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

TANLA

TANLA SOLUTIONS LIMITED

TANLA SOLUTIONS LIMITED was incorporated under the Companies Act, 1956 as a public limited company in the name of Maruti Dairy Products Limited on 28th July 1995 in Hyderabad, Andhra Pradesh, India vide Registration No. 01 – 21262 and obtained its Certificate of Commencement of Business on 11th August 1995. The name of the Company was changed to Prism Foods Limited and it received a fresh Certificate of Incorporation dated 18th March, 1996. Subsequently, the name of the Company was further changed to Tanla Solutions Limited and it obtained a fresh Certificate of Incorporation dated 16th March, 2000.

REGISTERED OFFICE: Tanla Technology Centre, Hitech City Road, Madhapur, Hyderabad - 500 081, Andhra Pradesh, India.

The Company has shifted its registered office from Plot No. 11, Type–A, Film Nagar, Jubilee Hills, Hyderabad 500 033 w.e.f. December 3, 2005 to the present address. The Company had earlier shifted its registered office in June, 1999 from 103, Vijay Kiran Apartments, Srinagar Colony, Hyderabad – 500 073 to 301,Vamsi Residency, Srinagar Colony, Hyderabad-500073 and in November, 1999 shifted to Plot No. 11, Type–A, Film Nagar, Jubilee Hills, Hyderabad 500 033. **Tel**: +91 40 40099999 **Fax:** +91 40 23122999; **Website**: www.tanlasolutions.com; **Contact Person and Compliance Officer :** Ms. Ch. Seshanuradha. **E-mail**: fpo@tanlasolutions.com

PUBLIC ISSUE OF 15,885,000 EQUITY SHARES OF FACE VALUE OF RS.2 EACH ("EQUITY SHARES") FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING RS. [●] BY TANLA SOLUTIONS LIMITED ("TSL" or "THE COMPANY" OR "THE ISSUER"). THE ISSUE COMPRISES A PROMOTER CONTRIBUTION OF 1,588,500 EQUITY SHARES AGGREGATING RS. [●] ("PROMOTERS CONTRIBUTION") AND THE NET OFFER TO THE PUBLIC OF 14,296,500 EQUITY SHARES AGGREGATING RS. [●] ("NET ISSUE"). THE NET ISSUE WILL CONSTITUTE 28.59% OF THE FULLY DILUTED CAPITAL OF THE COMPANY AFTER THE ISSUE.

PRICE BAND: RS. 230 TO RS. 265 PER EQUITY SHARE OF RS. 2 EACH

THE ISSUE PRICE IS 115 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 132.5 TIMES THE FACE VALUE AT THE UPPER END OF THE PRICE BAND

The Issue is being made through the 100% book building process where at least 50% of the Issue Size shall be allocated to Qualified Institutional Buyers ("QIBs") (including 5% of the QIB portion that would be specifically reserved for Mutual Funds) on a proportionate basis. Further, up to 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO THE ISSUE

We are listed on Hyderabad Stock Exchange (HSE), Ahmedabad Stock Exchange (ASE) and Madras Stock Exchange (MSE). The Issue Price (as determined by the Company in consultation with the Book Running Lead Managers on the basis of an assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares allotted pursuant to the Issue are listed. The market price of the existing Equity Shares could affect the price discovery through book building and vice versa. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing

GENERAL RISKS

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

ISSUER'S ABSOLUTE RESPONSIBILITY

The Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to the Company and the Issue that 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 existing Equity Shares of the Company are listed on Hyderabad, Ahmedabad and Madras Stock Exchanges. The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the above stock exchanges as well as on The Bombay Stock Exchange Limited (BSE) – as the Designated Stock Exchange and The National Stock Exchange of India Limited (NSE). We have received in-principle approvals from the BSE , NSE, ASE, HSE and the MSE for the listing of our Equity Shares pursuant to letters dated January 13, 2006, January 25, 2006, January 18, 2006, January 20, 2006 and January 18, 2006 respectively. The BSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
SBI Capital Markets Limited **SBI CAPITAL MARKETS LIMITED** 202, Maker Tower "E", Cuffe Parade, Mumbai – 400005 Tel: 91 22 22189166, Fax: 91 22 22188332 E-mail: tsl.fpo@sbicaps.com Website: www.sbicaps.com Contact Person : Mr. Amit Kadoo	KARVY Karvy Computershare Private Limited **KARVY COMPUTERSHARE PRIVATE LIMITED** "Karvy House" 46, Avenue 4, Street No.1, Banjara Hills Hyderabad – 500 034 Andhra Pradesh, India Tel.No.+9140-23320251/23312454 Fax No. : +91 40 23431551 E-mail : mailmanager@Karvy.com Website: www.karvy.com Contact Person: Mr. S. Ganapathy Subramanian

ISSUE SCHEDULE	
BID/ISSUE OPENS ON : DECEMBER 11, 2006	**BID/ISSUE CLOSES ON : DECEMBER 14, 2006**

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TABLE OF CONTENTS

SECTION I - DEFINITIONS AND ABBREVIATIONS

Conventional / General Terms

Term	Description
"TSL" or "Tanla" or "the Company" or "our Company" or "Tanla Solutions Limited" or "we" or "our" or "us"	Tanla Solutions Limited, a public limited company incorporated under the Companies Act, 1956, and, unless the context otherwise requires, our consolidated subsidiaries.

OFFERING-RELATED TERMS

Term	Description
Allotment	Unless the context otherwise requires, the allotment of Equity Shares pursuant to the Issue.
Articles/Articles of Association	Articles of Association of Tanla Solutions Limited
ASE	The Stock Exchange Limited, Ahmedabad
Auditors	The Statutory Auditors of the Company,Ramasamy Koteswara Rao & Co., Chartered Accountants
Banker(s) to the Issue	ICICI Bank Limited, The Hong Kong and Shanghai Banking Corporation Limited, UTI Bank Limited, Standard Chartered Bank Limited., HDFC Bank Limited, Kotak Mahindra Bank Limited
Bid	An indication to make an offer during the Bidding /Issue Period by a prospective investor to subscribe to the Equity Shares of the Company at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid/Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a Telugu regional newspaper with wide circulation.
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to or purchase the Equity Shares of our Company and which will be considered the application for issue of the Equity Shares pursuant to the terms of this Red Herring Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Red Herring Prospectus and the Bid cum Application Form.
Bidding/ Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
Bid/ Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and Telugu regional newspaper with wide circulation.
Board of Directors/Board	The Board of Directors of our Company or a committee constituted thereof.

Term	Description
Book Building Process	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which Issue is being made.
BSE	The Bombay Stock Exchange Limited
BRLM/ Book Running Lead Manager	Book Running Lead Manager to the Issue, in this case being SBI Capital Markets Limited, IL&FS Investsmart Limited and ICICI Securities Limited.
CAN/Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Companies Act	The Companies Act, 1956 as amended from time to time.
CMC	Co-ordination & Monitoring Committee
Crore	1 crore is equal to 10 Million
Cut-off Price	Any price within the Price Band finalised by us in consultation with the BRLMs. A Bid submitted at the Cut-off Price is a valid Bid at all price levels within the Price Band.
DCA	Department of Company Affairs
Depository	A company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration under SEBI (Depositories & Participants) Regulations, 1996, as amended.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account to the Issue Account, which in no event shall be earlier than the date on which the Prospectus is filed with the RoC.
Designated Stock Exchange	The Bombay Stock Exchange Limited (BSE)
Director(s)	Director(s) of Tanla Solutions Limited, unless otherwise specified.
Draft Red Herring Prospectus	This Draft Red Herring Prospectus dated 3rd December, 2005 issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are offered and the number of shares under the Issue. Upon filing with RoC at least three days before the Bid/Issue Opening Date ,it will become the Red Herring Prospectus. It will become a Prospectus upon filing with RoC after the determination of Issue Price.
Eligible NRI	NRI from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue.
Equity Shares	Equity shares of the Company of face value of Rs.2 each.
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.

Term	Description
Escrow Agreement	Agreement to be entered into among the Company, 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 on the terms and conditions thereof.
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account will be opened in this case being ICICI Bank Limited, The Hong Kong and Shanghai Banking Corporation Limited, UTI Bank Limited, Standard Chartered Bank Limited, HDFC Bank Limited, Kotak Mahindra Bank Limited .
FEMA	The Foreign Exchange Management Act, 1999, as amended from time to time, and the Rules and Regulations framed there under.
FII	Foreign Institutional Investor (as defined under FEMA (Transfer or Issue of Securities by a Person Resident Outside India) Regulations, 2000) registered with SEBI.
Financial Year/Fiscal/FY	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
FVCI	Foreign Venture Capital Investors (as defined under the SEBI (Foreign Venture Capital Investors) Regulations, 2000) registered with SEBI.
HSE	The Hyderabad Stock Exchange Limited
Indian GAAP	Generally Accepted Accounting Principles in India.
Issue	Public Issue of 15,885,000 Equity Shares at a price of Rs. [●] each for cash aggregating up to Rs. [●] by our Company.
Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date.
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of this Red Herring Prospectus, as determined by the Company in consultation with the BRLMs, on the Pricing Date.
Lakh / Lac	One lakh / one lac is equal to 100,000
MCA	Ministry of Company Affairs
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid
Memorandum / Memorandum of Association	The Memorandum of Association of our Company.
Mobizar	Mobizar Limited now known as Tanla Mobile Limited
MSE	Madras Stock Exchange Ltd

Term	Description
Monitoring Agency	UTI Bank Ltd
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Mutual Funds Portion	5% of the QIB Portion or 357,413 Equity Shares available for allocation to Mutual Funds only, out of the QIB Portion, on a proportionate basis.
Net Issue / Net Offer To The Public	14,296,500 Equity Shares of Rs. 2 each for cash aggregating up to Rs. [●] million offered to the Public in terms of this Red Herring Prospectus.
NSE	National Stock Exchange of India Limited.
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders.
Non-Institutional Portion	The portion of the Issue being up to 15% of the Net Issue to the Public i.e. up to 2,144,475 Equity Shares available for allocation to Non-Institutional Bidders.
NRI/ Non Resident Indian	A person resident outside India who is a citizen of India or is a person of Indian origin (as defined in Foreign Exchange Management (Deposit) Regulations, 2000).
Overseas Corporate Body/OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000. OCBs are not allowed to participate in this Issue.
Pay-in-Date	The Bid/Issue Closing Date or the last date specified in the CAN sent to the Bidders, as applicable.
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN.
Price Band	The price band with a minimum price (Floor Price) of Rs. 230 and the maximum price (Cap Price) of Rs. 265.
Pricing Date	The date on which the Company in consultation with the BRLMs finalises the Issue Price.
Promoters	1. Mr. D. Uday Kumar Reddy 2. Mrs. D. Tanuja Reddy
Promoter Group	1. Mr. Satish Kathirisetti 2. Mr. Anoop Roy Kundal, 3. Mr. Navnit Chachan 4. Mr. Amit Gupta 5. Mr. Gautam Sabharwal

Term	Description
Prospectus	The Prospectus filed with the RoC containing, *inter alia,* the Issue Price determined at the end of the Book Building Process, the size of the Issue and certain other information.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 25 Crores (250 Million) and pension funds with minimum corpus of Rs. 25 Crores. (250 Million)
QIB Margin	An amount representing at least 10% of the Bid Amount.
QIB Portion	The portion of the Issue being at least 50% of the Net Issue to the Public i.e. at least 7,148,250 Equity Shares available for allocation to QIBs out of which 357,413 Equity Shares are available for allocation to Mutual Funds.
Refund Account	Account opened with an Escrow Collection Bank, from which refunds of the whole or part of the Bid Amount, if any, shall be made.
Registered Office of the Company	Tanla Technology Centre, Hitech City Road, Madhapur, Hyderabad - 500 081, Andhra Pradesh, India.
Registrar/ Registrar to the Issue	Karvy Computershare Private Limited
Retail Individual Bidders	Individual Bidders (including HUFs, in the name of karta and Eligible NRIs) who have bid for Equity Shares for an amount less than or equal to Rs. 100,000
Retail Portion	The portion of the Issue being up to 35% of the Net Issue to the Public i.e up to 5,003,775 Equity Shares available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
RHP or Red Herring Prospectus	The Red Herring Prospectus dated November 22, 2006 issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will be filed with the RoC at least three (3) days before the Bid/Issue Opening Date and will become a Prospectus after filing with the RoC after pricing and allocation.
RoC	The Registrar of Companies, A.P., Hyderabad
SAST	SEBI Substantial Acquisition of Shares and Takeovers Regulation
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI DIP Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI, as amended, including instructions and clarifications issued by SEBI from time to time.

Term	Description
Stock Exchanges	HSE, MSE, ASE, BSE and NSE.
Syndicate	The BRLMs and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into among the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Members	Kotak Securities Limited and ICICI Brokerage Services Limited
Tanla (UK)	Tanla Solutions (UK) Limited
TRS/Transaction Registration Slip	The slip or document issued by any of the members of the Syndicate to a Bidder as proof of registration of the Bid.
U.S. GAAP	Generally Accepted Accounting Principles in the United States of America.
Underwriters	The BRLMs and The Syndicate Members
Underwriting Agreement	The agreement among the BRLMs, members of the Syndicate and the Company to be entered into on or after the Pricing Date.

Company/Industry Related Terms

Term	Description
2G, 2.5G, 3G	**2G** : second-generation wireless telephone technology.**2.5G** : used to describe 2G-systems that have implemented a packet switched domain in addition to the circuit switched domain.**3G** : third-generation wireless technology. The services associated with 3G provide the ability to transfer both voice data and non-voice data
3GPP	Third Generation Partnership Project
Aggregator	A software platform which supports multiple connections to mobile network operators and an unified connection for service providers
AMR	Automated Meter Reading
AO/AT	Application Originated/Application Terminated
ARPU	Average Revenue Per User
AVT	Automated Vehicle Tracking
BSC	Base Station Controller
CAMEL	Customized Applications for Mobile Network Enhanced Logic
CDMA	Code Division Multiple Access
COAI	Cellular Operators Association of India
CDR	Call Data Record
CRBT	Caller Ring Back Tone
CRM	Customer Relationship Management
DSRC/WLAN	Dedicated Short Range Communication/ Wireless Local Area Network

Term	Description
3 D	Location of an object in three dimensions.
E1 Connectivity	An E1 link operates over two separate sets of wires, usually coaxial cable. A nominal 2.4 volt signal is encoded with pulses using a method that avoids long periods without polarity changes. The line data rate is 2.048 Mbit/s (full duplex, i.e. 2.048 Mbit/s downstream and 2.048 Mbit/s upstream) which is split into 32 time slots, each being allocated 8 bits in turn.
EMS	Enhanced Messaging Service
ESOP	Employee Stock Option Plan
GPRS	General Packet Radio Service
GPS	Global Positioning System
GSM	Global System for Mobile
HLR	Home Location Register
HPMN	Home Public Mobile Network
IDC	International Data Corporation, a global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets.
IIT	Indian Institute of Technology
IN	Intelligent Networks
INAP	Intelligent Network Application Part
IP	Internet Protocol
IPRs	Intellectual Property Rights
ISUP	ISDN User Part
ISDN	Integrated Services Digital Network
IN/AIN	Intelligent Networks/Advanced Intelligent Network
IT	Information Technology
ITES	IT Enabled Services
ITU	International Telecommunication Union
ITU-T	Telecommunication Standardization Sector
IVR	Interactive Voice Response
LNP	Local Number Portability
MAP 1,2,3	Mobile Application Part version 1, 2, 3
MGCP	Media Gateway Control Protocol, a protocol used within a VOIP system
Mediation Server	A runtime process hosting the mediation components. Mediation servers can communicate remotely and they ensure the execution of mediation operations.

Term	Description
MIM	Mobile Instant Messaging
MIT	Madras Institute of Technology
MM7	A protocol specified by 3GPP. MM7 is a common vendor-independent protocol. Thus, by using an MM7 interface, a content provider can save both time and effort in the distribution of its, which can lead to a shorter time-to-market with new services. The MM7 protocol is based on the concept of web services and uses SOAP(define) and HTTP(define) for communication.
MMS	Multimedia Messaging Service
MMSC	Multimedia Messaging Service Centre
MO/MT	Mobile Originated/Mobile Terminated
MNO	Mobile Network Operator
MSC	Mobile Switching Centre
MVNO	Mobile Virtual Network Operator
OEM	Original Equipment Manufacturer
P2P	Peer to Peer i.e. mobile user to mobile user
PLMN	Public Land Mobile Network
PSTN	Public Switched Telephone Network
QoS	Quality of Service
R&D	Research and Development
SIP	Session Initiation Protocol
SIGTRAN	Signalling Transport
SMPP 3.4	Short message peer-to-peer protocol version 3.4
SMS	Short Messaging Service
SMSC	Short Messaging Service Centre
SMS	Software platform, which supports multiple connections to SMSC to route SMS messages from multiple clients.
SS7	Signalling System 7 - Technology vendors for switched circuit telephone networks.a signalling protocol used by
TDMA	Time Division Multiple Access
Telecom[s]	Telecommunication System operator[s]
Telemetry	Technology, which allows the remote measurement and reporting of information of interest to the system designer or operator.
Telematics	The use of Global Positioning System technology integrated with computers and mobile communications technology.

Term	Description
VMS	Voice Mail System
VoiceXML	Voice Extensible Markup Language
VoIP	Voice over Internet Protocol
VOP	Voice Over Packet
VPMN	Visited Public Mobile Network
WAP	Wireless Application Protocol
WAP	Wireless Access Protocol that uses headers to indicate the correct content and context
WIN	Wireless Intelligent Networking
W-CDMA	Wide Code Division Multiple Access

Abbreviations

Abbreviation	Full Form
ACIT	Assistant Commissioner of Income Tax
AP	Andhra Pradesh, the Indian state in which Hyderabad is located
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services Limited
CIF	Cost-Insurance-Freight
CIT	Commissioner of Income Tax
EBIDTA	Earning Before Interest, Depreciation, Taxes and Amortisation
ECS	Electronic Clearing System
EGM	Extraordinary General Meeting
EPCG	Export Promotion of Capital Goods
EPS	Earnings per Share
ESOP	Employee Stock Option Plan
EXIM	Export Import
FAN	Financial Appraisal Note
FCNR Account	Foreign Currency Non-Resident Account
Financial year/Fiscal/FY	Period of twelve months ended March 31st of that particular year, unless otherwise stated.
FIPB	Foreign Investment Promotion Board
GBP/£	Great Britain Pound or British Pound Sterling
GDP	Gross Domestic Product
GoI	Government of India

Abbreviation	Full Form
GoAP	Government of Andhra Pradesh
HUF	Hindu Undivided Family
H1	Period of 6 months starting April 1st and ending September 30th of that particular year
I.T. Act	The Income Tax Act, 1961, as amended from time to time.
IIL	IL&FS Investsmart Limited
I-SEC	ICICI Securities Limited
LIBOR	London Interbank Offered Rate
MOU	Memorandum of Understanding
NAV	Net Asset Value
NBFC	Non-Banking Financial Company
NEFT	National Electronic Fund Transfer
NOC	No Objection Certificate
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
PLR	Prime Lending Rate
RBI	The Reserve Bank of India
RD	Regional Director, Department of Company Affairs
RoC	Registrar of Companies
RoNW	Return on Net Worth
RTGS	Real Time Gross Settlement
SBICAP or SBI CAPS	SBI Capital Markets Limited
TTM	Trailing Twelve Month
UTI	UTI Bank Limited
USD/$	United States Dollar
YOY	Year on year

DISCLOSURE OF PAST DETAILS OF THE COMPANY

History of the Company

The Company was incorporated under the Companies Act, 1956 as a public limited company in the name of Maruti Dairy Products Limited on 28th July 1995 in Hyderabad, Andhra Pradesh, India vide Registration No. 01 – 21262 and obtained a Certificate of Commencement of Business on 11th August 1995. The name of the Company was changed to Prism Foods Limited and was issued a Fresh Certificate of Incorporation consequent to the change of name dated 18th March, 1996 by the RoC. Prism Foods Limited was setup with an object to establish a dairy farm, and a dairy processing and mineral water processing plant. The promoters and directors of Prism Foods Limited were Mr. M. Raveendra, Mrs. M. Naga Padma, Mr. Vinaya Choudhary, Mr. M. Ramarao and Mr. G. Suryanarayana

To partially finance the project, the Company undertook an Initial Public Offering of 2,500,000 equity shares of Rs.10/- each for cash at par aggregating to Rs.25,000,000, through a prospectus dated 26th June, 1996 at a subscription price of Rs.2.50/- each.. However, the Company, then known as Prism Foods Limited, could not implement its projects as financial closure could not be achieved.

In the Company's initial public offering in 1996, the Company promised to commence operations in October, 1996 at a project cost of Rs. 57.54 Million. However, the Company could mobilise only Rs. 31.43 Million and the proposed operations never commenced.

Subsequently, in the financial year 1999-2000, the current Promoters of the Company, namely Mr. D. Uday Kumar Reddy and Ms D. Tanuja Reddy, alongwith Ms. M. Neela Reddy acquired the entire promoter shareholding of the then promoters in compliance with the provisions of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 and made an open offer to the public through a Letter of Offer dated 20th January, 2000.

Subsequently, the name of the Company was changed to Tanla Solutions Limited and a Fresh Certificate of Incorporation consequent to the change of name dated 16th March, 2000 was obtained by the Company from the RoC. The Company has amended its Main Objects to pursue activities relating to Information Technology and allied activities.

The shares of Prism Foods Limited were under suspension from trading from December 8, 1997, while the Company was under the management of the former promoters. Subsequent to the change in management, the said suspension was revoked by the HSE as set forth in their notice Ref: HSE: LIST:2000:1459 dated April 26, 2000. The Company has since complied with all listing requirements including the submission of a statement of the utilization of the 1996 public issue proceeds towards the intended purposes mentioned in the initial public offer prospectus of 1996.

Identification of the Company as a vanishing company by the Co-ordination & Monitoring Committee

The Company, under the management of the earlier promoters/directors, namely, Mr. M. Raveendra, Mrs. M. Naga Padma, Mr. Vinay Choudhary, Mr M. Ramarao and Mr. G. Suryanarayana was declared to be a vanishing company by the Co-ordination & Monitoring Committee (CMC), a joint mechanism of SEBI and MCA, for the reason that the Company had failed to comply with the statutory filing requirements in respect to the filings to be made with the RoC as well as with requirements stipulated under the listing agreements.

Change in management control of the Company

In compliance with the provisions of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 Mr D. Uday Kumar Reddy, Ms D. Tanuja Reddy and Ms M. Neela Reddy jointly made an open offer to the public through a Letter of Offer dated 20th January, 2000. Pursuant to the same, the current Promoters of the Company, namely Mr. D. Uday Kumar Reddy and Ms D. Tanuja Reddy, along with Ms. M. Neela Reddy acquired the entire promoter shareholding of the then promoters in the financial year 1999-2000.

Removal of name of the Company from the list of vanishing companies by the CMC

Following the change in management of the Company in the year 2000, all filings and compliances were regularized. The Co-ordination & Monitoring Committee has subsequently during its meeting of January 15, 2004 deleted the name of the Company from the list of vanishing companies. Subsequently, the Company was put under the watch list of MCA to monitor regulatory compliances in the future.

The particulars of deletion of the Company's name from the list of vanishing companies is publicly available information derived from the website of the Department of Company Affairs [http://dca.nic.in/deleted_vanishing_companies.htm].

Legal proceedings initiated against the earlier promoters/ directors

The RoC has filed a complaint under section 629A of the Companies Act, 1956 (the Act) for the alleged non-compliance of the Company with the provisions of Sections 62, 63, 68 and 628 of the Companies Act before the Court of Special Judge For Economic Offences, Hyderabad, Andhra Pradesh. The said complaints have been filed against the former directors and persons named as promoters, namely Mr. M. Raveendra, Mrs. M. Naga Padma, Mr. Vinaya Choudhary, Mr M. Ramarao and Mr. S. Ragunathan, and Tanla Solutions Limited. The proceeding is presently pending adjudication.

The Company has been impleaded in order to enable the Court to adjudicate on the matter effectively and no specific remedy has been claimed against the Company.

Further, Mr. M. Ravindra and Mrs. M. Naga Padma, the directors of the Company until June 1, 2000, and who thereafter resigned from the Board and management of the Company, have been prohibited by SEBI from associating in every respect with capital market activities, not to deal in securities, ordered not to access the capital markets, and not be or be associated with any of the intermediaries in the capital markets for a period of 5 years. The information contained in this paragraph is derived from SEBI press release dated February 03, 2000 bearing reference No. PR 31/2000, available on the SEBI website.

For further details in respect of the above, please refer to Section titled Outstanding Litigations and Material Developments starting from page 172 of this Red Herring Prospectus.

Company on CMC watch list

Subsequent to the removal of the Company's name from the vanishing companies list, the Company has been put under the watch list of MCA to monitor regulatory compliances in the future.

PRESENTATION OF FINANCIAL AND MARKET DATA

Financial Data

Unless stated otherwise, the financial information used in this Red Herring Prospectus is derived from the Company's restated financial statements as at and for the financial years ended March 31, 2006, 2005, 2004, 2003 and 2002 and prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with SEBI DIP Guidelines, as stated in the report of our statutory Auditors, Ramasamy Koteswara Rao & Co, Chartered Accountants, included in this Red Herring Prospectus.

Our financial year commences on April 1 of a particular year and ends on March 31 of the next year. Unless stated otherwise, references herein to a fiscal, Fiscal or FY and a particular year (e.g., Fiscal 2005 or FY 2005) are to the financial year ended March 31 of that particular year.Unless stated otherwise,refrences herein to H1 and a particular year (e.g H1 2007) are the first six months of that particular fiscal year (for ex, in case of H 1 2007, April 1st, 2006 to September 30, 2006.)

In this Red Herring Prospectus, there may be discrepancies in any table between the total given and the sum of the individual amounts given due to rounding-off.

There are significant differences between Indian GAAP and GAAP followed in other jurisdictions. 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, Indian GAAP, the Companies Act and SEBI DIP Guidelines. Any reliance by persons not familiar with these matters on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. We have not attempted to explain these differences fully or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on the financial data.

Currency of Presentation

All references to "Rupees", "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India. All references to "lakh " are based on one lakh being equivalent of one hundred times one thousand (or one hundred thousand), often written by Indians as i.e 1,00,000 (although written in many other countries as 100,000).. All references to "Million" refer to one Million which is the equivalent of thousand times thousand i.e 1,000,000. All references to "crore " refer to one crore which is the equivalent of ten million i.e 10,000,000. This Red Herring Prospectus contains translations of certain Pound Sterling and other foreign currency amounts into Indian Rupees that have been presented solely to comply with the requirements of clause 6.9.7.1 of the SEBI DIP Guidelines. These convenience translations should not be construed as a representation that the relevant UK Pound Sterling or other foreign currency amounts could have been, or could be, converted into Indian Rupees, as the case may be, at any particular rate, the rate stated or at all.

Market and Industry Data

Unless stated otherwise, market and industry data used in this Red Herring Prospectus has been obtained from industry publications and 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. The information obtained from internal Company reports has been obtained from sources believed to be reliable, but their accuracy and completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Although, we believe that the market and industry data used in this Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports and data, while believed to be reliable, have not been verified by any independent source.

FORWARD-LOOKING STATEMENTS

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

Our actual results may differ materially from those suggested by our forward-looking statements due to risks or uncertainties associated with a number of factors that may affect our business, including, but not limited to, regulatory changes pertaining to the industries in India in which we operate and our ability to respond to them, our ability to successfully implement our strategy, factors relating to our expected growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India and in our overseas markets, Indian monetary and fiscal policies, inflation, deflation, changes 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 our industry.

For further discussion of factors that could cause our actual results to differ from our forward-looking statements, see the section titled "Risk Factors" on page xv of this Red Herring Prospectus. By their nature, certain 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 may be estimated or suggested. Neither our Company, our Directors,our officers, any Underwriter 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, after the date hereof even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the BRLMs will ensure that investors in India are informed of material developments until such time as the trading permission is granted by the Stock Exchanges for the Equity Shares allotted/transferred pursuant to the Issue.

RISK FACTORS

An investment in our Equity Shares involves a high degree of risk. You should carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. In particular, you should read this section in conjunction with the sections entitled "Our Business" beginning on page 54 of this Red Herring Prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 154 of this Red Herring Prospectus as well as the other financial and statistical information contained in this Red Herring Prospectus. If any one or some combination of the following risks were to occur, our business, results of operations and financial condition could suffer, and the price of our Equity Shares and the value of your investment in our Equity Shares could decline.

Each risk factor is set forth as envisaged by our management.

Internal Risk Factors

1. **Our Company, under its prior management, was declared a "vanishing company" by the Co-ordination & Monitoring Committee (CMC), a joint mechanism of SEBI and MCA.**

   Our Company was originally incorporated as Maruti Dairy Products Limited on July 28, 1995 and its name was changed to Prism Foods Limited on March 18, 1996 and then to Tanla Solutions Ltd on March 16, 2000. The Company, as Prism Foods Limited. was declared a "vanishing company" by the CMC for failure to comply with the statutorily required filings required to be submitted to the RoC, as well as with requirements stipulated under its listing agreements. Following the change in management of the Company in favour of the present Promoters, the Company has complied with all requirements for filing with the RoC, as well as with the requirements stipulated under its listing agreements. Consequently, the name of the Company was removed from the list of "vanishing companies" in the meeting of the CMC held on January 15, 2004. The CMC, while recommending such deletion, also recommended that a watch need be kept on the Company with respect to its compliance with filing requirements.

   The present Promoters have been part of the management of the Company since they took control pursuant to an open offer (as per Letter of Offer dated January 20 , 2000) for the equity shares of the Company in compliance with the provisions of Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 (SEBI – (SAST) Regulations).

2. **A complaint has been filed by the RoC, Andhra Pradesh against the Company under section 629A of the Companies Act, 1956 (the Act) for alleged non-compliance with the provisions of Sections 63, 68 and 628 of the Act**

   The RoC has filed a complaint under section 629A of the Companies Act, 1956 (the Act) for the alleged non-compliance of the Company with the provisions of Sections 62, 63, 68 and 628 of the Act before the Court of Special Judge For Economic Offences, Hyderabad, Andhra Pradesh. The said complaints have been filed against the former directors and persons named as promoters, the signatories of the initial public offer prospectus of Prism Foods Limited (now known as Tanla Solutions Limited) in 1996 and Prism Foods Limited. (now known as Tanla Solutions Limited). The proceeding is presently pending adjudication.

   The Company has been impleaded in order to enable the Court to adjudicate on the matter effectively and no specific remedy has been claimed against the Company.

   Further, Mr. M. Ravindra and Mrs. M. Naga Padma, the directors of the Company until June 1, 2000, and who thereafter resigned from the Board and management of the Company have been prohibited by SEBI from associating in every respect with capital market activities, not to deal in securities, ordered not to access the capital markets, and not to be associated with any of the intermediaries in the capital markets for a period of 5 years.The information contained in this paragraph is derived from SEBI press release dated February 03, 2000 bearing reference No. PR 31/2000, available on the SEBI website.

3. **The shares of Prism Foods Limited now known as Tanla Solutions Limited were under suspension from trading between December 08, 1999 and April 27, 2000 while the Company was under the management of the former promoters.**

   The shares of Prism Foods Limited. (now known as Tanla Solutions Limited) were under suspension from trading while the Company was under the management of the former promoters. Subsequent to the change in management, the said suspension was revoked by the HSE as set forth in their notice Ref: HSE: LIST:2000:1459 dated April 26, 2000

   The Company has since complied with all listing requirements including the submission of a statement of the utilization of the 1996 public issue proceeds towards the intended purposes mentioned in the initial public offer prospectus of 1996.

4. **Our intended use of proceeds from the Issue has not been appraised by any bank or financial institution.**

   The proceeds being raised through the Issue are intended to be utilised for setting up domestic infrastructure facilities, expanding facilities for product development and R&D, establishing offshore marketing and sales facilities, acquiring companies in related lines of activities and augmenting our long term working capital resources. The proposed activities for which the proceeds are being raised have not been appraised by any bank or financial institution and the proceeds requirements are based primarily on management estimates.

5. **If we are unable to make appropriate acquisitions or enter into beneficial partnership arrangements or establish marketing offices as per our current plans our growth prospects may suffer.**

   One of the objects of this issue is to partially finance acquisitions of companies in related lines of activities. We are in the process of identifying such companies. In case of delay in acquiring such companies the growth prospects of the Company may be affected.

   Our business strategy for establishing a presence in new markets anticipates in part, that we will seek to form strategic marketing partnerships with local infrastructure providers and consultants. Any failure to enter into agreements with strategic marketing partners could affect the Company's growth, business, financial condition and results of operations. Additionally, our business strategy for enhancing the market share of our aggregator services business is dependent, in part, on our ability to build relationships with local infrastructure companies in targeted regions. Failure to enter into agreements with local infrastructure companies or to maintain existing relationships could affect our growth, business, financial condition and results of operations.

6. **Approximately 98% of our consolidated revenue in FY 2006 and approximately 99% of our consolidated revenue in half year ended September 30, 2006 was earned in foreign currency. We expect that in the future we will continue to earn substantial amounts of our revenue in foreign currency. Any adverse movement in foreign exchange rates may adversely affect our financial performance.**

   We have significant operations in the UK and most of our customers are overseas. A substantial portion of the income of our Company is attributable to our overseas projects and is received in currencies other than the Indian Rupee. Although we incur some of our costs in currencies other than the Rupee, these do not match our foreign currency income in a manner that provides a continuing natural hedge against foreign currency exchange rate movements. Occasionally we have in the past entered, and in the future we may enter, into hedging arrangements in respect of our foreign currency risk. Nevertheless, risks related to foreign exchange rate fluctuations may impose costs on our operations and may also affect the presentation of our results and financial condition in our financial statements.

7. **Our ability to attract and retain skilled IT personnel,is important to us. Any inability on our part to attract the skilled personnel we need, may lead to a decline in the quality of products and services offered by us, which could adversely affect our business and financial performance.**

A critical success factor for our business is our ability to attract and retain skilled IT personnel,including at the top of our research and technology functions. The industry in which we operate is human capital intensive and has a generally high rate of attrition. There is a possibility that we may not be able to retain skilled professionals or attract new skilled professionals in the future. Our unmanaged attrition rates for in the period April 1, 2005 to November 15, 2006 was around 20%. If we are unable to recruit IT talent or our attrition rate increases, our business may be adversely affected.

8. **Changes in technology may render our current technologies obsolete or require us to make substantial new investments to seek to remain competitive. The cost of implementing any new technologies could be significant and could adversely affect our business and financial condition.**

While we regularly upgrade our technology, the emergence of newer technologies could render our current technology ineffective or obsolete and may adversely affect the cost structure and competitiveness of our products and services. Changes in technology with which we are unable to keep pace, or which render our products and services less useful to customers and the market, could affect our growth, business, financial condition and results of operations.

9. **Our business and the businesses of many of our customers are subject to regulation in the countries in which we operate.**

The maintenance and expansion of our business is dependent upon, among other things, our ability (and the ability of the mobile network operators and others with whom we deal) to obtain and maintain required governmental licenses and authorizations in any country in which we operate, in a timely manner, at reasonable costs and on satisfactory terms and conditions. Failure by us or the customers we depend on to obtain the requisite licenses and authorizations, or loss of such licenses and authorizations, in any country may effectively prevent us from providing our services in such country or other- wise affect our business an results of operations.

10. **The majority of our revenues are derived from our overseas subsidiaries. Changes in the operating environment in these overseas markets, or other changes that adversely affect our subsidiaries, may adversely affect our business and financial performance.**

Currently, our revenue originates mostly from the UK and the Asia Pacific region. Furthermore, a significant portion of our revenue is derived from our subsidiaries, Tanla Solutions (UK) Limited and Tanla Mobile Limited (previously known as Mobizar Limited). Consequently, in the event that the operations or revenues of our subsidiaries are adversely affected, by changes in their overseas markets or otherwise, our revenues may also be adversely affected.

11. **Our Top five customers contributed around 49% of our total consolidated revenues of around Rs 871 million for the half year ended September 30, 2006.**

If we lose one or more large customers and fail to add sufficient new customers to offset such loss(es), our results of operations could be adversely affected. In addition, any consolidation among our customers would be likely to increase our reliance on a few key customers.

We have entered into reseller arrangements with certain customers. Approximately 11% of our consolidated revenue is derived from these resellers. Termination of these agreements or a failure to renew the existing business relationships may adversely affect our business operations and revenues.

12. **Termination of or failure to renew existing arrangements with mobile network operators or failure to maintain relationships with a sufficiently broad array of third-party content and service providers may adversely affect our growth, business, financial condition and results of operations.**

Our arrangements with mobile network operators are generally non-exclusive and have a limited term. The terms of these arrangements vary, but the mobile network operators are generally entitled to terminate them in advance for a variety of reasons or for no reason at their discretion. Several of the mobile network operators also have the right to suspend some or all services temporarily for a variety of reasons. If our various arrangements or business relationships with any mobile network operators are terminated, not renewed or adversely altered, it may be impossible to find appropriate replacement operators with the requisite licenses and permits, infrastructure and customer base, and in turn our growth, business, financial condition and results of operations could be adversely affected.

Moreover, it is important that we maintain relationships with a sufficiently broad and attractive group of third-party content and service providersIn turn, our growth, business, financial condition and results of operations could be adversely affected.

13. **Tanla Mobile Limited may find itself in breach of the terms of its arrangements with one or more mobile network operators because of failure to help ensure that content is not obscene, defamatory, racist, or otherwise offensive or unlawful in nature.**

    Our subsidiary Tanla Mobile Limited takes steps to cause its platform to block the conveyance of adult content through adult short codes if the age of an end-user has not been verified. Additionally, Tanla Mobile Limited checks its platform for certain key words indicative of obscene, defamatory, racist, or otherwise offensive or unlawful material. Tanla Mobile Limited is able to take action to prevent the delivery of such material and fine third-party content or service providers responsible for the attempted conveyance of such material. Such fines can be taken from revenue held by Tanla Mobile Limited that has not yet been delivered to a third-party content or service provider.

    Any failure on our part to prevent the conveyance of such material could result in a breach of an arrangement with a mobile network operator, which could cause such mobile network operator to terminate its arrangement with us. In turn, our growth, business, financial condition or results of operations could be adversely affected.

14. **There are certain defects in title in relation to our leased properties in India. The leaseholds of the immovable properties of our company have not been registered with the jurisdictional Sub-Registrar of Assurances. For details please refer to the Property section on page 65 of the Red Herring Prospectus.**

15. **The industry in which we operate is highly competitive. We face competition in our business from several participants in the markets in which we operate.**

    It is likely that we will continue to face competition in our target markets from these companies and other companies that may enter the market. The telecom infrastructure services market is intensely competitive and is changing rapidly. Competitors may have longer operating histories, greater name and brand recognition, larger customer bases, significantly greater financial, technological and marketing resources and superior access to content than the Company. Some of our competitors may be more flexible and better positioned to take advantage of market opportunities than us. In particular, our competitors outside of India may have operational advantages in implementing new technologies, rationalizing branches and recruiting employees through incentive-based compensation.

    The Company's position among competitors will depend upon continued investment in research and development, continued delivery of innovative products to the market, effective marketing initiatives and our ability to anticipate and respond to various competitive factors affecting our industry, including product innovation and pricing strategies by competitors. Although we have competed successfully in the past, we cannot be certain that we will continue to compete effectively. As a result, we may lose our customers or our relationships with network operators and others. If we are unable to compete effectively in our markets, our growth, business financial condition and results of operations could be adversely affected.

16. **We may acquire or make strategic investments in complementary businesses, technologies, services or products, or enter into strategic partnerships or alliances with third parties. Some or all of these potential moves may turn out to be unsuccessful.**

    Any of the above transactions could cause one or more of the following to occur: (i) divert management's attention from our core businesses, (ii) affect existing business relationships adversely, (iii) result in substantial expenditures that could divert funds from other corporate uses, (iv) lead to problems in integrating acquired businesses with the Company's own operations, or (v) lead to the loss of key employees. These difficulties could cause our business to suffer. Additionally, even if we successfully integrate acquired businesses or similar strategic initiatives, we may not receive the intended benefits.

17. **We cannot give assurances that our customers will be satisfied with any new products of ours or that any such new products will gain market acceptance.**

    We are continuously investing in R&D with the aim of, among other things, developing new products. Some or all of any such products may not provide adequate returns commensurate with our investments. This may affect our growth plans, which in turn may affect our profitability.

18. **In the Company's initial public offering in 1996, the Company promised to commence operations in October, 1996 at a project cost of Rs. 57.54 Million. However, the Company could mobilise only Rs. 31.43 Million and the proposed operations never commenced.**

19. **Increase in wages for IT professionals could reduce our cash flows and profit margins.**

    Historically, wage costs in the Indian IT services industry have been significantly lower than wage costs in more developed countries for comparable skilled technical personnel. However, in recent years wage costs in the Indian services industry have been increasing at a faster rate than those in certain developed countries. In the long run, wage increases may make us less competitive unless we are able to continue to increase the efficiency and productivity of our professionals, the prices we can charge for our products and services or both. Increases in wages, could also reduce our cash flows and our profit margins.

20. **There are no standard valuation methodologies or accounting practices in the emerging internet/telecom and related industries in India. The financial statements of the Company are not comparable with those of other companies in the industry.**

    We are in the business of providing telecom products and services such as SMSC, aggregator services and offshore development services. There are no comparable listed companies in India. Hence, comparison with industry peers is not possible. Comparison with other companies may be difficult and may not provide investors with opportunities to make the sorts of comparative analyses they may make when investing in other companies.

21. **The valuations in the emerging internet/telecom industry are currently high and may not be sustained in the future.**

22. **Our Promoters are first generation entrepreneurs and investors will be subject to all consequential risks that may be associated with such entrepreneurs and their ventures.**

23. **If we are unable to successfully protect our IT infrastructure from security risk our business may suffer.**

    Our servers, like those of all businesses, are vulnerable to computer viruses, break-ins, software theft or destruction and similar disruptions from unauthorized tampering with our computer systems. We have data back-up systems for all our operations and checks and systems for ensuring network security against virus or other malignant attacks. Nevertheless, any such disruptions could have an adverse affect on our business and results of operations. To further strengthen our security systems, we plan to use a portion of the Issue proceeds for the establishment of a data back-up and disaster recovery centre in Bangalore.

24. **We plan to grow and expand our business. Our success in doing so will depend on, among other things, the management skills of our Company and its personnel. Any lack of adequate competency in project implementation skills could delay or impede growth.**

In the event our team is unable to manage our growth, our planned expansion could be delayed or impeded and our business and results could suffer. In addition growth will require us to expand central management,administration and support function including our internal accounting and audit control and systems. If we have difficulty maintaining and improving these functions as we grow,our business may suffer.

25. Our insurance coverage may not adequately protect us against certain operating hazards which could have an adverse effect on our business.

Operating a telecom infrastructure services business involves many risks that may adversely affect our operations, and the availability of insurance is therefore important to our operations. For example, there is a risk of work accidents and equipment failure. Fire or other perils may cause injury and loss of life and damage to and destruction of property and equipment. There is also a risk that the Company could be subject to liability for infringement of intellectual property rights, failure of technology products and breach of duty or contractual relationships.

We maintain general liability insurance coverage in relation to our assets, stocks, employees and directors, including professional indemnity insurance coverage. We believe that our insurance coverage is generally consistent with industry practice. However, to the extent that any uninsured risks materialize or we fail to effectively cover ourselves for any risks, we could be exposed to substantial costs and losses that would adversely affect results of operations. In addition, we cannot be certain that our coverage will be available in sufficient amounts to cover one or more large claims, or that our insurers will not disclaim coverage as to any future claims. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or that leads to adverse changes in our insurance policies, including premium increases or the imposition of a large deductible or co-insurance requirement, could adversely affect our results of operations.

26. Our Intellectual properties are not extensively protected against third party infringement.

As of the date hereof, our intellectual properties are not extensively protected against third party infringement. We have submitted patent applications in respect of three different products in 2006. Until such time as these patent applications are approved and registered in our favour, we will have only restricted legal recourse against any unauthorized use of the relevant products. Further, we have not applied for registration of any of our trademarks/trade names, which may lead to unauthorized use of our trademarks, including by our competitors. Other than as mentioned above, we have not applied for any form of intellectual property protection. Competitors or potential competitors may also attempt to copy or reverse engineer aspects of our software or product lines or to obtain and use information that we regard as proprietary. If we are unable to maintain the security of our proprietary intellectual properties, it could adversely affect our business and results of operations.

27. We have not yet indentified the precise location of the premises in Bangalore for the establishment of our backup/ disaster recovery centre.

28. One of our independent directors, Mr. Srikant Madan Chitnis, was previously on the board of a company that appers on RBI's list of wilful defaulters. He was a director of the said company at the time of the commission of default.

29. The Company has issued a corporate guarantee of GBP 100,000 (Rs 8.6 Million) in relation to lease rentals payable by its subsidiary Tanla Solutions (UK) Limited

The Company has furnished a corporate guarantee of GBP 100,000 in favour of Banner Holdings Limited in respect of the lease rentals payable by Tanla Solutions (UK) Limited, its subsidiary for the land and premises situated at 39/41, Charing Cross Road, and 41,42 and 43, Cranbourn Street, London WC2 . In the event that Tanla Solutions (UK) Limited defaults in payments of the lease rentals, the Company has undertaken to pay such sums to the lessor as may be in default, subject to a maximum limit of GBP 100,000.

30. The market price of the Equity Shares may be adversely affected by additional issue of equity shares.

We may issue additional equity shares under our proposed ESOP, as discussed below. In addition, we may issue additional Equity Shares to the extent we make acquisitions of businesses or assets and agree to pay for such acquisitions with equity shares. Any additional equity offerings would dilute existing shareholders.

31. The equity shares of the Company listed on Hyderabad Stock Exchange (HSE), Ahmedabad Stock Exchange (ASE) and Madras Stock Exchange (MSE) are infrequently traded. Hence our share price history in the past cannot be taken as an indicator of our share price in the future.

32. Future equity offerings pursuant to the Company's ESOP scheme would dilute holders of equity shares.

The shareholders of the Company have accorded their sanction to the Board of the Company to offer, issue and allot to the permanent employees of the Company, including the eligible directors, options exercisable into not more than 50,00,00 equity shares. Exercise of options granted under the Company's proposed ESOP scheme may lead to dilution of investors' shareholdings in the Company.

33. Tanla Solutions (UK) Limited and Tanla Mobile Limited (previously known as Mobizar Limited), our subsidiaries, by virtue of the businesses they carry on currently, do not fall under the definition of data controllers and as such are not subject to the provisions of the UK Data Protection Act, 1998. In the event that our subsidiaries do in the future undertake activities falling within the ambit of a data controller, or in the event the UK Data Protection Act, 1998 is amended to include the activities they currently carry on, we would be required to obtain a registration under that Act. Failure to obtain such registration, or a delay in obtaining such registration, would subject us to penalties prescribed under the UK Data Protection Act, 1998 and may consequently affect our revenues and business.

34. The Company may fail in its endeavours to sell offshore development services to content providers, and mobile network operators including MVNOs.

Our business strategy for enhancing our offshore development services business is dependent, in part, on our ability to acquire new customers for these services, including additional content providers,and mobile network operators, including MVNOs. Failure to acquire such customers could adversely affect our goals for our offshore development services business.

35. Our products could contain defects, which would reduce sales of those products or result in claims against us.

Despite testing by us and our customers, errors may be found in existing or new products. The risk of finding errors is generally higher with new products. Such errors, and any claims resulting from such errors, could result in, among other things, a delay in recognition of, or loss of, revenues, loss of market share, reputational damage and failure to achieve acceptance in new markets.

36. Any failures of the international mobile telecommunication network or the internet may reduce the use of the Company's services.

Any major telecommunications network or internet interruptions, break-downs or system failures, including failures caused by sustained power shutdowns, floods, fire or other disruptions, causing shutdowns, loss or corruption of data, malfunctions of software or hardware or other similar events, could adversely impact our ability to provide services to users and reduce our revenues.

External Risk Factors

1. **Our tax liability may increase and our profitability may be reduced in the event of termination or reduction of our tax incentives.**

   Presently, we benefit from certain tax incentives under Section 10A of the Income Tax Act, 1961, for the IT services that we provide from specially designated "Software Technology Parks of India," or STPIs. Due to these tax incentives, we incurred minimal income tax expense in fiscal 2006 compared to the tax expense that we would have incurred if the tax holiday represented by the incentives had not been available for that period. Under current laws, the tax incentives available to us terminate on the earlier of the ten-year anniversary of the commencement of operations of the affected unit or March 31, 2010, whichever is earlier. When the incentives terminate for us, our tax liability may go up. In addition, we cannot assure you that the Indian government will not enact laws in the future that would adversely affect our tax incentives and consequently, increase tax liabilities and affect our profits.

2. **An economic downturn may adversely impact our operating results.**

   Spending on telecom products and solutions is dependent in part upon the level of global economic activity. An economic downturn may result in the postponement or reduction of expenditures for telecom products and services, which could adversely affect our revenues.

3. **Global competition is expected to intensify in the telecom technology solutions markets.**

   Most of our competitors are international leaders in the telecom sector and have significantly greater financial resources, well-established brand names, a large and growing customer base and the ability to cross-subsidize products and services across a large spectrum of offerings. Increased competition and pricing pressure could have an adverse affect on our business, financial condition and operating results, and may result in lower gross margins, loss of market share and other adverse factors.

   Within India, steps taken by the Government of India to make India a global information technology superpower and a front-runner in the age of the "Information Revolution" will likely make the telecom infrastructure services industry in India more competitive. We expect competition to intensify further as new entrants emerge in the industry, and as existing competitors seek to expand their services. Additionally, consolidation among our competitors may leave us at a competitive disadvantage.

4. **A significant change in the regulatory environment could disrupt our business and cause the price of our Equity Shares to decline.**

   The Government of India has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, including us, and on market conditions and prices of Indian securities, including the Equity Shares. Any significant change in the government's policies or any political instability in India could adversely affect business and economic conditions in India and could also adversely affect our business, our future financial performance and the price of our Equity Shares.

5. **Taxes and other levies imposed by the Government of India or other state governments, as well as other financial policies and regulations, may have a material adverse effect on our business, financial condition and results of operations.**

   Taxes and other levies imposed by the central or state governments in India that affect our industry include customs duties, excise duties, sales tax, income tax and other taxes, duties or surcharges introduced on a permanent or temporary basis from time to time. Currently we benefit from certain tax benefits that result in a decrease in our effective tax rate compared to the tax rates that we estimate would have applied if these incentives had not been available. There can be no assurance that these tax incentives will continue in the future. The non-availability of these tax incentives could adversely affect our financial condition and results of operations. Our operations in the UK and elsewhere outside India are also subject to changes in local tax laws that could adversely affect our business

6. **We derive our revenues largely from the provision of products and services that facilitate SMS usage by mobile telephone subscribers. The use of SMS by mobile telephone users has been increasing over the past few years. If this upward trend were to slow down or begin to decline, our business, revenues results of operations and financial condition could be adversely affected.**

7. **Natural calamities, acts of God and unforeseen contingencies including terrorist attacks, civil unrest and other acts of violence or war involving India or other countries across the world could have a negative impact on the Indian economy or other economies where we earn revenue, such as the UK and Asia Pacific economies and cause our business to suffer.**

8. **After the Issue, the price of our Equity Shares may be volatile, or an active trading market for our Equity Shares may not develop. The price of our Equity Shares on Indian stock exchanges may fluctuate after the Issue as a result of several factors, including:**

   i. Volatility in the Indian and global securities markets;

   ii. The Company's results of operations and performance and perceptions about its future performance;

   iii. The performance of competitors and market perception of investments in our industry;

   iv. Adverse media or other reports concerning our Company or industry or the Indian information technology industry;

   There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after the Issue, or that prices at which our Equity Shares are initially offered will correspond to the prices at which our Equity Shares will trade in the market subsequent to the Issue. Our share price could be volatile and may also decline.

Notes:

i. The unconsolidated net worth of our Company as of March 31, 2006 is Rs.366.75 Million and as at September 30 2006 was Rs 587.55 Million based on the audited unconsolidated financial statements of our Company.

ii. The average cost of acquisition of Equity Shares by our Promoters is Rs.1.17 per Equity Share of Face Value Rs. 2 and the book value per Equity Share as of March 31, 2006 was Rs.10.75 per Equity Share. The book value per Equity Share as of March 31, 2006 was Rs 17.48 per Equity Share as at September 30, 2006.

iii. Except as disclosed in this Red Herring Prospectus, none of our Directors have any interest in the Company except to the extent of remuneration and reimbursement of expenses and to the extent of the Equity Shares held by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, member, partner and/or trustee and to the extent of the benefits arising out of such shareholding.

iv. Investors may contact the BRLMs or the Compliance Officer for any complaints, information or clarifications pertaining to the Issue.

v. Investors are advised to refer to the section titled "Basis for Issue Price" on page 37 of this Red Herring Prospectus.

vi. For information on related party transactions, please refer to the notes to our financial statements relating to related party transactions in the section entitled "Consolidated Financial Statements - Related Party Transactions" on page 127 of this Red Herring Prospectus for related party transactions.

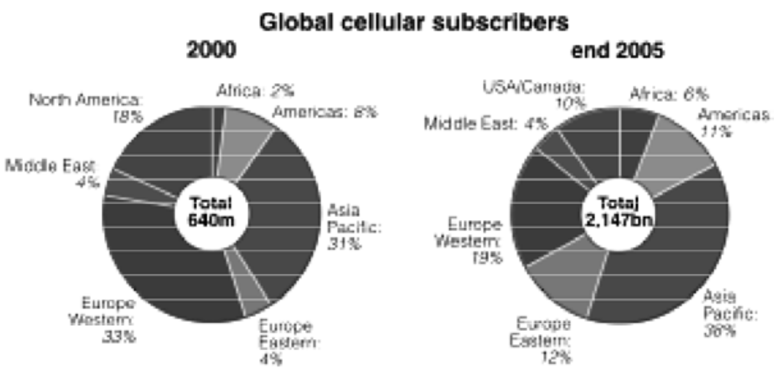
INTRODUCTION

SUMMARY

This is only a summary and does not contain all the information that you should consider before investing in our Equity Shares. You should read the entire Red Herring Prospectus, including the information on "Risk Factors" and our financial statements and related notes beginning on pages XV and 99 respectively of this Red Herring Prospectus, before deciding whether to invest in our Equity Shares

Overview **The Telecom Networks**

The wireless industry began exploring the conversion of the existing analog network to a digital telecom network as a means of improving capacity in the late 1980s . The two major systems that split the radio frequency are TDMA and CDMA. Because of its adoption by the European standard GSM, the Japanese Digital Cellular (JDC), the North American Digital Cellular (NADC), TDMA and its variants are currently the technology of choice throughout the world. CDMA is a spread-spectrum technology that allows multiple frequencies to be used simultaneously.



Market Share for the different segments of the telecom industry and geographical distribution of customers

Source : GSM Association

GSM subscriber statistics

GSM grew out of a vision that users should be able to make and receive calls on their mobiles, wherever they travelled.

International roaming enforces compliance with open standards and promotes inter-operability between network and handset equipment from different suppliers. Together, open standards and inter-operability stimulate and generate economies of scale that reduce costs - to manufacturers, to operators, and most importantly, to end-users. 3GSM, based on WCDMA radio technology, was conceived and developed to carry these benefits into third generation mobile.

The billionth GSM user was connected in the first quarter of 2004 and two billion connections on the GSM family were made in June 2006.

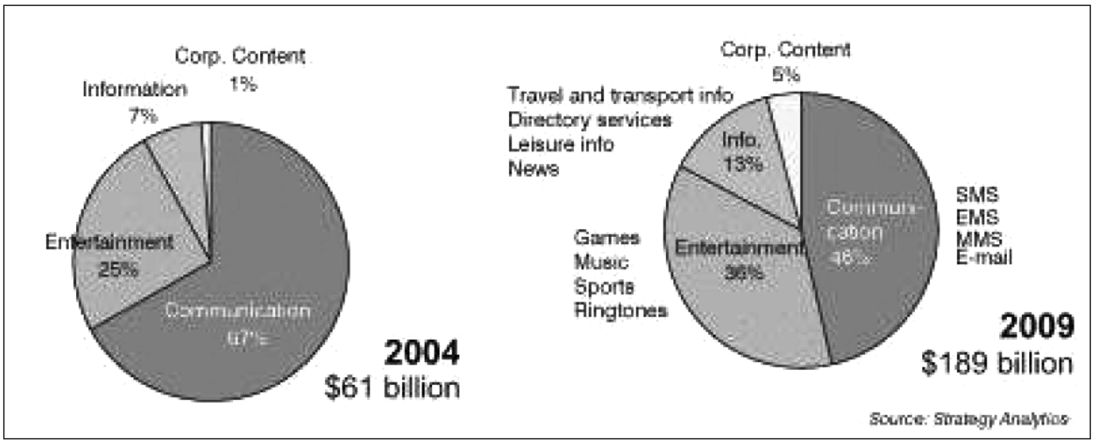
	2003				2004				2005				2006	
Millions	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
World	1,187.9	1,239.4	1,302.2	1,382.9	1,453.8	1,525.4	1,612.3	1,714.1	1,820.6	1,920.6	2,027.2	2,177.1	2,245.8	2,405.8
GSM	**851.5**	**894.7**	**945.4**	**1,012.0**	**1,070.9**	**1,131.6**	**1,207.2**	**1,296.0**	**1,378.5**	**1,467.6**	**1,561.7**	**1,709.2**	**1,796.8**	**1,941.6**
3GSM	**0.4**	**1.0**	**1.6**	**2.8**	**4.4**	**7.5**	**11.4**	**16.3**	**24.0**	**29.9**	**37.9**	**50.0**	**61.2**	**74.7**
CDMA	102.3	99.8	99.3	98.9	96.6	93.6	90.6	87.4	72.5	68.5	63.8	62.4	42.5	37.0
CDMA 1X	45.7	56.5	67.5	80.1	93.5	106.6	118.9	131.9	167.6	182.9	197.2	213.1	213.3	225.0
CDMA 1X EV-DO	0.7	1.7	3.0	4.6	7.1	8.7	10.5	12.3	14.7	17.1	19.7	21.2	29.6	34.5
TDMA	100.7	99.8	99.8	100.1	98.1	95.6	92.8	90.0	82.8	79.0	71.9	48.5	31.9	26.1
PDC	57.5	58.2	58.5	58.1	57.7	56.7	55.7	54.2	51.6	49.5	46.5	46.3	42.6	38.5
iDEN	11.5	12.1	12.8	13.4	13.8	14.4	15.0	16.8	19.5	18.8	19.8	21.1	22.6	23.8
Analog	17.6	15.7	14.3	12.9	11.9	10.7	10.2	9.2	8.3	7.6	6.8	5.4	5.2	4.5

Source: Wireless Intelligence

The mobile communication market can be classified into:

- The Voice Market Segment
- The Non-Voice Market Segment

The Non-Voice Market Segment



The major businesses of our company are in the Non-Voice Market segment.

Our Business

We are a provider of integrated telecom solutions and products for the wireless market. We commenced our commercial activities in the areas of telecom signalling solutions in the year 2000, we specialize in providing SS7 (Signalling System 7) messaging infrastructure software products including Short Messaging Service Centre (SMSC), High Density Media Servers (HDMS), optimal routing solutions, welcome roamers, voice mail servers and caller ring also offer messaging applications & billing services (hereinafter referred as Aggregator Services) and offshore services including software development, infrastructure management services and technical support services.

Our head office and delivery centres are located at Hyderabad, India and worldwide marketing is undertaken through our subsidiary Tanla Solutions (UK) Limited, London, United Kingdom. Our subsidiary Tanla Solutions (UK) Limited has Tanla Mobile Limited (previously known as Mobizar Limited) as a wholly owned subsidiary providing Aggregator Services to all the major mobile network operator in the United Kingdom.

We have categorised our business in the following three related areas:

- Telecom Signalling Solutions
- Messaging Applications & Billing services (Aggregator)
- Offshore Services

Telecom Signalling Solutions

Under this area, we offer SS7 (Signalling System 7) messaging infrastructure software products. SS7, Short for Signalling System 7, is a telecommunications protocol defined by the International Telecommunication Union (ITU), characterized by high-speed circuit switching and out-of-band signalling using Service Switching Points (SSPs) (referred to as signalling points, or SS7 nodes).

Messaging Applications & Billing services (Aggregator Services)

The role performed by our Aggregator Service is to provide a single point of between mobile communications products and services developers,on the one hand , and mobile network operators,on the other hand.

Offshore Services:

The offshore services offered by are in two areas:

Offshore development services

- Infrastructure management and technical support services

Our key strategic priorities are as follows:

Strategy for our SS7 based Telecom Signalling Solutions

Establish presence in new markets and consolidate in existing markets

We plan to establish two offices in North America and two in the Asia Pacific region. These offices would handle sales and marketing as well as after-sales support and services. We would acquire local sales and marketing teams that would be familiar with the markets. We currently plan to market to Europe through our UK offices.

Increase presence in local markets

We will consider forming strategic marketing partnerships with local infrastructure providers and consultants in North America, Europe and the Asia Pacific markets. These local suppliers and consultants would, we believe, not only help diminish customer's resistance to a new vendor but also enhance our geographic penetration.

Strategy For Aggregator Services

The growth strategy for Aggregator Services includes:

- Seeking to partner with established telecom operators in European,Asia Pacific, and US markets Utilize existing relationships with UK telcom operators to provide Aggregator Services in the other markets where they operate

Strategy for Offshore Services

- Actively target content providers and MVNOs
- Continue to upgrade the skills and experience of our technical team to keep them abreast of developments and new technologies.
- We continue to seek to provide end-to-end solutions for content providers by providing application development, integration with our Aggregator platform, application hosting, infrastructure management and technical support.

Competitive Strengths

We believe that following are our competitive strengths:

Strength in established and proven telecom products and solutions.

We have a proven track record over the last six years of having developed and deployed SS7 based products in India as well as overseas. This expertise with SS7 gives us what we believe is a technological competitive advantage over many of our competitors in the mobile messaging industry.

Leading telecom companies as clients in India as well as overseas

We have provided products and services to clients who are large mobile network operators in international markets as well as large participants in the Indian mobile networks market. This has helped us secure additional clients and also forge relationships with content providers, other telcos and messaging gateways, thereby enhancing the geographical coverage of our product and service offerings and enhancing our business generally.

End-to-end offerings

In the case of many of our products and services, we offer "end-to-end solutions" to those of our mobile network operator clients and our Aggregator Services clients who do not have extensive internal technological capabilities. Such end-to-end solutions can include application development, infrastructure management and customer support. By providing end-to-end solutions, we can become a "one-stop-shop" for MVNOs and other clients that look for more technological support. End-to-end solutions also help clients who are interested in quickly getting their new service offerings to market.

Scalability in our solutions

We have developed, tested and deployed signalling solutions globally. We are in a position to swiftly and cost effectively meet with new or additional client requirements for software products and offshore services.

India footprint resulting in cost efficiency

In conjunction with marketing and selling our telecom products and services overseas, we maintain a substantial portion of our cost base in India. Lower manpower costs in India compared to the UK and other overseas markets brings us better margins compared to many competitors.

Flexible pricing models

We have been flexible in offering pay-for-use and revenue sharing pricing options to many customers. This has helped these clients convert large fixed costs into variable costs, which has worked well within these clients' business models and has helped make us their partner of choice in many instances.

Focus on R&D

We have over the years invested significant resources in R&D, in order to create new telecom products and solutions and continue to refine our existing ones. The R&D experience and knowledge base that we have developed over the years keeps us, we believe, at or near the forefront of developments in our industry and continues to help us create new downstream applications. Our R&D focus continues to provide us with what we think is a competitive edge, as well as protection from obsolescence.

OFFERING DETAILS

Equity Shares Offered	
Fresh Issue of Equity Shares	15,885,000 Equity Shares of Rs. 2/- each for cash
Of which	
Promoters' Contribution	1,588,500 Equity Shares of Rs. 2/- each for cash
Net Offer /Net Issue to the Public	14,296,500 Equity Shares of Rs. 2/- each for cash
Of which	
QIB Portion (including 5% reserved for Mutual Funds)	At least 50% of the Net Issue to the Public i.e at least 7,148,250 Equity Shares of Rs. 2/- each for cash **(Allocation on a proportionate basis)**
Mutual Funds Portion	357,413 Equity Shares of Rs. 2/- each for cash **(Allocation on a proportionate basis)**
Non-Institutional Portion	Up to 15% of the Net Issue to the Public i.e at up to 2,144,475 Equity Shares of Rs. 2/- each for cash **(Allocation on a proportionate basis)**
Retail Portion	Up to 35% of the Net Issue to the Public i.e at up to 5,003,775 Equity Shares of Rs. 2/- each for cash**(Allocation on a proportionate basis)**
Equity Shares outstanding prior to the Issue	34,115,000 Equity Shares of Rs. 2/- each
Equity Shares outstanding after the Issue	50,000,000 Equity Shares of Rs. 2/- each

SUMMARY FINANCIAL AND OTHER DATA

The following tables set forth summary financial information derived from our unconsolidated restated financial statements as of and for the fiscal years ended March 31, 2002, 2003, 2004 , 2005 and 2006 and the consolidated restated financial statements of Tanla Solutions Limited as of and for the fiscal years ended March 31, 2005, 2006, prepared in accordance with Indian GAAP and SEBI DIP Guidelines and as described in the Statutory Auditors' report dated 23rd August 2006 included in the section titled 'Financial Information' beginning on page 99 of this DRHP and should be read in conjunction with those financial statements and the notes thereto.

Statement of Profit & Loss (Consolidated)

Particulars	**Rs. Million for the year ended on**		**Rs. Million for the half year ended on**	
	31.03.2005	**31.03.2006**	**30.09.2005**	**30.09.2006**
Income				
Sales:				
From products and services	223.86	630.21	205.158	870.761
Other income	3.41	1.01	0.450	0.570
Increase (decrease) in inventory	0.00	0.00	0.000	0.000
Total Income	**227.27**	**631.22**	205.608	**871.331**
Expenditure				
Personnel Costs	13.68	34.19	15.526	34.953
Operating & Administrative Expenses	131.98	245.11	69.637	389.437
Depreciation	2.59	7.92	1.604	13.025
Miscellaneous expenditure written off	1.71	0.00	0.000	0.000
Total Expenditure	**149.96**	**287.22**	86.767	**437.415**
Net Profit before tax and extraordinary items	77.31	344.00	118.841	433.916
Provision for taxation	8.90	41.53	2.518	76.823
Net profit after tax & before extraordinary items	68.41	302.47	116.324	357.093
Extraordinary items (net of tax)	0.00	0.00	0.000	0.000
Net profit after extraordinary items	68.41	302.47	116.324	357.093
Earlier year adjustments	0.00	0.00	0.00	0.00
Profit/(Loss) Brought forward from last year	11.285	48.337	48.334	308.397
Appropriations				
Transfer to general reserve	5.00	25.73	0.000	0.000
Interim Dividend	14.04	0.00	0.000	0.000
Proposed dividend	10.83	17.06	0.000	0.000
Tax on proposed dividend	1.39	2.39	0.000	0.000
Balance carried to Balance sheet	**37.15**	**212.15**	**164.657**	**665.490**

Statement Of Assets And Liabilities (Consolidated)

	Particulars	Rs. in Million as at			
		31.03.2005	31.03.2006	30.09.2005	30.09.2006
A.	**Assets**				
	Fixed Assets-Gross Block	35.51	114.78	69.530	215.427
	Less: Depreciation	8.95	15.58	9.388	29.057
	Net Block	26.56	99.20	60.142	186.370
	Less: Revaluation Reserve	0.00	0.00	0.000	0.000
	Net Block after adjustment for Revaluation Reserve	26.56	99.20	60.142	186.370
B.	**Goodwill**	**29.79**	**29.79**	**29.792**	**29.790**
C.	**Current assets, loans and advances**				
	Inventories (Product under development)	2.98	0.00	2.979	0.000
	Receivables	44.17	236.51	125.349	485.738
	Cash & bank balances	64.59	180.80	69.256	198.912
	Loans and advances	15.97	11.09	12.084	40.774
	Deferred Tax Asset	0.00	0.00	0.000	0.000
	Total Assets	**184.06**	**557.39**	**299.602**	**941.584**
D.	**Liabilities & Provisions**				
	Loan funds	0.00	0.00	0.000	0.000
	Secured loans	0.00	0.00	0.000	0.000
	Unsecured loans	0.00	0.00	0.000	0.000
	Current liabilities & provisions				
	Sundry liabilities	7.64	63.64	18.402	34.259
	Provisions	22.44	55.83	11.234	106.969
	Deferred tax liability	1.18	6.99	1.180	8.723
E.	**Net worth**				
	Represented by:				
	Shareholders funds				
	Share Capital	68.23	68.23	68.230	68.230
	Reserves & surplus	84.57	366.88	200.556	733.593
	Less: Revaluation Reserve	0.00	0.00	0.000	0.000
	Reserves (Net of Revaluation Reserve)	84.57	366.88	200.556	733.593
	Less: miscellaneous expenditure not written off	0.00	4.18	0.000	10.190
	Total Liabilities	**184.06**	**557.39**	**299.602**	**941.584**

Statement of Profit & Loss (Tanla Solutions Limited, unconsolidated)

Rs. in Millions

Particulars	for the year ended on					For the half year ended	
	31.03.02	31.03.03	31.03.04	31.03.05	31.03.06	30.09.05	30.09.06
Income							
Sales:							
From products and services	8.635	15.658	57.250	71.219	413.956	162.808	367.795
Other income	0.039	0.044	1.403	3.232	5.537	.30.0.384	1.138
Increase (decrease) in inventory	-0.566	-1.697	0.000	0.000	0.000	0.00	
Total Income	**8.108**	**14.005**	**58.653**	**74.451**	**419.493**	**163.192**	**368.933**
Expenditure							
Personnel Costs	2.707	2.228	4.449	8.239	25.63	10.636	22.702
Operating & Administrative Expenses	5.038	9.364	21.904	14.345	111.715	39.950	97.873
Depreciation	1.277	1.371	1.839	2.315	4.279	1.584	4.857
Miscellaneous expenditure written off	0.288	0.288	0.288	1.707	0.000	0.00	0.00
Total Expenditure	9.310	13.251	28.480	26.606	141.657	52.169	125.432
Net Profit before tax and extraordinary items	-1.202	0.754	30.173	47.845	277.836	111.023	243.501
Provision for taxation	0.000	-0.110	-0.246	0.276	20.497	0.245	16.69
Net profit after tax & before extraordinary items	-1.202	0.864	30.419	47.569	257.339	110.778	226.811
Extraordinary items (net of tax)	0.570	0.271	0.00	0.00	0.00	0.000	0.00
Net profit after extraordinary items	-1.772	0.593	30.419	47.569	257.339	110.778	226.811
Earlier year adjustments	0.088	0.00	7.489	0.00	0.00	0.000	0.00
Profit brought forward from last year	0.000	-7.011	-6.417	10.867	41.224	41.224	253.38
Appropriations							
Transfer to general reserve	0.000	0.000	0.000	5.000	25.73	0.00	0.00
Proposed dividend	0.000	0.000	5.004	10.825	17.06	0.00	0.00
Tax on proposed dividend	0.000	0.000	0.641	1.387	2.39	0.00	0.00
Balance carried to Balance sheet	-1.861	-6.417	10.869	41.224	253.37	152.003	480.190

Statement of Assets and Liabilities (Tanla Solutions Limited, unconsolidated)

		Rs. in Million as at						
	Particulars	**31.03.02**	**31.03.03**	**31.03.04**	**31.03.05**	**31.03.06**	**30.09.2005**	**30.09.2006**
A	**Assets**							
	Fixed Assets-Gross Block	16.824	21.528	27.545	33.691	100.252	69.281	133.752
	Less: Depreciation	2.285	3.548	5.387	7.702	11.857	9.286	16.714
	Net Block	14.539	17.980	22.158	25.989	88.395	59.995	117.038
	Less: Revaluation Reserve	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Net Block after adjustment for Revaluation Reserve	14.539	17.980	22.158	25.989	88.395	59.995	117.038
B	**Investments**	**2.439**	**3.030**	**3.584**	**32.374**	**32.374**	**32.374**	**32.374**
C	**Current assets, loans and advances**							
	Inventories	1.697	0.000	0.000	0.000	0.000	0.000	0.000
	Receivables	5.741	2.442	5.984	37.185	144.097	107.032	189.115
	Cash & bank balances	1.980	2.486	25.899	48.609	145.571	49.907	147.612
	Loans and advances	13.326	14.814	12.845	7.664	5.948	6.554	156.587
	Deferred Tax Asset	0.000	5.236	0.000	0.000	0.000	0.000	0.000
	Total Assets	**39.722**	**45.988**	**70.470**	**151.821**	**416.385**	**255.862**	**642.726**
D	**Liabilities & Provisions**							
	Loan funds	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Secured loans	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Unsecured loans	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Current liabilities & provisions							
	Sundry liabilities	1.861	3.955	3.815	3.837	8.285	9.947	16.712
	Provisions	2.239	0.403	6.325	13.840	34.357	0.992	29.743
	Deferred tax liability	0.000	0.000	1.126	1.103	6.993	1.103	8.723
E	**Net worth**							
	Represented by:							
	Shareholders funds							
	Share Capital	50.043	50.043	50.043	68.230	68.230	68.230	68.230
	Reserves & surplus	0.000	0.000	10.867	64.811	302.700	175.590	529.508
	Less: Revaluation Reserve	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Reserves (Net of Revaluation Reserve)	0.000	0.000	10.867	64.811	302.700	175.590	529.508
	Less: miscellaneous expenditure not written off	14.421	8.413	1.707	0.000	4.180	0.000	10.190
	Total Liabilities	**39.722**	**45.988**	**70.470**	**151.821**	**416.385**	**255.862**	**642.726**

Note: The Company has not revalued its fixed assets and as such no revaluation reserve was created.

GENERAL INFORMATION

REGISTERED OFFICE OF OUR COMPANY

Tanla Solutions Limited
Tanla Technology Centre
Hitech City Road,
Madhapur,
Hyderabad – 500 081
India.
Tel: +91 40 40099999
Fax: +91 40 23122999
E-mail: fpo@tanlasolutions.com

Registration Number: 01 – 21262 CIN: L72200AP1995PLC021262

Our Company is registered at the Registrar of Companies, Andhra Pradesh, Kendriya Sadan, Sultan Bazar, Hyderabad - 500 001, Andhra Pradesh, India.

BOARD OF DIRECTORS

The following persons constitute our Board of Directors:

1. Mr. D. Uday Kumar Reddy
2. Mr. Satish Kathirisetti
3. Mr. Anoop Roy Kundal
4. Mr. Gautam Sabharwal
5. Mr. Amit Gupta
6. Mr. Navnit Chachan
7. Mr. Abhishek Khaitan
8. Mr. Sudhanshu Shekhar Jamuar
9. Mr. Ram Narain Agarwal
10. Mr. Subir Om Prakash Mehra
11. Mr. Villadath Harish Kumar
12. Mr. Shrikanth Madan Chitnis

For further details of our Chairman, Managing Director and whole-time directors, see section titled "Our Management" on page 78 of this Red Herring Prospectus.

COMPANY SECRETARY AND COMPLIANCE OFFICER

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India
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Contact Person: Mr S R Arun

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Fax: +44 20 7588 0555
E-mail: baumann.richard@dorsey.com
Contact Person: Mr.Richard Baumann

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Hyderabad - 500 033
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Tel: +91 40 23600082 / 83
Fax: +91 40 23600085
E-mail: jubbr@utibank .co.in
Website: www.utibank.co.in
Contact Person: Mr. B.S. Chakravathy

BOOK RUNNING LEAD MANAGERS

SBI Capital Markets Limited

202, Maker Tower 'E'
Cuffe Parade, Mumbai- 400 005
India
Tel: +91 22 2218 9166-69
Fax: +91 22 2218 6367 / 2218 8332
E-mail: tsl.fpo@sbicaps.com
Contact Person: Mr. Amit Kadoo
Website : www.sbicaps.com

IL&FS Investsmart Limited
The IL&FS Financial Centre
Plot No.C-22, G Block, Bandra Kurla Complex,
Bandra (East), Mumbai 400051, India
Tel:+ 91 22 26533333
Fax: +91 22 56931862
e-mail: poorna.pikle@investsmartindia.com
Website: investsmartindia.com
Contact Person: Ms. Poorna Pikile

ICICI Securities Limited
H.T. Parekh Marg,
Churchgate Mumbai - 400 020, India
Tel: +91 22 2288 2460
Fax: +91 22 2282 6580
e-mail; tanla_fpo@isecltd.com
Contact Person: Mr. Hari Kishan Movva
Website: www.icicisecurities.com

SYNDICATE MEMBER

Kotak Securities Limited
Bakhtawar, 1st Floor,
229 Nariman Point,
Mumbai 400 021, India
Phone No.: +91 22 66341100
Fax: +91 22 66303927
Contact Person: Mr. Akhilesh Yadav
Website: www.kotaksecurities.com

ICICI Brokerage Services Limited
H.T. Parekh Marg,
Churchgate Mumbai - 400 020
India
Tel: 91 22 2288 2460
Fax: 91 22 2282 6580
e-mail:tanla_fpo@isecltd.com
Contact Person: Anil Mokashi
Website: www.icicisecurities.com

REGISTRAR TO THE ISSUE

Karvy Computershare Private Limited
"KARVY HOUSE" 46, Avenue 4, Street No.1,
Banjara Hills, Hyderabad - 500 034
India
Tel.: +91 40 23388709 / 23320251 / 751 / 752
Fax:+ 91 40 23311968
e-mail: mailmanager@Karvy.com
Website: www.karvy.com
Contact Person: Mr. S. Ganapthy Subramanian

BANKERS TO THE ISSUE AND ESCROW COLLECTION BANKS

ICICI Bank Limited:
Capital Markets Division
30, Mumbai Samachar Marg,
Mumbai – 400 001.
India
Tel.: +91 22 22655285
Fax: +91 22 22611138
Contact Person: Mr. Sidharth Routray

For **The Hong Kong and Shanghai Banking Corporation Limited:**
52/60, Mahatma Gandhi Road,
Mumbai – 400 001
India
Tel.: +91 22 22681673/ 22681290
Fax: +91 22 22734388
Contact Person: Mr. Zersis Irani

For **UTI Bank Limited:**
Commercial Complex
Ground Floor, Plot No 11
Road No 1, Film Nagar
Jubilee Hills
Hyderabad - 500 034
India
Tel No.: +91 40 23600082/ 83/ 84, 23541242/ 41
Fax: +91 40 23600085
Contact Person: Mr. B.S. Chakravarthi

For **Standard Chartered Bank Ltd.:**
270, D.N. Road
Fort, Mumbai – 400 001
India
Tel: +91 22 2209 2213
Fax: +91 22 2209 4863
Contact Person: Mr. Barhid Bhattacharya

For **HDFC Bank Ltd.:**
26A, Narayan Properties,
off Sakivihar Road,
Chandivilli,
Andheri – East,
Mumbai – 400072
India
Tel: +91 9324714672, +91 22 28569202
Fax: +91 22 28569256
Contact Person: Mr. Viral Katari

For **Kotak Mahindra Bank Ltd.**:
6-3-1109/1/P-G-2, III Floor,
Jewel Pavani Tower,
Raj Bhavan Road, Somajiguda,
Hyderabad 500 082
India
Tel: +91 40 55841443
Fax: +91 40 55841443
Contact Person : Mr. G. Jita Mitra

AUDITORS

Ramasamy Koteswara Rao & Co.,
Chartered Accountants
222, Amrutha Ville,
Rajbhavan Road, Somajiduda,
Hyderabad – 500 082
India
Tel: +91 40 23394982 985
Fax: +91 40 240604311
E-mail: rkandco@gmail.com
Contact Person: Mr.C.V. Koteswara Rao

Statement of Inter Se Allocation of Responsibilities amongst Lead Managers

S.No	Activities	Responsibility	Co-ordinator
1.	Capital structuring with the relative components and formalities such as type of instruments etc.	SBI CAPS	SBI CAPS
2.	Due diligence of the Company's operations/management/business plans/ legal etc.	SBI CAPS	SBI CAPS
3.	Drafting and Design of the offer document and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated Lead manager shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges Registrar of Companies and SEBI.	SBI CAPS	SBI CAPS
4.	Drafting and approval of Issue and statutory publicity material, etc.	SBI CAPS	SBI CAPS
5.	Drafting and approval of all corporate advertisement, brochure and other publicity material.	SBI CAPS	SBI CAPS
6.	Appointment of Registrar, Bankers and Advertising Agency	SBI CAPS	SBI CAPS
7.	Appointment of Printers	SBI CAPS	SBI CAPS

S.No	Activities	Responsibility	Co-ordinator
8.	Marketing of the Issue, which will cover inter alia,· ● Formulating marketing strategies, preparation of publicity budget· ● Finalize media & PR strategy· ● Finalize centres for holding conferences for brokers, press, etc.· ● Finalize collection centres· ● Follow-up on distribution of publicity and issue material including application forms, RHP and deciding on the quantum of the issue material.	SBI CAPS, IIL, and ISEC	SBI CAPS
9.	Finalizing the list of QIBs. Divisions of QIBs for one to one meetings, road show related activities and order procurement	SBI CAPS, ISEC and IIL	ISEC
10.	Finalizing pricing and allocation.	SBI CAPS, ISEC and IIL	ISEC
11.	Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc.	SBI CAPS	SBI CAPS
12.	The Post-issue activities of the Issue will involve essential follow-up steps, finalization of basis of allotment/weeding out of multiple application, etc. Major ones are : • Listing of securities • Dispatch of certificates and refunds • The various agencies connected with the work such as Registrars to the issue • Bankers to the issue and the bank handling refund business Lead Manager shall be responsible for ensuring that these agencies fulfil their functions and enable him to discharge this responsibility through suitable agreements with the issuer company	SBI CAPS	SBI CAPS

CREDIT RATING

As the Issue is of equity shares, credit rating is not required.

IPO GRADING

We have not opted for grading of this Issue.

TRUSTEES

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

MONITORING AGENCY

We have appointed UTI Bank Limited, having its office at Jubilee Hills Branch, Hyderabad,India as the Agency for monitoring the utilization of the Issue proceeds.

BOOK BUILDING PROCESS

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

The principal parties involved in the Book Building Process are:

1. The Company;
2. The Book Running Lead Managers;
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the Stock Exchanges and eligible to act as underwriters. Syndicate Members are appointed by the BRLMs; and
4. **The Registrar to the Issue.**

SEBI through its guidelines has permitted an issue of securities to the public through 100% Book Building Process, wherein: (i) at least 50% of the Net Issue shall be allocated to QIBs, 5% thereof shall be specifically available for mutual funds registered with SEBI on a proportionate basis (ii) up to 15% of the Net Issue shall be available for allocation on a proportionate basis to the Non-Institutional Bidders and (iii) up to 35% 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.

QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. In addition, QIBs are required to pay 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 "Terms of the Issue" on page 185 of this Red Herring Prospectus.

Our Company shall comply with guidelines issued by SEBI for this Issue. In this regard, our Company has appointed SBI Capital Markets Limited,IL&FS Investsmart Limited and ICICI Securities Limited as the BRLMs to manage the Issue and to procure subscription to the Issue.

The process of Book Building under the SEBI DIP Guidelines is subject to change from time to time and investors are advised to make their own judgement about investment through this process prior to making a Bid or Application in the Issue

Illustration of Book Building and Price Discovery Process *(Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Issue)*

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs. 40 to Rs. 48 per share, issue size of 6,000 equity shares and receipt of nine bids from bidders details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the website of the BSE (www.bseindia.com) and NSE (www.nseindia.com). The illustrative book below shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Number of equity shares bid for	Bid Price (Rs.)	Cumulative equity shares bid	Subscription
500	48	500	8.33%
700	47	1,200	20.00%
1,000	46	2,200	36.67%
400	45	2,600	43.33%
500	44	3,100	51.67%
200	43	3,300	55.00%
2,800	42	6,100	101.67%
800	41	6,900	115.00%
1,200	40	8,100	135.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e. Rs. 42 in the above example. The issuer, in consultation with the BRLMs will finalise the issue price at or below such cut off price i.e. at or below Rs. 42. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

Steps to be taken for bidding:

1. Check eligibility for making a Bid (see section titled "Issue Procedure - Who Can Bid" on page 190 of this Red Herring Prospectus);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form.
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN to the Bid cum Application Form (see section titled "Issue Procedure —'PAN' or 'GIR' Number" on page 204 of this Red Herring Prospectus).
4. If you are a body corporate making a Bid, please ensure that you provide your UIN in the Bid cum Application Form. (Refer section titled "Issue Procedure — Unique Identification Number" on page 204 of this Red Herring Prospectus).
5. Ensure that the Bid cum Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form.

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares but prior to filing of the Prospectus with the RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfil their sub-underwriting obligations. Pursuant to the terms of the Underwriting Agreement,the obligations of the Underwriters are subject to certain conditions to closing, as specified therein.

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

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in Million)
SBI Capital Markets Limited 202, Maker Tower 'E'Cuffe Parade, Mumbai- 400 005 Tel: +91 22 2218 9166-69 Fax: +91 22 2218 6367 / 2218 8332 E-mail: tsl.fpo@sbicaps.com	[●]	[●]
IL&FS Investsmart Limited The IL&FS Financial Centre Plot No.C-22, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051 Tel: 91 22 26533333, Fax: 91 22 56931862 Email: poorna.pikle@investsmartindia.com	[●]	[●]
ICICI Securities Limited H.T. Parekh Marg, Churchgate Mumbai - 400 020 Tel: 91 22 2288 2460, Fax: 91 22 2282 6580 e-mail; tanla_fpo@isecltd.com	[●]	[●]
Kotak Securities Limited Bakhtawar, 1st Floor, 229 Nariman Point, Mumbai 400 021 Phone No.: +91 22 56341100, Fax: +91 22 22833322	[●]	[●]
ICICI Brokerage Services Limited H.T. Parekh Marg, Churchgate Mumbai - 400 020 Tel: 91 22 2288 2460, Fax: 91 22 2282 6580 e-mail:tanla_fpo@isecltd.com	[●]	[●]

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

In the opinion of the Board of Directors (based on a certificates dated [●] given to them by BRLMs and the Syndicate Members), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the stock exchanges. The Board of Directors has accepted the above Underwriting Agreement and our Company has issued letters of acceptance to the Underwriters. Underwriting Agreement Agreements to be given in the stage of Prospectus

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

CAPITAL STRUCTURE

The following information, unless stated otherwise, is based on our capital structure as of the date of this Red Herring Prospectus.

Our share capital as at the date of Red Herring Prospectus is set forth below:

	PARTICULARS	AGGREGATE NOMINAL VALUE IN RS. MILLIONS	AGGREGATE VALUE AT ISSUE PRICE IN RS. MILLIONS
A.	**Authorised Capital**		
	60,000,000 Equity Shares of RS.2 each	120.00	-
B.	**Issued, Subscribed and Paid-Up Capital prior to the Issue:**		
	34,115,000 Equity Shares of Rs.2 each	68.230	
C.	**Present Issue to the public in terms of the Red Herring Prospectus**		
	15,885,000 Equity Shares of Rs.2 each	31.770	[●]
C1.	**Reservation for Promoters**		
	1,588,500 Equity Shares of Rs.2 each	3.177	[●]
C2.	**Net offer to the Public**		
	14,296,500 Equity Shares of Rs.2 each	28.593	[●]
D.	**Equity Capital after the issue**		
	50,000,000 Equity Shares of RS.2 each	100.00	[●]
E.	**Share Premium Account**		
	Prior to the IssuePost the Issue	18.187	[●]

NOTES TO THE CAPITAL STRUCTURE

1. Share Capital History of our Company:

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

Date of Allotment & Date on which fully paid-up	Number of Equity Shares (of face value of RS.10)	Face Value(Rs)	Issue Price (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for allotment (including persons to whom allotment was made)	Cumulative Share Capital (Rs. in Million)
July 28, 199	700	10.00	10.00	Cash	Subscribers to Memorandum/ earlier Promoters.	0.0070
November 5, 1995	79,400	10.00	10.00	Cash	Private placement basis.	0.80
January 31, 1996	955,200	10.00	10.00	Cash	Private placement basis.	10.35
February 8, 1996	215,200	10.00	10.00	Cash	Private placement basis.	12.51

Date of Allotment & Date on which fully paid-up	Number of Equity Shares (of face value of RS.10)	Face Value(Rs)	Issue Price (Rs.)	Consideration (cash, bonus, consideration other than cash)	Reasons for allotment (including persons to whom allotment was made)	Cumulative Share Capital (Rs. in Million)
February 8, 1996	3,500	10.00	10.00	Cash	Private placement basis.	12.54
August 9, 1996	1,250,000	10.00	10.00	Cash	Private placement basis.	25.04
August 9, 1996	2,500,300	10.00	10.00	Cash	Public Issue	50.04
December 15, 2004	358,700	10.00	20.00	Swap Arrangement – Smartnet **	Mr. Amit Gupta Mr. Navnit Chachan Mr. Anoop Roy Kundal	53.63
December 15, 2004	1,260,000	10.00	20.00	Swap Arrangement – Techserv***	Mr. Gautam Sabharwal Mrs. Eva Sicka Mrs. Dipika Khaitan	66.23
December 15, 2004	200,000	10.00	20.00	Cash Transaction #	Mr. K. Satish Mr. A. Satish	68.23
December 21, 2005*	**27,292,000**	2.00		Share Split in the ratio of 5:1	Existing Shareholders	**68.23**
Total	**34,115,000**	2.00				**68.23**

*The Company did a share split of 5:1 on 21st December. The Face Value of each share post split is Rs. 2.

** During the Fiscal year 2005, we acquired Smartnet Communication Systems Pvt. Limited, a software development company based in Delhi and Techserv Teleservices (UK) Ltd (now known as Tanla Solutions (UK) Limited), a telecom services company.

Smartnet Communications Systems Pvt Limited was acquired by issuing 358,700 equity shares under preferential allotment to the shareholders of the company at a price of Rs 20/- per share (Face Value Rs 10). Smartnet became a 100% subsidiary of our Company after the swap agreement which was based on the independent valuation report given by a Chartered Accountant.

*** Techserv Teleservices (UK) (now Tanla Solutions (UK) Limited) was acquired by issuing 1,260,000 equity shares under preferential allotment to the shareholders of the company at a price of Rs 20/- per share (Face Value Rs 10). Techserv became a 100% subsidiary of our Company after the swap agreement which was based on the independent valuation report given by a category I Merchant Banker and FIPB approval as required under FEMA was obtained (No 3/46/SIA/NFC/2004-NRI dated January 31, 2005.) Form FC-GPR, containing details of allotment of shares made under SWAP Arrangement has been filed with RBI as required under FEMA Guidelines.)

200000 equity shares have been issued for cash at the rate of Rs. 20 each (Premium of Rs. 10 per equity share) to Mr. Satish Kathirisetti and Mr. Satish Amrutham.

2. Promoter Contribution & Lock-in period

The SEBI Guidelines stipulate that the requirement of promoter's contribution is not applicable to a company which has been listed on recognised stock exchanges for at least 3 years and has a track record of dividend payment for at least 3 immediately preceding years. Our Company has been listed on recognised stock exchanges for more than 3 years and has declared dividend for the years 2003-2004, 2004-2005 and 2005-2006. Consequently, the requirement of promoter's contribution is not applicable to our Company.

The Promoters have, however, voluntarily agreed to subscribe to 10% of the Issue aggregating to 1,588,500 equity shares of face value Rs 2/- as part of this Issue. The Promoter's contribution shall be locked in for a period of one year from the date of allotment of this Issue. Lock in of shares has been finalised on LIFO basis.

The price at which this contribution would be brought in would be as per Clause 13.1.1 of the SEBI DIP Guidelines. The Relevant date in terms of SEBI DIP Guidelines is 3rd November, 2005. The pricing calculations are as under:

a) Twenty-six weeks preceding relevant date:

Week	From	To	High	Low
1	02/05/05	6/5/05	134.90	113.40
2	09/05/05	13/05/05	167.00	141.60
3	16/05/05	20/05/05	185.25	163.00
4	23/05/05	27/05/05	190.00	172.00
5	30/05/05	04/06/05	185.55	169.50
6	06/06/05	10/06/05	225.90	194.80
7	13/06/05	17/06/05	257.00	230.00
8	20/06/05	24/06/05	250.00	243.00
9	27/06/05	01/07/05	245.00	230.60
10	04/07/05	08/07/05	226.00	217.30
11	11/07/05	15/07/05	241.35	223.07
12	18/07/05	22/07/05	256.03	246.15
13	25/07/05	29/07/05	255.00	252.00
14	01/08/05	05/08/05	270.65	257.00
15	08/08/05	12/08/05	286.00	272.90
16	15/08/05	19/08/05	314.40	290.22
17	22/08/05	26/08/05	340.20	320.65
18	29/08/05	02/09/05	375.50	347.00
19	05/09/05	09/09/05	408.00	383.00
20	12/09/05	16/09/05	403.45	379.45
21	19/09/05	23/09/05	372.20	345.45
22	26/09/05	30/09/05	340.00	316.20
23	03/10/05	07/10/05	317.00	298.75
24	10/10/05	14/10/05	299.00	288.00
25	17/10/05	21/10/05	304.70	293.75
26	24/10/05	28/10/05	303.00	293.00

The average of the weekly highs and lows of the closing price during the 6 months (26 weeks) preceding the Rs. 266.06 (rounded off to Rs. 266).

Note: The face value of the shares above is Rs.10/-

b) Two weeks preceding relevant date

Week	From	To	High	Low
1	17/10/2005	21/10/2005	304.70	293.75
2	24/10/2005	28/10/2005	303.00	293.00

The average of the weekly highs and lows of the closing price during the 2 weeks preceding the relevant date is Rs. 298.61 (rounded off to Rs. 299).

Note: The face value of the shares above is Rs.10/-

Accordingly, the price at which the Promoters need to bring in their subscription is at least Rs. 299 for the share of face value of Rs. 10. At the applicable face value of Rs. 2 in the Issue, the corresponding price would be Rs. 59.80. The Promoters have undertaken vide their letter dated 1st December 2005 to the BRLM that they will subscribe to 1,588,500 equity shares at least one day before the issue opens for subscription for the general public at the said price or the Issue Price whichever is higher.

Lock-in

In accordance with Clause 4.10.1 of SEBI DIP Guidelines the requirement of Promoter's contribution is not applicable to a company which has been listed on recognised stock exchanges for at least 3 years and has a track record of dividend payment for at least 3 immediately preceding years.

The contribution in the proposed issue to the extent of 1,588,500 equity shares aggregating to of Rs. [●] million (i.e. 10% of the proposed issue) brought in by Promoters would be locked in for one year. The Promoter, has given his consent for lock–in of his shareholding as specified above, vide letter dated January 6, 2006.

In addition, the entire pre-issue shareholding of the Promoters and Promoter Group shall be locked-in for a period of one year from date of allotment.

The Promoters may pledge his/ her Equity Shares as collateral security for loans whenever availed from banks or financial institutions where such pledge is a pre-condition for the sanction of the loan.

Shares held by Promoter(s) which are locked in as per the relevant provisions of Chapter IV of the SEBI Guidelines, may be transferred to and amongst promoter/ promoter group or to a new promoter or persons in control of the Company, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

The lock in period shall commence from the date of allotment of Equity Shares in the proposed public issue or commencement of commercial production whichever is later, as per the applicable SEBI guidelines

3. An over-subscription to the extent of 10% of the Net Issue shall be retained for the purpose of rounding off to the nearer multiple of minimum allotment lot.

4. In the case of over subscription in all categories, up to 35% and 15% of the net offer to the public shall be allocated on a proportionate basis to Retail Individual Investors and Non-Institutional Investors respectively, at least 50% of the Net Issue shall be allocated to QIBs, 5% thereof shall be specifically available for mutual funds registered with SEBI on a proportionate basis, subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in any category would be met with spill over from other categories at the sole discretion of our Company in consultation with the BRLM.

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

(a) Top ten shareholders of our Company as on November 10, 2006, are as follows:

Sl.no	Name of the Shareholder	No. of Shares	% of share holding
1	D Uday Kumar Reddy	5804250	17.01
2	D Tanuja Reddy	4264500	12.50
3	Gautam Sabharwal	3156300	9.25
4	Magna Umbrella Fund Plc	2834985	8.31
5	Mounika Finance And Leasing Pvt Ltd	2168000	6.35
6	Ewa Joanna Sicka	1776700	5.21
7	Kommara Gayathri Reddy	875000	2.56
8	Pythian Investments Ltd	795500	2.33
9	Amit Gupta	795160	2.33
10	Kathirisetti Satish	670000	1.96

(b) **Top ten shareholders of our Company as on October 27, 2006 are as follows:**

Sl.no	Name of the Shareholder	No. of Shares	% of share holding
1	D Uday Kumar Reddy	5804250	17.01
2	D Tanuja Reddy	4264500	12.50
3	Gautam Sabharwal	3156300	9.25
4	Magna Umbrella Fund Plc	2834985	8.31
5	Mounika Finance And Leasing Pvt Ltd	2168000	6.35
6	Ewa Joanna Sicka	1776700	5.21
7	Kommara Gayathri Reddy	875000	2.56
8	Pythian Investments Ltd	795500	2.33
9	Amit Gupta	795160	2.33
10	Kathirisetti Satish	670000	1.96

(c) **Top ten shareholders as on, November 12, 2004 are as follows:**

Sl.no	Name of the Shareholder	No. of Shares	% of share holding
1	D Uday Kumar Reddy	1513600	30.25
2	D Tanuja Reddy	1411700	28.21
3	Mounika Finance And Leasing Pvt Ltd	715000	14.29
4	Kommara Gayathri Reddy	175000	3.50
5	The Hyderabad Stock Exchange Ltd	83300	1.66
6	Ravindra Pendekanti	50000	1.00
7	M.Madhavi	46100	0.92
8	M Pushpavathi	44000	0.88
9	Raveendra M	37500	0.75
10	Tammineedi Sailaja	35000	0.70

d. **Shareholding of the Promoters and Promoter Group / Directors in our Company as on May 19, 2006 is as under:**

Sr. No.	Name of Promoter / Promoter Group	Number of Equity Shares of Rs.2 each	% of fully paid-up pre-issue share capital
A.	**Promoters**		
D.	Uday Kumar Reddy	5,804,250	17.01
D.	Tanuja Reddy	4,264,500	12.50
	Total (A)	**10,068,750**	**29.51**
B.	**Promoter Group (Directors)**		
	Satish Kathirisetti	670,000	1.96
	Gautam Sabharwal	3,156,300	9.25
	Anoop Roy Kundal	502,180	1.47
	Navnit Chachan	645,660	1.89
	Amit Gupta	795,160	2.33
	Total (B)	**5,769,300**	**16.91**
	Grand Total (A + B)	**15,838,050**	**46.43**

6. Our Promoters have not purchased or sold any Equity Shares during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI. The last purchase/sale by the promoters is as follows:

S. No.	Name of Promoters	Shares purchased / (sold) of Rs.10 each	Share Price	Date of transaction
1.	D. Uday Kumar Reddy	(10,000)	83.20	23.04.2005
2.	D. Tanuja Reddy	(7,500)	83.20	23.04.2005

6 a) Share Capital Build up of the Promoters

Sl. No.	Name	Date of Allotment / Acquisition / Transfer	Consideration (Cash / bonus / kind etc.,	Number of Equity shares (of face value Rs. 10/- each	Issue / Transfer price (Rs. Per share)	% of pre issue paid-up equity capital	% of post issue paid up equity capital
1.	D Uday Kumar Reddy	20.01.2000	Cash	621900	10/- each		
		25.01.2002		(10000)			
		25.02.2003	Cash	100000	10/- each		
		08.10.2004	Cash	885000	10/- each		
		11.11.2004		(83300)			
		20.12.2004		(140000)			
		24.12.2004		(100)			
		04.01.2005		(750)			
		11.02.2005		(50000)			
		05.03.2005		(27000)			
		09.03.2005		(27500)			
		11.03.2005		(27000)			
		15.03.2005		(20900)			
		17.03.2005		(31000)			
		19.03.2005		(18500)			
		23.04.2005		(10000)			
	TOTAL			**1160850 ***		17.01	[●]
2	D Tanuja Reddy	20.01.2000	cash	613300	10/- each		
		25.02.2003	cash	100000	10/- each		
		08.10.2004	cash	725200	10/- each		
		23.12.2004		(370000)			
		09.02.2005		(11000)			
		10.02.2005		(17700)			
		11.02.2005		(21300)			
		02.03.2005		(10000)			
		02.03.2005		(16800)			
		11.03.2005		(55000)			
		14.03.2005		(19600)			
		16.03.2005		(27700)			
		17.03.2005		(29000)			
		23.04.2005		(7500)			
	TOTAL			**852900 ****		12.61	[●]

Note: * The above 1160850 equity shares are denominated in face value of Rs.10/- each and is equal to 5804250 equity shares of face value of Rs.2/-

Note: ** The above 852900 equity shares are denominated in face value of Rs.10/- each and is equal to 4264500 equity shares of face value of Rs.2/-

7. **Shareholding Pattern of our Company prior to and post the Issue**

	Category	Prior to the Issue		Post the Issue	
		No. of Shares	% of Shareholding	No. of Shares	% of Shareholding
A	**Shareholding of Promoter and Promoter Group**				
	Promoters	10,068,750	29.51	[●]	[●]
	Promoter Group	5,769,300	16.91	[●]	[●]
	Sub Total	15,838,050	46.43	17,426,550	34.86
B	**Public Shareholding**				
	a. Bodies Corporate	4,826,098	14.15	[●]	[●]
	b. Individuals	7,315,367	21.44	[●]	[●]
	c. Any other				
	NRIs/OCBs	723,800	2.12	[●]	[●]
	Foreign Investors	2,576,700	7.55	[●]	[●]
	d. FII	2,834,985	8.31	[●]	[●]
	Sub Total	**18,276,950**	**53.57**	**32,573,450**	**65.14**
	Grand Total	**34,115,000**	**100.00**	**50,000,000**	**100.00**

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

9. Our Company has not granted any options or issued any shares under any employee stock option or employees stock purchase scheme. However, shareholders have approved at their EGM held on 3rd December 2005 an ESOP Scheme for 5 Million equity shares of Rs.2/- each. The compensation committee is authorized to formulate guidelines for granting of options to the permanent employees of the company as per SEBI Guidelines. As of date we have not formulated the ESOP scheme.

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

11. Except as disclosed in this Red Herring Prospectus, none of our Directors and key managerial employees holds any Equity Shares in the Company.

12. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the Equity Shares to be issued pursuant to the Issue have been listed.

13. We presently do not intend or propose to alter our capital structure for a period of six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise except that if we enter into acquisitions or joint ventures, we may, subject to necessary approvals and in line with the relevant statutes/ regulations, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures with the consent of the shareholders, if applicable.

14. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
15. The equity shares offered though this public offer will be fully paid up.
16. As on November 10, 2006 the total number of shareholders of Equity Shares in our Company was 1077.
17. We have not raised any bridge loans against the proceeds of the Issue.
18. We have not issued any Equity Shares out of revaluation reserves.
19. We have not issued any equity shares for consideration other than cash except 1,618,700 of Rs.10/- each under swap arrangement to the shareholders of Smartnet Communication Systems Pvt Limited and Tanla Solutions (UK) Limited (formerly known as Techserv Teleservices (UK) Limited) at the time of acquisition in the month of December 2004.
20. We confirm that the guidelines relating to preferential allotments as prescribed by SEBI have been complied with, including obtaining a certificate from the statutory auditors of our Company.
21. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares, except as disclosed above.
22. Locked-in Equity Shares 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 that the pledge of the Equity Shares is one of the terms of the sanction of the loan.
23. The Promoters/Promoter Group have not pledged any Equity Shares.

OBJECTS OF THE ISSUE

The objects of the fresh issue are primarily to raise capital for the following business and operational requirements of our Company:

1. Setting up infrastructure facility for a development centre at Hyderabad
2. Setting up the infrastructure facilities for a backup / disaster recovery centre at Bangalore
3. Establising overseas marketing offices
4. Expansion & Upgradation of Existing Research & Product Development Facilities
5. Fund regional / global expansion and acquire and invest in strategic business
6. Meet working capital requirements
7. Contingencies
8. To meet Issue expenses

Also, the listing of our Equity Shares on the Stock Exchanges, we believe, would provide liquidity to our shareholders, enhance our visibility and better our brand name.

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

Requirements and sources of funds:

The fund requirement for each of the objectives mentioned above are given in the following table :

Cost of Project

Rs in Million

S.No.	Particulars	Amount
A)	Setting up Infrastructure Facility for Development Centre at Hyderabad	772.65
B)	Setting up Infrastructure Facilities for a Backup / Disaster Recovery Centre at Bangalore	127.87
C)	Establising Overseas Marketing Offices	40.60
D)	Expansion & Upgradation of Existing Research & Product Development Facilities	220.25
E)	Fund regional/global expansion and acquire and invest in strategic business.	200.00
F)	Meet working capital requirements	284.48
G)	Contingencies	104.11
H)	To meet Issue expenses	[●]
	Total	[●]

The above mentioned requirement of funds of Rs [1] million is proposed to be financed through Issue proceeds and shortfall, if any, will be met through internal accruals and excess, if any, will be used for general corporate purposes.

Implementation of all the above projects A, B, C, D and E is independent of each other.

DETAILS OF THE COST OF THE PROPOSED PROJECTS

A) SETTING UP OF INFRASTRUCTURE FACILITY FOR DEVELOPMENT CENTRE

We have acquired land measuring 6.24 acres at Vattinagulapalli Village, Rajendra Nagar Mandal, R.R. District, Andhra Pradesh,India, for the puposes of estaiblishing a development centre.We have also applied to the Andhra Pradesh Industrial Infrastructure Corporation Limited seeking allotment of suitable land in order to construct a delivery centre as an alternative to the proposed one at Vattinagulapalli Village as it may be more suitable.

A break-up of the major operational components of the project for setting up infrastructure facilities is provided below:

Rs in Million

S.No.	Particulars	Total Cost
a)	Landscaping & Development	37.19
b)	Buildings and Utilities	334.67
c)	IT Infrastructure (Computers, Servers and Networkings)	194.18
d)	Air Conditioning	56.25
e)	Interiors and Furniture	78.75
f)	Communication & Office Equipments	54.40
g)	Vehicles	17.20
	Total	**772.65**

Details of the major operational components of the above cost are provided below:-

a) Landscaping & Development

We are in the process of identifying the site for the product development centre and R&D. We have already acquired land measuring 6.24 acres at Vattinagulapalli Village, Rajendra Nagar Mandal, R.R. District, Andhra Pradesh, India, around 25 kms from Hyderabad as one of the potential sites for the development centre, For detailson the land please refer to the section "Property" under 'Our Business' on page 65.

Landscaping and Development

S.No.	Item of work	Area (sq. yards)	Rate / Unit (Rs.)	Amount (Rs. in Lakhs)
1	Land Levelling and Fillings	30,202	250.00	10,572
2	Laying of Internal Roads	30,202	Lump Sum	6,040
3	Development of Drainage, Water Systems	30,202	Lump Sum	6,040
4	Underground Cableing	30,202	Lump Sum	6,040
5	Construction of Compound Wall	30,202	Lump Sum	8,500
	Total			**37,193**
	Total in Rs Million			**37.19**

The total cost of land development (including Construction of Compound walls)at Rs.37.19 Million is as per the estimate dated September 6, 2006 given by M/s Aparna Constructions & Estates Private Limited, Hyderabad.

b) Buildings & Utilities

The details of cost of construction for the facilities are as follows:

S.No.	Item of work	Area sft.	Unit Cost Rs.	Amount Rs. in '000
1	Cellar / Slit Floor	52,500	926	48,600
2	Ground Floor	52,500	874	45,900
3	First Floor	52,500	874	45,900
4	Second Floor	52,500	874	45,900
5	Third Floor	42,500	870	36,975
6	Internal Electrification	252,500	103	25,950

S.No.	Item of work	Area sft.	Unit Cost Rs.	Amount Rs. in '000
7	External Electrification	Lump sum	22,058	
8	Sanitory, Water Supply	252,500	77	19,463
9	Lifts	7 Nos.	12 Passengers	15,840
10	Sanctions & Deposits	Lump sum	13,500	
11	Site Development (incl. Gardening, Plantations)	Lump sum	14,588	
	Total			**334,673**
	Total in Rs Million			**334.67**

The total cost of construction at Rs. 334.67 Million is as per the estimate dated September 02, 2006 given by M/s Aparna Constructions & Estates Private Limited, Hyderabad.

c) IT Infrastructure (Computers, Servers & Networkings)

Details of estimated cost of equipment including installation & commissioning:

S.No.	Name of the Equipment	No. of Units	Unit Cost Rs.	Amount Rs. in '000
1	Computers	2,600	45,962	119,500
2	Database Servers	12	203,333	2,440
3	Application Servers	23	203,043	4,670
4	Web Servers	23	203,043	4,670
5	Mail Servers	6	305,000	1,830
6	Backup Servers	9	305,000	2,745
7	DNS Server	6	203,333	1,220
8	Anti Virus Servers	6	305,000	1,830
9	LDAP / RADIUS Servers	6	203,333	1,220
10	Client Software (OS, AV etc.,)	2,600	17,236	44,813
11	Server Software (OS, AV etc.,)	91	101,593	9,245
	Total		**194,183**	
	Total in Rs Million			**194.18**

The total cost of IT Infrastructure, for the facility is estimated to be Rs. 194.18 Million. These estimates are based on the quotations dated August 22, 2006 received from M/s. HP India for supply and installation of the computers, servers and networkings.

d) Air Conditioning

As per the estimate dated August 22, 2006 given by Sunil Engineering, Banjara Hills, Hyderabad, the total cost of air conditioning is estimated to be Rs. 56.25 Million for providing centralized air conditioning.

e) Interiors & Furniture

As per the estimate dated August 22, 2006 given by Design House, Somajiguda, Hyderabad, the total cost of interiors is estimated to be Rs..78.75 Million.

f) **Communication and Office Equipment**

S.No.	Name of the Equipment	Amount Rs in '000
1	UPS 500KVA	4,000
2	Networking 6KMs	5,500
3	Hubs / Shunting	6,000
4	EPABX	2,500
5	FAX	200
6	Xerox / Printers etc.,	1,200
7	Genset	3,100
8	Other Accessories	31,900
	Total	**54,400**
	Total in Rs Million	**54.40**

The total cost of equipments estimated at Rs.54.4 Million is as per the estimate dated August 22, 2006 given by Nazir Electricals, Somajiguda, Hyderabad, and Tecxcel Infotech Private Limited, Secunderabad and the estimate dated 18th September 2006 given by Gimmco Engine Business Group.

g) **Vehicles**

We propose to buy four (4) Mini-buses and eight (8) 7 seater vehicles for regular transportation of the work force. As per the quotations dated August 22, 2006 of A V Motors, Hyderabad, one of the dealers of Swaraj Mazda, and the quotations dated August 22, 2006 of Harsha Motors, one of the dealers of Toyota, respectively, the total cost of the vehicles is Rs.17.2 Million as per the estimates received from the above dealers.

Power

The power requirement for the new facility has been assessed at 250 KVA, which will be met from Central Power Distribution Company of A.P. Limited. In addition, we propose to purchase 1 diesel generator for providing standby power back up.

Water

We will require approximately 5,000 litres of water per day for utilities, which will be available from the Government supplies.

B) **Backup / Disaster Recovery Centre**

For supporting critical processes for our clientele, there is a need to establish a robust business continuity plan which includes, inter alia, a city level backup with hot standbys for critical gateways and servers, facility for storage and restoration of backup data from Hyderbad and London and emergency level staffing to support critical business requirements in the event of a disaster at Hyderabad affecting the functioning of Tanla delivery centres. The plan is to have a Backup & Disaster Recovery Centre at Bangalore. The exact location in Bangalore for the proposed Backup/Disaster Recovery Centre has not been identified.

The facility to be developed at Bangalore to facilitate as business continuity centre, back-up and disaster recovery.

Rs. in Million

S.No.	Particulars	Amount
a)	Buildings and Utilities	88.75
b)	IT Infrastructure (Computers, Servers and Networkings)	12.37
c)	Air Conditioning	11.50
d)	Interiors and Furniture	12.50
e)	Communication & Office Equipments	2.75
	Total	**127.87**

Buildings and Utilities – Backup recovery centre

The details of cost of construction of facilities are as follows:

S.No.	Item of work	Area sft.	Rate / Unit (Rs)	Amount Rs. in '000
1	Cost of the area (incl. cost of land and construction)	7,500	10,000	75,000
2	Internal Electrification	7,500	175	1,313
3	External Electrification	Lump sum	1,313	
4	Sanitory, Water Supply	7,500	75	563
5	Lifts	1 No's	12 Passengers	2,200
6	Sanctions & Deposits	Lump sum	4,100	
7	Site Development (incl. Gardening, Plantations)	Lump sum	4,263	
	Total	**88,751**		
	Total in Rs Million			**88.75**

The total cost of construction at Rs.88.75 Million is as per the estimate dated September 02, 2006 given by M/s Aparna Constructions & Estates Private Limited, Hyderabad.

IT Infrastructure (Computers, Servers and Networking) - Backup recovery centre

The Details of the estimated cost of equipments including installation and commissioning details of which are as under:

S.No.	Name of the Equipment	Unit Cost Rs.	No. of Units	Amount Rs in '000
1	Computers	60,000	30	1,800
2	Database Servers	210,000	4	840
3	Application Servers	210,000	7	1,470
4	Web Servers	210,000	7	1,470
5	Backup Servers	370,000	7	2,590
6	Anti Virus Servers	315,000	2	630
7	LDAP / RADIUS Servers	210,000	2	420
8	Server Software (OS, AV etc.,)	105,000	30	3,150
	Total		**12,370**	
	Total in Rs Million			**12.37**

The total cost of IT Infrastructure is estimated to be Rs. 12.37 Million. These estimates are based on the quotations dated August 22, 2006 received from M/s. HP India for supply and installation of the computers, servers and networkings.

Air Conditioning

As per the estimate dated September 16, 2006 given by Sunil Engineering, Banjara Hills, Hyderabad, the total cost of air conditioning is estimated to be Rs. 11.50 Million for providing centralized air conditioning at the proposed backup recover centre.

Interiors and Furniture

As per the estimate dated August 22, 2006 given by Design House, Somajiguda, Hyderabad, the total cost of interiors is estimated to be Rs. 12.50 Million.

Communication and Office Equipment – Backup Recovery Centre

The breakup of communucation and office equipment is as follows:

S.No.	Name of the Equipment	Amount Rs in '000
1	UPS 350 KVA	1,600
2	Networking 6KMs	400
3	Hubs / Shunting	300
4	EPABX	150
5	FAX, Xerox / Printers etc.,	300
	Total	**2,750**
	Total in Rs Million	**2.75**

The total cost of equipments estimated at Rs. 2.75 Million is as per the estimate dated August 22, 2006 given by Nazir Electricals, Somajiguda, Hyderabad, and Tecxcel Infotech Pvt Ltd, Secunderabad, at the proposed backup recovery centre

C) ESTABLISHING OVERSEAS MARKETING OFFICE

We propose to tap international markets for marketing our telecom products, aggregator services and offshore development services. Accordingly, we intend to set up marketing offices in Los Angeles and Washington to cover the North America, Sydney for Australia and Singapore for the Asia Pacific region. The marketing headquarters would be located within the proposed premises to coordinate and control the functions of these marketing offices abroad. The details of expenditure for setting up overseas marketing offices are as under:

S.No.	PARTICULARS	Los Angeles America	Washington Asia-Pacific	Singapore Australia	Sydney	Total Rs in Million
1	Cost of Office Equipments	1.25	1.25	1.25	1.25	5.00
2	Computers and Servers	1.08	1.08	1.08	1.08	4.32
3	Rent and Other Deposits	2.82	2.82	2.82	2.82	11.28
4	Setting up of Costs	5.00	5.00	5.00	5.00	20.00
	Total	**10.15**	**10.15**	**10.15**	**10.15**	**40.60**
	Grand Total					**40.60**

D) EXPANSION & UPGRADATION OF RESEARCH & DEVELOPMENT FACILITIES

Research, development, and testing would need to address all technical developments from two perspectives:

Ensure that products and services implement the latest standards while being backward compatible.

Ensure that products and services are compatible with the latest hardware (and handsets) available in the market.

Development of the products and services would need to acquire membership and participate actively in bodies such as 3GPP to have access to the latest technologies as well being able to influence their development.

The estimated expenditure for undertaking R&D projects proposed by us is as under:

Rs in Million

S.No.	Particulars	FY 06-07	FY 07-08	Total
1	***Telecom Products (Messaging & Media)***			
a)	Development Software & SDKs	1.68	2.52	4.20
b)	Simulation Environment	12.47	18.71	31.19
c)	Laboratory Equipment	6.22	9.32	15.54
d)	Manpower	7.43	11.15	18.59

S.No.	Particulars	FY 06-07	FY 07-08	Total
e)	Consumables	0.92	1.39	2.31
f)	Travel, Communication & Misc	0.97	1.45	2.42
	Total	**29.69**	**44.54**	**74.24**
2	***Telemetry (AMR)***			
a)	Development Software & SDKs	7.12	1.78	8.90
b)	Laboratory Equipment	6.05	1.51	7.56
c)	Manpower	6.85	1.71	8.56
d)	Consumables	2.52	0.63	3.15
e)	Travel, Communication & Misc	0.80	0.20	1.00
	Total	**23.33**	**5.83**	**29.16**
3	***Telematics (AVL)***			
a)	Development Software & SDKs	1.68	0.42	2.10
b)	Laboratory Equipment	2.94	0.74	3.68
c)	Manpower	4.62	1.16	5.78
d)	Consumables	1.68	0.42	2.10
e)	Travel, Communication & Misc	2.35	0.59	2.94
	Total	**13.27**	**3.32**	**16.59**
4	***Basic Research (Wireless Technologies)***			
a)	Development Software & SDKs	0.46	0.69	1.16
b)	Laboratory Equipment	8.32	12.47	20.79
c)	Manpower	7.63	11.45	19.08
d)	Consumables	1.22	1.83	3.05
e)	Travel, Communication & Misc	1.05	1.58	2.63
f)	Research Grant at external Universities	0.00	24.70	24.70
	Total	**18.68**	**52.71**	**71.39**
5	***Product Licences and Certifications***			
	ISO 9001:2000 and CMMI Certifications	7.88	5.25	13.13
	BS 7799, IBM & Microsoft Certifications	6.30	4.20	10.50
	Electrical Safety (CE) Certifications	3.15	2.10	5.25
	Total	**17.33**	**11.55**	**28.88**
	Grand Total			**220.25**

All the above R&D activities are proposed to be carried on from the existing facility at Madhapur and the proposed facility.

E) REGIONAL / GLOBAL EXPANSION AND ACQUIRE AND INVEST IN STRATEGIC BUSINESS

To grow our business, we are currently looking to acquire one or more companies in the areas of content aggregation or mobile messaging related business, utility metering services, telecom software consulting or related IT/ITES businesses in the UK or other geographies. The structuring of these acquisitions may involve a combination of cash and share swap. We are still in the process of identifying the target companies.

F) Working Capital requirements

S.No.	Particulars	2006-2007 Rs. in Million
a)	Inventories - Work in progress	62.48
	- Cl. Stock of components	30.00
b)	Sundry Debtors	200.00
c)	Other Current Assets	185.00
	Total Current Assets	**477.48**
d)	Sundry Creditors	60.00
e)	Outstanding Expenses	133.00
	Net Current Assets	**284.48**

Assumptions:

The outstanding debtors realisation period will be approximately 90 days which is based upon our experience in the past.

The net working capital gap is computed assuming the following:

- Inventories are assumed to be equal to 2 months average cost of sales (existing 2 months).
- Receivables will be equal to 3 months sales (As at present outstanding pertains to previous quarter)
- Composition of Work-in-Progress and Stock of components

Details of estimated Net Current Assets

The working capital requirements are therefore estimated keeping the above in view.

Working capital available (from the Net Current Assets) with us as at 31st March 2006 was Rs. 252.97 Million and as at 30th September 2006 was Rs 446.86 Million. The proceeds of the issue to the extent of Rs. 284.48 Million is proposed to be used for working capital requirements. The funds shall be utilized for augmenting our long-term working capital resources. Additional requirements of funds for working capital from the year 2007-08 shall be funded through internal accruals.

G) Contingencies

Contingencies have been taken at 10% each for projects relating to setting up of infrastructure for development facility and Backup/Disaster Recovery Centre.

In case of overseas marketing offices the contingencies have been taken at 7.5% on placement of personnel and other infrastructure and also since foreign exchange payments are involved. In the case of special R&D Projects 7.5% escalation is assumed keeping in view purchase of equipments and salaries of technical personnel.

The details are as follows:

Rs. in Million

S.No.	Particulars	Estimated Project Cost Rs. in lakhs	Estimated Escalation in Cost in Percentage	Amount Rs. in Lakhs
A)	Setting up of Infrastructure Facilites	772.65	10.00%	77.26
B)	Setting up of Backup / Disaster Recovery Centre	127.90	10.00%	12.79
C)	Setting up of Overseas Marketing Offices	40.60	7.50%	3.05
D)	Research and Development on New Products and Marketing Costs on new Products	220.25	5.00%	11.01
	Total			104.11

General Corporate Purpose

The excess funds, if any would be utilized for general corporate purposes, which include, but are not restricted to, working capital requirements, expenses relating to research and development, the expansion of existing facilities both within India and outside India, directly or through the subsidiaries, the acquisition of businesses related to the current business of the Company and the building up the brand of the Company and the products of the Company.

Implementation Schedule

The proposed schedule of implementation of the project as follows:

S.No.	Activity	Commencement	Completion
A)	Setting up Infrastructure Facilities for Development Centre at Hyderabad	March, 2007	March, 2009
B)	Setting up Infrastructure Facilities for Backup / Disaster Recovery Centre at Bangalore	January, 2007	July, 2007
C)	Establising Overseas Marketing Offices	February, 2007	September, 2007
D)	Undertake Research & Development	January, 2007	September, 2008
E)	Acquisition of Companies	February, 2007	September, 2007

Deployment of funds in the project upto October 31, 2006

As per certificate dated November 15, 2006 by M/s. Ramasamy Koteswara Rao & Co., Auditors of the Company, the details of funds deployed upto October 31, 2006 are as follows: -

-Rs. in Million

S.No.	Particulars	Upto 31.10.2006
	Expenditure	
	Public Issued Expenses	10.19
	Total	10.19
	Means of Finance	
	Internal Accruals (as certified by the Management)	10.19

Proposed Deployment of Funds

The following table shows the proposed deployment of funds:

Rupees in Million

S.No	Activity wise	FY 2006-07	FY 2007-08	FY 2008-09	Total
A)	Setting up Infrastructure Facilities for Development Centre at Hyderabad	3.72	416.12	352.81	772.65
B)	Setting up Infrastructure Facilities for Backup / Disaster Recovery Centre at Bangalore	63.94	63.94	0.00	127.87
C)	Establishing Overseas Marketing Offices	10.15	30.45	0.00	40.60
D)	Undertake Research & Development	33.03	154.18	33.04	220.25
E)	Acquisition of Companies	100.00	100.00	0.00	200.00

Interim Use of Proceeds

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

Monitoring of Utilisation of Funds

As per the SEBI (DIP) Guidelines the Company is not required to have a monitoring agency but the Company on its own volition has appointed UTI Bank Limited, Jubilee Hills Branch, Hyderabad as the Monitoring Agency who will monitor the utilization of the proceeds of the Issue. As per regulatory requirements, we will disclose the utilisation of the proceeds of the Issue under a separate head in our Balance Sheet clearly specifying the purpose for which such proceeds have been utilized. We will also, in our Balance Sheet, provide details, if any, in relation to all such proceeds of the Issue that have not been utilised thereby also indicating investments, if any, of such unutilised proceeds of the Issue.

No part of the proceeds of the Issue will be paid by us as consideration to our Promoters, our directors, key management personnel or companies promoted by our promoters except in the usual course of business.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company in consultation with the BRLMs on the basis of assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Rs.2 and the Issue Price is 115 times the face value at the lower end of the Price Band and 132.5 times the face value at the higher end of the Price Band.

QUALITATIVE FACTORS

Strength in established and proven telecom products and solutions.

We have a proven track record over the last six years of having developed and deployed SS7 based products in India as well as overseas. This expertise SS7 gives us what we believe is a technological competitive advantage over in the mobile messaging industry.

Leading telecom companies as clients in India as well as overseas

We have provided products and services to clients who are large mobile network operators in international markets as well as large participants in the Indian mobile networks market. This has helped us secure additional clients and also forge relationships with content providers, other telcos and messaging gateways, thereby enhancing the geographical coverage of our product and service offerings and enhancing our business generally.

End-to-end offerings

In the case of many of our products and services, we offer "end-to-end solutions" to those of our mobile network operator clients and our Aggregator Services clients who do not have extensive internal technological capabilities. Such end-to-end solutions can include application development, infrastructure management and customer support. By providing end-to-end solutions, we can become a "one-stop-shop" for MVNOs and other clients that look for more technological support. End-to-end solutions also help clients who are interested in quickly getting their new service offerings to market.

Scalability in our solutions

We have developed, tested and deployed signalling solutions globally. We are in a position to swiftly and cost effectively meet with new or additional client requirements for software products and offshore services.

India footprint resulting in cost efficiency

In conjunction with marketing and selling our telecom products and services overseas, we maintain a substantial portion of our cost base in India. Lower manpower costs in India compared to the UK and other overseas markets brings us better margins compared to many competitors.

Flexible pricing models

We have been flexible in offering pay-for-use and revenue sharing pricing options to many customers. This has helped these clients convert large fixed costs into variable costs, which has worked well within these clients' business models and has helped make us their partner of choice in many instances.

Focus on R&D

We have over the years invested significant resources in R&D, in order to create new telecom products and solutions and continue to refine our existing ones. The R&D experience and knowledge base that we have developed over the years keeps us, we believe, at or near the forefront of developments in our industry and continues to help us create new downstream applications. Our R&D focus continues to provide us with what we think is a competitive edge, as well as protection from obsolescence.

QUANTITATIVE FACTORS

The Information presented in this section is derived from our restated consolidated and unconsolidated 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) (Of face value of Rs.2/- each)**

Unconsolidated

Year	EPS (Rs.)	Weight
FY 2004	1.216	1
FY 2005	1.78	2
FY 2006	7.54	3
Weighted Average	4.57	
Half Year ended September 30, 2006	6.65	

Consolidated

Year	EPS (Rs.)	Weight
FY 2004	1.216	1
FY 2005	2.56	2
FY 2006	8.87	3
Weighted Average	5.39	
Half Year ended September 30, 2006	10.47	

2. **Price/Earning (P/E) ratio in relation to Issue Price of Rs.** [1]

(i) Unconsolidated: Based on Fiscal 2006 EPS of Rs 7.54 [1]

Based on Half year September 30, 2006 EPS of Rs 6.65 [1]

(ii) Consolidated: Based on Fiscal 2006 EPS of Rs 8.87 is [1]

Based on Half year September 30, 2006 EPS 10.47 of Rs [1]

(iii) Industry P/E: There are no comparable listed companies belonging to the same industry

3. **Return on Net Worth (RoNW)**

Unconsolidated

Year	RoNW (%)	Weight
FY 2004	51.38	1
FY 2005	35.76	2
FY 2006	70.17	3
Weighted Average	55.57	
Half Year ended September 30, 2006	38.60	

Consolidated

Year	RoNW (%)	Weight
FY 2004	51.38	1
FY 2005	44.77	2
FY 2006	69.51	3
Weighted Average	58.24	
Half Year ended September 30, 2006	46.87	

RoNW has been calculated as the ratio of Net profit after tax to Net Worth where:

i. Net Profit after tax is the Net Profit after tax and preference dividend as attributable to the equity shareholders; and

ii. Net worth is the equity shareholders fund (i.e., Net Worth as shown in the Annexure VIII to the Report on the Restated Financial Statements, *minus*, Preference Share Capital, premium payable on redemption of Preference share capital and miscellaneous expenditure to the extent not written off).

4. Minimum return on increased Net Worth required to maintain pre-Issue unconsolidated EPS of Rs. 7.54 is: [●] and pre-Issue consolidated EPS of Rs 8.87 is [●]

5. Net Asset Value per share (NAV) (of Face Value Rs. 2)

Unconsolidated

	NAV (Rs)
As on March 31, 2006	10.75
As on September 30, 2006	17.22

Consolidated

	NAV (Rs)
As on March 31, 2006	12.75
As on September 30, 2006	22.33
After the Issue: Rs	[●]

1. Comparison of Accounting Ratios with industry peers

The Company is in the business of providing telecom products and services, such as SMSC, Aggregator Services and Offshore development relating to the same. There are no comparable listed companies in India. Hence, comparison with industry peers is not applicable.

2. The face value of Equity Shares of the Company is Rs.2 and the Issue Price is [●] times of the Face Value.

The Issue Price of Rs. [●] has been determined by the Company in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares by way of Book Building and is justified on the basis of the above factors.

The BRLMs believe that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. See the section titled "Risk Factors" on page xv of this Red Herring Prospectus and the financials of the Company including important profitability and return ratios, as set out in the Auditors Report on page 99 of this Red Herring Prospectus to have a more informed view.

STATEMENT OF TAX BENEFITS

The Company has been advised that under the current tax laws, the following tax benefits, inter alia will be available to the Company and its shareholders.

Statement of Possible tax benefits available to the Company and its Shareholders

(A) Benefits to the Company under Income-Tax Act, 1961 (the Act)

1. As per the provisions of Section 10A of the Act, the Company is eligible to claim a deduction with respect to profits derived by its undertaking set up as a Software Technology Park ('STP') unit from the export of articles or things or computer software for a period of ten consecutive assessment years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce such articles or things or computer software. The amount eligible for a deduction would be the profits and gains derived from the export of computer software. As per the provisions of the section, profits derived from the export of computer software means the amount which bears to the profits of the business of the undertaking, the same proportion as the export turnover bears to the total turnover of the business carried on by the undertaking. For this purpose the term computer software includes call centre services, back office operation, data processing, pay roll, remote maintenance, revenue accounting, support centre, human resource services, insurance claim processing (as notified by the Central Board of Direct Taxes vide Notification number 11521 dated September 26, 2000).

   However, for the Assessment Year 2003-2004, the tax holiday under Section 10A of the Act was limited to 90 percent of the eligible profits instead of 100 percent of such profits. As a consequence, 10 percent of the eligible profits of the undertaking would be taxable at the normal corporate tax rate of 36.75 percent (including surcharge of 5 percent) for Assessment Year 2003-2004.

   The benefit is available subject to fulfilment of conditions prescribed by this section and no benefit under this section shall be allowed with respect to any such undertaking for the assessment year beginning on the April 1, 2010 and subsequent years.

2. In terms of section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by domestic companies) received on the shares of any company is exempted from the tax.

3. In terms of section 10(38) of the Act, any long-term capital gains arising to a shareholder from transfer of long-term capital asset being an equity share in a Company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied

   a) The transaction of sale of such equity share is entered into on or after 1st October, 2004

   b) The transaction is chargeable to such securities transaction tax as explained below-

   In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a Company through the recognized stock exchange is liable to securities transaction tax at 0.075% of the value payable by both buyer and seller (0.1% with effect from 1 June, 2005 as per the Finance Act, 2005). The non-delivery based sale transactions are liable to tax at 0.015% of the value payable by the seller (0.02% with effect from 1 June, 2005 as per the Finance Act, 2005).

4. Under section 48 of the Act, if the investments in shares are sold after being held for not less than twelve months, the gains (in cases not covered under section 10(38) of the Act), if any, will be treated as long-term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.

5. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in certain notified bonds within a period of 6 months after the date of such transfer for a period of at least 3 years. However, if the assessee transfers or converts the notified bonds into money with in a period of three years from the date of their acquisition, the amount of capital

gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred or converted into money.

6. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) on the transfer of investment in shares will be exempt from capital gains tax if the capital gains are invested in shares of an Indian Company forming part of an eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely :

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

   b) the shares forming part of the issue are offered for subscription to the public;

   There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

7. Under section 112 of the Act and other relevant provisions of the Act, long-term capital gains, (i.e., if the shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of investment in shares, shall be taxed at a rate of 20% (plus applicable surcharge & cess) after indexation as provided in the second proviso to section 48.

   The tax payable in respect of any income arising from the transfer of a long term capital assets being listed securities, exceeds 10% of the amount of capital gain before giving effect to the provisions of Section 48 (i.e. indexation provisions), then such excess shall be ignored for computing capital gain tax.

8. Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if the shares are held for a period not exceeding 12 months), arising on transfer of investment in shares listed on a recognized stock exchange, shall be taxed at a rate of 10% (plus applicable surcharge & cess) in cases where securities transaction tax has been paid.

9. Under Section 32 of the Act, the Company is entitled to claim depreciation on tangible assets as explained in the said section.

10. Subject to compliance of certain conditions laid down in section 32(iia) of the Act, the Company is entitled to additional depreciation on new machinery or plant and installed after 31st March, 2005.

11. Under Section 35D of the Act, the Company will be entitled to a deduction equal to 1/5th of the expenditure of the nature specified in the said section, including the expenditure on the proposed issue by way of amortisation over a period of five years, subject to the stipulated limits.

(B) Benefits available to the Company under Indirect Tax Laws

Customs duty

12. Notification No. 52/2003-CUS dated March 31,2003 exempts capital goods, raw materials, consumables, etc. imported for use in Export Oriented Unit from the whole of customs duty and additional duty subject to fulfilment of certain conditions.

Excise duty

13. In terms of Notification No. 22/2003-CE dated March 31, 2003 as amended, issued under Central Excise Tariff, specific raw material, consumables and capital goods etc. procured by 100% Exported Oriented Unit are exempted from payment of duty.

14. In terms of Notification No. 23/2003 -CE dated March 31, 2003, Domestic Tariff Area (DTA) sale made by 100% Exported Oriented Unit as per the permission granted by the concerned development Commissioner under Export Import Policy partially exempted from payment of Excise duty . In case of goods manufactured out of imported material, the exemption is to the extent of 50% of duty payable on like goods if imported into India. In case of goods manufactured wholly from indigenous raw material, excise duty as applicable on the like goods if manufactured in DTA unit in India is applicable.

Benefits to the Shareholders of the Company under the Income-Tax Act, 1961:

Resident Shareholders

15. In terms of section 10(32) of the Income-tax Act, any income of minor children, included in the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs. 1,500 per minor child.

16. In terms of section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the Company is exempted from the tax.

17. In terms of section 10(38) of the Act, any long term capital gains arising to a shareholder from transfer of long term capital asset being equity share in a company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:

    a) The transaction of sale of such equity share is entered into on or after 1st October 2004

    b) The transaction is chargeable to such securities transaction tax as explained below:-

    In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax at 0.075% of the value payable by both buyer and seller (0.1% with effect from 1 June, 2005 as per the Finance Act 2005). The non-delivery based sale transactions are liable to tax at 0.015% of the value payable by the seller (0.02% with effect from 1 June, 2005 as per the Finance Act 2005).

18. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head “Profit and gains of business or profession” arising from taxable securities transactions. As such, no deduction in respect of amount paid on account of securities transaction tax will be allowed in computing the income chargeable to tax as capital gains.

19. Under section 48 of the Act, if the company’s shares are sold after being held for not less than twelve months, the gains (in cases not covered under section 10(38) of the Act), if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.

20. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of investment in shares will be exempt from capital gains tax if the capital gain are invested in certain notified bonds within a period of 6 months after the date of such transfer for a period of at least 3 years. However, if the assessee transfers or converts the notified bonds into money with in a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred or converted into money.

21. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) on the transfer of listed shares of the Company will be exempt from capital gains tax if the capital gains are invested in shares forming part of an eligible public issue of an Indian Company within a period of 6 months after the date of such transfer and such are held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions:

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

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

    There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

22. Under section 54F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to certain conditions, if the net consideration from such shares are used for purchase of residential

house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

23. Under section 112 of the Act and other relevant provisions of the Act, long-term capital gains, (i.e., if shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge & cess) after indexation as provided in the second proviso to section 48.

    The tax payable in respect of any income arising from the transfer of a long term capital assets being listed securities, exceeds 10% of the amount of capital gain before giving effect to the provisions of Section 48 (i.e. indexation provisions), then such excess shall be ignored for computing capital gain tax.

24. Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months), arising on transfer of shares listed on a recognized stock exchange, shall be taxed at a rate of 10% (plus applicable surcharge & cess) in cases where securities transaction tax has been paid.

    Non-Resident Indians/Non Residents Shareholders (Other than FIIs and Foreign venture capital investors).

25. In terms of section 10(32) of the Income Tax Act, any income of minor children, included in the total income of the parent under Section 64(1A) of the IT Act will be exempt from tax to the extent of Rs. 1,500 per minor child.

26. In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received by a non-resident Indian shareholder (i.e. an individual being a citizen of India or person of Indian origin who is not a 'resident') on the shares of the company is exempted from the tax.

27. In terms of section 10(38) of the Act, any long term capital gains arising to a shareholder from transfer of long term capital asset being an equity shares in a company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:

    a) The transaction of sale of such equity share is entered into on or after 1st October 2004.

    b) The transaction is chargeable to such securities transaction tax as explained below

    In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax at 0.075% of the value payable by both buyer and seller (0.1% with effect from 1 June, 2005 as per the Finance Act 2005). The non-delivery based sale transactions are liable to tax at 0.015% of the value payable by the seller (0.02% with effect from 1 June, 2005 as per the Finance Act 2005)

28. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.

29. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of investment in shares will be exempt from capital gains tax if the capital gain are invested in certain notified bonds within a period of 6 months after the date of such transfer for a period of at least 3 years. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred or converted into money.

30. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) on the transfer of listed shares of the Company will be exempt from capital gains tax if the capital gains are invested in shares forming part of an eligible public issue of

an Indian Company within a period of 6 months after the date of such transfer and such are held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions

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

b) the shares forming part of the issue are offered for subscription to the public;

There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

31. Under section 54F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to certain conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

32. Under Section 112 of the Act and other relevant provisions of the Act, long-term capital gains (i.e. if shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of shares in the company, shall be taxed at a rate of 20% (plus applicable surcharge & cess) after indexation as provided in the second proviso to section 48.

The tax payable in respect of any income arising from the transfer of a long term capital assets being listed securities, exceeds 10% of the amount of capital gain before giving effect to the provisions of Section 48 (i.e. indexation provisions), then such excess shall be ignored for computing capital gain tax.

33. Under section 115-I of the Act, the non-resident Indian shareholder has an option to be governed by the provisions of Chapter XIIA of the Income Tax Act, 1961 viz. "Special Provisions Relating to Certain Incomes of Non-Residents" which are as follows:

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

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

c) Under provisions of Section 115G of the Act, Non-Resident Indians are not required to file a return of income under Section 139(1) of the Act, if their only income is income from forex asset investments or long-term capital gains in respect of those assets or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

d) Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XIIA shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

34. Provisions of the Act vis-à-vis provisions of the tax treaty: In terms of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to non-resident.

Foreign Institutional Investors (FIIs)

35. In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the company is exempted from the tax.

36. In terms of section 10(38) of the Act, any long term capital gains arising to an investor from transfer of long-term capital asset being an equity shares in a company would not be liable to tax in the hands of the investor if the following conditions are satisfied:

    a) The transaction of sale of such equity share is entered into on or after 1st October, 2004;

    b) The transaction is chargeable to such securities transaction tax as explained below:-

    In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the investor, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax at 0.075% of the value payable by both buyer and seller. (0.1% with effect from 1 June, 2005 as per the Finance Act, 2005). The non-delivery based sale transactions are liable to tax at 0.015% of the value payable by the seller (0.02% with effect from 1 June, 2005 as per the Finance Act, 2005).

37. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction in respect of amount paid on account of securities transaction tax will be allowed in computing the income chargeable to tax as capital gains.

38. The Income by way of short term capital gain or long term capital gains (not covered under section 10 (3) of the Act) realized by FIIs on sale of shares in the Company would be taxed at the following rates as per Section 115AD of the Income Tax Act,1961.

    a) Short term capital gains -30% (plus applicable surcharge);

    b) Long term capital gains -10% (without cost indexation plus applicable surcharge).

       (Shares held in the Company would be considered as a long term capital asset provided the are held for a period exceeding 12 months).

39. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gain (in cases not covered under section 10(38) of the Act) arising on the transfer of investment in shares will be exempt from capital gains tax if the capital gain are invested in certain notified bonds within a period of 6 months after the date of such transfer for a period of at least 3 years. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred or converted into money.

40. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) on the transfer of listed shares of the Company will be exempt from capital gains tax if the capital gains are invested in shares forming part of an eligible public issue of an Indian Company within a period of 6 months after the date of such transfer and such are held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely

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

    b) the shares forming part of the issue are offered for subscription to the public;

    There is a legal uncertainty over whether the benefit under this Section can be extended to shares forming part of the offer for sale by the selling shareholders.

41. Provisions of the Act vis-à-vis provisions of the tax treaty: In terms of Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to FIIs.

Venture Capital Companies/Funds

42. In terms of section 10(23FB) of the Act, all Venture capital companies/funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including dividend from and income from sale of shares of the company.

Mutual Funds

43. In terms of section 10(23D) of the Act, all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India Act/ regulation thereunder or Mutual Funds authorized by the Reserve Bank of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from investment in the shares of the company.

Benefits to shareholders of the Company under the Wealth Tax Act, 1957

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

Benefits to shareholders of the Company under the Gift Tax Act, 1958.

45. Gift made after 1st October 1998 is not liable for any gift tax, and hence, gift of shares of the company would not be liable for any gift tax.

Notes:

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2005.
2. The stated benefits will be available only to the sole/first named holder in case the share are held by joint holders
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

ABOUT THE COMPANY

INDUSTRY OVERVIEW

The information in this section has been extracted from publicly available documents prepared by various sources including the communications business magazine Voice & Data the Telecom Regulatory Authority of India (TRAI), the India Brand Equity Foundation(IBEF) , Wireless Intelligence (a venture between the GSM Association and OVUM, a consulting, advisory and market research firm) and other sources and has not been prepared or independently verified by us or any of our advisors

Introduction

The Information Technology Industry in India

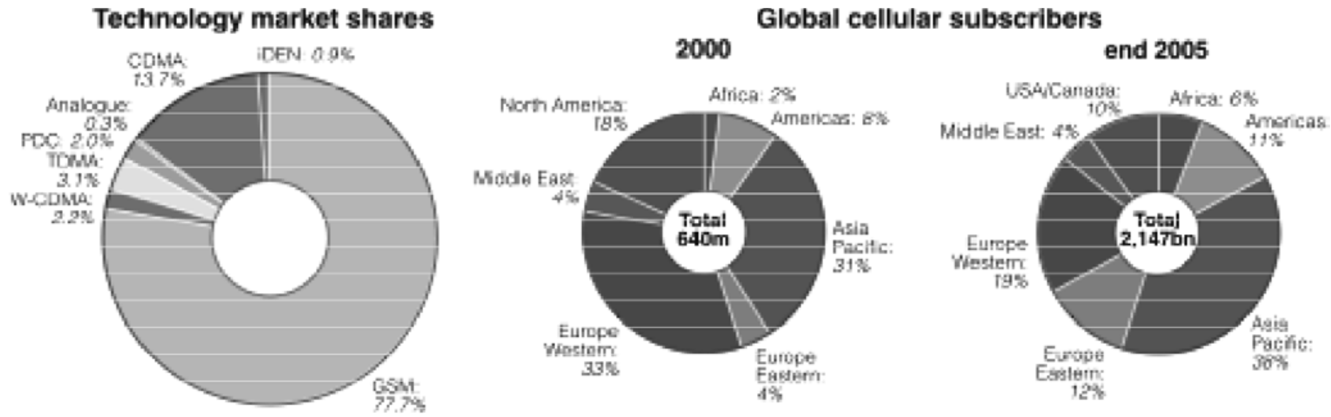
In recent times, software development and the provision of IT enabled services have emerged as niche opportunities for India in the global market. The Government of India is taking steps intended to help make India a "Global Information Technology Superpower" and a front-runner in the "Information Revolution". The Information Technology industry in India has potential for strong growth. Likely general economic and industrial growth and a large domestic consumer base are additional and significant growth drivers for the Indian IT industry.

India's IT industry ranks among the fastest growing sectors of the country's economy. The Indian IT industry will grow to Rs 247,000 crore (US$ 53 billion) by the end of calendar year 2008 from Rs 87,000 crore (US$ 18.7 billion) in 2003, thus growing at a CAGR of 23.1%, according to an International Data Corporation (IDC) study. The Government of India projects exports of US $ 50 billion annually by the year 2008 for the Indian software industry. India has emerged as the fastest growing and the fourth largest IT market in the Asia Pacific region, according to an IDC study.

Source : http://www.ibef.org/industry/informationtechnology.aspx

Telecom Networks

The wireless industry began exploring the conversion of then-existing analog telecom network to a digital network as a means of improving capacity in the late 1980s. Today, the two major digital technology systems that split the radio frequency are TDMA and CDMA. Because of its adoption as part of the standard by the European mobile technology(GSM), the Japanese Digital Cellular system (JDC) and the North American Digital Cellular system (NADC), TDMA and its variants are currently the digital telecom technology of choice throughout the world. CDMA is a spread-spectrum technology that allows allows multiple frequencies to be used simultaneously.



Market shares for different telecom technologies; global cellular subscribers in 2000 and at the end of 2005

Source : GSM Association

GSM subscriber statistics

GSM grew out of a vision that users should be able to make and receive calls on their mobiles, wherever they travelled.

International roaming enforces compliance with open standards and promotes inter-operability between network and handset equipment from different suppliers. Together, open standards and inter-operability stimulate and generate economies of scale that reduce costs - to manufacturers, to operators, and most importantly, to end-users. 3GSM, based on WCDMA radio technology, was conceived and developed to carry these benefits into third generation mobile.

The billionth GSM user was connected in the first quarter of 2004 and two billion connections on the GSM family were made in June 2006.

	2003				2004				2005				2006	
Millions	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
World	1,187.9	1,239.4	1,302.2	1,382.9	1,453.8	1,525.4	1,612.3	1,714.1	1,820.6	1,920.6	2,027.2	2,177.1	2,245.8	2,405.8
GSM	**851.5**	**894.7**	**945.4**	**1,012.0**	**1,070.9**	**1,131.6**	**1,207.2**	**1,296.0**	**1,378.5**	**1,467.6**	**1,561.7**	**1,709.2**	**1,796.8**	**1,941.6**
3GSM	**0.4**	**1.0**	**1.6**	**2.8**	**4.4**	**7.5**	**11.4**	**16.3**	**24.0**	**29.9**	**37.9**	**50.0**	**61.2**	**74.7**
CDMA	102.3	99.8	99.3	98.9	96.6	93.6	90.6	87.4	72.5	68.5	63.8	62.4	42.5	37.0
CDMA 1X	45.7	56.5	67.5	80.1	93.5	106.6	118.9	131.9	167.6	182.9	197.2	213.1	213.3	225.0
CDMA 1X EV-DO	0.7	1.7	3.0	4.6	7.1	8.7	10.5	12.3	14.7	17.1	19.7	21.2	29.6	34.5
TDMA	100.7	99.8	99.8	100.1	98.1	95.6	92.8	90.0	82.8	79.0	71.9	48.5	31.9	26.1
PDC	57.5	58.2	58.5	58.1	57.7	56.7	55.7	54.2	51.6	49.5	46.5	46.3	42.6	38.5
iDEN	11.5	12.1	12.8	13.4	13.8	14.4	15.0	16.8	19.5	18.8	19.8	21.1	22.6	23.8
Analog	17.6	15.7	14.3	12.9	11.9	10.7	10.2	9.2	8.3	7.6	6.8	5.4	5.2	4.5

Source: Wireless Intelligence

The Indian Mobile Telecom Industry

The mobile telecommunications industry is one of the fastest growing sectors in India. The speed of growth can be gauged by the fact that in 2005, ten years after private telephony was introduced in India, the number of mobile subscribers met and exceeded the number of fixed line connections. In addition

- The number of cellular users in India at the end of May 2006, stood at 100 million making India become one of the fastest growing mobile markets in the world.
- For the fiscal year 2005-06, the first 9 months saw an addition of 26 million mobile subscribers, in India, which translates into an average addition of almost 3 million subscribers monthly. The additions in the month of December 2005 touched around 4.5 million.

(Source: TRAI: Supplement to 'The Indian Telecoms services Performance Indicator Report for the Quarter ending September 2005')

According to the 10th Indian Telecom Industry Report Voice & Data 100 (Vol II) released by the communications business magazine Voice & Data, cellular services continued to thrive, growing at 63 percent in FY 04-05. The overall telecom services industry in the country grew 16 percent from Rs 58,741 crore in 2003-04 to Rs 68,069 crore in 2004-05. The cellular industry grew by more than 50 percent in both revenue terms as well as the number of subscribers. 17.9 million mobile lines were added in FY 2004-05, of which GSM contributed around 14.8 million lines whereas CDMA contributed around 3.1 million lines. The mobile industry is estimated to be around Rs 23,284 crore ($5.2 billion) in FY 2004–05, an increase of 63 percent. Last year, the Indian mobile industry, as per V&D estimates, was around Rs 14,267 crore ($3.2 billion).

An Overview of International Wireless Telephony

North America According to the market research firm Forrester, US consumers continue to embrace mobile phones at a significant rate, defying predictions of saturation. Yet, in terms of penetration and the usage of value added services and entertainment services, the US lags behind most European and Asian countries. Hence there is a potential for selling such services. According to a recent report by market research firm Frost & Sullivan, by 2011, revenue from US-based prepaid wireless subscribers will total $8,750 million, up from $4,500 million in 2004. There is also a growing awareness of non-voice services. The number of US subscribers participating in short-code SMS services is likely to increase from 9 million to 35.9 million from 2003 to 2007 according to Frost & Sullivan.

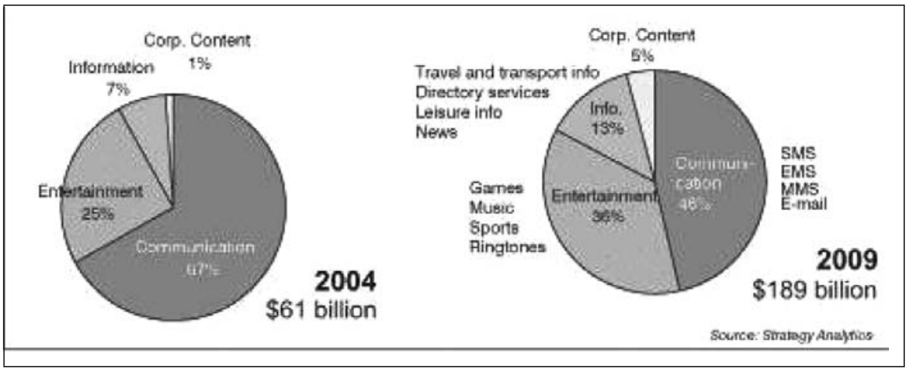
Europe According to the Telecommunications Industry Association (TIA), Europe is the largest telecom market in terms of revenue, at $931 billion in 2005. Although cellular connections are reaching saturation, there is increasing usage of messaging related services. According to Frost & Sullivan: “The advent of 2.5G and 3G networks and devices will usher in a new era for richer, more engaging multimedia technologies.” SMS is well established today in Europe and presents an opportunity for wireless groups to generate new revenue streams by delivering premium content services and applications to subscribers. Forrester predicts that total traffic from all mobile messaging types will grow by 92% over next five years. Peer-to-peer (P2P) SMS among mobile users is expected to drive most of this growth. Among Europe, the UK has the most competitive mobile market with five major mobile operators, including a 3G only operator. Forrester expects that 68% of all UK mobile subscribers will use 3G and more than 50% will regularly will use mobile internet services by 2010.

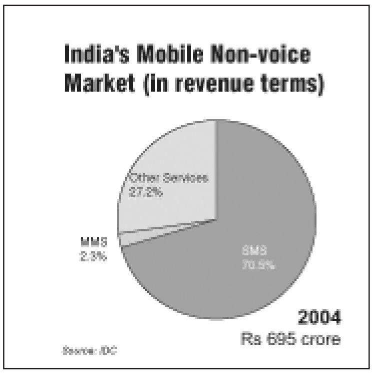
Mobile communications services can be classified into two segments:

- Voice Market
- Non-Voice Market

The major businesses of our company are in the Non-Voice segment

The Non-Voice Market Segment





The non-voice market segment can be categorised into;

- Short Messaging Service (SMS),
- Enhanced Messaging Services
- Multimedia Messaging Service (MMS) and
- Other data services.

Short Messaging Service (SMS) is a mobile data service that allows alphanumeric messaging between mobile phones and other equipment such as voice mail systems and email. Short Messaging Service can be both normal peer-to-peer SMS (“P2P SMS”), that is from one mobile user to another mobile user) or peer-to-application SMS (“P2A SMS”) that is from a mobile user to an application such as a service that provides, news or stock or sports information). P2A SMS revenues are currently included under “other data services” according to the definitions used by IDC definition.

According to ‘Mobile Messaging - 2005 Edition ’ by 2010 the global SMS market will account for $70 billion in revenue out of the total messaging market of $120 billion. Highlighting the importance of mobile messaging, IDC estimates that this segment of the market, which includes a variety of services such as SMS and MMS will be worth more than $15.4 billion in revenue in western Europe by the year 2010.

The biggest product segment in the non-voice market continues to be SMS, accounting for nearly 70% of revenues from non-voice applications worldwide. At present in India non-voice revenues contribute around 4.7% of the mobile services revenues, which total approximately Rs. 14,560 crore (US$ 3.3 billion). Though this is well behind the international standards, it is quickly catching up.
(Source : Informa Telecoms & Media; December 2005)

Enhanced Messaging Service (EMS) an application-level extension to Short Message Service (SMS) for cellular phones available on GSM, TDMA and CDMA networks. An EMS enabled mobile phone can send and receive messages that have special text formatting (such as bold or italic), animations, pictures, icons, sound effects and special ring tones.

Multimedia Messaging Service (MMS) is a mobile data service that can combine audio, video and picture along with text.

Other data services including the following:

- Data networking – the provision of access to shared applications as well as access to corporate intranets and corporate database applications such as customer relationship management (CRM) and enterprise resource planning (ERP) applications and mobile workforce management applications
- Browsing – the provision of access to content that is made available over cellular networks without charge, other than those charges that apply for standard network access, including mobile-specific content (free-to-air information) and general Web access (Web browsing)
- Entertainment services – the provision of access to the downloading of games, cartoons, music, video clips ring tones, wallpapers, logos and other similar products and forms of entertainment over a cellular network. Messaging based on third-party content and interaction with other media (such as TV programmes) is also included in this service category

Signalling System 7 (SS7) :

Technology vendors for switched circuit telephone networks use a signalling protocol called Common Channel Signalling System #7 or SS7 or C7. In general SS7 is critical to both existing and emerging telecommunications networks, whether they are circuit-switched or packet-based. Network interconnections, voice-data convergence, interoperability, service and feature delivery, and compliance with regulatory mandates all depend on SS7. SS7 also plays a key role in the interconnection of wireline and wireless networks. Because SS7 is vital to the operation of networks, telecommunications product and service suppliers need to be able to demonstrate that their products and service platforms conform to the specifications, standards, and generic requirements applicable to SS7. Suppliers must also be able to demonstrate that their equipment can work properly with other elements in each service provider's network, and meet interconnection requirements with other telecommunications networks.

Telecom Signalling Solutions

The Telecom signalling solutions are based on SS7 protocol. Switched circuit telephone networks Industry consists of 4 major business types: Network Equipment Providers, Systems Integrators, Technology Vendors, and Service Providers.

We offer the following telecom signalling solutions as products based on SS7 protocol:

a) Short Messaging Service Centre (SMSC)

b) High Density Media Servers (HDMS)

c) Optimal Routing Solutions,

d) Welcome Roamers

e) Voice Mail Servers

f) Caller Ring Back Tone Servers

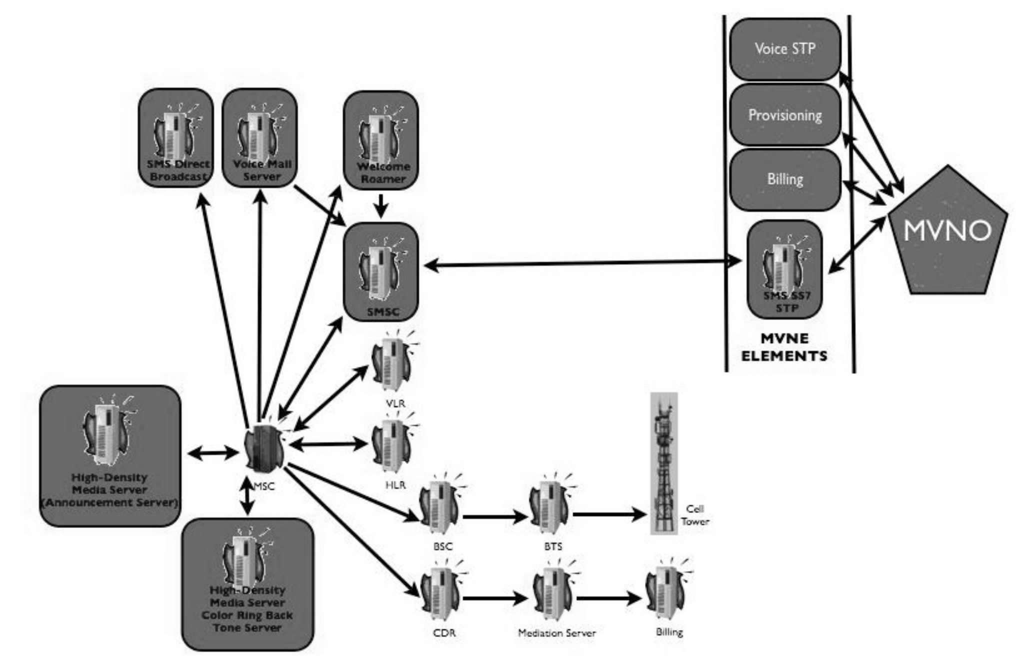
g) Missed Call Alerts Service

h) Multimedia Messaging Service Centre (MMSC)

i) Single IMSI Multiple MSISDN (SIMM)

j) SMS Direct Broadcast

The picture below illustrates the telecom signalling solutions offered by us and how they can fit into the operations of a mobile network operator, including an MVNO:



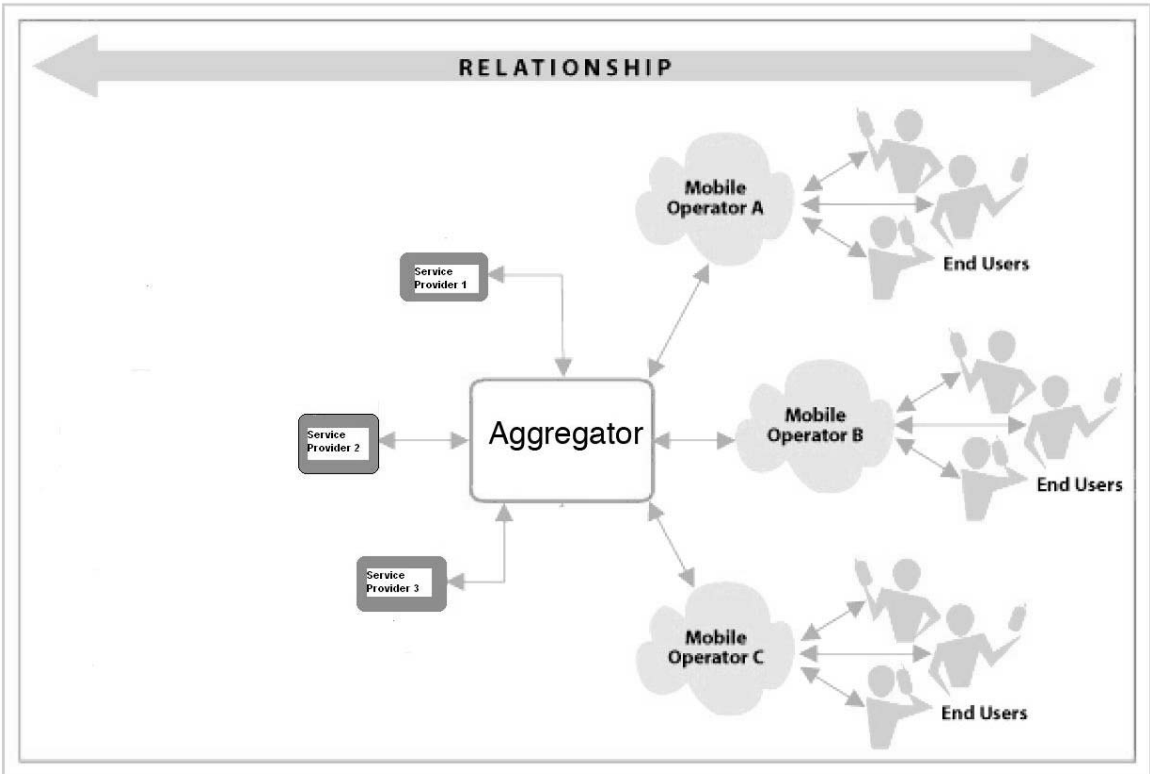
The Mobile Virtual Network Operator (MVNO)

A Mobile Virtual Network Operator is a company that does not own a licensed frequency spectrum, but resells wireless services, typically under its own brand name, using the network of another mobile phone operator.

An MVNO's roles and relationship to the mobile phone operator vary by market. In general, an MVNO is an entity or company that works independently of the operator and can set its own tariff structures. Usually, it does not own any GSM infrastructure, such as a Mobile Switching Centre (MSC) or a radio access network. Some may own their own Home Location Register (HLR), which allows more flexibility because multiple host networks can be used, and the MVNO appears as a roaming partner.

MVNOs differ from traditional resellers. Instead of just reselling wireless services under a new brand name, successful MVNOs position their offering as a unique value proposition based on a strong brand image. A common strategy for MVNOs is to focus on a particular niche market and offer specific mobile services such as voice, messaging, data, content, gaming and others that appeal to its targeted customer base. An example of an MVNO in the UK is Virgin Mobile.

According to the Yankee Group by 2010, the MVNO market in North America is projected to have 29 million subscribers and be worth $10.7 billion in revenues. Many host carriers are looking to partner with MVNOs as a way to gain new subscribers while minimizing the costs related to acquiring and servicing those customers. MVNOs will have 195 million GSM subscribers out of 1.96 billion subscribers worldwide by 2006 giving a 10% share of the mobile network operator market to MVNOs. *[Source: GSM white paper by Deutsche Bank]*



A problem for developers of mobile communications products and services including mobile content developers, is that they potentially have to establish relationships with each of the mobile operators directly, which is both costly and time consuming. Mobile operators will also tend to deal with the bigger developers only. In part in response to this problem, Aggregators have emerged in the market. Aggregators provide a single-point interface for the benefit of both mobile content providers and mobile network operators.

Mobile content developers supply content on a revenue-share basis with Aggregators.

Aggregators can also develop mobile content platforms and delivery mechanisms using “over-the-air configuration” to send content directly to users’ handsets. New mobile content such as polyphonic ring tones, animated screensavers, picture downloads, video clips, full length music download, ticketing, video blogging and Java games are all characterized by the fact that they are delivered over a basic WAP connection which does not necessarily have to be established via a mobile network operator’s WAP gateway. This means that it is possible for mobile [content] delivery to bypass the mobile network operators’ distribution channels. In this model, a WAP bookmark is sent via SMS to the user. Upon accessing the bookmarked page in the WAP gateway, the content is downloaded to the handset automatically.

The aggregator may play an increasingly important role in the delivery model if, as is expected, operators increasingly source turnkey managed service from aggregators including for content sourcing, aggregation and management in addition to service delivery. Separate aggregators and managed service providers could also become partners for mobile network operator groups to help them migrate the operators from 2G to 2.5G and 3G technologies and increase revenue streams from mobile data services.

Considering the expected increase in SMS and MMS traffic in the coming years, the potential for revenue growth for aggregators may exist in, among other product and service areas:-

- SMS gateway
- Corporate messaging
- Retail SMS sending
- Bulk SMS receiving based on a regular mobile number, or a short code, or a short code sorted by a keyword
- EMS: including Sent/delivered receipt– WAP phone gateway settings, WAP bookmarks, ring tones, logos, calendar data(vCal), business card data(vCard), graphics and picture messaging
- MMS Gateway
- Bulk MMS sending
- MMS receiving
- Premium MMS – which allows content providers to send a premium rate MMS to an end user's mobile phone, thus generating immediate revenue. The system is easily accessible through an HTTP interface, providing a platform for the delivery of multimedia content and the management of sophisticated MMS services.
- WAP Push - polyphonic ring tones, colour screensavers, picture messages, java games, applets, weather forecasts, stock price alerts and email alerts.

OUR BUSINESS

Because our subsidiaries are integrated parts of our business plan, we are presenting our past and present business details and any forward-looking statements in this section with reference to our consolidated group without making any explicit or implicit division of our business among ourselves and our subsidiaries, unless the context otherwise requires.

INTRODUCTION

We are a provider of integrated telecom infrastructure solutions and products. We commenced our commercial activities in the product areas of telecom signalling solutions, in the year 2000. We specialize in providing SS7 (Signalling System 7) messaging infrastructure software products including Short Messaging Service Centres (SMSCs), High Density Media Servers (HDMSs), Optimal Routing Solutions, Welcome Roamers, Voice Mail Servers and Caller Ring Back Tone Servers. We also offer messaging applications & billing services (hereinafter referred to as Aggregator Services) and offshore services including software development, infrastructure management services and technical support services**.** We provide our telecom signalling products to operators of mobile communications networks and our Aggregator Services facilitate content providers in connecting to the mobile operators.

Our head office and delivery centres are located in Hyderabad, India and our international marketing is led by our UK offices. Our subsidiary Tanla Solutions (UK) Limited has a wholly owned subsidiary known as Tanla Mobile Limited (previously known as Mobizar Limited) that provides Aggregator Services to all the major mobile network operators in the United Kingdom.

Our total income on a consolidated basis was Rs. 57.3 million in fiscal 2004, Rs. 223.9 million in fiscal 2005, Rs. 630.2 million in fiscal 2006 and Rs 871.33 Million for the half year ended September 30, 2006. Consolidated EBIDTA was Rs. 32.2 million in fiscal 2004, Rs. 76.5 million in fiscal 2005, Rs. 350.9 million in fiscal 2006 and Rs 446.94 Million for the half year ended September 30, 2006.. Consolidated profit after tax was Rs. 30.4 million in fiscal 2004, Rs.68.4 million in fiscal. 2005, Rs. 302.5 million in fiscal 2006 and Rs 357.09 Million for the half year ended September 30, 2006..

Our Business Model

Our business model has evolved over the years from acting as a telecom product licensing company to providing integrated telecom products and services on a revenue sharing/pay for use revenue model. We believe that we have a broad range of wireless messaging products and services that allows us to service mobile network operators and content providers. We have categorised our business in the following three related areas:

- Telecom Signalling Solutions
- Messaging Applications & Billing (Aggregators) Services
- Offshore Services

Telecom Signalling Solutions

We offer telecom signalling solutions based on SS7 (Signalling System 7) messaging infrastructure software products. SS7, short for Signalling System 7, is a telecommunications protocol defined by the International Telecommunication Union (ITU) and characterized by high-speed circuit switching and out-of-band signalling using Service Switching Points (SSPs), Signal Transfer Points (STPs) and Service Control Points (SCPs) (collectively referred to as signalling points, or SS7 nodes). Out-of-band signalling is signalling that does not take place over the same path as the data transfer (or conversation). Instead a separate digital channel is created (called a signalling link), over which messages are exchanged between network elements at 56 or 64 kilobits per second. SS7 architecture is structured in a way that any node can exchange signalling with any other SS7-capable node, and signalling is not just between switches that are directly connected.

Within this area we have developed the following products :

1. Short Messaging Service Centres (SMSC)
2. High Density Media Servers (HDMS)
3. Optimal Routing Solutions(ORS)

4. Welcome Roamers
5. Voice Mail Servers and
6. Caller Ring Back Tone (CRBT) Servers
7. Missed Call Alerts Service
8. Multimedia Messaging Service Centre (MMSC)
9. Single IMSI Multiple MSISDN (SIMM)
10. SMS Direct Broadcast

1. **Short Message Service Centres (SMSC)** reside in the mobile operator's network and enable the operator's subscribers to send and receive messages in a wireless network. Our SMSC is scalable and supports Point-to-Point Mobile Terminated and Mobile Originated Short Message Services (SMS-MO/MT). The product can be interfaced with multi-vendor Mobile Switching Centres (MSCs) over a single time slot on an E1 (G.703) SS7 link via an SS7 platform, which reduces the operator's infrastructure cost of SMS provision for the network.

   Our SMSC also incorporates features such as application to Mobile Terminated and Originated Short Message services (SMS - AO/AT), modular architecture, real time configuration management, availability on the customer's choice of wireless protocol(GSM, GPRS and CDMA), availability on the customer's choice of platform (Linux and Windows) and optimized delivery of messages.

2. High Density Media Servers (HDMS) provide media processing capabilities required for existing and emerging enhanced services. They act as a shared media processing resource controlled by switches or application servers in both VoIP and SS7 networks. The media processing capabilities are controlled through industry standard protocols including SIP, VoiceXML, MGCP and ISUP.

   HDMS is based on carrier-scale, reliable IP media processing. The optimized media and packet processing engine supports up to 10,000 media processing ports in a 2U shelf. Our HDMS incorporates such features as up to 10,000 full duplex media processing ports and multiple gigabit network interfaces.

3. **Optimal Routing Solutions (ORS):** With our ORS service providers can use intelligent call routing management to work through the world's increasingly complex voice networks. They can also improve profitability, operational efficiency and the quality of voice services. Optimal routes are calculated based on time and distance and multiple stops are accommodated along a route. Routing management options are provided such as least-cost routing, QoS-based routing, source-based routing and flexible routing.

   Optimal routing allows a call to be routed directly from the originating switch to the MSC currently serving a mobile, which replaces both the leg from the originating switch to the home MSC and the leg from there to the serving MSC. It is most useful when the roaming mobile being called is within the local calling area of the calling mobile.

   Our ORS service incorporates features such as optimal routing for basic mobile-to mobile calls, optimal routing for late call forwarding, CDR generation customization according to operator billing requirements, call statistics report generation and optimal routing based on GSM MAP.

4. **Welcome Roamers** give a roamer's mobile operators the advantage of being able to send targeted and personalized SMS messages to inbound and outbound roamers. The messages can be personalized based on a broad range of criteria including the roamer's foreign network, the customer's native language, the local time, the time the last message was sent, usage on the network, the next network latched accessed and other criteria.

   Welcome Roamers give the mobile operators the opportunity to reach in-roamers in a manner that may induce greater preference for their network. Developing a preference far its network among in-roamers can help a network operator to capture a larger share of in-roaming traffic. In-roaming traffic represents a significant share of roaming revenues. Operators can also customize delivery to change message content and type for consecutive registrations, location updates, specific times or dates.

   Our Welcome Roamers incorporate the following main features multiple trigger sources – registration, time scheduling, leaving the network or country; the monitoring of SS7 links used for interconnection with roaming partners in passive mode; intelligent logic that helps ensure appropriate delivery rate and content to avoid message overload; support of subscriber profiles; the assigning of each in-roamer an identity; robust messaging potentiality include targeted messages to specific market segments; sending welcome SMS message sequences to subscribers according to different events; the obtaining of the lists of visitors registered in the specified networks during the specified period; and alarm and event monitoring and others.

5. **Voice Mail Servers** are a communications tool that allows mobile subscribers to stay in touch with their callers. Subscribers can manage voice messages with their voice messages with telephone prompts and a graphical user interface (GUI). The system offers a set of phone features to meet everyday business needs. It is scalable.

   Our system has flexible message management and SMS notification. It can play the subscriber's personal greeting or a system greeting if that is preferred. The caller has the option to send, re-record, review and mark a message urgent. The subscriber can record his or her personal greeting over the phone and can choose a PIN for accessing the account. The subscriber can access voice mail from multiple locations with little additional training.

   Our voice mail system incorporates the following features: call answering, one key message retrieve, automatic mailbox creation, missed call notification (on full message box/empty message), extensive, intelligent notification methods, integrated SMS notification, integrated dial & deliver service, personal language selection, single system interface appearance, one key call return and other features

6. **Caller Ring Back Tone (CRBT) Servers** are a new feature that allows a subscriber to customize the ring back tone that is heard by specific callers or all callers, when such callers dial the subscriber by substituting the traditional ring back tone with music.

   The CRBT server is designed in such a way that it can be scaled, augmented and adapted to meet the future needs of operators. Mobile operators have the flexibility to offer personalized ring back services to all types of subscribers (i.e., postpaid or prepaid, fixed or mobile) irrespective of the handset used by the subscriber. Service providers can generate revenue from service management. Ring back tones are already popular in several market segments, as a tool to help attract new customers, minimize churn, increase ARPU and increase market share.

   Our CRBT server offers such features as voice clips.

7. **Missed Call Alerts Service** notifies outbound roamers about calls that they chose not to answer voluntarily or that occurred when their handset was powered off. The notification is sent in the form of an SMS containing the caller ID of the party that was trying to reach them.

   This service allows roamers to make informed decisions about whom to call back. It also helps manage the tendency of many roamers not to take any incoming calls if roaming call costs are high by enabling them to make important calls.

   Our missed call alerts service offers features such as: each subscriber receives SMS notifications in its own language, one-touch call-back or add caller to address book, all missed calls from a caller are consolidated in one SMS, provisioning interface, web based administration and others.

8. **Multimedia Messaging Service Centres (MMSC)** deliver audio, text, pictures and video between different devices and technologies. MMS opens up additional revenue channels for an operator and is an advancement from Short Messaging Service (SMS) and Enhanced Messaging Service (EMS) with support for animation, rich images, full voice messaging and streaming video.

   The MMSC offers features such as scalability compliant, a platform compliant with the 3GPP release 5.0, OMA MMS and 3GPP2 standards, integration with existing network infrastructure regardless of the vendor, entry-level and high-end systems for Linux and Windows server platforms, distributed transcoding engines to handle high volumes, web-based graphical administration, configurable delivery modes and other features.

9. **Single IMSI Multiple MSISDN (SIMM)** allows mobile operators to offer local numbers (MSISDN) to frequent roamers within regions and countries. With the addition of an optimized roaming call price plan, this service can eliminate the incentive for raomers to buy a local pre-paid SIM card in each country. This can help prevent erosion of existing roaming revenue. Offering this as a subscription based service can increase recurring revenues for mobile operators. This service also enables frequent roamers to portray a multi-national presence from a single mobile subscription.

   Our SIMM offers features such as a pure SS7 based solution between HPMN and VPMN ,supports for MNP cases within the networks and other features.

10. **SMS Direct Broadcast** enables direct SMS transmission without storing the SMS. The gateway is physically connected directly to the operator's PLMN supporting connections to one or several telecoms mobile switches and integrating the SS7 software stack.

This solution allows an operator to keep its SMSC dedicated to mission critical subscriber-to-subscriber SMS messaging. The server supports up to 30 mobile terminated SMS per second on a single-node platform. A 4-nodes solution allows a top performance of 120 mobile terminated SMS per second with selectable SMS message classes 0, 1, 2 and 3.

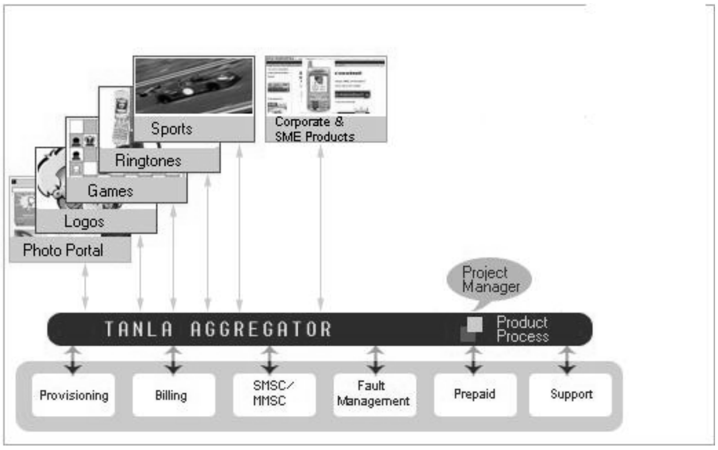
Our SMS Direct Broadcast offers features such as supported coding of 7, 8 or 16 bits transmission of respectively 160, 140 or 70 characters messages, Class 0, 1, 2 and 3 messages supported SIM card downloads (PID type 127) support for email and SMS alarms, support for picture messaging, operator logos and group icon transmission, ringtone transmission in RTTTL format, confirmations returned to a callback URL, e-mail address available on demand, International SMS alphabets in standard Latin characters, up to 32 HLR addresses, 64 MSC addresses and one International Roaming Gateway address and detailed billing records (CDRs) generated in real time

Strategy for our SS7 based Telecom Signalling Solutions

Establish presence in new markets and consolidate in existing markets	We plan to establish two offices in North America and two in Asia Pacific region. These offices would handle sales and marketing as well as after-sales support and services. We would acquire local sales and marketing teams that would be familiar with their markets. We currently plan to market to Europe through our UK offices.
Increase local penetration	We will consider forming strategic marketing partnerships with local infrastructure providers and consultants in North America, Europe and the Asia Pacific markets. These local suppliers and consultants would, we believe, not only help diminish customer's resistance to a new vendor but also enhance our geographic penetration.
Increase brand building	We will continue to participate in international and local trade shows and seminars and acquire memberships in various forums and standards groups. The objective would be to create a heightened awareness of our company as a provider of high quality telecom products.
Continue telecom R&D	We will continue to invest resources in creating new telecom products and solutions and refining our existing ones to provide us with what we believe is a competitive edge as well as protect us from obsolescence.

Messaging Applications & Billing (Aggregator) Services

The role performed by our Aggregator service is to provide a single point of interface between mobile communications products and services developers on the one hand, and mobile network operators, on the other hand as show in the figure below:



The business potential of providing aggregator services has attracted companies of different types to the market, all attempting to define a role for themselves in the delivery of data services

TANLA

Principal Types of Aggregators

- *Content/application aggregators: A* content/application aggregator the gathers Web content and/or applications from different online sources for reuse or resale.
- *Managed service providers/telecom aggregators:* A managed service provider (MSP) that provides the delivery and management of network-based services, applications, and equipment to enterprises, residences and other service providers.

Our Aggregator Services

We offer the following services on our aggregator platform:

1. SMS Gateway
2. EMS Gateway
3. MMS Gateway
4. Micro-payments/PayForIt
5. Interactive TV services
6. Content Management System (CMS)
7. Video Gateway
8. Billing

The details of these services include the following:

1. **SMS Gateway** uses direct connections into SMS Centres (SMSCs), to provide high capacity, reliable, and fast SMS connectivity direct to an end user's mobile phone.
2. **EMS Gateway** uses direct connections into SMS Centres (SMSCs), to provide high capacity, reliable, and fast enhanced messaging connectivity direct to an end user's mobile phone. EMS is used to send picture messages, ringtones, operator logos and similar items.
3. **MMS Gateway** allows mobile phone users to send and receive multimedia content that includes text, images, audio, video clips and graphics. With our direct connections into various mobile networks, both MMS and WAP Push can be used to deliver multimedia content. With WAP Push, the end user receives a WAP Push SMS message on their handset that contains a URL from which the multimedia content can be downloaded. With our MMS Gateway, the end user receives an MMS message on their handset.
4. **Micro-payments/PayForIt** By sending a reverse billing SMS to a user our Micro-payments system bills the user for receiving the reverse billing SMS text message. The system is suited to both large and small corporate systems, as well as being accessible through a variety of interfaces via the Internet. The PayForIt scheme, run by all the major UK mobile network operators allows consumers to buy content with their mobile phones by clicking on a "Pay" button on a WAP page.
5. **Interactive TV Services:** Our subsidiary Tanla Mobile Limited (previously known as Mobizar Limited) offers a platform that can communicate with interactive television.
6. **Content Management System (CMS)** allows service providers to host content such as videos, ringtones, images and wallpapers. CMS integrates with billing systems and support digital rights management.
7. **Video Gateway** allows service providers to deliver live or recorded video content straight to an end user's 3G handset. By dialling a Video Short Code, the end user is connected straight to the video content via the Video Gateway.
8. **Billing** allows for real time statistics and live reconciliation of messaging/data transactions with mobile network operators.

We have entered into agreements with certain telecom operators in U.K for the provision of PayForIt service.

For an aggregator to provide all thesemultiple services cost-effectively, it is important and critical thatfor the aggregator is to be able connected to all the telecom operators in the country. This is required so that a service provider can reach a wide base of mobile subscribers. We are a full-fledged aggregator offering all our aggregator these services to substantially all the entire mobile network operators population in the UK. Our since we have connectivity with all the Telecom Operators in UK. In this regard our subsidiary Tanla Mobile Limited (previously known as Mobizar Limited), has executed agreementsentered into detailed arrangements with telecom operators namely, Virgin Mobile Telecoms Limited, UK; O2 (UK) Limited; Hutchison 3G UK Limited; Hutchison 3G Ireland Limited; T Mobile (UK) Limited; Vodafone Limited; Vodafone Mobile Commerce Limited and Orange Personal Communications Services Limited. We are integrated with these operators supporting various messaging technology interfaces, 3G video gateways, and billing/payment systems for these operators.

Under the terms of our subsidiary's various arrangements with telecom operators, our subsidiary receives a combination of services such as network access, short code services, text messaging services, information modules and lines, data links and access to operate as an accredited payment intermediary. These services allow our subsidiary to connect to the network and thus facilitate the delivery of third-party content and applications to end-users. To obtain these services, Tanla Mobile Limited generally pays each telecom operator a fixed start-up fee. Thereafter, each network operator keeps a portion of the revenue generated from its mobile subscribers for the content provided and delivers the remaining portion of the revenue to Tanla Mobile Limited, which is shared between the third-party content provider and Tanla Mobile Limited. Arrangements typically include standards that our subsidiary must maintain with respect to the nature of content transmitted, adherence to codes of practice and observance of intellectual property rights.

The arrangements with the telecom operators are non-exclusive arrangements with limited duration, although each arrangement typically includes a provision that allows for the possible continued existence of such arrangement beyond its initial term. The terms of the arrangements vary, but the network operators are generally entitled to terminate the arrangements in advance for a variety of reasons (including breaches of terms) or without cause at their discretion. Several of the network operators also have the right to suspend some or all services temporarily for a variety of reasons.

In addition, we have generally agreed to indemnify each network operator for certain losses, including breach of the terms of our arrangement, conveyance of certain prohibited content and intellectual property infringement. The exact scope of the indemnification varies among operators.

Tanla Mobile Limited has also entered into arrangements with various brand owners, content owners, retailers, marketing and digital agencies, media channels and corporate businesses (collectively, "Content and Service Providers"). Under these arrangements, Tanla commits to store, use, display and transmit content provided by the Content and Service Providers to end-users who place an order for such content and services. Each of the Content and Service Providers agrees to pay Tanla a fixed start-up fee and a monthly fee. Thereafter, Tanla keeps a portion of the revenue generated from the sale of content and services to end users (after a network operator has taken its share of the revenue) and distributes to the Content and Service Providers the remainder of the revenue derived from the sale of its content or services. Arrangements typically include standards that each of the Content and Service Providers must maintain with respect to the nature of content or services transmitted, adherence to codes of practice and observance of intellectual property rights.

The arrangements with each of the Content and Service Providers are non-exclusive with limited duration, although each arrangement typically includes a provision that allows for the possible continued existence of such arrangement beyond its initial term. The terms of our arrangements vary, but our subsidiary is generally entitled to terminate these arrangements in advance for a variety of reasons (including breaches of terms) or for no reason at its discretion. Each of the Content and Service Providers is also generally entitled to terminate an arrangement in advance because of breaches of terms.

Additionally, each of the Content and Service Providers has agreed to indemnify us for certain losses, including breaches of the terms of our arrangement, conveyance of certain prohibited content and intellectual property infringement.

Main Features of our Aggregator Product

We have invested in R&D to create a scalable and reliable architecture for our aggregator product. Based around the industry standard C++/.NET, our aggregator platform is designed to be scalable across a large number of servers. The architecture can be tailored to a diverse range of customers. Our Aggregator product uses industry-standard interfaces, for example, XML, HTTP and web services and standard telecom network protocols such as SMPP and MM7. We support the development of an open environment for content providers to connect into our system using a range of well-documented interfaces. Support for our Aggregator product is available from a basic level to global 24x7 support.

Other Key Features

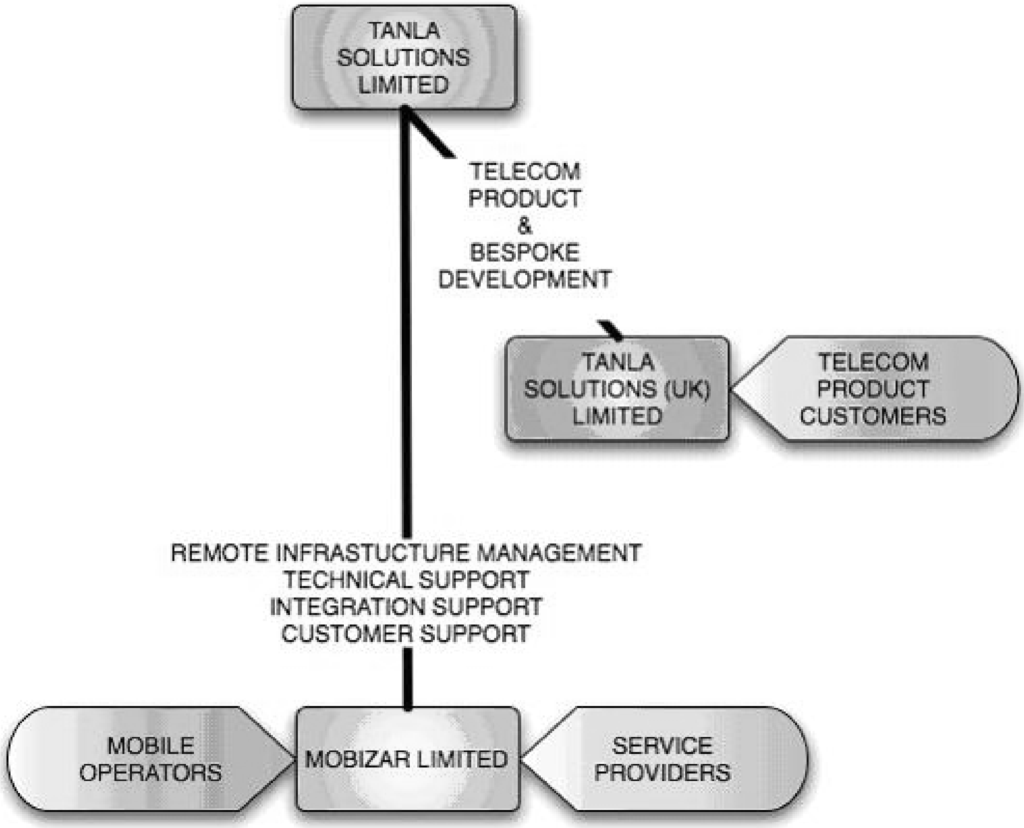
Intelligent Source Routing	Our Aggregator's Intelligent Source Routing technology enhances the interaction possible using SMS. It supports business uses and consumer applications that are not otherwise possible; all through the ability to manage SMS "conversations".
Collaborative application partner model	Our business model is to provide our Aggregator service delivery platform and to collaborate with third-party application developers who provide a range of end-user services through our platform. We are thereby able to offer our mobile network operator customers an end-end service rather than simply a technology.Our Aggregator has an array of collaborative applications that are ready to be deployed with it. This allows operators to move quickly to sell message services. Applications include plug-ins for email clients, permission-based marketing solutions and consumer interactive games.
Efficient resource management	Allocating scarce carrier resources amongst their mobile users is a top priority for our mobile network operator customers. In most cases, our Aggregator removes the need for technical interaction by managing a virtual pool of mobile numbers that can be shared among all users. New customers can therefore be connected in a matter of minutes by a customer service representative rather than waiting for detailed provisioning of the network infrastructure.
Flexible user management	Because each service available through the Aggregator platform is usually billed to match a different business model, our Aggregator tags each content interaction so that it can be correctly matched to the relevant billing model. This provides commercial flexibility to those wishing to structure specific content provider relationships and is particularly useful for identifying premium content transactions where revenue for the content is to be shared among multiple parties.

Strategy For Aggregator

The development of our Aggregator product has been instrumental in our progress as a company. Our current strategy for our Aggregator services is to market them in additional geographic areas, while continuing to maintain and improve their technical quality and usefulness. We are an established Aggregator in the UK and are interconnected to all the major UK mobile network operators. We intend to focus future marketing efforts on the European, Asia Pacific and US markets. Our Aggregator supports international character sets for content delivery and a locale-based administration interface, which means that it can be operated in most any mobile market. Our target customers in our current and intended future markets will remain mobile network operators, on the one hand, and content providers, on the other.

Our plan for marketing our Aggregator is to build relationships with local integration businesses in each target region. We anticipate that our current relationships with mobile network operators in the UK will help us establish ourselves in other geographic markets where those same operators conduct business, and will help us to become known in additional markets where those operators are not present.

OFFSHORE SERVICES



The offshore services offered by us can be classified into two categories Offshore Development Services and Infrastructure management and technical support services

Offshore Development Services

A large part of our provision of telecom signalling solutions and aggregator services involves substantial technological expertise. Most of our mobile network operator customers have similar expertise in-house. Most of our content provider and MVNO customers do not. Therefore we have developed a separate area of business providing selected technological expertise to these customers. As most of our customers for these areas of expertise are outside India, we refer to this area of business as Offshore Development Services. Part of the attraction of the services to our customers is our ability to provide the services from India where our cost base is lower than it would be in the UK or many other countries.

Some of the offshore development services offerred by us in this area are

- **Location Services** : Mobile Location Centre functionality to access presence and location from the HLRs and the BSC
- **MVNE:** A generic platform to enable charging, SMS, roaming and location in a unified architecture
- **Wireless Data**: Enabling future proof solutions to generate revenue from existing networks via CAMEL/INAP enabled solutions
- **M2M Applications:** Machine to machine, mobile to machine and machine to mobile communication
- **Asterisk Development:** Asterisk is an open source platform for converged telecommunications. It provides PBX functions and applications, as well as connectivity via TDM and packet voice.

Infrastructure Management and Technical Support Services:

Many of our content provider and MVNO customers also require infrastructure management and technical support services on an on-going basis. We provide a variety of these services. Principally we provide network management, which involves helping to ensure that all network/signalling related problems are attended to and that the operator's traffic is not reduced due to non-availability of equipment.

In addition, we provide incident/problem management at three levels of service depending on the complexity of the problem:

- Level 1 Support – technician tries to answer all questions, which might include help with simple problems or general "how-to" questions.
- Level 2 Support : If the question is more complex, the user is passed on to the level 2 technician. Level 2 questions may, for example, deal with advanced features and possible product bugs or failures.
- Level 3 Support : If the level 2 technician cannot help the caller, a level 3 technician may be consulted either by the customer or by the level 2 technician. Some research and investigation at this level might be required, which can take time

Strategy for offshore services

We plan to maintain and grow our offshore services through various efforts. We intend to continue to actively target content providers and MVNOs whom we believe may be in need of services such as ours. We intend to continue to upgrade the skills and experience of our technical team in order to to keep them abreast of developments and new technologies. In addition, we will continue to seek to provide new and improved end-to-end solutions of the sort that our target clients in this area in particular may want or need. For example, end-to-end solutions for content providers could include application development, integration with our Aggregator platform, application hosting, infrastructure management and technical support.

Customers

Our customers can be divided into two principal groups:

- Mobile network operators including MVNOs
- Content providers, including those that we deal with directly and resellers

Our mobile network operator customers principally use our telecom signalling solutions and our Aggregator services. In general they pay for telecom signalling solutions on a per message or per minute usage basis or on a revenue share basis, according to specific rates negotiated with each of them. In the past we have also sold the telecom signalling solutons on an outright license sale basis in conjunction with an annual maintenance contract.

Our content provider customers principally use our Aggregator services. In general they pay us for facilitating the broadcast of their messages. In addition when their content is subscribed to by mobile phone users and the mobile user pays through the mobile network operator, we share the revenue with the content providers.

Our content provider and MVNO customers may also use our offshore services. Some of our offshore services are paid for on revenue share basis and some are paid for on a time and material (T&M) or fixed basis.

A MVNO is a company that does not own a licensed frequency spectrum, but resells wireless services under their own brand name, using the network of another mobile phone operator.

An MVNO's roles and relationship to the mobile phone operator vary by market. In general, an MVNO is an entity or company that works independently of the operator and can set its own tariff structures. Usually, it does not own any GSM infrastructure, such as Mobile Switching Centres (MSC) or a radio access network. Some may own their own Home Location Register (HLR), which allows them flexibility since multiple host networks can be used and the MVNO appears as a roaming partner.

While MVNOs typically do not have their own architecture some leading providers are actually deploying their own Mobile Servicing Centres (MSC), Short Messaging Service Centres (SMSC) and even Service Control Points. Leading MVNOs deploy their own mobile infrastructure in order to facilitate the means to offer value added services. Many voice specialized MVNOs deploy voice gateways to provide premium services.

Our product suite can cater to MVNOs that want to own or deploy their own infrastructure. Our products can be a critical part of the functioning of such an MVNO. Our revenue share model can save the costs for such MVNOs since they do not need to invest heavily in infrastructure.

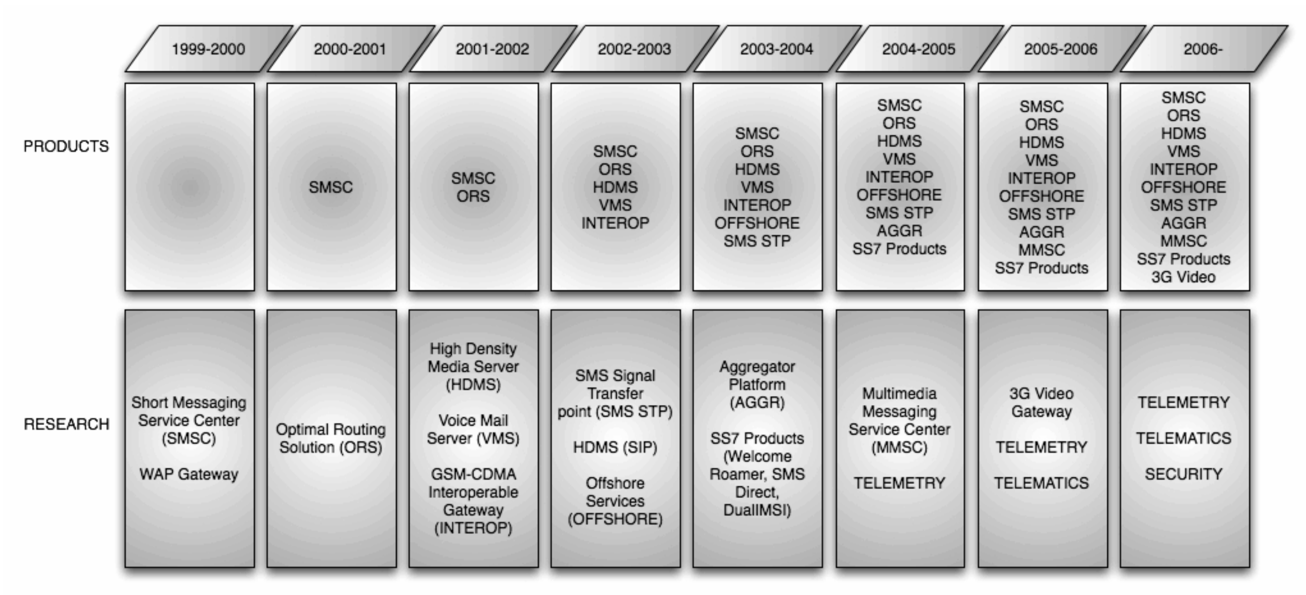
Development of our Products and Services platform

Our products and services consist almost entirely of software that we write ourselves. Our software is developed by our technical team based in Hyderabad. This team also works extensively on research and development intended to lead to new and improved products.. Some of the products that we are currently working on in the R&D stage may, if they mature and we seek to commercialize them, involve manufacturing or assembly, which we may do ourselves.

Research and Development

Our R&D team has developed various products including our first products which included our SMSC and ORS products. As a result of our research and development efforts several product lines in telecom have been setup within our company. We have filed for three patents in the last year as a result of our R&D efforts. The following graphic illustrates the evolution of our products from the research stage to the commercial sales stage.

Evolution of products over the years :



We have undertaken research to develop a number of products over the years. Currently, we have certain products in the fields described below that we may begin marketing commercially.

Telemetry: Automated Meter Reading (AMR)

Automatic Meter Reading (AMR) is the remote collection of consumption data from customers' utility (electric, gas or water) meters using radio frequency, telephony, power-line or satellite communications technologies. AMR systems are usually characterized by the technology used for the "first hop" from the meter to the next point of data communications. AMR is gaining ground as an effective improvement over other comparatively error-prone data collection methods. While initially the costs for an AMR infrastructure can be higher than the traditional means of capturing the data, in the long run there can be substantial savings. The principal consumers of AMR data are those involved in customer billing, load settlement and customer information systems/customer relationship management (CIS/CRM).

Telematics –Authomated Vehicle Tracking (AVT)

Telematics is the convergence of telecommunications and informatics. It is a field that is expected to develop significantly through the use of wireless communications.

Automatic Vehicle Tracking is the remote tracking of vehicles using telematics. In the automotive industry, telematics-equipped vehicles have already begun to draw some attention in the marketplace. However, their availability has been limited by the expense of proprietary systems, which are dependent on hardware and software packages that reside onboard the vehicle and require large data storage capacity. In addition to their expense, these systems often require manual upgrades and have a tendency to grow obsolete long before the end of the vehicle's useful life. Technological developments have the potential to help overcome a number of these drawbacks.

Our Competition

We face competition from domestic and international companies. We expect new entrants into our markets over time. We believe that our strength including having proven telecom products and solutions, leading telecom companies as clients, end-to-end offerings, an India footprint resulting in cost efficiencies and a focus on R&D etc provide us with the significant competitive advantages.

Manpower

As of November 15, 2006, Tanla India had 203 employees including six(6) whole-time directors. 179 of these employees work on the technical side, three(3) work in sales and marketing and fifteen(15) in administrative and other support function such as human resource and finance.

As of September 15, 2006, our UK subsidiaries had ten(10) employees. two(2) of these employees work in the technical side, five(5) work in sales and marketing and three(3) in administrative and other support function such as human resource and finance.

Competitive Strengths

We believe that the following are our competitive strengths:

Strength in established and proven telecom products and solutions.

We have a proven track record over the last six years of having developed and deployed SS7 based products in India as well as overseas. This expertise with SS7 gives us what we believe is a technological competitive advantage over many of our competitors in the mobile messaging industry.

Leading telecom companies as clients in India as well as overseas

We have provided products and services to clients who are large mobile network operators in international markets as well as large participants in the Indian mobile networks market. This has helped us secure additional clients and also forge relationships with content providers, other telcos and messaging gateways, thereby enhancing the geographical coverage of our product and service offerings and enhancing our business generally

End-to-end offerings

In the case of many of our products and services, we offer "end-to-end solutions" to those of our mobile network operator clients and our Aggregator Services clients who do not have extensive internal technological capabilities. Such end-to-end solutions can include application development, infrastructure management and customer support. By providing end-to-end solutions, we can become a "one-stop-shop" for MVNOs and other clients that look for more technological support. End-to-end solutions also help clients who are interested in quickly getting their new service offerings to market.

Scalability in our solutions

We have developed, tested and deployed signalling solutions globally. We are in a position to swiftly and cost effectively meet with new or additional client requirements for software products and offshore services.

India footprint resulting in cost efficiency

In conjunction with marketing and selling our telecom products and services overseas, we maintain a substantial portion of our cost base in India. Lower manpower costs in India compared to the UK and other overseas markets brings us better margins compared to many of our competitors.

Flexible pricing models

We have been flexible in offering pay-for-use and revenue sharing pricing options to many customers. This has helped these clients convert large fixed costs into variable costs, which has worked well within these clients' business models and has helped make us their partner of choice in many instances.

Focus on R&D

We have over the years invested significant resources in R&D, in order to create new telecom products and solutions and continue to refine our existing ones. The R&D experience and knowledge base that we have developed over the years keeps us, we believe, at or near the forefront of developments in our industry and continues to help us create new downstream applications. Our R&D focus continues to provide us with what we think is a competitive edge, as well as protection from obsolescence.

Insurance

We have taken out insurance policies relating for our physical assets as well as our manpower. Our more substantial policies include the following:

1. Group Mediclaim and Group Personal Accident Cover policies
2. Standard Fire and Special Perils policy: To cover our assets against losses from fire and other risks to our property.
3. Professional Indemnity policy: To covers our company and subsidiaries based in the UK viz. Tanla Solutions (UK) and Tanla Mobile Limited (previously known as Mobizar Limited) for professional liabilities arising out of breaches of duty, failure of technology products, infringement of intellectual property rights of others and other similar risks
4. Directors and Officers Indemnity policy

Quality Process

The Company is in the process of improving certain of its internal processes in order to seek to earn certain International Organization for Standardization ("ISO") certifications later in 2006. The Company is aiming to assess itself against both ISO 9001:2000 and ISO 27001 standards.

ISO 9001:2000

The ISO 9001:2000 standards are principally concerned with "quality management". These standards define what an organization needs to do to fulfil:

- the customer's quality requirements,
- applicable regulatory requirements, while aiming to enhance customer satisfaction, and
- continual improvement of its performance in pursuit of these objectives.

ISO 27001

The ISO/IEC 27001:2005 standards specify the requirements for establishing, implementing, operating, monitoring, reviewing, maintaining and improving a documented Information Security Management System within the context of an organization's overall business risks. It specifies requirements for the implementation of security controls customized to the needs of individual organizations or parts thereof. It is designed to ensure the selection of adequate and proportionate security controls that protect information assets and give confidence to interested parties.

Property

We have immovable properties at our development centre for the purpose of our business. Set forth below is a brief summary of our immovable properties:

Sl. No.	Description	Address	Property rights	Area
1.	Development Centre	Tanla Technology Cntre, Hitech City Road, Madhapur, Hyderabad – 500 081	Leasehold	25,000 sq. ft
2	Development Centre	Tanla House, Plot No.11, Type – A, Jubilee Hills, Hyderabad – 500 034	Leasehold	5,000 sq. ft
3	Land **	Sy. No.73/AA, Vattinagula Pally village, Rajendra Nagar, Ranga Reddy Dist	Freehold	6.24 acres

** The details of the land situated at Sy. No's.73/AA, Vattinagulapalli Village, Rajendra Nagar Mandal, R.R. District, Andhra Pradesh and value of the consideredation paid to the vendors are given below:

S.No	Date of Sale Deed	Name of the Vendor	Extent of Land (Acres)	Consideration paid (Amount in Rs.)
1	26.02.2003	M. Mallaiah and 5 others	2.08	17,60,000
2	04.03.2003	M. Jangaiah & 2 others	2.08	17,60,000
3	09.06.2003	Mangalaram Ramulu & 6 others	2.08	17,60,000

The Company enjoys a clear and marketable title in respect of the immovable properties situated at Sy. No. 73/AA, Vattingapally village.

The Lease Deeds executed in respect of our properties at Madhapur and Jubilee Hills suffer from certain defects in title. The lease deeds in respect of the said properties have not been registered as per the provisions of the Registration Act, 1908.

KEY INDUSTRY REGULATION

Applicable Regulation in India

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

Software Technology Parks Scheme ("STP Scheme")

The STP Scheme (under The Ministry of Information Technology, Government of India) has been notified by the Central Government (Ministry of Commerce) in exercise of its powers under Section 3(I) of the Foreign Trade Development and Regulation) Act, 1992 to permit the establishment of Software Technology Parks (STPs) which may be 100% Export Oriented Units undertaking software development for export using data communication links or in the form of physical media and includes export of professional services.

Labour Laws

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

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

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

Key Policy Framework Governing IT-ITES Businesses

Introduced by an Act of Parliament in June 2000, the Information Technology Act provides legal recognition to all transactions carried out by means of electronic data interchange and other means of electronic communication, thus forming the specific policy framework governing IT-ITES companies in India.

The Indian Copyright Act and other recent legislation (and amendments) enacted to comply with the Trade Related Intellectual Property Rights ("TRIPS") agreement form the other key laws relevant to businesses in this sector.

Intellectual Property Rights in India

The importance of intellectual property in India is well established at all levels, statutory, administrative and judicial. India ratified the agreement establishing the World Trade Organisation ("WTO"). This Agreement, interalia, contains TRIPS, which came into force on January I, 1995. TRIPS lays down minimum standards for protection and enforcement of intellectual propel1y rights in member countries which are required to promote effective and adequate protection of intellectual property rights with a view to reducing distortions and impediments to international trade. The obligations under TRIPS relate to provision of minimum standard of protection within the member countries legal systems and practices.

The Agreement provides for norms and standards in respect of the following areas of intellectual property:

- Copyrights and related rights
- Trademarks
- Geographical Indications

- Industrial Designs
- Layout Designs of Integrated Circuits
- Protection of Undisclosed Information (Trade Secrets) Patent
- Plant varieties

Copyrights

The Indian Copyright Act, 1957, as amended by the Copyright (Amendment) Act, 1999 ("Copyright Law"), fully reflects the Berne Convention on Copyrights, to which India is a party. Additionally, India is party to the Geneva Convention *for* the Protection of rights of Producers of Phonograms and to the Universal Copyright Convention. India is also an active member of the World Intellectual Property Organisation (WIPO), Geneva and UNESCO. The Copyright Law has been amended periodically to keep pace with changing requirements. The recent amendment to the Copyright Law, which came into force in May I 995, has ushered in comprehensive changes and brought the Copyright Law in line with the developments in satellite broadcasting, computer software and digital technology. The amended Copyright Law protects performers' rights as envisaged in the Rome Convention. Several measures have been adopted to strengthen and streamline the enforcement of copyrights. These include the setting up of a Copyright Enforcement Advisory Council, training programmes for enforcement officers and setting up special policy cells to deal with cases relating to infringement of copyrights.

Trademarks

Trademarks have been defined by TRIPS as any sign, or any combination of signs capable of distinguishing the goods or services of one undertaking from those of other undertakings. Such distinguishing marks constitute protect-able subject matter under TRIPS. TRIPS provides that initial registration and each renewal of registration shall be *for* a term of not less than seven years and the registration shall be renewable indefinitely. Compulsory licensing of trademarks is not permitted. In light of the changes in trade and commercial practices, globalisation of trade, the need for simplification and harmonisation of trademarks registration systems etc., the Indian Parliament undertook a comprehensive review of the Trade and Merchandise Marks Act, 1958 and a Bill to repeal and replace the 1958 Act has since been passed by Parliament and notified in the Gazette on December 30, 1999. The amended Trade and Merchandise Marks Act, was brought into force with effect from September 15, 2003. This Act makes Indian trademarks law compatible with TRIPS and also harmonises it with international systems and practises.

Geographical Indications

TRIPS contains a general obligation that member countries shall provide the legal means *for* interested parties *for* the prevention of the use in the designation or presentation of a good that indicates or suggests that the good in question originates in a geographical area other than the true place of origin. There is no obligation under TRIPS to protect geographical indications which are not protected in their country or origin or which have fallen into disuse in that country. A new law for the protection of geographical indications, viz. the Geographical Indications of Goods (Registration and the Protection) Act, 1999 has also been passed by the Parliament and notified on December 30, 1999 and the rules made there under were notified on March 8, 2002.

Industrial Designs

TRIPS provides that independently created designs that are new or original shall be protected. Individual governments have been given the option to exclude from protection, designs dictated by technical or functional considerations, as opposed to aesthetic consideration which constitutes the coverage of industrial designs. The right accruing to the right holder is the right to prevent third parties not having his consent from making, selling or importing articles being or embodying a design, which is a copy or substantially a copy of the protected design when such acts are undertaken for commercial purposes. The duration of protection is to be not less than 10 years.

Under TRIPS, inventions in all branches of technology whether products or processes shall be patentable if they meet the three tests of being new, involving an inventive step and being capable of industrial application. In addition to the general security exemption which applied to TRIPS, specific exclusions are permissible from the scope of patentability of inventions, the prevention of whose commercial exploitation is necessary to protect public order or morality, human, animal, plant life or health or to avoid serious prejudice to the environment. TRIPS provides for a minimum 20 year term of protection counted from the date of filing.

Patents

Under TRIPS, inventions in all branches of technology whether products or processes shall be patentable if they meet the three tests of being new, involving an inventive step and being capable of industrial application. In addition to the general security exemption which applied to TRIPS, specific exclusions are permissible from the scope of patentability of inventions, the prevention of whose commercial exploitation is necessary to protect public order or morality, human, animal, plant life or health or to avoid serious prejudice to the environment. TRIPS provides for a minimum 20 year term of protection counted from the date of filing. A comprehensive review of the Patents Act, 1970 was made and a bill to amend the same was introduced in Parliament in December 1999 and notified in the official gazette on June 25 2005 making the patent law in India compatible and in consonance with TRIPS.

Incentives Offered to Promote IT-ITES in India

To promote the growth of IT-ITES in India, the central and state governments have introduced a range of incentives, concessions, subsidies and simplification of procedural requirements for companies operating in India. These include relaxation of policies relating to inbound and outbound investments, exchange control regulations, incentives for units located in a Domestic Tariff Area (DT A) or under Export Oriented Units (EOU)/& software Technology Parks (STPs)/ Special Economic Zones (SEZs) and Electronic Hardware Technology Park (EHTP) schemes; and state level incentives, waivers and subsidies.

Relaxation of Policies Relating to Inbound Investments

India's economic policies are designed to attract significant capital inflows into India on a sustained basis and to encourage technology collaborations between Indian and foreign entities.

The government has permitted up to 100 per cent foreign investments in the IT sector, through the automatic route. Accordingly, unlike some other sectors, a foreign investor is not required to seek active support of joint venture partners for investing in a new IT-ITES venture.

State Level Incentives, Waivers and Subsidies

Most state governments in India have announced special promotional schemes offering various packages of tax, financial and other incentives and procedural waivers for the IT -ITES sector. These schemes focus on the key issues of infrastructure, electronic governance, IT education and increased IT proliferation in the respective states. While these are state specific initiatives, there is a fair degree of uniformity across states as newer locations have modelled their schemes on those offered in states that have successfully nurtured a thriving IT-ITES industry.

Applicable Regulation in the United Kingdom

UK Telecommunications Regulation in the UK

- The Communications Act 2003 sets out the statutory framework governing the electronic communications sector in the United Kingdom. Under the Communications Act, electronic communications providers do not apply for licences, however they can be required to notify the Office of Communications ("Ofcom") that they intend to provide services or operate networks. Operators that achieve a turnover of greater than £5 million are required to notify Ofcom for the purposes of administrative charging.
- The Communications Act 2003 is technology neutral and therefore regulates providers of electronic communications services, electronic communications networks or associated facilities. [Electronic communications networks are broadly defined as a transmission system for the conveyance by the use of electrical, magnetic or electromagnetic energy of signals of any description, and the apparatus, software and data used in such system. Electronic communications services are broadly defined as services consisting of, or having as their principal feature, the conveyance of signals by means of an electronic communications network, except for content services.
- Electronic communications providers have to comply with general conditions of entitlement enforced by Ofcom. These general conditions are of selective application and their relevance depends upon the precise wording of that general condition. Service providers such as Tanla who do not provide services directly to the public are the most lightly regulated. Failure to comply with these general conditions of entitlement can result in the imposition of a penalty of up to 10 per cent of turnover of an entity's relevant business in the UK.

- In addition, the Independent Committee for the Supervision of Standards of the Telephone Information Services ("ICSTIS") regulates premium rate services in the UK. It publishes and enforces a Code of Practice governing the content and promotion of premium rate services. The Code is supplemented by a set of Guidelines and Statements of Expectations. Service providers such as Tanla, who contract directly with operators for premium rate numbers are responsible for ensuring that the content and promotion of a service complies with the Code of Practice, even where they operate as an aggregator.
- Most services do not require prior permission from ICSTIS to commence operations but services which potentially cause greater consumer harm, including mobile originating and mobile terminating SMS chat and contact and dating services require prior approval.

UK Labour Laws

England has stringent labour legislation protecting the interests of employees. There is a clear distinction between (i) employees who are 'workmen' (as defined under various enactments) and (ii) employees who are not 'workmen'.

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

Termination of a non-workman is governed by the terms of the relevant employment contract. As regards a 'workman', the UK labor laws set out certain requirements in relation to the termination of the workman's services. This includes detailed procedures prescribed for the resolution of disputes with labour between employers and employees in the areas of termination and severance obligations of the employee. The applicability of such laws depends on the number of workers employed and their monthly remuneration.

Intellectual Property Rights in the United Kingdom

The United Kingdom ("UK") is a member of the following IP related directives, treaties, agreements and conventions:

- 1996 World Intellectual Property Organisation Performances and Phonograms Treaty
- Directive on the harmonisation of certain aspects of copyright and related rights in the information society (2001/29/EC)
- Directive on the enforcement of intellectual property right (2004/48/EC)
- Directive on the resale right for the benefit of the author of an original work of art (2001/84/EC)
- Directive on the legal protection of databases (96/9/EC)
- Directive harmonizing the term of protection of copyright and certain related rights (93/98/EEC)
- Directive on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission (93/83/EEC)
- Directive on rental right and lending right and on certain rights related to copyright in the field of intellectual property (92/100/EEC)
- Directive on the legal protection of computer programs (91/250/EEC)
- Directive on the legal protection of topographies of semiconductor products (87/54/EEC)
- Directive on the legal protection of biotechnology inventions (98/44/EC)
- Directive to approximate the laws of the member states relating to trade marks (89/104/EEC)
- Directive on the legal protection of designs (98/71/EC)
- European Patent Convention (EPC)
- Community Patent Convention (CPC)
- Patent Co-operation Treaty (PCT)
- Paris Convention
- Agreement On Trade-Related Aspects of Intellectual Property Rights (TRIPS)

This is a non-exhaustive list. Intellectual property rights are of vital importance to the UK economy and therefore the businesses which operate there.

The following is a summary of the various rights in operation there.

Copyright

UK copyright law is set out in the Copyright Designs and Patents Act 1988 (as amended, mainly by various EC directives) ("CDPA"). The CDPA repealed and replaced the Copyright Act 1956, which in turn repealed the Copyright Act 1911. These earlier Acts still apply, with various amendments, to works created or published while the earlier Acts were in force. Copyright seeks to protect the written form of the expression of ideas. It is important to note that it does not protect the ideas themselves (which can be protected by the law of confidential information – see below). The primary purpose of copyright law is to reward authors for the creation of original works where independent effort has been expended.

Unlike patents, registered designs and trade marks copyright does not provide a monopoly, but protects unlawful copying. By contrast, a registered design creates a monopoly and it is immaterial whether or not it has been copied in determining whether infringement has occurred. In most cases copyright exists for the life of the author plus 70 years from the end of the calendar year of his death (section 12, CDPA). No formalities need to be observed in the UK for a work to receive copyright protection. It arises automatically upon the creation of the work.

Literary (including computer programs, tables, compilations and preparatory works for a computer program) dramatic, artistic and musical works are protected together with sound recordings, films as first fixations and arrangements in typographical editions.

Various amendments have been introduced into UK copyright law through EC directives in recent years. A recent example relates to artists' resale rights which were introduced pursuant to EC Directive 2001/84/EC, which came into force on 14 February 2006.

The CDPA also offers protection through 'moral rights' which are:

- The right to be identified as the author or director of a copyright work (known as the "right of paternity") (sections 77-79, CDPA).
- The right to object to derogatory treatment of a copyright work (known as the "right of integrity") (sections 80-83, CDPA).
- The right not to suffer false attribution of a copyright work (section 84, CDPA).
- The right to privacy in respect of certain films and photographs (section 85, CDPA).

There has been an attempt across Europe to harmonise these rights pursuant to the 1996 World Intellectual Property Organisation Performances and Phonograms Treaty, to which the UK is a party, and the Performers Regulations came into force on 14 February 2006.

Trade Marks

In the UK, a trade mark owner's rights are protected by way of statute, by way of an action for trade mark infringement, or by common law, through the law of passing off.

It has been possible to register trade marks for goods in the UK since 1875 and the statute governing trade mark use is the Trade Marks Act 1994 ("TMA"), which came into force in the UK in October 1994, repealing the Trade Marks (Amendment) Act 1984, which in turn repealed the Trade Marks Act 1938. UK trade mark law has been affected by the UK's membership if the European Union and the intention to harmonise trade mark laws through the creation of the Community Trade Mark system.

Trade marks are defined in the UK under the TMA as any sign which can be represented graphically and which is capable of distinguishing the goods or services of one undertaking from those of another and is prima facie registrable as a trade mark, subject to the "absolute" and "relative" grounds for refusal. Trade marks can be words, slogans, logos, jingles, sounds, colours, gestures and smells.

The TMA provides the registered owner with the statutory right to exclusively use the trade mark in connection with the goods or services for which it is registered. The registered owner can license others to use the mark (section 28, TMA) and it provides the right to sue for trade mark infringement where a third party is using a mark which is identical or similar to the registration and is used connection with identical or similar goods without the permission of the registered proprietor. There is no requirement to prove reputation or goodwill as with a common law passing off action. In certain circumstances, the proprietor can even prevent use of an identical or similar mark on dissimilar goods (section 10(3), TMA). The Trade Mark Register operated through the UK Patent Office is open to the public.

In the case of an unregistered trade mark, the owner has to look to the common law of passing off to prevent infringement of its mark. Passing off actions are notoriously time-consuming and expensive. To succeed one must establish the requisite goodwill or reputation in the mark, and evidence that the unauthorised use of his mark amounts to a misrepresentation which is causing, or is likely to cause, damage.

Unregistered Design Rights

An unregistered design right protects the appearance of a purely functional product. The right does not require registration and lasts for the lesser of ten years from the first marketing of articles made to the design or 15 years from the creation of the relevant design document, subject to licences of right in the last five years of the term. It is governed by the CDPA, Council Regulation 6/2002 on Community Designs Commission Regulation 2245/2002 implementing Council Regulation 6/2002 on Community Designs Directive 98/71/EC of the European Parliament and Council on the legal protection of designs.

To be protected the design must be an original design comprising any aspect of shape or configuration of an article, which is not a surface decoration which is recorded in a design document or an article made to the design created by a qualifying person. To obtain protection the design must not be a method or principle of construction or comprise features of shape or configuration of an article which enables the articles to fit with another article so that either article can perform its intended function or are dependant on the appearance of another article of which the article is intended by the designer to form an integral part.

The design right owner has the exclusive right to reproduce the design for commercial purposes by making either articles to the design or a design document to enable such articles to be made. Because the unregistered design right relies on the person claiming the right to show evidence of title, records should be kept of product development.

Registered Design Rights

Registered designs can protect both three-dimensional and two-dimensional designs and can be a one-off design. The design is protected across all sectors and is not limited to the article to which it was originally applied e.g. car designs. Parts of articles which are visible in normal use can be protected as designs.

The law in the UK is governed by the Registered Designs Act 1949, the CDPA, the Registered Designs Regulations 2001, the Registered Designs (Amendment) Rules 2001,the Community Design Regulations 2005, the Council Regulation 6/2002 on Community Designs and the Commission Regulation 2245/2002 implementing Council Regulation 6/2002 on Community Designs

To obtain a registration the design must be new (an identical or very similar design must not have been disclosed anywhere in the world prior to the application), it must have "individual character" (it must give a different overall impression from previous designs). Specific designs are excluded such as computer programs and "must fit" features (features that are necessary to allow an article to fit another article). Protection can last for 25 years, and the procedure for registration is relatively low-cost and quick, making it an attractive form of protection. From 1 October 2006 changes will be introduced to the UK designs registration system which aims to make it quicker, cheaper and easier to use.

Patents

The Patent Law of the UK is governed by the Patents Act 1977 (the 'Act'), as amended from time to time. The Act came into force on 1 July 1978 and, as patents last for 20 years, it now governs all UK patents still in force.

The Act provides a complete code relating to patent applications and the granting procedure, validity, infringement, priority and compulsory licences of patents. Patents are available for most industrially applicable processes and devices and some systems and procedures.

When compared to the protection afforded by copyright or the law of confidential information, patent protection does not arise automatically. One must file an application which once it has proceeded to grant will provide the necessary protection. A patent is a negative right, which permits the inventor to stop third parties from using the invention. It is not a positive right, in that it does not give the inventor the right to do something which he would otherwise not be able to do.

Patent rights grant the applicant/inventor a monopoly over the invention/ innovation as it prevents third parties from operating within the scope of the patent claims, even if such third parties developed their own technology wholly independently of the patentee and were wholly unaware of the existence of the patent or of the product or process which the patent protected. In contrast, the law of confidential information cannot be used against independently developed technology and the laws of copyright or unregistered design right can only be used where it can be shown that a third party has copied the relevant work.

The Act marks a departure in the UK patent from the previous patent acts, the last one being the Patents Act 1949. Most of the departures were enacted in order to conform to the new international treaties to which the UK is signatory; notably, the European Patent Convention; the Community Patent Convention; and the Patent Co-operation Treaty. Furthermore, the TRIPS agreement has resulted in amendments to the 1977 Act. Many provisions of the 1977 Act are required to be construed in accordance with these international Conventions.

Confidential Information – Know How

In the UK know-how, to the extent that it is confidential, can be protected under the law of confidential information. The key to the value of confidential information and know-how is the maintenance of secrecy. Protection under the law of confidential information is a useful way to protect ideas and inventions before they become patents.

The term "know-how" is not specifically defined in English law (although it has been defined in the EC technology transfer block exemption. "Trade secret" is an alternative name for commercial confidential information, and this is the term favoured in the US.

To be protected by the law of confidential information, information must be:

- Confidential in nature - having "the necessary quality of confidence about it, namely ... not ... something which is public property or public knowledge" (Saltman Engineering Co Limited v Campbell Engineering Co Limited [1948] 65 RPC 203, at 215); and
- Disclosed "in circumstances importing an obligation of confidence" (Coco v A N Clark (Engineers) Limited [1969] RPC 41, at 47).

Confidential information can continue to be protected as such for so long as the information remains confidential, and may therefore in theory have an indefinite duration, but there are a number of practical constraints.

UK privacy law is governed by the European Convention on Human Rights (the "Convention") which was incorporated into domestic UK law by virtue of the Human Rights Act 1998 (HRA), which came into force on 2 October 2000. Article 8 of the Convention contains an express right to privacy. Convention rights have mainly been championed by individuals, but corporate entities enjoy them too.

The UK has no codified law of privacy or image rights and therefore protection of image rights in the UK is patchy relying on both statutory and common law causes of action. This is an area ripe for development.

Database Rights:

Prior to 1998 in order for databases to be protected under the laws of the UK one had to look at the CDPA and protecting databases as a copyright work. However, in order to harmonise EU laws, the Database Directive was passed in 1996 and was implemented in the UK by the Copyright and Rights in Databases Regulations 1997 (SI 1997/3032) ("Database Regulations"). The Database Regulations, which came into effect on 1 January 1998, amended the copyright provisions under the CDPA as they applied to databases, and introduced a new sui generis database right, effectively creating the possibility of two separate forms of intellectual property in a database: copyright and database right.

Pursuant to the Regulations database rights last for 15 years from the end of the calendar year in which the making of the database was completed (or, if the database is made available to the public before the end of this period, 15 years from the end of the calendar year in which the database was first made available to the public) (Regulation 17). However, if databases are continually updated and such updates amount to a "substantial change" to the contents of a database the amended database will qualify for a new 15-year term and effectively could have unlimited protection.

The Database right is infringed if a person extracts or re-utilises all or a substantial part of the contents of the database without the owner's permission (Regulation 16(1), Database Regulations).

Since 29 April 2006, the exclusive licensee of a database has had the statutory right to commence and maintain proceedings for database right infringement in its own name (Regulation 23, Database Regulations, as amended by the Intellectual Property (Enforcement, etc.) Regulations 2006). This right can effectively be waived in a licence agreement.

The scope of the new database right was considered in British Horseracing Board v William Hill ([2001] RPC 612). The case went all the way to the ECJ and the result of this is that a company can only rely on this new right if it can be shown that in addition to the investment made in creating the materials comprised in the database in the first place, they have made a further investment in the database which is independent of the resources used to create those materials.

BRIEF HISTORY OF THE COMPANY AND OTHER CORPORATE INFORMATION

History And Major Events

Our Company was incorporated under the Companies Act, 1956 as a public limited company in the name of Maruti Dairy Products Limited on 28th July 1995 in Hyderabad, Andhra Pradesh, India vide Registration No. 01 – 21262 and obtained a Certificate of Commencement of Business on 11th August 1995. The name of the Company was changed to Prism Foods Limited and was issued a Fresh Certificate of Incorporation consequent to the change of name dated 18th March, 1996 by the RoC. Prism Foods Limited was setup with an object to establish a dairy farm, and a dairy processing and mineral water processing plant. To partially finance the project, the Company undertook an Intial Public Offering of 2,500,000 equity shares of Rs.10/- each for cash at par aggregating to Rs.25,000,000, through a prospectus dated 26th June, 1996 at a subscription price of Rs.2.50/- each. The Company accordingly received an amount aggregating to Rs.6,250,000 from the IPO. However, the Company, then known as Prism Foods Limited, could not implement its projects as financial closure could not be achieved.

Subsequently, in the financial year 1999-2000, the current Promoters of the Company acquired the entire promoter shareholding of the then promoters in compliance with the provisions of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 and made an open offer to the public through a Letter of Offer dated 20th January, 2000. Subsequently, the name of the Company was changed to Tanla Solutions Limited and a Fresh Certificate of Incorporation consequent to the change of name dated 16th March, 2000 was obtained by the Company from the RoC. The Company has amended its Main Objects to pursue activities relating to Information Technology and allied activities.

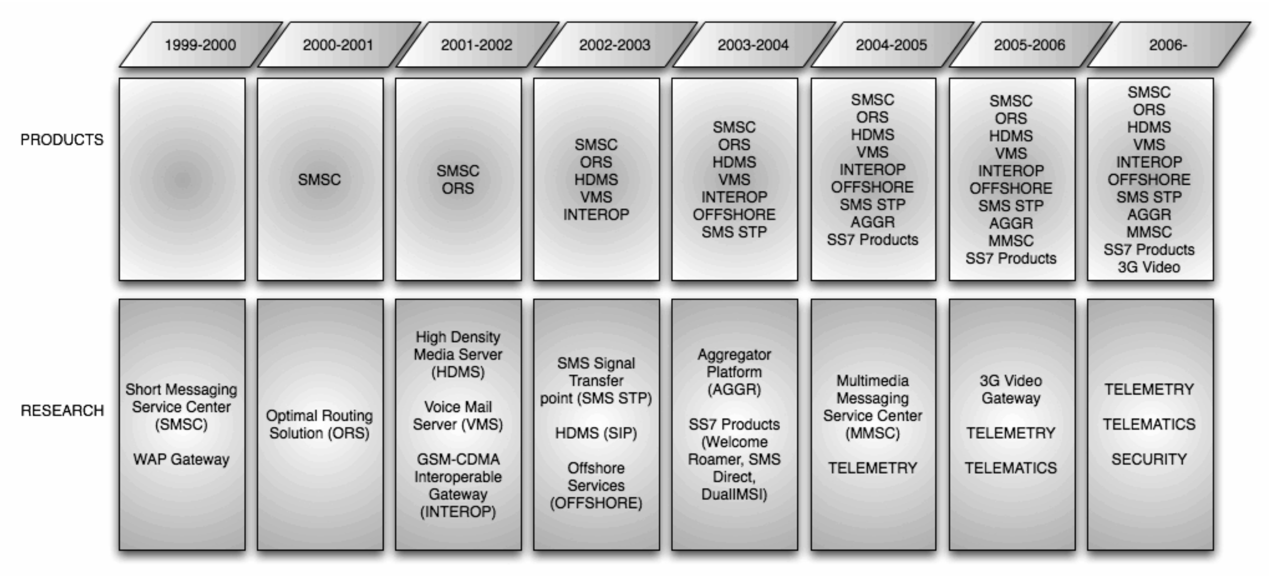
The Company, under the management of the earlier promoters/directors, was declared to be a vanishing company by the Co-ordination & Monitoring Committee (CMC), a joint mechanism of SEBI and MCA, for the reason that the Company had failed to comply with the statutory filing requirements in respect to the filings to be made with the RoC as well as with requirements stipulated under the listing agreements. Following the change in management of the Company in the year 2000, all filings and compliances were regularized. The Co-ordination & Monitoring Committee has subsequently during its meeting of January 15, 2004 deleted the name of the Company from the list of vanishing companies. Subsequently, the Company was put under the watch list of MCA to monitor regulatory compliances in the future.

The Company started its commercial activities in its new line of business in the year of 2000 focussing on the areas of telecom signalling solutions and messaging infrastructure.

We have our Registered office and development centre in Hyderabad, Andhra Pradesh, India, and a worldwide marketing office in the UK. In the calendar 2004 our Company has acquired Tanla Solutions (UK) Limited (formerly known as Techserv Teleservices (UK) Limited), a telecom services company in the UK and Smartnet Communications Systems Private Limted, a software development company registered in Kolkata and having its corporate office in Delhi. In calendar 2005 Tanla Solutions (UK) Limited has acquired Mobizar Limited (now known as Tanla Mobile Limited) which provide aggregator services in the UK, as 100% wholly owned subsidiary.

The Company has always placed special emphasis on research. All products developed and deployed so far by the company have come out of in-house R&D. The importance of research is reflected in our product offerings and the evolution of our products. The evolution of our products and the emergence of new products out of the company's research is reflected below

Evolution of Our Products Over the Years



Key Milestones of the Company

The following table illustrates some of the key events in our history.

Year	Event
1995	• Company incorporated on 28th July, as a public limited company in the Name of MARUTI DAIRY PRODUCTS LIMITED, promoted by Mr. M. Ravindra.
	• Obtained Certificate of Commencement of Business on 11th August • The main objects of the Company are to establish a Dairy Farm, and a Dairy Processing and Mineral Water Processing Plant.
1996	• March 18, 1996 - Name of the Company has been changed to PRISM FOODS LIMITED • June 26, 1996 - Public Issue by the Company. • September 14, 1996 - Equity Shares of the Company Listed on HSE, MSE and ASE.
1999	• November 27, 1999 - Management control taken over by Mr. D Uday Kumar Reddy and associates. • November 23, 1999 - Software development and other IT services are added to the main objects of the Company.
2000	• March 16, 2000 - Name of the Company was changed to Tanla Solutions Limited • Started research and development on SMSC and WAP Gateway.
2001	• First implementation of SMSC in Jaipur, India. • Started research and development on Optimal Routing Solutions (ORS).
2002	• Implementation of ORS • Started research and development on SS7-based voice mail server.
2003	• Implementation of SS7 VMS • Implementation of High Density Media Servers • Started research and development on Telematics
2004	• Acquired two companies as 100% wholly owned subsidiaries: 1. Tanla Solutions (UK) Limited (formerly known as Techserv Teleservises (UK) Limited) in December, 2. Smartnet Communication Systems Private Limited in December, 2004 • Shares issued through swap arrangement.
2005	• Tanla Solutions (UK) Limited acquired Mobizar Limited (now known as Tanla Mobile Limited) as 100% wholly owned subsidiary in September 2005.

Our Main Objects

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

1. "To promote, develop, sell, provide, trade or various software services in India and abroad to individual/organizations using various programming languages and tools, Export of software packages/programs, imparting of Software education/training programs by opening of Software Institutes of having the tie-up with existing ones, provide consultancy services, develop/sell software services like transcription, call centres, clinical research data, Insurance Data Management e-Commerce.,"

2. "To undertake the designing and development of Software, systems and application or purchase or otherwise acquire the same, for own use or sale in India or export Aboard and also to design and develop such systems and application Software for or on behalf of manufactures, owners and users of Computer systems and Digital/ Electronic in India or any other country".

3. "To undertake and execute feasibility studies, provide solutions for setting up of all kinds of computer systems and digital/electronic equipment and the selection acquisition and installation there of whether for, the company for its customers or users and purchase, buy, acquire on lease or hire purchase, sell, dispose of, lease out or otherwise deal with computer hardware".

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

Changes in Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of Amendment	Amendment
18.11.1999 (EGM)	Inserting the clauses under the Main Objects of the Business of the under Clauses III A (6), (7) and (8) immediately after the existing sub-clause C (5).
15.12.2004 (EGM)	Increase Authorised Capital from Rs.55 Million to Rs.70 Million. Clause – V
27.05.2005 (AGM)	The Main Objects Nos 1 to 4 of Clause III A of the Memorandum of Association to be deleted and Main Objects Nos 5 to 7 to be renumbered as 1 to 3.
22.06.2005 (EGM)	Increased Authorised Capital from Rs.70 Million to Rs.120 Million. Clause – V
03.12.2005	• Splitting of Equity Shares from Rs.10/- each to Rs.2/- each. • Amendment of Article of Association.

Subsidiaries

Our Company has three subsidiary companies . Tanla (UK) Limited and Smartnet Limited are our subsidiary and Tanla Mobile Limited (previously known as Mobizar Limited) is the subsidiary of Tanla Solutions (UK)

- Smartnet Communication Systems Private Limited.
- Tanla Solutions (UK) Limited (formerly known as Techserv Teleservices (UK) Limited).
- Tanla Mobile Limited (previously known as Mobizar Limited), a subsidiary of Tanla Solutions (UK) Limited

Shareholder Agreements

There are no shareholders agreements entered into by the Company with any of the shareholders.

Strategic Partners

There are no strategic partners of the Company.

Financial Partners

There are no financial partners of the Company.

OUR MANAGEMENT

Board of Directors

We currently have twelve directors of which six are independent. The following table sets forth current details regarding our Board of Directors:

Name, Designation and Occupation	Age	Address	Other Directorships
Mr. D. Uday Kumar Reddy Chairman & Managing Director, Term: Appointed for a period of 5 years Occupation: Business	39	A- 124, Journalist Colony Jubilee Hills, Hyderabad – 500 033	1. Smartnet Communication Systems Private Limited 2. Tanla Solutions (UK) Limited 3. Tanla Mobile Limited (previously known as Mobizar Limited)
Mr. Satish Kathirisetti, Director Term: Appointed for a period of 5 years Occupation: Service	36	H.No. 8-2-293/82/L/109A, Road No.12, Banjara Hills, Hyderabad – 500 033	Nil
Mr. Anoop Roy Kundal, Director Term: Appointed for a period of 5 years Occupation: Service	32	775/C, 2nd Floor, Road No.45, Jubilee Hills, Hyderabad – 500 033	Smartnet Communication Systems Private Limited
Mr. Gautam Sabharwal, Director Term: Appointed for a period 5 years Occupation: Service	34	72, William Court, 6, Hall Road, London, NW 89PB, UK	1. Smartnet Communication Systems Private Limited 2. Tanla Solutions (UK) Limited 3. Tanla Mobile Limited (previously known as Mobizar Limited) of
Mr. Amit Gupta, Director Term: Appointed for a period of 5 years Occupation: Service	32	G-1, Ashoka Silent Valley, Road No.10, Banjara Hills, Hyderabad	Nil
Mr. Navnit Chachan, Director Term : Appointed for a period of 5 years Occupation: Service	32	Plot No.114, Navanirman Nagar, Jubilee Hills, Hyderabad	Nil
Mr. Abhishek Khaitan Independent Director: liable to retire by rotation Occupation: Service	37	9, Squirrels Close, London N128 AY, UK	Nil
Mr. Sudhanshu Shekhar Jamuar, Independent Director liable to retire by rotation Occupation: Service	57	2-17-6, Endah Villa Condo, Kualalampur, Malaysia	Nil
Mr.Ram Narain Agarwal Independent Director liable to retire by rotation Occupation: Retired from Service	65	18-8-254/1/A/32, Bharath Ratna Society, Hyderabad	Nil

Mr. Subir Om Prakash MehraIndependent Director liable to retire by rotation Occupation: Service	39	Meher Apartments, Co-op Housing Society Ltd., Flat 44A, Anstey Road, off Altamount Rd., Mumbai – 400026	Nil
Mr. Villadath Harish Kumar Independent Director liable to retire by rotation Occupation: Advocate	39	Flat No.303, Vineyard Whiteline ApartmentsPlot No: 341-343, Defense Colony, SainikpuriSecunderabad	Nettlinx Limited
Mr. Srikanth Madan Chitnis Independent Director liable to retire by rotation Occupation: Retired from Service	76	Kadamgiri Complex, B-201, Hanuman Road, Vile Parle (E), Mumbai - 400057	Pudumjee Pulp & Papers Limited

Brief Biographies of Directors

D. Uday Kumar Reddy *Chairman & Managing Director*	Mr Uday Reddy spearheads our global operations from our headquarters at Hyderabad, India.He has been leading the company in achieving growth in revenues and profitability since its takeover from the earlier promoters. He provides the Company strategic insight, operational expertise and technological and financial skills.He holds a Masters Degree in Management from Manchester Business School in the UK.
Gautam Sabharwal *Director, Global Business Development*	Mr Gautam Sabharwal is responsible for planning, organizing and controlling our product/service lines from conceptual stages through optimizing profits and meeting marketing, financial and corporate growth initiatives.He brings to the Company vast Telecom and Services Industry experience. His experience includes several years of running successful businesses in the emerging telecom services markets of Europe. He has a strong record of achievement in business development for technology and results-oriented organizations. His quick assessment and long-term strategy planning along with knowledge of the core businesses of Tanla contributes to the Company's continued growth and expansion. He previously worked with Infonetics, UK as a telecom research analyst. He holds a Masters Degree in Management from Westminster Business School, the UK.
Satish Kathirisetti *Director Technical*	Mr Satish Kathirisetti is responsible for product strategy and technical direction of the company's solutions. He manages the company's research and development teams.He brings with him more than 12 years of experience in Technology, Programming Philosophies and Domain expertise in the areas of Telecom and Systems Engineering. He started his career with Intergraph in 3D modeling engine design and later moved to Windows-Linux interoperability. group. He is dedicated to achieving excellence in the implementation of a strategic vision to advance technology is his constant endeavor in excellence. With a proven track record of designing and delivering mission critical systems, he remains a source of inspiration for all at Tanla. Linux and contributing to the Open Source Foundation remain his passion. He holds a Masters degree in Engineering from Madras Institute of Technology.
Anoop Roy Kundal *Director Operations*	Mr Anoop Roy Kundal is responsible for the company's product delivery and operations.He has exposure to a wide range of technologies. With over 6 years of experience in object-oriented designs and enterprise software development, he has worked on cutting-edge business solutions employing multi-layered architecture designs and applications development and deployment. He has been a key member at SmartNet, an IT solutions company started by a group of IIT engineers and has expertise in architectural designs and applications development and deployment. He holds a Bachelors Degree in Technology from Indian Institute Technology Delhi and a Masters in Sociology from Jawaharlal Nehru University.

Navnit Chachan *Director – Research & Development*	Mr Navnit Chachan is responsible for all Systems and Processes at the company and handles the Telematics and Telemetry group.He has over 10 years of experience in software engineering and systems. He has worked extensively in designing, developing, implementing and enhancing software programs in various operating systems. Prior to joining Tanla, Navnit worked with Reliance Industries Limited as a core team member of the ED's group. He was instrumental in setting up operation systems at various sites and implementation of processes. He is also one of the founders of SmartNet, an IT solutions company started by a group of IIT engineers. He was the key driver behind processes and was responsible for the company's ISO 9001:2000 certification. His expertise and passion is Open source technologies.He holds a Bachelor of Technology degree from Indian Institute of Technology, Delhi.
Amit Gupta Director – Reference Architecture	Amit leads the company's Program Office and worldwide Technology Solutions Group, which is dedicated to deliver business value solutions that built around our core technology.He has over 9 years of hands-on experience in software engineering and ERP. He brings with him extensive knowledge in the areas of BFSI and Manufacturing. Before joining Tanla, he served as a consultant with Ernst & Young and also with KPMG, specializing in financial planning and information technology consulting services for Global 2000 companies. He is also one of the founders of SmartNet, an IT solutions company started by a group of IIT engineers. His strengths lie in requirement and gap analysis, project planning and implementation. He holds a Bachelor of Technology degree from Indian Institute of Technology, Delhi.
Mr. Abhishek Khaitan Director	A solicitor by profession, he has represented companies in India and England. He is currently enrolled as a solicitor in The Bower Cotton Khaitan Solicitors earlier known as The Bower Cotton Solicitors, a boutique firm based in London, specialising in Commercial Property, Company Law, Litigation and Private Clients. He does not hold a directorship in any other company.
Mr. Sudhanshu Shekhar Jamuar Director	Mr.Sudhanshu Shekhar Jamaur, holds a Doctorate in Study of Tracking Filter FM Demodulation from Indian Institute of Technology, Kanpur and a Masters Degree in Technology from IIT Kanpur.He worked in various capacities in IIT Delhi, Kanpur and Hindustan Aeronautics Ltd. Lucknow. Presently he is a Professor in University Putra, Malaysia. He was awarded Meghanad Saha Memorial Award in 1976 from The Institution of Electronics & Telecommunication Engineers, New Delhi. He has many patents registered in his name and has published and presented articles and papers in various journals and conferences.
Mr. Ram Narain Agarwal Director	Mr. Ram Narain Agarwal, aged about 64 years, has a Bachelors degree from Madras Institute of Technology, a Masters Degree in Engineering, from Aero-Indian Institute of Science, Bangalore and also holds Fellow Membership in the Indian National Academy of Engineering and Aeronautical Society of India. He is also a recipent of Padmashree in the year 1990 and Padmabhushan in the year 2000. He has also won the following awards: Dr.Biren Roy Space Science Award (1990) from Aero Society of India, Scientist of the Year Award (1993), DRDO Technology Leadership Award (1998), Chandrasekhar Saraswati National Eminence Award for Science (2000) and Life Time Achievement Award (2004). He has four decades of experience in Missile Technology; Lead Long Range Missile Systems, Design and Development-AGNI Series. He has worked as Program Director (AGNI) and until recently as Director, Advanced Systems Laboratory and DRDO. He is a Distinguished Scientist.
Mr. Subir Om Prakash Mehra Director	Mr. Subir Om Prakash Mehra is Head of Commercial Banking in India (HSBC). He has been with the Bank since 1999, when he joined as Head of Strategic Planning. In the capacity he handled various strategy projects including the merger of BBME India with HSBC India as well as the India Strategic Plan 2000-05. In his current position as Head of Commercial Banking, Subir is responsible for developing the Bank's MME and SME businesses dealing with corporate entities ranging from SMEs

	to larger MME companies that rely for growth on bank funding. To enable a comprehensive service offering to such companies, he is also responsible for Trade Finance, Cash Management and Factoring.He is a member of The Bombay Chamber of Commerce's Specialised Committee on International Trade for 2005-06.Subir has an MBA from Kellogg, Northwestern University and BS from Wharton, University of Pennsylvania, USA.
Mr. Villadath Harish Kumar Director	Mr. Villadath Harish Kumar, is a Practicing Advocate in the High Court of Andhra Pradesh. He is a Graduate in Law, an Associate Member of the Institute of Company Secretaries of India, and also hold a Post Graduate Diploma in Direct Taxes and a graduation in Commerce.Mr. Villadath Harish Kumar holds a Directorship in Nettlinx Limited.
Mr. Srikanth Madan Chitnis Director	Mr. Srikanth Madan Chitnis, retired from IDBI Bank where he served as a General Manager. He has rendered his services as a Managing Director in Mauritius Development Bank and a Consultant to the World Bank. He holds an M.A, LLB, MBA and CAIIB. He is also on the Board of Pudumjee Pulp & Papers Limited.

Borrowing powers of the Directors

At the Extra Ordinary General Meeting held on 22nd June, 2005, the shareholders have given their consent to the Board of Directors pursuant to Section 293(1)(d) of the Companies Act, 1956, to borrow from time to time any sum or sums of money which together with the money already borrowed by the company (apart from temporary loans obtained from the bankers of the Company in the ordinary course of business) shall not exceed in the aggregate at any one time Rs.75 Crores irrespective of the fact that such aggregate amount of borrowing outstanding at any one time may exceed the aggregate for the time being of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.

Compensation of Directors

Details of the compensation of our directors are :

Name of the Director	**Salary & Allowances**
Executive Directors	
D.Uday Kumar Reddy	Rs. 1,920,000 p.a.
Gautam Sabharwal*	Rs. 8,869,095 p.a
Satish. K	Rs.1,896,516 p.a.
Anoop Roy Kundal	Rs.915,000 p.a.
Navnit Chachan	Rs. 445,000 p.a
Amit Gupta	Rs.400,000 p.a
Non Executive Directors:	**Sitting Fees**
Abhishek Khaitan	Rs 10,000
Ram Narain Agarwal	Rs 10,000
Sudhanshu Shekhar Jamuar	Rs 10,000
Shrikanth Madan Chitnis	Rs 10,000
V. Harish Kumar	Rs 10,000
Subir Om Prakash Mehra	Nil

* The remuneration paid to Gautam Sabharwal was paid by Tanla Solutions (UK) Limited as a Director of Tanla Solutions (UK) Limited.

Details of remuneration payable to Whole-time Directors

Mr. Uday Kumar Reddy

The members of our Company have vide resolution passed in the annual general meeting held on May 25, 2005 approved the appointment of Mr. Uday Kumar Reddy as Chairman and Managing Director of the Company for a period of five years with effect from June 1, 2005 on the following terms and conditions:

1. Salary : Rs 100,000 per month
2. Perquisites not exceeding Rs.60,000/- Per month, as may be bifurcated from time to time, be paid and the following perks be excluded while calculating the said perquisites:
   (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company Rules;
   (ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service;
   (iii) Encashment of Leave as per the Company's rules at the end of tenure.

Mr. Gautam Sabharwal

The members of our Company have vide resolution passed in the annual general meeting held on May 25, 2005 approved the appointment of Mr. Gautam Sabharwal as Director, Marketing Worldwide of the Company for a period of five years with effect from January 28, 2005 without remuneration.

Mr. Satish Kathirsetti

The members of our Company have vide resolution passed in the annual general meeting held on May 25, 2005 approved the appointment of Mr. Satish Kathirsetti as Director, Technical of the Company for a period of five years with effect from September 9, 2004 on the following terms and conditions:

1. Salary : Rs 75,000 per month
2. Perquisites not exceeding Rs.60,000/- Per month, as may be bifurcated from time to time, be paid and the following perks be excluded while calculating the said perquisites:
   (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company Rules;
   (ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service;
   (iii) Encashment of Leave as per the Company's rules at the end of tenure.i

Mr. Anoop Roy Kundal

The members of our Company have vide resolution passed in the annual general meeting held on May 25, 2005 approved the appointment of Mr. Anoop Roy Kundal as a whole time director of the Company for a period of five years with effect from October 27, 2004 on the following terms and conditions:

1. Salary : Rs 70,000 per month
2. Perquisites not exceeding Rs.25,000/- Per month, as may be bifurcated from time to time, be paid and the following perks be excluded while calculating the said perquisites:
   (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company Rules;
   (ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service;
   (iii) Encashment of Leave as per the Company's rules at the end of tenure.

Mr. Navnit Chachan

The members of our Company have vide resolution passed in the extraordinary general meeting held on December 3, 2005 approved the appointment of Mr. Navnit Chachan as Director, R&D, of the Company for a period of five years with effect from November 11, 2005 on the following terms and conditions:

1. Salary : Rs 70,000 per month

2. Perquisites not exceeding Rs.25,000/- Per month, as may be bifurcated from time to time, be paid and the following perks be excluded while calculating the said perquisites:

   (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company Rules;

   (ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service;

   (iii) Encashment of Leave as per the Company's rules at the end of tenure.

Mr. Amit Gupta

The members of our Company have vide resolution passed in the extraordinary general meeting held on December 3, 2005 approved the appointment of Mr. Amit Gupta as Director, Reference Architecture, of the Company for a period of five years with effect from November 11, 2005 on the following terms and conditions:

1. Salary : Rs. 70,000 per month

2. Perquisites not exceeding Rs.25,000/- Per month, as may be bifurcated from time to time, be paid and the following perks be excluded while calculating the said perquisites:

   (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company Rules;

   (ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service;

   (iii) Encashment of Leave as per the Company's rules at the end of tenure

Minimum Remuneration

In the absence or inadequacy of profits in any financial year, the remuneration as set out above may be paid as the minimum remuneration, each working director, provided that the total remuneration by way of salary, commission and perquisites shall not exceed Rs. 3.00 Million per annum or Rs. 0.25 Million per month as provided in Part II, Section II of Schedule XIII of the Companies Act, 1956

Compliance with Corporate Governance requirements

Our company's shares are currently listed on the HSE, MSE and ASE. We are in compliance with the provisions of the listing agreements with the Stock Exchanges, including those relating to corporate governance, broadbasing of management and setting up necessary committees like the Audit Committee, Shareholders' Committee and such other committees.

We have constituted the following committees of our Board of Directors for compliance with corporate governance requirements:

(a) Audit Committee;

(b) Investors' Grievance Committee;

(c) Shareholders' Committee

(d) Remuneration Committee;

Audit Committee

The Audit Committee was reconstituted on 3rd December, 2005 and continues functions as prescribed under Section 292(A) of the Companies Act, 1956 and Clause 49 of the Listing Agreement. The members are:

Name	**Category**
Mr. Ram Narain Agarwal	Chairman – Independent Director
Mr. Subir Om Prakash Mehra	Member – Independent Director
Mr. V. Harish Kumar	Member – Independent Director

The terms of reference of the Audit Committee are broadly as follows:

- Overview of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
- Recommending the appointment and removal of external auditors, fixation of audit fees and also approval for payment for any other services.
- Discussion with external auditors before the audit commences, of the nature and scope of the audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
  - any changes in accounting policies and practices;
  - major accounting entries based on exercise of judgment by management;
  - qualifications in draft audit report;
  - significant adjustments arising out of audit;
  - the going concern assumption;
  - compliance with accounting standards;
  - any related party transactions as per Accounting Standard 18;
  - Compliance with stock exchange and legal requirements concerning financial statements (upon listing of shares);
  - Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
  - Reviewing the adequacy of internal audit function, including the audit charter, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
  - Discussion with internal auditors of any significant findings and follow-up thereon.
  - Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
  - Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

Investors' Grievance Committee

A board committee under the chairmanship of non-executive director formed to specifically look into the redressing of shareholder and investor complaints

Name	Category
Mr. Viladath Harish Kumar	Chairman – Independent Director
Mr. D. Uday Kumar Reddy,	Member- Executive Director
Mr. Ram Narain Agarwal	Member – Independent Director

Shareholders Committee

Name	Category
Mr. D. Uday Kumar Reddy,	Chairman – Executive Director
Mr. Viladath Harish Kumar	Member – Independent Director
Mr. Ram Narain Agarwal	Member – Independent Director

The Committee has been formed to look into redressing of shareholders' / Investors' complaints relating to transfer of shares, non receipt of Balance Sheet, non receipt of dividend or any other matters, and also to approve requests requiring issue of new share certificates

Remuneration Committee

Name	Category
Mr. V Harish Kumar,	Chairman – Independent Director
Mr. Shrikanth Madan Chitnis	Member – Independent Director
Mr. Ram Narain Agarwal	Member – Independent Director

Remuneration Policy:

Our remuneration policy is driven by the success and performance of each individual employee and the company. We seek to attract, retain, develop and motivate a high performance workforce through our compensation programme. We follow a compensation mix of fixed pay and benefits, Individual performance pay is determined by business performance and the performance of individual measured through the annual appraisal process.

Terms of Reference

The broad terms of reference of the Committee are:

- To review the Company's remuneration policy on specific remuneration packages to executive directors including pension rights and any compensation payment while striking a balance with the interest of the Company and the shareholders.
- To approve the Annual Remuneration Plan of the Company.

Shareholding of Directors as on June 30, 2006 is as follows:

Sl. No.	Name	No. of Shares of Rs.2 each
1.	Mr. D. Uday Kumar Reddy	5,804,250
2.	Mr. Satish Kathirisetti	670,000
3.	Mr. Gautam Sabharwal	3,156,300
4.	Mr. Anoop Roy Kundal	502,180
5	Mr. Navnit Chachan	645,660
6	Mr. Amit Gupta	795,160

Note: As per the Articles of Association of the Company, a director is not required to hold any qualification share in the Company.

Interest of the Directors

Except as stated in "Related Party Transactions" on page 127 of the DRHP, and to the extent of any shareholding in the Company, the directors do not have any other interest in the Company. The directors are interested to the extent of shares allotted to them. Except to the extent of their compensation as mentioned on page 81 of the DRHP and their shareholding or shareholding of companies they represent, the Directors, other than the Promoters who are also directors do not have any other interest in the Company.

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 the their respective declarations.

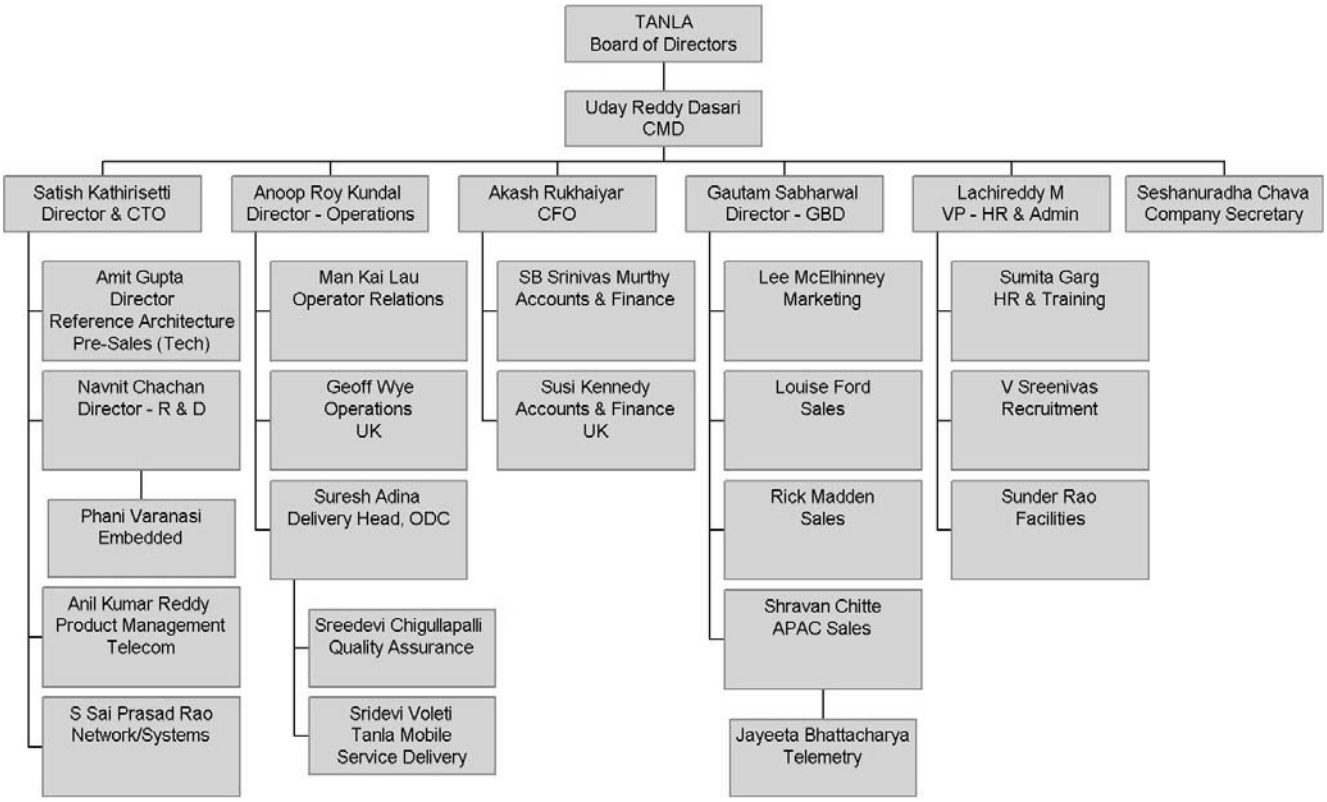
All of the Directors, including Independent Directors, may also be deemed to be interested to the extent of Equity Shares, if any, already held by them prior to the Issue or that may be subscribed for and allotted to them or to the companies, firms and/or trusts in which they are interested as directors, members, partners and/or trustees, from the present Issue in accordance with the terms of the Red Herring Prospectus and also to the extent of any dividend or other distributions in respect of the said Equity Shares.

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

Name	Date of Appointment	Date of Cessation	Reason
Mr. M. Ravi	24 – 08 - 2001	27-10-2004	Resigned due to other commitments
Mrs. M. Neela Reddy	31-07-2000	12-10-2004	Resigned due to other commitments
Mr. M.V. Narayan Reddy	31-03-2003	27-10-2004	Resigned due to other commitments
Mr. M. Sarvothama Reddy	14-06-2004	12/10/2004	Resigned due to other commitments
Mr. G. Nityanad	24-08-2001	27-10-2004	Resigned due to other commitments
Mr. Venkatesh Shukla	1-4-2000	23-07-2004	Resigned due to other commitments
Mr. Shirish Kumar	02-07-2001	31-01-2004	Resigned due to other commitments
Mr. Satish Amrutham	14-10-2004	11-11-2005	Resigned due to other commitments
Mr. Ch. Sri Rama Chandra Murthy	28-01-2005	11-11-2005	Resigned due to other commitments
Mr. C. Srinivas	28-01-2005	11-11-2005	Resigned due to other commitments
Mr.D Uday Kumar Reddy	01-06-2005		Appointed as Chairman & Managing Director
Mr. Satish Kathirisetti	09-09-2004		Appointed as Director – Technical
Mr. Anoop Roy Kundal	27-10-2004		Appointed as Director – Operations
Mr. Gautam Sabharwal	27-10-2004		Redesignated as Director – Global Business Development
Mr. Abhishek Khaitan	30-12-2004		Appointed as Independent Director
Mr. Navnit Chachan	11-11-2005		Appointed as Director – Research & Development
Mr. Amit Gupta	11-11-2005		Appointed as Director – Reference Architecture
Mr. Sudhanshu Shekhar Jamuar	11-11-2005		Appointed as Independent Director
Mr.Ram Narain Agarwal	11-11-2005		Appointed as Independent Director
Mr. Subir Om Prakash Mehra	24-11-2005		Appointed as Independent Director
Mr. Villadath Harish Kumar	30-01-2006		Appointed as Independent Director
Mr. Srikanth Madan Chitnis	30-01-2006		Appointed as Independent Director

Management Organisation Structure

Our management organisation structure is set forth below:



Details regarding Key Management Personnel

Mr. Sudesh Adina, aged 39 years , an Indian National, is the Delivery Head. He holds a Bachelors in Technology from Indian Institute of Technology Kharagpur, Masters of Science from Massachuestts Institute of Technology and Second Masters of Science from Northeastern University, Boston.. He has a total of 16 years of experience including more than 12 years in the Information Technology Industry. His experience includes working as a Project Manager for Yash Technologies, Hyderabad. He has also been a faculty member at the Project Management Institute, Pearl City Chapter (Hyderabad). In addition he has conducted training sessions on project management competency development programmes and soft skills . He was certified as PMP in 2004 and a faculty on the PMIPCC PMBOK training for certification. His gross compensation for the FY 2006 was Rs 1.5 Million.

Mr. Akash Rukhaiyar, aged 39 years ,an Indian National, is the Chief Financial Officer . A graduate in Mathematics from St. Stephens College, New Delhi and holder of a Post Graduate Diploma in Management from IIM , Bangalore. He has over 16 years of experience in the fields of Banking, Financial Services and Management Consulting working for companies like Accenture as a Senior Manager in Client Services Head of the India Delivery Centre and subsequently with the mobilization group focusing on capital markets clients.He has also worked for companies like Ernst & Young, Reliance Capital , ANZ Grindlays etc . His gross compensation for the FY 2006 was Rs 3.3 Million.

Mr. M Lachi Reddy, aged 43, is a Graduate in Science from Hindu College, Nagarjuna University in 1982 and a Post Graduate in Archeology from University College, Nagarjuna University in 1984 with a Post Graduate Diploma in Industrial Relations & Personnel Management from Bharatiya Vidya Bhavan in 1984 has an experience in Human Resources profession for 21 years comprising of 5 years in particle board, 2 years in Electronics, 6 years in Tyre and tube manufacturing, 6 years in Biotechnology, 2 years in Pharmaceuticals industry. He has been Head of Human Resources dept for over 9 years in companies like MRF, Indian Immunologicals and Gland Pharma. Currently he is the Head of HR (Vice president) looking into all the sub functions of HR like Manpower planning, Recruitment, Core HR, Training and Administration. His gross compensation is Rs 1.3 Millions per annum

Mr. Shravan Chitte, aged 37 years , an Indian National , is the Head of Sales for India and APAC regions. An MBA in (Marketing and Finance) from Hirachand Nirachand College of Commerce, Pune. He has total of 17 years of experience in the field Sales & marketing. He Joined our company in September 2004. He previously worked as Regional Sales Head for Tata Cellular Limited, Visakhapatnam.His gross compensation for the FY 2006 was Rs 1.2 Million.

Mr. Phani Varanasi, aged 31 years , an Indian National , is the Senior Manager for Research & Development. He holds a Diploma in EEE from Shgpt, Zaheerabad. He has total of 17 years of experience including 1 year with us. He previously worked with Analogic Technomics Pvt Ltd, Secunderabad as Senior Manager.His gross compensation for the FY 2006 was Rs 0.83 Million.

Mr. Anil Kumar Reddy , aged 29 years , an Indian National , is the Project Manager SS7. He holds an M.S. in Software Systems from Bits Pilani. He joined our company in 2000. His gross compensation for the FY 2006 was Rs 0.60 Million.

Mr. Ravichandra Reddy, aged 30 years ,an Indian National, is the Project Lead–SMSC. he holds an MBA from the Madras University, and joined the our company in 2001. His gross compensation for the FY 2006 was Rs 0.51 Million.

Mr. Pavan Kumar K , aged 28 years, an Indian National, is the Project Lead – Telemetry. He holds a B.Sc degree from University of Madras. He Joined our company in December 2001.His gross compensation for the FY 2006 was Rs 0.42 Million.

Ms. Seshanuradha Chava , aged 34 years, an Indian National , is the Company Secretary & Compliance Officer of our Company . She is an Associate Member of the Institute of Company Secretaries of India, and a Post Graduate in Commerce and a Graduate in Law. She has total of 8 years of experience . She has worked as Company Secretary of Virtusa India (P) Ltd., Hyderabad from October 2001 to March 2005 and earlier worked as Deputy Company Secretary of Bellary Steels & Alloys Ltd., Bellary. She joined our company in November 2005. Her gross compensation for the FY 2006 was Rs 0.30 Million.

Mr. SB Srinivasa Murthy , aged 35 years, an Indian National, Manager Accounts & Finance, . He holds a M.Com degree from Nagarjuna University. He Joined our company in December 2004. He has previously worked as an Assistant Manager, Accounts in Intec Group India Limited, Hyderabad . His gross compensation for the FY 2006 was Rs 0.24 Million.

Ms. Sridevi Voleti, aged 36 years, is Project Manager with our company . She is a graduate in Pure & Applied Mathematics from Osmania University, Hyderabad, MBA from ICFAI University, Hyderabad; certified Business Professional Programmer from Computer Society of India (CSI, Chennai). She has experience of working for Fortune 50 companies like American Express, RAK Bank-Dubai, ICICI Bank and NCDEX. She has managed projects with clients in US, Canada, Australia, England & the Caribbean besides Middle East and India. She is a certified Project Management Professional (PMP) & Sun Certified Java Programmer. She Joined our company in August 2006 .Her gross compensation is Rs 0.90 Million.

Ms. Jayeeta Bhattacharya, aged 39 years, is a Manager with our company She holds a BE (Electrical) from Jadavpur University. She has an overall experience of seventeen years in software application development with thirteen years domain expertise in power distribution sector involving directive activities that provide innovative customer service solutions, planning, directing and controlling resources. Her previous employers include M/s. Calcutta Electric Supply Corporation Limited, RPG Enterprise, Kolkata, M/s. Key Infotech, Microsoft Business Solution Centre, Kolkata and M/s Satyam Computers Services Limited, Bhubaneswar. She Joined our company in May 2006. Her gross compensation is Rs 0.75 Million.

Ms. Sreedevi Chigullapalli aged 36 years, an Indian National, is Manager – Quality Assurance. She holds a Post Graduate Diploma in Civil Engineering and Computer Applications from State Board of Technical Education and Training , A.P, Hyderabad. She is also a Certified Software Test Manager from STQC-ETDC, Certified Internal Quality Auditor under ISO 9000 and Certified Six Sigma Greenbelt Professional. She has an overall experience of 12 years in IT Industry. Prior to her association with our company, she was associated with Apex Co-Advantage India Limited, Nimaya Technologies India Private Limited, Divine India Limited and InfoTech Enterprises Limited. She joined Tanla in March 2006. Her gross compensation is Rs 0.86 Million.

Mr. S. Sai Prasad Rao aged 41 Years is an Indian National, He is the Assistant Manger-Network Administration of our Company. He is an Electronics Engineer by qualification with expertise in areas of Network design/implementation, server configuration, network security, LAN Optimization, System Administration, Storage System, Hardware/Software Troubleshooting, Technical/User Support ,PLC Network Maintenance. Sai brings with him an overall experience of 10 years. He has worked with Government of A.P District Municipal Administration, Gold Star Cements, Silican Technologies, and Apex Logical Data Conversion. He joined our company in July 2006. His gross compensation is Rs 0.42 Million.

Ms. Satya Prasad.V an Indian National, aged aged 37 years, is a Team Lead in our company. He is a M. Tech in Computer Science from Osmania University. He has an overall experience of over 6 years. His areas of specializations include Hibernate, Java SDK, SOAP, Java Messaging Service (JMS),Servlets,Java Server Pages(JSP),Servlets, Enterprise Java Beans and Java Foundation Classes(SWING). Prior to joining our company he was associated with ILabs, Wipro Technologies, Research & Development-Dept of Space. He joined our company in April 2006. His gross compensation is Rs 0.83 Million.

Ms. A.G. Meenakshi an Indian National, aged 30 years, is the Technical Architect in our company. She holds an MBA degree from Dr.B.R.Ambedkar Open University and is a science graduate from Sri Venkateswara University. She has an overall experience of about 9 years. Her previous work experience includes working for with Polaris Software Lab Limited and Electronics Corporation of India Limited. She joined our company in July 2006. Her gross compensation is Rs 0.83 Million per annum.

Mr. Prakash VSSS Ajjarapu is an Indian National, aged 31 years .He is the Technical Architect in our company.He holds a Masters in Arts and a Diploma in Computer Programming from Andhra University and AP Productivity Council respectively. He is a Java Pro from CS Software Enterprises, Hyderabad. He has overall experience of 7 years in Internet and e-commerce applications. He has earlier worked with PLLC Software Solutions Private Limited, Hyderabad, and Asset Technologies Inc. He joined our company in April 2006. His gross compensation is Rs 0.6 Million.

Ms. Varsha Mamidi an Indian National , aged 35 years is a Technical Architect in our company.. She is a science graduate from Osmania University and holds master diploma(s) in Software Engineering and Business Administration and is also a member of Australian Computer Society. She has 7 years of work experience in Australia. She has worked with multinationals like IBM, Hewlett Packard and Coles Myer in Australia before joining us . She joined our company in July 2006. Her gross compensation is Rs 0.85 Million.

Ms. Sumita Garg, aged 40 years is a Post Graduate Diploma in Business Management, Warangal in the year 1998 apart from her *Academic Qualifications which include* Masters in Russian Language from Jawaharlal Nehru University, New Delhi in the year 1992. She has over seven years extensive experience in Human Resources with emphasis and strong knowledge in resourcing/ recruitments, Compensation Management, Performance Management, Payroll Administration, manpower planning, extensive manpower reporting, employee relations, streamlining training function and departure management in manufacturing and IT industry, Statutory Compliance, Perquisite Management for the executives. Her Professional experience includes *an* Association with Gland Pharma Limited as Deputy Manager – Human Resources , Ural India Limited, Kolkata as Manager – HR & Project Administration, Emergys Software Private Limited, Kolkata / Dhanbad as Resource Manager, Solix Enterprise Solutions Limited, Kolkata as Resident Recruiter from February 2002 to September 2002, M/s Tractors India (TIL) Limited, Kolkata as Executive HR from February 2001 to January 2002, HCL Infosystems Ltd, Kolkata as Consultant-RMG from May 2000 to February 2001, M/s Vera Laboratories Limited, Vizianagaram as Executive – HRD from April 1999 to April 2000. Her gross compensation is Rs. 0.42 Million

Mr. Sreenivas Rao Vanipenta, aged 34 years, is a Commerce Graduate from Badruka College of Commerce, Osmania University (1994 -1997) and MBA (HR) Post Graduate from Open University (Dr.BRAOU 2002). He has more than 8 years of experience in the field of IT Services, and more than 4 years into human resource. He started his professional career as a Faculty Member in **NIIT**. After completion of his MBA in the year 2002 he joined a Consulting Firm called Dvuita Consulting & Solutions, a Chennai based Firm. During 2004 December he joined a Hyderabad based Consulting Firm ZCS (Zenith Consulting Services Limited) as Deputy Manager IT Recruitment. In the June 2006 he joined Tanla Solutions Limited as Manager Recruitment. His gross compensation us Rs. 0.42 Million.

Mr. Sundara Rao, aged 32 years, is a graduate in Arts from Dr. B R Ambedkar University. He holds a post graduation diploma in Hotel Management from National Council, New Delhi. He has a total work experience of 5 years with Quality Inn Residency, Sarovar Park Plaza Hotels and Resorts, G4 S Facility Services India Private Limited and ISB. He joined Tanla as a Assistan Mangaer Facility and Administration. His gross compensation is Rs. 0.24 Million.

Key Employees of our subsidiaries

Ms. Louise Ford, aged 38 years is the Sales Manager. She has an Honours Degree in Business Studies with Marketing from City University Business School. She has 14 years of industry experience and her previous employers inclue Cable & Wireless, AT&T, Mobile365, and PNC. She joined Tanla Mobile Limited (previously known as Mobizar Limited) in August 2006.

Mr. Richard Madden, aged 39 years is the Sales Manager . He holds a BA Honours Degree , 9 “O” Levels, 3 “A” Levels. He has 10 years of industry experience and his previous work experience includes working for MicroVoice Applications Inc, Fusion-ICS Ltd, and PNC Telecom Ltd. He joined Tanla Mobile Limited (previously known as Mobizar Ltd) in June 2006.

Ms. Lee Catherine McElhinney, aged 38 years is the Maketing Manager. She holds a HND in Business Studies, Diploma in Advertising. She has 9 years of industry experience and her previous work experience includes working for Amplefuture , Perot Systems , Mid Orient Technical Services. She joined Tanla Mobile Limited (previously known as Mobizar Limited) in September 2005 .

Mr. Man Kai Lau, aged 32 years is the Operations Manager. He holds a Computing in Business degree from Brunel University . He has 10 years of industry experience in IT/Telecom Business and his previous work experience includes working for Unilever and British Telecom . He joined Tanla Solutions (UK) Ltd in September 2005 .

All our key managerial personnel are permanent employees of our Company.

Shareholding of Key Managerial Employees

The following table details the shareholding of our key managerial employees as on June 30, 2006:

Name	No. of shares
Mr. Shravan Chitte	50
Mr. Anil Kumar Reddy	100,500
Mr. Ravichandra Reddy	555
Mr. Pavan Kumar K	550
Ms. Seshanuradha Chava	75
Mr. SB Srinivasa Murthy	125

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

Name of Employee	Designation	Date of Appointment	Date of Resignation	Reason for Change
Mr. Ravishankar	Project Lead	10.07.2000	30.10.2004	Relocation
Mr. Venkateswarlu	Senior Developer	20.05.2000	17.06.2004	Overseas Relocation
Mrs. Krishna Sathya	Company Secretary	01/042005	06.11.2005	Shifted to Software Field.
Ms Aparna Isanaka	Manager HR & Administration	05/01/2005	31/08/2006	Relocation
Mr Shravan Chitte	Head Sales – India & APAC regions	04/09/2004		Appointed
SB Srinivasa Murthy	Manager Accounts & Finance	20/12/2004		Appointed
Phani Varanasi	Senior Manager –R&D	14/06/2005		Appointed
Mr. Akash Rukhaiyar	CFO	01/10/2005		Appointed
Mrs. Ch. Seshanuradha	Company Secretary	06/11/2005		Appointed
Mr T Subramanyam	VP-HR	10/11/2005	30-06-2006	Relocation
Mr. Suresh Adina	Delivery Head	01/03/2006		Appointed
Ms Sridevi Valeti	Project Manager	21/08/2006		Appointed
Ms Jayeeta Bhattacharya	Manager	16/05/2006		Appointed
Ms Sreedevi Chigullapalli	Quality Assurance -Manager	15/03/2006		Appointed
Mr S. Sai Prasad Rao	Assistant Manger- Network Administration	03/08/2006		Appointed
Ms Satya Prasad.V	Team Lead	7/04/2007		Appointed
Ms A.G. Meenakshi	Technical Architect	13/07/2006		Appointed
Mr Prakash VSSS Ajjarapu	Technical Architect	15/05/2006		Appointed
Ms Varsha Mamidi	Technical Architect	03/07/2006		Appointed
Mr. M Lachi Reddy	Vice President Human Resource	11/10/2006		Appointed
Ms. Sumita Garg	Manager – Human Resource	19/10/2006		Appointed
Mr. Sreenivas Rao Vanipenta	Manager - Recruitment	27/06/2006		Appointed
Mr. Sundara Rao	Assistant Manager- Facility and administration	23/05/2006		Appointed

Employees Share Purchase Scheme/Employee Stock Option Scheme

The Company did not have any Employees Stock Option Scheme, in the past. However, our shareholders have approved at their extraordinary general meeting held on 3rd December 2005 an ESOP for 5 Million shares of Rs.2/- each. The compensation committee has been authorized to formulate guidelines for granting of options to the permanent employees of our Company as per SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. We have not yet finalized the ESOP scheme.

Payment or benefit to Officers of the Company (non-salary related)

Currently, the Company does not have a performance-linked bonus or profit-sharing scheme for the employees. The key managerial personnel do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment.

PROMOTERS AND PROMOTER GROUP

Mr. Uday Kumar Reddy and Mrs. Tanuja Reddy are our promoters

Name	: **Uday Kumar Reddy**	Name	: **Tanuja Reddy**
Age	: 39 years	Age	: 36 years
Educational Qualifications	: MBA	Educational Qualifications	: MBBS
Voter Id	: FZZ5503669	Voter Id	: FZZ5503677
Passport No.	: Z1253349	Passport No.	: A4037084

Driving License No: 2597/HC/89-18508/PC89

D. Uday Kumar Reddy, 39 years

Uday spearheads our global operations from our headquarters at Hyderabad, India.

Pursuant to the change in management and change in the business of the Company Uday has been responsible for the success of the Company. Uday holds a Masters Degree in Managemner from the Manchester Business School in the UK.

D. Tanuja Reddy

Tanuja is a doctor by profession and has been instrumental in setting up of this organization along with Mr. Uday Kumar Reddy.

The Permanent Account Number, Bank Account Number and Passport Number of the promoters as of the time of filing the draft prospectus has been submitted to the Stock Exchanges on which the securities are proposed to be listed, at the time of filing the draft prospectus with them.

Promoter Group

Our following directors form our Promoter Group:

Mr. Satish Kathirisetti

Mr. Anoop Roy Kundal,

Mr. Navnit Chachan

Mr. Amit Gupta

Mr. Gautam Sabharwal

For details of the Promoter Group please refer to Management section beginning on page 78.

Relationship between the Promoters, Directors and Key Managerial Personnel

D. Uday Kumar Reddy is husband of D. Tanuja Reddy. Except this, there is no relationship between any other Promoters, Directors and Key Management Personnel of the Company.

Common Pursuits

There are no common pursuits in the business of the Company and other companies promoted by the Promoter.

Interest of the Promoters

The Promoters may be deemed to be interested to the extent of shares held by them, their friends or relatives, and benefits deriving from their holding directorship in the Company.

The Promoters have had no interest in any property acquired by us within two years from the date of the Red Herring Prospectus.

The Promoters are not interested in any loan or advance given by the Company, nor are they beneficiary of any such loans or advances.

Except as disclosed above and in "Related Party Transactions" in Annexure xvi of the Section "Financial Statements" on page No. 127 the Promoters of the Company have no interest other than reimbursement of expenses incurred or normal remuneration or benefits, if any.

RELATED PARTY TRANSACTIONS

For details of "Related Party Transactions" refer to Annexure XVI of the Section "Financial Statements" on page 127 of Red Herring Prospectus.

OUR SUBSIDIARY COMPANIES

DETAILS ABOUT SUBSIDIARY COMPANIES

1. Tanla Solutions (UK) Limited

Date of Incorporation	:	23rd January, 2004
Date of Commencement of Business	:	16th February 2004
Nature of Activity	:	Delivering telecom value-added services, Offshore Outsourcing and related services
Company No.	:	5024009
Regd. Office		MLS Business Centre, Winchester House, 259-269, Old Marylebone Road, London NW1 5RA

Name of Directors

Mr. D. Uday Kumar Reddy

Mr. Gautam Sabharwal

Historical Information

The company was incorporated on 23rd Jan 2004 as Techserv Teleservices (UK) Limited. Subsequently, the name was changed to Tanla Solutions (UK) Limited on 4th February 2005.

Financial Performance

Particulars	For the year ended March 31 2005		For the year ended March 31, 2006		For half year ended September 30, 2006	
	(In GBP)	(Rs in Million)	(In GBP)	(Rs in Million)	(In GBP)	(Rs in Million)
Total Income	1,813,700	148.87	1,815,170	139.09	**1,403,040**	**119.26**
PAT	245,161	20.24	326,670	25.02	334,682	28.45
Share Capital	1,000	0.082	1,000	0.082	1000	0.086
Net Worth	227,855	18.82	494,525	38.34	829,207	71.39
EPS Basic	245.161	20237*	326.67	25022*	334.68	28448*
NAV	227.855	18816*	494.525	38335*	829.21	71386*

* EPS & NAV figures are in Rupees per Share

Shareholding Pattern

.Authorised Capital	:	GBP 1,000 Equity Shares of GBP 1 each
Paid-up Capital	:	GBP 1,000 Equity Shares of GBP 1 each

The shareholding pattern of Tanla Solutions (UK) is as follows:

Name Of The Shareholder	No. of Shares at GBP 1 each
Tanla Solutions Limited	999
Mr. Gautam Sabharwal	1

2. Tanla Mobile Limited (previously known as Mobizar Limited)

Date of Incorporation	:	5th Oct, 2004
Date of Commencement of Business	:	7th March 2005
Nature of Activity	:	Aggregator Business
Company No.	:	5251039
Regd. Office	:	23A Lyttelton Road
Hampstead Garden Suburb		
London N2 0DN		

Name of Directors

Mr. D. Uday Kumar Reddy

Mr. Gautam Sabharwal

Financial Performance

	For the year ended March 31, 2006		For the half year ended September 30. 2006	
Particulars	**(In GBP)**	**(Rs in Million)**	**(In GBP)**	**(Rs in Million)**
Total Income	1,523,528	116.75	4,514,800	383.76
PAT	378,687	29.02	1,208,309	102.71
Share Capital	103	0.008	103	0.01
Net Worth	322,140	24.97	1,530,449	102.71
EPS (GBP) Basic	3,676.57	281,728.16*	117,31.16	997,145.63*
NAV (GBP)	3,127.57	242,388.35*	148,58.73	1,279,184*

* EPS & NAV figures are in Rupees per Share

Shareholding Pattern

Authorised Capital	:	GBP 1,000 Equity Shares of GBP 1 each
Paid-up Capital	:	GBP 103 Equity Shares of GBP 1 each

The shareholding pattern of Tanla Mobile Limited (previously known as Mobizar Limited) is as follows:

Name Of The Shareholder	No. of Shares at GBP 1 each
Tanla Solutions (UK) Limited	102
Mr. Gautam Sabharwal	1

3. Smartnet Communication Systems Private Limited

Date of Incorporation	:	16.11.1998
Nature of Activity	:	Software Products Development
Company No.	:	21-88259, CIN: U72300WB1998PTC088259
Regd. Office	:	243, Chittaranjan Avenue, Kolkata, India

Name of Directors

Mr. D. Uday Kumar Reddy

Mr. Gautam Sabharwal

Mr. Anoop Roy Kundal

Smartnet, founded by IIT Engineers had expertise in Enterprise Application Development Area. Smartnet Communications Systems Private Limited became a 100% subsidiary of the Company on 30.12.2004. Smartnet Communications has filed a petition before the Company Law Board seeking approval for the shifting of its registered office from the State of West Bengal to Andhra Pradesh.

Financial performance

(Rs. in Million)

Particulars	For the year ended March 31, 2005	For the year ended March 31, 2006	For the half year ended September 30, 2006
Total Income	3.95	0.00	0.00
PAT	0.61	-0.20	-0.005
Share Capital	2.50	2.50	2.50
Net Worth	3.52	3.54	3.53
EPS (Rs.) Basic	2.42*	-0.06	-0.02
NAV (Rs.)	14.09*	14.15	14.12

* EPS & NAV figures are in Rupees per Share

Shareholding Pattern

Authorised Capital : Rs. 2.5 million

Paid-up Capital : Rs. 2.5 million

The shareholding pattern of Smartnet Communication Systems Private Limited is as follows:

Name Of The Shareholder	No. of Shares Rs. 10 each
Tanla Solutions Limited	2,499,994
Mr. Uday Kumar Reddy	1
Ms. Tanuja Reddy	1
Mr. Kathirisetti Satish	1
Mr. Amit Gupta	1
Mr. Navnit Chachan	1
Mr. Anoop Roy Kundal	1

Disassociation of the Promoters from other companies in the last three years

Name of the company	Name of the Promoter	Date of Disassociation	Reason for Disassociation
U.B. Properties Pvt Ltd	D. Uday Kumar Reddy	17.03.2005	Sold out the entire share holdings
	D. Tanuja Reddy	01.10.2005	Sold out the entire share holdings
U.T. Telecom Pvt Ltd	D. Uday Kumar Reddy	03.02.2005	Sold out the entire share holdings
	D. Tanuja Reddy	17.03.2005	Sold out the entire share holdings
Sandesh Labs Pvt Ltd	M. Neela Reddy	01.05.2004	Sold out the entire share holdings
	D. Uday Kumar Reddy	03.02.2005	Sold out the entire share holdings
Mounika Finance & Leasing Pvt Ltd	D. Uday Kumar Reddy	20.11.2004	Sold out the entire share holdings
	D. Tanuja Reddy	20.11.2004	Sold out the entire share holdings
	M. Neela Reddy	20.11.2004	Sold out the entire share holdings
U.B. Homes Pvt Ltd	D. Uday Kumar Reddy	03.02.2005	Sold out the entire share holdings
	D. Tanuja Reddy	05.10.2005	Sold out the entire share holdings

Exchange Rates

Conversion of foreign currency amounts into equivalent rupee amounts has been done as per Accounting Standard 11 i.e. "Effects of changes in foreign exchange rates" issued by the Institute of Chartered Accountants of India.

CURRENCY OF PRESENTATION

In this Red Herring Prospectus, unless the context otherwise requires, all references to the word "Lakh" or "Lac", means "One hundred thousand" and the word "million" means "Ten Lakhs" and the word "Crore" means "ten million". In this Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding off.

All references to "Rupees" and "Rs." in this Red Herring Prospectus are to the legal currency of India.

DIVIDEND POLICY

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

Financial Year	Dividend %	Dividend per share (Rs)	Dividend (Amount) (Rs in Million)	Dividend Tax (Rs in Million)	No. of shares	Class of Shares
2001-2002	NIL	-	NIL	NIL	5004300	Equity shares of Rs.10/-each
2002-2003	NIL	-	NIL	NIL	5004300	Equity shares of Rs.10/-each
2003-2004	10.00	1.00	5.00	0.64	5004300	Equity shares of Rs.10/-each
2004-2005	20.00	2.00	10.83	1.39	6823000	Equity shares of Rs.10/-each
2005-2006	25.00	0.50	17.06	2.39	34115000	Equity shares of Rs.2/-each

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

FINANCIAL INFORMATION OF THE COMPANY

AUDITOR'S REPORT

The Board of Directors
Tanla Solutions Limited
Tanla Technology Centre,
Hitech City Road, Madhapur,
Hyderabad - 500 081
Tel:+91-40-40099999
Fax: +91-40-23122999

Dear Sirs,

As required by Part II of Schedule II of the Companies Act, 1956 and the Guidelines titled Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (the 'Guidelines') issued by the Securities and Exchange Board of India (SEBI) in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications and in accordance with the request dated 11th November 2005 received from the Company, we have examined the financial information contained in the statements annexed to this report which is proposed to be included in the Prospectus of **Tanla Solutions Limited** ("the Company") in connection with the proposed issue of shares and we report thereon as follows:

1. We have examined the 'Statement of Adjusted Profits and Losses' of the Company for each of the financial years ended 31st March 2002, 2003, 2004, 2005 and 2006 and Half year ended 30 Septmeber 2006 and the 'Statement of Adjusted Assets and Liabilities' as at those dates enclosed as ANNEXURES I and II**,** respectively to this report and confirm that:

   a. These statements reflect the profits and losses and the assets and liabilities of the Company for each of the financial years as extracted from the Profit and Loss Account for the financial years ended 31st March, 2002, 2003 and 2004 and the Balance Sheets as at 31st March 2002, 2003 and 2004 audited by other auditors, and the Profit and Loss Account for the financial years ended 31st March, 2005 and 2006 and Half year ended 30 Septmeber 2006 and the Balance Sheets as at 31st March 2005 and 2006 and Half year ended 30 Septmeber 2006 audited by us, after making therein the disclosures and adjustments required to be made in accordance with the provisions of paragraph 6.10.2.7 of the Guidelines and adopted by the members.

   b. We have also examined the restated cash flow statement relating to the Company for the years ended 31st March 2002, 2003, 2004, 2005 and 2006 and Half year ended 30 Septmeber 2006 as appearing in Annexure III to this report.

   c. The Significant Accounting Policies adopted by the Company and the Notes to the 'Statement of Adjusted Assets and Liabilities' are enclosed as ANNEXURE IV & V respectively.

2. We have also examined the Statements of Profits and Loss of Smartnet Communication Systems Private Limited (100%) Subsidiary of the Company for the year ended 31st March, 2005 and 2006 and Half year ended 30 Septmeber 2006 (since acquisition) and Tanla Solutions (UK) Limited (100%) for the year ended 31st March, 2005 and 2006 and Half year ended 30 Septmeber 2006 (since acquisition) along with Tanla Mobile Limited (previously known as Mobizar Limited) 100% Subsidiary of Tanla Solutions (UK) Limited for the year ended 31st March 2006 (since acquisition) and Half year ended 30 Septmeber 2006 enclosed as Annexure VI, VIII and X respectively and Statement of Assets and Liabilities of these Subsidiaries as those dates as at 31st March are enclosed as Annexure VII, IX and XI and confirmed that these Statements reflect the Profits and Losses and Assets and Liabilities of the Subsidiaries for each of the relevant year as extracted , without any adjustments from the financial Statements of the Subsidiaries for the relevant years as audited by M/s R. Khattar & Associates, Chartered Accountants for Smartnet Communication Systems Private Limited, M/s. VSP Limited, Chartered Accountants for Tanla Solutions (UK) Limited and for Tanla Mobile Limited (previously known as Mobizar Limited)

TANLA

3. We have also examined the Statement of Consolidated Assets and Liabilities as at March 31, 2005 and 2006 and Half year ended 30 Septmeber 2006 and the Statement of Consolidated Profits and Losses for the year ended on that date of Tanla Solutions Limited and its subsidiaries ("the Group") enclosed as ANNEXURES XIII and XII respectively to this report and confirm that:

   a. These statements reflect the profits and losses and the assets and liabilities of the Group for the year ended 31st March 2005 and 2006 and Half year ended 30 Septmeber 2006 as extracted from the consolidated financial statement of the Group taken on record by the Board of Directors on 8th April 2005 and 10th April, 2006 respectively and audited by us.

   b. The Significant Accounting Policies adopted by the Group and the Notes to the 'Statement of Adjusted Consolidated Assets and Liabilities' are enclosed as ANNEXURE XIV and XV respectively .

   The rates of dividends paid by the Company in respect of the financial years ended 31st March, 2002, 2003, 2004, 2005 ,2006 and Half year ended 30 Septmeber 2006 are as shown in Annexure XVI to this report.

   We have also examined the following financial information relating to the Company on an unconsolidated basis prepared by the Management for the purpose of inclusion in the offer document.

   i. Capitalization Statement including advances for capital works as at 31st March, 2006 as appearing in Annexure XVII to this report.
   ii. Statement of Accounting Ratios as appearing in Annexure XVIII to this report.
   iii. Statement of Other Income as appearing in Annexure XIX to this report.
   iv. Statement of Sundry Debtors as appearing in Annexure XX to this report.
   v. Statement of Loans and Advances as appearing in Annexure XXI to this report.
   vi. Statement of Unsecured Loans as appearing in Annexure XXII to this report.
   vii. Statement of un-quoted investments as appearing in Annexure XXIII to this report.
   viii. Statement of Tax Shelters as appearing in Annexure- XXIV to this report.
   ix. Statement of Related Party Disclosure as appearing in Annexure XXV to this report.
   x. Statement of Contingent Liabilities as appearing in Annexure XXVI to this report.
   xi. Statement of Exceptional Items as appearing in Annexure XXVII to this report.
   xii. Statement of Qualification appearing in the Auditors' Reports as given in Annexure XXVIII to this report.
   xiii. Statement of Expenditure incurred and Source of Finance on the new project up to 31st March 2006 as appearing in Annexure XXIX to this report.

   For ease of reference please find below the index for the Annexures of this report

UNCONSOLIDATED FINANCIAL INFORMATION ON THE COMPANY

FINANCIAL Information in RESPECT of Subsidiaries of the Company

This report is intended solely for your information for inclusion in the Prospectus in connection with the proposed Public Issue of the Company's shares and is not to be used, referred to or distributed for any other purpose without our prior written consent.

Yours faithfully,

For **Ramasamy Koteswara Rao & Co.,**
Chartered Accountants

(C.V. Koteswara Rao)
Partner
Membership No. 28353

Hyderabad, August 23, 2006

TANLA

ANNEXURE-I

STATEMENT OF PROFIT AND LOSS OF THE COMPANY AS RESTATED – UNCONSOLIDATED

Particulars	**Rs. in Millions for the year ended on**					**Rs in Million for the half year ended September 30, 2006**	
	31.03.02	**31.03.03**	**31.03.04**	**31.03.05**	**31.03.06**	**30.09.05**	**30.09.06**
Income							
Sales:							
From products and services	8.635	15.658	57.250	71.219	413.956	162.808	367.795
Other income	0.039	0.044	1.403	3.232	5.537	.30.0.384	1.138
Increase (decrease) in inventory	-0.566	-1.697	0.000	0.000	0.000	0.00	
Total Income	8.108	14.005	58.653	74.451	419.493	163.192	368.933
Expenditure							
Personnel Costs	2.707	2.228	4.449	8.239	25.663	10.636	22.702
Operating & Administrative Expenses	5.038	9.364	21.904	14.345	111.715	39.950	97.873
Depreciation	1.277	1.371	1.839	2.315	4.279	1.584	4.857
Miscellaneous expenditure written off	0.288	0.288	0.288	1.707	0.000	0.00	0.00
Total Expenditure	9.310	13.251	28.48	26.606	141.657	52.169	125.432
Net Profit before tax and extraordinary items	-1.202	0.754	30.173	47.845	277.836	111.023	243.501
Provision for taxation	0.000	-0.11	0.246	0.276	20.497	0.245	16.69
Net profit after tax & before extraordinary items	-1.202	0.864	30.419	47.569	257.339	110.778	226.811
Extraordinary items (net of tax)	0.57	0.271	0.00	0.00	0.00	0.000	0.00
Net profit after extraordinary items	-1.772	0.593	30.419	47.569	257.339	110.778	226.811
Earlier year adjustments	0.088	0.00	7.489	0.00	0.00	0.000	0.00
Profit brought forward from last year	0.000	-7.011	-6.417	10.867	41.224	41.224	253.38
Appropriations							
Transfer to general reserve	0.000	0.000	0.000	5.000	25.73	0.00	0.00
Proposed dividend	0.000	0.000	5.004	10.825	17.06	0.00	0.00
Tax on proposed dividend	0.000	0.000	0.641	1.387	2.39	0.00	0.00
Balance carried to Balance sheet	-1.861	-6.417	10.869	41.224	253.37	152.003	480.190

ANNEXURE-II

STATEMENT OF ASSETS AND LIABILITIES OF THE COMPANY AS RESTATED – UNCONSOLIDATED

	Particulars	Rs. in Million as at						
		31.03.02	31.03.03	31.03.04	31.03.05	31.03.06	30.09.2005	30.09.2006
A	Assets							
	Fixed Assets-Gross Block	16.824	21.528	27.545	33.691	100.252	69.281	133.752
	Less: Depreciation	2.285	3.548	5.387	7.702	11.857	9.286	16.714
	Net Block	14.539	17.98	22.158	25.989	88.395	59.995	117.038
	Less: Revaluation Reserve	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Net Block after adjustment for Revaluation Reserve	14.539	17.98	22.158	25.989	88.395	59.995	117.038
B	Investments	2.439	3.03	3.584	32.374	32.374	32.374	32.374
C	Current assets, loans and advances							
	Inventories	1.697	0.000	0.000	0.000	0.000	0.000	0.000
	Receivables	5.741	2.442	5.984	37.185	144.097	107.032	189.115
	Cash & bank balances	1.980	2.486	25.899	48.609	145.571	49.907	147.612
	Loans and advances	13.326	14.814	12.845	7.664	5.948	6.554	156.587
	Deferred Tax Asset	0.000	5.236	0.000	0.000	0.000	0.000	0.000
	Total Assets	39.722	45.988	70.470	151.821	416.385	255.862	642.726
D	Liabilities & Provisions							
	Loan funds	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Secured loans	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Unsecured loans	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Current liabilities & provisions							
	Sundry liabilities	1.861	3.955	3.815	3.837	8.285	9.947	16.712
	Provisions	2.239	0.403	6.325	13.840	34.357	0.992	29.743
	Deferred tax liability	0.000	0.000	1.126	1.103	6.993	1.103	8.723
E	Net worth							
	Represented by:							
	Shareholders funds							
	Share Capital	50.043	50.043	50.043	68.230	68.230	68.230	68.230
	Reserves & surplus	0.000	0.000	10.867	64.811	302.700	175.590	529.508
	Less: Revaluation Reserve	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Reserves (Net of Revaluation Reserve)	0.000	0.000	10.867	64.811	302.700	175.590	529.508
	Less: miscellaneous expenditure not written off	14.421	8.413	1.707	0.000	4.180	0.000	10.190
	Total Liabilities	39.722	45.988	70.470	151.821	416.385	255.862	642.726

Note: The Company has not revalued its fixed assets as such no revaluation reserve was created.

TANLA

ANNEXURE-III

STATEMENT OF CASH FLOW OF THE COMPANY – UNCONSOLIDATED

	Particulars	Rs. in Millions for the year ended as at					Rs in Million for the half year ended as on September 30, 2006	
		31.03.02	**31.03.03**	**31.03.04**	**31.03.05**	**31.03.06**	**30.09.2005**	**30.09.2006**
A	**Cash flow from operating activities:**							
	Net Profit after adjustment related to earlier years but before tax and Exceptional items	-1.860	0.483	30.173	47.845	277.836	111.023	243.501
	Adjustments for:							
	Depreciation	1.277	1.371	1.839	2.315	4.279	1.584	4.857
	Interest income	0.000	0.000	-0.506	-1.404	-0.842	-0.345	-1.129
	Provision fof diminishing value in shares	0.570	0.271	0.000	0.000	0.000	0.000	0.000
	Provisions written back	0.000	0.000	-0.101	-1.810	-0.097	0.000	0.000
	Profit on sale of Investments	0.000	0.000	-0.769	0.000	-0.279	0.000	0.000
	Preliminary and Public Expenses	0.288	0.288	0.288	1.707	0.000	0.000	0.000
	Operating Profit before Working Capital changes	**0.275**	**2.414**	**30.924**	**48.653**	**281.454**	**112.262**	**247.229**
	Adjustments for:							
	Trade & other receivables	-4.999	3.299	-3.542	-31.201	106.868	-69.847	-45.019
	Loans & advances	0.566	1.697	3.019	5.281	1.715	1.109	150.639
	Trade payables	1.600	1.896	-0.743	0.504	4.448	5.280	8.427
	Cash generated from operations	**-2.558**	**9.306**	**29.659**	**23.237**	**180.749**	**48.804**	**59.998**
	Direct Tax paid	0.000	0.000	1.050	0.100	1.274	0.050	0.126
	Cash flow before Exceptional items	**-2.558**	**9.306**	**28.609**	**23.137**	**179.475**	**48.754**	**59.872**
	Exceptional items	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Net Cash from operating activities (A)	**-2.558**	**9.306**	**28.609**	**23.137**	**179.475**	**48.754**	**59.872**

	Particulars	Rs. in Millions for the year ended as at					Rs in Million for the half year ended as on September 30, 2006	
		31.03.02	31.03.03	31.03.04	31.03.05	31.03.06	30.09.2005	30.09.2006
B	**Cash flow from Investing activities:**							
	Additions to Fixed assets	-1.888	-7.476	-6.017	-6.156	-67.318	-35.589	-33.500
	Sale proceeds Sale of Fixed Assets	0.000	1.176	0.000	5.560	0.354	0.000	0.000
	Interest received	0.000	0.000	0.506	1.404	0.842	0.345	1.130
	Sale proceeds Sale of Investments	0.452	-2.500	-0.453	0.000	0.000	0.000	0.000
	Profit on sale of investments	0.000	0.000	0.769	0.010	0.000	0.000	0.000
	Net cash used in Investing activities (B)	**-1.436**	**-8.800**	**-5.195**	**0.818**	**-66.122**	**-35.244**	**-32.370**
C	**Cash flow from Financing activities:**							
	Proceeds from Preferential Allotment - Equity Capital	0.000	0.000	0.000	2.000	0.000	0.000	0.000
	Proceeds from Preferential Allotment - Equity Premium	0.000	0.000	0.000	2.000	0.000	0.000	0.000
	Investment Subsidy Received	0.000	0.000	0.000	0.400	0.000	0.000	0.000
	Public issue expenses	0.000	0.000	0.000	0.000	-4.180	0.000	-6.010
	Dividend paid (incl. Divident tax)	0.000	0.000	0.000	-5.645	-12.212	-12.212	-19.450
	Net cash used in Financing activities (C)	**0.000**	**0.000**	**0.000**	**-1.245**	**-16.392**	**-12.212**	**-25.460**
	Net increase /(decrease) in cash and cash equivalents **(A+B+C)**	**-3.994**	**0.505**	**23.414**	**22.710**	**96.962**	**1.298**	**2.042**
	Cash and cash equivalents (Opening balance)	5.975	1.981	2.485	25.899	48.609	48.609	145.570
	Cash and cash equivalents (Closing balance)	**1.981**	**2.485**	**25.899**	**48.609**	**145.571**	49.907	147.612

ANNEXURE- IV

A. SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY – UNCONSOLIDATED

1. Basis of preparation of financial statements

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention, on the basis of a going concern basis, while revenue, expenses, assets and Liabilities accounted/recognized on accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies are consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Management evaluates all recently issued or revised accounting standards on an ongoing basis.

2. Use of Estimates

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that effect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Management periodically assessed using external and internal sources whether there is an indication that an asset may be impaired. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from those estimates.

3. Revenue recognition

Revenue from software development on fixed-price, fixed-time frame contracts where there is no uncertainty as to measurement or collectability has been recognized. On time-and-material contracts, revenue is recognized as the related services are rendered. Provision for estimated losses, if any on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates. Annual Technical Services revenue and revenue from fixed-price maintenance contracts are recognized proportionately over the period in which services are rendered. Revenue from the sale of products for software applications is recognized on transfer of the products to the users.

4. Fixed Assets, intangible assets and capital work-in-progress

Fixed Assets are stated at cost, less accumulated depreciation. All direct costs are capitalized until fixed assets are ready for use including taxes, duties, freight and other incidental expenses relating to acquisition and installation. Capital work-in-progress comprises outstanding advances paid to acquire fixed assets, and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date. Intangible assets are recorded at the consideration paid for acquisition.

5. Depreciation and amortization

Depreciation on fixed assets is applied on straight-line method, pro-rata for the period of usage, in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956.

6. Retirement Benefits

a. Gratuity

In accordance with the Payment of Gratuity Act, 1972, Tanla provides for gratuity, a defined retirement plan (the “Gratuity Plan”) covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee salary and the tenure of employment. Liability with regard to the Gratuity Plan are determined by actuarial valuation as of the balance sheet date, based upon which, the company contributes the ascertained liabilities to the Tanla Solutions Limited Employees Gratuity Scheme Trust (the “Trust”) managed by the Life Insurance Corporation of India.

b. Provident fund

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon is paid at retirement, death, incapacitation or termination of employment. Both the employee and the company make monthly contributions to the Regional Provident Fund Commissioner equal to a specified percentage of the covered employee's salary.

c. Employee State Insurance Fund:

Eligible employees receive benefits from employee state insurance scheme, which is a gross salary of less than Rs.7,500 per month are entitled to receive benefit under employee state insurance fund scheme. The employer makes contribution to the scheme at a predetermined rate (presently 4.75%) of employee's gross salary. Tanla has no further obligations under the plan beyond its monthly contributions. These contributions are made to fund administered and managed by the Government of India. Tanla's monthly contributions are charges to income in the year it is incurred.

7. Research and development

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure incurred on research and development is depreciated on straight-line method, pro-rata for the period of usage, in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956.

8. Foreign Currency Transactions

The company translates all foreign currency transactions at Exchange Rates prevailing on the date of transactions. Exchange rate differences resulting from foreign exchange transactions settled during the year are recognized as income or expenses in the period in which they arise.

Monetary current assets and monetary current liabilities that are denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account.

9. Forward contract in foreign contracts

The company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. The use of these foreign exchange forward contracts reduces the risk or cost to the company and the company does use the foreign exchange forward contracts for trading or speculation purposes.The company records the gain or loss on effective hedges in the foreign currency fluctuation reserve until the transaction are complete. On the completion the gain or loss is transferred to the profit and loss account of that period.

10. Income tax

Income taxes are computed using the tax effect accounting method, in accordance with the Accounting Standard (AS 22) "Accounting for Taxes on Income" which includes current taxes and deferred taxes. Deferred income taxes reflect the impact if current year timing differences between taxable income and accounting income for the year and the relevant of timing difference of earlier years. Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the period when the asset / liability is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred Tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

11. Earnings per share

In determining earnings per share, the company considers the net profit after tax expense. The number of shares used in computing basic earnings per is the weighted average shares used in outstanding during the period.

12. Investments

Trade investments are the investments made to enhance the company's business interests. Long-term investments are carried at lower of cost or fair value.

13. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated.

ANNEXURE –V

NOTES ON ACCOUNTS OF THE COMPANY – UNCONSOLIDATED

All amounts in the financial statements are presented in Rupees Millions and as otherwise stated.

1. Contingent Liabilities

Rs. in Millions

S. No.	Particulars 30.09.2006	As at 31.03. 2006	As at 31.03.2005	As at
1.	Outstanding guarantees given by the company	0.061	0.061	0.061
2.	Claims against company, not acknowledged as debts	Nil	Nil	Nil
3.	Claims made by company, not acknowledged as debts	Nil	Nil	Nil
4	Corporate guarantee given to subsidiary companies	8.61	Nil	Nil

2. Aggregate Expenses

The aggregate amounts incurred on certain specific expenses:

Rs. in Millions for the year ended as at

Particulars	Half Year ended	Year ended as at	
	30.09. 2006	31.03. 2006	31.03.2005
Cost of services	71.215	66.97	4.33
Staff salaries and benefits	20.541	23.90	7.56
PF and other contributions	1.116	1.04	0.26
Staff welfare expenses	1.045	0.72	0.39
Traveling expenses	3.072	5.68	2.71
Communication Expenses	2.604	4.25	1.24
Repairs & maintenance expenses	0.970	1.13	0.35
Rent, rates & taxes	3.247	7.16	3.29
Printing and stationery	0.945	0.56	0.11
Advertisement and business promotion expenses	9.839	14.73	0.15
Office maintenance expenses	0.746	0.83	0.14
Power and fuel	1.300	1.79	0.55
General Expenses	1.529	0.29	0.40
Professional charges	1.744	2.60	0.60
Auditors Remuneration			
Statutory audit fees	0.150	0.20	0.05
Tax audit fees	0.050	0.075	0.025
Certification and other charges	0.025	0.075	0.025
Finance and Bank Charges	0.231	0.52	0.19
Bad debts written off	0.244	3.99	0.057
Public Issue & Preliminary Expenses-Written Off	0.00	0.00	1.71
Exchange Fluctuation	-0.038	0.83	.098
Total	**120.575**	**137.38**	**24.29**

3. Quantitative details

The Company is engaged in the business of development & maintenance of Computer Software, offshore development and other related services. The production and sale of such software services cannot be expressed in any generic unit and hence it is not possible to give such quantitative details of sales and certain information as required under paragraph 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956. The details of Conversation of Energy, Technology absorption are given in Directors Report. R&D expenditure is not separately accounted for.

4. Foreign Exchange earned and outgo

a. Imports (valued on the cost, insurance and freight basis)

(Amount in Rs. Million)

Particulars	For the half year ended 30.09.2006	For the Year ended 31.03.2006	For the Year ended 31.03.2005
Import of capital goods	9.538	14.98	—-

b. Activity in foreign currency

(Rs. in million)

Particulars	For half-year ended 30.09.2006	For the Year ended 31.03.2006	For the Year ended 31.03.2005
Earnings in foreign exchange (on accrual basis)			
Income from software products and offshore development services	363.349	404.82	65.41
Dividends received	Nil	4.597	—-
Expenditure in foreign exchange (on accrual basis)			
Cost of services	71.215	62.89	—-
Foreign Travel Expenses	0.950	0.83	0.37
Professional Charges	2.987	0.99	0.56
Net earnings in foreign exchange	278.758	329.72	64.47

5. Related Party Transactions

a. List of related parties:		
1 Tanla Solutions (UK) Limited	UK	Wholly-owned subsidiary
2 Smartnet Communication Systems Private Limited	India	Wholly-owned subsidiary
3 Tanla Mobile Limited (previously known as Mobizar Limited)	UK	Wholly-owned subsidiary of Tanla (UK)

TANLA

The details of the related party transactions entered into by the company for the year ended March 31, 2006:

(Amount in Rs. Million)

Particulars	Tanla Solutions (UK) Limited	Smartnet Communication Systems Pvt Ltd	Tanla Mobile Limited (previously known as Mobizar Limited)
a Relationship between the parties	Wholly-owned subsidiary	Wholly-owned subsidiary	Wholly-owned subsidiary of Tanla (UK)
b Nature of transactions	Sales of Services & dividends received	Purchase of Products & fixed assets	Sales of Products & Services
c Value transactions	19.67	3.38	31.18
d Amount of outstanding	5.54	Nil	14.74
e Provision for doubtful debts	Nil	Nil	Nil
f Amount written off	Nil	Nil	Nil

The details of the related party transactions entered into by the company for the half year ended September 30, 2006:

(Amount in Rs. Million)

Particulars	Tanla Solutions (UK) Limited	Smartnet Communication Systems Pvt Limited	Tanla Mobile Limited (previously known as Mobizar Limited)
a Relationship between the parties	Wholly-owned subsidiary	Wholly-owned subsidiary	Wholly-owned subsidiary of Tanla (UK)
b Nature of transactions	Sales of Services & dividends received	Purchase of Products & fixed assets	Sales of Products & Services
c Value transactions	170.356	Nil	31.177
d Amount of outstanding	150.681	(3.526)	Nil
e Provision for doubtful debts	Nil	Nil	Nil
f Amount written off	Nil	Nil	Nil

b. **Transactions with key management personnel**

Particulars of remuneration and other benefits paid to key management personnel during the year ended March 31, 2006: (executive directors)

(Amount in Rs. Million)

Name	Salary and allowances	Contribution to provident and other funds	Total remuneration
Chairman & Managing Director D. Uday Kumar Reddy	1.92	—-	1.92
Director – CTO Satish Kathirisetti	1.90	0.04	1.94
Director – Operations Anoop Roy Kundal	0.91	0.04	0.95
Director – Reference ArchitectureAmit Gupta	0.40	—-	0.40
Director – R & D Navnit Chachan	0.44	0.04	0.48
Director – Global Business Development Gautam Sabharwal	—-	—-	—-
Satish AmruthamDirector	0.44	0.02	0.46

Particulars of remuneration and other benefits paid to key management personnel during the year ended September 30, 2006: (executive directors)

(Amount in Rs. Million)

Name	Salary and allowances	Contribution to provident and other funds	Total remuneration
Chairman & Managing Director D. Uday Kumar Reddy	0.868	0.092	0.960
Director – CTOSatish Kathirisetti	0.971	0.103	1.074
Director – OperationsAnoop Roy Kundal	0.461	0.049	0.510
Director – Reference Architecture Amit Gupta	0.434	0.046	0.480
Director – R & D Navnit Chachan	0.483	0.051	0.534

Particulars of remuneration and other benefits paid to key management personnel during the year ended March 31, 2006: (non-executive directors)

(Amount in Rs. Million)

NAME	Sitting Fees	Reimbursement of Expenses	Total remuneration
Abhishek Khaitan	0.01	0.04	0.05
Sudhanshu Shekhar Jamuar	0.01	0.02	0.03
Ram Narain Agarwal	0.01	—-	0.01
Subir Om Prakash Mehra	—-	0.02	0.02
Villadath Harish Kumar	0.01	—-	0.01
Srikanth Madan Chitnis	0.01	—-	0.01
Ch. Sri Rama Chandra Murthy	0.008	—-	0.008
C. Srinivas	0.008	—-	0.008

Particulars of remuneration and other benefits paid to key management personnel during the year ended September 30, 2006: (non-executive directors)

(Amount in Rs. Million)

NAME	Sitting Fees	Reimbursement of Expenses	Total remuneration
Abhishek Khaitan	0.01	0.020	0.030
Sudhanshu Shekhar Jamuar	0	0	0.
Ram Narain Agarwal	0.40	0	0.040
Subir Om Prakash Mehra	0	0	0
Villadath Harish Kumar	0.020	0	0.020
Srikanth Madan Chitnis	0.010	0	0.010

The aggregate of managerial remuneration under Section 198 of the Companies Act, 1956, to the directors (including managing director) is:

(Amount in Rs. Million)

Particulars	Half Year ended 30.09.2006	Year ended 31.03.2006	Year ended 31.03.2005
Whole-time directors			
Salary	3.217	6.02	1.63
Contributions to provident and other funds	0.342	0.15	0.07
Total remuneration	3.558	**6.17**	**1.70**
Non-whole-time directors			
Sitting fees	0.080	0.07	-
Reimbursement of expenses	0.020	0.08	-
Total remuneration	0.100	**0.15**	-

No commission paid to the directors and computation of net profit in accordance with Section 349 of the Companies Act, 1956, for commission payable to non-whole-time directors is not required.

6. Research and development expenditure **(Amount in Rs. Million)**

Particulars	Half Year ended 30.09.2006	Year ended 31.03.2006	Year ended 31.03.2005
Capital expenditure	1.021	0.785	—-
Revenue expenditure			
Staff salaries and benefits	1.147	1.864	0.282
Staff welfare expenses	0.042	0.024	0.013
R&D Consumables	1.076	0.798	—
Overheads	1.645	2.215	0.586
Total	**4.931**	**5.686**	**0.881**

7. Dues to small-scale industrial undertakings

As at September 30, 2006 as per available information with the company, there are no dues to small scale Industrial Undertakings.

8. Income taxes

The provision for taxation includes tax liabilities in India on the company's global income as reduced by exempt incomes and any tax liabilities arising overseas on income sourced from those countries.

Most of Tanlas' operations are conducted through Software Technology Parks (STPs). Income from STPs are tax exempt for the earlier of 10 years commencing from fiscal year in which the unit commences software development, of March 31, 2009.

The detail of deferred tax liability comprises the following:

(Amount in Rs. Million)

PARTICULARS	As at 30.09.2006	As at 31.03.2006	As at 31.03.2005
i **Deferred tax liability**			
On account of depreciation (A)	9.077	7.497	2.222
ii **Deferred tax asset**			
On account of misc. expenses w/o	0.353	0.353	0.499
On account of unabsorbed losses	—	0.102	0.469
On account of provisionsTotal (B)	—	—	0.151
	0.353	0.504	1.119
Net deferred tax liability (A – B)	**8.723**	**6.993**	**1.103**

9. Cash and bank balances

Details of balances as at balance sheet dates during the year with non-scheduled banks:

(Amount in Rs. Million)

PARTICULARS	As at 30.09.2006	As at 31.03.2006	As at 31.03.2005
Citibank N.A	0.013	0.013	0.013

10. Details of investments

(Amount in Rs. Million)

PARTICULARS	As at 30.09.2006	As at 31.03.2006	As at 31.03.2005
Long-term investments			
Tanla Solutions (UK) Limited 1,000 equity shares of GBP. 1 each, fully paid	25.200	25.200	25.200
Smartnet Communication Systems Pvt Ltd 2,50,000 equity share of Rs.1 each, fully paid	7.174	7.174	7.174
Total	**32.374**	**32.374**	**32.374**

11. Subsidiaries

During the previous year, the company has acquired Tanla Solutions (UK) Limited (formerly known as Techserv Teleservices (UK) Limited) as a wholly owned subsidiary and allotted 12,60,000 equity shares of Rs.10/- each at a premium of Rs.10/- each, aggregating to Rs.25.20 Million to the shareholders of Tanla Solutions (UK) Limited.

During the previous year, the company has acquired Smartnet Communication Systems Private Limited as a wholly owned subsidiary and allotted 3,58,700 equity shares of Rs.10/- each at a premium of Rs.10/- each, aggregating to Rs.7.17 Million to the shareholders of Smartnet Communication Systems Private Limited.

12. Segment reporting

As required by the Accounting Standard (AS 17) "Segment Reporting", the Company is mainly engaged in the area of Software Development and related services. Hence segment reporting is not applicable to the Company and to the nature of its business.

13. Earnings per share

At the extraordinary general meeting held on December 3, 2005, the shareholders approved the splitting of equity shares for Rs.10 each to Rs.2 each. The record for share split was December 21, 2005. The basis / diluted shares used in determining earnings per share are after considering the share split.

PARTICULARS	Half year ended 30.09.2006	Year ended 31.03.2006	Year ended 31.03.2005
Net profit after tax and extraordinary items	Rs. 226.808 Million	Rs. 257.34 Million	Rs 47.57 Million
Weighted average number of equity shares of Rs.2 each (after share split)	34.115 Million	34.11 Million	26.74 Million
Nominal value of shares **	Rs.2	Rs.2	Rs 2
Earnings per share (basic/diluted)	Rs.6.65	Rs.7.54	Rs 1.78

** During the year, the shareholders has approved the share split from face value pf Rs.10 each to Rs.2 each at their extraordinary general meeting held on December 3, 2005 and number and value of shares have been adjusted accordingly.

14. Cash flow statement

The balance of cash and cash equivalents includes Rs.1,70,57,500 as at March 31, 2006 (Rs.1,08,24,833 as at March 31, 2005) set aside for payment of dividends.

15. The expenses incurred for follow on public issue has been grouped under Miscellaneous expenses and the same to be written off in the year of completion of public issue.

16. The previous year figures have been recast / restated, wherever necessary, to the current year's classification.

17. Financial figures have been rounded off to nearest rupee.

18. Schedules 1 to 15 form part of Balance sheet and have been authenticated.

FINANCIALS OF SUBSIDIARIES

ANNEXURE- VI

SMARTNET COMMUNICATION SYSTEMS PRIVATE LIMITED - STATEMENT OF PROFIT AND LOSS FOR LAST TWO YEARS

	Rs. in Million for the year ended on		Rs. in Million for the half year ended on	
Particulars	**31.03.2005**	**31.03.2006**	**30.09.2005**	**30.09.2006**
Income				
Sales:				
From products and Services	3.950	0.000	0.000	0.000
Other income	0.000	0.000	0.000	0.000
Increase (decrease) in inventory	0.000	0.000	0.000	0.000
Total Income	**3.952**	**0.000**	0.000	**0.000**
Expenditure				
Personnel Costs	1.072	0.000	0.000	0.000
Operating & Administrative Expenses	1.661	0.020	0.000	0.005
Depreciation	0.200	0.000	0.000	0.000
Miscellaneous expenditure written off	0.00	0.000	0.000	0.000
Total Expenditure	**2.930**	**0.020**	0.000	**0.005**
Net Profit before tax and extraordinary items	1.022	-0.020	0.000	-0.005
Provision for taxation	0.374	0.076	0.000	0.000
Net profit after tax & before extraordinary items	0.648	-0.056	0.000	-0.005
Extraordinary items (net of tax)	0.000	-0.000	0.000	-0.000
Net profit after extraordinary items	0.648	0.056	0.000	-0.005
Earlier year adjustments	0.044	0.041	0.000	0.000
Appropriations				
Transfer to general reserve	0.000	0.000	0.000	0.000
Proposed dividend	0.000	0.000	0.000	0.000
Tax on proposed dividend	0.000	0.000	0.000	0.000
Balance carried to Balance sheet	**0.604**	**0.016**	0.000	**-0.005**

Note : During the FY 2005-2006 onwards, there was no operation in Smartnet Communication Systems Private Limited since the entire operations of Smartnet have been transferred to Tanla Solutions Limited.

ANNEXURE – VII

SMARTNET COMMUNICATION SYSTEMS PRIVATE LIMITED - STATEMENT OF ASSETS AND LIABILITIES FOR LAST TWO YEARS

	Particulars	Rs. In Million As on			
		31.03.2005	31.03.2006	30.09.2005	30.09.2006
A.	**Assets**				
	Fixed Assets-Gross Block	1.568	0.000	1.569	0.000
	Less: Depreciation	1.170	0.000	1.170	0.000
	Net Block	0.398	0.000	0.398	0.000
	Less: Revaluation Reserve	0.000	0.000	0.000	0.000
	Net Block after adjustment for Revaluation Reserve	0.398	0.000	0.398	0.000
B.	**Investments**	0.000	0.000	0.000	0.000
C.	**Current assets, loans and advances**				
	Inventories	2.979	0.000	2.979	0.000
	Receivables	1.335	0.000	1.335	0.000
	Cash & bank balances	0.372	3.538	0.372	0.011
	Loans and advances	0.095	0.000	0.095	3.526
	Deferred Tax Asset	0.000	0.000	0.000	0.000
	Total Assets	**5.179**	**3.538**	5.179	**3.537**
D.	**Liabilities & Provisions**				
	Loan funds	0.000	0.000	0.000	0.000
	Secured loans	0.000	0.000	0.000	0.000
	Unsecured loans	0.000	0.000	0.000	0.000
	Current liabilities & provisions				
	Sundry liabilities	1.188	0.000	1.188	0.004
	Provisions	0.393	0.000	0.393	0.000
	Deferred tax liability	0.076	0.000	0.076	0.000
E.	**Net worth**				
	Represented by:				
	Shareholders funds				
	Share Capital	2.500	2.500	2.500	2.500
	Reserves & surplus	1.022	1.038	1.022	1.033
	Less: Revaluation Reserve	0.000	0.000	0.000	0.000
	Reserves (Net of Revaluation Reserve)	1.022	1.038	1.022	1.033
	Less: miscellaneous expenditure not written off	0.000	0.000	0.000	0.000
	Total Liabilities	**5.179**	**3.538**	5.179	**3.537**

Note: The Company has not revalued its fixed assets as such no revaluation reserve was created.

ANNEXURE-VIII

TANLA SOLUTIONS (UK) LIMITED - STATEMENT OF PROFIT AND LOSS

Particulars	For the year ended on						For the half year ended	
	31.03.2005	31.03.2005	31.03.2006	31.03.2006	30.09.2005	30.09.2005	30.09.2006	30.09.2006
Income	**GBP**	**INR (Rs. Million)**	**GBP**	**INR (Rs. Million)**	**GBP**	**INR (Rs. Million)**	**GBP**	**INR (Rs. Million)**
Sales:								
From products and Services	1,812,200	148.745	1757540	134.677	425341	33.567	1402446	119.208
Other income	1500	0.123	57630	4.416	831	0.065	594	0.050
Increase (decrease) in inventory	0.00	0.000	0.00	0.000	0.000	0.000	0	0
Total Income	**1,813,700**	**148.868**	**1815170**	**139.093**	426172	33.633	**1403040**	**119.258**
Expenditure								
Personnel Costs	52,572	4.315	127,694	9.785	61964	4.890	39529	3.360
Operating & Administrative Expenses	1,414,967	116.154	1,228,806	94.161	277795	23.626	876302	74.486
Depreciation	1,000	0.082	12,000	0.920	255	0.020	18297	1.555
Miscellaneous expenditure written off	0	0.000	0	0.000	0.000	0.000	0	0
Total Expenditure	**1,468,539**	**120.551**	**1,368,500**	**104.866**	**340014**	**25.536**	**934128**	**79.401**
Net Profit before tax and extraordinary items	345,161	28.317	446,670	34.227	86158	5.096	468912	39.858
Provision for taxation	100,000	8.209	120,000	9.195	23400	1.773	134230	11.410
Net profit after tax & before extraordinary items	245,161	20.108	326,670	25.032	62758	3.324	334682	28.448
Extraordinary items (net of tax)	0	0.000	0	0.000	0.000	0.000	0	0
Net profit after extraordinary items	245,161	20.108	326,670	25.032	62758	3.324	334682	28.448
Retained profits brought forward	0	0.000	74161	0.000	0.000	0.000	340831	0
Appropriations								
Transfer to general reserve	0	0.000	0	0.000	0.000	0.000	0	0
Proposed dividend	171,000	14.037	60,000	4.598	0.000	0.000	0	0
Tax on proposed dividend	0	0.000	0	0.000	0.000	0.000	0	0
Balance carried to Balance sheet	**74,161**	**6.071**	**340831**	**20.434**	**62758**	**3.324**	**675513**	**28.448**

ANNEXURE-IX

TANLA SOLUTIONS (UK) LIMITED - STATEMENT OF ASSETS AND LIABILITIES

Particulars	As on							
	31.03.2005	31.03.2005	31.03.2006	31.03.2006	30.09.2005	30.09.2005	30.09.2006	30.09.2006
	GBP	INR (Rs. Million)	GBP	INR (Rs. Million)	GBP	INR (Rs. Million)	GBP	INR (Rs. Million)
A. Assets								
Fixed Assets-Gross Block	3,040	0.250	48,040	3.74	3040	0.249	182975	15.752
Less: Depreciation	1,000	0.080	13,000	1.01	1255	0.102	31297	2.694
Net Block	2,040	0.170	35,040	2.73	1785	0.147	151678	13.058
Less: Revaluation Reserve	0	0.000	0	0.00	0.000	0.000	0	0
Net Block after adjustment for Revaluation Reserve	2,040	0.170	35,040	2.73	1785	0.147	151678	13.058
B. Investments	0	0.000	103	0.01	103	0.010	103	0.009
C. Current assets, loans and advances								
Inventories	0	0.000	0	0.00	0.000	0.000	0	0
Receivables	67,441	5.650	772,190	59.84	115945	8.784	722718	62.219
Cash & bank balances	190,199	15.610	322,551	24.99	246753	18.693	292615	25.161
Loans and advances	100,000	8.210	44,000	3.41	71626	5.426	1694725	145.899
Deferred Tax Asset	0	0.000	0	0.00	0.000	0.000		0
Total Assets	**359,680**	**29.640**	**1,173,884**	**90.99**	**436212**	**33.056**	**2861839**	**246.376**
D. Liabilities & Provisions								
Loan funds	0	0.000	0	0.00	0.000	0.000	0	0.000
Secured loans	0	0.000	0	0.00	0.000	0.000	0	0.000
Unsecured loans	0	0.000	0	0.00	0.000	0.000	0	0.000
Current liabilities & provisions								
Sundry liabilities	31,825	2.610	557,319	43.46	23699	1.795	1776362	152.927
Provisions	100,000	8.210	122,040	9.20	123400	9.348	256270	22.062
Deferred tax liability	0	0.000	0	0.00	0.000	0.000	0	0.000
E. Net worth								
Represented by:								
Shareholders funds								
Share Capital	1,000	0.080	1,000	0.08	1000	0.080	1000	0.086
Reserves & surplus	226,855	18.740	493,525	38.25	288133	21.832	828207	71.300
Less: Revaluation Reserve	0	0.000	0	0.00	0.000	0.000	0	0.000
Reserves (Net of Revaluation Reserve)	226,855	18.740	493,525	38.25	288133	21.832	828207	71.300
Less: miscellaneous expenditure not written off	0	0.000	0	0.00			0	0.000
Total Liabilities	**359,680**	**29.640**	**1,173,884**	**90.99**	**436212**	**33.056**	**2961839**	**246.376**

Note: The Company has not revalued its fixed assets as such no revaluation reserve was created.

ANNEXURE – X

TANLA MOBILE LIMITED (PREVIOUSLY KNOWN AS MOBIZAR LIMITED) - STATEMENT OF PROFIT AND LOSS FOR LAST YEAR

	For the year ended on			For the half year ended		
Particulars	**31.03.2006 GBP**	**31.03.2006 INR (Rs. Million)**	**30.09.2005 GBP**	**30.09.2005 INR (Rs. Million)**	**30.09.2006 GBP**	**30.09.2006 INR (Rs. Million)**
Income						
Sales:						
From products and Services	1,523,528	116.75	111288	8.783	4514800	383.758
Other income	0	0.00	0.000	0.000	0	0.000
Increase (decrease) in inventory	0	0.00	0.000	0.000	0	0.000
Total Income	**1,523,528**	**116.75**	**111288**	**8.783**	4514800	383.758
Expenditure						
Personnel Costs	18,796	1.70	0.000	0.00	104593	8.890
Operating & Administrative Expenses	935,545	71.43	76800	6.061	2561094	217.693
Depreciation	35,500	2.72	0.000	0.000	76574	6.509
Miscellaneous expenditure written off	0	0.00	0.000	0.000	0	0.000
Total Expenditure	**989,841**	**75.85**	**76800**	**6.061**	2742261	233.092
Net Profit before tax and extraordinary items	533,687	40.90	34488	2.722	1772539	150.666
Provision for taxation	155,000	11.88	6600	0.500	564230	47.960
Net profit after tax & before extraordinary items	378,687	29.02	27888	2.222	1208309	102.706
Extraordinary items (net of tax)	0	0.00	0.000	0.000	0	
Net profit after extraordinary items	378,687	29.02	27888	2.222	1208309	102.706
Earlier year adjustments Appropriations	0	0.00	0.000	0.000	322037	0.000
Transfer to general reserve	0	0.00	0.000	0.000	0	0.000
Proposed dividend	56,650	4.34	0.000	0.000	0	0.000
Tax on proposed dividend	0	0.00	0.000	0.000	0	0.000
Balance carried to Balance sheet	**322,037**	**24.68**	**27888**	**2.222**	1530346	102.706

TANLA

ANNEXURE – XI

TANLA MOBILE LIMITED (PREVIOUSLY KNOWN AS MOBIZAR LIMITED) - STATEMENT OF ASSETS AND LIABILITIES

Particulars	As on					
	31.03.2006 GBP	31.03.2006 (Rs. Million)	30.09.2005 GBP	30.09.2005 (Rs. Million)	30.09.2006 GBP	30.09.2006 (Rs. Million)
A. Assets						
Fixed Assets-Gross Block	141,359	10.960	0.000	0.000	765,736	65.922
Less: Depreciation	35,500	2.750	0.000	0.000	112,074	9.648
Net Block	105,859	8.210	0.000	0.000	653,662	56.274
Less: Revaluation Reserve	0	0.000	0.000	0.000	0	0.000
Net Block after adjustment for Revaluation Reserve	105,859	8.210	0.000	0.000	653,662	56.274
B. Investments	0	0.000	0.000	0.000	0	0.000
C. Current assets, loans and advances						
Inventories	0	0.000	0.000	0.000	0	0.000
Receivables	706,471	54.750	108224	8.199	2,722,767	234.403
Cash & bank balances	85,699	6.640	3744	0.284	303,149	26.098
Loans and advances	19,103	1.480	103	0.008	347,927	29.953
Deferred Tax Asset	0	0.000	0.000	0.000	0.000	
Total Assets	**917,132**	**71.080**	**112071**	**8.490**	**4,027,505**	**346.728**
D. Liabilities & Provisions						
Loan funds	0	0.000	0.000	0.000	0	0.000
Secured loans	0	0.000	0.000	0.000	0	0.000
Unsecured loans	0	0.000	0.000	0.000	0	0.000
Current liabilities & provisions						
Sundry liabilities	439,992	34.230	77480	5.870	1,777,826	153.053
Provisions	155,000	11.880	6600	0.500	719,230	61.919
Deferred tax liability	0	0.000	0.000	0.000	0	0.000
E. Net worth						
Represented by:						
Shareholders funds						
Share Capital	103	0.008	103	0.007	103	0.009
Reserves & surplus	322,037	24.960	27888	2.113	1,530,346	131.747
Less: Revaluation Reserve	0	0.000	0.000	0.000	0	0.000
Reserves (Net of Revaluation Reserve)	322,037	24.960	27888	2.113	1,530,346	131.747
Less: miscellaneous expenditure not written off	0	0.000	0.000	0.000	0	0.000
Total Liabilities	**917,132**	**71.080**	**112071**	**8.490**	**4,027,505**	**346.728**

Note: The Company has not revalued its fixed assets as such no revaluation reserve was created.

CONSOLIDATED FINANCIAL RESULTS

ANNEXURE-XII

STATEMENT OF PROFIT AND LOSS – CONSOLIDATED

Rs. In Million

	For the year ended on		For the Half year ended	
Particulars	**31.03.2005**	**31.03.2006**	**30.09.2005**	**30.09.2006**
Income				
Sales:				
From products and Services	223.863	630.208	205.158	870.761
Other income	3.409	1.015	0.450	0.570
Increase (decrease) in inventory	0.000	0.000	0.000	0.000
Total Income	**227.272**	**631.223**	**205.608**	**871.331**
Expenditure				
Personnel Costs	13.676	37.149	15.526	34.953
Operating & Administrative Expenses	131.981	242.155	69.637	389.437
Depreciation	2.594	7.918	1.604	13.025
Miscellaneous expenditure written off	1.707	0.00	0.000	0.000
Total Expenditure	**149.958**	**287.222**	**86.767**	**437.415**
Net Profit before tax and extraordinary items	77.314	344.001	118.841	433.916
Provision for taxation	8.903	41.534	2.518	76.823
Net profit after tax & before extraordinary items	68.411	302.467	116.324	357.093
Extraordinary items (net of tax)	0.000	0.000	0.000	0.000
Net profit after extraordinary items	68.411	302.467	116.324	357.093
Profit/(Loss) Brought forward from last year	11.285	48.337	48.334	308.397
Appropriations				
Transfer to general reserve	5.000	25.734	0.000	0.000
Interim Dividend	14.036	0.000	0.000	0.000
Proposed dividend	10.825	17.058	0.000	0.000
Tax on proposed dividend	1.387	2.392	0.000	0.000
Balance carried to Balance sheet	**48.448**	**305.620**	**164.657**	**665.490**

TANLA

ANNEXURE-XIII

STATEMENT OF ASSETS AND LIABILITIES - CONSOLIDATED

Rs in Million

	Particulars	As on			
		31.03.2005	31.03.2006	30.09.2005	30.09.2006
A.	**Assets**				
	Fixed Assets-Gross Block	35.510	114.780	69.530	215.427
	Less: Depreciation	8.950	15.580	9.388	29.057
	Net Block	26.560	99.200	60.142	186.370
	Less: Revaluation Reserve	0.000	0.000	0.000	0.000
	Net Block after adjustment for Revaluation Reserve	26.560	99.200	60.142	186.370
B.	**Goodwill**	29.790	29.790	29.792	29.790
C.	**Current assets, loans and advances**				
	Inventories (Product under developemnt)	2.980	0.000	2.979	0.000
	Receivables	44.170	236.510	125.349	485.738
	Cash & bank balances	64.590	180.800	69.256	198.912
	Loans and advances	15.970	11.090	12.084	40.774
	Deferred Tax Asset	0.000	0.000	0.000	0.000
	Total Assets	**184.060**	**557.390**	**299.602**	**941.584**
D.	**Liabilities & Provisions**				
	Loan funds	0.000	0.000	0.000	0.000
	Secured loans	0.000	0.000	0.000	0.000
	Unsecured loans	0.000	0.000	0.000	0.000
	Current liabilities & provisions				
	Sundry liabilities	7.640	63.640	18.402	34.259
	Provisions	22.440	55.830	11.234	106.969
	Deferred tax liability	1.180	6.990	1.180	8.723
E.	**Net worth**				
	Represented by:				
	Shareholders funds				
	Share Capital	68.230	68.230	68.230	68.230
	Reserves & surplus	84.570	366.880	200.556	733.593
	Less: Revaluation Reserve	0.000	0.000	0.000	0.000
	Reserves (Net of Revaluation Reserve)	84.570	366.880	200.556	733.593
	Less: miscellaneous expenditure not written off	0.000	4.180	0.000	10.190
	Total Liabilities	**184.060**	**557.390**	**299.602**	**941.584**

ANNEXURE- XIV

SIGNIFICANT ACCOUNTING POLICIES – CONSOLIDATED:

Company overview

Tanla Solutions Limited, its wholly consolidated subsidiaries (hereinafter referred to as "Tanla Group") are engaged in providing global technology services and solutions in wireless communications industry.

Tanla Solutions limited (hereinafter referred to as "Tanla") was incorporated on July 28th, 1995 in Hyderabad, Andhra Pradesh. Tanla has its headquarters and development centres facilities in India and serves a global customer base through its subsidiaries in United Kingdom (UK). Tanla's range of services are product developments and implementations in wireless industry, aggregator services and offshore development services.

Tanla Solutions (UK) Limited, formerly Techserv Teleservices (UK) Limited, UK (hereinafter referred to as "Tanla UK"), a wholly owned subsidiary of Tanla based at London, UK, provides aggregator and offshore development services to clients in telecommunications and offshore service sectors.

Smartnet Communication Systems Privated Limited, India (hereinafter referred to as "Smartnet"), a wholly owned subsidiary of Tanla based at Kolkata and Corporate Office at New Delhi, India, and engaged in development of products and services.

Tanla Mobile Limited (previously known as Mobizar Limited), UK (hereinafter referred to as "Mobizar"), a wholly owned subsidiary of Tanla UK based at London, UK, provides aggregator services to clients in the telecommunications.

1. Basis of preparation of financial statements

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention, on the basis of a going concern basis, while revenue, expenses, assets and Liabilities accounted/recognized on accrual basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI). Accounting policies are consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Management evaluates all recently issued or revised accounting standards on an ongoing basis.

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the financial statements of Tanla Solutions Limited and its Subsidiaries. All material inter-Company balances and transactions are eliminated on consolidation.

Assets and liabilities of subsidiaries are translated into Indian Rupees at the rate of exchange prevailing as at the Balance Sheet date. Revenues and Expenses are translated into Indian Rupees at average of the opening and closing rates.

2. Use of Estimates

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that effect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Management periodically assessed using external and internal sources whether there is an indication that an asset may be impaired. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from those estimates.

3. Revenue recognition

Revenue from software development on fixed-price, fixed-time frame contracts where there is no uncertainty as to measurement or collectability has been recognized. On time-and-material contracts, revenue is recognized as the related services are rendered. Provision for estimated losses, if any on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates. Annual Technical Services revenue and revenue from fixed-price maintenance contracts are recognized proportionately over the period in which services are rendered. Revenue from the sale of products for software applications is recognized on transfer of the products to the users.

4. **Fixed Assets, intangible assets and capital work-in-progress**

Fixed Assets are stated at cost, less accumulated depreciation. All direct costs are capitalized until fixed assets are ready for use including taxes, duties, freight and other incidental expenses relating to acquisition and installation. Capital work-in-progress comprises outstanding advances paid to acquire fixed assets, and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date. Intangible assets are recorded at the consideration paid for acquisition.

5. **Depreciation and amortization**

Depreciation on fixed assets is applied on straight-line method, pro-rata for the period of usage, in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956.

6. **Retirement Benefits**

a. **Gratuity**

In accordance with the Payment of Gratuity Act, 1972, Tanla provides for gratuity, a defined retirement plan (the “Gratuity Plan”) covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee salary and the tenure of employment. Liability with regard to the Gratuity Plan are determined by actuarial valuation as of the balance sheet date, based upon which, the company contributes the ascertained liabilities to the Tanla Solutions Limited Employees Gratuity Scheme Trust (the “Trust”) managed by the Life Insurance Corporation of India.

b. **Provident fund**

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon is paid at retirement, death, incapacitation or termination of employment. Both the employee and the company make monthly contributions to the Regional Provident Fund Commissioner equal to a specified percentage of the covered employee’s salary.

c. **Employee State Insurance Fund***:*

Eligible employees receive benefits from employee state insurance scheme, which is a gross salary of less than Rs.7,500 per month are entitled to receive benefit under employee state insurance fund sche7me. The employer makes contribution to the scheme at a predetermined rate (presently 4.75%) of employee’s gross salary. Tanla has no further obligations under the plan beyond its monthly contributions. These contributions are made to fund administered and managed by the Government of India. Tanla’s monthly contributions are charges to income in the year it is incurred.

7. **Research and development**

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure incurred on research and development is depreciated on straight-line method, pro-rata for the period of usage, in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956.

8. **Foreign Currency Transactions**

The company translates all foreign currency transactions at Exchange Rates prevailing on the date of transactions. Exchange rate differences resulting from foreign exchange transactions settled during the year are recognized as income or expenses in the period in which they arise.

Monetary current assets and monetary current liabilities that are denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account.

9. **Forward contract in foreign currency**

The company uses foreign exchange forward contracts to hedge its exposure to movements in foreign exchange rates. The use of these foreign exchange forward contracts reduces the risk or cost to the company and the company does use the foreign exchange forward contracts for trading or speculation purposes.The company records the gain or loss on effective hedges in the foreign currency fluctuation reserve until the transaction are complete. On the completion the gain or loss is transferred to the profit and loss account of that period.

10. **Income tax**

Income taxes are computed using the tax effect accounting method, in accordance with the Accounting Standard (AS 22) “Accounting for Taxes on Income” which includes current taxes and deferred taxes. Deferred income taxes reflect the impact if current year timing differences between taxable income and accounting income for the year and the relevant of timing difference of earlier years. Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the period when the asset / liability is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred Tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

11. **Earnings per share**

In determining earnings per share, the company considers the net profit after tax expense. The number of shares used in computing basic earnings per is the weighted average shares used in outstanding during the period.

12. **Investments**

Trade investments are the investments made to enhance the company’s business interests. Long-term investments are carried at lower of cost or fair value.

13. **Cash flow statement**

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals pf past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated.

TANLA

ANNEXURE- XV

NOTES ON ACCOUNTS - CONSOLIDATED:

All amounts in the financial statements are presented in Rupees and as otherwise stated.

1. Contingent Liabilities

Rs in Million

S.No.	Particulars	As at 30.09.2006	As at 31.03.2006	As at 31.03.2005
1.	Outstanding guarantees given by the company	0.061	0.06	0.06
2.	Claims against company, not acknowledged as debts	Nil	Nil	Nil
3.	Claims made by company, not acknowledged as debts	Nil	Nil	Nil
4	Corporate guarantee given to subsidiary companies	8.61	Nil	Nil

2. Aggregate Expenses

The aggregate amounts incurred on certain specific expenses:

Rs in Million

Particulars	For half year ended	For year ended	
	30.09.2006	31.03.2006	31.03.2005
Cost of services	343.681	172.92	114.97
Staff salaries and benefits	29.947	34.19	11.90
PF and other contributions	3.960	2.23	0.26
Staff welfare expenses	1.045	0.72	0.39
Traveling expenses	3.072	7.30	4.08
Communication Expenses	3.933	5.06	1.24
Repairs & maintenance expenses	1.764	1.26	0.49
Rent, rates & taxes	7.069	9.81	3.30
Printing and stationery	4.056	0.60	0.12
Advertisement expenses	14.613	27.92	5.41
Office maintenance expenses	0.746	0.97	0.53
Power and fuel	1.407	1.80	0.55
General Expenses	1.548	0.49	0.44
Professional charges	6.258	7.73	1.40
Auditors Remuneration	0.000		
Statutory audit fees	0.664	0.20	0.05
Tax audit fees	0.050	0.075	0.025
Certification and other charges	0.025	0.075	0.025
Bank Charges	0.232	0.59	0.32
Bad debts written off	0.359	4.53	0.06
Public Issue & Preliminary Expenses-Written Off	-0.038		1.70
Exchange Fluctuation	424.390	0.83	0.10
Total	**343.681**	**279.30**	**147.36**

3. **Quantitative details**

The Company is engaged in the business of development & maintenance of Computer Software, offshore development and other related services. The production and sale of such software services cannot be expressed in any generic unit and hence it is not possible to give such quantitative details of sales and certain information as required under paragraph 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956. The details of Conversation of Energy, Technology absorption are given in Directors Report. R&D expenditure is not separately accounted for.

4. **Foreign Exchange earned and outgo**

a. Imports (valued on the cost, insurance and freight basis)

Rs in Million

Particulars	**For Half-Year ended 30.09.2006**	**For the Year ended 31.03. 2006**	**For the Year ended 31.03.2005**
Import of capital goods	9.538	14.98	—

b. Activity in foreign currency

Particulars	**For Half-Year ended 30.09.2006**	**For the Year ended 31.03. 2006**	**For the Year ended 31.03.2005**
Earnings in foreign exchange			
(on accrual basis)			
Income from software products			
and offshore development services	363.349	404.82	65.41
Dividends received	Nil	4.60	—
Expenditure in foreign exchange			
(on accrual basis)			
Cost of services	71.214	62.89	—
Foreign Travel Expenses	0.950	0.83	0.37
Professional Charges	2.987	0.998	0.56
Net earnings in foreign exchange	**278.758**	**329.72**	**64.47**

5. **Related Party Transactions**

a. List of related parties:

	Name of the related party	**Country**	**Nature of relationship**
1	Tanla Solutions (UK) Limited	UK	Wholly-owned subsidiary
2	Smartnet Communication Systems Private Limited	India	Wholly-owned subsidiary
3	Tanla Mobile Limited (previously known as Mobizar Limited)	UK	Wholly-owned subsidiary of Tanla (UK)

The details of the related party transactions entered into by the company for the year ended March 31, 2006: (Amount in Rupees Million)

	Particulars	Tanla Solutions (UK) Limited	Smartnet Communication Systems Pvt Ltd Limited	Tanla Mobile Limited Tanla Mobile Limited (previously known as Mobizar Limited)
a	Relationship between the parties	Wholly-owned	Wholly-owned subsidiary	Wholly-owned subsidiary subsidiary of Tanla (UK)
b	Nature of transactions	Sales of Services & dividends received	Purchase of Products & fixed assets	Sales of Services
c	Value transactions	19.67	3.38	31.18
d	Amount of Outstanding	5.54	Nil	14.74
e	Provision for doubtful debts	Nil	Nil	Nil
f	Amount written off	Nil	Nil	Nil

b. Transactions with key management personnel

Particulars of remuneration and other benefits paid to key management personnel during the year ended March 31, 2006: (executive directors)

(Amount in Rs. Million)

NAME	Salary	Contributions to provident and other funds	Total remuneration
Chairman & Managing Director D. Uday Kumar Reddy	1.92	Nil	1.92
Director – CTO Satish Kathirisetti	1.896	0.0432	1.94
Director – Operations Anoop Roy Kundal	0.92	0.04	0.96
Director – Reference Architecture Amit Gupta	0.40	—-	0.40
Director – R & DNavnit Chachan	0.45	0.04	0.49
Director – Global Business Development Gautam Sabharwal	8.87	—-	8.87
Satish – Amrutham - Director	.45	0.02	0.47

Particulars of remuneration and other benefits paid to key management personnel during the period ended September 30, 2006: (executive directors)

NAME	Salary and allowances	Contributions to provident and other funds	Total remuneration
Chairman & Managing Director D. Uday Kumar Reddy	0.868	0.092	0.960
Director – CTO Satish Kathirisetti	0.971	0.103	1.074
Director – Operations Anoop Roy Kundal	0.461	0.049	0.510
Director – Reference Architecture Amit Gupta	0.434	0.046	0.480
Director – R & D Navnit Chachan	0.483	0.051	0.534

Particulars of remuneration and other benefits paid to key management personnel during the year ended March 31, 2006: (non-executive directors)

(Amount in Rs. Million)

Name	**Sitting Fees**	**Reimbursement of Expenses**	**Total remuneration**
Abhishek Khaitan	0.01	0.04	0.05
Sudhanshu Shekhar Jamuar	0.01	0.02	0.03
Ram Narain Agarwal	0.01	-	0.01
Subir Om Prakash Mehra	-	0.02	0.02
Villadath Harish Kumar	0.01	-	0.01
Srikanth Madan Chitnis	0.01	-	0.01
Ch. Sri Rama Chandra Murthy	0.008	-	0.008
C. Srinivas	0.008	-	0.008

Particulars of remuneration and other benefits paid to key management personnel during the ended September 30, 2006: (non-executive directors)

NAME	**Sitting Fees**	**Reimbursement of Expenses**	**Total remuneration**
Abhishek Khaitan	0.010	0.020	0.030
Sudhanshu Shekhar Jamuar	0	0	0
Ram Narain Agarwal	0.040	0	0.040
Subir Om Prakash Mehra	0	0	0
Villadath Harish Kumar	0.020	0	0.020
Srikanth Madan Chitnis	0.010	0	0.010

The aggregate of managerial remuneration under Section 198 of the Companies Act, 1956, to the directors (including managing director) is:

(Amount in Rs. Million)

Particulars	**Half Year ended 30.09.2006**	**Year ended 31.03. 2006**	**Year ended 31.03.2005**
Whole-time directors Salary	3.217	14.89	1.63
Contributions to provident and other funds	0.342	0.15	0.07
Total remuneration	**3.559**	**15.04**	**1.70**
Non-whole-time directors			
Sitting fees	0.080	0.066	-
Reimbursement of expenses	0.020	0.076	-
Total remuneration	**0.100**	**0.142**	**-**

No commission paid to the directors and computation of net profit in accordance with Section 349 of the Companies Act, 1956, for commission payable to non-whole-time directors is not required.

6. **Research and development expenditure**

(Amount in Rs. Million)

Particulars	**Half Year ended 30.09.2006**	**Year ended 31.03. 2006**	**Year ended 31.03.2005**
Capital expenditure	1.021	0.78	-
Revenue expenditure, Staff salaries and benefits	1.147	1.87	0.28
Staff welfare expenses	0.042	0.02	0.01
R&D Consumables	1.076	0.80	-
Overheads	1.645	2.21	0.59
Total	**4.931**	**5.68**	**0.88**

7. **Dues to small-scale industrial undertakings**

As at September 30, 2006 as per available information with the company, there are no dues to small scale Industrial Undertakings.

8. **Income taxes**

The provision for taxation includes tax liabilities in India on the company's global income as reduced by exempt incomes and any tax liabilities arising overseas on income sourced from those countries.

Most of Tanlas' operations are conducted through Software Technology Parks (STPs). Income from STPs are tax exempt for the earlier of 10 years commencing from fiscal year in which the unit commences software development, of March 31, 2009.

The detail of deferred tax liability comprises the following:

(Amount in Rs. Million)

	Particulars	**As at 30.09.2006**	**As at 31.03.2006**	**As at 31.03.2005**
i	**Deferred tax liability**			
	On account of depreciation (A)	9.077	7.497	2.30
ii	**Deferred tax asset**			
	On account of misc. expenses w/o	0.353	0.402	0.50
	On account of diminution in value of shares	0.00	0.102	0.47
	On account of unabsorbed losses	0.00	0.00	0.15
	On account of provisions	0.00	0.00	0.00
	Total (B)	0.353	0.504	1.12
	Net deferred tax liability (A – B)	**8.724**	**6.993**	**1.18**

9. Cash and bank balances

Details of balances as at balance sheet dates during the year with non-scheduled banks:

(Amount in Rs. Million)

Particulars	September 30, 2006	March 31, 2006	March 31, 2005
Citibank N.A	0.01	0.01	0.01

10. Subsidiaries

During the previous year, the company has acquired Tanla Solutions (UK) Limited (formerly known as Techserv Teleservices (UK) Limited) as a wholly owned subsidiary and allotted 12,60,000 equity shares of Rs.10/- each at a premium of Rs.10/- each, aggregating to Rs.25.2 Million to the shareholders of Tanla Solutions (UK) Limited.

During the previous year, the company has acquired Smartnet Communication Systems Private Limited as a wholly owned subsidiary and allotted 3,58,700 equity shares of Rs.10/- each at a premium of Rs.10/- each, aggregating to Rs.7.17 Million to the shareholders of Smartnet Communication Systems Private Limited.

11. Details of Goodwill

Particulars	September 30, 2006 Amount Rs.	March 31, 2006 Amount Rs.
On acquisition of Smartnet Communication Systems Private Limited	4.674	4.674
On acquisition of Tanla Solutions UK	25.117	25.117
Total	**29.791**	**29.791**

12. Segment reporting

As required by the Accounting Standard (AS 17) "Segment Reporting", the Company is mainly engaged in the area of Software Development and related services. Hence segment reporting is not applicable to the Company and to the nature of its business.

13. Earnings per share

At the extraordinary general meeting held on December 3, 2005, the shareholders approved the splitting of equity shares for Rs.10 each to Rs.2 each. The record for share split was December 21, 2005. The basis / diluted shares used in determining earnings per share are after considering the share split.

Particulars	September 30, 2006	March 31, 2006	March 31, 2005
Net profit after tax and extraordinary items	Rs 357.092 Million	Rs. 302.47 Million	Rs. 68.41 Million
Weighted average number of equity shares of Rs.2 each (after share split)	Rs 34.115 Million	34.11 Million	26.74 Million
Nominal value of shares	Rs.2	Rs.2	Rs.2
Earnings per share (basic/diluted)	Rs.10.47	Rs. 8.89	Rs. 2.56

14. Cash flow statement

The balance of cash and cash equivalents includes Rs.17.06 Million as at March 31, 2006 (Rs.10.82 Million as at March 31, 2005) set aside for payment of dividends.

15. The expenses incurred for follow on public issue has been grouped under Miscellaneous expenses and the same to be written off in the year of completion of public issue.

16. The previous year figures have been recast / restated, wherever necessary, to the current year's classification.

17. Financial figures have been rounded off to nearest rupee.

18. Schedules 1 to 15 form part of Balance Sheet and have been authenticated

ANNEXURE-XVI

STATEMENT OF DIVIDEND PAID BY TANLA SOLUTIONS LIMITED UNCONSOLIDATED

Financial Year	Dividend %	Dividend per share (in Rs)	Dividend Amount (Rs in Million	Dividend Tax (Rs in Million)	No. of shares	Class of Shares
2001-2002	NIL	-	NIL	NIL	5004300	Equity shares of Rs.10/-each
2002-2003	NIL	-	NIL	NIL	5004300	Equity shares of Rs.10/-each
2003-2004	10.00	1.00	5.004	0.641	5004300	Equity shares of Rs.10/-each
2004-2005	20.00	2.00	10.825	1.387	6823000	Equity shares of Rs.10/-each
2005-2006	25.00	0.50	17.058	2.392	34115000	Equity shares of Rs.2/-each

ANNEXURE-XVII

CAPITALISATION STATEMENT OF THE COMPANY – UNCONSOLIDATED

Rs in Million

Particulars	**Pre Issue As on 30.09.2006**		**Post Issue***
Borrowings			
Secured Loans		0.00	
Unsecured Loans		0.00	
Total Borrowings		0.00	
Less: Short Term Debts		0.00	
Total Long Term Debts		0.00	
Shareholders Funds:			
Equity Share Capital	68.230		
Reserves & Surplus:-			
Securities Premium Account	18.187		
Other Reserves & Surplus	511.321		
		597.738	
Less: Miscellaneous Expenditure to the extent not written off		10.191	
Total Shareholders Funds		587.547	
Long Term Debt/Equity Ratio		0:001	

*Shareholders' Funds post issue can be calculated only on the conclusion of the Book building process.

ANNEXURE-XVIII

STATEMENT OF ACCOUNTING RATIOS OF THE COMPANY – UNCONSOLIDATED

Particulars	Year ended 31/03/2002	Year ended 31/03/2003	Year ended 31/03/2004	Year ended 31/03/2005	Year ended 31/03/2006	Half Year ended 30/09/2006
Net worth (Rs.in million)	35.622	41.630	59.203	133.041	366.750	587.548
Profit after Tax (Rs.in million)	-1.860	0.593	30.419	47.569	257.339	226.808
No. of Shares outstanding at the end of the Halfyear/year	25.02	25.02	25.02	34.115	34.115	34.115
Weighted Avg No of Shares	25.02	25.02	25.02	26.735	34.115	34.115
-Basic Earning/(Loss) per share (Rs.) – Face value of Rs 10/- from year 2002 to 2005 & Rs 2/- for year 2006	0.074	0.024	1.216	1.78	7.54	6.650
Return on net Worth(%)	-5.22%	1.42%	51.38%	35.76%	70.17%	38.60%
Net Assets value per Share of Face Value Rs.2/- each	1.42	1.66	2.37	3.9	10.75	17.52

Number of Shares of the face value of Rs 2/- each

Basic Earnings per Share (Rs.) = $\dfrac{\text{Net Profit after tax as attributable to Equity Share-holders}}{\text{Number of Equity Shares outstanding during the Halfyear/year}}$

Return on net Worth (%) = $\dfrac{\text{Net Profit after tax}}{\text{Net Worth as at the end of the Halfyear/year}}$

Net Assets value per Share (Rs.) = $\dfrac{\text{Net Worth as at the end of the Halfyear/year}}{\text{Number of Equity Shares outstanding during the Halfyear/year}}$

ANNEXURE-XIX

STATEMENT OF OTHER INCOME OF THE COMPANY – UNCONSOLIDATED

(Rupees in Million)

Particulars	Year ended					Half year ended	Nature	Related/ Not Related toBusiness Activity
	31/3/2002	31/3/2003	31/3/2004	31/3/2005	31/3/2006	30/09/2006		
Interest	0.012	0.035	0.506	1.404	0.842	1.130	Recurring	Related
Profit in investment in shares	0.017	0.000	0.769	0.000	0.000	0	Non-Recurring	Related
Misc. income and Provisions written back	0.000	0.000	0.117	1.810	0.097	0.008	Non-Recurring	Related
Foreign Exchange rate Fluctuation gain others	0.000	0.000	0.000	0.000	0.000	0	Recurring	Related
Dividend Received	0.011	0.010	0.012	0.018	4.598	0	Non-Recurring	Related
Total	**0.039**	**0.044**	**1.404**	**3.232**	**5.537**	**1.138**		

TANLA

ANNEXURE-XX

STATEMENT OF DEBTORS (AGE-WISE ANALYSIS) OF THE COMPANY – UNCONSOLIDATED

(Rupees in Million)

Particulars	Year ended					Half Year ended
	31/3/2002	31/3/2003	31/3/2004	31/3/2005	31/3/2006	30/09/2006
UNSECURED						
(Considered Good unless otherwise stated)						
Less than six months	5.218	1.902	3.024	33.212	143.452	185.943
More than six months						
-Considered Good	0.523	0.540	2.960	3.973	0.645	3.173
-Considered Doubtful	0.000	0.000	0.000	0.000	0.000	0.244
Less: Provision for Doubtful Debts	0.000	0.000	0.000	0.000	0.000	0.244
Total	**5.741**	**2.442**	**5.984**	**37.185**	**144.097**	**189.116**

Note: No amount is due from Promoters/Promoters' group/Group companies/Directors/Relatives of Directors as at September 30, 2006.

Comparison of 2004-2005 with 2005-2006

Sundry debtors, considered good and realizable as of March 31, 2006 amount to Rs.144.10 Million as against Rs.37.19 Million as of March 31, 2005. These debtors include Rs.20.28 Million as at March 31, 2006 due from subsidiary companies i.e. Tanla Solutions (UK) Limited of Rs.5.54 Million and Tanla Moble Limited (formerly as Mobizar Limited) of Rs.14.74 Million. The period of credit to our debtors ranges from 60 to 90 days. 98.66% of the outstanding debtors as of March 31, 2006 are on account of the sales in the fourth quarter of fiscal 2006. The details of debtors outstanding as given below:

Period in days	As at			
	31-Mar-06		31-Mar-05	
	Rs in Millions	% of debtors	Rs in Millions	% of debtors
0 - 30	67.73	47.00%	29.66	79.76%
31 - 60	47.99	33.31%	3.52	9.47%
61 - 90	26.44	18.35%	0.00	0.00%
91 -120	0.78	0.54%	0.01	0.04%
121 -180	0.51	0.36%	0.02	0.04%
More than 181	0.65	0.45%	3.97	10.68%
	144.10	100.00%	37.19	100.00%

TANLA

ANNEXURE-XXI

STATEMENT OF LOANS AND ADVANCES OF THE COMPANY – UNCONSOLIDATED

(Rupees in Million)

Particulars	**Year ended**					**Half Year ended**
	31/3/2002	**31/3/2003**	**31/3/2004**	**31/3/2005**	**31/3/2006**	**30/09/2006**
(Unsecured-considered good)						
Advances recoverable in cash or in kind or for value to be received						
Advances for Capital Works	11.542	9.707	4.500	0.000	0.000	0.000
Balance with Excise authorities	0.504	0.513	0.721	0.109	0.314	0.314
Advances for Expenses	0.783	4.197	5.664	5.887	3.525	150.000
Advances to Staff	0.407	0.397	0.707	0.093	0.379	3.798
Advance Payment of income tax & TDS	0.000	0.000	1.253	1.574	1.730	0.162
Total	**13.235**	**14.814**	**12.845**	**7.663**	**5.948**	**2.313**

Note: No amount is receivable from Promoters / Promoter group / Group Companies / Directors / Relatives of Directors.

ANNEXURE-XXII

STATEMENT OF UNSECURED LOANS OF THE COMPANY – UNCONSOLIDATED

(Rupees in Million)

Particulars	**Year ended**					**Half Year ended**
	31/3/2002	**31/3/2003**	**31/3/2004**	**31/3/2005**	**31/3/2006**	**30/09/2006**
Inter Corporate deposits						
From Other than promoters, promoter group & group companies	0.00	0.00	0.00	0.00	0.00	0.00
From promoters, promoter group & group companies of promoters*	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00
Rate of Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Repayment	On Demand	On Demand	On Demand	On Demand	On Demand	On Demand

Risk Factor : The Deposits can be recalled at any time by the lenders

* parties as identified by the Company & relied upon by us.

TANLA

ANNEXURE-XXIII

STATEMENT OF INVESTMENTS OF THE COMPANY – UNCONSOLIDATED

(Rupees in Million)

Particulars	**Year ended**					**Half Year ended**
	31/3/2002	**31/3/2003**	**31/3/2004**	**31/3/2005**	**31/3/2006**	**30/09/2006**
Quoted Investment : Non-Trade						
Aurobindo Pharma Limited	0.422	0.422	0.736	0.000	0.000	0.000
SDSQ Software Limited	0.352	0.352	0.352	0.000	0.000	0.000
Goldstone Technologies Limited	0.080	0.080	0.080	0.000	0.000	0.000
Gold Stone Tele Ltd	0.080	0.080	0.080	0.000	0.000	0.000
Himachal Futuristic Communications Ltd	0.198	0.198	0.198	0.000	0.000	0.000
Infoban Technologies Limited	0.070	0.070	0.070	0.000	0.000	0.000
Trigyn Technologies Limited	0.502	0.502	0.502	0.000	0.000	0.000
Moschip Semi Conductors Limited	0.012	0.012	0.000	0.000	0.000	0.000
Odyssy Technologies Limited	0.086	0.086	0.086	0.000	0.000	0.000
Sonata Software Limited	0.441	0.441	0.441	0.000	0.000	0.000
Suven Pharma Limited	0.197	0.197	0.022	0.000	0.000	0.000
India Cements Limited	0.000	0.000	1.987	0.000	0.000	0.000
Nagarjuna Construction Co., Limited	0.000	0.000	0.120	0.000	0.000	0.000
Jayaprakash Industris Limited	0.000	0.000	0.709	0.000	0.000	0.000
Sandesh Labs Private Limited	0.000	0.000	0.010	0.000	0.000	0.000
	2.440	2.440	5.392	0.000	0.000	0.000
Less: Provision for Diminishing Value	1.638	1.910	1.809	0.000	0.000	0.000
	0.802	0.530	3.583	0.000	0.000	0.000
IDBI Prinicpal - Income fund	0.000	2.500	0.000	0.000	0.000	0.000
Un-Quoted Investment – Trade						
Tanla Solutions (UK) Limited	0.000	0.000	0.000	25.200	25.200	25.200
Smartnet Communication Systems Private Limited	0.000	0.000	0.000	7.174	7.174	7.174
Diminution in the value	0.000	0.000	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	32.374	32.374	32.374
Total	**0.802**	**3.030**	**3.583**	**32.374**	**32.374**	**32.374**

Note : In view of the accounting policy of the Company on long term investments, provision for diminution in value has been considered wherever necessary.

ANNEXURE - XXIV

STATEMENT OF TAX SHELTERS OF THE COMPANY – UNCONSOLIDATED

Rs. In Million

Particulars	Year ended					Half Year ended
	31/3/2002	31/3/2003	31/3/2004	31/3/2005	31/3/2006	30/09/2006
Profit & Loss as per Books of Accounts	-1.772	0.483	30.173	47.846	277.836	243.501
Tax Rate Normal including surcharge	35.70%	36.75%	35.88%	36.59%	33.66%	33.66%
Notional Tax payable at Normal Rate	-0.633	0.178	10.825	17.507	93.520	81.962
Adjustment						
Permanent Difference						
Export Profit	0.000	0.602	18.660	46.929	220.731	192.67
Timing Difference						
Difference between Tax Depreciation and Book Depreciation	1.336	0.745	-0.670	-1.266	-16.996	6.235
Other adjustment	-0.528	-0.628				0.144
Net adjustment	0.807	-0.485	-19.330	-48.195	-237.727	199.049
Tax Saving thereon	0.288	-0.178	-6.935	-17.635	-78.913	67.000
Total Taxation	-0.344	-0.001	3.890	-0.128	14.607	14.963
Tax on Brought Forward unabsorbed depreciation adjusted	0.000	0.001	-3.890	-0.292	0.000	0.000
Total normal tax Payable	0.000	0.000	0.000	0.000	14.607	14.963
Taxable Income as per MAT	0.000	0.000	11.741	1.605	57.105	4.277
Tax as per Income Tax Return (MAT Tax)	0.000	0.000	0.903	0.126	14.607	14.963

Note :1. The Fugures for all other years are as per the returns of Income Tax except for the half year ended 30.09.2006.

TANLA

ANNEXURE -XXV

STATEMENT OF RELATED PARTY DISCLOSURES OF THE COMPANY – UNCONSOLIDATED

Related parties and transactions with them as specified in the Accounting Standard 18 on " Related Parties Disclosures" issued by ICAI has been identified and given below on the basis of information available with the Company and the same has been relied upon by the auditors.

(Amount Rs. In Million)

Related Parties & Relationship	FOR THE YEAR					For the Half Year ended
	31/3/2002	31/3/2003	31/3/2004	31/3/2005	31/3/2006	30/09/2006
a) Enterprises that directly, or indirectly through on or more intermediaries, control or are controlled by or are under common control with the Company (this includes holding companies, subsidiaries and fellow subsidiaries):						
1. Smartnet Communication Systems Pvt Ltd						
2. Tanla Solutions (UK) Limited						
3. Tanla Mobile Limited (previously known as Mobizar Limited)						
Purcahse of Fixed Assets	0.000	0.000	0.000	0.000	0.398	-3.526
Dividends received	0.000	0.000	0.000	0.000	4.598	0.000
Sale of Software & services	0.000	0.000	0.000	0.000	53.832	31.177
Loans to subsidiaries	0.000	0.000	0.000	0.000	0.000	170.356
b) Associates and joint ventures	Nil					
c) Individuals owing directly or indirectly, an interest in voting power of the company that give them control or significant influence over the Company, and relatives of such individuals.	Nil					
d) Key Management Personnel and their Relatives.						
Remuneration	1.42	0.900	0.900	2.212	6.170	3.658
Dividend Paid	0.00	0.000	3.600	4.627	0.000	0.000
e) Enterprises over which any person described in © or (d) is able to exercise significant Influence.						
1. Mounika Finance & Leasing Private Limited						
2. UB Properties Private Limited						
3. Sandesh Labs Private Limited						
Advance for Land	3.08	0.240	5.473	0.000	0.000	0.000
Car Hire Charges	0.000	0.000	0.240	0.240	0.000	0.000
Dividends received	0.000	0.000	0.000	0.000	0.000	0.000
Sale of Software & services	0.000	0.000	5.000	2.160	0.000	0.000
Amount written off or written back during the year year in respect of debts due from above parties	0.00	3.320	4.410	0.000	202.78	50.792

ANNEXURE-XXVI

STATEMENT OF CONTINGENT LIABILITIES OF THE COMPANY – UNCONSOLIDATED

(Rupees in Million)

Particulars	Year ended 31/03/2002	Year ended 31/03/2003	Year ended 31/03/2004	Year ended 31/03/2005	Year ended 31/03/2006	Half Year ended 30/09/2006
Bills discounted with banks	0.000	0.000	0.000	0.000	0.000	0.000
Guarantees outstanding	0.000	0.000	0.000	0.061	0.061	0.061
Disputed demands under excise, customs, sales tax, electricity etc.	0.000	0.000	0.000	0.000	0.000	0.000
Claims against the Company not acknowledged as debts	0.000	0.000	0.000	0.000	0.000	0.000
Claims made by the Company not acknowledged as debts	0.000	0.000	0.000	0.000	0.000	0.000
Corporate Guarantee given to subsidiary companies	0.000	0.000	0.000	0.000	0.000	43.045

ANNEXURE-XXVII

STATEMENT OF EXCEPTIONAL ITEMS OF THE COMPANY – UNCONSOLIDATED

(Rupees in Million)

Particulars	**Year ended 31/03/2002**	**Year ended 31/03/2003**	**Year ended 31/03/2004**	**Year ended 31/03/2005**	**Year ended 31/03/2006**	**Half Year ended 30/09/2006**
<u>EXCEPTIONAL INCOME:</u>						
Income from other Investment (Long-Term)	0.011	0.010	0.012	0.018	0.000	0.000
Liabilities written back	0.000	0.000	0.016	0.000	0.097	0.000
Provisions written back	0.000	0.000	0.101	0.000	0.000	0.000
Profit on sale of Long term investment	0.007	0.000	0.769	1.809	0.000	0.000
Machine hiring charges	0.000	0.000	0.000	0.000	0.000	0.000
Total (a)	**0.017**	**0.010**	**0.897**	**1.827**	**0.097**	**0.000**
<u>EXCEPTIONAL EXPENDITURE:</u>	-					
Loss on sale of Fixed Assets	0.023	0.182	0.000	0.000	0.000	0.000
Preliminary and share issue expenses written off	0.288	0.288	0.288	1.707	0.000	0.000
Provision for diminishing value in shares	0.570	0.271	0.000	0.000	0.000	0.000
Provision for doubtful debt	0.000	0.000	0.829	0.000	3.990	0.244
Total (b)	**0.881**	**0.742**	**1.118**	**1.707**	**3.990**	**0.000**
EXCEPTIONAL ITEMS(NET)[(a)-(b)]	**-0.864**	**-0.732**	**-0.221**	**0.120**	**-3.893**	**0.244**

ANNEXURE - XXVIII

STATEMENTS OF QUALIFICATION IN AUDITOR'S REPORT OF THE COMPANY – UNCONSOLIDATED

A) On the Accounts of the Financial Year ended 31st March, 2002:

Point No.12 of the Annexure to the Auditors Report is as under:

12. The Company does not have Internal Audit System, though its paid up capital exceeds Rs.2.5 Million.

Management Reply to this aforesaid observation:

With reference to the point no.12 of Annexure to the Auditors Report regarding internal Audit System, The Board has initiated steps to appoint internal Auditors in the current year to strengthen the system.

Subsequently an Internal Auditor was appointed.

ANNEXURE-XXIX

STATEMENT OF EXPENDITURE AND SOURCE OF FINANCE ON NEW PROJECT

(Amount in Rs. Million)

Particulars	Upto 30.09.2006
Expenditure	
Registration & Filing Fee	0.250
Public Issue Expenses	9.941
	10.191
Means of Finance	
Internal Accruals (as certified by the Management)	**10.191**

ANNEXURE XXX

BREAKUP OF SALES OF THE COMPANY – UNCONSOLIDATED

Rs in Million

Particulars	**31/03/2002**	**31/03/2003**	**31/03/2004**	**31/03/2005**	**31/03/2006**	**30/09/2006**
Overseas	0.00	8.67	34.10	65.41	403.00	363.35
Domestic – India	8.64	6.99	23.15	5.81	10.96	4.45
Total Sales	**8.64**	**15.66**	**57.25**	**71.22**	**413.96**	**367.80**

ANNEXURE XXXI

BREAKUP OF GROSS BLOCK OF FIXED ASSETS OF THE COMPANY - UNCONSOLIDATED

Rs in Million

Particulars	31.03.2002	31.03.2003	31.03.2004	31.03.2005	31.03.2006	30.09.2006
Land & site development	2.03	5.95	8.32	8.32	8.32	8.32
Building interiors & fixtures	6.35	6.35	6.35	6.41	18.53	41.68
Furniture	1.75	1.75	1.79	2.17	20.10	20.68
Computers	4.24	5.85	7.61	9.04	25.95	36.98
Office equipment	0.41	0.43	0.58	0.76	12.10	15.42
Vehicles	1.09	0.25	1.78	5.88	6.73	6.73
Fire fighting equipment	0.10	0.10	0.10	0.10	0.00	0.00
Air conditioners	0.79	0.79	0.94	0.94	3.35	3.86
Library books	0.07	0.07	0.07	0.07	0.09	0.09
Total	**16.82**	**21.53**	**27.55**	**33.69**	**95.17**	**133.75**

FINANCIAL INFORMATION OF GROUP COMPANIES

Please refer to the Section titled "Our Promoters and Group Companies" on page 92.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND U.S. GAAP

The summarized financial information and financial statements included in this Prospectus have been prepared in accordance with the requirements of the Companies Act and accounting principles generally accepted in India (collectively "Indian GAAP"), which differ in certain respects from the accounting principles generally accepted in the United States (or "U.S. GAAP").

The following table summarizes significant measurement differences between U.S. GAAP and Indian GAAP insofar as they affect financial information reported in this Prospectus.

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 Prospectus. These, together with standards that are in the process of being developed in both jurisdictions, could have a significant impact on future comparisons between U.S. GAAP and Indian GAAP.

	Particulars	Indian GAAP	U.S. GAAP
1	Format and content of financial statements	Entities are required to present balance sheets, profit and loss accounts and, if listed or proposing listing or Company with turnover exceeding Rs.500 million, cash flows for two years together with accounting policies, schedules and notes. Entities seeking a listing are required to present five years of adjusted financial information. Format for presentation of financial statements is as prescribed by the relevant statue.	All entities are required to present balance sheets, income statements, statements of changes in shareholders' equity, cash flows and comprehensive income, together with accounting policies and notes to the financial statements. The extent of disclosures in the notes to financial statements generally is for more extensive than under Indian GAAP. No specific format is mandated; generally items are presented on the face of the Balance Sheet in decreasing order of liquidity. Income statement items may be presented using a single-step or a multiple step format. Expenditure must be presented by function. Securities Exchange Commission ("SEC") registrants are generally required to present two years of balance sheets and three years for all other statements.

	Particulars	Indian GAAP	U.S. GAAP
2	Consolidation and investments in subsidiaries	In India, the reporting entity generally follows legal form, and under the Companies Act is considered to be the legal entity rather than a group.	Under U.S.GAAP, there is a presumption that consolidated financial statements present more meaningful financial information for a parent and subsidiaries than separate financial statements of the parent.
		Accordingly, there is no legal requirement to prepare consolidated financial statements. In unconsolidated financial statements, investments in subsidiaries, if classified as long term investments, are accounted at cost less an allowance for permanent impairments. If disclosed as current investments, they are valued at lower of cost and fair value.	Accordingly, consolidation is required for entities where the parent has majority financial control, generally when it controls more than 50% of the outstanding voting stock, except when control is likely to be temporary or is impaired. Separate financial statements of the parent only are not presented.
		Accounting Standard (AS 21) on "Consolidated Financial Statements", does not require consolidation, but sets out the standard to be followed in the event that consolidated financial statements are presented or required by law or regulation. SEBI requires listed companies and those seeking a listing to publish consolidated financial statements in accordance with AS21 in addition to the separate financial statements of the parent.	Entities where the minority shareholder has substantive participating rights overcome the presumption that the majority shareholder controls the entity thus precluding consolidation of the results of that entity. In such cases, the equity method of accounting applies.
		For the purposes of identifying the voting interests held in an investee, direct interests and those indirect interests held through a subsidiary are considered.	Entities where the minority shareholder has protective rights only are consolidated.
			For the purposes of identifying the voting interests held in an investee, all direct and indirect interests are considered. Accordingly, certain investees may be considered as subsidiaries to be consolidated under U.S. GAAP which may be treated as equity affiliates under Indian GAAP.In January 2003, the FASB issued Interpretation No.46, "Consolidation of Variable Interest Entities" an interpretation of Accounting Research Bulletin (ARB) 51 that applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. A variable interest entity to be consolidated is one in which a party could face risk of loss without having an equity interest, and includes many entities that would previously have remained off-balance sheet.

	Particulars	Indian GAAP	U.S. GAAP
3	Investments in securities	Investments are classified as long term or current.	Investments in marketable equity securities and all debt securities are classified according to management's holding intent into one of the following categories trading available for sale or held to maturity.
		Current investments that are readily realizable and not intended to be held for more than one year from the date of purchase are carried at the lower of cost or fair market value. Unrealized losses are charged to the income statement; unrealized gains are not recorded except to restore previously recorded unrealized losses that may have reversed.	Trading securities are marked to fair value with the resulting unrealized gain or loss recognized currently in the income statement.
4	Investments in associates or affiliates	The equity method of accounting for investments in associates is required in consolidated financial statements of listed companies. The definition of associates and equity accounting are essentially similar to US GAAP. There is no requirement to apply the equity method of accounting in the unconsolidated financial statements of the parent and the same are accounted for in the same manner as other investments in the unconsolidated financial statements of a parent.	Investments over which the investor can exert significant influence, generally presumed when the investor owns between 20% and 50% of the voting stock, are required to be accounted for using the equity method.
			The equity method requires investors to record their investment in the associate as a one-line asset and reflect their share of the investee's net income/loss in their earnings. Dividends received reduce the investment account.This method is also followed for unconsolidated subsidiaries.
5	Property plant and equipment	Fixed assets are recorded at historical costs or revalued amounts. On revaluation, an entire class of assets is revalued, or a selection of assets for revaluation is made on a systematic basis. There is no restriction on the frequency of revaluation. However, revaluation should not exceed the recoverable amount of assets	Revaluations are not permitted.

	Particulars	Indian GAAP	U.S. GAAP
6	Impairment of assets	Applicable for accounting periods beginning from April 1, 2004 onwards.	SFAS No.144 develops one accounting model for long-lived assets other than goodwill that are to be disposed of by sale, as well as addresses the principal implementation issues.
		The standard required companies to assess whether there is any indication that an asset is impaired at each balance sheet date. If such an indication exists, the Company is required to estimate the recoverable amount of the asset. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset should be reduced to its recoverable amount and reported as an impairment loss.	SFAS No.144 requires that long-lived assets that are to be disposed of by sale be measured at the lower of book value or fair value less cost to sell.
			The impairment review is based on undiscounted cash flows at the lowest level of independent cash flows. If the undiscounted cash flows are less than the carrying amount, the impairment loss must be measured using discounted cash flows.
7	Intangible Assets	AS 26 on Intangible Assets became effective in respect of expenditure incurred on intangible items during accounting period commencing on or after April 1, 2003 in respect of listed public companies. The standard differentiates between intangible items and intangible assets whereby intangible items are expensed and intangible assets should be recognized if and only if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.	Purchased intangibles are capitalized at their fair value. Costs relating to internally developed intangible assets are expenses when incurred.
			Intangible assets with definite lives are amortized over the expected period of benefit. Intangible assets with indefinite lives are not amortized but are subject to an annual impairment test or more frequently in the event of a triggering event.

	Particulars	Indian GAAP	U.S. GAAP
8	Borrowing costs and interest capitalized	Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a cost of the asset. Other borrowings cost are recognized as an expense in the period in which they are incurred.	Interest cost is capitalized as part of the cost of an asset that is constructed or produced for an enterprise's own use. The capitalization period begins when activities commence to make the assets ready and ends when the assets are ready for use. The capitalized interest is expensed over the estimated useful life of the asset as part of the depreciation charge.
		Foreign exchange gains or losses relating to borrowings incurred to construct fixed assets are treated as a part of borrowings costs during the construction period.	Origination or commitment fees incurred to obtain a borrowing are treated as a deferred charge and amortized using the effective interest method over the life of the debt.
		Debt issuance costs may be amortized, charged as an expense or charged to the Securities Premium Account.	
9	Foreign exchange	Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary items are restated at year end exchange rates, Exchange differences arising on transactions of monetary items are recognised as income or expense in the year in which they arise except in respect of liabilities for the acquisition of fixed asset where such exchange difference is adjusted in the carrying cost of the fixed assets.	All gains and losses arising from foreign currency transaction are included in determining net income.
10	Deferred taxation	Deferred taxes are required to be provided for the tax effect of timing differences between taxable income and accounting income using substantively enacted tax rates.	Deferred tax liabilities and assets are recorded for the tax effect of temporary differences between the tax and book bases of assets and liabilities and operating loss carry-forwards, at currently enacted tax rates expected to be in force when the temporary differences reverse. Changes in tax rates are reported in the income statement in the period of enactment.
		Deferred tax assets arising due to unabsorbed depreciation or carry forward of losses are recognized only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.	A valuation allowance is made against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.
		Other deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.	

	Particulars	Indian GAAP	U.S. GAAP
11	Proposed dividend	Proposed dividends are recognized in the financial statements in the period to which they relate, even if they are subject to shareholders' approval.	Dividends are recorded in the year of declaration.
12	Vacation accrual	Vacation accrual, or leave encashment, is viewed as a retirement entitlement and is generally reported at the actuarially determined present value of future benefits.	Vacation earned but not taken is reported as a liability based on the number of days entitlement, priced at the balance sheet salary rate.
13	Retirement benefits	The liability for defined benefit plans like gratuity and pension is determined as per actuarial valuation. The actuarial gains or shortfall are recognized immediately in the Profit & Loss account. Expenditure incurred on voluntary retirementscheme may be deferred.	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 determine assumptions. Expenditure incurred on voluntary retirement scheme should be expensed in the period incurred.
14	Depreciation	Depreciation is generally charged at rates prescribed by the Companies Act. These rates are the minimum rates, and companies are permitted to charge depreciation at higher rates, in order to write off the cost of assets over their useful lives, if shorter.	Depreciation is provided in a systematic and rational manner over the estimated useful economic life of the assets.
15	Miscellaneous Expenditure	AS - 26 effective from April 1, 2004 disallowsdeferral of expenses related to product advertising, preliminary expenses. However it allows certain accounting issues of specialized nature to be accounted differently	Does not allow deferral of expenses, However cost of direct response advertising may be deferred over the period expected to be benefited.
16	Off-balance sheet items	As enterprise should disclose for each class of contingent liability at balance sheet date, a brief description of the nature of the contingent liability in terms of accounting standard 29. Amount of capital commitment is also to be disclosed.	SEC registrants are required to provide extensive disclosures of material off-balance sheet items, contingent liabilities and financial guarantees. Commitments and contingencies are required to be disclosed.
17	Segments	Specified segment disclosures are provided which could either be business segments or geographical segments.	Segments information is provided for reportable segments based on the segments for which the chief operating decision maker allocates resources and measures performance. The amount to be disclosed corresponds to the measures of performance used by the chief operating decision maker.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our consolidated and unconsolidated restated financial statements prepared in accordance with Indian GAAP and restated in conformance with SEBI (DIP)guidelines, including the schedules, annexure and notes thereto and the independent auditors' reports thereon, all of which appear beginning on page 99 of this Red Herring Prospectus. Our restated financial statements have been examined by our independent auditors and are derived from our audited consolidated and unconsolidated financial statements. You should also read the section titled 'Risk Factors' beginning on page xv of this Red Herring Prospectus which discusses a number of factors and contingencies that could impact our financial condition, results of operations and cash flows and the balance of this Red Herring Prospectus. The following discussion relates to Tanla Solutions Limited and its subsidiaries on a consolidated basis and Tanla Solutions Limited on an unconsolidated basis.

Overview of the Business of the Company

We are a telecom infrastructure solutions and services provider. We commenced our commercial activities in the areas of telecom signalling solutions, specializing in SS7 (Signalling System 7) messaging infrastructure software products including Short Messaging Service Centre (SMSC), High Density Media Servers (HDMS), optimal routing solutions, welcome roamers, voice mail servers and caller ring back tone servers since the year 2000. Subsequently we started offering messaging applications & billing services (hereinafter referred as Aggregator Services) and offshore services including software development, infrastructure management services and technical support services.

Our head office and delivery centres are located at Hyderabad, India and worldwide marketing is led by our UK offices. Our subsidiary Tanla Solutions (UK) Limited, has Mobizar Limited as a wholly owned subsidiary providing Aggregator Services in the United Kingdom.

We have witnessed growth over the years and completed two acquisitions in the fiscal year 2004-2005, namely Techserv Teleservices Limited. of the UK (now known as Tanla Solutions (UK) Limited) and Smartnet Communication Systems Pvt. Limited. of Kolkata. During fiscal 2005-06, Tanla Solutions (UK) Limited acquired Tanla Mobile Limited (previously known as Mobizar Limited) as its wholly owned subsidiary.

Our business has evolved over the years from being a telecom product licensing company to providing integrated telecom products and services on a revenue sharing/pay for use revenue model. We believe that we have a broad range of wireless messaging products and services that allows us to service content providers and telecom operators.. We have categorised our business in the following three related areas:

- Telecom Signalling Solutions
- Messaging Applications & Billing Services (Aggregator Services)
- Offshore Services

Significant Developments Subsequent to 30th September 2006

Subsequent to 30th September 2006, there have been no significant developments affecting the value of the Company's assets and its ability to service its debts.

Factors that May Affect Results of Operations

- General economic conditions in India, the UK and the other local and international markets in which we operate
- Changes in the demand for telecom products and services, particularly for telecom infrastructure products and services
- Fluctuations of the Indian Rupee against foreign currencies
- Increases in wages for IT professionals in India which could affect recruiting and the retention of manpower and our costs.
- Competition in India, Europe and other international markets from other IT/telecom product and services companies
- Demand for the products and services of our clients in the Indian, UK and other local and international markets in which we operate
- Our ability to expand international operations and increase our customer base across strategic business units
- Strategic acquisitions and alliances
- Time to market for new products and services

CONSOLIDATED RESULTS OF OPERATIONS

CONSOLIDATED FINANCIAL INFORMATION (FY 2005 AND FY 2006, H1 of 2006 and H1 of 2007)

Rs in Million

Particulars	FISCAL 2005 Income	% of Total	FISCAL 2006 Income	% of Total 30/09/2005	Half year ended Income	% of Total 30/09/2006	Half year ended Income	% of Total
Income								
Sales:								
- From products and Services	223.86	98.50%	630.21	99.84%	205.16	99.78%	870.76	99.93%
Other Income	3.41	1.50%	1.02	0.16%	0.45	0.22%	0.57	0.07%
Total Income	227.27	100.00%	631.22	100.00%	205.61	100.00%	871.33	100.00%
Expenditure								
Personnel Cost	13.68	6.02%	34.19	5.42%	15.52	7.54%	34.953	4.01%
Operating and Administrative Expenses	131.98	58.07%	245.11	38.83%	69.64	33.87%	389.437	44.69%
Sub Total	145.66	64.09%	279.30	44.25%	85.16	41.42%	424.39	48.71%
Operating Profit-EBIDTA	81.62	35.91%	351.92	55.75%	120.45	58.58%	446.94	51.29%
Financing(Net)	0	0		0	0.00%	0.00	0.00%	
Amortization	1.71	0.75%	0.00	0.00%	0	0.00%	0.00	0.00%
Profit before Depreciation,	79.91	35.16%	351.92	55.75%	120.45	58.58%	446.94	51.29%
Tax & Non-recurring items								
Depreciation	2.59	1.14%	7.92	1.25%	1.6	0.78%	13.025	1.49%
Net Profit/(Loss) before Tax & Non-Recurring Items	77.31	34.02%	344.00	54.50%	118.85	57.80%	433.915	49.80%
Current Tax	8.90	3.92%	41.53	6.58%	2.52	1.22%	75.093	8.62%
Deferred Tax	0	0.00%	0	0.00%	0	0.00%	1.730	0.20%
Net Profit / (Loss) after Tax and before Non- Recurring Items	68.41	30.10%	302.47	47.92%	116.32	56.57%	357.092	40.98%
Extraordinary Items	0.00	0.00%	0.00	0.00%	0	0.00%	0	0.00%
Net Profit/(Loss) after Tax	68.41	30.10%	302.47	47.92%	116.32	56.57%	357.092	40.98%

TANLA

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES

Rs. in Million

Period ended on	31.03.2005	31.03.2006	30.09.2005	30.09.2006
Assets				
Fixed Assets-Gross Block	35.51	114.78	69.53	215.43
Less: Depreciation	8.95	15.58	9.39	29.06
Net Block (I)	**26.55**	**99.20**	**60.14**	**186.37**
Add: Goodwill **(II)**	**29.79**	**29.79**	**29.79**	**29.79**
Add: Current Assets, Loans & Advances (A)	**127.71**	**428.40**	**206.69**	**725.42**
Inventory (Product under development)	2.98	0.00	2.98	0
Sundry Debtors	44.17	236.51	125.35	485.74
Cash & Bank Balances	64.59	180.80	69.26	198.91
Loans & Advances	15.97	11.09	12.08	40.77
Less: Current Liabilities & Provisions (B)	**30.08**	**119.47**	**29.63**	**141.23**
Current Liabilities	7.64	63.64	34.26	
Provisions	22.44	55.83	106.97	
Net Current Assets (III) (A) - (B)	**97.63**	**308.93**	**177.05**	**584.19**
Total Net Assets (I) + (II) + (III)	**153.98**	**437.92**	**269.96**	**800.35**
Liabilities				
Represented By				
Share Capital	68.23	68.23	68.23	68.23
Add: Reserves & surplus	84.57	366.88	200.56	733.59
Less: Misc. Expenditure not written off	0.00	4.18	0.00	10.19
Sub Total	**152.80**	**430.93**	**268.79**	**791.63**
Add: Loan Funds	0.00	0.00	0.00	0
Add: Deferred Tax Liability	1.18	6.99	1.18	8.72
Total Funds	**153.98**	**437.92**	**269.96**	**800.35**

CONSOLIDATED RESULTS OF OPERATIONS

Financial Comparison of Consolidated H1 2007 Vis-À-Vis Consolidated H1 2006

Consolidated total income for the first half of fiscal year 2007 was Rs. 870.76 Million, as compared with consolidated total income for first half of fiscal year 2006 of Rs. 205.16 Million, representing an increase of 324%. Predominantly all of consolidated total income in both periods consisted of sales income.

Sales

Consolidated sales are principally generated through Telecom Signalling Solutions, Aggregator Services and Offshore Services. Consolidated sales for the first half of fiscal year 2007 increased by Rs. 665.60 Million to Rs. 870.76 Million (from Rs. 205.16 Million for the first half of fiscal 2006), an increase of 324% from period to period. This increase in sales was mainly due to the increase in operations in the area of Aggregator Services that followed our acquisitions in the UK, and to increased offshore services sales. Out of our total consolidated revenue in first half of FY 2007, approximately 99.49% was derived from clients outside India. Out of our total revenue in first half of FY 2006, approximately 99.78% was derived from clients outside of India.

Personnel Cost

Personnel cost includes salaries and wages, contributions to provident funds and other retirement benefits, staff welfare expenses and employee leave encashment expenses.

Expenditures on personal cost in first half of FY 2007 were Rs. 34.95 Million (4.01% of consolidated total income) and in first half of FY 2006 were Rs. 15.52 Million (7.54% of consolidated total income), representing an increase of 125% period to period. Personnel cost increased principally due to increased headcount in India.

Operating and Administrative Expenses

Operating and administrative expenses include principally expenses on account of our cost of services, travel, maintenance, communication, legal and professional expenses, electricity, exchange losses and direct project-related expenses.

Overall, the Company's operating and administrative expenses in first half of fiscal year 2007 were Rs. 389.44 Million (44.69% of consolidated total income) compared to Rs. 69.64 Million (33.87% of consolidated total income) in first half of fiscal year 2006, representing an increase of 459% period to period. This increase of 10.82 percentage points is principally due to changes in the type of services being offered by the Company and an increase in the volume of Aggregator Services and offshore services, where in payouts and wage costs are high apart from increase in advertisement and business promotion expenses incurred to build brand image.

Operating Profit - EBIDTA

Operating profit – EBIDTA for the first half of fiscal year 2007 was Rs. 446.94 Million, representing 51.29% of total income, as against Rs. 120.45 Million, representing 58.58% of consolidated total income, during first half of fiscal year 2006. The drop in EBIDTA margin in first half of fiscal Year 2007 over first half of fiscal 2006 was primarily due to increased personal costs and increase in operating & administrative costs. Operating profit – EBIDTA increased by 271% from first half of fiscal year 2007 to first half of fiscal year 2006.

Interest

The Company continued to be debt free and therefore there were no interest charges in either of the relevant periods.

Depreciation

Depreciation in first half of fiscal year 2007 was Rs. 13.02 Million (1.49% of consolidated total income) as compared to Rs. 1.60 Million (0.78% of consolidated total income) in first half of fiscal year 2006 representing an increase of 714% period to period.

The increase in depreciation was primarily on account of our completing and occupying our new head office and delivery centre in Hyderabad, India, which is equipped to accommodate around 280 people and additions to infrastructure facilities at Tanla UK and Tanla Mobile.

Taxation

Taxation consists principally of income tax relating to our operations in India and the UK. Income taxes consist of current taxes and changes in deferred tax liabilities and assets. With respect to our Indian operations, we are eligible to claim a deduction with respect to profits derived from our undertaking to set up as a Software Technology Park ('STP') unit for the export of articles or things or computer software for a period of ten consecutive assessment years. Under current laws, the tax incentives available to our units terminate on March 31, 2010.

Tax (inclusive of deferred tax) on total income in first half of fiscal year 2007 was Rs. 76.82 Million (8.82% of consolidated total income) as compared to Rs. 2.52 Million (1.22% of consolidated total income) for first half of fiscal year 2006, an increase of almost 30 times period to period. The increase in percentage of taxes from 1.22% to 8.82% reflects the increase in the proportion of our consolidated total income received from our overseas subsidiaries, where no tax holiday is available.

Profit After Tax

Profit after tax for first half of fiscal year 2007 grew to Rs. 357.09 Million from Rs. 116.32 Million in first half of fiscal year 2006 a growth rate of 207%. Profit after tax as a percentage of consolidated total income was 40.98% in first half of fiscal year 2007, as compared to 56.57% in first half of fiscal year 2006. The decrease in PAT margin in the first half of fiscal year 2007 over first half of fiscal year 2006 is primarily attributed to the increase in taxes.

Financial Comparison of Consolidated Fiscal Year 2006 Vis-À-Vis Consolidated Fiscal Year 2005

Consolidated total income for fiscal year 2006 was Rs. 631.22 Million, as compared with consolidated total income for fiscal year 2005 of Rs. 227.27 Million, representing an increase of 178%. Predominantly all of consolidated total income in both years consisted of sales income

Sales

Consolidated sales are principally generated through Telecom Signalling Solutions, Aggregator Services and Offshore Services. Consolidated sales for the fiscal year 2006 rose by Rs. 406.35 Million to Rs. 630.21 Million (from Rs. 223.86 Million for fiscal 2005), an increase of 182% YOY. This increase in sales was mainly due to the increase in operations in the area of Aggregator Services that followed our acquisitions in the UK, and to increased offshore services sales. Out of our total revenue in FY 2006, approximately 99% was derived from clients outside of India. Approximately two-thirds of our overseas revenue came from the UK and the rest principally from the Asia Pacific region. Out of our total revenue in FY 2005, approximately 95% was derived from clients outside of India. The increase in the proportion of overseas revenue from FY 2005 to FY 2006 was on account of our increasing focus on overseas clients.

Personnel Cost

Personnel cost includes salaries and wages, contributions to provident funds and other retirement benefits, staff welfare expenses and employee leave encashment expenses.

Expenditures on personnel cost in FY 2006 were Rs. 37.15 Million (5.88% of total income) and in FY 2005 were Rs. 13.68 Million (6.02% of total income), representing an increase of 171% YOY. Personnel cost increased principally due to increases in manpower headcount in India.

Operating and Administrative Expenses

Operating and administrative expenses include principally expenses on account of our cost of services, travel, maintenance, communication, legal and professional expenses, electricity, exchange losses and direct project-related expenses.

Overall, the Company's operating and administrative expenses in fiscal year 2006 were Rs. 242.16 Million (38.36% of total income) compared to Rs. 131.98 Million (58.07% of total income) in fiscal year 2005, representing an increase of approximately 83% YOY. The fact that operating and administrative expenses increased but at a substantially lower rate than our increase in sales reflected in part our realisation of synergies with our new acquisition, Tanla (UK).

Operating Profit - EBIDTA

Operating profit – EBIDTA for the Fiscal Year 2006 was Rs. 351.92 Million, representing 55.75% of total income, as against Rs. 81.61 Million, representing 35.91% of total income, during Fiscal Year 2005, an increase of 331% YOY

Interest

The Company continued to be debt free and therefore there were no interest charges in either of relevant years.

Depreciation

Depreciation in Fiscal Year 2006 was Rs. 7.92 Million (1.25% of total income) as compared to Rs. 2.59 Million (1.14% of total income) in Fiscal Year 2005, representing a growth rate of 206%. The increase in depreciation was primarily on account of our completing and occupying our new head office and delivery centre in Hyderabad, India, which is equipped to accommodate around 280 people.

Taxation

Taxation consists principally of income tax relating to our operations in India and the UK. Income taxes consist of current taxes and changes in deferred tax liabilities and assets. With respect to our Indian operations, we are eligible to claim a deduction with respect to profits derived from our undertaking to set up as a Software Technology Park ('STP') unit for the export of articles or things or computer software for a period of ten consecutive assessment years. Under current laws, the tax incentives available to our units terminate on March 31, 2010.

Tax (inclusive of deferred tax) on total income in Fiscal Year 2006 was Rs. 41.53 Million (6.58% of total income) as compared to Rs. 8.90 Million (3.92% of total income) in Fiscal Year 2005, an increase of approximately 366% YOY. The increase reflects the increase in the proportion of our income received from our overseas subsidiaries, where no tax holiday is available.

Profit After Tax

Profit after tax for Fiscal Year 2006 grew to Rs. 302.47 Million from Rs. 68.41 Million in Fiscal Year 2005. Profit after tax as a percentage of total income was 47.92% in Fiscal Year 2006, as compared to 30.10% in Fiscal Year 2005. Profit after tax increased 342% YOY.

CONSOLIDATED LIQUIDITY & CAPITAL RESOURCES

Cash Flow **(Rs in Million)**

	Fiscal 2005	Fiscal 2006	H1 2006	H1 2007
Net cash flow from operations	40.60	213.52	52.09	142.84
Net cash flow from investing activities	0.74	(80.33)	(35.22)	(105.15)
Net cash flow from financing activities	(2.82)	(16.98)	(12.21)	(19.57)
Cash and cash equivalents at the beginning of the period	**26.08**	**64.59**	64.59	180.80
Cash and cash equivalents at the end of the period	**64.59**	**180.80**	69.26	198.91

Comparison of consolidated first half of fiscal year 2007 Vis-à-vis consolidated first half of fiscal Year 2006

During first half of fiscal year 2007, the Company experienced a significant improvement in its liquidity position compared to first half of fiscal year 2006. Cash and cash equivalents grew to Rs. 198.91 Million at the end of fiscal year 2007, as compared to Rs. 69.26 Million at the end of first half of fiscal year 2006.

Net cash flow from operations

Our net cash flow from operations was substantially higher in first half of fiscal year 2007 principally due to the increase in sales. Net Working Capital (herein defined as current assets minus current liabilities) grew to Rs. 584.19 million at the end of first half of fiscal year 2007, as compared to Rs. 308.93 Million at the end of fiscal year 2006. Working capital movements included an increase in trade receivables from fiscal year 2006 to the first half of fiscal year 2007 of Rs. 249.23 Million and a decrease in Current liabilities of Rs.29.38 Million. Receivables increased as a result of the increase in our sales and consequent increases in our general business activities.

The company has never borrowed funds for its working capital requirements.

Net cash flow from investing activities

We had a substantial net cash outflow in investing activities in first half of financial year 2007, compared to first half of financial year 2006, principally due to the purchase of IT infrastructure, furniture, fixtures and other assets for our new head office and delivery centre at Hyderabad and ifor our subsidiaries in the UK.

Net cash flow from financing activities

In the first half of financial year 2007, we used cash of Rs. 25.46 Million towards the payment of dividends and follow on public issue related expenses.

Assets

The Company's gross block has increased by 96% to Rs. 215.43 Million as of 30 September 2007, from Rs. 109.70 Million as of 31 March 2006. The increase in gross block was primarily on account of our setting up our new head office and delivery centre at Hyderabad, India and additions to infrastructure facilities at Tanla UK and Tanla Mobile. The entire investment in the relevant fixed assets was funded out of internally generated cash flows.

Sundry Debtors (Accounts Receivable)

Sundry debtors considered realizable as of September 30, 2006 amounted to Rs. 485.74 Million as against Rs. 236.51 Million as of March 31, 2006. The company provides credit to customers for periods ranging from 60 to 90 days. The increase in sundry debtors as at September 30, 2006 was primarily on account of our increased volume of business.

Current Liabilities & Provisions

Current Liabilities & Provisions increased by 18% to Rs. 141.23 Million as of 30 September 2006 from Rs. 119.47 Million as of 31 March 2006. **The increase in provisions was primarily due to a higher income tax provision.**

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements except for contractual commitments for forward exchange hedging contracts worth 164.81 Million as on 30th September 2006

Comparison of Consolidated Fiscal Year 2006 Vis-à-vis Consolidated Fiscal Year 2005

During fiscal year 2006, the Company experienced a significant improvement in its liquidity position. Cash and cash equivalents grew to Rs. 180.80 Million at the end of fiscal year 2006, as compared to Rs. 64.59 Million at the end of fiscal year 2005.

Net cash flow from operations

Our net cash flow from operations was substantially higher in FY 2006 principally due to the increase in sales, partially offset by an increase in depreciation. Net Working Capital (herein defined as current assets minus current liabilities) grew to Rs. 308.93 million at the end of fiscal year 2006, as compared to Rs. 97.63 Million at the end of fiscal year 2005. Working capital movements included an increase in trade receivables from fiscal year 2005 to fiscal year 2006 of Rs. 188.45 Million and an increase in trade payables of Rs. 56.00 Million. Both our receivables and payables increased as a result of the increase in our sales and consequent increases in our general business activities.

The company has never borrowed funds for its working capital requirements.

Net cash flow from investing activities

We had a substantial net cash outflow from investing activities in FY 2006, compared to a small net inflow in FY 2005, principally due to the purchase of IT infrastructure, furniture, fixtures and other assets for our new head office and delivery centre at Hyderabad.

Net cash flow from financing activities

In FY2006, we used cash of Rs. 16.39 Million towards the payment of dividends and public issue expenses.

Assets

The Company's gross block has increased by approximately 223% to Rs. 114.78 Million as of 31 March 2006 from Rs. 35.51 Million as of 31 March 2005. The increase in gross block was primarily on account of our setting up our new head office and delivery centre at Hyderabad, India. The entire investment in the relevant fixed assets was funded out of internally generated cash flows.

Sundry Debtors (Accounts Receivable)

Sundry debtors considered realizable as of March 31, 2006 amounted to Rs. 236.51 Million as against Rs. 44.17 Million as of March 31, 2005. The company provides credit to customers for periods ranging from 60 to 90 days. The increase in sundry debtors as at March 31, 2006 was primarily on account of our increased volume of business.

Current Liabilities & Provisions

Current Liabilities & Provisions increased by 297% to Rs. 119.47 Million as of 31 March 2006 from Rs.30.08 Million as of 31 March 2005. The increase in current liabilities was because of outstanding amounts payable to service providers and provisions was primarily due to a higher income tax provision.

Off-balance Sheet Arrangements

We did not have any off-balance sheet arrangements except for contractual commitments for forward exchange hedging contracts worth Rs 5.645 Million as on 31st march 2006.

Critical Accounting Policies

1. **Basis of preparation of financial statements**

   The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the financial statements of Tanla Solutions Limited and its subsidiaries. All material inter-company balances and transactions are eliminated on consolidation. Assets and liabilities of subsidiaries are translated into Indian Rupees at the rate of exchange prevailing as at the balance sheet date. Revenues and expenses are translated into Indian Rupees at the average of the opening and closing rates.

2. **Use of estimates**

   The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. Management periodically assesses, using external and internal sources, whether there is an indication that an asset may be impaired. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from management's estimates.

3. **Revenue recognition**

   Revenue from software development on fixed-price, fixed-timeframe contracts is recognized when there is no uncertainty as to measurement or collectability. Revenue from time-and-material contracts is recognized as the related services are rendered. Provisions for estimated losses, if any, on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates. Annual technical services revenue and revenue from fixed-price maintenance contracts are recognized proportionately over the period in which services are rendered. Revenue from the sale of products for software applications is recognized on transfer of the products to the users.

4. Research and development

   Expenditure incurred on research and development is expensed as incurred. Capital expenditure incurred on research and development is depreciated on the straight-line method, pro-rata for the period of usage, in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956.

5. **Foreign currency transactions**

   The company translates all foreign currency transactions at exchange rates prevailing on the dates of the relevant transactions. Exchange rate differences resulting from foreign exchange transactions settled during the year are recognized as income or expense in the period in which they arise.

Monetary current assets and monetary current liabilities that are denominated in foreign currency are translated for reporting purposes at the exchange rate prevalent at the date of the relevant balance sheet. Any resulting difference is also recorded in the profit and loss account.

UNCONSOLIDATED FINANCIAL INFORMATION

UNCONSOLIDATED RESULTS OF OPERATIONS (H1 2006 – H1 2007)

Particulars	Half year ended 30/09/2005	% of Total Income	Half year ended 30/09/2006	% of Total Income
Income				
Sales:				
- From products and Services	162.808	99.76%	367.795	99.69%
Other Income	0.384	0.24%	1.138	0.31%
Total Income	163.192	100.00%	368.933	100.00%
Expenditure				
Personnel Cost	10.650	6.53%	22.702	6.15%
Operating and Administrative Expenses	39.936	24.47%	97.873	26.53%
Sub Total	50.586	31.00%	120.575	32.68%
Operating Profit-EBIDTA	112.606	69.00%	248.358	67.32%
Amortization	0.000	0.00%	0.000	0.00%
Profit before Depreciation, Tax & Non-recurring items	112.606	69.00%	248.358	67.32%
Depreciation	1.583	0.97%	4.857	1.32%
Net Profit / (Loss)before Tax & Non-Recurring Items	111.023	68.03%	243.501	66.00%
Current Tax	0.245	0.15%	14.963	4.06%
Deferred Tax	0.000	0.00%	1.73	0.47%
Net Profit/(Loss) after Tax and before Non- Recurring Items	110.778	67.88%	226.808	61.48%
Extraordinary Items	0.000	0.00%	0	0.00%
Net Profit / (Loss) after Tax	110.778	67.88%	226.808	61.48%

UNCONSOLIDATED RESULTS OF OPERATIONS (H1 of 2007 and H1 of 2006)

Financial Comparison of Unconsolidated H1 2006 Vis-À-Vis Unconsolidated H1 2007

Total income for the first half of fiscal year 2007 was Rs. 367.79 Million, as compared with total income for first half of fiscal year 2006 of Rs. 162.81 Million, representing an increase of 126%.

Sales

Sales are principally generated through Telecom Signalling Solutions, Aggregator Services and Offshore Services. Sales for the first half of fiscal year 2007 rose by Rs.204.99 Million to Rs. 367.79 Million (from Rs. 162.81 Million for the first half of fiscal 2006), an increase of 126% from period to period. Out of our total revenue in first half of FY 2007, approximately 99.69% was derived from clients outside of India. Out of our total revenue in first half of FY 2006, approximately 99.76% was derived from clients outside of India.

Personnel Cost

Personnel cost includes salaries and wages, contributions to provident funds and other retirement benefits, staff welfare expenses and employee leave encashment expenses.

Expenditures on personal cost in first half of FY 2007 were Rs. 22.70 Million (6.15% of total income) and in first half of FY 2006 were Rs. 10.65 Million (6.53% of total income), representing an increase of 113% period to period. Personnel cost increased principally due to increases in headcount.

Operating and Administrative Expenses

Operating and administrative expenses include principally expenses on account of our cost of services, travel, maintenance, communication, legal and professional expenses, electricity, exchange losses and direct project-related expenses.

Overall, the Company's operating and administrative expenses in first half of fiscal year 2007 were Rs. 97.87 Million (26.53% of total income) compared to Rs. 39.94 Million (24.47% of total income) in first half of fiscal year 2006, representing an increase of 145% period to period.

Operating Profit - EBIDTA

Operating profit – EBIDTA for the first half of fiscal year 2007 was Rs. 248.36 Million, representing 67.32% of total income, as against Rs. 112.61 Million, representing 69% of total income, during first half of fiscal year 2006. The drop in EBIDTA margin in first half of fiscal Year 2007 over first half of fiscal 2006 was primarily due to increased personal costs and increase in operating & administrative costs. Operating profit – EBIDTA increased by 121% from first half of fiscal year 2007 to first half of fiscal year 2006.

Interest

The Company continued to be debt free and therefore there were no interest charges in either relevant period.

Depreciation

Depreciation in first half of fiscal year 2007 was Rs. 4.86 Million (1.32% of total income) as compared to Rs. 1.58 Million (0.97% of total income) in first half of fiscal year 2006 representing an increase of208% period to period.

The increase in depreciation was primarily on account of our completing and occupying our new head office and delivery centre in Hyderabad, India, which is equipped to accommodate around 280 people.

Taxation

Taxation consists of income tax relating to our operations in India. Income taxes consist of current taxes and changes in deferred tax liabilities and assets. With respect to our Indian operations, we are eligible to claim a deduction with respect to profits derived from our undertaking to set up as a Software Technology Park ('STP') unit for the export of articles or things or computer software for a period of ten consecutive assessment years. Under current laws, the tax incentives available to our units terminate on March 31, 2010.

Tax (inclusive of deferred tax) on total income in first half of fiscal year 2007 was Rs. 16.69 Million (4.53% of total income) as compared to Rs. 0.25 Million (0.15% of total income) for first half of fiscal year 2006, an increase of almost 70 times period to period. Tanla India's effective tax rate increased due to an increase in the cost of overseas services which reduced the proportion of income exempt from tax (computed as export turnover minus the cost of overseas services as a proportion of total income). The increase in percentage of taxes from 0.15% to 4.53% due to tax provision made on the basis of net export earnings of undertaking.

Profit After Tax

Profit after tax for first half of fiscal year 2007 grew to Rs. 226.81 Million from Rs. 110.78 Million in first half of fiscal year 2006 achieving a growth rate of 105%.. Profit after tax as a percentage of total income was 61.48% in first half of fiscal year 2007, as compared to 67.88% in first half of fiscal year 2006. The decrease in PAT margin in the first half of fiscal year 2007 over first half of fiscal year 2006 is primarily attributed to the increase in taxes.

UNCONSOLIDATED LIQUIDITY & CAPITAL RESOURCES (H1 of 2007 and H1 of 2006)

Cash Flow Comparison

Rs in Million

	H1 2006	H1 2007
Net cash flow from operations	48.734	59.872
Net cash flow from investing activities	35.219	(32.370)
Net cash flow from financing activities	12.212	(25.460)
Cash and cash equivalents at the beginning of the period	48.609	145.570
Cash and cash equivalents at the end of the year	49.913	147.612

Comparison of Unconsolidated H1 2007 Vis-À-Vis Unconsolidated H1 2006

During first half of fiscal year 2007, the Company experienced a significant improvement in its liquidity position compared to first half of fiscal year 2006. Cash and cash equivalents grew to Rs. 147.61 Million at the end of fiscal year 2007, as compared to Rs. 49.91 Million at the end of first half of fiscal year 2006.

Net cash flow from operations

Our net cash flow from operations was higher in first half of fiscal year 2007 principally due to the increase in sales. Net Working Capital (herein defined as current assets minus current liabilities) grew to Rs. 446.86 million at the end of first half of fiscal year 2007, as compared to Rs. 152.55 Million at the end of fiscal year 2006. Working capital movements included an increase in trade receivables from fiscal year 2006 to the first half of fiscal year 2007 of Rs. 82.09 Million and increase in Current liabilities of Rs.35.52 Million. Receivables increased as a result of the increase in our sales and consequent increases in our general business activities.

The company has never borrowed funds for its working capital requirements.

Net cash flow from investing activities

We had a substantial net cash outflow in investing activities in first half of financial year 2007, compared to first half of financial year 2006, principally due to the purchase of IT infrastructure, furniture, fixtures and other assets for our new head office and delivery centre at Hyderabad.

Net cash flow from financing activities

In the first half of financial year 2007, we used cash of Rs. 25.46 Million towards the payment of dividends and follow on public issue related expenses.

UNCONSOLIDATED RESULTS OF OPERATIONS (FY 2003- FY 2006)

(Rs in Million)

Particulars	FY 2003	% ofTotal Income	FY 2004	% ofTotal Income	FY 2005	% ofTotal Income	FY2006	% of Total Income
Income								
Sales:								
From Products and Services	15.66	100%	57.25	98%	71.22	96%	413.96	99%
Other Income	0.04	0%	1.40	2%	3.23	4%	5.54	1%
Total Income Expenditure	**15.70**	**100%**	**58.65**	**100%**	**74.45**	**100%**	**419.50**	**100%**
Personnel Cost	2.23	14%	4.45	8%	8.24	11%	23.90	6%
Operating and Adminisration. Expenses	11.06	70%	21.90	37%	14.35	19%	113.48	27%
Sub Total	**13.29**	**85%**	**26.35**	**45%**	**22.59**	**30%**	**137.38**	**33%**
Operating Profit-EBIDTA	2.41	15%	32.30	55%	51.86	70	282.12	67%
Interest	0	0	0%	0				
Amortization	0.29	2%	.29	.50%	1.71	2%	0	0%
Profit before Depreciation,	2.13	0.14	32.01	55%	50.15	67%	282.12	67%
Tax & Non-recurring items								
Depreciation	1.37	9%	1.84	3%	2.32	3%	4.28	1%
Net Profit / (Loss) before Tax & Non-Recurring Items	0.75	0.05	30.17	51%	47.83	64	277.84	66%
Current Tax	-0.11	-1%	-0.25	-.43%	0.28	.37%	20.50	5%
Deferred Tax		0%						
Net Profit / (Loss) after Tax and before Non- Recurring	0.86	6%	30.42	52%	47.55	64%	257.34	61%
Items								
Exceptional Items	0.27	2%	0	0%	0	0%	0	0%
Net Profit / (Loss) after Tax	0.59	4%	30.42	52%	47.55	64%	257.34	61%

UNCONSOLIDATED RESULTS OF OPERATIONS (FY 2003- FY 2006)

A. Financial Comparison Of Unconsolidated Fiscal 2006 Vis-À-Vis Unconsolidated Fiscal Year 2005

Income for fiscal year 2006 totalled Rs. 413.96 Million as compared with total income for fiscal year 2005 of Rs. 71.22 Million representing an increase of 481%.

The break-up of total income for fiscal year 2006 and fiscal year 2005 is as follows:

Particulars	31.03. 2006		31.03.2005		Growth
	Rs. Million	% of Total Income	Rs. Million	% of Total Income	%
Exports Sales	403.00	96.81%	65.41	87.85%	516.13%
Domestic Sales	10.96	2.63%	5.81	7.81%	88.56%
Total Sales	413.96	99.45%	71.22	95.66%	481.24%
Other Income	5.54	0.55%	3.23	4.34%	71.52%
Total Income	**419.49**	**100.00%**	**74.45**	**100.00%**	**463.45%**

Sales

Sales for the fiscal year 2006 were up by Rs. 342.74 Million (481%) to Rs. 413.96 Million (Rs. 71.22 Million for fiscal 2005). This substantial increase was mainly due to synergies achieved as a result of the acquisitions in the FY 2005 of Techserv UK(now Tanla Solutions (UK) Limited.) and Smartnet Communication Systems Private Limited, and to increases in sales of Tanla India's solutions offerings in the UK and the Asia Pacific region, Aggregator Services and offshore services

Other Income

Other income for the fiscal 2006 was up by Rs. 2.30 Million (71.3%) to Rs. 5.54 Million as compared to Rs. 3.23 Million in fiscal 2005. The increase in other income is mainly due to the dividend of GBP 60,000 (Rs. 4.60 Million) received from Tanla Solutions (UK) Limited.

Personnel Cost

Personnel cost in fiscal year 2006 was Rs.23.90 Million (6% of the total income) and in fiscal year 2005 was Rs.8.24 Million (11% of the total income) an increase of 190% YOY. Personnel cost increased principally due to increases in manpower headcount in India.

Operating and Administrative Expenses

Overall, the Company's operating and administrative expenses in the Fiscal year 2006 were Rs.113.48 Million (27.05% of total income) and the Fiscal year 2005 were Rs.14.35 Million (19.27% of total income) an increase of 691.06% YOY. This increase of 7.78 percentage points is principally due to changes in the type of services being offered by the Company and an increase in the volume of Aggregator Services and offshore services, where in payouts and wage costs are high apart from increase in advertisement and business promotion expenses.

Operating Profit - EBIDTA

Operating profit – EBIDTA for the Fiscal Year 2006 was Rs.282.12 Million, representing 67.25% of total income, as against Rs.51.86 Million, representing 70% of the total income during the Fiscal Year 2005, an increase of 444% YOY.

Interest

The Company continued to be debt free and therefore there were no interest charges in either relevant period.

Depreciation

Depreciation in Fiscal Year 2006 was Rs. 4.28 Million (1.03% of total income) as compared to Rs. 2.31 Million (3.32% of total income) in Fiscal Year 2005. The increase in depreciation was primarily on account of our completing and occupying our new head office and delivery centre in Hyderabad, India, which is equipped to accommodate around 280 people.

Taxation

Tax (inclusive of deferred tax) on total income in Fiscal Year 2006 was Rs. 20.50 Million (4.89% of total income) as compared to Rs. 0.28 Million (0.37% of total income) in Fiscal Year 2005. Tanla India's effective tax rate increased due to an increase in the cost of overseas services which reduced the proportion of income exempt from tax (computed as export turnover minus the cost of overseas services as a proportion of total income). For the Fiscal Year 2006, approximately 98.68% of total income came from software development in India conducted under the applicable tax holiday.

Profit After Tax

Profit after tax for Fiscal Year 2006 grew to Rs. 257.34 Million from Rs. 47.57 Million in Fiscal Year 2005. Profit after Tax as a percentage of total income was 61.35% in Fiscal Year 2006, as compared to 63.89% in Fiscal Year 2005. Profit after tax increased 440.98% YOY.

B. Financial Comparison Of Unconsolidated Fiscal Year 2005 Vis-À-Vis Unconsolidated Fiscal Year 2004

Total income for Fiscal Year 2005 was Rs. 74.45 Million representing an increase of 27% from Rs. 58.65 Million in Fiscal Year 2004.

Particulars	**31.03.2005**		**31.03.2004**		**Growth**
	Rs. Million	**%**	**Rs. Million**	**%**	**%**
Exports Sales	65.41	87.85	34.10	58.13	91.83
Domestic Sales	5.81	7.81	23.15	39.47	(74.90)
Total Sales	71.22	95.66	57.25	97.61	24.40
Other Income	3.23	4.34	1.40	2.39	130.36
Total Income	74.45	100	58.65	100	26.93

Sales

Exports saw a growth of 91.83% to Rs. 65.41 Million in fiscal year 2005 compared to Rs. 34.10 Million in fiscal year 2004. Domestic sales decreased by 74% to Rs. 5.81 Million in fiscal year 2005 compared to Rs. 23.15 Million in fiscal year 2004.

Total sales for fiscal year 2005 were Rs. 71.22 Million, representing an increase of 24% from Rs. 57.25 Million in Fiscal year 2004.

Other Income

Other income for Fiscal year 2005 aggregate to Rs. 3.23 Million as compared to Rs. 1.40 Million in Fiscal year 2004. The increase in other Income was primarily on account of interest on surplus funds generated by the company and writing back of provisions created in fiscal year 2004.

Personnel Cost

Expenditure on personnel cost in Fiscal year 2005, increased by 85.16%, to Rs. 8.24 Million (11.07% of total income) from Rs. 4.45 Million (8.71% of total income) in Fiscal year 2004.The increase in personnel cost has been principally due to increase in manpower.

Operating and Administrative Expenses

Overall, Tanla India's operating and administrative expenses were Rs. 14.35 Million (19% of total income) as compared to Rs. 21.90 Million (36% of total income) in Fiscal year 2004.

Operating Profit -EBIDTA

The operating profit for Fiscal Year 2005 (EBIDTA) was Rs. 51.87 Million, representing 69.67% of the total income, as against Rs. 32.30 Million, representing 55.07% of the total income during Fiscal Year 2004, an increase of 60.56% YOY. This was mainly due to decrease in the operating and administrative expenses while sales increased.

Interest

The Company continued to be debt free and therefore, there has been no interest charge.

Depreciation

Depreciation in Fiscal Year 2005 was Rs. 2.32 Million (3.11% of total income) as compared to Rs. 1.84 Million (3.14% of total income) in Fiscal Year 2004. The depreciation as a percentage of average gross block (net of freehold land) was 12.04 % and 9.57% for the Fiscal Year 2005 and Fiscal Year 2004, respectively. The increase in Depreciation is on account of the additional facilities added during the year.

Taxation

The effective tax rate (inclusive of deferred tax) on total income increased to 0.37% for Fiscal Year 2005. This is due to reversal of deferred tax liability. For the Fiscal Year 2005, approximately 87.85% of software revenues came from software development centres under Tax Holiday.

Profit After Tax

Profit after tax for Fiscal Year 2005 grew to Rs. 47.57 Million from Rs. 30.42 Million in Fiscal Year 2004 representing an increase of 56.37% over Fiscal Year 2004. Profit after Tax as a percentage to Total Income increased to 63.89% in Fiscal Year 2005, as compared to 52% in Fiscal Year 2004. This increase of 56.37% YOY can be explained primarily by the increase in sales and decrease in operating and administrative expenses.

C. Financial Comparison of Unconsolidated Fiscal Year 2004 Vis-À-Vis Unconsolidated Fiscal Year 2003

Total income for fiscal year 2004, totalled Rs. 57.25 Million representing an increase of 265.58% from Rs. 15.66 Million in the fiscal year 2003.

Particulars	31.03.2004		31.03.2003		Growth
	Rs. Million	%	Rs. Million	%	%
Exports	34.10	58.13%	8.67	55.20%	293.37%
Domestic	23.15	39.47%	6.99	44.51%	231.25%
Total Sales	57.25	97.61%	15.66	99.72%	265.64%
Other Income	1.40	2.39%	0.04	0.28%	3088.64%
Total Income	58.65	100.00%	15.70	100.00%	273.55%

Sales

Exports saw a growth of 293.37% to Rs. 34.10 Million in the fiscal year 2004 compared to Rs. 8.67 Million in the fiscal year 2003. The percentage of domestic sales decreased by 5.04% and increased by 16.16 Million in numbers in the fiscal year 2004 compared to Rs. 6.99 Million in the fiscal year 2003.

Thus total sales for the fiscal year 2004, was Rs.57.25 Million, representing an increase of 265.58% from Rs. 15.66 Million in Fiscal year 2003.

Other Income

Other income for Fiscal year 2004 aggregate to Rs. 1.40 Million as compared to Rs. 0.04 Million in Fiscal year 2003. The increase in other income was primarily on account of interest on surplus funds generated by the company, dividends received on investments and writing back of provisions created in fiscal year 2003.

Personnel Cost

Expenditure on personnel in Fiscal year 2004, increased by 99.55%, to Rs. 4.45 Million (8% of total income) from Rs. 2.23 Million (14% of total income) in Fiscal year 2003.The increase in Personnel cost has been primarily due to increase in manpower.

Operating and Administrative Expenses

Overall, the Tanla India's operating and administrative expenses were Rs. 21.90 Million (37% of total income) in fiscal year 2004 as compared to Rs. 11.06 Million (70% of total income) in Fiscal year 2003 an increase of 98% while sales increased by 265.58% over the previous year.

Operating Profit -EBIDTA

The operating profit for Fiscal Year 2004 (EBIDTA) was Rs. 32.30 Million, representing 55% of the total income, as against Rs. 2.41 Million, representing .15% of the total income during Fiscal Year 2003. This increase is primarily due to increase in sales.

Depreciation

Depreciation in Fiscal Year 2004 was Rs. 1.84 Million (3.14% of total income) as compared to Rs. 1.37 Million (9.79% of total income) in Fiscal Year 2003. The depreciation as a percentage of average gross block (net of freehold land) was 22.95% in Fiscal Year 2003. The increase in depreciation is on account of the additional facilities added during the year.

Taxation

Income taxes consist of current taxes and changes in deferred tax liability and asset.

Current income tax has been provided on income not exempted under the tax holiday, other income, capital gains and income taxes payable in foreign jurisdictions. For the Fiscal Year 2004, approximately 58.13% of software revenues came from software development centres under Tax Holiday.

Profit After Tax

Profit after tax for Fiscal Year 2004 grew to Rs. 30.42 Million from Rs. 0.86 Million in Fiscal Year 2003.

Profit after Tax as a percentage to Total Income increased to 51.98% in Fiscal Year 2004, as compared to 6% in Fiscal Year 2003. This increase is primarily due to increase in sales while decrease in operating and administrative expenses as a percentage of sales

UNCONSOLIDATED LIQUIDITY & CAPITAL RESOURCES (FY 2003- FY 2006)

Cash Flow Comparison

During fiscal year 2006, the Company achieved significant improvement in its liquidity position, which grew to Rs.145.57 Million at the end of the fiscal year 2006, as compared to Rs.48.61 Million at the end of fiscal year 2005, Rs.25.90 Million at the end of fiscal year 2004 and Rs.2.49 Million at the end of fiscal year 2004.

(Rs in Million)

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006
Net cash flow from operations	9.31	28.61	23.14	179.48
Net cash flow from investing activities	(8.80)	(5.20)	0.82	(66.12)
Net cash flow from financing activities	0	0	(1.25)	(16.39)
Cash and cash equivalents at the beginning of the year	1.98	2.49	25.90	48.61
Cash and cash equivalents at the end of the year	2.49	25.90	48.61	145.57

Net cash flow from operations

For the FY 2006, the net cash flow from operating activities consisted of net profit before tax of Rs.277.84 Million and net downward adjustments of Rs.98.36 Million relating to various items, mainly depreciation of Rs.4.28 Million and net downward working capital of Rs.104.70 Million. Working capital movements included trade receivables of Rs.110.86 Million and trade payables of Rs.4.45 Million. Our receivables increased on account of increase in our business.

For the FY 2005, net cash flow from operating activities consisted of net profit before tax of Rs.47.85 Million and net downward adjustments of Rs.24.61 Million relating to various items, mainly depreciation of Rs.2.32 Million and net downward working capital of Rs.24.71 Million. Working capital movements included trade receivables of Rs.31.26 Million and trade payables of Rs.0.50 Million. Our receivables increased on account of in crease in our business.

For the FY 2004, the net cash flow from operating activities consisted of net profit before tax of Rs.30.17 Million and net downward adjustments of Rs.1.57 Million relating to various items, principally depreciation of Rs.1.84 Million and net downward working capital of Rs.0.52 Million. Working capital movements included trade receivables of Rs.3.54 Million and trade payables of Rs.0.74 Million. Our receivables increased on account of in crease in our business.

Net cash flow from investing activities

For the FY 2006, net cash flow used in investing activities consisted of Rs.66.12 Million. These investing activities primarily included the purchase of fixed assets of Rs.67.32 Million. For the FY 2005, net cash flow from in investing activities consisted of Rs.0.82 Million. These investing activities primarily included the purchase of fixed assets of Rs.6.16 Million and from sale of shares of Rs.5.56 Million.

For the FY 2004, Net cash flow used in investing activities consists of Rs.5.20 Million. These investing activities primarily included the purchase of fixed assets of Rs.6.02 Million and investment in shares of Rs.5.76 Million and sale of shares of Rs.5.30 Million.

Net cash flow from financing activities

For the FY 2006, we used cash of Rs.16.39 Million towards payment of dividends and follow-on public issue expenses.

For the FY 2005, we used cash of Rs.1.25 Million towards payment of dividends of Rs.5.65 Million and received an amount of Rs.4.00 Million towards proceeds from share capital.

For the FY 2004, the cash flow from financing activities was nil.

Dividends:

The dividends declared by us for the last five fiscal years are presented below:

Financial Year	Dividend %	Dividend per share (Rs.)	Dividend Amount (Rs.in Million)	Dividend Tax (Rs.in Million)	No. of share	Class of Shares
2000-2001	NIL	-	NIL	NIL	5004300	Equity shares of Rs.10/-each
2001-2002	NIL	-	NIL	NIL	5004300	Equity shares of Rs.10/-each
2002-2003	NIL	-	NIL	NIL	5004300	Equity shares of Rs.10/-each
2003-2004	10.00	1.00	5.00	0.64	5004300	Equity shares of Rs.10/-each
2004-2005	20.00	2.00	10.83	1.39	6823000	Equity shares of Rs.10/-each
2005-2006	25.00	0.50	17.06	2.39	34115000	Equity shares of Rs.2/-each

Dividends are approved at the annual general meeting of our shareholders based on the recommendation of our Board. Our Board may also declare interim dividends. Our Board considers a number of factors in making a recommendation to pay dividends, including but not limited to, profits earned during the fiscal year, future capital expenditure plans, our cash flow situation and financing needs and shareholders interest. The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

Analysis of certain changes

Unusual or infrequent events or transactions

During the periods under review there have been no transactions or events, which in our best judgment, would be considered unusual or infrequent.

Significant economic changes

There have been no significant economic changes during the periods under review that have materially affected or are likely to affect our income.

Known trends or uncertainties:

Except as described in this Red Herring Prospectus in general and the section titled “Risk Factors” and “Management Discussion and Analysis of Financial Conditions and Results of Operations”, in particular, to our knowledge, there are no known trends or uncertainties that have or had or expected to have any material adverse impact on revenues or income of our Company from continuing operations.

Future relationship between cost and income

Review of trends in the Information Technology industry over the past few years shows positive improvements in terms of rationalisation and streamlining of cost by the policy makers. Hence, we do not foresee any factors that would adversely affect cost as a percentage of revenue. Rather the rationalisation of duties and excise is expected to have a positive impact on the industry.

Increase in revenues

Increases in our revenues are due to the factors described under 'Sales' in the 'Consolidated Results of Operations'.

Total turnover in each industry segment

We are engaged mainly in the business segment of 'Software Development and related services.'

New products or business segment

As discussed in the section "Our Business" the Company proposes to enter the AMR and AVT products. Apart from these, the Company, currently, has no plans of entering into any new business segment other than software based products and related services.

Competitive conditions

Refer to the section titled "Our Business" and "Risk Factors" on pages xv of this Red Herring Prospectus for details regarding competitive conditions.

Seasonality of business

There are no material seasonal or cyclical trends in our business.

Any significant dependence on a single or few suppliers or customers

Our Top five customers contributed around 49% of our total consolidated revenues of around Rs 871 million for the half year ended September 30, 2006. Please refer to the 'Risk Factors' on page xv giving details of the revenue contribution of our top 5 customers.

I. LEGAL & OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

There are no outstanding litigations, suits or criminal or civil prosecutions or proceedings initiated for offences (including past cases, economic offences etc) irrespective of whether specified in paragraph (1) of part 1 of Schedule XIII of the Companies Act or proceedings or tax liabilities against our Company, our Promoters, Directors or our subsidiaries that would have a material adverse effect on our business. There are also no defaults, non-payment of or overdue of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities against our Company or Promoters, Directors and its subsidiaries.

LITIGATION AGAINST OUR COMPANY

Details of the Case				Brief Facts	Status
SL. No.	Suit/Case No. filed before:	Date of filing	Filed by (Petitioner/ Appellant)		
1.	The Court of Special Judge for Economic Offeces, Hyderabad.	Feb 13, 2003	Registrar of Companies, Andhra Pradesh	The Registrar of Companies, Andhra Pradesh has filed a complaint under section 629A of the Companies Act, 1956 (the Act) for the alleged non compliance with the provisions of Sections 62, 63, 68 and 628 of the Act before the Court of Special Judge For Economic Offences, Hyderabad, Andhra Pradesh. The said complaints were filed against the earlier directors and persons named as promoters in the IPO prospectus of Prism Foods Limited (now known as Tanla Solutions Limited) in 1996 alongwith Tanla Solutions Limited (the Company). The proceeding is presently pending adjudication. The said Complaint shows that no specific punishment is contemplated or imposed on the Company for contravention of the provisions of Sections 62, 63, 68 and 628 of the Act. Furthermore, no specific legal remedy/ relief has been claimed against the Company. The Company is named as a proforma party in order to enable the Court to adjudicate on the matter effectively, while no specific remedy has been claimed against the Company.	The matter is presently pending before the Honorable Court.

LITIGATION AGAINST OUR SUBSIDIARIES

There is no litigation involving our subsidiaries.

LITIGATION AGAINST OUR DIRECTORS OTHER THAN PROMOTERS

Our Directors have no outstanding litigation towards tax liabilities, criminal prosecution for any offences (irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act), disputes, defaults, non-payment of statutory dues, proceedings initiated for economic offences, in their individual capacity or in connection with our Company and other companies with which the Directors are associated.

LITIGATION WHERE PROMOTERS ARE INVOLVED

There are no litigations against the promoters of the Company.

LITIGATION INVOLVING GROUP COMPANIES

There are no litigations involving group companies including promoter group companies.

MATERIAL DEVELOPMENTS

Except as stated elsewhere in this Red Herring Prospectus, including the section titled "Management's Discussion and Analysis of Financial Statements and Results of Operations" beginning on page 154 of this Red Herring Prospectus and our financial statements included herein, no material developments have taken place after September 30, 2006, the date of the latest balance sheet, that would materially adversely affect the performance or prospects of our Company and its subsidiaries taken as a whole.

GOVERNMENT AND OTHER APPROVALS

We have received all the necessary licenses, permissions and approvals from the Central and State Governments and other government agencies/certification bodies required for our business and no further approvals are required by us for carrying on the present as well as proposed business activities of the Company. It must, however, be distinctly understood that in granting the above approvals, the Government and other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any statutory authority are required to continue those activities.

The following statement sets out the details of licenses, permissions and approvals taken by the Company under various Central and State Laws for carrying out its business.

1. Our Company obtained the Certificate of Incorporation on July 28, 1995 under registration no. 01-21262 in the name of Maruti Dairy Products Limited. and Certificate of Commencement Business on August 11, 1995 from the RoC, Hyderabad.

2. Subsequently, our Company has changed its name to Prism Foods Limited on March 18, 1996 and received a Fresh Certificate of Registration from theRoC, Hyderabad.

3. Thereafter on March 16, 2000 our Company's name was changed to Tanla Solutions Limited and we received a Fresh Certificate of Registration from the RoC, Hyderabad.

4. Our Company has granted the permission dated March 28, 2000 for establishing a 100% EOU under the STP Scheme of the Software Technology Parks of India (STPI) at the premises at Plot No. 11, Type-A, Commercial Complex, Film Nagar, Jubliee Hills, Andhra Pradesh for the manufacturing of Computer Software.

5. Our Company has also registered its new premises at House No. 1-90/2/G/1, Swarna Square, Beside Cyber Garden, Madhapur, Hyderabad by STPI's dated December 13, 2004 thereby establishing the new premises as a 100% EOU under the STP Scheme of the Software Technology Parks of India (STPI).

6. Our Company has obtained a Certificate of Importer-Exporter Code (IEC) dated March 31, 2000 The IEC Number of the Company is 0999012819.

7. Our Company has been registered under Andhra Pradesh General Sales Tax, 1957 (APGST) vide registration number PJT/10/1/3048/2002-03 and for Central Sales Tax under The Central Sales Tax (Registration and Turnover) Rules, 1957 vide registration number PJT/10/1/2381/2003-04. Subsequently, the APGST has been replaced with VAT and the Company has obtained registration under Value Added Tax vide Certificate number (TIN) 28180181255 dated March 23, 2005.

8. Our Company has obtained registration under A.P. Tax on Professions, Trades, Callings and Employments Rules, 1987 vide certificate number PJT/10/1/E/2805/2001-02 dated May 25, 2001.

9. Our Company has also received certification from Information Technology and Communication Department, Government of Andhra Pradesh stating that the unit is eligible for 25% power tariff concession under TOO (Commercial) No. 173 dated May 10 ,1999 read with G.O. Ms. No. 114, Fin. & Plg. (Plg. Wing IT&C) Dept. dated May 25, 1999 and further through G.O.Ms. No. 27, IT&C Department, dated June 27, 2002 ("ICT Policy") for Three Years. The certification after further extension is valid upto December 8, 2005.

10. Our Company has obtained registration under Employee's Provident Fund and Miscellaneous Provisions Act, 1952 issued by the Office of the Regional Provident Fund Commissioner, Hyderabad, Andhra Pradesh vide code no. AP/HY/38264 dated November 20, 2000.

11. Our Company has received an approval from the Government of India, Ministry of Commerce and Industry, Department of Industrial Policy and Promotion Secretariat for Industrial Assistance (FC Section) New Delhi by a letter dated January 31, 2005 for NRI Investment into the Company in relation to the acquisition of Techserv Teleservices (UK) Limited.

12. The RBI has issued an identification number HYWAZ20050037 to the Wholly Owned subsidiary (WOS) of our Company in UK i.e. Tanla Solutions (UK) Limited on February 12, 2005.

13. Our Company has been registered under the Employees State Insurance Act, 1948 vide registration code number 52-22780-09 dated November 28, 2003.

14. The Permanent Account Number (PAN) of our Company is AABCT5004H.

15. The ISIN No. of our Company is INE483C0101024.

16. Our Company has obtained a licence under the Shops & Establishment Act, 1948 bearing Registration No. B/108/DCLRRZ/06 dated January 7, 2006 for the facilities at Jubilee Hills and Madhapur. This registration is valid through December 31, 2006.

Government Approvals Required for the proposed projects

For the proposed projects at Hyderabad and Bangalore, our Company shall apply for the required approvals, licenses and other registrations on or before the commencement of operations.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Board of Directors has, pursuant to resolution passed at its meeting held on 11th November, 2005, authorised the Issue subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.

Our shareholders have approved, by a special resolution in accordance with section 81(1A) of the Companies Act, the Issue of equity share for cash at such premium aggregating up to Rs. 2,500 Million at the extra ordinary general meeting of our Company held on 3rd December, 2005. Subsequently, the shareholders approved by a special resolution in accordance with section 81(1A) of the Companies Act the issue of 15,885,000 equity shares of Rs. 2 each for cash at premium aggregating up to Rs. 3,500 Million at the Annual General Meeting of our Company held on June 8, 2006. A resolution modifying the resolution passed in the AGM was passed in an EGM held on November 9 2006 where in the shareholders approved issue of 1, 58, 85, 000 equity shares of face value Rs.2/- through book building process.

Prohibition by SEBI

Our Company and our current Promoter and Directors, and our Company's subsidiaries, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

Eligibility for the Issue

There have been no previous Issues of the Company in the Financial Year 2007. The Proposed Issue of 1,58,85,000 Equity Share of Rs.2/- each for cash at a premium of Rs.[●] aggregating to Rs.[●], exceeds five times the pre-Issue net worth of Rs. 587.55 Million (as on September 30, 2006) as per the audited accounts for half year ended September 30, 2006.

As the Issue Size exceeds five times the pre-issue net worth, we are not eligible for the Issue as per Clause 2.3.1 of the SEBI (DIP) Guidelines. Hence this issue is being made pursuant to Clause 2.3.2 read wth Clause 2.2.2 (a)(i) together with Clause 2.2.2 (b)(i) of the SEBI DIP Guidelines. As per the provisons of the aforesaid clauses the issue is made through the book building process with at least 50% of the net offer to public being allotted to the QIBs, failing which the full subscription monies shall be refunded. The minimum post Issue capital of the Company shall be Rs 100 Million.

DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THE RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, SBI CAPITAL MARKETS LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS SBI CAPITAL MARKETS LIMITED IL&FS INVESTSMART LIMITED, AND ICICI SECURITIES LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED [●] IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

"(I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.

(II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:

A. THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE

B. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

C. THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.

D. BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.

E. WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCKIN PERIOD AS STATED IN THE RED HERRING PROSPECTUS.

F. WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

G. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE RoCIN TERMS OF SECTION 60B OF THE COMPANIES ACT, 1956. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE RoCIN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT."

THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS.

Disclaimer from our Company and the BRLM

Our Company, our Directors, and the BRLMs accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, www.tanlasolutions.com would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding and subsequent amendments entered into among the BRLM and us dated December 3, 2005, September 21, 2006 and November 21, 2006 respectively and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us and BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres etc.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to permitted Non-Residents including NRIs, FIIs and eligible foreign investors. This Red Herring Prospectus does not, however, constitute an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Hyderabad only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

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 Issued or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be Issued 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 Issues and sales occur.

Disclaimer clause of the Stock Exchanges

Disclaimer Clause of the NSE

As required, a copy of the Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter no. NSE/ LIST/ 19959-N dated January 25, 2006, given permission to us to use NSE’s name in this Red Herring Prospectus as one of the stock exchanges on which the securities of the Company are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e., the paid up capital shall not be less than Rs. 100 million and the market capitalization shall not be less than Rs. 250 million at the time of listing). The NSE has scrutinised the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by the NSE should not in any way be deemed or construed to mean that the Red Herring Prospectus has been cleared or approved by the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any of the securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of the BSE

As required, a copy of the Red Herring Prospectus has been submitted to the BSE. The BSE has, vide its letter no. DCS/ sdm/sm/ps/2006 dated January13, 2006, given permission to the Company to use BSE’s name in the Red Herring Prospectus as one of the stock exchanges on which our securities are proposed to be listed. The BSE has scrutinised the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us.

The BSE does not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus;or
2. warrant that this Company’s securities will be listed or will continue to be listed on the BSE; or

3. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

   and it should not for any reason be deemed or construed to mean that the Red Herring Prospectus has been cleared or approved by the BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the ASE

As required, a copy of the Red Herring Prospectus has been submitted to the ASE. The ASE has, vide its letter no. ASE/ Listing/2006/348 dated January18, 2006, given permission to the Company to use ASE's name in the Red Herring Prospectus as one of the stock exchanges on which our securities are proposed to be listed. The ASE has scrutinised the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us.

The ASE does not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus;or
2. warrant that this Company's securities will be listed or will continue to be listed on the BSE; or
3. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

   and it should not for any reason be deemed or construed to mean that the Red Herring Prospectus has been cleared or approved by the ASE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the ASE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the HSE

As required, a copy of the Red Herring Prospectus has been submitted to the HSE. The HSE has, vide its letter no. HSE:LIST:2006:376 dated January 20, 2006, given permission to the Company to use HSE's name in the Red Herring Prospectus as one of the stock exchanges on which our securities are proposed to be listed. The HSE has scrutinised the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us.

The HSE does not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus;or
2. warrant that this Company's securities will be listed or will continue to be listed on the HSE; or
3. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

   and it should not for any reason be deemed or construed to mean that the Red Herring Prospectus has been cleared or approved by the HSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the HSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the MSE

As required, a copy of the Red Herring Prospectus has been submitted to the MSE. The MSE has, vide its letter no. MSE/ SEC/738/064/06 dated January 18, 2006, given permission to the Company to use MSE's name in the Red Herring

Prospectus as one of the stock exchanges on which our securities are proposed to be listed. The MSE has scrutinised the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us.

The MSE does not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus;or
2. warrant that this Company's securities will be listed or will continue to be listed on the MSE; or
3. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

   and it should not for any reason be deemed or construed to mean that the Red Herring Prospectus has been cleared or approved by the MSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the MSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of this Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the RoC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the RoC: Department of Company Affairs, Office of the Registrar of Companies, Andhra Pradesh, 3-5-398, 2nd Floor, Kendriya Sadan, Sultan Bazar, Koti, Hyderabad – 500195.

Listing

Our existing Equity Shares are listed on HSE, MSE and ASE.

Applications have been made to NSE and BSE for permission for listing of our Equity Shares being offered through this Red Herring Prospectus.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by NSE and BSE, our Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/Issue Closing Date, whichever is earlier), then our Company shall, on and from expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchange mentioned above are taken within seven working days of finalisation of the basis of allotment for the Issue.

Consents

Consents in writing of: (a) our Directors, the Company Secretary and Compliance Officer, the Auditors, the Legal Advisors, the Bankers to the Company, the Bankers to the Issue; and (b) the Book Running Lead Managers, the Syndicate Members, the Escrow Collection Bankers and the Registrar to the Issue to act in their respective capacities, have been obtained and would be filed along with a copy of the Red Herring Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

M/s Ramasamy Koteswara Rao & Co., Chartered Accountants, our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

Expert Opinion

Except as stated elsewhere in this Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Issue

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

Activity	Expense (Rs. in Millions)	As a % of Total Issue Expenses	As a % of Total Issue Size
Lead management, underwriting and selling commission*	[●]	[●]	[●]
Advertisement & Marketing expenses**	[●]	[●]	[●]
Printing, and stationery including transportation of the same**	[●]	[●]	[●]
Registrar's fees**	[●]	[●]	[●]
Legal fees**	[●]	[●]	[●]
Others**	[●]	[●]	[●]
Total estimated Issue expenses	[●]	[●]	[●]

* Will be incorporated after finalisation of Issue Price

** Will be incorporated at the time of filing of the Red Herring Prospectus.

Fees Payable to the Book Running Lead Managers and Syndicate Members

The total fees payable to the Book Running Lead Managers and Syndicate Members (including underwriting commission and selling commission) will be as stated in the Engagement Letter with the BRLM, a copy of which is available for inspection at the corporate office of our Company and reimbursement of their out of pocket expenses.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding signed with our Company, a copy of which is available for inspection at the corporate office of our Company.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

Particulars regarding Public or Rights or Preferential Issues during the Last Five Years

There have been no public or rights issue by the Company during the last five years. The Company has issued equity shares of face value Rs 10/- each under preferential offer in December 2004.

Details of Preferential Issue are as follows:

S.No.	Particulars	No. Shares allotted Of face value Rs.10 each	Mode
1	Mr. Gautam Sabharwal	631,260*	Swap Arrangement
2	Mrs. Eva Sicka	515,340*	Swap Arrangement
3	Mrs. Dipika Khaitan	113,400*	Swap Arrangement
4	Mr. Navnit Chachan	129,132*	Swap Arrangement
5	Mr. Amit Gupta	129,132*	Swap Arrangement
6	Mr. Anoop Roy Kundal	100,436*	Swap Arrangement
7	Mr. K. Satish	100,000*	Cash @ Rs.20 per share
8	Mr. A. Satish	100,000*	Cash @ Rs.20 per share
	Total	**1,818,700***	

* The Company did a share split of 5:1 on 21st December. The Face Value of each share post split is Rs. 2.

Issues otherwise than for Cash

We have not issued any Equity Shares for consideration otherwise than for cash except the 16,18,700 shares which are allotted to shareholders of Smartnet Communication Systems Pvt. Limited and Techserv Teleservices (UK) Limited under preferential allottemnt under swap agreement.

Commission and Brokerage paid on Previous Issues of our Equity Shares

There has been only one public issue by the Company in the past in the year 1996. In the said issue underwriting commission was paid @ 2.5% and brokerage @ 1.5%.

Companies under the Same Management

We do not have any other Company under the same management within the meaning of Section 370 (1B) of the Companies Act.

Promise vs. Performance – Last Three Issues

Prism Foods Limited came out with a public issue in the year 1996. The objects of the issue were to part finance the Company's project as described in the prospectus then issued and to meet the expenses of the issue. The comparison between promise and performance on significant issues is as under:

Particulars	Proposed	Actual
Date of commencement of Operations	October 1996	Not commenced
Project Cost	57.54 Million	Mobilised Rs.31.43 Million only and utilised towards capital works. Since the balance amount could not be mobilised, implementaion of the project has not been completed.

Promise vs. Performance – Last Issue of Promoter Group Companies

There was no issue from promoter group companies.

For further details, see section titled "Promoters and Subsidiary Companies" on page 92 of this Red Herring Prospectus.

Outstanding Debentures or Bonds

There are no outstanding debentures or bonds.

Outstanding Preference Shares

There are no outstanding preference shares.

Stock Market Data of our Equity Shares

The following table sets forth the number of Equity Shares traded on the days high and low prices of our Equity Shares as recorded on the HSE, for the years 2003, 2004 ,2005 , 2006 and three months ending June 30, 2006.

FY ended	High Date	High Price Per Share (Rs.)	Number of Equity Shares Traded on High Date	Low Date	Low Price Per Share (Rs.)	Number of Equity Shares Traded on Low Date
2005 (up to December 18th 2005- FV of Rs.10/-)	02/12/2005	483.00	2027	07/12/2005	444.95	75
2005 (From December 19th 2005 – FV of Rs.2/-)	30/12/2005	106.70	10900	21/12/2005	94.45	22075
2006 through	05/06/06	167.00	1600	02/01/2006	108.80	1000

Data regarding the number of Equity Shares traded on the days high and low prices of our Equity Shares for the last six months preceding the date of filing of this Red Herring Prospectus with SEBI is given below.

FY ended	High Date	High Price Per Share (Rs.)	Number of Equity Shares Traded on High Date	Low Date	Low Price Per Share (Rs.)	Number of Equity Shares Traded on Low Date
June 05	16/06/2005	265.00	1610	02/06/2005	167.00	6100
July 05	29/07/2005	270.65	880	05/07/2005	217.10	15250
August 05	31/08/2005	398.05	4610	01/08/2005	265.30	1425
Sept. 05	02/09/2005	414.50	2440	30/09/2005	298.75	225
Oct. 05	31/10/2005	325.30	300	10/10/2005	282.25	4700
Nov. 05	21/11/2005	432.30	8186	01/11/2005	331.80	100
Dec 05						
January 06	31/01/06	150.95	9215	02/01/06	108.80	1000
February 06	07/02/06	162.50	6290	24/02/06	150.00	34907
March 06	01/03/06	154.00	8700	31/03/06	137.00	3450
April 06	17/04/06	147.35	10500	28/04/06	130.70	21010
May 06	18/05/06	161.65	15350	03/05/06	135.95	43400
June 06	05/06/06	167.00	1600	22/06/06	142.00	8610
July 06	04/07/06	145.8	1500	27/07/06	122.2	6350
Aug 06	22/08/06	165	2440	01/08/06	129.55	7500
Sep 06	29/09/06	169.30	5640	25/09/06	160.05	6560
Oct 06	31/10/06	203	700	03/10/05	162.05	34798

The following table sets forth the total volume of Equity Shares traded and the volume of business transacted on the HSE, unless otherwise mentioned, during the years 2003, 2004 ,2005 and 2006 :

Year ended	Number of Equity Shares Traded	Volume of Business Transacted (Rs. in Million)
2003	NIL	NIL
2004	NIL	NIL
2005	2175200	176.23
2006 (Till October 31)	4007656	555.96

Data regarding the total volume of Equity Shares traded and the volume of business transacted during the six months preceding the date of filing of this Red Herring Prospectus with SEBI is given below:

Month	Number of Equity Shares Traded	Volume of Business Transacted (Rs. in Million)
January 06	206,961	27.1
February 06	146,619	22.7
March 06	394,812	56.9
April 06	193,125	27.3
May 06	247,340	37.6
June 06	119,955	18.4
July 06	71,460	18.4
August 06	77,382	23.3
September 06	42,477	14.01
October 06	7,69,525	268.57

Other Disclosures

The closing price of our Equity Shares on the day after the approval of the Issue by the Board of Directors was Rs. 463 for Rs.10 face value share.

Except as disclosed in the section titled "Capital Structure" on page 19 of this Red Herring Prospectus, our Promoter group, or the directors of our Promoter companies or our Directors have not purchased or sold any securities of the Company during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI.

Mechanism for Redressal of Investor Grievances by our Company

The Memorandum of Understanding between the Registrar to the Issue and us, provides for retention of records with the Registrar to the Issue for a period of at least one year from the last date of despatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances by our Company

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven (7) days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Mrs. Chava Seshanuradha, Company Secretary 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:

Tanla Solutions Limited
Tanla Technology Centre
Hitech City Road,
Madhapur, Hyderabad – 5000 081.
India.
Tel: +91 40 40099999
Fax: +91 40 23122999
E-mail: **anuradha.chava@tanlasolutions.com**
Website: www.tanlasolutions.com

Changes in Auditors

There has been the following changes in the auditors in the last three years as per following details:

Sl. No.	Name of Auditors	Date of change	Particulars of change
1.	Rambabu & Co.,	23.07.2004	Resigned
2.	Ramasamy Koteswara Rao & co.,	23.07.2004	Appointed

Capitalisation of Reserves or Profits

We have not capitalised our reserves or profits at any time during last five years.

Revaluation of Assets

We have not revalued our assets in the past five years.

ISSUE INFORMATION

TERMS OF THE ISSUE

The present Issue of 15,885,000 Equity Shares of Rs.2/- each for cash at a price of Rs. [●] aggregating upto Rs. [●] Millions is being made through a book building process.

	Promoters	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Up to 1,588,500 Equity Shares	Atleast 7,148,250 Equity Shares or Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Up to 2,144,475 Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Up to 5,003,775 Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue size available for allocation	Up to 10%% of Total Equity Shares Offered thereough this public Issue	At least 50% of Net Issue Size, 5% of the Qib Portion shall be available for allocation proportionately to Mutual Funds Only	Up to 15% of Net Issue Size or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Up to 35% of Net Issue Size or Net Issue Size less allocation to QIB Bidders and Non Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Firm Allottment	Proportionate as follows:(a) 357,413 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and(b) 7,148,250 Equity Shares shall be allocated on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate.	Proportionate.
Minimum Bid	–	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000	25 Equity Shares.
Maximum Bid	–	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply	Promoters	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, and State Industrial Development Corporations, venture capital funds registered wirth SEBI, foreign venture capital investors registered with SEBI, permitted insurance companies registered with the	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. 100,000in value.

	Promoters	QIBs	Non-Institutional Bidders	Retail Individual Bidders
		Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 Million and pension funds with minimum corpus of Rs. 250 Million in accordance with applicable law.		
Terms of Payment	Full Bid Amount on bidding.	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate.
Margin Amount	Full Bid Amount on bidding.	Atleast 10% of the Bid Amount on bidding.	Full Bid Amount on bidding.	Full Bid Amount on bidding.

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

Withdrawal of the Issue

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

BID/ISSUE PROGRAMME

Bidding Period/Issue Period:

BID/ISSUE OPENS ON	**:**	**DECEMBER 11, 2006**
BID/ISSUE CLOSES ON	**:**	**DECEMBER 14, 2006**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded till such time as permitted by the BSE/NSE on the Bid/Issue Closing Date.

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

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

OFFERING INFORMATION

TERMS OF THE OFFER

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of the Company, the terms of this Red Herring Prospectus / Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note ("CAN") and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

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

Mode of Payment of Dividend

We shall pay dividends, if any 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. 2/- each are being offered in terms of this Red Herring Prospectus.

Prospectus at an Offer Price of Rs. [•] per share. The Price Band is between Rs. 230 and Rs. 265. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws.

Compliance with SEBI DIP Guidelines

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time. In this regards we have appointed, Ms. Chava Seshanuradha, Company Secretary as the Compliance Officer.

Rights of the Equity Shareholder

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

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

For a detailed description of the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, refer to the section on "Main Provisions of our Articles of Association" on page 212 in this Prospectus.

Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors.

Since trading of Equity Shares of the Company is in dematerialised mode, the tradable lot is one equity share. Allocation and allotment of Equity Shares through this Offer will be done only in electronic form in multiples of 1 Equity Share subject to a minimum allotment of 25 equity shares to the successful bidders. For details of allocation and allotment, see "Offer procedure – Basis of Allotment" on page no. 207 of this Red Herring Prospectus.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with competent courts/authorities in Hyderabad , Andhra Pradesh , India.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidder, 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/ transfer/ alienation of equity share(s) by the person making such nomination. 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 our Registered Office or to our Registrar and Transfer Agents.

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

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

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

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

Minimum Subscription

If we do not receive the minimum subscription of 90% of the Fresh Issue to the extent of the amount including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/ Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount, we shall pay interest as per Section 73 of the Companies Act. Further, in accordance with clause 2.2.2 A of the SEBI DIP Guidelines, we shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1,000.

Subscription by NRIs/ FIIs/Foreign Venture Capital Funds registered with SEBI

As per the extant policy of the Government of India, OCBs cannot participate in this Issue. As per the current provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, there exist a general permission for the NRIs, FIIs and Foreign Venture Capital Investors registered with SEBI to invest in shares of an Indian company by way of subscription in an IPO. However, such investments would be subject to other investment restrictions under the RBI and/or SEBI regulations as may be applicable to such investors. Based on the above provisions, it will not be necessary for the investors to seek separate permission from the FIPB/RBI for this specific purpose. However, it is to be distinctly understood that there is no reservation for NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI and all NRI, FII and Foreign Venture Capital Funds registered with SEBI applicants will be treated on the same basis with other categories for the purpose of allocation.

The allotment of the Equity Shares to Non-Residents shall be subject to the conditions as may be prescribed by the

Government of India/RBI while granting such approvals.

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 Issued or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be Issued 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 Issues and sales occur.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein atleast 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, including 5% of the QIB Portion which shall be available for allocation to Mutual Funds only. Further, up to 35% shall be available for allocation on a proportionate basis to the Retail Individual Bidders and up to 15% shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through a member of the Syndicate. QIB Bids can be submitted only through Syndicate members. In the case of QIB Bidders, the BRLMs may reject any Bid at the time of acceptance of the Bid cum Application Form, provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, the Bids would be rejected only on technical reasons.

Investors should note that the Equity Shares would be allotted to all successful Bidders only in the dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in this Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	**Colour of Bid-cum-Application Form**
Indian public, NRIs applying on a non-repatriation basis	White
Non-Residents, NRIs or FIIs applying on a repatriation basis	Blue

Who can Bid?

1. Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians, in single or joint names (not more than three);
2. Hindu undivided families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta”. Bids by HUFs would be considered at par with those from individuals;
3. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
4. As permitted by the applicable laws, provident funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
5. Pension funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
6. Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
7. Indian mutual funds registered with SEBI;

8. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);
9. Multilateral and bilateral development financial institutions;
10. State Industrial Development Corporations;
11. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
12. Eligible Non-Residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws; and
13. Scientific and/or industrial research organisations authorised to invest in equity shares.

Note: The BRLMs and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations.

Bidders are advised to ensure that any single Bid from them does not exceed the investments limits or maximum number of Equity Shares that can be held by them under applicable law, rules, regulations, guidelines and approvals.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights. Further, bidders may bid as per the limits prescribed above. The applications made by the asset management companies or custodians of a Mutual Fund should clearly indicate the name of the concerned scheme for which the application is being made..

As per current regulations, the following restrictions are applicable for investment by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company (i.e. 10% of 50,000,000 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 the total issued capital of the Company. As of now, the aggregate FII holding in the Company cannot exceed 49% of the total paid-up capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of this date, no such resolution has been recommended for adoption.

APPLICATION BY NRIs

Bid cum Application Forms have been made available for NRIs at the Corporate Office of the Company. NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non- Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians (white in colour). All instruments accompanying Bids shall be payable in Mumbai or Hyderabad.

Subject to compliance with all applicable Indian laws, rules, regulations, guildlines 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 countires of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

As per the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds:

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI.

Accordingly, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25 % of our Company's paid-up capital.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 25 Equity Shares and in multiples of 25 Equity Shares thereafter and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of option to bid at Cut-off Price, the Bid would be considered for allocation under the Non Institutional Portion. The option to bid at Cut-off Price is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Other Bidders (i.e., Non-Institutional Bidders and QIB Bidders)**: The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 1,00,000and in multiples of 25 Equity Shares. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/ Issue Closing Date.

In case of revision in Bids, the Non Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not entitled to the option of bidding at Cut-off Price.

Information for the Bidders:

(a) Our Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.

(d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.

Method and Process of Bidding

(a) Our Company and the BRLMs shall declare the Bid/ Issue Opening Date and the 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) and a Telugu regional newspaper. This advertisement shall contain the salient features of the Red Herring Prospectus as specified under Form 2A of the Companies Act and shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines. The Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(b) Investors who are interested in subscribing to our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.

(c) The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and and a Telugu regional newspaper. The Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 working days.

(d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details see section titled "Issue Procedure - Bids at Different Price Levels" on page 193 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.

(e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in the section titled "Issue Procedure - Build up of the Book and Revision of Bids" on page 197 of this Red Herring Prospectus.

(f) The Syndicate Members will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.

(h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described in the section titled "Issue Procedure - Terms of Payment" on page 195 of this Red Herring Prospectus.

Bids at Different Price Levels

(a) The Price Band will be advertised at least one day prior to the Bid/Issue Opening Date in [•], an English language newspaper with wide circulation and [•], a Hindi language newspaper with wide circulation and [•], a Telugu regional newspaper. The Bidders can bid at any price with in the Price Band, in multiples of Re. 1.

(b) In accordance with the SEBI Guidelines, our Company reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid/Issue Opening Date in [•], an English language newspaper with wide circulation, [•], a Hindi language newspaper with wide circulation and [•], a Telugu regional newspaper.

(c) In case of revision in the Price Band, the Issue Period will be extended for three additional working days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE, the NSE, the ASE, the HSE and the MSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and a Telugu regional newspaper, and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.

(d) We, in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.

(e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non Institutional Bidders shall be rejected.**

(f) Retail Individual Bidders who bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut-off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the Escrow Account.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 25 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Application in the Issue

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

Bids by Mutual Funds

Multiple Bids

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

In terms of SEBI Guidelines, 5% of the QIB Portion (i.e. 357413 Equity Shares) shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% share of the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

Bids by NRIs

NRI Bidders to comply with the following:

1. Individual NRI Bidders can obtain the Bid cum Application Forms from our Registered Office, our corporate office, members of the Syndicate or the Registrar to the Issue.

2. NRI Bidders may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for resident Indians (White in color).

In Accordance With 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 equity capital of the Company (i.e. 10% of 50,000,000 Equity Shares). In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total paid up capital or 5% of our total paid up capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in our Company cannot exceed 24% of its total paid up equity capital. However, the Board and shareholders by way of a special resolution may approve FII investment up to the applicable sectoral cap. The applicable cap for the information technology sector is 100%, hence the Board and the shareholders may approve FII investment up to 49%

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended an FIIor its sub-account may issue, deal or hold, off shore derivative instruments such as participatory notes or any other similar instruments against underlying securities listed or proposed to be listed on any stock exchange in India only in favour ofthose entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment, subject to 'know your client' requirements. An FII or a sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any other person other than a regulated entity.

In accordance with the current regulations, the following restrictions are applicable for nvestments by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. The above information is given for the benefit of the Bidders. We, 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.

Escrow Mechanism

We shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of this Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and this Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, who is required to pay Margin Amount shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the section titled "Issue Procedure - Payment Instructions" on page 202 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 the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account of the Company with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account of the Company shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e., QIB Bidders, Non Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the heading "Issue Structure" on page 185 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 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allotment, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

(a) The Syndicate Members will register the Bids using the on-line facilities of the the BSE/NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE/NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Members and their authorised agents during the Bidding Period. The Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Syndicate Members shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facility of the BSE/NSE will be downloaded on a regular 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
- Investor category – individual, corporate, NRI, FII, or mutual fund etc.
- Numbers of Equity Shares bid for
- Bid price
- Bid cum Application Form number
- Whether payment is made upon submission of Bid cum Application Form
- Depository participant identification no. and client identification no. of the beneficiary account of the Bidder

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) Consequently, the member of the Syndicate also has the right to accept the Bid or reject it without assigning any reason therefore, in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed elsewhere in this Red Herring Prospectus.

(h) It is to be distinctly understood that the permission given by the BSE/NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by the BSE/NSE/ASE/HSE/MSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE/NSE/ASE/HSE/MSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the BSE/NSE/ASE/HSE/MSE.

Build Up of the Book and Revision of Bids

(a) Bids registered by various Bidders through the Syndicate Members shall be electronically transmitted to the the BSE/NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.

(c) During the Bidding Period/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.**

(f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIBs, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.

(g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(h) In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

(a) After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels and discuss pricing strategy with us.

(b) Our Company in consultation with the BRLM, shall finalise the "Issue Price", the number of Equity Shares to be allotted in each category and the allocation to successful QIB Bidders. The allocation will be decided based, *inter alia*, on the quality of the Bidder, size, price and time of the Bid.

(c) The allocation for QIBs for atleast 50% of the Issue would be on a proportionate basis (with a minimum 5% allocation of the QIB Portion reserved for Mutual Funds, and such Mutual Funds can participate in the remaining allocation for QIBs), in consultation with the Designated Stock Exchange subject to valid Bids being received at or above the Issue Price, in the manner as described in the paragraph titled "Basis of Allotment" on page 207 of this Red Herring Prospectus. The allocation to Non-Institutional Bidders and Retail Individual Bidders of up to 15% and 35% of the Issue, respectively, would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Undersubscription, if any, in any category would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLM.

(e) The BRLM, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

(f) Allocation to Non-Residents applying on repatriation basis will be subject to the applicable law.

(g) We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.

(h) In terms of the SEBI Guidelines, QIBs shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Signing of Underwriting Agreement and RoC Filing

(a) We, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.

(b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price and Issue size and would be complete in all material respects.

(c) The Company will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Advertisement regarding Issue Price and Prospectus

A statutory advertisement will be issued by our Company after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) The BRLM 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.

(b) The BRLM or the members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed as a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.

Designated Date and Allotment of Equity Shares

(a) Our Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, our Company would ensure the credit to the successful Bidders' depository accounts of the allotted Equity Shares to the allottees within two working days of the date of Allotment.

(b) As per the SEBI Guidelines, **Equity Shares will be issued and allotted only in the dematerialised form to the**

allottees. Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

a) Check if you are eligible to apply;

b) Bid within the Price Band;

c) Read all the instructions carefully and complete the Bid cum Application Form (white or blue in colour) as the case may be;

d) Ensure that the details about your Depository Participant and beneficiary account are correct as Equity Shares will be allotted in the dematerialized form only;

e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

f) Ensure that you have been given a TRS for all your Bid options;

g) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

h) If your Bid is for Rs.50,000 or more, ensure that you mention your PAN allotted under the I.T. Act and ensure that you have attached copies of your PAN with the Bid cum Application Form. In case the PAN has not been allotted, mention "Not allotted" in the appropriate place. (See to the section "Issue Procedure - 'PAN' or 'GIR' Number" on page 204 of this Red Herring Prospectus.); and

i) If you are a body corporate making an application in this Issue ensure that you provide your UIN. If you have made an application for such a number before December 31, 2004 but the number has not been allotted, or where an appeal has been filed but not disposed off, ensure that you provide such information in the Bid cum Application Form (See to the section "Issue Procedure - Unique Identification Number" on page 204 of this Red Herring Prospectus.); and

j) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

a. Do not Bid for lower than the minimum Bid size;

b. Do not Bid/revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;

c. Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

d. Do not pay the Bid amount in cash;

e. Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

f. Do not Bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders);

g. Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations; and

h. Do not submit Bid accompanied with Stockinvest.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (White or Blue colour).

(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 25 Equity Shares and in multiples of 25 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.

(d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 25 Equity Shares. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(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.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and the beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the details of the Bidder's bank account. **These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant**. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the Company shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THE EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/CANs/allocation advices and printing of bank particulars on the refund orders.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, the Bidder would deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/allocation advices/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary account number, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of the Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we/the BRLMs may deem fit.

Bids by Non-Residents, NRIs and FIIs on a repatriation basis

Bids and revision to the Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

2. In a single name or joint names (not more than three).

3. NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non-Resident Bidders for a minimum of such number of Equity Shares and in multiples of 25 thereafter that the Bid Amount exceeds Rs. 1,00,000. For further details see "Issue Procedure - Maximum and Minimum Bid Size" on page 192 of this Red Herring Prospectus.

4. In the names of individuals, or in the names of FIIs but not in the names of minors, 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 Non-Resident External (NRE) accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

We do not require approval from the Government of India or from the Reserve Bank of India for making a fresh issue of Equity Shares under the Foreign Direct Investment Scheme as prescribed in the FEMA read with the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 to Non-Residents, since foreign direct investment in companies engaged in manufacturing, such as ours, is permitted to the extent of 100% under existing law and policy.

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FII applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

PAYMENT INSTRUCTIONS

We shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account

(i) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.

(ii) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.

(iii) The payment instruments for payment into the Escrow Account should be drawn in favour of:

(a) In case of Resident Non-QIB Bidders: **"Escrow Account – Tanla Solutions Limited"**

(b) In case of Non-Resident Non-QIB Bidders: **"Escrow Account – Tanla Solutions Limited - NR"**

(c) In case of Resident QIB Bidders: **"Escrow Account – Tanla Solutions Limited - QIB-R"**

(d) In case of Non-Resident QIB Bidders: **"Escrow Account – Tanla Solutions Limited - QIB-NR"**

- In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE accounts or Foreign Currency Non-Resident (FCNR) accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR account.

- In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.

(iv) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account.

(v) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.

(vi) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account.

(vii) No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

SUBMISSION OF BID CUM APPLICATION FORM

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Member of the Syndicate may at its sole discretion waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection 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 case of Individuals

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the first Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiple master.

2. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.

3. The Registrar will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.

4. The addresses of all the applications in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The applications with same name and same address will be treated as multiple applications.

5. The applications will be scrutinised for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.

6. Subsequent to the aforesaid procedures, a print out of the multiple master will be taken and the applications physically verified to tally signatures as also father's/ husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

The Company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

'PAN' or 'GIR' Number

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the IT Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the application form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the sole/first Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/first Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B), 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 licence (d) Identity card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

UNIQUE IDENTIFICATION NUMBER - MAPIN

Unique Identification Number ("UIN")

Vide its circular MAPIN/Cir-13/2005 dated July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN. However, in a press release PR-182/2005 dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of this 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.

Right to Reject Bids

We and the BRLMs reserve the right to reject any Bid without assigning any reason therefor in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, we have a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

GROUNDS FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected on, *inter alia*, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of first Bidder not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;
4. NRIs, except eligible NRIs and Non-Residents;
5. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors, insane persons;
6. PAN not stated if Bid is for Rs. 50,000 or more and GIR number given instead of PAN;
7. Bids for lower number of Equity Shares than specified for that category of investors;

8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;
11. Bids for number of Equity Shares, which are not in multiples of 25;
12. Category not ticked;
13. Multiple Bids as defined in this Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by stockinvest/money order/postal order/cash;
16. Signature of sole and/or joint Bidders missing;
17. Bid cum Application Form does not have the stamp of the BRLMs or the Syndicate Members;
18. Bid cum Application Form does not have the Bidder's depository account details;
19. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form, 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;
20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the depositary participant's identity (DP ID) and the beneficiary account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in "Issue Procedure – Bids at Different Price Levels" at page 193 of this Red Herring Prospectus;
22. Bids by OCBs;
23. Bids by persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act unless in reliance on Regulation S under the Securities Act;
24. Bids by any persons outside India if not in compliance with applicable foreign and Indian laws.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the 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 agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

a) an agreement dated December 09, 2005 between NSDL, us and Registrar to the Issue;
b) an agreement dated December 07, 2005 between CDSL, us and Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.
b) The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
c) Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.

e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

f) The Bidder is responsible for the correctness of his or her demographic details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

g) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

h) The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communication in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

PRE-ISSUE AND POST ISSUE RELATED PROBLEMS

We have appointed Ch. Seshanuradha, Company Secretary, 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:

Tanla Solutions Limited
Tanla Technology Centre
Hitech City Road,
Madhapur, Hyderabad – 5000 081.
India.
Tel: +91 40 40099999
Fax: +91 40 23122999
E-mail: **anuradha.chava@tanlasolutions.com**
Website: www.tanlasolutions.com

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS

The Company shall give credit to the beneficiary account with Depository Participants within two working days from the date of the allotment of Equity Shares. Applicants having bank accounts at any of the 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS) or National Economic Funds Transfer (NEFT). In case of other applicants, the Company shall ensure despatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders of Rs. 1,500 and above, if any, by registered post or speed post. Applicants to whom refunds are made through Electronic transfer of funds will be sent a letter (refund advice) through "Under Certificate of Posting" intimating them about the mode of credit of refund within 15 days of closure of Issue.

The Company shall ensure despatch of refund orders/refund advice, if any, by "Under Certificate of Posting" or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar by the Issuer.

In accordance with the requirements of the Stock Exchanges and SEBI DIP Guidelines, the Company undertakes that:

- Allotment shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Despatch of refund orders/ refund advice shall be done within 15 days from the Issue Closing Date; and
- The Company shall pay interest at 15.0% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made, refund orders/ credit intimation are not despatched and in case where a refund is

made through electronic mode, the refund instructions have not been given to the clearing system, and demat credit within the 15-day time prescribed above, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

The Company will provide adequate funds required for the cost of despatch of refund orders/ refund advice/ allotment advice to the Registrar to the Issue.

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.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

Basis of Allotment

A. *For Retail Individual Bidders*

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 5,003,775 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 5,003,775 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 25 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

B. *For Non-Institutional Bidders*

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 2,144,475 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 2,144,475 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 25 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

C. *For QIBs*

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the QIB Bidders will be made at the Issue Price.

- The Issue size less allocation to Non-Institutional Portion and Retail Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:

(a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

   (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

   (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid bids received above the Issue Price.

   (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below;

(b) In the second instance Allotment to all QIBs shall be determined as follows:

   (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be Allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

   (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

   (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis

   - Except for any shares allocated to QIB Bidders due to undersubscription in the Retail Portion and/or Non Institutional Portion, the aggregate allocation to QIB Bidders shall not be more than [•] Equity Shares.

Method of Proportionate basis of allocation in the Retail and Non Institutional categories

Bidders will be categorized according to the number of Equity Shares applied for by them.

(a) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

(b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

In all Bids where the proportionate allotment is less than 25 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 25 Equity Shares; and
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
- Each successful Bidder shall be allotted a minimum of 25 Equity Shares.

If the proportionate allotment to a Bidder is a number that is more than 25 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Letters Of Allotment Or Refund Orders

The Company shall give credit to the beneficiary account with Depository Participants within two working days from the date of the allotment of Equity Shares. Applicants having bank accounts at any of the 15 centres where clearing houses are managed by the Reserve Bank of India (RBI) will get refunds through Electronic Credit Service (ECS) only, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or Real Time Gross Settlement (RTGS). In case of other applicants, the Company shall ensure despatch of refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and shall dispatch refund orders of Rs. 1,500 and above, if any, by registered post or speed post. Applicants to whom refunds are made through Electronic transfer of funds will be sent a letter (refund advice) through "Under Certificate of Posting" intimating them about the mode of credit of refund within 15 days of closure of Issue.

The Company shall ensure despatch of refund orders/refund advice, if any, by "Under Certificate of Posting" or registered post or speed post or Electronic Clearing Service or Direct Credit or RTGS, as applicable, only at the sole or First Bidder's sole risk within 15 days of the Bid Closing Date/Issue Closing Date, and adequate funds for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar by the Issuer.

In accordance with the requirements of the Stock Exchanges and SEBI Guidelines, the Company undertakes that:

- Allotment shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Despatch of refund orders/ refund advice shall be done within 15 days from the Issue Closing Date;

  and
- The Company shall pay interest at 15.0% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made, refund orders/ credit intimation are not despatched and in case where a refund is made through electronic mode, the refund instructions have not been given to the clearing system, and demat credit within the 15-day time prescribed above, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

The Company will provide adequate funds required for the cost of despatch of refund orders/ refund advice/ allotment advice to the Registrar to the Issue.

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.

Payment of Refund

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification (DP ID) 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 including the nine digit Magnetic Ink Character Recognition (MICR) code as appearing on a cheque leaf. 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 BRLM nor the Company nor the Refund Banker nor the Registrar shall have any responsibility and undertake any liability for the same.

Mode of Making Refunds

The payment of refund, if any, would be done through various modes in the following order of preference

I. ECS - Payment of refund would be done through payment of refund through ECS is mandatory for applicants having a bank account at any of the 15 centers named hereinabove, except where applicant is otherwise disclosed as eligible to get refunds through direct credit or RTGS

II. Direct Credit – Applicants having their bank account with the Refund Banker, i.e. ICICI Bank Limited shall be eligible to receive refunds, if any, throught direct credit. The refund amount, if any. would be credited directly to the eligible applicant's bank account with the Refund Banker.

III. RTGS – Applicants having a bank account at any of the 15 centers detailed above, and whose bid amount exceeds Rs, 1 million, shall be eligible to exercise the option to receive refunds, if any, through RTGS. All applicants eligible to exercise this option shall mandatorily provide the IFSC code in the Bid cum Application form. In the event of failure to provide the IFSC code in the Bid cum Application form, the refund shall be made through the ECS or direct credit, if eligibility disclosed.

Please note that only applicants having a bank account at any of the 15 centres where clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes detailed in I,II and III hereinabove. For all the other applicants, including applicants who have not updated their bank particulars alongwith the nine digit MICR Code, the refund orders would be despatched "Under Certificate of Posting" for refund orders of value up to Rs. 1,500 and through Speed Post/Registered Post for refund orders of Rs. 1,500 and above.

Interest in case of delay in dispatch of allotment letters/making refunds

We agree that allotment of securities offered to the public shall be made not later than 15 days from the Bid/Issue Closing Date. We further agree that we shall pay interest at 15% per annum if the allotment letters/refunds orders have not been dispatched to the applicants within 15 days of the Bid/ Issue Closing Date or if in a case where refund or portion thereof is made in an electronic manner, the refund instructions have not been given to the clearing system in a disclosed manner within 15 days from the Bid/Issue Closing Date, provided that the beneficiary particulars relating to such Bidders as given by the Bidders is valid at the time of the upload of the electronic transfer.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE, the NSE, the ASE, the HSE, and the MSE, by issuing a press release, and also by indicating the change on the web site of the BRLM and at the terminals of the Syndicate.

Undertaking by the Company

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalization of the basis of allotment;
- that the funds required for making refunds to unsuccessful applicants as per the modes disclosed shall be made available to the Registrar to the Issue by us;
- that where refunds are effected through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of closure of the Issue giving details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of the refund.
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.
- refunds shall be made as per the modes disclosed and allotment advice shall be dispatched to NRIs or FIIs or foreign venture capital investors registered with SEBI within the specified time.
- that the Promoter's contribution in full, wherever required, shall be brought in advance before the Issue opens for public subscription

Utilisation of Issue proceeds

Our Board of Directors certify that:

1. 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;

2. details of all monies utilised out of Issue referred above shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
3. details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested;
4. we shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.
5. the utilisation of monies received under promoters' contribution shall be disclosed under an appropriate head in the balance sheet of the issuer company, indicating the purpose for which such monies have been utilized
6. the details of all unutilised monies out of the funds received under promoters' contribution shall be disclosed under a separate head in the balance sheet of the issuer company, indicating the form in which such unutilized moneys have been invested

Restrictions on Foreign Ownership of Indian Securities

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign direct investment in manufacturing activities, like ours is permitted up to 100%.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of equity shares to be issued is not less than the fair price at which equity shares are issued to residents.

Subscription by NRIs/ FIIs

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FIIs applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordinglyoutside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

We do not require approval from the Government of India or from the Reserve Bank of India for making a fresh issue of Equity Shares under the Foreign Direct Investment Scheme as prescribed in the FEMA read with the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 to FIIs, since foreign direct investment in companies engaged in manufacturing, such as ours, is permitted to the extent of 100% under existing law and policy.

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.

II. MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

Capitalised terms used in this section have the meaning given to such terms in the Articles of the Company.

Pursuant to Schedule II of the Companies Act, 1956 and the SEBI (DIP) Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of equity shares and or their consolidation/splitting are detailed below.

Regulations contained in Table 'A' of Schedule I of the Companies Act, 1956, shall apply to this Company in so far only as they are not inconsistent with any of the provisions contained in these Regulations and also those for which no provision has been made in these presents. The Articles of the Company are subject to the provisions of the Companies Act, 1956.

SHARE CAPITAL

Article 3 provides as follows

a) The Authorised Share Capital of the Company shall be Rs. 12 Crores (Rupees Twelve Hundred Lakhs only) divided into 6,00,00,000 (six Hundred Twenty Lakhs) equity shares of Rs. 2/- each.

b) The Company shall have power to issue preferential shares including redeemable preference shares in accordance with Section 80 and 85 of the Act.

FORFEITURE OF SHARES

Article 21 provides as follows

If any Member fails to pay any call or instalment or any interest or any amount whatsoever due to the Company, on or before the day appointed for payment of the same, whether demanded or not by the Company, the Board may, at any time thereafter and during such time as the call, instalment, interest or such amount remains unpaid serve a notice on such member or any person, if any, entitled to the share by transmission requiring him to pay the amount due, together with any interest that may have accrued of such non-payment.

Article 22 provides as follows

The notice shall name a day not being less that fourteen days from the date of the notice and place or places on and at which such calls or instalment and such interest are to the paid. The notice shall also state that, in the event of the non-payment at or before the time and at the place appointed, the share in respect of which the call was made or instalment is payable, including the amount already paid on that share will be liable to be forfeited.

Article 23 provides as follows

If the requirements of any such notice as aforesaid shall not be complied with any shares in respect of which such notice has been given may at any time thereafter before payment of calls, instalments, interest be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before forfeiture.

Article 24 provides as follows

The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of that share and all other rights incidental to the share, except only such of those rights as expressly saved by these Articles or by a Resolution of the Board.

Article 25 provides as follows

Any share so forfeited shall be deemed to be the property of the Company and may be sold, re-allotted, or otherwise disposed of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.

Article 26 provides as follows

The Board may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

Article 27 provides as follows

When any share shall have been so forfeited notice of the forfeiture shall be given to the member in whose name it stands immediately prior to the forfeiture, an entry of the forfeiture with the date thereof shall forthwith be made in the Register of Members but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

Articles 28 provides as follows

a) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall notwithstanding the forfeiture remain liable to pay to the Company, all monies which, at the date of forfeiture, were presently payable by him to the Company in respect of the shares, together with interest thereon from the time of the forfeiture until payment at such rate as may be determined by the Board from time to time and the Directors may enforce the payment thereof without any deduction or allowance for the value of the shares at the time of forfeiture but shall not be under any obligation to do so.

b) The liability of such person shall cease if and when the Company shall have received payment in full of all such monies in respect of the shares.

c) The Company may receive the consideration if any, given for the shares on any sale or disposal thereof and may execute a transfer of the shares in favour of the person to whom the shares are sold or disposed of.

TRANSFER AND TRANSMISSION OF SHARES

Articles 29 provides as follows

The Company shall not register shares in or debentures of the Company, unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferee and specifying the name, address and occupation, if any of the transferee, has been delivered to the Company along with the certificate relating to the shares or debentures, or if any such certificate is not existing, along with a letter or allotment of the shares or debentures and any other evidence that the Board may require to prove the title of the transferor and his right to transfer the shares or debentures. The transferor shall remain the holder of such shares until the name of the transferee is entered in the register in respect thereof.

1) No fees 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

Article 30 provides as follows

The instrument of transfer shall be in such form as is prescribed in Section 108(1-A) of the Companies Act, 1956. The instrument of transfer shall be in writing and all the provisions of Section 108 of the Act and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfers of shares and registration thereof.

Article 31 provides as follows

Applications for the registration of share transfer may be made either by transferor or the transferee provided that where such application is made by the transferor, on registration shall, in the case of partly paid share, be effected unless the company gives notice of the application to the transferee in the manner prescribed by Section 110 of the Act and subject to the provisions of these Articles, the Company shall unless objection is made by the transferee in the same manner and subject to the same conditions as if the application for registration of the transfer was made by the Transferee.

Article 32 provides as follows

Subject to the provisions of Section 111 of the Act, the Board, without assigning any reason for such refusal, may within one month from the date on which the instruments of transfer was delivered to the Company, refuse to register any transfer of a share upon which the Company has a lien and in case of shares not fully paid up, the Board may refuse to register to a transferee of whom it does not approve. Provided that the registration of transfer of a share shall not be refused on the ground of the transfer being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever.

Article 33 provides as follows

Subject to the Stock Exchange Regulations as may be altered from time to time, transfer of shares shall take place in marketable lots.

Article 34 provides as follows

No transfer shall be made on partly paid shares to a minor or person of unsound mind.

Article 35 provides as follows

a) Every instrument of transfer shall be retained by the Company, but any instrument of transfer which the Board may refuse to register shall be returned to the persons depositing the same. The Board may, subject to the provisions of the share (Issue of Share Certificates) Rules 1960, or any statutory modification thereof for the time being in force, waive the production of any certificate upon evidence satisfactory to them of its loss or destruction.

b) The Board may, by such means as they shall deem expedient, authorise registration of transferees as shareholders without the necessity of any meeting of the Directors for that purpose.

c) Subject to the provisions of Section 108 of the Act, in no case the Board shall be bound to inquire into the validity, legal effect or genuineness of any instrument of transfer produced by a person claiming transfer of any share in accordance with these Articles, and whether they abstain from so inquiring, or do so inquire, and are misled, the transferor shall have no claim whatsoever upon the Company in respect thereof but his claim, if any, shall be against the transferee only.

Article 36 provides as follows

a) If the Board refuses whether in pursuance of Article 33 or otherwise to register the transfer of any share, the Company shall, within two months from the date on which the instrument of transfer was lodged with the Company send to the transferee and the transferor notice of the refusal.

b) No shareholder who changes his or her name shall be entitled to recover any dividend or to vote at any meeting until notice of the change of name shall have been duly given to the Company in order that the same be registered.

TRANSMISSION OF SHARES

Article 37 provides as follows

The executor or administration of a deceased member (not being one of several joint-holders) shall be the only person recognised by the Company as having any title to be registered in the name of such member, and in case of the death of any one or more of the registered jointholders of any share, the survivor shall be the only person recognised by the Company as having any title to or interest in such share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on the share held by him jointly with any other person. Before recognising any executor or administrator the Board may require him to obtain a Grant of probate or letters of Administration or other legal representations, as the case may be, from a competent court in India and having effect in the State of Andhra Pradesh.Provided nevertheless that in any case where the Board in its absolute discretion thinks fit it shall be lawful for the Board to dispense with the production of probate or letters of Administration or such other legal representation upon such terms as to indemnity or otherwise as the Board, in its absolute discretion, may consider adequate.

Article 38 provides as follows

Any committee or guardian of a lunatic or minor member of any person becoming entitled to hold or to transfer a share in consequence of the death or bankruptcy or insolvency of any member upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or his title as the-Board thinks sufficient, may with the consent of the Board (which the Board may not be bound to give) be registered as a member in respect of such share, or may, subject to the regulations as to transfer hereinbefore contained, transfer such share. This Article is herein after referred to as the "Transmission Article".

Article 39 provides as follows

If any person who shall become entitled to be registered in respect of any share under Article 38 shall, for any cause whatsoever, within twelve calendar months after the event on the happening of which his title shall accrue, be registered in respect of such shares, or if in the case of the death of any share-holder no person shall, within twelve months after such death be registered as a share-holder in respect of the shares of such deceased shareholder, the Company may sell such shares either by public auction or private contract and give a receipt for the purpose, and the purchaser shall be entitled to be registered in respect of such shares and shall not be bound to enquire whether the events have happened which entitled the Company to sell the same; and the net sale proceeds, after deducting all expenses and all monies if any, in respect of -which the Company is entitled to a lien on the share so sold, shall be paid to the person entitled thereto.

1) (i) If the person so becoming entitled shall elect, to be registered as holder of the Shares himself, he shall deliver or send to the Company a notice in writing signed by him stating that he elects.

(ii) If the person aforesaid shall elect to transfer the Shares he shall testify his election by executing a transfer of the Shares.

(iii) All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfer of Share shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member has not occurred and the notice or transfer signed by that member.A person becoming entitled to a share by reason of death, insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share except that he shall not, before being registered as a member in respect of it be entitled to exercise any right conferred by memberships in relation to meetings of the Company.Provided that the Board may at any time give notice requiring any such person to elect either to be registered himself or to transfer the Share, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys, payable in respect of the Share until the requirements of the notice have been complied with.

Article 40 provides as follows

The Company shall incur no liability whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by the legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of any person or 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 the Company shall not be bound or required to regard, or attend, or give effect to any notice which may be given to if of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting to do so. The provisions of these Articles in regard to transfers shall, mutatis mutandis apply to the transfers of or transmission by operation of law of the rights to the debentures of the Company.

ALTERATION OF CAPITAL

Article 50 provides as follows

The Company may in General Meeting from time to time, increase the share capital by creation of new shares, such increase to be of such of appropriate amount to be divided into shares of such amount as the resolution shall prescribe.

Article 51 provides as follows

The Company may by ordinary resolution in the General Meeting:

a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

b) By sub-division of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association, subject, however, to the provisions of the Act and that after such sub-division the proportion between the amount paid and the amount if any, unpaid on each reduced share shall be the same as it was in the case of the share from which reduced share is derived;

c) Cancel any shares, which, at the date of the passing of the resolution have not been taken or agreed to be taken by the any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Article 52 provides as follows

The resolution whereby any share is sub-divided may determine that as between the holders of the shares resulting from such sub-division one or more of such shares shall have same preference or special advantage as regards dividend, capital, voting or otherwise or as compared with the others, subject nevertheless, to the provisions of Sections 85, 88 and 106 of the Act.

Article 53 provides as follows

Subject to the provisions of Sections 77 and 100 of the Act, the Board may accept from any member the surrender on such terms and conditions as shall be agreed to of all or any of his shares.

VARIATION OF RIGHT OF SHAREHOLDERS

Article 54 provides as follows

The Right and privileges if any, attached to different classes of shareholders for the time being (unless otherwise provided by. the terms of issue of the shares of that class) may, subject to the provisions of Section 106 and 107 of the Act whether or not the Company is being wounded up, be varied, modified committed, abrogated or affected with the consent in writing of the holders of at least three fourths of the issued shares of that class, or with the sanction of a resolution passed at a separate General Meeting of the holders of not less than three fourths of these shares.The Provisions contained in these Articles relating to General Meeting shall mutatis Mutandis apply to every such separate General Meeting and the necessary quorum shall be two persons at least holding or represented by a proxy one third of the issued shares of the class in question. This article is not to be implied to curtail the power of modification which the company would have if this Article were committed and the provisions of Section 192 of the Act as to forwarding-a copy of any such agreement or resolution to the Registrar shall be applicable.

Article 55 provides as follows

The right conferred upon the holders of the shares of any class issued with preferential or other rights shall not unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pan passu therewith.

BORROWING POWERS

Article 56 provides as follows

Subject to the provisions of Sections 58A, 292, 293 and 370 of the Act, that Board may from time to time raise or borrow, from the Directors or from elsewhere and secure the payment of any sum or sums of money for the purposes of the payment of the Company. Provided that the Directors shall not, without the sanction of the Company in General Meeting borrow any sum of money which together with monies already borrowed by the company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) exceed the paid up capital of the Company and its free reserves.

Article 57 provides as follows

Subject to Section 292 of the Act, the Board may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit, and in particular, by the issue of bonds, perpetual or redeemable, debenture or debenture-stock, or by the creation of any mortgage charge or other security on the undertaking of the whole or any part of the property of the company (both present and future) including its uncalled capital for the time being.

1) Subject to the provisions of the Act and Companies (Acceptance of Deposit) Rules, 1975 the Directors may receive deposits on such terms and bearing interest at such rate as the Directors may decide from time to time. The deposits may be received from any person or person including the Directors and the Shareholders of the Company.

2) The Directors shall cause a proper register to be kept in accordance with the provisions of the Act or changes specifically affecting the property of the Company and shall duly comply with the requirements of the Act with regard to the registration of mortgages and charges. The register of charges kept in pursuance of the Act shall be open during business hours, subject to reasonable restrictions as the Company in General Meeting may impose so that not less than two hours in each day are allowed for such inspection to any creditor or member of the Company without fee and to any other person on payment of Re 1/- for each inspection at the Registered Office of the Company.

Article 58 provides as follows

Any bonds, mortgages, debentures, debenture - stock, or other securities may be issued at a discount, premium, or otherwise or with any special privileges as to assignment redemption, surrender, drawing, allotment of shares (but not for voting thereat) and otherwise. The debentures, debenture - stock, bonds or other securities conferring right to allotment or conversion into shares or the option to right to call or allotment of shares shall not be given except with the sanction of the Company in General Meeting. The Board may keep live redeemed debentures for the purpose of reissue and shall have the power either to reissue the debentures or issue other debentures in place of those redeemed as it may consider fit.

DIVIDEND

Article 125 provides as follows

The Company in Annual General Meeting may declare dividends but no dividends shall exceed the amount recommended by the directors. However, the company in the Annual General Meeting may declare a smaller dividend. No dividend shall be paid otherwise than out of the profits of the year or any other undistributed profits. All dividends shall be paid subject to Section 205 of the Act and shall fix the time for payment. No dividend shall bear interest against the company.

Article 126 provides as follows

Subject to the rights of members entitled to share (if any) with preferential or special rights attached thereto as to dividends, all dividends shall be paid according to the amount paid upon the shares. No amount paid up on a share in advance of call shall, while carrying interests be treated for the purposes of this Article as paid on the share.

Article 127 provides as follows

a) The Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the Company.

b) The Board may deduct from any dividend payable to any member all sums of money if any presently payable by him to the Company on account at the same time as the dividend and the shares of the Company.

Article 128 provides as follows

In any General Meeting declaring dividend the Company may make a call on the members of such amount as the Meeting fixes but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may be set off against the call.

Article 129 provides as follows

A mere transfer of shares shall not pass the rights to any dividend declared thereon unless the transfer has been registered by the Company.

Article 130 provides as follows

If several persons are registered as Joint-holders of any shares, anyone of them may give effectual receipt for any dividend, bonuses or any other payments on the share.

Article 131 provides as follows

Notice of any dividend which may have been declared shall be given to the persons entitled to share therein in the manner hereinafter mentioned and all dividends unclaimed till the claim thereto becomes barred by law shall be dealt within accordance with the provisions of the Act and may be forfeited by the Directors for the benefit of the company. The Directors may, however, at any time annul such forfeiture and pay any such dividend.

Article 131 provides as follows

Unless otherwise directed in accordance with Section 205 (5) (b) of the Act, any dividend, Interest or other monies payable in cash in respect of a share may be paid by cheque or warrant sent through post to the registered address of the holder or in the case of joint-holders, to the registered of any one of the joint-holding or to such person and such address as the holder / joint holder as the case may be direct, and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent.Unless otherwise directed in accordance with Section 206 of the Act, any dividend, interest or other moneys payable in cash in respect of a share may be paid by wire transfer to the bank account of the holder/joint holder or by cheque or warrant sent through the post to the registered address of the holder or, in the case of joint-holders, to the registered address of that one of the joint-holders who is the first named in the Register in respect of the joint holding or to such person and such address as the holder or joint-holders, as the case may be, may direct, and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent.

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 Account of Tanla Solutions 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.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 Education & Protection Fund Claim to any money so transferred to the said fund be preferred to the shareholders.

Article 133 provides as follows

a) The Directors may, before recommending any dividend, shall set aside out of the profit of the company such sums as they may think proper as a reserve, which shall, at the discretion of the directors be applicable for repayment of debentures, debts or other liabilities of the Company to meet contingencies or for equalizing dividends or for any other purpose to which the profits of the Company may be properly applied and pending such application may, at their discretion either be employed in the business of the company or be invested in such investment (other than the shares of the Company) as the Directors may from time to time think fit and from time to time deal with every such investment and dispose of all or any part thereof for the benefits of the Company.

b) The Board may also, before recommending any dividend, set apart any or such portion of the profits of the Company as they think fit as a depreciation reserve to be applied at the discretion of the Board for providing against any depreciation in the fixed assets of the company or for the re-building, restoring, replacing or altering any part of the building, work, plant, machinery or other property of the Company destroyed or damaged by fire, flood, storm, tempest, accident, riot, wear and tear or other means and for repairing, altering and keeping in good condition the property of the Company or for extending and enlarging the building, machinery and property of the Company with full power to employ the assets acquired out of such depreciation reserve in the business of the Company without being bound to keep the same separate from the other assets.

Article 134 provides as follows

All monies carried to the Reserve and Depreciation Reserve shall nevertheless remain-and be the profits of the Company subject to setting off any loss suffered and depreciation for the payment of the dividends and such monies and all the other monies of the company not immediately required for the purposes of the company (subject to Section 49 and 372 of the Act) be invested by the Board in or upon such investments or securities as they may select or may be used as working capital or may be kept in any bank or deposit or otherwise as the Board may from time to time think proper.

Article 135 provides as follows

The company, in any General Meeting may, upon the recommendation of the Board, at any time or from time to time, pass a resolution that any monies, investments or other assets forming part of the undivided profits of the Company standing to the credit of the reserves or any Capital Redemption Reserve Account, or in the hands of the Company and available for dividend or representing premiums received on the issue of shares and standing to the credit of Share premium Account be capitalized and distributed amongst such of the shareholders as would be entitled to receive the same if distributed by way of dividend and in the same proportion on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund be applied on behalf of such shareholders in paying up in full any unissued shares, debentures or debenture stock of the Company which shall be deposited accordingly or in or towards payment of the uncalled liability on any issued shares or debenture and that such distribution or payment shall be accepted by such shareholders in full satisfaction of their interests in the said capitalized sum. Provided that any sum standing to the credit of a Share Capital Account and Capital Redemption Reserve Account may, for the purposes of this Article, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

Article 136 provides as follows

A General Meeting may resolve that any surplus money arising from the realization of any capital assets of the Company or any investment representing the same, or any other undistributed profits of the Company not subject to charge for income-tax distributed amongst the members on the footing that they receive the same as capital.

Article 137 provides as follows

The Board in order to give effect to any resolution under the preceding Articles, settle any difficulty that may arise as to distribution as it thinks expedient and may issue fractional certificates, and fix the value for distribution of any specific assets, determine that cash payments shall be made to any member upon the footing of the value so fixed in order to adjust the right of parties and vest such cash or specific assets in trustees upon such trusts for the persons entitled to the dividend or capitalized fund as may seem expedient. Where required, a contract shall also be filled in accordance with Section 75 of the Act and the Board may appoint any person to sign any contract thereby required on behalf of the persons entitled to the dividend and such appointment shall be effective. No unclaimed or unpaid dividend shall be forfeited by the Board unless the claim thereto becomes barred by law.

III. Material Contracts and Documents for Inspection

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company situated at Tanla Technology Centre, Hitech City Road, Madhapur, Hyderabad – 5000 081 India from 10.00 am to 4.00 pm on working days from the date of this Red Herring Prospectus until the Bid/ Issue Closing Date.

Material Contracts

1. Engagement Letters between the Company and SBI Capital Markets Ltd dated November 04, 2005, the Company and IL&FS Investsmart Ltd dated November 29, 2005 and Company and ICICI Securities Ltd dated September 07, 2006.
2. Memorandum of Understanding dated December 3, 2005 amongst our Company and the BRLMs and Amendments to Memorandum of Understanding amongst our Company and the BRLMs dated September 21, 2006 and November 21, 2006.
3. Memorandum of Understanding dated December 3, 2005 executed by our Company with Registrar to the Issue.
4. Escrow Agreement dated November 22, 2006 between us, the BRLM, Escrow Collection Banks, and the Registrar to the Issue.
5. Syndicate Agreement dated November 22, 2006 between us, the BRLMs and Syndicate Members.
6. Underwriting Agreement dated [•] between us, the BRLM and Syndicate Members.

Material Documents

1. Our Memorandum and Articles of Association as amended till date.
2. Certificate of Incorporation.
3. Certificate for commencement of business.
4. Copy of the Resolution to increase the Authorised Capital passed at the Extraordinary General Meeting of the Company held on June 22, 2005
5. Shareholders' resolutions dated 3rd December, 2005, June 8, 2006 and November 9, 2006 in relation to this Issue and other related matters.
6. Resolutions of the Board dated 11th November, 2005authorising the issue. Resolution of the Board dated 10th April, 2006 proposing that the size of the Issue be increased from Rs.2500 million to Rs.3500 million.
7. Resolutions of the general body for appointment and remuneration of our whole-time Directors.
8. Report of the Auditors, M/s. Ramasamy Koteswara Rao & Co., Chartered Accountants, prepared as per Indian GAAP and mentioned in this Red Herring Prospectus and letters from the auditors dated August 23, 2006. Letters dated August 23, 2006from the Auditors of the Company confirming Tax Benefits as mentioned in this Prospectus and their consent to include the same in the form and context in which it appears in.
9. Copies of annual reports of our Company and our subsidiaries for the past five financial years.
10. Consents of the Auditors, M/s. Ramasamy Koteswara Rao & Co., Chartered Accountants, for inclusion of their report on accounts in the form and context in which they appear in this Red Herring Prospectus.
11. Consents of Bankers to the Company, BRLMs, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Domestic Legal Counsel to the Company, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
12. Listing agreements with the HSE, MSE and ASE.

13. Applications dated December 08, 2005 for in-principle listing approval from NSE and BSE.

14. In-principle listing approval from the BSE , NSE, ASE, HSE and the MSE dated January 13, 2006, January 25, 2006, January 18, 2006, January 20, 2006 and January 18, 2006 respectively.

15. Agreement between NSDL, our Company and the Registrar to the Issue dated December 09, 2005.

16. Agreement between CDSL, our Company and the Registrar to the Issue dated December 07, 2005.

17. Copy of STPI letter Registration No.STPH/IMSC/1999-2000/455/20843 as 100% EOU dated 28.03.2000 issued in the name of the Company by Government of India, for manufacture of Computer Software.

18. Land Agreement for the land acquired at Vattinagulaplli

19. Letter dated September 21, 2006 from our company confirming the cost of the Project & Means of Financing the same.

20. Statement showing cost estimates/ orders against the Project.

21. Due diligence certificate to SEBI from BRLM.

22. SEBI observation letter CFD/DIL/ISSUES/PB/PR/ /2006 dated November 14, 2006 and the in seriatim reply dated November 17, 2006.

23. Certificate from the Compliance Officer dated November 17, 2006 that the observations of the SEBI vide SEBI letter dated November 14, 2006 have been incorporated in the Red Herring Prospectus.

24. Print out of the minutes of meeting of CMC taken from [http://www.mca.gov.in/MinistryWebsite/dca/vanishingcompanies/vanish/minutes17.PDF]

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

We, the Directors of the Company, hereby declare that all relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government or the guidelines issued by the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956 or 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 the statements in this Red Herring Prospectus are true and correct.

UNDERTAKING

We, the Directors of Tanla Solutions Limited declare and confirm that no information/ material likely to have a bearing on the decision of the investors in respect of the equity shares offered in terms of this Red Herring Prospectus has been suppressed/ withheld and/ or incorporated in the manner that would amount to mis-statement/ mis-representation and in the event of it transpiring at any point of time till allotment/refund, as the case may be, that any information/ material has been suppressed/ withheld and/ or amounts to mis-statement/ mis-representation, we undertake to refund the entire application monies to all the subscribers within seven days thereafter, without prejudice to the provisions of Section 63 of the Act.

Signed by all Directors

MR. D. UDAY KUMAR REDDY CHIARMAN & MANAGING DIRECTOR Signature: Place: Hyderabad	MR. ABHISHEK KHAITAN DIRECTOR Signature: Place:
MR. GAUTAM SABHARWAL DIRECTOR–GLOBAL BUSINESS DEVELOPMENT Signature: G. Sabharwal Place: LONDON	MR. RAM NARAIN AGARWAL DIRECTOR Signature: R. N. Agarwal Place: Hyderabad
MR. KATHIRISETTI SATISH DIRECTOR - TECHNICAL Signature: Place:	DR. SUDHANSHU SHEKHAR JAMUAR DIRECTOR Signature: Jamuar Place:
MR. ANOOP ROY KUNDAL DIRECTOR - OPERATIONS Signature: Place:	MR. SUBIR OM PRAKASH MEHRA DIRECTOR Signature: Subir Mehra Place:
MR. AMIT GUPTA DIRECTOR– REFERENCE ARCHITECTURE Signature: Amit Gupta Place:	MR. SRIKANTH MADAN CHITNIS DIRECTOR Signature: S M Chitnis Place:
MR. NAVNIT CHACHAN DIRECTOR – R & D Signature: Chachan Place:	MR. VILLADATH HARISH KUMAR DIRECTOR Signature: Place:
	MR.AKASH RUKHAIYAR CFO Signature: Place: Hyderabad

Place : Hyderabad
Date : November 22, 2006

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