or Foreign Venture Capital Funds registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	Blue
Bidders in the Employee Reservation Portion	Pink

### Who Can Bid?

- Indian nationals resident in India who are majors, in single or joint names (not more than three);
- HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;



- Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity shares;
- Indian mutual funds registered with SEBI;
- Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI Guidelines and Regulations, as applicable);
- Venture capital funds registered with SEBI;
- Foreign venture capital investors registered with SEBI, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the issue;
- State Industrial Development Corporations;
- Insurance companies registered with the Insurance Regulatory and Development Authority;
- Provident funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in Equity Shares;
- Pension funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in Equity Shares;
- Multilateral and bilateral development financial institutions;
- Trusts/Societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/Societies and who are authorized under their constitution to hold and invest in equity shares;
- Eligible non-residents including NRIs and FIIs, registered with SEBI on a repatriation basis or a non-repatriation basis subject to applicable local laws; and
- Scientific and/or industrial research organizations authorized under their constitution to invest in equity shares.
- Permanent employees or Directors (whole-time Directors, part-time Directors or otherwise) of the Company, who are Indian Nationals and are based in India. The permanent employees should be on the payroll of the Company as of March 31, 2007 and the Directors should be Directors on the date of the Red Herring Prospectus.

As per existing regulations, OCBs are prohibited from investing in this Issue.

*Note:* The BRLMs and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations if any. However, associates and affiliates of BRLMs and Syndicate Members may subscribe for equity shares in the issue, including the QIBs and Non-Institutional portion where the allocation is on proportionate basis.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.**

#### **Bids by Mutual Funds**

*As per the current regulations, the following restrictions are applicable for investments by mutual funds:*

No mutual fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any Company's paid-up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

#### **Bids by Eligible NRIs**

NRI Bidders to comply with the following:

1. Individual NRI Bidders can obtain the Bid cum Application Forms from Registered Office of the Company, members of the Syndicate or the Registrar to the Issue.

2. NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for resident Indigians (White in color). All instruments accompanying bids shall be payable in Delhi only.

### **Bids by FIIs**

*As per the current regulations, the following restrictions are applicable for investments by FIIs:*

No single FII can hold more than 10% of post-issue paid-up capital of the Company (i.e., 10% of 68,992,500 Equity Shares). In respect of an FII investing in Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of total issued capital or 5% of our total issued capital of the Company in case such sub-account is a foreign corporate or an individual. Under the current foreign investment policy applicable to us foreign equity participation up to 74% is permissible under the automatic route.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity

### **Bids by SEBI registered VCF and FVCIs**

*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 investment by any VCF or FVICI should not exceed the prescribed investment limit as the case may be.

It is to be distinctly understood that there is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Funds applicants will be treated on the same basis with other categories for the purpose of allocation.

For restriction on foreign ownership of Equity Shares of the Company, refer to “Restrictions on Foreign Ownership of Indian Securities” on page 404 of this Red Herring Prospectus.

**The above information is given for the benefit of the Bidders. The Company and the BRLMs are not liable for any amendments or modifications or changes in the applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.**

### **Bids by Eligible Employees**

For the purpose of the Employee Reservation Portion, Eligible Employee means all or any of the following:

- (a) a permanent employee of our Company as of March 31, 2007 and based and present in India as on the date of submission of the Bid cum Application Form.
- (b) a Director, whether a whole-time Director, part time Director or otherwise as of March 31, 2007 and based and present in India as on the date of submission of the Bid cum Application Form.

Bids under Employee Reservation Portion by Eligible Employees shall be

- (a) Made only in the prescribed Bid-cum-Application Form or Revision Form (i.e. Pink colour Form).
- (b) Eligible Employees, as defined above, should mention their Employee Number at the relevant place in the Bid-cum-Application Form:
- (c) The sole/ first bidder should be Eligible Employees as defined above.
- (d) Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion.
- (e) Bids by Eligible Employees will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- (f) Eligible Employees who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. This facility is not available to other Eligible Employees whose minimum Bid Amount exceeds Rs. 100,000.
- (g) The maximum bid in this category by any Eligible Employee cannot exceed 2,000,000 Equity Shares.
- (h) Bid/ Application by Eligible Employees can be made also in the “Net Issue to the Public” and such bids shall not be treated as multiple bids.
- (i) If the aggregate demand in this category is less than or equal to 2,000,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- (j) Under-subscription, if any, in the Employee Reservation Portion will be added back to the Retail Individual Bidder Portion in equal proportion. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion.
- (k) If the aggregate demand in this category is greater than 2,000,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to the section titled “Issue Procedure - Basis of Allotment” on page 377 of this Red Herring Prospectus.
- (l) This is not an issue for sale within the United States of any equity shares or any other security of the Company. Securities of the Company, including any offering of its equity shares, may not be offered or sold in the United States in the absence of registration under U.S. securities laws or unless exempt from registration under such laws.

**Bids by non-residents including NRIs, FIIs and Foreign Venture capital Funds registered with SEBI on a repatriation basis.**

Bids and Revision to Bids must be made:

- On the prescribed Bid cum Application Form or Revision Form, as applicable (blue in colour) and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
- In a single name or joint names (not more than three)
- NRIs for a Bid Amount of up to Rs. 1,00,000 would be considered under the Retail Bidders portion for the purposes of allocation and Bids for a Bid amount of more than Rs. 1,00,000 would be considered under the Non-Institutional Bidders portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund and Bilateral Development Financial Institution for a minimum of such number of Equity Shares and in multiples of 135 thereafter that the Bid Amount exceeds Rs. 1,00,000; for further details see “Maximum and Minimum Bid Size” at page 381 of this Red Herring Prospectus.
- In the names of individuals, or in the names of FIIs or in the names of Foreign Venture Capital Funds, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.
- Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into 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. The Company 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, FIIs and FVCIs and all Non Residents 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.

**As per the current regulations, the following restrictions are applicable for investments by FIIs:**

No single FII can hold more than 10% of the post-Issue paid-up capital of our Company. 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 the total issued capital of our Company in case such sub-account is a foreign corporate or an individual.

With the approval of the board of directors and the shareholders by way of a special resolution, the aggregate FII holding limit may be increased to 74%.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15(A)(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub-account may issue, deal or hold, offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

**Maximum and Minimum Bid size**

**For Retail Bidders:** The Bid must be for minimum 135 number of Equity Shares and in multiples of 135 Equity Shares thereafter subject to maximum bid amount of Rs. 1,00,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 1,00,000. In case the Bid Amount is over Rs. 1,00,000 due to revision or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allotment under the Non-Institutional Bidders category. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

**For Others (Non-Institutional Bidders and QIBs) Bidders:** The Bid must be for a minimum of such number of Equity Shares in multiples of 135 Equity Shares such that the Bid Amount payable by the Bidder exceeds Rs. 1,00,000 and in multiples of 135 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by applicable laws. Under the existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 1,00,000, for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 1,00,000 or less due to a revision in Bids or revision of Price Band, the same would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIBs are not allowed to Bid at ‘Cut-off’.

**For Bidders in the Employee Reservation Portion**

The Bid must be for a minimum of 135 Equity Shares and in multiples of 135 Equity Shares thereafter. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. The allotment in the Employee Reservation Portion will be on a proportionate basis.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.**

### Information for the Bidders

- a) The Company will file this Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.
- b) The members of the Syndicate will circulate copies of this Red Herring Prospectus along with the Bid-cum-Application Form to their potential investors.
- c) Any investor (who is eligible to invest in the Equity Shares) desirous of obtaining a copy of this Red Herring Prospectus along with the Bid-cum- Application Form can obtain the same from the registered office of the Company or from the BRLMs, or from any of the members of the Syndicate.
- d) Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLMs or Syndicate Members or their authorized agent(s) to register their Bids.
- e) The Bids should be compulsorily submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of a member of the Syndicate. The Bid-cum-Application Forms, which do not bear the stamp of a member of the Syndicate, will be rejected.

### METHOD AND PROCESS OF BIDDING

1. The Company and the BRLMs shall declare the Bid/Issue Opening Date and Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi). This advertisement, subject to the provisions of Section 66 of the Companies Act and shall be in the format prescribed in Schedule XX-A of SEBI DIP Guidelines, as amended vide SEBI Circular no. SEBI / CFD / DIL / DIP / 14 / 2005 / 25 / 1 dated January 25, 2005. The members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
2. Investors who are interested in subscribing for Equity Shares of the Company should approach any of the members of the Syndicate or their authorized agent(s) to register their Bid.
3. The Bidding Period shall be a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be informed to the Stock Exchange and published in two widely circulated newspapers (one each in English and Hindi), and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding ten working days.
4. During the Bidding Period, the Bidders may approach 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.
5. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled “Bids at Different Price Levels” on page 383 of this Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid price, will become automatically invalid.
6. The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple bidding 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 in the paragraph “Build up of the Book and Revision of Bids” on page 386 of this Red Herring Prospectus.
7. 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.

8. During the Bidding Period, Bidders may approach a member of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and this Red Herring Prospectus.
9. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment and Payment into the Escrow Account for the issue" on page 384 of this Red Herring Prospectus.

#### **Bids at Different Price Levels**

1. The Price Band has been fixed at Rs. 41 to Rs. 46 per Equity Share of Rs. 10/- each, Rs. 41 being the lower end of the Price Band and Rs. 46 being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Re. 1 (One).
2. The Company, in consultation with the BRLMs, can revise the Price Band during the Bidding Period, in which case the Bidding Period shall be extended further for a period of three additional days, subject to the total Bidding Period not exceeding ten working days. 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 Price Band can move up or down to the extent of 20% of the Floor Price disclosed in this Red Herring Prospectus.
3. In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by informing the stock exchanges, by issuing a public notice in two widely circulated newspapers (one each in English and Hindi) and also indicating the change on the relevant website of the BRLMs, Company and the terminals of the members of the Syndicate.
4. The Company, in consultation with the BRLMs, can finalise the Issue Price within the Price Band, in accordance with this clause, without the prior approval of, or intimation to, the Bidders.
5. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 1,00,000 may bid at "Cut-off". However, bidding at "Cut-off" is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.
6. Retail Individual Bidders and the Employees bidding under the Employee Reservation Portion who bid at the Cut-off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and the Employees bidding under the Employee Reservation Portion bidding at Cut-off shall deposit the Bid Amount based on the Cap Price in the Escrow Account for the issue. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders and the Employees bidding under the Employee Reservation Portion, who bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account for the issue.
7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and the Employees bidding under the Employee Reservation Portion, who had bid at Cut-off could either (i) revise their Bid or (ii) make additional payment based on the higher end of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 1,00,000 for retail individual bidders if the bidder wants to continue to bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs.1,00,000, the Bid will be considered for allocation under the Non-Institutional category in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downward for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidders shall be deemed to have approved such revised Bid at Cut-off Price.
8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and the Employees bidding under the Employee Reservation Portion who have bid at Cut-off could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account for the issue.
9. In the event of any revision in the Price Band, whether upwards or downwards, the Minimum Application Size shall be within the range of Rs. 5,000 to Rs.7,000. The Company in consultation with the BRLMs shall accordingly stipulate the minimum application size (in terms of number of shares) falling within the aforesaid range.

## **Application in the Issue**

Equity Shares being issued through this Red Herring Prospectus can be applied for in the dematerialized form only.

## **Escrow Mechanism**

1. The Company and members of the Syndicate shall open Escrow Accounts for the issue with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account for the Issue. The Escrow Collection Banks will act in terms of this Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account for the issue of the Company shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account for the issue to the Public Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement. Payment of refund to the Bidders shall also be made from the refund account as per the terms of the Escrow Agreement and this Red Herring Prospectus.
2. The Bidders may note that the Escrow Mechanism is not prescribed by SEBI and the same has been established as an arrangement between the Company, the Syndicate, Escrow Collection Bank(s) and the Registrars to the Issue to facilitate collections from the Bidders.

## **Terms of Payment and Payment into the Escrow Collection Account**

Each Bidder, shall provide the applicable Margin Amount, with the submission of the Bid-cum-Application Form by drawing a cheque, demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account for the issue of the Escrow Collection Bank(s) (for details refer to the paragraph "Payment Instructions" on page 392 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 Bank(s), which will hold the monies for the benefit of the Bidders till such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds whose bids have been accepted from the Escrow Account for the issue, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account, shall be held in the refund account for the benefit of the Bidders who are entitled to refunds. On the Designated Date, and no later than 15 days from the Bid / Issue Closing Date, the Escrow Collection Bank(s) shall refund all amount payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation to the Bidders.

Each category of Bidders (i.e. QIBs, Non Institutional Bidders, Retail Individual Bidders, and the Employees bidding under the Employee Reservation Portion) would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The Margin Money payable by each category of Bidders is mentioned under the heading "Issue Structure" on page 374 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 (2) days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.

If the payment is not made favoring the Escrow Account for the issue 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 applied for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from

the Bid Closing Date/Issue Closing Date, failing which the Company shall pay interest @15% per annum for any delay beyond the periods mentioned above.

### Electronic Registration of Bids

- (a) The members of the Syndicate will register the Bids using the on-line facilities of BSE. There will be at least one BSE on-line connectivity to each city where a Stock Exchange is located in India and the Bids are accepted.
- (b) The BSE 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 authorized agents during the Bidding Period. 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 an half hourly basis. On the Bid Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchange. Bidders are cautioned that a high inflow of bids typically experienced on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such bids that could not be uploaded may not be considered for allocation.
- (c) The aggregate demand and price for bids registered on the electronic facilities of BSE will be uploaded on an half hourly basis, consolidated and displayed on-line at all bidding centres. A graphical representation of consolidated demand and price would be made available at the bidding centres during the bidding period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
  - Name of the investor (Investors should ensure that the name given in the bid cum application form is exactly the same as the name in which the Depository Account is held. In case the Bid-cum-Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application Form.)
  - Investor Category –Individual, Corporate, NRI, FII, or Mutual Fund, etc.
  - Numbers of Equity Shares bid for.
  - Bid price.
  - Bid-cum-Application Form number.
  - Whether Margin Amount is made upon submission of Bid-cum-Application Form.
  - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the members of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) The BRLMs / members of the Syndicate also have the right to accept the Bid or reject it in case of QIBs; however, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed on page 395 of this Red Herring Prospectus.
- (h) It is to be distinctly understood that the permission given by BSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company or BRLMs are cleared or approved by the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the



statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, its Promoters, its management or any scheme or project of the Company.

- (i) It is also to be distinctly understood that the approval given by BSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE.

#### **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 mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.
- (c) During the Bidding 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 numbers 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 unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (e) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (f) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she has placed the original Bid. Bidders are advised to retain copies of the blank Revision Forms and the revised Bid must be made only in such Revision Form or copies thereof.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (h) Only Bids that are uploaded on the online IPO system of the BSE shall be considered for allocation/allotment. In case of discrepancy of data between BSE and members of the Syndicate, the decision of the BRLMs based on the physical records of Bid-cum-Application Form shall be final and binding to all concerned.

#### **Price Discovery and Allocation**

- (a) After the Bid/Issue Closing Date, the BRLMs shall analyze the demand generated at various price levels and discuss pricing strategy with the Company.
- (b) The Company, in consultation with the BRLMs shall finalise the "Issue Price", the number of Equity Shares to be allotted in each category to Bidders.

- (c) The allocation under the Issue shall be on proportionate basis, in the manner specified in the SEBI Guidelines and this Red Herring Prospectus and in consultation with Stock Exchange.
- (d) Any under subscription in the Employee Reservation Portion would be included in the Net Issue. Under subscription, if any, in any category of the Net Issue, other than the QIB Portion, would be allowed to be met with spill over from any of the other categories at the discretion of the Company in consultation with the BRLMs.
- (e) The allocation for QIBs would be at least 60% of the Issue Size would be proportionate basis. The allocation to Non-Institutional Bidders and Retail Individual Bidders of upto 10% and upto 30% of the Issue Size, respectively, would be on proportionate basis in the manner specified in the SEBI guidelines and this Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
- (f) Under subscription, if any, in Non-Institutional Bidders and Retail Individual Bidders category would be allowed to be met with spill over from any of the other categories at the discretion of the Company, in consultation with the BRLMs. However at least 60% of the Issue size will have to be compulsorily allocated to the QIBs failing which the full subscription money shall be refunded. However, if the aggregate demand by Mutual Funds is less than 3,333,334 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB portion has been met, under-subscription, if any, would be allowed to be met with spillover from any other category or combination of categories at the discretion of Company, in consultation with the BRLMs and the Designated Stock Exchange.
- (f) Allocation to NRIs, FIIs, foreign venture capital funds, multi-lateral and bilateral development financial institutions registered with SEBI applying on repatriation basis will be subject to the applicable laws, rules, regulations, guidelines and approvals.
- (g) The BRLMs, in consultation with the Company shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (h) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning reasons whatsoever but before allotment. In terms of SEBI DIP guidelines, QIB bidders shall not be allowed to withdraw their bid after the bid / issue closing date.

#### **Notice to QIBs: Allotment Reconciliation**

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

#### **Issuance of Confirmation of Allocation Note**

- a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLMs or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and

Non-Institutional Bidders. However, the investor should note that the Company shall ensure that the date of Allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

- b) The 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 to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the full Bid Amount into the Escrow Account for the issue on or prior to the time of bidding shall pay in full amount into the Escrow Account for the issue on or prior to the Pay-in Date specified in the CAN.
- c) Bidders who have been allocated Equity Shares and who have already paid the full Bid Amount into the Escrow Account for the issue at the time of bidding shall directly receive the CAN from the Registrars to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account for the issue. The despatch of a CAN shall be deemed to be a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for allotment to such Bidder.
- (d) The Issuance of CAN is subject to “Notice to QIBs: Allotment Reconciliation” as set forth under the chapter “Issue Procedure” of this Red Herring Prospectus.

#### **Signing of Underwriting Agreement and RoC Filing**

- (a) The Company, the BRLMs, and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.
- (b) After signing the Underwriting Agreement, the company will update and file the updated Red Herring Prospectus with RoC, which then would be termed ‘Prospectus’. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

#### **Filing of the Prospectus with RoC**

The Company will file a copy of the Prospectus with the Registrar of Companies, Delhi & Haryana, situated at Paryavaran Bhavan, CGO Complex, Lodhi Road, New Delhi in terms of Section 56, Section 60 and Section 60B of the Companies Act, 1956.

#### **Announcement of Pre-Issue Advertisement**

Subject to section 66 of the Companies Act, the Company shall after receiving final observation, if any, on this Red Herring Prospectus with SEBI, publish an advertisement, in the form prescribed by the SEBI DIP guidelines in two widely circulated newspapers (one each in English and Hindi).

#### **Advertisement regarding Issue Price and Prospectus**

A statutory advertisement will be issued by the Company in a widely circulated English newspaper and a Hindi national newspaper of wide circulation, after 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 this Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

#### **Designated Date and Allotment of Equity Shares**

- 1. The 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 for the issue to the Public Issue Account on the Designated Date, the Company would allot the Equity Shares to the allottees. The Company would ensure the credit to the successful Bidders depository account. Allotment of the Equity Shares to the allottees shall be completed within two working days of the date of finalization of the basis of allotment. In case, the Company fails to make allotment or transfer within 15 days of the Bid/Issue Closing Date, interest would be paid to the investors at the rate of 15% per annum.

2. In accordance with the SEBI DIP Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.**

## General Instructions

### Do's:

- a) check if you are eligible to apply;
- b) Read all the instructions carefully and complete the resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour)
- c) Ensure that the details about Depository Participant and Beneficiary Account are correct, as Allotment of Equity Shares will be in the dematerialized form only. Ensure that the Bids are submitted at the Bidding Centers only on forms bearing stamp of the Syndicate Member;
- d) 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.
- e) ensure that you have been given a TRS for all your Bid options;
- f) Submit Revised Bids to the same Syndicate Member through whom the original Bid was placed and obtain a revised TRS;
- g) Ensure that the Bid is within the Price Band.
- h) Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more and attach a copy of the PAN Card and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN along with the application for the purpose of verification of the number, with the Bid cum Application Form. In case you do not have a PAN, ensure that you provide a declaration in Form 60 or 61 as the case may be together with the permissible documents as address proof
- i) Ensure that demographic details (as defined herein below) are updated true and correct in all respects.

### Don'ts:

- a. Do not Bid if you are prohibited from doing so under the law of your local jurisdiction;
- b. Do not Bid for lower than minimum Bid size;
- c. ***Do not Bid or revise the Bid to less than the lower end of the Price Band or higher than the higher end of the Price Band;***
- d. Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- e. Do not pay Bid amount in cash, by money order or by postal order or by stock invest;
- f. Do not Bid at cut off price (for QIB Bidders, Non-Institutional Bidders);
- g. Do not bid where bid amount exceeds Rs. 1,00,000 (for Retail Individual Bidders)
- h. Do not fill up the Bid cum Application Form for an amount that exceeds the Issue size and / or investment limit or maximum number of Equity Shares that can be held by a Bidder under the applicable laws / regulations or maximum amount permissible under the applicable regulations.
- i. Do not send Bid cum Application Form by post; instead submit the same to a member of the Syndicate only.
- j. Do not submit bid accompanying with Stock Invest.
- k. Do not provide your GIR number instead of your PAN as bid is liable to be rejected on those grounds.
- l. Do not submit the Bid without the QIB Margin Amount, in case of a Bid by QIB.

## **Instructions for completing the Bid cum Application Form**

Bidders can obtain Bid cum Application Forms and/or revision Forms from the members of Syndicate

### **Bids and Revisions of Bids**

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for NRI or FII or foreign venture capital fund registered with SEBI applying on repatriation basis.
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
- (c) The Bids from the Retail Individual Bidders must be for a minimum of 135 Equity Shares and in multiples of 135 Equity Shares thereafter subject to a maximum of Rs. 1,00,000.
- (d) For non institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid amount exceeds Rs. 1,00,000 and in multiples of 135 Equity Shares thereafter. Bids cannot be made for more than the size of the Issue. Bidders are advised to ensure that a single bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws or regulations.
- (e) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.
- (g) For Bidders bidding under the Employee Reservation Portion, the Bid must be for a minimum of 135 Equity Shares in multiples of 135.

### **Bidder's Bank Details**

**Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These bank account details would be printed on the refund order, if any, to be sent to Bidders or used for sending the refund through Direct Credit to or ECS. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Company shall have any responsibility and undertake any liability for the same.**

### **Bidder's Depository Account Details**

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN THE DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT'S IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUM-APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID-CUM-APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.**

**Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders or giving credit through ECS or Direct Credit and occupation (hereinafter referred to as Demographic Details). Hence, Bidders should carefully fill in their Depository Account details in the Bid-cum-Application Form.**

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid-cum-Application Form would not be used any other purposes by the Registrars to the Issue.

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, Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic details as available on its records.

**Refund Orders/ Allocation Advice/ CANs would be mailed at the 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 Bidders 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. Please note that any such delay shall be at the Bidders sole risk and neither the Company, Escrow Collection Bank(s) nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.**

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, 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 Article of Association and/or Bye Laws must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

The Company shall at its absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we/the BRLMs may deem fit.

#### **Bids by Insurance Companies**

In case of Bids made by insurance companies registered with Insurance Regulatory and Development Authority, a certified copy of the certificate of registration issued by Insurance Regulatory and Development Authority must be submitted with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

### **Bids by Provident Funds**

In case of Bids made by provident fund with the minimum corpus of Rs. 250 million and pension fund with the 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 with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case without assigning any reason thereof.

### **Bids by MFs**

In case of Bids made by Mutual Fund registered with SEBI, venture capital fund registered with SEBI and foreign venture capital investor registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

The Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application Form, subject to such terms and conditions as the Company and the BRLMs may deem fit.

The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

### **Payment Instructions**

The Company shall open an Escrow Account for the issue of the Company with the Escrow Collection Banks for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form. The BRLMs and Syndicate Members shall also open Escrow Accounts for the issue of the Syndicates with one or more of the Escrow Collection Banks for the collection of the margin amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

#### **Payment into Escrow Account for the Issue**

1. The Bidders for whom the applicable Margin Amount is equal to 100% shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account for the issue of the Company and submit the same to the member of the Syndicate.
2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account for the issue of the Company within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.

3. The payment instruments for payment into the Escrow Account for the issue of the Company should be drawn in favour of:
  - a) In case of resident QIB Bidders: **“Escrow Account – Spice Public Issue – QIB - R”**
  - b) In case of Non-Resident QIB Bidders : **“Escrow Account – Spice Public Issue – QIB – NR”**
  - c) In case of Resident Retail Individual and Non-Institutional Bidders – **“Escrow Account – Spice Public Issue – R”**
  - d) In case of Non-Resident Retail Individual and Non-Institutional Bidders applying on a repatriation basis – **“Escrow Account – Spice Public Issue – NR”**
  - e) In case In case of Employees: **““Escrow Account – Spice Public Issue – Employee”**

In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of a Non-Resident Ordinary Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.

In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.

4. 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 of the Company.
5. The monies deposited in the Escrow Account for the issue of the Company will be held for the benefit of the Bidders till the Designated Date.
6. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account for the issue of the Company as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
7. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.
8. Payments should be made by cheque, or demand drafts 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 center where the Bid cum Application Form is submitted. Outstation cheque/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 Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-2004 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through Stock invest would not be accepted in this Issue.

#### **Submission of Bid-cum-Application Form**

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by Account Payee cheques or drafts shall be submitted to the Members of the Syndicate at the time of submitting the Bid-cum-Application Form.



No separate receipts shall be issued for the money payable on submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the Members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

## OTHER INSTRUCTIONS

### Joint Bids in the case of Individuals

Individuals may make bid in single or joint names (not more than three). In the case of joint Bids, all refunds will be made out in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

### Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In this regard, illustrations of certain procedures which may be followed by the Registrar to the Issue to detect multiple applications are provided below:

1. All applications with the same name and age will be accumulated and taken to a separate process file as probable multiple master.
2. In this master, a check will be carried out for the same PAN / GIR numbers. In cases where the PAN/GIR numbers are different, the same will be deleted from this master.
3. Then the addresses of all these applications from the address master will be strung. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names.
4. The applications will be scanned for similar DP ID and Client ID numbers. In case applications bear the same numbers, these will be treated as multiple applications.
5. After consolidation of all the masters as described above, a print out of the same will be taken and the applications physically verified to tally signatures as also father's / husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

The Company reserves the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

### Permanent Account Number (PAN)

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of an Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly

filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.**

#### **Unique Identification Number – UIN**

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining Unique Identification Number (UIN) and the requirement to contain/ quote UIN under the SEBI (Central Database of Market Participants) Regulations, 2003 by its circular bearing number MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UIN's in a phased manner. The press release states that the cut-off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations. Therefore, MAPIN is not required to be quoted with the Bids.

#### **Grounds for Technical Rejections**

In case of QIB Bidders, the Company in consultation with the BRLMs may reject a Bid placed by a qualified QIB for reasons to be recorded in writing, provided that such rejection shall be made at the time of submission of the Bid and the reasons therefore shall be disclosed to the QIB Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would 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.

Bidders are advised to note that Bids are liable to be rejected inter-alia on the following technical grounds:

1. Amount paid doesn't 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, the shares may be registered in the name of individual partners and no firm as such shall be entitled to apply.
4. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
5. PAN photocopy/ PAN Communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
6. Bids for lower number of Equity Shares than specified for that category of investors;
7. Bids at a price less than the lower end of the Price Band;
8. Bids at a price more than the higher end of the Price Band;
9. Bids at cut-off price by Non-Institutional and QIB Bidders;
10. Bids for number of Equity Shares, which are not in multiples of 135 Equity Shares;
11. Category not ticked;
12. Multiple bids as defined in this Herring Prospectus;
13. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
14. Bids accompanied by Stock invest/money order/ postal order/ cash;
15. Bids not duly signed by the sole/joint Bidders;

16. Bid-cum-Application Form does not have the stamp of the Syndicate Member;
17. Bid-cum-Application Form does not have Bidder's depository account details;
18. Bid-cum-Application Forms are not submitted by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid-cum-Application Form; or
19. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations see the details regarding the same under sub section "Maximum and Minimum Bid" under "Issue Procedure" of this Red Herring Prospectus.
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 depository participant's identity (DP ID) and the beneficiary's identity;
21. Bids by OCBs;
22. Bids by US persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the Securities Act or other than in reliance Regulation S under the Securities Act; and
23. Bids by NRIs not disclosing their residential status;
24. If GIR number is mentioned instead of PAN number.

#### **Equity Shares in Dematerialised Form with NSDL or CDSL**

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two tripartite agreements have been signed among the Company, the Depositories and the Registrar,

1. An Agreement dated May 16, 2007 among NSDL, the Company and Registrars to the Issue.
2. An Agreement dated May 28, 2007 among CDSL, the Company and Registrars to the Issue.

All Bidders can seek allotment only in Dematerialized mode. Bids from any Bidder without the following details of his or her depository account are liable to be rejected:

1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of NSDL or CDSL prior to making the Bid.
2. 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.
3. Equity Shares allotted to a Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
4. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the depository account of the Bidder(s).
5. Non Transferable allotment advice or refund orders will be directly sent to the Bidders by the registrar to the Issue.
6. 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.
7. 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.

8. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL or CDSL. All the stock exchanges where Equity Shares are proposed to be listed are connected to NSDL and CDSL.
9. The trading of Equity Shares of the Company would only be in dematerialized form for all investors in the demat segment of the Stock exchange.

## **COMMUNICATIONS**

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

## **PRE-ISSUE AND POST ISSUE RELATED PROBLEMS**

The company has appointed Ms. Preeti Malhotra as the Compliance Officer and she may be contacted in case of any pre-Issue or post-Issue-related problems. She can be contacted at the following address:

Spice Communications Limited  
Head Office: D- 1, Sector 3  
NOIDA- 201301,  
Uttar Pradesh,  
India  
Phone No: +91 120 436 3600  
Fax No: +91 120 436 3800  
E-mail: [complianceofficer@spiceindia.com](mailto:complianceofficer@spiceindia.com)

## **Disposal of Applications and Applications Money and Interest in case of Delay**

The Company shall ensure dispatch of allotment advice, refund orders (except for Bidders who receive refunds through Electronic Transfer of Fund) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchange within two working days of date of finalisation of allotment of Equity Shares.

In case of applicants who receive refund through ECS, direct credit or RTGS, the refund instruction will be given to the clearing system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 days of Bid/ Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund

The Company shall dispatch refund orders, as per the procedure mentioned under section “Dispatch of Refund Orders” on page 403 of this Red Herring Prospectus, at the sole or First Bidder’s sole risk.

## **Impersonation**

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the companies Act, which are 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,
- c) shall be punishable with imprisonment for a term which may extend to five years.”

## **Basis of Allotment/allocation**

### **1. 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 portion. The allocation to all the successful Retail individual Bidders will be made at the Issue Price.
- The Net Issue size less allocation to Non-Institutional Bidders and QIBs shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 33,333,333 Equity Shares at or above the Issue Price, full allocation shall be made to the Retail Individual Bidders to the extent of their valid bids.
- If the aggregate demand in this category is greater than 33,333,333 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 135 Equity Shares. For the method of proportionate basis of allocation, refer below.

### **2. 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 portion. The allocation to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIBs and Retail Portion shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price, which is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 11,111,111 Equity Shares at or above the Issue Price, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 11,111,111 Equity Shares at or above the Issue Price; allocation shall be made on a proportionate basis up to a minimum of 135 Equity Shares. For the method of proportionate basis of allotment refer below.

### **3. 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 portion. The allocation to all the QIBs 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, which is equal to or greater than the Issue Price.
- The allotment shall be undertaken in the following manner –
  - a) In the first instance, allocation to mutual funds for upto 5% of the QIB portion shall be determined as follows-
    - i) In the event that bids from mutual funds exceeds 5% of the QIB portion, allocation to mutual funds shall be done on a proportionate basis upto 5% of the QIB portion.
    - ii) In the event that the aggregate demand from mutual funds is less than 5% of QIB portion, then all mutual funds shall get full allotment to the extent of valid bids received above the issue price.
    - iii) Equity Shares remaining unsubscribed, if any, not allocated to mutual funds shall be available to all QIB Bidders as set out in as (b) below;
  - b) In the second instance, allocation to all QIBs shall be determined as follows –
    - i) In the event that the over subscription in the QIB portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for upto 95% of the QIB portion.

- ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of equity shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
- iii) Under-subscription below 5% of the QIB portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

Under subscription, if any, in any category would be allowed to be met with spillover from any other category at the sole discretion of the Company in consultation with the BRLMs except that at least 10% of the Issue size shall be compulsorily allocated to QIBs failing which entire subscription amount has to be refunded

#### **For Employee Reservation Portion**

- (i) Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price.
- (ii) If the aggregate demand in this category is less than or equal to Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- (iii) If the aggregate demand in this category is greater than Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 135 Equity Shares and in multiple of 135 Equity Share thereafter.
- (iv) Only Eligible Employees eligible to apply under Employee Reservation Portion. For the method of proportionate basis of allocation, refer below.

#### **Procedure and Time Schedule for Allotment**

The Issue will be conducted through a “100% book building process” pursuant to which the Underwriters will accept bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on June 25, 2007 and expire on June 27, 2007. Following the expiration of the Bidding Period, our Company, in consultation with the BRLMs, will determine the issue price, and, in consultation with the BRLMs, the basis of allotment and entitlement to allotment based on the bids received and subject to the confirmation by the BSE. Successful bidders will be provided with a confirmation of their allocation and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The Prospectus will be filed with SEBI and the Registrar of Companies and will be made available to investors. SEBI Guidelines require our Company to complete the allotment to successful bidders within 15 days of the expiration of the Bidding Period. The Equity Shares will then be credited and allotted to the investors’ demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchange, the Equity Shares will be listed and trading will commence.

#### **Method of Proportionate Basis of Allotment in the QIB, Retail, Non-Institutional and Employee Reservation Portions**

In the event of the Issue being over-subscribed, we shall finalize the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalized in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

- (a) Bidders will be categorized according to the number of Equity Shares applied for.
- (b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- (d) In all Bids where the proportionate Allotment is less than 135 Equity Shares per Bidder, the Allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 135 Equity Shares; and
  - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
- (e) If the proportionate Allotment to a Bidder is a number that is more than 135 but is not a multiple of 1 (which is the marketable lot), the number in excess of the multiple of 1 would be rounded off to the higher multiple of 1 if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of 0.5. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
- (f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

#### ***Illustration of Allotment to QIBs and Mutual Funds (MF)***

Sr. No.	Particulars	Issue details
1	Issue size	100 Million Equity Shares
2	Allocation to QIB (minimum 50% of the Issue)	50 Million Equity Shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	2.50 Million Equity Shares
	b. Balance for all QIBs including Mutual Funds	47.50 Million Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	250 Million Equity Shares

#### **B. Details of QIB Bids**

Sr. No.	Type of QIB bidders#	No. of shares bid for (in Million)
1	A1	25
2	A2	10
3	A3	65
4	A4	25
5	A5	25
6	MF1	20
7	MF2	20
8	MF3	40
9	MF4	10
10	MF5	10
	<b>TOTAL</b>	<b>250</b>

# A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

**C. Details of Allotment to QIB Bidders/Applicants**
*(Number of equity shares in million)*

Type of QIB bidders	Shares bid for	Allocation of 3 Million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 57 Million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	25	0	5.77	0
A2	10	0	2.31	0
A3	65	0	15.00	0
A4	25	0	5.77	0
A5	25	0	5.77	0
MF1	20	0.60	4.48	5.08
MF2	20	0.60	4.48	5.08
MF3	40	1.20	8.95	10.15
MF4	10	0.30	2.24	2.54
MF5	10	0.30	2.24	2.54
	<b>250</b>	<b>300</b>	<b>57.00</b>	<b>25.38</b>

*Please note:*

- The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled “Issue Structure” beginning on page 374 of this Red Herring Prospectus.
- Out of 60 million equity shares allocated to QIBs, 3 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 100 million shares in the QIB Portion.
- The balance 57 million equity shares (i.e. 60 – 3 (available for Mutual Funds only)) will be allocated on proportionate basis among 10 QIB Bidders who applied for 250 million shares (including 5 Mutual Fund applicants who applied for 100 million shares).
- The figures in the fourth column titled “Allocation of balance 57 million equity shares to QIBs proportionately” in the above illustration are arrived as under:
  - For QIBs other than Mutual Funds (A1 to A5)= Number of equity shares Bid for X 57 / 247
  - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less equity shares allotted ( i.e., column III of the table above)] X 57/247
  - The denominator for arriving at allocation of the balance 57 million equity shares to the 10 QIBs are reduced by 2.5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.
  - The numerator for arriving at allocation of balance 57 million equity shares to the Mutual Fund applicants is reduced by the respective number of equity shares already allotted to each Mutual Fund in the manner specified in column III of the table above.

**The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.**

The Company shall use its best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchange where the Equity Shares are proposed to be listed are taken within seven working days of finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, the Company further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;



ii) Dispatch of refund orders will be done within 15 days from the Bid /Issue Closing Date; and

iii) The Company shall pay interest at 15% per annum (for any delay beyond the 15 days time period as mentioned above), if allotment is not made, refund orders / credit intimation are not dispatched and in case where refund is made through electronic mode, the refund instructions have not been given to the clearing system in the disclosed manner and / or demat credits are not made to investors within the fifteen day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrars to the Issue.

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 except where the refund or portion thereof is made in electronic manner as described above. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

### **Letters of Allotment or Refund Orders**

The Company shall give credit to the beneficiary account with depository participants within 2 working days of finalisation of the basis of allotment of Equity Shares. Applicants residing at 15 centres where clearing houses are managed by the RBI will get refunds through ECS (subject to availability of information for crediting the refund through ECS) except where applicant is otherwise disclosed as eligible to get refunds through Direct Credit, NEFT or RTGS. In case of other applicants, our Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk within 15 days of the Bid /Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter (refund advice) through ordinary post intimating them about the mode of credit of refund within 15 working days of the closure of the Issue. Our Company shall ensure dispatch of refund orders/refund advice (for Direct Credit, NEFT, RTGS or ECS), if any, by "Under Certificate of Posting" or registered post or speed post, as applicable, only at the sole or First Bidder's sole risk within 15 days of the Bid/Issue Closing Date and adequate funds for making refunds to applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue.

In accordance with the Companies Act, the requirements of the Stock Exchange and the SEBI guidelines, the Company undertakes that:

- Allotment shall be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders

Refunds will be done within 15 days from the Bid / Issue Closing Date at the sole or First Bidder's sole risk. The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrars to the Issue; and

- **Interest in case of delay in dispatch of allotment letters / refund orders**

The Company 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 have not been dispatched to the applicants or if, in case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from Bid / Issue closing date.

Save and except refunds effected through the electronic mode i.e. ECS, direct credit or RTGS, refunds will be made by cheques, pay-orders or demand drafts drawn on the Refund Bank and payable at par at places where Bids are received. The Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

The company will provide adequate funds to the Registrars to the Issue for making refunds to unsuccessful applicants as per the mode disclosed under “Dispatch of Refund Order” appearing on page no. 403 of this Red Herring Prospectus.

## **DISPATCH OF REFUND ORDERS**

For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE, by issuing a press release, and by indicating the change on the web site of the BRLMs and at the terminals of the Syndicate Members.

## **UNDERTAKING BY THE COMPANY**

The Company undertake as follows:

- (a) that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- (b) 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;
- (c) that the funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed under the heading “Dispatch of Refund Orders” on page no. 403 of this Red Herring Prospectus shall be made available to the Registrar to the Issue by the Company;
- (d) that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of Issue, giving details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of refund;
- (e) that the promoter’s contribution in full, shall be brought in advance before the issue opens for public subscription;
- (e) that the refund orders or allotment advice to the Eligible NRIs or FIIs shall be dispatched within specified time; and
- (f) that no further Issue of Equity Shares shall be made until the Equity Shares Issued through this Red Herring Prospectus are listed or until the Bid Money’s are refunded on account of non-listing, under-subscription etc.

## **UTILISATION OF ISSUE PROCEEDS**

The Board of Directors of the Company certify that:

- (a) 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;
- (b) details of all monies utilised out of the Issue referred above shall be disclosed under an appropriate separate head in its balance sheet indicating the purpose for which such monies have been utilised;
- (c) details of all unutilised monies out of the Issue, if any, shall be disclosed under the appropriate separate head in its balance sheet indicating the form in which such unutilised monies have been invested.

The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchange 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.

Foreign Direct Investment ceiling in companies in the telecom sector is enhanced from 49 percent to 74 per cent by Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, Secretariat for Industrial Assistance through Press Note No. 3 (2007 Series) in certain telecom services such as Basic, Cellular, Unified Access Services, National/International Long Distance, V-Sat, Public Mobile Radio Trunked Services (PMRTS), Global Mobile Personal Communications Services (GMPCS) and other value added services, subject to the following conditions:-

1. Both direct and indirect foreign investment in the licensee company shall be counted for the purpose of FDI ceiling. Foreign Investment shall include investment by Foreign Institutional Investors (FIIs), Non-resident Indians (NRIs), Foreign Currency Convertible Bonds (FCCBs), American Depository Receipts (ADRs), Global Depository Receipts (GDRs) and convertible preference shares held by foreign entity. Indirect foreign investment shall mean foreign investment in the company/ companies holding shares of the licensee company and their holding company/companies or legal entity (such as mutual funds, trusts) on proportionate basis. Shares of the licensee company held by Indian public sector banks and Indian public sector financial institutions will be treated as 'Indian holding'. In any case, the 'Indian' shareholding will not be less than 26 percent.

The licensee will be required to disclose the status of such foreign holding and certify that the foreign investment is within the ceiling of 74% on a half yearly basis. FDI upto 49 per cent will continue to be on automatic route. Foreign Investment Promotion Board (FIPB) approval shall be required for FDI in the licensee company/Indian promoters/investment companies including their holding companies if it has a bearing on the overall ceiling of 74 per cent.

A short summary of the conditions is as follows:

- i) The Chief Officer Incharge of technical network operations and the Chief Security Officer should be a resident Indian citizen.
- ii) Details of infrastructure/network diagram could be provided on a need basis only to telecom equipment suppliers/manufacturers and the affiliate/parents and if such information is to be provided to anybody else clearance from the licensor would be required.
- iii) For security reasons, domestic traffic of such entities shall not be hauled/routed to any place outside India.
- iv) Adequate and timely measures should be taken to ensure that the information transacted through a network by the subscribers is secure and protected.
- v) The officers/officials of the licensee companies dealing with the lawful interception of messages will be resident Indian citizens.
- vi) The majority Directors on the Board of the company shall be Indian citizens.
- vii) The positions of the Chairman, Managing Director, Chief Executive Officer (CEO) and/or Chief Financial Officer (CFO), if held by foreign nationals, would require to be security vetted by Ministry of Home Affairs
- viii) The company shall not transfer the following to any person/place outside India:-
  - (a) Any accounting information relating to subscriber (except for international roaming/billing); and
  - (b) User information (except pertaining to foreign subscribers using Indian Operator's network while roaming).

- ix) The company must provide traceable identity of their subscribers. However, in case of providing service to roaming subscriber of foreign companies, the Indian company shall endeavour to obtain traceable identity of roaming subscribers from the foreign company as a part of its roaming agreement.
- x) On request of the licensor or any other agency authorised by the licensor, the telecom service provider should be able to provide the geographical location of any subscriber (BTS location) at a given point of time.
- xi) The Remote Access (RA) to Network would be provided only to approved location(s) abroad through approved location(s) in India. The approval for location(s) would be given by the DOT in consultation with the security agencies.
- xii) Under no circumstances, should any RA to the suppliers/manufacturers and affiliate(s) be enabled to access Lawful Interception System(LIS), Lawful Interception Monitoring(LIM), Call contents of the traffic and any such sensitive sector/data, which the licensor may notify from time to time.
- xiii) The licensee company is not allowed to use remote access facility for monitoring of content.
- xiv) Suitable technical device should be made available at Indian end to the designated security agency/licensor in which a mirror image of the remote access information is available on line for monitoring purposes.
- xv) Complete audit trail of the remote access activities pertaining to the network operated in India should be maintained for a period of six months and provided on request to the licensor or any other agency authorised by the licensor.
- xvi) The telecom service providers should ensure that necessary provision (hardware/software) is available in their equipment for doing the Lawful interception and monitoring from a centralized location.
- xvii) The telecom service providers should familiarize/train Vigilance Technical Monitoring (VTM)/security agency officers/officials in respect of relevant operations/features of their systems.
- xviii) It shall be open to the licensor to restrict the Licensee Company from operating in any sensitive area from the National Security angle.
- xix) In order to maintain the privacy of voice and data, monitoring shall only be upon authorisation by the Union Home Secretary or Home Secretaries of the States/Union Territories.
- xx) For monitoring traffic, the licensee company shall provide access of their network and other facilities as well as to books of accounts to the security agencies.

#### ***Subscription by Eligible Non-Residents***

There is no reservation for any NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation.

**As per RBI regulations, OCBs cannot participate in the Issue.**

#### ***Investment by FIIs***

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital. 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. The aggregate holding by FIIs in a company cannot exceed 24% of its issued share capital, however, this limit of 24% may be increased up to the applicable sectoral cap by passing a board resolution and a special resolution of the shareholders authorizing such an increase. However, we have not passed any resolutions to such effect. .

**The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (“the Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the**

Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

#### ***Foreign Shareholding in the Company***

As per the Press Note 3 of 2007 series issued by the Ministry of Commerce and Industry on April 19, 2007, the Foreign Direct Investment (“FDI”) ceiling in Telecom Sector has been enhanced from 49 per cent to 74 per cent for certain Telecom Services interalia Basic, Cellular, Unified Access Services etc, subject to the condition that the total composite foreign holding including but not limited to investments by Foreign Institutional Investors (FIIs), Non-resident Indians (NRIs), Foreign Currency Convertible Bonds (FCCBs), American Depository Receipts (ADRs), Global Depository Receipts (GDRs), convertible preference shares, proportionate foreign investment in Indian promoters/investment companies including their holding companies does not exceed 74 per cent.

As per the extant regulations FDI up to 49 percent is under an automatic route and FDI beyond 49% upto 74% is allowed only with the approval of the Foreign Investment Promotion Board (“FIPB”).

As on date, the direct foreign shareholding in the Company is 49% and effective foreign shareholding in the Company is 73.78%. For the aforesaid shareholding, the Company till date has received various approvals from Department of Industrial Policy & Promotion, Ministry of Commerce and Industry along with the approval of the FIPB dated March 1, 2007 wherein the Ministry had acknowledge and given its approval to the company to issue 137,985,000 Equity Shares of the Company through the public issue subject to ceiling of foreign equity to 74% of the total shareholding of the Company.

The Company, with respect to the foreign shareholding is in compliance with the sectoral cap as fixed by the Foreign exchange laws and has already obtained necessary approval from FIPB for increasing the foreign equity from current shareholding of 73.78% to 74% of the total shareholding of the company pursuant to the public issue of Equity Shares.

## SECTION IX: 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 the Articles of Association of the Company relating to the voting rights, dividend, lien on shares, restrictions on transfer and transmission of shares/debentures and/or on their consolidation/splitting are detailed below. Please note that each provision herein below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

### Definitions

<b>“AIM”</b>	Asian Infrastructure (Mauritius), Inc.
<b>“Mcorp Affiliated Entities”</b>	In relation to the MCorp Parties, the MCorp Parties and any Person which is for the time being under the Control of Dr. Bhupendra Kumar Modi, any members of his immediate family or any trustee of any trust whose terms confer a power on the trustees that may be exercised for the benefit of Dr. B. K. Modi and/or any members of his immediate family and any subsidiary of any such company or entity.
<b>“Mcorp Director”</b>	A director nominated by MWPL.
<b>“Mcorp Parties”</b>	Those of MWPL, SIPL, MCorp Global, Indian Televentures, MCorp Telecom, DAI, AIM, Sunrise Telecom Limited and any Permitted Transferee of MWPL under Article 48.3 as the context requires
<b>“Licences” or “Licence Agreements”</b>	The licences granted to the Company for establishing and operating unified access services as amended from time to time
<b>“Permitted Transferee”</b>	In the case of a Shareholder, a transferee which is an MCorp Affiliated Entities or a member of the TMI Group (as the case may be), in each case, where the transferee is of similar financial standing to such Shareholder (and for the avoidance of doubt, Permitted Transferee shall not include employees of any MCorp Affiliated Entities or any person entitled to shares in the Company pursuant to any stock option scheme)
<b>“Press Note 5”</b>	Press Note 5 issued by the Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, Secretariat for Industrial Assistance in India on 3 November 2005, as amended from time to time
<b>“Reserved Matters”</b>	Any of the matters listed in Article
<b>“TMI”</b>	TM International Sdn. Bhd.
<b>“TMI India”</b>	TMI India Limited, a company which is for the time being, either directly or indirectly, under the control of TMI Group.
<b>“TMI Director”</b>	Director nominated by TMI India
<b>“TMI Group”</b>	Telekom Malaysia Berhad and its Subsidiaries

#### 4. Amount of share capital

The Authorised Capital of the Company shall be the same as provided in Clause V of the Memorandum of Association of the Company.

#### 5. Increase of share capital

- 5.1** The Company may from time to time by Ordinary Resolution increase its capital by such sum to be divided into shares of such amounts as the resolution shall prescribe. All new shares shall be subject to the provisions of the Act and of these Articles with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.
- 5.2** Subject to the provisions of the Act, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as by the general meeting creating the same shall be directed and if no direction be given as the Directors shall determine; and in particular such shares may be issued with a preferential or qualified right to dividends and in distribution of assets of the Company.
- 5.3** The Company shall have power to issue Convertible Preference Shares / Preference Shares carrying right of redemption out of profits which would otherwise be available for dividend, or out of the proceeds of a fresh issue of shares made for the purpose of such redemption, or liable to be redeemed at the option of the Company, and the Board may subject to the provisions of Section 80 of the Act, exercise such power in such manner as it think fit.

#### 5.4 Rights of shareholders to further issue of capital.

- 5.4.1.1 Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the company for the time being 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 the compliance with the provisions of section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the company in the General Meeting to give any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting
- 5.4.1.2 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 un-issued 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 favor of any other person and the notice referred to 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 favor 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 given that the declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion fit.
- 5.4.1.3. Notwithstanding anything contained in sub-clause (2) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (2) hereof) in any manner whatsoever.
- (a) If a special resolution to that effect 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 favor of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the chairman) by the members who, being entitled to do so, vote in person, or, where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the company.
- 5.4.1.4 Nothing in sub-clause (c) of (2) hereof shall be deemed:
- (a) To extend the time within which the offer should be accepted; or
  - (b) To authorize any person to exercise the right of renunciation for a second time, on the ground that the person in whose favor the renunciation was first made has declined to take the shares comprised in the renunciation.
- 5.4.1.5 Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debenture issued or loans raised by the company:
- (i) To convert such debenture or loans into shares in the company; or

- (ii) To subscribe for shares in the company (whether such option is conferred in these Articles or otherwise)

**PROVIDED THAT** the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- (a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and
- (b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the company in General Meeting before the issue of the debentures or raising of the loans.

## **5.5 Same as original capital.**

Except so far as otherwise provided by the conditions of issue or by these presents any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien, voting and otherwise.

## **6. Power of General Meeting to offer shares to such Persons as Company may resolve.**

In addition to and without derogating from the powers for that purpose conferred on the Directors under Article 17 and on the Company in general meeting may determine to issue further shares of the authorised but un-issued capital of the Company and 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 holders of debentures of the Company or not) in such proportions and on such terms and conditions and either at a premium or at par or, subject to compliance with the provisions of Section 79 of the Act, at a discount, as such general meeting shall determine and with full power to give to any person (whether a member or holder of debentures of the Company or not) the option to call for or be allotted share of any class of the Company either at a premium or at par or (subject to compliance with the provisions of Section 79 of the Act) at a discount, 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. Subject to any direction given by general meeting as aforesaid the provisions of Article 65 hereof shall apply to any issue of new shares.

## **7. Directors may allot shares as fully paid-up**

Subject to the provisions of the Act and these Articles, the Directors may allot and issue shares in the capital of the Company as payment or part payment for any property sold or transferred, goods or machinery supplied or for services rendered to the Company either in or about the formation or promotion of the Company or the conduct of its business and any shares which may be so allotted may be issued as fully paid or partly paid-up otherwise than in cash, and, if so issued, shall be deemed to be fully paid-up or partly paid-up shares as aforesaid.

## **8. Shares to be numbered progressively & no share to be sub-divided**

The shares in the capital of the Company shall be numbered progressively according to their several denominations, and except in the manner hereinafter mentioned, no share shall be sub-divided.

## **9. Acceptance of shares**

An application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the Register shall for the purpose of these Articles be a member.

## **10. Deposit and calls etc. to be a debt payable immediately**

The money (if any) which the 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 insertion of the name of the allottee in the Register of Members as the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.



## **11. Installments on Shares to be duly paid.**

If by the conditions of allotment of any share the whole or part of the amount or issue price thereof shall be payable by installments, every such installment shall when due be paid to the Company by the person who for the time being and from time to time shall be the registered holder of the share or his legal representative.

## **12. Allotment of sweat equity**

Subject to the provisions of Article 96.2.2 and section 79A of the Act and any rules or guidelines made thereunder, the directors may allot and issue shares in the Capital of the Company as sweat equity towards payment or part payment for any property or assets of any kind whatsoever sold or to be sold or transferred or to be transferred or for goods or machinery supplied or to be supplied or for services rendered or to be rendered or for technical assistance or know-how made or to be made available to the Company for the conduct of its business subject to the following conditions.

- (i) the issue of sweat equity share is authorised by a special resolution passed by the company in general meeting.
- (ii) the resolution specifies the number of shares, their value and the class or classes of directors or employees to whom such equity shares are to be issued.
- (iii) Not less than one year has at the date of the issue elapsed since the date on which the Company was entitled to commence business;
- (iv) The sweat equity share issued in accordance with the regulations made by the SEBI in this behalf.

## **13. Consolidation, subdivision and cancellation**

13.1 The Company may, upon the prior recommendation by the Board (subject to Article 96.2), by Ordinary Resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (b) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its capital by the amount of the shares so cancelled;
- (c) subdivide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the provisions of the Act), and so that the resolution whereby any share is subdivided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to unissued or new shares.

13.2 Whenever as a result of a consolidation or subdivision of shares any members would become entitled to fractions of a share, the Board may, on behalf of those members, sell the shares representing the fractions for the best price reasonably obtainable to any person (including, subject to the provisions of the Act, the Company) and distribute the net proceeds of sale in due proportion among those members, and the Board may authorise some person to transfer the shares to, or in accordance with the directions of, the purchaser. The transferee shall not be bound to see to the application of the purchase money nor shall its title to the shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale. So far as the Act allows, the Board may treat shares of a member in certificated form and in uncertificated form as separate holdings in giving effect to subdivisions and/or consolidations and may cause any shares arising on consolidation or subdivision and representing fractional entitlements to be entered in the Register as shares in certificated form where this is desirable to facilitate the sale thereof.

## **14. Purchase of own shares**

14.1 Subject to the provisions of the Act, the Company may, upon the prior recommendation by the Board (subject to Article 96.2), purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class (including any redeemable shares).

14.2 Save as permitted by Section 77 of the Act, the Company shall not give, whether directly or indirectly, any financial assistance, whether by way of loan, guarantee, the provision of security

or otherwise for the purpose of or in connection with any purchase of or subscription for shares in the Company.

**15. Reduction of capital**

Subject to the provisions of the Act, the Company may, upon the prior recommendation by the Board (subject to Article 96.2), by Special Resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any way.

**SHARES**

**16. Rights attaching to shares on issue**

Subject to the provisions of the Act, and without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued, any share in the Company may be issued with such preferred, deferred or other special rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, as the shareholders may approve in general meeting, the Board shall, issue any shares which are, or at the option of the Board or the holder are liable, to be redeemed

**17. Boards' power to allot**

Subject to the provisions of the Act relating to authority, pre-emption rights and otherwise and of any resolution of the Company in General Meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Board and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.

**18. Commissions on issue of shares**

The Company may exercise the powers of paying commissions conferred by the Act and subject to the provisions of Section 76 and other applicable provisions (if any) of the Act at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe or his procuring or agreeing to procure subscription, whether absolutely or conditionally, for any shares or debentures of the Company but so that the amount or rate of commission does not exceed in the case of shares 5% of the price at which the shares are issued. The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or debentures or partly in the one way and partly in the other, to the full extent thereby permitted. The Company may also on any issue of shares or debentures pay such brokerage as may be lawful.

**19. Renunciation of allotment**

The Board may in accordance with the provisions of the Act at any time after the allotment of any share but before any person has been entered in the Register as the holder recognise a renunciation thereof by the allottee in favour of some other person approved of by the Board upon and subject to such terms and conditions as the Board may think fit to impose.

**20. Trust etc. interests not recognised**

Subject to the provisions of the Act, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these Articles or by law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the holder.

**SHARE CERTIFICATES**

**21. Form of share certificate**

Every share certificate shall be executed by the Company in such manner as the Board may decide which may include use of the Seal or, in the case of shares on a branch register, an official seal for use in the relevant territory, manual signatures by two directors and the secretary or some other person authorised by the Board and shall specify the number and class of shares to which it relates and the amount paid up thereon. No certificate shall be issued representing shares of more than one class.

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 hereinabove the certificate 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.

**22. Members' right to certificates.**

Every member shall be entitled without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in the name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons the company shall not be borne to.

**23. Discretion to refuse sub-division or consolidation of certificates.**

Notwithstanding anything contained in the Article 13, the Board may in its absolute discretion refuse applications for the sub-division or consolidation of share, debenture or bond certificates in denominations of less than the marketable lot except when sub-division or consolidation is required to be made to comply with a statutory provision or an order of a competent court of law.

**24. Joint holders**

In the case of a share held jointly by several persons, the Company shall not be bound to issue more than one certificate therefore and delivery of a certificate to one of the joint holders shall be sufficient delivery to all.

**25. Replacement of share certificates**

25.1 Any two or more certificate representing shares of any one class held by any member may at his request be cancelled and a single new certificate for such shares issued in lieu without charge.

25.2 If any member shall surrender for cancellation a share certificate representing shares held by him and request the company to issue in lieu two or more share certificates representing such shares in such proportions as he may specify, the Board may, if they think fit, comply with such request.

25.3 If a share certificate shall be damaged or defaced or alleged to have been lost, stolen or destroyed, a new certificate representing the same shares may be issued to the holder upon request subject to delivery up of the old certificate or (if alleged to have been lost, stolen or destroyed) compliance with such conditions as to evidence and indemnity and the payment of any exceptional out-of-pocket expenses of the Company in connection with the request as the Board may think fit.

25.4 In the case of shares held jointly by several persons any such request may be made by any one of the joint holders.

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 Rules made under Securities Contracts (Regulation) Act, 1956 or any other Act or rules applicable in this behalf.

The provisions of this Article shall mutatis mutandis apply to the debentures of the Company.

25.5 No fee shall be charged for sub-division and consolidation of share and debenture certificates and for sub-division of letters of allotment and split, consolidation, renewal and pucca transfer receipts into denominations, corresponding to the market units of trading, for sub-division of renounceable letters of rights; for issue of new certificate in replacement of those which are old, decrepit or worn out, or where the pages on the reverse for recording transfers have been fully utilised. Provided that the Company may charge such fees as may be agreed by it with the Stock Exchange with which its shares may be enlisted for the time being for issue of new certificates in replacement of those that are torn, defaced, lost or destroyed, and for sub-division and consolidation of share and debenture certificates and for sub-division of letter of allotment and split, consolidation, renewal and pucca transfer receipts into denominations other than those fixed for the market units of trading.

**26. Dematerialization of Securities**

26.1 Definition for the purpose of this Article:

- (a) 'Beneficial Owner' shall mean beneficial owner as defined in clause (a) of sub-section (1) of Section 2 of the Depositories Act, 1996.

- (b) 'Depositories Act 1996' shall include any statutory modification or re-enactment thereof.
  - (c) 'Depository' shall mean a Depository as defined in clause (e) of sub-section (1) of Section 2 of the Depository Act, 1996.
  - (d) 'SEBI' means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992.
  - (e) 'Security' means such security as may be specified by SEBI from time to time.
  - (f) 'Member' means members of the Company holding a share or shares of any class and includes the beneficial owner in the records of the Depository.
  - (g) 'The Register' means the Register of Members to be kept in pursuant to the Companies Act and where shares are held in dematerialised form 'The Register' includes the Register of Beneficial owners maintained by a Depository.
- 26.2 Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its existing shares, debentures and other securities, rematerialise its shares, debentures and other securities held in the Depositories and/or offer its fresh shares, debentures and other securities, in a dematerialised form pursuant to the Depositories Act, 1996 and the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996.
- 26.3 Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required Certificate of Securities.
- If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.
- 26.4 All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Companies Act, 1956, shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.
- 26.5 Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
- Save as otherwise provided above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.
- 26.6 Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.
- 26.7 Notwithstanding anything contained in these Articles, every holder of shares in or debentures of the Company may at any time nominate in the manner prescribed under the Act, a person to whom his shares in or debentures of the Company shall vest in the event of his death. Such nomination and right of nominee to be registered as holder of shares/debentures as the case may be or for transfer of the shares/debentures as the case may be shall be governed by the provisions of Section 109A and 109B and other applicable provisions of the Companies Act, 1956.
- 26.8 Nothing contained in Section 108 of the Act shall apply to a transfer of securities effected by transfer and transferee both of who are entered as beneficial owners in the records of a depository.
- 26.9 Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held in the depository mode.

## CALLS ON SHARES

### 27. **Power to make calls**

The Board may from time to time, but subject to the conditions hereinafter mentioned, make such calls upon the members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or, when permitted, by way of premium) but subject always to the terms of allotment of such shares. A call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed and may be made payable by installments.

### 28. **Calls on shares of same class to be made on uniform basis.**

Where after the commencement of the Act, any calls for future share capital are made on shares, such calls shall be made on a uniform basis on all shares falling under the same class. For the purposes of this Article, shares of the same nominal value on which different amounts have been paid-up shall not be deemed to fall under the same class.

### 29. **Call to date from Resolution.**

A call shall be deemed to have been made at the time when the resolution of the Board of Directors authorising such call was passed and may be made payable by the members whose names appear on the Register of Members on such date or at the discretion of the Directors on such subsequent date as shall be fixed by the Directors.

### 30. **Directors may extend time.**

The Directors may from time to time, at their discretion, extend the time fixed for the payment of any call; and may extend such time as to all or any of the members for any cause or reason that the Directors may deem entitled to such extension, but no member shall be entitled to such extension save as a matter of grace and favour.

### 31. **Liability for calls**

Each member shall (subject to receiving at least 14 days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be wholly or partly revoked or postponed as the Board may determine.

### 32. **Interest on overdue amounts**

If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding 15 per cent per annum) as the Board determine but the Board shall be at liberty in any case or cases to waive payment of such interest wholly or in part.

### 33. **Other sums due on shares**

Any sum (whether on account of the nominal value of the share or by way of premium) which by the terms of allotment of a share becomes payable upon allotment or at any fixed date shall for all the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of allotment the same becomes payable. In case of non-payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

### 34. **Payment of calls in advance**

#### **Payment in anticipation of calls may carry interest**

The Directors may, if they think fit, subject to the provisions thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advances has been made, the company may pay interest at such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The member shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company

**Judgement decree or partial payment not to preclude forfeiture.**

Neither a judgement nor a decree in favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereunder nor the receipt by the Company of a portion of any money which shall from time to time be due from any member in respect of any shares either by way of principal or interest nor any indulgence granted by the Company in respect of the payment of any money shall preclude the forfeiture of such shares as herein provided.

**35. Proof on trial of suit for money due on shares**

Subject to the provisions of the Act and these Articles, on the trial or hearing of any action or suit brought by the Company against any member or his legal representative for the recovery of any money claimed to be due to the Company in respect of any shares it shall be sufficient to prove that the name of the member in respect of whose shares the money is sought to be recovered, appears entered on the Register of Members as the holder of the shares in respect of which such money is sought to be recovered; that the resolution making the call is duly recorded in the minutes book and that notice of such calls was duly given in pursuance of these presents; and it shall not be necessary to prove the appointment of the Directors who made such call nor any other matter whatsoever but the proof of the matters aforesaid shall be conclusive evidence of the debt.

**FORFEITURE AND LIEN**

**36. Notice on failure to pay a call**

36.1 If any member fails to pay the whole or any part of any call or installment or any money due in respect of any shares either by way of principal or interest on or before the day appointed for the payment of the same the Directors may at any time thereafter during such time as the call or installment or any part thereof or other moneys remain unpaid or a judgement or decree in respect thereof remains unsatisfied in whole or in part serve a notice on such member or on the person (if any) entitled to the share by transmission requiring him to pay such call or installment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses (legal or otherwise) that may have been incurred by the Company by reason of such non-payment.

36.2 The notice shall name a further day (not being less than fifteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be forfeited. The notice shall also state that in the event of non-payment at or before the time and (if payable to any person other than the Company) to the person appointed the shares in respect of which the call was made or installment is payable will be liable to be forfeited.

**37. Forfeiture for non-compliance**

If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before forfeiture. The Board may accept a surrender of any share liable to be forfeited hereunder.

**38. Entry of forfeiture in Register of Members.**

When any share shall have been so forfeited, an entry of the forfeiture, with the date thereof shall be made in the Register of Members.

**39. Disposal of forfeited shares**

A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Board shall think fit and at any time before a sale, re-allotment or disposal the forfeiture or surrender may be cancelled on such terms as the Board think fit. The Board may, if necessary, authorise some person to transfer a forfeited or surrendered share to any such other person as aforesaid.

**40. Holder to remain liable despite forfeiture**

A member whose shares have been forfeited or surrendered shall cease to be a member in respect of the shares (and shall surrender to the Company for cancellation the certificate for such shares) but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of the shares with interest thereon as may be determined by the Directors from time to time (or such lower rate as the Board may determine) from the date of forfeiture or surrender until payment and the Board may at their absolute discretion enforce payment without any allowance for the value of the shares at the time of forfeiture or surrender or for any consideration received on their disposal or waive payment in whole or in part.

**41. Lien on partly-paid shares**

The Company shall have a first and paramount lien on every share (not being a fully-paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such share and the Board may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article.

**42. Sale of shares subject to lien**

The Company may sell in such manner as the Board think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of 14 days after a notice in writing demanding payment of the sum presently payable and giving notice of intention to sell the share in default of payment shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy or otherwise by operation of law.

**43. Proceeds of sale of shares subject to lien**

The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the amount in respect whereof the lien exists so far as the same is then payable and any residue shall, upon surrender to the Company for cancellation of the certificate for the shares sold and subject to a like lien for sums not presently payable as existed upon the shares prior to the sale, be paid to the person entitled to the shares at the time of the sale. For the purpose of giving effect to any such sale the Board may authorise some person to transfer the shares sold to, or in accordance with the directions of, the purchaser.

**44. Evidence of forfeiture**

A statutory declaration in writing that the declarant is a Director or the Secretary and that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration shall (subject to the relevant share transfer being made, if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall not be bound to see to the application of the consideration (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

**45. Title of purchaser and allottee of forfeited shares**

The Company may receive the consideration, if any, given for the share on any sale, re-allotment or other disposition thereof and the person to whom such share is sold, re-allotted or disposed of may be registered as the holder of the share and he shall not be bound to see to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or other disposal of the share.

**VARIATION OF RIGHTS**

**46. Manner of variation of rights**

46.1 Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, if so determined by the Directors and subject to the provisions of the Act, be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of Special Resolution passed at a separate meeting of the holders of the shares of the class (but not otherwise) and may be so

varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up.

46.2 To every such separate meeting all the provisions of these Articles relating to General Meetings and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be five persons at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class (but so that at any adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum) and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him.

46.3 The foregoing provisions of this Article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

#### **47. Matters not constituting variation of rights**

The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by (a) the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto or (b) the purchase by the Company of any of its own shares.

### **TRANSFER OF SHARES**

#### **48. Transfer restrictions**

48.1 Each Shareholder shall not, and shall procure that, in the case of MWPL, the MCorp Affiliated Entities, and in the case of TMI India, the members of TMI Group, shall not:

48.1.1 mortgage (whether by way of fixed or floating charge), pledge or otherwise encumber its legal or beneficial interest in all or any of its Shares, other than as may be required by the lenders;

48.1.2 sell, transfer or otherwise dispose of all or any of its Shares, or any legal or beneficial interest therein or assign or otherwise purport to deal therewith or with any interest therein;

48.1.3 enter into any agreement with respect to the voting rights attached to all or any of its Shares; or

48.1.4 agree, whether conditionally or otherwise, to do any of the foregoing, save with in each case, the prior written consent of the other Shareholder and in accordance with these Articles.

48.2 Notwithstanding any other provision of these Articles, no Shareholder shall transfer any of its Shares (or any interest therein) to any Telecoms Operator or any Person controlled by it in violation of the terms of the licences.

48.3 Subject to Article 48.2, either Shareholder may transfer all (but not some only) of its Shares to a Permitted Transferee provided that:

48.3.1 the transferring Shareholder shall first have notified the other Shareholder of the proposed transfer;

48.3.2 the Permitted Transferee shall first have executed a deed of adherence under which it covenants to observe and to be bound by the terms of the Shareholders Agreement; and

48.3.3 where such Permitted Transferee ceases to be MCorp Affiliated Entities or member of the TMI Group (as the case may be), the applicable Shareholder shall procure that the Permitted Transferee shall transfer all the Shares previously transferred to it either to the transferring Shareholder or another Permitted Transferee of the transferring Shareholder, as it may direct.

48.4 Subject to Articles 48.1, 48.2, 48.3, if either Shareholder (the “**Selling Shareholder**”) proposes to transfer its Shares to a third party, it may only do so if and when the provisions of this Article 48.4 are fully complied with.



- 48.4.1 The Selling Shareholder must give to the other Shareholder (the **“Offeree Shareholder”**) and the Board (acting for the purposes of this Article 48.4 as agent for Spice) a notice in writing (the **“Transfer Notice”**) specifying:
  - 48.4.1.1 the identity of the bona fide third party purchaser;
  - 48.4.1.2 the number of Shares (the **“Offer Shares”**) it proposes to transfer to the third party;
  - 48.4.1.3 the sale price for the Offer Shares offered by the third party (which shall be solely in cash) (the **“Offer Price”**);
  - 48.4.1.4 all other material terms and conditions which are proposed to apply to the transfer of the Offer Shares to the third party; and
  - 48.4.1.5 a firm and binding commitment to purchase the Offer Shares by the third party.
- 48.4.2 The Transfer Notice shall constitute an offer (the **“Offer”**) to sell the Offer Shares to the Offeree Shareholder at the Offer Price and otherwise on the terms set out in the Transfer Notice. A Transfer Notice once given or deemed to be given shall not be capable of being withdrawn and may not, save with the written consent of the other Shareholder, be varied.
- 48.4.3 If the Selling Shareholder has issued a Transfer Notice, the Offeree Shareholder shall have the right to acquire the Offer Shares by giving written notice within thirty (30) Business Days of receipt of the Transfer Notice (the **“Offer Period”**) that either:
  - 48.4.3.1 it wishes to purchase the Offer Shares at the Offer Price, in which case Article 48.4.4 shall apply; or
  - 48.4.3.2 if declines the Offer, in which case Article 48.4.5 shall apply.
- 48.4.4 If the Offeree Shareholder has given notice pursuant to Article 48.4.3, the Offeree Shareholder shall become bound to acquire and the Selling Shareholder shall become bound to sell the Offer Shares at the Offer Price. Completion of the sale and purchase of the Offer Shares shall take place (unless the Shareholders otherwise agree) within 90 days after the Offer Period or within such other timeframe as may reasonably be necessary in order to obtain any necessary regulatory approvals required for such sale and purchase.
- 48.4.5 Subject to Article 48.4.7, if the Offeree Shareholder declines the Offer, the Selling Shareholder may transfer all (but not part only) of the Offer Shares at any time within 60 Business Days of the issue of the Transfer Notice to the person named as the bona fide third party purchaser in the Transfer Notice in pursuance of a bona fide sale at a price and on terms and conditions no more favourable than the Offer Price and the terms and conditions specified in the Transfer Notice.
- 48.4.6 If the Offeree Shareholder is unable to exercise its right of pre-emption over the Offer Shares under this Article 48.4 due to the prevailing laws and regulations in India, it shall be entitled to nominate a third party to acquire the Offer Shares at the Offer Price and the Selling Shareholder shall be obliged to sell the Offer Shares to such nominated third party at the Offer Price.
- 48.4.7 If the Offeree Shareholder does not wish to acquire the Offer Shares pursuant to Article 48.4.5, the Selling Shareholder shall, at the written request of the Offeree Shareholder, use its best endeavours to procure that third party purchaser makes an irrevocable and unconditional bona fide offer in writing to the Offeree Shareholder to acquire all of its Shares at the purchase price and on the same terms as the third party purchaser has agreed with the Selling Shareholder in respect of the sale and purchase of its Shares. If the Selling Shareholder is unable to procure the third party purchaser to make such an offer for the Offeree Shareholder’s Shares, it shall not sell its Shares to the third party purchaser except with the prior written consent of the Offeree Shareholder.
- 48.5 Any transfer of Shares pursuant to this Article 48 shall be free from any claims, equities, liens and encumbrances whatsoever and with all rights attached to the Offer Shares as at the date of service of the Transfer Notice.

- 48.6 The Selling Shareholder shall procure that prior to, and as a condition precedent of, any transfer of its Shares to a third party, such third party shall execute and deliver to the Company a deed of adherence under which it covenants to observe and be bound by the terms of the Shareholders Agreement.
- 48.7 The transfer of any Shares by MWPL to an employee of the Company or any person entitled to shares in the company pursuant to a warrant or option given by any MCorp Affiliated Entities shall not be made without the prior written consent of TMI India.
- 48.8 The Company shall not register any transfer of Shares, which is not in compliance with the provisions of the Shareholders Agreement.

#### **49. Register of Transfers.**

The Company shall keep a book to be called the “Register of Transfers” and therein shall be fairly distinctly entered the particulars of every transfer or transmission of any share.

##### **Instrument of Transfer**

A Common form of transfer shall be used and the instrument of transfer shall be in writing and all the provisions of Section 108 of the Act, and or any statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and their restrictions thereof.

#### **50. Form of transfer**

Save as provided in Section 108 of the Act, no transfer of shares shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name and required office or normal place of business of the transferee has been delivered to the Company together with the certificate, or if no such certificate be in existence, the letter of allotment of such shares in accordance with the provisions of Section 108 of the Act. The transferor shall be deemed to remain a member in respect of such shares until the name of the transferee shall have been entered in the register of members in respect thereof.

#### **51. Application for transfer.**

- 51.1 An application for the registration of a transfer of the shares in the Company may be made either by the transferor or the transferee.
- 51.2 Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the transfer within two weeks from the receipt of the notice.
- 51.3 For the purposes of Article 54 above notice to the transferee shall be deemed to have been duly given if it is dispatched by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.

#### **52. To be executed by transferor and transferee**

The Company shall not register a transfer of shares in the Company unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupations, if any, of the transferee, has been delivered to the Company along with the certificate relating to the shares, or if no such share certificate is in existence, along with the letter of allotment of the shares; 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; Provided further that nothing in this Article shall prejudice any power of the Company to register as shareholder any person to whom the right to any shares in the Company has been transmitted by operation of law.

##### **52.1 Directors may refuse to register transfer.**

Subject to the provisions of Section 111A of the Act, or any statutory modification thereof for the time being in force, the Directors may, at their absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of or the transmission by operation of law of the right to any shares in or debentures of the Company, whether fully paid or not and the right of refusal shall not be affected by the circumstances that the proposed transferee is already a member of the Company, but in such cases, the

Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of any transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien upon the shares or any of them. The registration of a transfer shall be conclusive evidence of the approval by the Board of the transferee but so far only as regards the share or shares in respect of which the transfer is so registered. Transfer of shares/debentures in whatever lot shall not be refused.

## **52.2 Transfer by legal representative.**

A transfer of a share in the Company of a deceased member thereof made by his legal representative shall, although the legal representative is not himself a member, be as valid as if he had been a member at the time of the execution of the instrument of transfer.

## **52.3 Custody of transfer.**

The instrument of transfer shall after registration be retained by the Company and shall remain in its custody. All instruments of transfer which the Directors may decline to register shall on demand be returned to the persons depositing the same. The Directors may cause to be destroyed all transfer deeds lying with the Company after such period as they may determine.

## **53. No fee on registration.**

No fee will be charged by the Company in respect of the registration of any transfer or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register affecting the title to any shares.

## **54. Closure of Register.**

On giving seven days' notice by advertisement in a newspaper circulating in a district in which the registered office of the Company is situated, the Register of Members may be closed during such time as the directors think fit not exceeding in the whole forty – five days in each year but not exceeding thirty days at a time.

## **55. Branch Register**

Subject to and to the extent permitted by the Act, the Company, or the Board on behalf of the Company, may cause to be kept in any territory a branch register of members resident in such territory, and the Board may make and vary such regulations as they may think fit respecting the keeping of any such register.

# **TRANSMISSION OF SHARES**

## **56. Persons entitled on death**

The executors or administrators or a holder of a Succession Certificate in respect of the estate of a deceased member not being one of two or more joint holders shall be the only person whom the Company will be bound to recognise as having any title to the shares registered in the name of such member and the Company shall not be bound to recognise such executors or administrators unless such executors or administrators shall have first obtained Probate or Letters of Administration as the case may be, from a duly Constituted Court in India, provided that in any case where the Directors in their absolute discretion think fit, the Directors may dispense with production of Probate or Letters of Administration or Succession Certificate and under the next Article 57, register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a member.

- 56A Every shareholder of the Company, may at anytime, nominate, in the prescribed manner, a person to whom his shares in, or debentures of the Company shall vest in the event of his death.
- 56B Where the shares of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company as the case may be, shall vest in the event of death of all the joint holders.
- 56C Notwithstanding anything contained in any other law for the time being a force or in any disposition, whether testamentary or otherwise, in respect of such shares in or debentures of the Company, where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in or debentures of the Company, the nominee shall, on the death of the shareholder or debenture holder or, as the case may be, on the death of the joint holders, become entitled to all the rights in such shares or debentures or, as the case may be, all the joint holders, in

relation to such shares or debentures, to the exclusion of all other persons, unless the nomination is varied, cancelled in the prescribed manner.

- 56D Where the nominee is a minor, it shall be lawful for the holder of the shares or debentures, to make the nomination to appoint, in the prescribed manner, any person to become entitled to shares in or debentures of the Company, in the event of his death, during the minority.

The provisions of this Article shall mutatis mutandis apply to the debentures of the Company.

#### **57. Election by persons entitled by transmission**

A person becoming entitled to a share in consequence of the death or bankruptcy of a member or otherwise by operation of law may (subject as hereinafter provided) upon supplying to the Company such evidence as the Board may reasonably require to show his title to the share either be registered himself as holder of the share upon giving to the Company notice in writing to that effect or transfer such share to some other person. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the notice or transfer were a transfer made by the member registered as the holder of any such share.

#### **58. Rights of persons entitled by transmission**

Save as otherwise provided by or in accordance with these Articles, a person becoming entitled to a share in consequence of the death or bankruptcy of a member or otherwise by operation of law (upon supplying to the Company such evidence as the Board may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the registered holder of the share except that he shall not be entitled in respect thereof (except with the authority of the Board) to exercise any right conferred by membership in relation to shareholders' meetings until he shall have been registered as a member in respect of the share.

#### **59. No Fee on transfer or transmission.**

No fee shall be charged for registration of transfer, Transmission, Probate, succession certificate and letters of administration, certificate of death or marriage, Power of attorney or similar other document.

#### **60. Company not liable for disregard of a notice prohibiting registration of transfer**

The Company shall incur no liability or responsibility whatever in consequence of their registering or giving effect to any transfer of shares made, or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the same shares notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice or referred thereto in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to them of any equitable right, title or interest, or be under any liability whatsoever for refusing or neglecting so to do though it may have been entered or referred to in some book of the Company but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto, if the Directors shall so think fit.

### **SHARE WARRANTS**

#### **61. ISSUE OF SHARE WARRANTS.**

- 61.1 The Company may issue share warrants subject to, and in accordance with, the provisions of sections 114 and 115; and accordingly the Board may in its discretion, with respect to any share which is fully paid-up, on application in writing signed by the person 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.

- 61.1.1 The bearer of a share warrant may at any time deposit the warrant at the office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company, and of attending, and voting and exercising the other privileges of a member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the register of members as the holder of the shares included in the deposited warrant.

- 61.1.2 Not more than one person shall be recognised as depositor of the share warrant.

61.1.3 The Company shall, on two days' written notice, return the deposited share warrant to the depositor.

**62. Rights of the holder of a Warrant.**

- 62.1 Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling a meeting of the Company, or attend, or vote or exercise any other privilege of a member at a meeting of the Company, or be entitled to receive any notices from the Company.
- 62.2 The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the shares included in the warrant, and he shall be a member of the Company.

**63. In case of defacement, loss or destruction.**

The Board may, from time to time, make rules as to the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction. The Board may, from time to time, make rules as to the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

**63A. Buy Back of Shares**

Subject to the provisions of sections 77A, 77AA, 77B and 217 (2B) of the Act, the Company is hereby authorized to buy -back the Company's shares or other specified securities out of its free reserves or its securities premium account or from the proceeds of any shares or other specified securities; Provided that no buy -back of any kind of shares or other specified securities shall be made out of the proceeds of an earlier issue of the same kind of shares or the same kind of other specified securities.

**GENERAL MEETINGS**

**64. Annual and Extraordinary General Meetings**

An Annual General meeting shall be held once in every year, at such time (within a period of not more than 15 months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Board. All other General Meetings shall be called Extraordinary General Meetings.

**65. Convening of General Meetings**

The Board may whenever they think fit, and shall on requisition in accordance with the Act, proceed with proper expedition to convene an Extraordinary General Meeting.

**66. Notice of General Meetings**

Subject to provisions of the Act and Unless otherwise agreed by all the Shareholders, at least 21 days' notice shall be given by the Company to the Shareholders of any General Meeting of the Company.

**67. Contents of notice of General Meetings**

- 67.1 Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member of the Company.
- 67.2 The notice shall specify the general nature of the business to be transacted at the meeting, and if any resolution is to be proposed as Special Resolution, the notice shall contain a statement to that effect. Unless in any particular case, all the Shareholders shall otherwise agree, no resolution relating to any business may be proposed or passed unless the nature of the business is specified in the relevant notice.
- 67.3 In the case of an Annual General Meeting, the notice shall also specify the meeting as such.

**PROCEEDINGS AT GENERAL MEETINGS**

**68. Chairman**

The Chairman of the Board, shall preside as chairman at a General Meeting. If there is no such Chairman, or if at any meeting, neither the Chairman is present within five minutes after the time appointed for holding the meeting nor willing to act, the Directors present shall choose one of their number (or, if no Director is present

or if all the Directors present decline to take the chair, the members present and entitled to vote shall choose one of their number) to be chairman of the meeting.

## **69. Quorum**

- 69.1 The quorum for the transaction of business at a General Meeting shall be five persons representing the Shareholders present, of whom at least one person shall, for so long as MCorp Parties owns directly or indirectly not less than 26% of the total issued Shares, be MWPL's representative and, for so long as the TMI own directly or indirectly not less than 26 per cent of the total issued Shares, at least one person shall be the TMI India's representative.
- 69.2 The Shareholders shall use all reasonable endeavours to procure that their respective representatives attend each meeting of Shareholders and that a quorum is present throughout each such meeting.
- 69.3 If within half an hour from the time appointed for a general meeting a quorum is not present, the meeting shall be adjourned to the same day of the next week at the same time and place and each Shareholder shall be notified by the Company by facsimile notice or by any other form of notice in writing of the date, time and place of the adjourned meeting. If at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, those Shareholders present and duly represented shall constitute a quorum.

## **70. Voting**

The Shareholders shall cause all voting at any Shareholders' meeting to be by show of hands, unless poll is demanded. Subject to applicable law, the Shareholders shall exercise their votes in a Shareholder meeting in a manner such that no decision or action (in respect of any resolution, whether ordinary or special) in respect of a Reserved Matter is taken without the affirmative vote of MWPL for so long as MCorp Parties hold directly or indirectly not less than 26% of the total issued Shares and TMI India for so long as TMI Group holds directly or indirectly not less than 26per cent of the total issued Shares.

## **71. Procedure on a poll**

A poll shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may (and if so directed by the meeting shall) appoint scrutinisers (who need not be members) and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

## **72. Voting on a poll**

On a poll votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

## **73. Amendments to resolutions**

If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a Special Resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.

## **VOTES OF MEMBERS**

## **74. Votes attaching to shares**

Subject to any special rights or restrictions as to voting attached by or in accordance with these Articles to any class of shares, on a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

## **75. Votes of joint holders**

In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the share.

## **76 Equality of Votes**

The chairman of the meeting shall not be entitled to a casting vote in the case of an equality of votes, whether on a show of hands or on a poll. In such event, the relevant resolution shall be deemed not to have been passed.

## **77 Restriction on voting in particular circumstances**

No member shall, unless the Board otherwise determine, be entitled in respect of any share held by him to vote either personally or by proxy at a shareholders' meeting or to exercise any other right conferred by membership in relation to shareholders' meetings if any call or other sum presently payable by him to the Company in respect of that share remains unpaid.

## **78 Voting by guardian**

A member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on poll, vote by proxy; if any member be a minor, the vote in respect of his share or shares shall be by his guardian, or any one of his guardians, if more than one, to be elected in case of dispute by the Chairman of the meeting.

### **78A Voting rights of the holders of the preference shares**

The voting rights of the holders of the preference shares including the redeemable Cumulative preference shares shall be in accordance with the provisions of section 87 of the Act.

## **79 Validity and result of vote**

79.1 No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.

79.2 Unless a poll is taken a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution.

## **PROXIES AND CORPORATE REPRESENTATIVES**

## **80 Proxy need not be a member**

A proxy need not be a member of the Company.

## **81 Form of proxy**

An instrument appointing a proxy shall be in writing in the form set out in Schedule IX of the Act or in any other form which the Board may approve and;

- (a) in the case of an individual, shall be signed by the appointor or his attorney; and
- (b) in the case of a corporation, shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.

The signature on such instrument need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Article, failing which the instrument may be treated as invalid.

## **82 Deposit of form of proxy**

An instrument appointing a proxy must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Transfer Office) not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates. An instrument of proxy relating to more

than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates.

**83 Rights of proxy**

An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll but shall not confer any further right to speak at the meeting, except with the permission of the chairman of the meeting.

**84 Revocation of proxy**

A vote cast or demand for a poll made by proxy shall not be invalidated by the previous death or insanity of the member or by the revocation of the appointment of the proxy or of the authority under which the appointment was made unless written notice of such death, insanity or revocation shall have been received by the Company at the Transfer Office at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

**85 Corporations acting by representatives**

Any corporation which is a member of the Company may by resolution of its Board or other governing body authorise such person as it thinks fit to act as its representative at any shareholders' meeting. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall for the purposes of these Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

**BOARD**

**86 Number of Directors**

The Number of Directors shall not be less than three (3) and may consist of up to nine (9) Directors.

**87 Share qualification**

A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at shareholders' meetings.

**88 Directors' fees**

A Director shall be entitled for Sitting fees as decided by the Board of Directors subject to limits provided, if any, under Companies Act, 1956, and Rules framed there under for attending each meeting of the Board of Directors or Sub-Committee thereof.

**89 Directors' expenses**

The Company shall be responsible for the payment of expenses and out-of-pocket costs ("Director's Expenses") incurred by each of the Directors in the performance of his or her duties as a Director. Each Director Expenses shall be invoiced monthly with such supporting information as the Company may reasonably require and shall be paid not later than the date failing 30 days after the date of the relevant invoice.

**APPOINTMENT AND RETIREMENT OF DIRECTORS**

**90 Appointment of Directors**

- 90.1 The composition of the Board shall at all times be in compliance with the Licence Agreements and Press Note 5.
- 90.2 For so long as the MCorp Parties hold collectively, directly or indirectly:
  - 90.2.1 26 per cent or more of the total issued Shares, MWPL shall have the right to nominate, remove and replace three (3) Directors, including one (1) non-retiring director;
  - 90.2.2 10 per cent but less than 26 per cent of the total issued Shares, MWPL shall have the right to nominate, remove and replace one (1) Director, as non-retiring director; and
  - 90.2.3 less than 10 per cent of the total issued Shares, MWPL shall cease to have the right to nominate, remove and replace any Director.
- 90.3 For so long as TMI or members of the TMI Group holds, directly or indirectly:



- 90.3.1 26 per cent or more of the total issued Shares, TMI India shall have the right to nominate, remove and replace three (3) Directors, including one (1) non-retiring director;
- 90.3.2 10 per cent but less than 26 per cent of the total issued Shares, TMI India shall have the right to nominate, remove and replace one (1) Director, as non-retiring director ; and
- 90.3.3 less than 10 per cent of the total issued Shares, TMI India shall cease to have the right to nominate, remove and replace any Director.
- 90.4 The Board shall appoint three (3) independent Directors. Each of MWPL and the TMI India shall be entitled to propose one (1) independent Director, each of whom shall be appointed by the Board and, for so long as MCorp Parties or TMI (as the case may be) own(s) directly or indirectly more than 50 per cent of the total issued Shares, MWPL or TMI India (as the case may be) shall be entitled to propose a second independent Director, who shall be appointed by the Board.

## **91 Chairman**

- 91.1 For so long as the MCorp Parties or TMI (as the case may be) own(s) directly or indirectly more than 50 per cent of the total issued Shares, the Chairman shall be chosen from one of the Directors proposed by MWPL or TMI India (as the case may be) pursuant to Article 90.2 or Article 90.3. Initially, Dr B.K Modi shall be the Chairman, nominated by MWPL.
- 91.2 Any appointment or withdrawal of a Director pursuant to this Article 90 shall be implemented in the following manner:
  - 91.2.1 A notice signed by the Shareholder specifying the identity of the person to be nominated or removed as a Director and the date on which such nomination or withdrawal is to take effect (such date, the "Relevant Date") shall be delivered to the Company's company secretary at the registered office of the Company or to a meeting of the Board. If any such notice is delivered to a meeting of the Board, the Board shall at the same meeting pass the necessary resolutions to give effect to such nomination or withdrawal. If any such notice is delivered to the Company's company secretary, the Company's company secretary shall, at the direction of any Director, either convene a meeting of the Board on or prior to the Relevant Date to pass the necessary resolutions to give effect to the nomination or removal of the nominated Director as specified in such notice or, if it is not practicable to convene a meeting of the Board on or prior to the Relevant Date, cause a circular resolution to be passed to give effect to such nomination or withdrawal and such a circular resolution shall be tabled at the following meeting of the Board.
  - 91.2.2 If any nomination or withdrawal of a Director has to be approved by the Shareholders in a general meeting, the Company's company secretary shall, at the direction of the Board, include the approval of the nomination or withdrawal of a Director in the agenda for the immediately following Shareholder meeting or, if required, convene an extraordinary Shareholder meeting to approve such nomination or withdrawal.
- 91.3 Subject to applicable laws, any Director may, by giving notice in writing to the Board appoint an alternate and may, in the same way, withdraw an alternate so appointed by him. An alternate shall be entitled to receive notice of all meetings of the Board and attend and vote as such at any meeting at which the Director appointing him is not personally present, and generally in the absence of his appointor to do all the things which his appointor is authorised or empowered to do. A Director who is also an alternate shall be entitled, in the absence of his appointor:
  - 91.3.1 to a separate vote on behalf of his appointor in addition to his own vote; and
  - 91.3.2 to be counted as part of the quorum of the Board on his own account and in respect of the Director for whom he is the alternate
- 91.4 At every Annual General Meeting, one third of such of the Directors are liable to retire by rotation for the time being or if their number is not three or multiple of three, then the number nearest to one-third shall retire from office.
- 91.5 A Retiring Director shall be eligible for re-election and shall act as a Director upto and throughout the meeting at which he retires. The Company at the General Meeting at which a Director retires in the manner aforesaid may fill up the vacated office by electing him or another person.
- 91.6 The Director to retire by rotation at every Annual General Meeting shall be those who have been longest in office, since their last election, but as between persons who became Directors on the

same day, those to retire, shall unless they otherwise, agree among themselves be determined by lot.

91.7 Subject to section 256 of the Act, if any meeting at which an election of Directors ought to take place, the place of the vacating Director is not filled up and the meeting has not expressly resolved not to fill up the vacancy, the meeting shall stand adjourned till the same day in the next week or if that day is a public holiday till the next succeeding day which is not a public holiday at the same time and place and if at the adjourned meeting the place of vacating Directors is not filled up and that meeting has also not expressly resolved not to fill up the vacancy, then the vacating Director or such of them as have not had their places filled up shall be deemed to have been reappointed at the adjourned meeting.

91.8 A person not being a retiring Director shall be eligible for appointment to the office of a Director at any General Meeting if he or some other Member intending to propose him as a Director, not less than fourteen days before the meeting, has left at the office of the Company a notice in writing under his hand signifying his candidature for the office of the Director or the intention of such Member to propose him as a candidate for the office, as the case may be; provided that, such person has signed and filed with the Company a consent in writing to act as such Director, if appointed.

## **92 Casual Vacancies**

The Company may by Ordinary Resolution elect, and without prejudice thereto the Board shall have power at any time to appoint, any person to be a Director to fill a casual vacancy PROVIDED THAT any such election or appointment shall only be made in accordance with Article 90 and that the person so elected or appointed shall be nominated by the Shareholder that nominated the vacating Director. Any person so appointed by the Board shall hold office only until the next Annual General Meeting and shall then be eligible for election (and the shareholders shall at that time confirm such appointment unless another persons is to be appointed in accordance with Article 90).

## **93 Additional Director**

The Board of Directors shall have power, at any time and from time to time, to appoint any other person to be additional director, but so that the number of the directors shall not at any time exceed the maximum fixed by Article 86 above. Any Director appointed, as an additional director shall continue in office till the next annual general meeting held after such appointment but shall be eligible for appointment by the Company as a director at the meeting, subject to the provisions of the Act.

## **MEETINGS AND PROCEEDINGS OF DIRECTORS**

## **94 Proceedings of the Board**

94.1 Meetings of the Board shall be held at least once every three (3) months and otherwise more frequently as circumstances require. At least five (5) Business Days' written notice of a Board Meeting shall be given to each Director and his alternate (if any), provided that a meeting of the Board may be convened by giving not less than 48 hours' notice if the interests of the Company would be likely to be adversely affected to a material extent if the business to be transacted at such Board meeting were not dealt with as a matter of urgency or if all Directors or their respective alternates agree. An agenda identifying in reasonable detail the issues to be considered by the Directors at any such meeting and copies of any relevant papers to be discussed at the meeting shall be distributed in advance of the meeting to all members of the Board and their alternates so as to ensure that they are received at least three (3) Business Days prior to the date fixed for such meeting or, if a meeting of the Board is convened at 48 hours' notice, as soon as practicable. The notice, agenda and any relevant papers for the Board meeting may be sent to those Directors residing outside India by facsimile transmission or e-mail, to be followed immediately by confirmation by mail.

94.2 Any Director may participate in a meeting of the Board as applicable, by means of conference telephone or similar instantaneous telecommunication equipment and participation in a meeting in such manner shall be deemed to constitute a meeting of the Board so long as the following conditions are met:

94.2.1 all the Directors shall have received notice that a meeting will be held by instantaneous telecommunication device;

- 94.2.2 Each Director taking part in the meeting by instantaneous telecommunication device must be able to hear and/or see, as the case may be, each of the other Directors of the relevant board taking part, and to participate in the meeting;
- 94.2.3 At the commencement of the meeting each Director shall acknowledge his or her presence for the purpose of the meeting to all the other Directors taking part; and
- 94.2.4 The quorum for such meetings shall be as required by Article 95.

## **95 Quorum**

- 95.1 The quorum for the transaction of business at any Board meeting shall be one third of the total Directors and shall include, for so long as MCorp Parties owns directly or indirectly not less than 26 per cent. of the total Issued Shares one MCorp Director and, for so long as TMI own directly or indirectly not less than 26 per cent of the total issued Shares, one TMI Director, present in person or represented by their alternates.
- 95.2 Subject to applicable laws, if within half an hour from the time appointed for a Board meeting a quorum is not present, the meeting shall be adjourned to the same day of the next week at the same time and place. Each Director not present at the meeting shall be notified by the Company's company secretary by facsimile notice or by any other form of notice in writing of the date time and place of the adjourned meeting. If at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, then those Directors present in person or represented by their alternates shall constitute a quorum.

## **96 Voting**

- 96.1 Resolutions of the Directors shall be effective if carried by a simple majority of the Directors save for resolutions concerning a Reserved Matter which shall only be effective if carried by a majority of the Directors including at least one MCorp Director (for so long as the MCorp Parties own directly or indirectly not less than 26 per cent. of the total issued Shares) and one TMI Director (for so long as TMI owns directly or indirectly not less than 26 per cent. of the total issued Shares). The Chairman shall not have a casting vote.
- 96.2 The following matters shall constitute Reserved Matters in the event that they are not already covered in a Board-approved Business Plan or if such matters relate to an expense or outlay amounting to greater than US\$ 1 million:
  - 96.2.1 Issuing or allotting any share or other capital or repurchasing, reducing, redeeming, converting, sub-dividing, canceling or otherwise reorganising any share or other securities.
  - 96.2.2 Granting any share option or right to subscribe, acquire or convert into shares, issuance of sweat equity shares, adoption of or any amendment to or implementation or varying any incentive, stock option, bonus or employee benefit plan or commission arrangement.
  - 96.2.3 Ceasing or making any change in the geographical location or the scope of the Business.
  - 96.2.4 Changing the accounting reference date.
  - 96.2.5 Appointing or removing the Auditors.
  - 96.2.6 Adopting or approving the annual accounts.
  - 96.2.7 Approving any new Business Plan or Annual Budget (or any amendments thereto), or amending the Business Plan or any Annual Budget (or other budget) previously approved.
  - 96.2.8 Approving additional capital contributions to the Company and the amount of such contributions.
  - 96.2.9 Acquiring, disposing of, surrendering or assigning any freehold or leasehold property.
  - 96.2.10 Disposing of or licensing any intellectual property rights.
  - 96.2.11 Establishing any subsidiary, entity or branch offices.
  - 96.2.12 Acquiring or disposing of any interest in any business or company, participating in any partnership, joint venture or profit/revenue sharing arrangement or commencement of any new business.

- 96.2.13 Incurring any borrowing or indebtedness which is either not less than US\$1 million (or the equivalent thereof) whether or not approved in the Business Plan, or an amount not less than US\$500,000 (or the equivalent thereof) that is not provided for in the Business Plan or Annual Budget, or creating any encumbrance upon or in respect of the whole or part of the Business or the assets, or requiring any other form of support from Shareholders.
- 96.2.14 Entering into any agreement or commitment of a value in excess of US\$500,000 or for an initial term of not less than 12 months, unless such agreement or commitment has been expressly provided for in the Business Plan or Annual Budget.
- 96.2.15 Incurring capital commitments or expenses which in aggregate is in excess of 10% of the Annual Budget for the relevant financial year.
- 96.2.16 Entering into any agreement not on bona fide arm's length terms or any agreement with any Director or with any Party (or directors, officers, employees or affiliates thereof).
- 96.2.17 Making any loan to any Shareholder, Director, officer or employee or to any third person or providing any surety or security arrangement in respect of any such loan or third person obligation.
- 96.2.18 Granting any employment, service or consultancy agreement to any employee of the Company or varying or (except for cause justifying summary dismissal) terminating any such agreement.
- 96.2.19 Appointing or dismissing the Company's Secretary.
- 96.2.20 Appointment or removal of the Chief Executive Officer.
- 96.2.21 Determination and payment of any Directors' remuneration, commission, fees and expenses.
- 96.2.22 Determination and payment of each senior employee's remuneration in excess of US\$150,000 per annum.
- 96.2.23 Verification and registration of any transfer of Shares other than permitted transfers of Shares under these Articles.
- 96.2.24 Initiating, defending or settling any litigation, arbitration or similar proceedings where the aggregate of claims of all parties involved exceeds US\$200,000.
- 96.2.25 Making any claim for or surrendering of losses for taxation purposes.
- 96.2.26 Granting any power of attorney or delegating any powers of the Board to a committee or otherwise, and identification and establishment of new Board committees and prescribing the functions and responsibilities of a Board committee.
- 96.2.27 Application for, modification of, surrender of, or any act or thing which has an adverse impact on the use or ownership of any telecommunications licence in India.
- 96.2.28 Any amendments or modifications to the memorandum of association and/or the Articles.
- 96.2.29 Any determination that any portion of share capital shall not be called up except in the event of winding up.
- 96.2.30 Any variation of rights of holders of any class of shares.
- 96.2.31 Taking of any steps relating to the bankruptcy, liquidation, winding-up or dissolution of the Company or any compromise with any of the creditors or any class of them.
- 96.2.32 Any merger, acquisition, consolidation, reconstitution, recapitalization, reorganisation, amalgamation or other business combination involving any combination of the above transactions.
- 96.2.33 Approving an IPO and all matters relating thereto.
- 96.2.34 Writing off of assets or debts of an aggregate amount of US\$2,000,000 or more in each financial year.
- 96.3 If a resolution concerning a Board Reserved Matter submitted to a duly convened meeting of the Board is not carried at that meeting, then, without prejudice to the Board's ability to consider any other business put to it at such meeting, the meeting shall (on the written request of any Director or his alternate at such meeting) be adjourned for three (3) Business Days and then reconvened. If

such resolution is not carried at the adjourned meeting, the Shareholders shall procure that the matter which is the subject of such resolution shall not be implemented and be referred to the Chairman of MWPL and the CEO of TMI (or their nominated representatives) for resolution and, if they fail to resolve the matter within 45 days from the date of the relevant Board meeting, Article shall apply.

## **97 Board Committees**

- 97.1 Subject to provisions of Section 292 and other provisions of the Act, the Board may delegate its powers to one or more committee(s) and upon such terms and conditions as may be imposed by the Board. The procedures, quorum requirements, voting requirements and voting restrictions for any such committee(s) shall follow and comply with the procedures for Directors' meetings as set out in Article 94, 95, 96 and 100. Any committee shall only act in accordance with the instructions of the Board.
- 97.2 The Board shall establish a Performance Review Committee ("PRC"), which shall operate for a minimum of two years from the date of its constitution and which shall have the power and authority delegated to it by the Board and agreed by MWPL and TMI. The PRC shall consist of the MCorp Directors and the TMI Directors and shall meet at least once a month and as circumstances otherwise require. The PRC shall be responsible for reviewing overall business operations and performance of the Company, integration issues and other matters as the Board may prescribe.

## **98 Chief Executive Officer and senior management team**

- 98.1 The CEO, CTO and CFO shall be appointed in accordance with the provisions of the Licences granted by the DOT and in accordance with the provisions of Press Note 5.
- 98.2 The Chief Executive Officer ("CEO") shall have primary responsibility for and shall receive authority from the Board to have effective day-to-day management of the Business. The CEO shall be a full-time employee of the Company and shall be a resident Indian citizen. The MCorp Parties and TMI shall jointly recommend the CEO for appointment by the Board.
- 98.3 The CEO shall be supported by a team of senior management employees, who shall report directly to the CEO. The CEO shall seek to identify the best possible candidates for key management positions and such candidates (and their terms of employment and remuneration) shall be approved by the Board. Save to the extent that the Board may delegate such appointment to the CEO. To the extent necessary for the Company to comply with applicable Indian laws and regulations, such candidates shall be resident Indian citizens. Notwithstanding the aforesaid, TMI shall have the right to nominate the Head of Strategy/Technology, who shall be a resident Indian citizen and approved by the CEO. Such Head of Strategy/Technology shall report to the CEO.

## **99 Number of Directors below minimum**

The continuing Directors may act notwithstanding any vacancies, but if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with these Articles, the continuing Directors or Director may act for the purpose of filling such vacancies in accordance with Article 90 or of summoning General Meetings, but not for any other purpose. If there be no Directors or Director able or willing to act, then any two members may summon a General Meeting for the purpose of appointing Directors in accordance with Article 90.

## **100 Written resolutions**

Subject to provisions of the Act, a resolution in writing signed by all the Directors entitled to vote thereon (being not less in number than a quorum for meetings of the Board) shall be as valid and effectual as a resolution duly passed at a meeting of the Board and may consist of several documents in the like form each signed by one or more Directors

## **DIRECTORS' INTERESTS**

## **101 Director may contract with the Company**

Subject to the provisions of the Act, Director or his relative, or any firm in which such Director or relative is a partner, or any other partner in such firm or private company of which the Director is a member or Director may enter into any contract with the Company for the sale, purchase or supply of any goods, materials or services or for under writing the subscription of shares in or debentures of the Company.

## **102 Disclosure of Interest**

A Director of the company who is any way, whether directly or indirectly concerned or interested in a contract or arrangement, or proposed contract or arrangement entered into or to be entered into by or on behalf of the Company shall disclose the nature of his concern or interest at a meeting of the Board in the manner provided in section 299 of the Act. PROVIDED THAT it shall not be necessary for a Director to disclose his concern or interest or arrangement entered into or to be entered into with any other Company where any of the Directors of the Company or two or more of them together holds or hold not more than two per cent of the paid-up share capital in any such other Company.

## **103 General notice of disclosure**

A General Notice, given to the Board by the Director to the effect that he is a Director or member of a specified firm and is to be regarded as concerned or interested in any notice shall expire at the end of the financial year in which it shall be given but may be renewed for a further period of one financial year at a time by fresh notice given in the last month of the financial year in which it would have otherwise expired. No such general notice and no renewal thereof shall be of effect unless, reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.

## **104 Interested Directors not to participate or vote in Board proceedings**

No Director shall as a Director take part in the discussion of, or vote on any contract or arrangement entered into or to be entered into by or on behalf of the Company, if he is in any way, whether directly or indirectly concerned or interested in such contract or arrangement, nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote, and if he does vote shall be void. Provided however, that nothing herein contained shall apply to:

- (a) any contract of indemnity against any loss which the Directors, or any one or more of them, may suffer by reason of becoming or being sureties or a surety or a surety of the Company;
- (b) any contract or arrangement entered into or to be entered into with a public Company or a private Company which is subsidiary of a public company in which the interest of the Director consists solely:
  - (i) in his being:
    - (a) a Director of such Company; and
    - (b) the holder of not more than share of such number or value therein as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such Director by the Company; or
  - (ii) in his being a member holding not more than two percent of its paid up share capital.

## **POWERS OF BOARD**

## **105 General powers**

Subject to these Articles, Section 293 of the Act and other applicable laws, the Board shall be entitled to exercise all powers and to do all acts and things on behalf of the Company as are necessary and desirable for the exercise of such powers. The Board shall be responsible for all policy and management decisions of the Company and/or relating to the Business.

## **106 Supervision of Company Affairs**

The Board shall be responsible for the direction, supervision and control of the affairs of the Company and shall take decisions in respect of all those matters which are statutorily required to be taken by the Board and/or any other matter which may be recommended to the Board by the CEO for its consideration and approval or noting.

## **107 Dealings at arm's length**

The Business of the Company shall at all times be conducted honestly and independently from the business of the shareholders, but subject thereto the Company may transact business on arms length commercial terms with any of the shareholders and, to the maximum extent possible, shall purchase products and services which are or will be available from the shareholders provided that they are generally competitive with third party suppliers in terms of price, quality, functionality and terms of sale.

**108 Unethical business practices**

The Board shall ensure that the Company does not engage in any business with any agent, distributor, customer or other person where the Board knows or suspects that payoffs or other similar practices are involved in doing such business.

**DUTY TO COMPLY WITH THE LICENCE AGREEMENTS**

**109** The Company shall at all times and from time to time comply with the provisions of the Licence Agreements and Press Note 5.

**110** The provisions of the Licence Agreement and Press Note 5 shall have effect notwithstanding anything to the contrary contained in the Memorandum of Association or in these Articles, or in any agreement executed by the Company or in any resolution passed by the Company in its general meeting or by its Board.

**111** Any provision contained in the Memorandum of Association or in these Articles, or in any agreement executed by the Company or in any resolution passed by the Company in its general meeting or by its Board, shall to the extent to which it is repugnant to the provisions of the Licence Agreements and Press Note 5 shall become or be void, as the case may be.

**RESERVES**

**115 Establishment of Reserves**

Subject to the provisions of the Act, the Board shall in accordance with Section 205 (2A) of the Act, before recommending any dividend, the Board may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Board, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may, either be employed in the Business or be invested. The Board may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Board may also, without placing the same to reserve carry forward any profits. In carrying sums to reserve and in applying the same the Board shall comply with the provisions of the Statute.

**DIVIDENDS**

**116 Final dividends**

116.1 Subject to the applicable regulations, these Articles and the requirement of any lenders to the Company, all of the net after tax profits of the Company in each year after having regard to the Company's funding requirements (if any) and after the payment of interest, and (to the extent required thereunder) the repayment of principal shall, upon the recommendations of the Board, be distributed to the shareholders in cash by way of dividend.

116.2 The shareholders shall approve the recommendations of the Board regarding the dividend and each such distribution by way of dividend shall be made within 30 days of the completion of the final audit of the financial statements of the Company at the end of each Accounting Period and the holding of the General Meeting of the shareholders approving the declaration of the relevant dividend.

**117 Fixed and interim dividends**

If and so far as in the opinion of the Board the profits of the Company justify such payments, the Board may pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit. Provided the Board act in good faith they shall not incur any liability to the holders of any shares for any loss they may suffer by the lawful payment, on any other class of shares having rights ranking after or pari passu with those shares, of any such fixed or interim dividend as aforesaid.

**118 Distribution in spice**

The Company may, only upon the recommendation of the Board, by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Board shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Board may settle the same as they think expedient and in particular

may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash shall be paid to any member upon the footing of the value so fixed in order to adjust the rights of members and may vest any assets in trustees.

**119 No dividend except out of profits**

No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Act and not otherwise than in accordance with the provisions of these Articles.

**120 Ranking of shares for dividend**

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For the purposes of this Article no amount paid on a share in advance of calls shall be treated as paid on the share.

**121 Manner of payment of dividends**

121.1 Any dividend or other moneys payable on or in respect of a share shall be paid to the member or to such other person as the member (or, in the case of joint holders of a share, all of them) may in writing direct. Such dividend or other moneys may be paid (i) by cheque sent by post to the payee or, where there is more than one payee, to any one of them, or (ii) by inter-bank transfer to such account as the payee or payees shall in writing direct, or (iii) using the facilities of a relevant system, or (iv) by such other method of payment as the member (or in the case of joint holders of a share, all of them) may agree to. Every such cheque shall be sent at the risk of the person or persons entitled to the money represented thereby, and payment of a cheque by the banker upon whom it is drawn, and any transfer or payment within (ii) or (iii) above, shall be a good discharge to the Company.

121.2 Subject to the provisions of these Articles and to the rights attaching to any shares, any dividend or other moneys payable on or in respect of a share may be paid in such currency as the Board may determine, using such exchange rate for currency conversions as the Board may select.

121.3 The Company may cease to send any cheque, warrant or order by post for any dividend on any shares which is normally paid in that manner if in respect of at least two consecutive dividends payable on those shares the cheque, warrant or order has been returned undelivered or remains uncashed but, subject to the provisions of these Articles, shall recommence sending cheques, warrants or orders in respect of the dividends payable on those shares if the holder or person entitled by transmission claims the arrears of dividends and does not instruct the Company to pay future dividends in some other way.

**122 Joint holders**

If two or more persons are registered as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder or otherwise by operation of law, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.

**123 Record date for dividends**

Any resolution for the declaration or payment of a dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Board, may specify that the same shall be payable to the persons registered as the holders of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferor and transferees of any such shares.

**124 No interest on dividends**

No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.

**125 Retention of dividends**

125.1 The Board may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the moneys payable to the Company in respect of that share.



- 125.2 The Board may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.

#### **126 Unpaid or Unclaimed Dividend**

- 126.1 Where the company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of SPICE COMMUNICATIONS LIMITED" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.
- 126.2 Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the company to the Investor Protection and Education Fund managed by the Central Government.

#### **127 Waiver of dividend**

The waiver in whole or in part of any dividend on any share by any document (whether or not executed as a deed) shall be effective only if such document is signed by the shareholder (or the person entitled to the share in consequence of the death or bankruptcy of the holder or otherwise by operation of law) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

### **CAPITALISATION OF PROFITS AND RESERVES**

#### **128 Capitalisation of profits and reserves**

- 128.1 The Board may resolve to capitalise any sum standing to the credit of any of the Company's reserve accounts (including any share premium account, capital redemption reserve or other undistributable reserve) or any sum standing to the credit of profit and loss account.
- 128.2 Such capitalisation shall be effected by appropriating such sum to the holders of Equity Shares on the Register at the close of business on the date of the resolution (or such other date as may be specified therein or determined as therein provided) in proportion to their then holdings of Equity Shares and applying such sum on their behalf in paying up in full unissued Equity Shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.
- 128.3 The Board may do all acts and things considered necessary or expedient to give effect to any such capitalisation, with full power to the Board to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned). The Board may authorise any person to enter on behalf of all the members interested into an agreement with the Company providing for any such capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

## SECTION X: OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, have been delivered to the Registrar of Companies, Delhi and Haryana, for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company, from 10.00 a.m. to 4.00 p.m. on any working day from the date of this Red Herring Prospectus until the date of closing of the Issue.

#### MATERIAL CONTRACTS

1. Engagement letter dated July 24, 2006 to, ENAM Financial Consultants Private Limited from our Company appointing it as the BRLMs;
2. Engagement letter dated June 9, 2007 to, UBS Securities India Private Limited from our Company appointing it as the BRLMs;
3. Memorandum of Understanding, dated February 12, 2007 signed between the Company and the Book Running Lead Manager to the Issue i.e. ENAM Financial Consultants Private Limited.
4. Memorandum of Understanding, dated June 9, 2007 signed between the Company and the Book Running Lead Manager to the Issue i.e. UBS Securities India Private Limited
5. Tripartite Agreement dated June 10, 2007 between Company, ENAM and UBS marking out the Inter se agreement among the BRLMs
6. Letter appointing dated March 20, 2007 appointing Karvy as the Registrar to the Issue.
7. Memorandum of Understanding, dated April 13, 2007 signed between the Company and Karvy, the Registrar to the Issue.
8. Letter from Industrial Development Finance Corporation Limited dated February 15, 2007 agreeing to act as the Monitoring Agency.
9. Copy of the Tri-partite Agreement dated May 16, 2007 between NSDL, the Company and Karvy.
10. Copy of the Tri-partite Agreement dated May 28, 2007 between CDSL, the Company and Karvy.
11. Escrow Agreement dated [●], 2007 between the Company, the BRLMs, the Escrow Banks, and the Registrar to the Issue.
12. Syndicate Agreement dated [●], 2007 between the Company, the BRLMs and the other Members of the Syndicate.
13. Underwriting Agreement dated [●], 2007 between the Company, the BRLMs and other Underwriters;
14. Shareholders Agreement dated March 10, 2006 between TM International, MWPL, SIPL, Mcorp Global, Indian Televentures, Orion Telecoms Limited, as amended

#### Material Documents

1. Memorandum and Articles of Association of Spice Communications Limited, as amended from time to time.
2. Certificate of Incorporation No. 55-66827 of Spice Communications Limited Dated March 28, 1995; fresh certificate of incorporation dated June 18, 1999 consequent on becoming a deemed public Company; fresh certificate of incorporation dated December 3, 1999 consequent upon change of name of Company; fresh certificate of incorporation dated October 28, 2003 consequent upon adding the word private in the name of the Company; fresh certificate of incorporation dated December 28, 2006 consequent upon conversion to public limited company.
3. License agreement dated November 19, 2004 for provision of Unified Access Services after Migration from CMTS in Punjab Telecom Circle with the Government of India, Ministry of Communication and IT, Department of Telecommunications to operate cellular mobile telephone services.
4. License agreement dated May 15, 2002 with the Government of India, Ministry of Communication, Department of Telecommunication for provision of Internet Services in Karnataka Circle.
5. License agreement dated May 15, 2002 with the Government of India, Ministry of Communication, Department of Telecommunication for provision of Internet Services in Punjab Circle.
6. Letter of Intent from Ministry of Communication and IT, DoT for providing non-exclusive NLD / ILD services dated May 9, 2007.
7. Copy of board resolution passed on November 22, 2006 and Special Resolution passed at EGM dated November 22, 2006 u/s 81 (1A) authorizing the Issue of Equity Shares.

8. Copy of board resolution passed on January 2, 2007 and resolution by circulation passed on February 17, 2007, June 15, 2007 and June 5, 2007 approving the Draft Red Herring Prospectus, Red Herring Prospectus and the resolution of the Pre-IPO Allotment Committee for the allotment of shares in pre IPO placement, respectively.
9. Consent letters from Directors, Bankers to the Company, Book Running Lead Manager to the Issue, underwriters to the Issue, Statutory Auditors, Legal Advisors to the Issue, Syndicate Members, Registrar to the Issue, Bankers to the Issue, Company Secretary and Compliance Officer and Monitoring Agency as referred to in their respective capacities and for inclusion of their names in the Draft Red Herring Prospectus / Red Herring Prospectus / Prospectus.
10. Consent of the Statutory Auditors being M/s BSR & Co., New Delhi for inclusion of their report on accounts in the form and context in which they appear in the Draft Red Herring Prospectus / Red Herring Prospectus / Prospectus.
11. Copies of Auditor Reports issued by Statutory Auditors of the Company BSR & Co., Chartered Accountants, for the period ended December 31, 2006 and five year period ended June 30, 2006, 2005, 2004, 2003, and 2002 dated June 15, 2007 including statement of tax benefits
12. Copies of Initial listing applications filed with BSE.
13. Copies of In-principle approvals from BSE dated April 9, 2007.
14. Copies of Annual Reports of the Company for the last 5 accounting periods i.e. 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06.
15. FIPB application dated January 9, 2007 applying for the increase in the permitted FDI in the Company from 73.78% to 74%.
16. FIPB approval dated March 1, 2007 increasing the permitted FDI in the Company upto 74%.
17. Due Diligence Certificate dated February 19, 2007 to SEBI from the Book Running Lead Manager to the Issue viz. ENAM.
18. A copy of the SEBI observation letter no. CFD/DIL/PB/94199/2007 dated May 23, 2007, letter no. CFD/DIL/PB/96373/2007 dated June 15, 2007 and our in-seriatim reply to the same dated June 6, 2007.

Any of the contracts or documents mentioned above or elsewhere in this Red Herring Prospectus may be amended or modified at any time, if so required in the interest of the Company, 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 further certify that all statements in this Red Herring Prospectus are true and correct.

**SIGNED BY ALL THE DIRECTORS OF ISSUER COMPANY****Mr. Dilip Modi**

Chairman and Managing Director

**Mr. D.R. Mehta**

Director

**Mr. Hetal Gandhi**

Director

**Mr. Krishan Lal Chugh**

Director

**Mr. Mahesh Prasad**

Director

**Mr. Prabahar N K Singam**

Director

**Dr. Shridhir Sariputta Hans Wijayasuriya**

Director

**Mr. Yusof Annuar Bin Yaacob**

Director

**SIGNED BY THE CHIEF EXECUTIVE OFFICER****Mr. H.N. Nanani****SIGNED BY THE CHIEF FINANCIAL OFFICER****Mr. G.P. Singh****SIGNED BY THE COMPANY SECRETARY  
AND COMPLIANCE OFFICER****Ms Preeti Malhotra**

Date: June 15, 2007

Place: NOIDA, Uttar Pradesh

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