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PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Dated April 25, 2005
100% Book Building Issue

ALLSEC TECHNOLOGIES LIMITED

(The Company was incorporated on August 24, 1998 under the Companies Act, 1956 and was issued a Certificate for Commencement of Business on October 16, 1998. The registration number assigned to the Company on incorporation is 18-41033 of 1998)

Registered Office: 7-H, Century Plaza, 560/562 Anna Salai, Teynampet, Chennai 600 018

Corporate Office: 46-B, Velachery Main Road, Velachery, Chennai 600 042 Tel: +91 44 2244 7070; Fax: +91 44 2244 7077;
Web site: www.allsectech.com; Email: allsecipo@allsectech.com

Public Issue of 3,141,200 Equity Shares of Rs. 10/- each at a price of Rs. 135 for cash aggregating Rs. 424.1 million (referred to as the "Issue"), comprising 149,600 Equity Shares of Rs. 10/- each reserved for the employees of the Company and a Net Offer to the Public of 2,991,600 Equity Shares of Rs. 10/- each. The Issue would constitute 26.25% of the fully diluted post Issue paid-up capital of the Company.

ISSUE PRICE OF RS. 135 PER EQUITY SHARE OF FACE VALUE RS. 10/-

The Issue is being made through the 100% book building process wherein at least 50% of the Net Offer to the Public shall be allocated to Qualified Institutional Buyers on a discretionary basis, not more than 25% of the Net Offer to the Public would be allocated to Non-Institutional Investors and not more than 25% of the Net Offer to the Public would be allocated to Retail Individual Investors on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. If at least 50% of the Net Offer to the Public cannot be allocated to Qualified Institutional Buyers, the entire application money will be refunded.

RISK IN RELATION TO FIRST ISSUE

This being the first issue of Equity Shares, there has been no formal market for the Equity Shares. The face value of the shares is Rs. 10/- and the issue price is 13.5 times of the face value. The Issue Price (as determined by the Company, in consultation with the Book Running Lead Managers ("BRLMs"), on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company 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 the 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 the contents of this Prospectus. Specific attention of the investors is invited to the summarized and detailed statements in the section titled "Risk Factors" beginning on page i of this Prospectus.

COMPANY'S ABSOLUTE RESPONSIBILITY

Allsec Technologies Limited, being the Issuer Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus contains all information with regard to Allsec Technologies Limited and the Issue, which is material in the context of the Issue, that the information contained in this 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 Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on The National Stock Exchange of India Limited ("NSE") and The Stock Exchange, Mumbai ("BSE"). We have received in-principle approvals from these Stock Exchanges for the listing of the Equity Shares pursuant to letters dated March 17, 2005 and March 16, 2005 respectively. The NSE is proposed to be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
IL&FS INVESTSMART **IL&FS Investsmart Limited** The IL&FS Financial Centre Plot C-22, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051. Tel: +91 22 2653 3333; Fax: +91 22 2653 3093 E-mail: allsec.ipo@investsmartindia.com Website: www.investsmartindia.com	KARVY Karvy Computershare Private Limited **Karvy Computershare Private Limited** Unit: Allsec Karvy House, 46, Avenue 4 Street No.1, Banjara Hills, Hyderabad 500 034 Tel.: 91 40 2331 2454 Fax: 91 40 2331 1968 Email: allsecipo@karvy.com Website: www.karvy.com

ISSUE PROGRAM	
BID / ISSUE OPENED ON : APRIL 13, 2005	**BID / ISSUE CLOSED ON : APRIL 20, 2005**

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DEFINITIONS AND ABBREVIATIONS

Definitions

Term	Description
"Allsec", the "Company", "our", "we" or "us"	Refers to Allsec Technologies Limited, a public limited company incorporated under the Companies Act, and/or its wholly owned subsidiary, Allsectech, Inc., a corporation incorporated in the State of Delaware, USA, as the context may require.

Conventional / General Terms

Term	Description
Articles/ Articles of Association	Articles of Association of Allsec Technologies Limited
Auditors	Statutory auditors of the Company being, S.R.Batliboi & Associates, Chartered Accountants for Indian GAAP. The statutory auditors commenced their audit engagement with the Company on January 18, 2002
Board of Directors/Board	The Board of Directors of the Company
Companies Act	The Companies Act, 1956, as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Directors	The directors of Allsec Technologies Limited, as may be changed from time to time
EGM	Extraordinary General Meeting
Employee	Means, (a) a permanent employee of the Company working in India or out of India; or (b) a director of the Company, whether a whole time director, part time director or otherwise; or (c) an employee as defined in sub-clauses (a) and (b) of a subsidiary, in India or out of India or of a holding company of the Company
Equity Shares	Equity shares of the Company of face value of Rs. 10/- each unless otherwise specified in the context thereof
Financial year/fiscal/FY	The twelve months ended March 31 or December 31 of a particular year, as the case may be
Indian GAAP	Generally accepted accounting principles in India
I.T. Act	The Income-Tax Act, 1961, as amended from time to time, except as stated otherwise
Memorandum/ Memorandum of Association	The Memorandum of Association of Allsec Technologies Limited

Promoters	Mr. A. Saravanan and Mr. R. Jagadish, both of Indian nationality and residing at 20, Yogambal Street, T. Nagar, Chennai 600 017 and 16/18 First Cross Street, R.A Puram, Chennai 600 028 respectively
Registered Office of the Company	7-H, Century Plaza, 560/562 Anna Salai, Teynampet, Chennai 600 018
Subsidiary	The wholly owned subsidiary of the Company, being Allsectech Inc. a corporation incorporated in the State of Delaware, USA

Issue Related Terms

Term	Description
Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in Date after deducting any Bid Amounts that may already have been paid by such Bidder
Banker(s) to the Issue	Canara Bank, ICICI Bank Limited, Kotak Mahindra Bank Limited.
Bid	An offer made during the Bidding Period by a prospective investor to subscribe to the Equity Shares at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The amount equal to 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 a widely circulated English national newspaper, a Hindi national newspaper and a Tamil newspaper
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares in terms of the Red Herring Prospectus
Bid / Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a Tamil newspaper.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus
Bidding/Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids.
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI DIP Guidelines, in terms of which this Issue is being made
BRLMs	Book Running Lead Managers to the Issue, in this case being IL&FS Investsmart Limited and Kotak Mahindra Capital Company Limited
Cut-off Price	The Issue Price finalised by the Company in consultation with the BRLMs
Demographic Details	Details such as address, bank account details for printing on refund orders and occupation

Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful Bidders
Designated Stock Exchange	NSE
Draft Red Herring Prospectus	The Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not contain complete particulars on the price at which the Equity Shares are offered and the size (in terms of value) of the Issue. It was filed as a Red Herring Prospectus with RoC atleast three days before the Bid/Issue Opening Date. It is the Prospectus upon filing with RoC.
Employee Reservation Portion	Reservation of 149,600 Equity Shares for Employees as part of this Issue
Escrow Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid and the Allocation Amount paid thereafter
Escrow Agreement	Agreement entered into by the Company, the Registrar, the BRLMs, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable refunds of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account will be opened
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
IIL or BRLM	IL&FS Investsmart Limited, a Category I merchant banker registered with SEBI under the SEBI (Merchant Bankers) Regulations, 1992
IPO Committee	A committee of the Board of Directors of the Company comprising Mr. A. Saravanan and Mr. R. Jagadish appointed for the purpose of carrying out various actions in relation to the Issue
Issue	The fresh issue of 3,141,200 Equity Shares of Rs. 10/- each, of which 149,600 reserved for employees at the Issue Price by the Company under the Red Herring Prospectus.
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of this Prospectus. The Issue Price will be decided by the Company in consultation with the BRLMs on the Pricing Date
KMCC or BRLM	Kotak Mahindra Capital Company Limited, a Category I merchant banker registered with SEBI under the SEBI (Merchant Bankers) Regulations, 1992
Kotak Securities	Kotak Securities Limited
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 0% to 100% of the Bid Amount
Net Offer to the Public	2,991,600 Equity Shares of Rs. 10/- each, being the Issue size less Employee Reservation Portion

Non-Institutional Bidders	All Bidders that are not eligible QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 50,000
Non-Institutional Portion	The portion of the Issue being 747,900 Equity Shares of Rs. 10/- each available for allocation to Non-Institutional Bidders
NRE Account	Non Resident External Account
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	This term means (i) with respect to Bidders whose payment has not been waived by the Syndicate and are therefore required to pay the maximum Bid Amount into the Escrow Account, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) with respect to Bidders whose payment has been initially waived by the Syndicate and are therefore not required to pay the Bid Amount into the Escrow Account on or prior to the Bid/Issue Closing Date, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date
Price Band	Price band of a minimum price (floor of the price band) of Rs. 135 and the maximum price (cap of the price band) of Rs. 162 and includes revisions thereof
Pricing Date	The date on which the Company in consultation with the BRLMs finalizes the Issue Price
Prospectus	The Prospectus to be filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, FIIs registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million
QIB Portion	The portion of the Issue being 1,495,800 Equity Shares of Rs. 10/- each available for allocation to QIBs
RHP or Red Herring Prospectus	The Red Herring Prospectus which will be filed with RoC at least 3 days before the Bid/ Issue Opening Date
Registrar to the Issue	Karvy Computershare Private Limited
Retail Bidder(s)	Individual Bidders (including HUFs and NRIs) who have not Bid for Equity Shares for an amount more than or equal to Rs. 50,000 in any of the bidding options in the Issue

Retail Portion	The portion of the Issue being 747,900 Equity Shares of Rs. 10/- each available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their Bid cum Application Forms or any previous Revision Form(s)
Stock Exchanges	National Stock Exchange of India Limited and The Stock Exchange, Mumbai
Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	Agreement between the Syndicate and the Company
Syndicate Members	IIL, KMCC and Kotak Securities
TRS/ Transaction Registration Slip	The slip or document issued by the Syndicate to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and Kotak Securities
Underwriting Agreement	The Agreement among the Underwriters and Allsec Technologies Limited to be entered into on the Pricing Date

Abbreviations

Term	Description
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountant of India
BSE	The Stock Exchange, Mumbai
CAGR	Compound annual growth rate
CDSL	Central Depository Services (India) Limited
EPS	Earnings per Equity Share
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder
FII/ Foreign Institutional Investor	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
FVCI	Foreign Venture Capital Investor, registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
GIR Number	General Index Registry Number
HUF	Hindu Undivided Family
IPO	Initial Public Issue/ Offering
IRR	Internal Rate of Return
NAV	Net Asset Value

NRI/ Non Resident Indian	A person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, and as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OECD	Organisation for Economic Co-operation and Development
PAN	Permanent Account Number
RBI	Reserve Bank of India
RoC	Registrar of Companies, Tamil Nadu at Chennai located at Block 6, Second Floor, Shastri Bhavan, 26, Haddows Road, Chennai 600 006.
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI DIP Guidelines	SEBI (Guidelines for Disclosure and Investor Protection) 2000 issued by SEBI effective from January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
VCF	Venture Capital Fund, registered with SEBI under the SEBI (Venture Capital) Regulations, 1996

Company and Industry Related Terms

Term	Description
BFSI	Banking Financial Services Industry
BPO	Business Process Outsourcing
COGS	Cost of Goods Sold
CompuCredit	CompuCredit Corporation, a corporation incorporated under the laws of Georgia, USA
CQM	Call Quality Monitoring
CRM	Customer Relationship Management
DRTV	Direct Response Television
EI or Euronet	Euronet, a limited liability company established under the laws of Mauritius and having its principal office at 608, St. James Court, St. Denis Street, Port Louis, Mauritius
EMEA	European, Middle East and Africa

ESOP 2004	Means the Employee Stock Option Plan 2004 of the Company as approved by the Shareholders at the Extraordinary General Meeting held on May 6, 2004, and as may be amended from time to time
HR	Human Resources
ISP	Internet Service Provider
IT	Information Technology
ITES	Information Technology Enabled Services
KMPETL	Kotak Mahindra Private Equity Trustee Limited, a public limited company having its registered office at 5th Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021
KMVCF	Kotak Mahindra Venture Capital Fund, a venture capital fund registered with SEBI and having its head office at 5th Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021
Loan Amount	Corporate loan from Canara Bank for Rs. 100 million vide sanction memorandum letter no. 27 CR CSB 183 05 MSS dated February 7, 2005, proposed to be used in relation to setting up Phase I of the New Facility
MSA	Master Services Agreement
New Facility	The proposed outsourcing facility of the Company located at 46-C, Velachery Main Road, Velachery, Chennai 600 042
Project	Means the setting up of New Facility, repayment of Loan Amount, strategic investments/joint ventures and working capital requirements, all of which are proposed to substantially met from the Proceeds of the Issue
R.A.Puram Facility	The Company's outsourcing facility located at 8/1, 8/2 and 8/3, Sundaram Salai, R.A.Puram, Chennai 600 028.
Sanction Memorandum	Memorandum for sanction of short-term loan for Rs.100 million by Canara Bank vide their letter no. 27 CR CSB 183 05 MSS dated February 7, 2005
STPI	Software Technology Parks of India
SG&A	Selling, General and Administration
TNPL Facility or Offsite Facility	The offsite outsourcing facility of the Company located at a clients premises at TNPL Building, 49, Mount Road, Chennai 600 001
Velachery Facility	The Company's outsourcing facility located at 46-B, Velachery Main Road, Velachery, Chennai 600 042

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in this Prospectus is derived from our unconsolidated financial statements prepared in accordance with Indian GAAP included elsewhere in this Prospectus. Unless stated otherwise, references to consolidated financial information is to the consolidated financial information under Indian GAAP. From incorporation until December 31, 2002, our fiscal year commenced on January 1 and ended on December 31. After December 31, 2002, we changed our fiscal year. Our fiscal year now commences on April 1 and ends on March 31. In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

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

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

All numbers presented in this Prospectus have been rounded off to one decimal place.

For additional definitions, please refer to the section titled "Definitions and Abbreviations" beginning on page A of this Prospectus.

Market and industry data used throughout this Prospectus has been obtained from publications available in the public domain and internal Company reports. These publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry data used in this Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by the Company to be reliable, have not been verified by any independent source.

FORWARD-LOOKING STATEMENTS

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

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the business process outsourcing (BPO) industry.

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

CURRENCY OF PRESENTATION

This Prospectus contains translations of some Rupee amounts into US Dollars which should not be construed as a representation that those Rupee or US Dollar amounts could have been, or could be, converted into US Dollars or Indian Rupees, as the case may be, at any particular rate, the rates stated below, or at all. Except as otherwise stated in this Prospectus, all translations from Indian Rupees to US Dollars contained in this Prospectus have been based on the rate given by the Reserve Bank of India.

The following table sets forth, for each period indicated, information concerning the number of Rupees for which one US Dollar could be exchanged at the rate given by the Reserve Bank of India. The row titled average in the table below is the average of the daily rate on the last day of each full month during the period.

In this Prospectus, U.S. Dollar amounts have been translated into Rupees for each period, and presented solely to comply with the requirements of the Clause 6.8.4 of the SEBI Guidelines. Investors are cautioned to not to rely on such translated amounts.

	December 31, 2000	December 31, 2001	December 31, 2002	March 31, 2004	December 31, 2004
Average	46.8	48.2	48.0	43.4	43.6
Low	46.7	48.2	47.9	43.4	43.4
High	46.8	48.3	48.0	44.4	43.7

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, results of operations and financial condition could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment. Unless specified or quantified in the relevant risk factors mentioned below, we are not in a position to ascertain the financial and other implications of any of the other risks mentioned below.

Internal Risk Factors

Our revenues are highly dependent on a small number of clients and our single largest client contributes to more than half of our revenues.

We have derived and believe that we will continue to derive a substantial portion of our revenues from a small number of clients. For the 12 months ended December 31, 2002, the 15 months ended March 31, 2004 and the nine-months ended December 31, 2004, our single largest client, CompuCredit, accounted for approximately 36%, 26% and 52% of our total revenues, respectively. During the same periods, our three largest clients (which varied from period to period) accounted for 88%, 64% and 73% of our total revenues, respectively.

There are a number of factors, other than our performance, which may not be predictable that could cause the loss of a client. Any significant reduction in demand for our services from our three largest clients, any requirement to lower the prices we charge these clients or the loss or financial difficulties of these clients could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We are subject to certain risks in relation to our business operations with CompuCredit, our single largest Client

Our single largest Client, CompuCredit accounts for a large percentage of our operating revenues. For the nine month ended December 31, 2004, CompuCredit accounted for approximately 52% of our income from services. Any loss of business or significant reduction in the volume of work from CompuCredit could adversely affect our revenues and profitability.

We entered into a revised Master Services Agreement (MSA) with CompuCredit on January 3, 2005. Pursuant to the terms of this MSA, CompuCredit has a Build-Operate-Transfer (BOT) arrangement with us, whereby it is entitled to purchase our existing facility (including transfer of employees) located at 46-B, Velachery Main Road, Chennai (i) on or after March 31, 2009 and before March 31, 2011 or (ii) in the event of any prescribed termination event prior to March 31, 2009. Following such a transfer of the facility and employees to CompuCredit, we may suffer a significant loss in our revenues and profitability

In addition to the BOT arrangement, the MSA prescribes certain restrictive covenants, which require the prior written approval of CompuCredit, including in relation to alteration of our Articles of Association and limitation on our borrowing capacity, which may affect the regular operations of our business.

For more details on the aforesaid arrangements and their impact on our business, please refer to the section titled "Master Services Agreement with CompuCredit" on page 44 of this Prospectus.

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

Our clients are typically retained by way of separate master services agreements. Most contracts with our clients can be terminated with or without cause, with thirty to ninety days advance notice and without termination-related penalties. Our agreements with clients are typically without any commitment to a specific volume of business or future work. Our business is dependent on the decisions and actions of our clients, and there are a number of factors that are outside our control, which might result in the termination of a project or the loss of a client. Our clients may demand price reductions and / or decide to change their outsourcing strategy by moving more work in-house or to our competitors. Any of these factors could adversely affect our revenues and profitability.

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

Our fixed rate contracts may subject us to the risk that our expenses with respect to a particular client engagement could be higher than we estimated at the time of entering into the contract. If we fail to anticipate our costs when entering a fixed rate contract, our margins could be reduced and our results of operations may be adversely affected.

We are expanding our capacity without client agreements in place to utilise this capacity.

We are setting up a new 1000-seat facility in Chennai in three phases over the course of the year 2005. We do not have client contracts in place to utilise this expanded capacity. If we are unsuccessful in increasing the demand for our services to match our increased capacity, our expenses will increase as a percentage of our revenues, which may have an adverse effect on our results of operations and cash flows.

We have incurred substantial losses in a prior period. After adjustments to profits in the subsequent period, we have residual carry forward losses.

We have incurred a loss of Rs. 164.9 million for the 15 month ended March 31, 2004. After adjustments to profits in the 9 months ended December 31, 2004, we have a carry forward loss of Rs. 66.1 million. We cannot assure you that such losses will not occur in the future and any such losses may affect our business and results of operations.

We have had negative cash flows for certain financial periods

For the 12 months ended December 31, 2002, we had a negative cash flow of Rs. 0.5 million arising from the utilization of cash flows for long term investments. For the 15 months ended March 31, 2004, we had a negative cash flow of Rs. 5.9 million arising from losses in operational activities. Any negative cash flow in the future could adversely affect our results of operations and financial conditions.

Our selling cycle in relation to certain services offered to clients may require significant investments of management time and capital resources in addition to significant commitments during the implementation cycle.

The services we offer to our clients require significant investment of capital, resources and time by both our clients and us. Our potential clients may require us to provide pilot studies to assess the feasibility of integrating with our systems. Thereafter, they may choose to evaluate the quality of our services before deciding whether to engage us. Due to these processes, our selling cycle, which averages eight months, is subject to many risks and delays over which we have little or no control, including our clients' decision to choose our competitors over us or the timing of our clients' budget cycles and approval processes.

In addition, implementing our services involves a significant commitment of resources over an extended period of time from both our clients and us. Our clients (including future clients) may not be willing or able to invest the time and resources necessary to implement our services, and we may fail to close sales with potential clients (on whom we would have devoted significant time and resources), which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Implementation processes, including integration of the client's systems with ours, are subject to a number of potential delays similar to those affecting our selling cycle. Revenues are recognised only on actual provision of services and the benefit of a client acquisition may be delayed in case of any delay in implementation or ramp up.

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

After the completion of the Issue, our Promoters will collectively hold approximately 34% of the outstanding Equity Shares. Consequently, our Promoters and other principal shareholders, if acting jointly, may exercise substantial control over us and *inter alia* may have the power to elect and remove a majority of our Directors and/or determine the outcome of proposals for corporate action requiring approval of our Board of Directors or shareholders, such as lending and investment policies, revenue budgets, capital expenditure, dividend policy and strategic acquisitions/joint ventures. Although, our Promoters currently hold 2,045,010 Equity Shares each, they are restricted from transferring certain shares for a period of three years and the remaining shares for a period of one year, in accordance with the SEBI DIP Guidelines.

Our success depends largely on our senior management and our ability to attract and retain our key personnel.

Our success depends on the continued services and performance of the members of our management team and other key employees. Competition for senior management in the industry is intense, and we may not be able to retain our existing senior management or attract and retain new senior management in the future. The loss of the services of our Promoters could seriously impair our ability to continue to manage and expand our business. Further, the loss of any other member of our senior management or other key personnel may adversely affect our business, results of operations and financial condition. We do not maintain 'key man' life insurance for our Promoters, senior members of our management team or other key personnel.

We may face risks associated with potential acquisitions, investments, strategic partnerships or other ventures, including whether we can identify opportunities, complete the transactions and integration of the target companies into our business.

Our proposed growth strategy involves entering into strategic partnerships with leading service providers with coverage in markets where we are currently under-represented and, evaluating on a case-by-case basis potential acquisition targets that offer an opportunity to grow our business and/or expand our capabilities or geographical reach. We may also have discussions with certain companies regarding our acquiring, investing in or partnering with their businesses, products, services or technologies. We may not be able to identify and fully evaluate a suitable acquisition, investment or strategic partnership, which may place us at a disadvantage if our competitors are able to grow their market share through acquisitions. If we do identify suitable candidates, we may not be able to complete those transactions on commercially acceptable terms or at all, or such acquisitions may result in the incurrence of indebtedness or the issuance of additional equity securities. If we acquire another company, we could have difficulty in integrating that company's personnel, products, operations and technology. In addition, the key personnel of the acquired company may decide not to work for us and its key clients may decide to terminate their agreements with us or reduce the volume of their purchases. These difficulties could disrupt our ongoing business, distract our management and employees and adversely affect our results of operations. We propose to use approximately Rs. 100 million from the net proceeds of the Issue to finance all or a portion of the aforesaid acquisition strategy. For more details, please refer to the section titled "Objects of the Issue" beginning on page 24 of this Prospectus. As at the date of this Red Herring Prospectus, we have not entered into a letter of intent or any definitive commitment or agreement for any material acquisition, investment or joint venture transaction.

The market price of the Equity Shares may be adversely affected by any additional issuances of equity or sales of a large number of the Equity Shares by our Promoters or other principal shareholders.

There is a risk that we may be required to finance our growth or strengthen our balance sheet through additional equity offerings. Any future issuance of Equity Shares, whether through the exercise of options or otherwise, will dilute the position of existing shareholders and could adversely affect the market price of the Equity Shares. We have adopted an Employee Stock Option Scheme as a means to reward and motivate our employees. As of January 1, 2005, 300,000 options have been granted, being 2.5% of our post-Issue equity share capital. None of the options granted have been exercised till date. In addition, sales of a large number of Equity Shares by the Promoters or our other principal shareholders after the expiry of the lock-in periods could adversely affect the market price of the Equity Shares. For further details on the Equity Shares locked in, please refer to the section titled "History and Certain Corporate Matters" beginning on page 46 of this Prospectus.

Our inability to effectively manage our rapid infrastructure and personnel growth could have a material adverse effect on our business, results of operations and financial condition.

Since we commenced commercial operations in January 2001, we have experienced rapid growth and significantly expanded our operations. We presently have three facilities in Chennai, including one in-house facility, aggregating 700 seats. In addition, we propose to set up a 1000-seat facility in Chennai in this calendar year. As of January 31, 2005, we have engaged 1470 employees and expect to aggregate over 2000 employees by the end of December 2005. Our inability to manage such rapid expansion effectively or to ensure the continued adequacy of our current systems could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We may fail to attract and retain trained employees to support our operations, as competition for skilled personnel is intense and we experience high employee turnover rates.

The BPO industry is labour intensive and experiences high employee turnover. Our success depends to a large extent on our ability to attract, hire, train and retain qualified employees, sometimes at an accelerated rate, with necessary skills to perform the services to our clients, including evolving industry standards and changing client preferences. Lack of qualified personnel could inhibit our ability to establish new operations and to expand our business. A significant increase in the turnover rate among our employees could increase our recruiting and training costs and decrease our operating efficiency, productivity and profit margins, and could lead to a decline in demand for our services, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Loan agreements with our lenders contain certain restrictive covenants relating to our rights.

Loan agreements with our lenders contain certain restrictive covenants relating to our rights, including the right to effect material changes in the composition of the Board of Directors, to amend our constitutive documents and to declare dividends upon a failure to make payments under the loan agreements. As per the terms of the Borrowing Agreement entered into with Industrial Development Bank of India (IDBI), in case of any default for three consecutive instalments and outstanding, IDBI has the option to convert its then existing outstanding loan balance into Equity Shares at any time during the currency of the loan, subject to a maximum of 40% of the paid up equity share capital of the Company, at the time of conversion. As of December 31, 2004, the amount outstanding on this term loan is Rs. 13.3 million, and there are no defaults as at the date of the Prospectus. Such restrictive covenants may affect the rights of our shareholders.

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

We are typically required to collect and store sensitive data in connection with our services. We take precautions to protect confidential client and client's customer data. However, if any person, including any of our employees, penetrates our network security or otherwise misappropriates sensitive data, we could be subject to significant liability claims from our clients or their own customers for breaching contractual confidentiality provisions or privacy laws. Further, penetration of the network security of our data centres could have a negative impact on our reputation, which could harm our business.

We may be subject to certain intellectual property infringement and/or unauthorized parties may infringe upon or misappropriate our intellectual property

We rely on a combination of trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property, including our brand identity. Although we believe that our intellectual property rights do not infringe on the intellectual property rights of any other party, infringement claims may be asserted against us in the future. There are currently no pending or threatened intellectual property claims against us. However, if we become liable to third parties for infringing their intellectual property rights, we could be required to pay substantial damages and be forced to develop non-infringing technology or obtain a license. In addition, our efforts to protect our intellectual property (whether formally registered or otherwise, including proprietary information) from being infringed upon or misappropriated may be inadequate.

Our operating results may differ from period to period and as a result we may not be able to make accurate financial forecasts.

Our operating results may vary significantly from period to period. The long selling cycle for our services, as well as the budget and approval processes of prospective clients, make it difficult to predict the timing of new client acquisitions. Revenues are recognised only on actual provision of services and the benefit of a client acquisition may be delayed due to any delay in implementation or ramp up. Our period to period results may also fluctuate due to other factors, including client losses, variations in employee utilization rates resulting from changes in our clients' operations, delays or difficulties in expanding our infrastructure (including hiring new employees or setting up our new 1,000-seat facility in Chennai), changes to our pricing, currency fluctuation and seasonal changes in the operations of our clients. These factors may make it difficult for us to make accurate financial forecasts or replace anticipated revenues that we do not receive as a result of delays in implementing our services or client losses.

We currently enjoy certain tax benefits, which may not be available to us in the future

As per the provisions of Section 10A of the Income Tax Act, 1961, we are eligible to claim a deduction with respect to profits derived by our software technology park units from the export of articles or computer software for a period of ten consecutive assessment years. This benefit is available subject to fulfillment of certain conditions prescribed under Section 10A and no benefit under this section shall be allowed with respect to any undertaking for the assessment year beginning on April 1, 2010 and subsequent years. Similarly, certain other tax benefits in this regard, which are currently being enjoyed by us, may not be available to us in the future. Such non-availability of tax benefits could adversely affect our results of operations and financials.

We may not be fully insured for losses we may incur.

Although we attempt to limit and mitigate our liability for damages arising from negligent acts, errors or omissions through contractual provisions, the limitations of liability set forth in our contracts may not be enforceable in all instances or may not protect us from liability for damages. In addition, certain liabilities, such as claims by third parties for which we may be required to indemnify our clients, are generally not limited under those agreements. Although we have general liability insurance coverage for certain clients, that coverage may not continue to be available on reasonable terms or be available in sufficient amounts to cover one or more large claims and our insurers may disclaim coverage as to any future claim. Please refer to the section titled "Insurance" on page 43 of this Prospectus. The successful assertion of one or more large claims against us that exceed available insurance coverage, or changes in our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have a material adverse effect on our results of operations, financial condition and cash flows.

We face significant competition from a number of sources.

The market for BPO services is highly competitive, and we expect competition to intensify and increase from a number of sources. We believe that the principal competitive factors in our markets are price, service quality, sales and marketing skills, the ability to develop customized solutions and technological and industry expertise. We face significant competition from several entities located in India and overseas, including captive outsourcing units. Several other countries including Philippines and China offer cost effective outsourcing solutions, and we may not be able to compete with them for several reasons. For more details, please refer to the section titled "Competition" on page 39 of this Prospectus. Certain segments of the BPO industry are low in complexity and therefore, have low entry barriers to deter competition. In addition, the trend toward offshore outsourcing, international expansion by competitors and continuing technological changes will result in new competitors entering our markets. These competitors may include entrants from related industries, including the communications, software and data networking industries or entrants in geographic locations with equal or lower costs than those in India. Some of the existing and future competitors may have greater financial, personnel and other resources, longer operating histories, a broader range of service offerings, greater technological expertise, more recognizable brand names and more established relationships in industries that we currently serve or may serve in the future. In addition, some of our competitors may enter into strategic or commercial relationships among themselves or with larger, more established companies in order to increase their ability to address client needs, or enter into similar arrangements with potential clients. Increased competition, our inability to compete successfully against competitors, pricing pressures or loss of market share could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We do not have a track record for payment of dividends on Equity Shares.

We have not declared or paid any cash dividends on the Equity Shares in the past. The future payment of dividends, if any would be based on the then available distributable profits and the recommendations of our Board of Directors.

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

We are a pure play (voice and non-voice) outsourcing company in the BPO industry and we believe that there is no directly comparable listed company on the Indian Stock Exchanges. The industry closest to the BPO industry is the software/information technology industry. Valuations in the software/information technology industry may not be sustained in future and current valuations may not be reflective of future valuations for the industry.

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

In January 2005 we issued 684,362 Equity Shares to CompuCredit at Rs. 51.7 per share on a basis of an earlier Share Subscription Agreement dated December 2003 where CompuCredit had contracted to acquire shares based on actual business done. Under our ESOP 2004, as on January 31, 2005, we have issued 300,000 options to our employees at a grant/exercise price of Rs. 10 per option. The exercise of each option entitles its holder to one Equity Share.

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

The proposed 1000-seat facility to be set up from a certain portion of the proceeds of the Issue has not been appraised by any bank or financial institution. Please refer to the section titled "Objects of the Issue" on page 24 of this Prospectus. The estimate of costs for the Project under various heads is based on various quotations we have received and our internal estimates. These quotes are valid for a limited period of time and may change resulting in cost over run. The deployment of funds arising from the proceeds of the Issue will be monitored by the audit committee of the Board.

We have not made any definitive arrangement for procurement of the equipment/ machinery for our project, which may cause a delay in implementation of the Project

We have initiated negotiations and sought quotations from various vendors. We have placed orders in relation to supply of certain equipments/ machinery. We have not yet placed orders in relation to 71% of the equipments/ machinery, aggregating approximately Rs. 261.5 million. This may cause a delay in implementation of the Project.

We are involved in certain legal proceedings and claims.

We are involved in certain legal proceedings and claims in relation to certain contractual, employment and taxation matters. There have been delays in payments, which were construed as defaults in 3 cases in relation to late payment of provident fund, tax deduction at source and delay in repayment of term loan instalments due to Canara Bank, aggregating approximately Rs. 517,580, Rs. 3,121,460 and Rs. 8,644,345 respectively. We are not aware of any potential claims/disputes against the Company. There are no cases filed by or against any of our Promoters or Directors till date.

There are no cases filed by or against our Subsidiary till date. There are two cases filed by our group companies in relation to recovery of monies against certain persons arising from default in payment for services rendered and an appeal against an income tax order filed before the Income Tax Appellate Tribunal, Chennai respectively.

Allsec Securities Limited, (ASL) one of our Group Company in its capacity as a member of the NSE during the period May 1, 2000 to September 30, 2000, received a summons to appear in person before the Investigating Authority from SEBI in August 25, 2004 requiring it to assist in connection with the investigations being conducted by SEBI in the case of buying, selling or dealing in the shares of M/s Polaris Software Lab Limited. Further to this summons, ASL, which surrendered its NSE membership in March 2003, is in the process of assisting SEBI in the said investigation by providing certain documents/ information available to it in its role as broker to the said transactions, which documents/information are being sought by SEBI from time to time.

For more information regarding litigation, please refer to the section titled "Outstanding Litigation" beginning on page 148 of this Prospectus.

We have not yet applied for or are yet to receive certain statutory clearances and approvals in relation to our business.

We have not yet applied for certain statutory approvals, including in relation to collection license applications to appropriate jurisdictions in the United States. These are approvals for future businesses and are not required for our current operations. For more details, please refer to the section titled "Government Approvals" on page 144 of this Prospectus.

External Risk Factors

We are subject to various Indian taxes and avail of certain tax benefits offered by the Government of India and the State of Tamil Nadu. Our profitability would decrease due to any adverse change in general tax policies or if the tax benefits were reduced or withdrawn.

Taxes and other levies imposed by the Government of India and/or the State of Tamil Nadu that may affect the BPO industry include: (i) customs duties; (ii) excise duty; (iii) central and state sales tax and other levies; (iv) income tax; (v) value added tax; (vi) entry tax imposed by various municipalities throughout India; (vii) turnover tax; (viii) service tax; and (ix) other new or special taxes and surcharges introduced on a permanent or temporary basis from time to time. For more details on the direct taxes, please refer to the section titled "Statement Of Tax Benefits" beginning on page 98 of this Prospectus**.**

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

US and Indian transfer-pricing regulations require that any international transaction involving associated enterprises be at an arm's length price. Transactions with our US subsidiary may need to be at an arm's length price. If the applicable income tax authorities review any of our tax returns and determines that the transfer price we applied for was not appropriate, we may incur increased tax liability, including accrued interest and penalties, which would cause our expenses to increase, possibly materially, thereby reducing our profitability and cash flows.

Our revenues are highly dependent on clients located in the United States. Economic slowdowns and other factors that affect the economic health of the United States may affect our business.

To date, all of our revenue has been derived from clients located in the United States or from Indian subsidiaries of US companies. Consequently, if there is an economic slowdown in the United States, our clients may reduce or postpone their outsourcing significantly, which may in turn lower the demand for our services and negatively affect our revenues and profitability.

Our business is subject to a variety of laws in the United States; failure to comply with such laws could damage our business and changes to such laws could reduce the demand for, and our ability to provide, certain service offerings and significantly increase the cost of regulatory compliance.

Our business is subject to a variety of government regulations. In particular, we must comply with a number of laws in the United States including in relation to debt collection practices, credit reporting, the use of non-public information and telephone and email based marketing.

The requirements of many of these regulations are complex and the failure to comply could result in enforcement or private actions, harm our business reputation and materially adversely affect our business. In addition, these laws are subject to change and new laws similarly affecting our business may be enacted, which could adversely affect the demand for, and our ability to provide, certain service offerings and significantly increase the cost of regulatory compliance. For a more detailed description of the government regulations that we are subject to, see "Regulations and Policies" on page 139 of this Prospectus.

The appreciation of the Rupee against the US Dollar would have a material adverse effect on our results of operations.

We report our financial results in Rupees, but for the nine-months ended December 31, 2004, 97.6% of our income from services was denominated in US Dollars and 67.5% of our expenses were incurred and paid in

Rupees. The exchange rate between the Rupee and the US Dollar has changed substantially in recent years and may fluctuate substantially in future. We currently do not hedge any of our Rupee-US Dollar foreign currency exposures, except to the extent provided for in the Master Services Agreement with CompuCredit. Please refer to the section titled "Master Services Agreement with CompuCredit" on page 44 of this Prospectus. Therefore, our results of operations will be adversely affected if the Rupee appreciates against the US Dollar.

Wage increases in India may prevent us from sustaining our competitive advantage and may reduce our profit margin.

Our most significant costs are the salaries and related benefits of our operations staff and other employees. Wage costs in India have historically been significantly lower than wage costs in the United States and other countries in the OECD, which has been one of our competitive advantages. However, wages in India are increasing at a faster rate than in the countries in the OECD, which may reduce our competitive advantage in relation to pricing. We may need to increase the levels of employee compensation more rapidly than in the past to remain competitive and to attracting necessary employees. Wage increases in the long-term may reduce our profit margins.

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

India has stringent labour legislations that protect the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes certain financial obligations on employers upon retrenchment. Though we are exempt from the applicability of certain labour law legislations there can be no assurance that such laws will not become applicable to the BPO industry in the future. In addition, our employees may form unions in the future. If the labour laws become applicable to our workers or if our employees unionise, it may become difficult for us to maintain flexible labour policies, discharge employees or downsize, and our profitability may be adversely affected.

Offshoring of certain activities from the United States and other countries to India and other cost-effective locations may be restricted due to certain proposed legislations, negative public reaction and political changes.

We have based our strategy of future growth on certain assumptions regarding the BPO industry. The trend to outsource business processes may not continue and could reverse. Recently, many organizations and public associations in the United States and the United Kingdom have expressed concern about offshoring certain activities, including a perception of loss of jobs in the United States and the United Kingdom to offshore outsourcing service providers. Current or prospective clients could elect to perform such services themselves or may be discouraged from transferring these services to offshore providers to avoid any negative perception that may be associated with using such a provider. Any slowdown or reversal of existing industry trends would harm our ability to compete effectively with competitors that operate out of facilities located in the United States.

Certain US federal and state legislations have been proposed that, if enacted, could restrict or discourage US companies from outsourcing their services to companies outside the United States. In addition, it is possible that legislation could be adopted that would restrict US private sector companies that have federal or state government contracts from outsourcing their services to offshore service providers. Because the majority of our current clients are located in United States, any expansion of existing laws or the enactment of new legislation restricting offshore outsourcing could adversely impact our ability to do business with US clients and have a material and adverse effect on our business, results of operations, financial condition and cash flows.

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

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

Indian law limits our ability to raise capital outside India and to enter into acquisition transactions with non-Indian companies.

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

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

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

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

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

The price of the Equity Shares may be volatile, and you may be unable to resell your Equity Shares at or above the Issue Price or at all.

Prior to the Issue, there has been no public market for the Equity Shares, and an active trading market on the Indian Stock Exchanges may not develop or be sustained after the Issue. The Issue Price of the Equity Shares may bear no relationship to the market price of the Equity Shares after the Issue. The market price of the Equity Shares after this Issue may be subject to significant fluctuations in response to, among other factors, variations in our operating results, market conditions specific to the BPO industry, developments relating to the United States and India and volatility in the Indian Stock Exchanges and securities markets elsewhere in the world.

Notes to Risk Factors

- Public issue of 3,141,200 Equity Shares of Rs. 10 each at a price of Rs. 135 for cash aggregating Rs. 424.1 million (referred to as the "Issue"), comprising 149,600 Equity Shares of Rs. 10 each reserved for the Employees of the Company and a Net Offer to the Public of 2,991,600 Equity Shares of Rs. 10 each. The Issue would constitute 26.25% of the fully diluted post Issue paid-up capital of the Company.
- The net worth of the Company was Rs. 110.3 million as on December 31, 2004 as per our restated unconsolidated financial statements under Indian GAAP. Pursuant to (i) the conversion of existing cumulative convertible preference shares into Equity Shares vide a resolution approved by the shareholders at their extraordinary general meeting held on January 14, 2005 and (ii) the issue of Equity Shares to CCRT Investment Holdings B.V., the net worth of the Company will change. Details of the conversion of cumulative preference shares and issue of Equity Shares are provided below.
- The book value per Equity Share of Rs. 10 each was Rs. (-) 5.3 as on December 31, 2004, as per our restated unconsolidated financial statements under Indian GAAP. Pursuant to (i) the conversion of existing cumulative convertible preference shares into Equity Shares vide a resolution approved by the shareholders at their extraordinary general meeting held on January 14, 2005 and (ii) the issue of Equity Shares to CCRT Investment Holdings B.V., the book value per Equity Share will change. Details of the conversion of cumulative preference shares and issue of equity share capital are provided below.
- The Company has allotted 1,668,092 Equity Shares of Rs. 10 each at a premium of Rs. 19.61 amounting to Rs. 49,400,000 by conversion of 494,000 cumulative convertible preference shares of Rs. 100 each, vide a resolution approved by the shareholders at their extraordinary general meeting held on January 14, 2005.
- The Company has allotted 2,117,317 Equity Shares of Rs. 10 each at a premium of Rs. 29.59 amounting to Rs. 83,825,000 by conversion of 838,250 cumulative convertible preference shares of Rs. 100 each, vide a resolution approved by the shareholders at their extraordinary general meeting held on January 14, 2005.
- CCRT Investment Holdings B.V. invested in 684,362 Equity Shares at a price of Rs. 51.7 per share on January 31, 2005.
- The average cost of acquisition of our Equity Shares by our Promoters, Mr. A. Saravanan and Mr. R. Jagadish is Rs. 15.0 and Rs. 15.0 respectively.
- The compensation committee on January 14, 2005 and January 31, 2005 authorized the grant of 13,500 and 33,700 options, respectively, to eligible employees at a price of Rs. 10 per stock option. Upon exercise, the holder of each stock option is entitled to one Equity Share.
- For related party transactions, please refer to the section titled "Related Party Transactions" on page 64 of this Prospectus.
- Investors may note that in case of over-subscription in the Issue, allotment to Non-Institutional Bidders and Retail Bidders shall be on a proportionate basis. For more information, please refer to the section titled "Basis of Allotment" on page 176 of this Prospectus.
- For any clarification or information relating to the Issue, investors are free to contact the BRLMs, who will be obliged to provide the same to the investors.
- Investors may contact the BRLMs and the Syndicate Members for any complaints pertaining to the Issue.
- Investors are advised to refer to the section titled "Basis for Issue Price" on page 173 of this Prospectus.

SUMMARY

You are advised to read the following summary together with the Risk Factors and other detailed information about us, including our financial statements included elsewhere in this Prospectus.

Unless stated otherwise, the financial data herein is derived from the historical stand-alone Indian GAAP financial statements of Allsec Technologies Limited beginning on page 66 of this Prospectus.

The BPO Industry

Business process outsourcing ("BPO") is the delegation of one or more business processes to an external service provider that in turn owns, administers and manages the selected process based on certain pre-defined and measurable performance criteria. The term 'information technology enabled services' ("ITES"), which is often used interchangeably with BPO, refers to BPO activities that employ information technology.

Reorganization of business models to leverage the benefits of outsourcing and focusing instead on their core competencies is fast becoming an important strategy for a diverse range of global and national clients, irrespective of size. BPO service providers are expected to return a series of benefits, including a combination of expertise, lower costs through economies of scale, better scalability, improved methodologies and greater flexibility of service.

Based on IDC research information, the worldwide spending on BPO services in 2003 was approximately US$405 billion, indicating a growth of approximately 8% from 2002. The BPO industry in India grew from US$2.5 billion in FY 2003 to US$3.6 billion in FY 2004, an increase of over 46%. (Source: NASSCOM). Based on a compound annual growth rate ("CAGR") of 11%, IDC has projected that the worldwide spending on BPO services will increase to US$682.5 billion in 2008. India's share of this expanding spending on BPO services is expected to cross 15% by 2005 and 25% by 2008.

Advantages of the Indian BPO industry that are country-specific include:

- Cost savings - skilled manpower costs in India are significantly lower than in the United States and other OECD countries. For certain offshoreable processes (like Tele services and Accounting services), the cost savings in wages between the parent facility in the US or UK and the subsidiary facility in India averages more than 70-80%. For instance, the average salary of customer service agents in India is between US$2,000 and US$3,000 per annum, while the comparable salary in the US is between US$23,000 and US$35,000 per annum.
- Tax breaks arising from an income tax holiday for foreign earnings of Indian BPO companies (phased out at the end of FY 2009) and tax exemptions and tax benefits for companies that have obtained STPI registration;
- 100% Foreign Direct Investment is permitted in the ITES/BPO sector; and
- Very large pool of well educated, English-speaking graduates. There are currently more than 30 million graduates in India, with two million being added every year.

Our Business

We are a BPO service company providing support services for inbound customer care; technology helpdesk; inbound and outbound tele-services that include sales, collections, lead generation and market research. We also provide third-party quality assurance as well as HR and payroll processing.

We currently have 10 clients, all of which are either US corporations or Indian subsidiaries of US corporations. CompuCredit is our anchor client and we derive a significant part of our total revenue from CompuCredit. Over the last 12 months, we have successfully expanded the revenue from most of our existing clients in addition to adding a few significant new clients. Our client relationships are often long-term, and some migrate into strategic relationships that are very strategic to our growth.

We commenced commercial operations in January 2001 with an initial capacity of 100 seats. Since then, we have experienced rapid growth and significantly expanded our operations. We presently have three facilities in Chennai, including one in-house facility, aggregating 700 seats. In addition, we propose to set up a 1000-seat facility in Chennai in this calendar year.

We are an ISO 9001:2000 certified organisation and are in the process of obtaining a BS 7799 Certification.

Our Competitive Strengths

Our diversified service offering base reduces the reliance of our business on anyone service offering and is aimed at driving a more holistic model:

- Our quality assurance offering is home grown and offers a value addition to global call centre operations to measure its global quality standards.
- Our end-to-end services for the retail financial services industry including credit card provides us with a wide platform to de-risk any short term down turns in our business cycle.
- A mature collections offering also provides us a large clientele across different verticals.
- Another horizontal where we have developed home grown and mature expertise in India is HR and Payroll processing which is primarily a technology based and this could be now offered globally.

Business Strategy

- We intend to enhance our position by offering end-to-end services to our clients and to capture maximum opportunities resulting in growth of business of our clients.
- Deliver services out of additional contact centres, at least one of which is outside India and increase services to additional active clients across 3 time zones – US, UK and Australia – with non-US business contributing significantly to our revenue growth.
- On the customer management horizontal, we will retain our focus on the fast-growing financial services segment.
- We plan to keep our client acquisition strategy as cost effective as it has been, without compromising on building a healthy pipeline.
- Apart from the above internal organic growth strategies, our strategy will include the following sub strategies:
  - Joint-marketing through existing clients, including participation in client strategies for growth and integrate the Allsec offshore offering therein
  - Acquisitions – Explore opportunities that can extend client reach and horizontal skill-sets and provide us with more scalability options.

THE ISSUE

Equity Shares offered	
Public Issue *Of Which:*	3,141,200 Equity Shares.
Employees Reservation Portion	149,600 Equity Shares (Allocation on a proportionate basis)
Net Offer to the Public: *Of Which:*	2,991,600 Equity Shares
Qualified Institutional Buyers portion	At least 1,495,800 Equity Shares (Allocation on a discretionary basis)
Non-Institutional portion	Not more than 747,900 Equity Shares (Allocation on a proportionate basis)
Retail portion	Not more than 747,900 Equity Shares (Allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	8,824,841 Equity Shares
Equity Shares outstanding after the Issue	11,966,041 Equity Shares
Objects of the Issue	The proceeds of the Issue will be used for setting up the New Facility, repayment of Loan Amount, strategic investments/joint ventures and for meeting working capital requirements. For more information, please refer to the section titled "Objects of the Issue" beginning on page 24 of this Prospectus.

SUMMARY RESTATED CONSOLIDATED FINANCIAL INFORMATION

The following summary financial information, other than for the nine months ended December 31, 2004, has been extracted from the Summary Restated Statements prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, included in the section titled "Financial Information" beginning on page 82 of this Prospectus. The Summary Restated Statements have been examined as described in the Auditors Report of S. R. Batliboi & Associates dated January 31, 2005, in the section titled "Financial Information" beginning on page 82 of this Prospectus. The Auditors' Report refers to the auditors' reliance on the financial statements for August 24, 1998 (date of incorporation) to September 30, 1999, 15 months ending December 31, 2000, 12 months ending December 31, 2001, 12 months ending December 31, 2002 and 15 months ending March 31, 2004.

This Prospectus also includes audited financial statements for the nine months ended December 31, 2004, prepared in accordance with Indian GAAP and which have not been restated in accordance with SEBI Guidelines (the "Interim Audited Financial Statements"). The Interim Audited Financial Statements have been audited by S. R. Batliboi & Associates as described in their audit report dated January 31, 2005 included in the section titled "Financial Information" beginning on page 82 of this Prospectus. The summary financial statements given below for the nine months ended December 31, 2004 have not been restated in accordance with the SEBI DIP Guidelines, and have been extracted from the audit report for such period prepared by S. R. Batliboi & Associates.

You should read this summary information in conjunction with our Summary Restated Statements and Interim Audited Financial Statements including the significant accounting policies and notes thereto and the reports thereon and also the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 76 of this Prospectus.

Summary of Statement of Profits and Losses

(Amount in Rs. million)

	August 24 1998 (the incorporation date) to Sept. 30, 1999	Fifteen months ended December 31, 2000	Year ended December 31, 2001	Year ended December 31, 2002	Fifteen months ended March 31, 2004	Nine months ended December 31,2004
Income						
From Services	–	–	81.70	197.10	250.58	417.72
Other Income	–	–	1.44	2.32	0.20	0.02
Total Income	**–**	**–**	**83.14**	**199.42**	**250.78**	**417.74**
Expenditure						
Connectivity Costs	–	–	24.97	57.26	132.79	75.99
Database Costs	–	–	–	–	19.84	–
Employee Costs and Benefits	–	–	20.61	63.51	151.46	157.20
General & Administration Expenses	–	–	16.62	30.81	52.81	55.55
Selling Expenses	–	–	0.97	2.44	1.64	3.44
Finance Charges	–	–	5.27	5.87	14.99	11.46
Depreciation	–	–	9.15	19.29	49.27	30.43
Deferred Revenue Expenditure	–	–	3.82	4.45	0.77	1.44
Total Expenditure	**–**	**–**	**81.42**	**183.62**	**423.58**	**335.52**
EBITDA*	–	–	18.52	43.09	(107.96)	125.54
EBIT**	–	–	5.55	19.35	(158.00)	93.67
Profit (Loss) before taxation	**–**	**–**	**1.72**	**15.80**	**(172.79)**	**82.22**
Net Profit / (Loss) after taxation as per audited accounts	–	–	2.15	15.62	(169.66)	78.33

* EBITDA means profit before interest, taxation, depreciation and amortization, excluding other income and excluding any adjustments to profits as required under SEBI DIP Guidelines.

** EBIT means profit before interest and taxation, excluding other income and excluding any adjustments to profit as required under SEBI DIP Guidelines.

Summary Statement of Profits and Losses, as Restated

(Amount in Rs. million)

	August 24 1998 (the incorporation date) to Sept. 30, 1999	Fifteen months ended December 31, 2000	Year ended December 31, 2001	Year ended December 31, 2002	Fifteen months ended March 31, 2004	Nine months ended December 31,2004
Profit (Loss) after taxation as per audited accounts (A)	–	–	2.15	15.62	(169.66)	78.33
Total of adjustments after tax impact (B)	0.01	13.34	(6.51)	(7.63)	(5.05)	(0.84)
Net Profit / Loss, as Restated (A - B)	**(0.01)**	**(13.34)**	**8.66**	**23.24**	**(164.61)**	**79.17**

ALLSEC TECHNOLOGIES LIMITED

(The Company was incorporated on August 24, 1998 under the Companies Act, 1956 and was issued a Certificate for Commencement of Business on October 16, 1998. The registration number assigned to the Company on incorporation is18-41033 of 1998

Registered Office: 7-H, Century Plaza, 560/562 Anna Salai, Teynampet, Chennai 600 018

Corporate Office: 46-B, Velachery Main Road, Velachery, Chennai 600 042

Tel: +91 44 2244 7070; **Fax:** +91 44 2244 7077;

Web site: www.allsectech.com; **Email:** allsecipo@allsectech.com

GENERAL INFORMATION

Authority for the Issue

The Issue has been authorized by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the extraordinary general meeting of our shareholders held on January 14, 2005 and the Board of Directors has authorized the Issue pursuant to a resolution dated January 14, 2005.

Prohibition by SEBI

The Company, its Directors, its Promoters, the directors and persons in control of, our Subsidiary, our group companies, other companies promoted by our Promoters and companies with which the Company's Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Eligibility for the Issue

We are permitted to make this issue in accordance with Clause 2.2.2 of the SEBI DIP Guidelines, which states:

An unlisted company not complying with any of the conditions specified in Clause 2.2.1 of the SEBI DIP Guidelines may make an initial public offering (IPO) of equity shares at a later date, only if it meets both the conditions (a) and (b) given below:

(a) (i) The Issue is made through the book-building process, with at least 50% of the issue size being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.

OR

(ii) The "project" has at least 15% participation by Financial Institutions/ Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the Issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded.

AND

(b) (i) The minimum post-issue face value capital of the company shall be Rs. 10 crores.

OR

(ii) There shall be a compulsory market making for at least 2 years from the date of listing of the shares, subject to the following:

(a) Market makers undertake to offer buy and sell quotes for a minimum depth of 300 shares;

(b) Market makers undertake to ensure that the bid-ask spread (difference between quotations for sale and purchase) for their quotes shall not at any time exceed 10%:

(c) The inventory of the market makers on each of such stock exchanges, as on the date of allotment of securities, shall be at least 5% of the proposed issue of the company.

We are in compliance with (a) (i) and (b) (i) of Clause 2.2.2 described above.

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 TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS

PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, IL&FS INVESTSMART LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE BOOK RUNNING LEAD MANAGER, IL&FS INVESTSMART LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED FEBRUARY 08, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

"WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE PROSPECTUS PERTAINING TO THE SAID ISSUE.

ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

(A) THE 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 PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A <u>WELL-INFORMED DECISION</u> AS TO THE INVESTMENT IN THE PROPOSED ISSUE;

(D) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND

(E) WE HAVE SATISFIED OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS

WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE PROSPECTUS WITH THE REGISTRAR OF COMPANIES, CHENNAI, TAMIL NADU IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

<u>THE FILING OF THE PROSPECTUS</u> DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND/OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE PROSPECTUS."

Caution

The Company, our Directors and the BRLMs accept no responsibility for statements made otherwise than in this Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web site, www.allsectech.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 entered into between the BRLMs and us and the Underwriting Agreement to be entered into between the Underwriters and us.

All information shall be made available by us and/or the 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, at bidding centres or elsewhere.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are not minors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorized under their constitution to hold and invest in shares, permitted insurance companies and pension funds and to non-residents including NRIs and FIIs. This Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Chennai, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

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 dated March 17, 2005, permission to the Company to use the NSE's name in the Red Herrinig Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to the paid-up capital and market capitalization (i.e., the paid up capital shall not be less than Rs. 10 crores and market capitalization shall not be less that Rs. 25 crores at the time of listing). The NSE has scrutinized the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that the Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer Clause of BSE

As required, a copy of the Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter dated March 16, 2005, permission to this Company to use BSE's name in the Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. BSE has scrutinized the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company.

BSE does not in any manner:

- warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; or
- warrant that this Company's securities will be listed or will continue to be listed on BSE; or
- take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that the Red Herring Prospectus has been cleared or approved by BSE. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration with the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with the RoC. A copy of the Red Herring Prospectus has been filed with the Corporate Finance Department of SEBI at Mittal Court, "B" Wing, First Floor, 224, Nariman Point, Mumbai 400 021.

Listing

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of our Equity Shares. NSE will be the Designated Stock Exchange.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company will forthwith repay, without interest, all monies received from the applicants in pursuance of this Prospectus. If such money is not repaid within 8 days after the Company become liable to repay it, i.e., from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of eight 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.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalization of the Basis of Allotment for the Issue.

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."

Minimum Subscription

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

Withdrawal of the Issue

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

Letters of Allotment or Refund Orders

We shall give credit to the beneficiary account with depository participants within 2 working days of finalization of the basis of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500 by "Under Certificate of Posting", and will dispatch refund orders above Rs. 1,500 if any, by registered post or speed post at the sole or first Bidder's sole risk within 15 days of the Bid/Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders will be done within 15 days from the Bid/Issue Closing Date; and
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

- We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Issue Program

BID/ISSUE OPENED ON:	April 13, 2005
BID/ISSUE CLOSED ON:	April 20, 2005

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted only between **10 a.m. and 1 p.m.** (Indian Standard Time) or uploaded till such time as may be permitted by the NSE and BSE on the Bid/Issue Closing Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the NSE and BSE, by issuing a press release, and also by indicating the change on the web site of the BRLMs and at the terminals of the Syndicate.

Book Running Lead Managers

IL&FS Investsmart Limited
The IL&FS Financial Centre,
Plot C-22, G-Block,
Bandra-Kurla Complex,
Bandra (E),
Mumbai 400 051
Tel: +91 22 2653 3333; Fax: +91 22 2653 3093
Email: allsec.ipo@investsmartindia.com
Website: www.investsmartindia.com

Kotak Mahindra Capital Company Limited
Bakhtawar, 3rd Floor,
229, Nariman Point,
Mumbai 400 021
Tel: +91 22 5634 1100; Fax: +91 22 2284 0492
Email: allsec.ipo@kotak.com
Website: www.kotak.com

Syndicate Member(s)

Kotak Securities Limited
Bakhtawar 1st Floor, 229, Nariman Point,
Mumbai 400 021
Tel: + 91 22 5634 1100; Fax: + 91 22 5630 3927
Email: allsec.ipo@kotak.com
Website: www.kotak.com

Statement of Inter-Se Allocation of Responsibility

The responsibilities and co-ordination for various activities in this Issue have been distributed between the BRLMs as under:

No.	Activities	Responsibility	Co-ordinator
1.	Capital structuring with the relative components and formalities such as type of instruments, etc.	IIL	IIL
2.	Due diligence of the Company's operations including, management, business plans legal and financial. Drafting and designing the Red Herring Prospectus and statutory advertisements including the memorandum containing salient features of the Prospectus. Finalizing Prospectus and RoC filing. Ensuring compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI.	IIL	IIL
3.	Drafting and approving all publicity material (other than statutory advertisement as mentioned in (2) above) including corporate advertisement, brochure, etc.	IIL	IIL
4.	Appointing of Registrar to the Issue	IIL	IIL
5.	Appointing other intermediaries viz. printers, advertising agency and Bankers to the Issue.	IIL	IIL
6.	Marketing the Issue, which will *inter alia* cover: ● Formulating marketing strategies, preparing publicity budget ● Finalising media and public relations strategy ● Finalising centres for holding conferences for brokers, etc. ● Finalising collection centres ● Follow-up on distribution of publicity and Issue related materials including form, prospectus and deciding on the quantum of the Issue material to be prepared and distributed.	IIL, KMCC	IIL
7.	Finalizing the list and division of investors for one to one meetings, deciding pricing and institutional allocation in consultation with the Company.	IIL, KMCC	KMCC
8.	Executing post bidding activities including managing escrow accounts, co-ordinating non-institutional allocation, intimating allocation and dispatching refunds to bidders etc.	IIL	IIL
9.	Follow-up steps which include finalizing the listing of instruments and dispatch of certificates and delivery of dematerialised shares, with the various agencies connected with the Issue including the Registrar to the Issue and Bankers to the Issue and the bank handling refund. Ensuring that these agencies fulfil their functions and enable the BRLMs to discharge their responsibility through suitable agreements with the Company.	IIL	IIL

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

Registered Office of the Company

Allsec Technologies Limited
7-H, Century Plaza,
560/562 Anna Salai,
Teynampet,
Chennai 600 018
Tel: +91 44 2244 7070
Fax: +91 44 2244 7077
Web site: www.allsectech.com
Email: allsecipo@allsectech.com

Corporate Office of the Company

Allsec Technologies Limited
46-B, Velachery Main Road,
Velachery,
Chennai 600 042
Tel: +91 44 2244 7070
Fax: +91 44 2244 7077
Web site: www.allsectech.com
Email: allsecipo@allsectech.com

Company Secretary
Mr. K. Madhusoothanan
Allsec Technologies Limited,
46-B, Velachery Main Road,
Velachery,
Chennai 600 042
Tel: +91 44 2244 7070
Fax: +91 44 2244 7077
Email: madhu@allsectech.com

Compliance Officer
Mr. P. Swaminathan
Chief Financial Officer
46-B, Velachery Main Road,
Velachery,
Chennai 600 042
Tel: +91 44 2244 7070
Fax: +91 44 2244 7077
Email: swami@allsectech.com

Registrar to the Issue

Karvy Computershare Private Limited
Unit: Allsec
Karvy House, 46, Avenue 4, Street No.1
Banjara Hills, Hyderabad 500 034
Tel.: +91 40 2331 2451
Fax: +91 40 2331 1968
Email: allsecipo@karvy.com
Website: www.karvy.com

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

Financial Advisors to the Company

Spark Capital Advisors (India) Private Limited
#18, II Floor,
Khader Nawaz Khan Road,
Nungambakkam,
Chennai 600 034
Tel: +91 44 5205 9901
Fax: +91 44 5205 9907
Email: allsecipo@sparkcapital.ws

Legal Counsel for the Issue

Domestic Legal Counsel
Amarchand & Mangaldas & Suresh A. Shroff & Co.
201, Midford House,
Midford Garden,
M.G.Road,
Bangalore 560 001
Tel: +91 80 2558 4870
Fax: +91 80 2558 4266

International Legal Counsel
Coudert Brothers
39th Floor, Gloucester Tower,
The Landmark,
11 Pedder Street
Central, Hong Kong
People's Republic of China
Tel: +852 2218 9100
Fax: +852 2218 9200

Auditors to the Company

Indian Auditors
S.R.Batliboi & Associates
TPL House, Second Floor,
3, Cenotaph Road,
Teynampet,
Chennai 600 018
Tel: +91 44 2431 1440
Fax: +91 44 2431 1450

International Auditors
Srinivasan Sridharan LLC
Certified Public Accountant
67, Spring Street,
Edison NJ 08820
Tel: +1 732-603-8671
Fax: +1 732-603-0062

Bankers to the Issue and Escrow Collection Banks

Canara Bank
Mount Road Branch
Rayala Towers
781-785 Anna Salai
Chennai 600 002.
Tel: +91 44 2852 0072
Fax: +91 44 2852 1075

ICICI Bank Limited
Capital Market Division
30, Mumbai Samachar Marg
Fort, Mumbai 400 001.
Tel : +91 22 2265 5284 / 85 / 86
Fax: +91 22 2261 1138

Kotak Mahindra Bank Limited
Bakhtawar, 2nd Floor
229, Nariman Point
Mumbai 400 021.
Tel : +91 22 5659 6022
Fax: +91 22 2288 5661

Bankers to the Company

Canara Bank
Corporate Service Bank
770, Anna Salai
Chennai 600 002.
Tel: +91 44 2849 7011/7015
Fax: +91 44 2849 7016

UTI Bank Limited
Main Branch
Dr.Radhakrishnan Salai
Chennai 600 004.
Tel: +91 44 2811 1085/1088
Fax: +91 44 2811 1084

Citi Bank N.A.
Main Branch
Chennai 600 002.
Tel: +91 44 2846 1151
Fax: +91 44 2846 0444

Credit Rating

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

Trustees

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

Book Building Process

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

1. Issuer Company;
2. Book Running Lead Managers; and
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with the Stock Exchange (s) and eligible to act as underwriters. The BRLMs are to appoint the Syndicate Members.

The SEBI DIP Guidelines permits an issue of securities to the public through the 100% Book Building Process, wherein 50% of the Issue is allocated on a discretionary basis to QIBs. Further, not less than 25% of the Issue should be available for allotment on a proportionate basis to Non-Institutional Bidders and not less than 25% of the Issue should be available for allotment on a proportionate basis to Retail Bidders, subject to valid Bids being received at or above the Issue Price. We will comply with the SEBI DIP Guidelines for this Issue. In this regard, we have appointed the BRLMs to procure subscriptions to the Issue.

The process of book building, under SEBI DIP Guidelines, is relatively new and the investors are advised to make their own judgment about investment through this process prior to making a Bid in the Issue. Pursuant to recent amendments to the SEBI DIP Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. Please refer to the section titled “Terms of the Issue” on page 153 of this Prospectus for more details.

Steps to be taken by the Bidders for bidding:

- Check whether he/she is eligible for bidding;
- Bidder necessarily needs to have a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form.

Underwriting Agreement

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

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

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in million)
IL&FS Investsmart Limited The IL&FS Financial Centre, Plot C-22, G-Block, Bandra-Kurla Complex, Bandra (E), Mumbai 400 051.	1,570,600	212.0
Kotak Mahindra Capital Company Limited Bakhtawar, 3rd Floor, 229, Nariman Point, Mumbai 400 021.	1,570,500	212.0
Kotak Securities Limited Bakhtawar 1st Floor, 229, Nariman Point, Mumbai 400 021.	100	0.0

The above Underwriting Agreement is dated April 25, 2005.

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). Our IPO Committee, at their meeting held on April 25 2005, have accepted and entered into the Underwriting Agreement mentioned above on behalf of the Company.

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

CAPITAL STRUCTURE

Share capital as at the date of filing of this Prospectus with RoC is set forth below.

			Face Value (Rs.)	Aggregate Value (Rs.)
A.	**Authorised Capital**			
	15,000,000 *	Equity Shares of Rs. 10 each	150,000,000	—
	1,350,000	Preference Shares of Rs.100 each	135,000,000	—
B.	**Issued, Subscribed and Paid-Up Capital before the Issue**			
	8,824,841	Equity Shares of Rs. 10 each	88,248,410	212,124,100
C.	**Present Issue to the Public in terms of this Prospectus**			
	Fresh Issue			
	3,141,200	Equity Share of Rs. 10 each	31,412,000	424,062,000
	Out of which			
	149,600	Equity Shares of Rs. 10 each are reserved for allotment to Employees and Directors of Company and the Subsidiary on a competitive basis.	1,496,000	20,196,000
D.	**Net Offer to the Public in terms of this Prospectus**			
	2,991,600	Equity Shares of Rs. 10 each	29,916,000	403,866,000
E.	**Post Issue paid up Equity Share Capital**			
	11,966,041	Equity Shares of Rs. 10 each	119,660,410	1,615,415,535
F.	**Share Premium Account**			
	Before the Issue		123,875,690	
	After the Issue		516,525,690	

*We have increased our authorised capital from Rs. 195 million to Rs. 285 million by increasing our equity capital by Rs. 90 million vide shareholders resolution dated January 14, 2005.

Notes to the Capital Structure

1. Share Capital History of the Company:

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of payment of Consideration	Reasons for Allotment	Cumulative Paid -up Capital (Rs.)	Cumulative Share Premium (Rs.)	Name of the persons to whom shares were allotted
September 15, 1999	70	10	10	Cash	Subscriber to MoA/AoA	700	Nil	
March 20, 2002	100,000	10	10	Cash	Further allotment	1,000,700	Nil	Mr. A. Saravanan and Mr. R. Jagadish
October 03, 2000	3,400,000	10	10	Cash	Further allotment	35,000,700	Nil	Mr. A. Saravanan and Mr. R. Jagadish
March 28, 2001	550,000	10	10	Cash	Further allotment	40,500,700	Nil	IDBI Limited and Dr. Bala V. Balachandran
September 20, 2001	250,000	10	10	Cash	Further allotment	43,000,700	Nil	IDBI Limited
April 24, 2002	27,500	10	30	Cash	Further allotment	43,275,700	550,000	Euronet and KMVCF
June 04, 2002	27,500	10	30	Cash	Further allotment	43,550,700	1,100,000*	Euronet and KMVCF
January 14, 2005	2,117,317	10	39.6	Conversion of 838,250 CCPS of Rs. 100 each		64,723,870	62,651,830	Euronet
January 14, 2005	1,668,092	10	29.6	Conversion of 494,000 CCPS of Rs. 100 each		81,404,790	95,370,910	KMVCF
January 31, 2005	684,362	10	51.7#	Cash	Further allotment	88,248,410	123,875,690	CCRT International Holding B.V.

** Share premium amount of Rs. 1,100,000 was adjusted against share issue expenses.*

 # Adjusted to the nearest paise as the amount was received in foreign currency.

No shares have been issued for consideration other than cash or out of revaluation reserves at any point of time.

2. Promoters Contribution and Lock-in:

Details of Promoters Contribution locked in for three years

Name of Promoter	Face Value (Rs.)	Issue Price (Rs.)	Number of Equity Shares subject to lock-in for 3 years	Date of allotment of shares subject to lock-in for 3 years#	Consideration	Percentage of pre Issue paid up capital	Percentage of post Issue paid up capital*	Lock-in period
Mr. A. Saravanan	10	10	1,226,604	October 03,2000	Cash	13.9%	10%	3 Years
Mr. R. Jagadish	10	10	1,226,604	October 03,2000	Cash	13.9%	10%	3 Years
			2,453,208					

All allotted shares have been fully paid up from the date of allotment i.e. the date of allotment and the date on which the Equity Shares were fully paid-up are the same.

* *Assuming all 300,000 stock options granted have been exercised.*

Other than the above shares which are locked in for three years, the Equity Shares held by venture capital funds and foreign venture capital investors registered with SEBI, Equity Shares held by employees other than promoters in respect of options granted under the SEBI compliant ESOP 2004 which are exempt from lock-in, our entire pre-Issue share capital, shall be locked in for the period of one year from the date of allotment of this Issue including the following shares held by the Promoters.

Name of the Promoter	Face Value (Rs.)	Issue Price (Rs.)	Date of Allotment/ Acquisition#	Consideration	Number of Equity Shares	Percentage of pre Issue paid up capital	Percentage of post Issue paid up capital*	Lock-in period
Mr. A. Saravanan	10	10	September 15, 1999	Cash	10	9.27%	6.67%	1 year
	10	10	March 20, 2002	Cash	50,000			
	10	10	October 03, 2000	Cash	393,396			
	10	10	January 31, 2005	Cash	375,000			
			Total		**818,406**			
Mr. R. Jagadish	10	10	September 15, 1999	Cash	10	9.27%	6.67%	1 year
	10	10	March 20, 2002	Cash	50,000			
	10	10	October 03, 2000	Cash	393,396			
	10	10	January 31, 2005	Cash	375,000			
			Total		**818,406**			
Total					**1,636,812**	**18.54%**	**13.34%**	

All allotted shares have been fully paid up from the date of allotment i.e. the date of allotment and the date on which the Equity Shares were fully paid-up are the same.

* *Assuming all 300,000 stock options granted have been exercised.*

The Promoters' contribution has been brought into the extent of not less than the specified minimum lot and from persons defined as promoters under the SEBI DIP Guidelines. The Equity Shares subject to lock-in will be transferable subject to compliance with the SEBI DIP Guidelines as amended from time to time.

3. Shareholding pattern of the Company before and after the Issue:

Share Holders	Pre-Issue		Post-Issue	
	Number of Equity Shares	**% Shareholding**	**Number of Equity Shares**	**% Shareholding**
Promoters				
Mr. A. Saravanan	2,045,010	23.2%	2,045,010	17.1%
Mr. R. Jagadish	2,045,010	23.2%	2,045,010	17.1%
Others				
Euronet	2,152,317	24.4%	2,152,317	17.9%
KMVFC	1,688,092	19.1%	1,688,092	14.1%
CCRT International Holding B.V	684,362	7.8%	684,362	5.7%
Spark Capital Advisors (India) Private Limited	30,000	0.3%	30,000	0.3%
Directors	60,000	0.7%	60,000	0.5%
ESOP*	0	0%	0	0%
Individuals	120,050	1.4%	120,050	1.0%
Equity Shares allotted pursuant to the Issue$	-	0.0%	3,141,200	26.3%
Total Equity	**8,824,841**	**100.0%**	**11,966,041**	**100.0%**

$ Includes reservation for Employees amounting to 149,600 Equity Shares.

** 300,000 stock options have been granted to our employees under ESOP 2004 and will vest only after June 30, 2005.*

4. Our top 10 shareholders and the number of Equity Shares of Rs. 10 each held by them on the date of filing this Prospectus with RoC is as follows:

Sl. No.	Name of Shareholders	No. of Equity Shares	Percentage shareholding
1.	Mr. A. Saravanan	2,045,010	23.2%
2.	Mr. R. Jagadish	2,045,010	23.2%
3.	Euronet	2,152,317	24.4%
4.	KMVCF	1,688,092	19.1%
5.	CCRT International Holdings B.V.	684,362	7.8%
6.	Mr. D. Padmanabhan	100,000	1.1%
7.	Dr. Bala V. Balachandran	50,000	0.6%
8.	Spark Capital Advisors (India) Private Limited	30,000	0.3%
9.	Mr. Rajeev Ahuja	20,000	0.2%
10.	Mr. N. S. Raghuram	10,000	0.1%

5. Our top 10 shareholders and the number of Equity Shares of Rs. 10 each held by them 10 days prior to date of filing this Prospectus with RoC is as follows:

Sl. No.	Name of Shareholders	No. of Equity Shares	Percentage shareholding
1.	Mr. A. Saravanan	2,045,010	23.2%
2.	Mr. R. Jagadish	2,045,010	23.2%
3.	Euronet	2,152,317	24.4%
4.	KMVCF	1,688,092	19.1%
5.	CCRT International Holdings B.V.	684,362	7.8%
6.	Mr. D. Padmanabhan	100,000	1.1%
7.	Dr. Bala V. Balachandran	50,000	0.6%
8.	Spark Capital Advisors (India) Private Limited	30,000	0.3%
9.	Mr. Rajeev Ahuja	20,000	0.2%
10.	Mr. N. S. Raghuram	10,000	0.1%

6. Our top 10 shareholders and the number of Equity Shares of Rs. 10 each held by them two years prior to date of filing of this Prospectus with RoC is as follows:

Sl. No.	Name of Shareholders	No. of Equity Shares	Percentage shareholding
1.	Mr. A. Saravanan	1,750,010	40.2%
2.	Mr. R. Jagadish	1,750,010	40.2%
3.	IDBI Limited	750,000	17.2%
4.	Dr. Bala V. Balachandran	50,000	1.2%
5.	Euronet	35,000	0.8%
6.	KMVCF	20,000	0.5%
7.	Mr. P. Swaminathan	10	0.0%
8.	Mr. B. Hariharan	10	0.0%
9.	Mr. N. Kartikeyan	10	0.0%
10.	Mr. G. Viswanathan	10	0.0%
11.	Mr. Viswanathkrishnan	10	0.0%

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

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

Sr. No.	Date of Transfer	Transferor	Transferee	Number of Equity Shares	Price per Equity Shares (in Rs.)
1	January 31, 2005	IDBI Limited	Mr. A. Saravanan	375,000	38.5
2	January 31, 2005	IDBI Limited	Mr. R. Jagadish	375,000	38.5
3	January 31, 2005	Mr. A. Saravanan	Mr. D. Padmanabhan	50,000	150.0
4	January 31, 2005	Mr. R. Jagadish	Mr. D. Padmanabhan	50,000	150.0
5	January 31, 2005	Mr. A. Saravanan	Mr. Rajeev Ahuja	15,000	40.0
6	January 31, 2005	Mr. R. Jagadish	Mr. Rajeev Ahuja	5,000	40.0
7	January 31, 2005	Mr. A. Saravanan	Spark Capital Advisors (India) Private Limited	15,000	150.0
8	January 31, 2005	Mr. R. Jagadish	Spark Capital Advisors (India) Private Limited	15,000	150.0
9	January 31, 2005	Mr. R. Jagadish	Mr. N. S. Raghuram	10,000	40.0

IDBI Limited transferred shares at Rs. 38.5/- per share pursuant to the acceptance of offer given vide letter dated August 16, 2004. Mr. R. Jagadish and Mr. A. Saravanan transferred shares at Rs. 40/- per share to Mr. Rajeev Ahuja and Mr. N. S. Raghuram pursuant to written understanding entered on August 18, 2004.

It is not possible to obtain information regarding sales and purchase of securities by any relative of the Promoters on the basis of the transfers recorded in the books of the Company.

We, our Directors and the BRLMs have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares from any person.

9. In accordance with our ESOP 2004 we have granted the following options:

Sr. No.	Particulars	
1	Options Granted (net of options cancelled)	300,000
2	Exercise price	Rs. 10/- each
3	Options vested	Nil
4	Options exercised	Nil
5	The total number of Equity Shares arising as a result of exercise of options	300,000
6	Options lapsed	33,700
7	Variation of terms of options	None
8	Money realized by exercise of options	Nil
9	Total number of options in force	300,000
10	Person-wise details of options granted to;	
	(i) Directors and key managerial employees	As per details below*
	(ii) Any other employee who received a grant in any one year of options amounting to 5% or more of option granted during that year	None
	(iii) Identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	None

11	Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of options (for the unconsolidated financial statement of the Company)	Not Applicable
12	Vesting schedule	50% - One year 50% - Two years from date of grant of options
13	Lock-in	None

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

Sl. No.	Name of Director or key managerial personnel	Number of Equity Shares entitled at the time of grant of option	Number of Equity Shares issuable upon exercise of options
Directors			
1	Dr Bala V. Balachandran	20,000	20,000
2	Mr. Dilip B. Patel	20,000	20,000
Key managerial employees			
3	Mr. R. Vaithiyanathan	36,800	36,800
4	Mr. P. Swaminathan	36,600	36,600
5	Mr. R. Seshadri	11,800	11,800
6	Mr. R. Swaminathan	9,800	9,800
7	Mr. Arun Sowdas	17,800	17,800
8	Mr. C. Mahadevan	12,800	12,800
Key managerial employees of Subsidiary			
1	Mr. Rafael A. Martinez	19,800	19,800

10. We have adopted our Employee Stock Option Plan (ESOP 2004) after receiving approval of the Board at its meeting held on March 29, 2004 and approval of the shareholders at the Extraordinary General Meeting held on May 6, 2004. On May 6, 2004, January 14, 2005 and January 31, 2005, the compensation committee authorized the grant of 286,500, 13,500 and 33,700 options respectively to eligible employees at a price of Rs. 10/- per stock option. Upon exercise, the holder of each stock option is entitled to one Equity Share.

11. As on January 31, 2005 there are no employees and no Directors holding Equity Shares allotted as per the vesting schedule of the ESOP 2004, arising out of options exercised before the date of the Issue. None of the options granted to employees will vest before June 30, 2005. Therefore there will be no shareholders arising from the exercise of options granted under the ESOP.

12. Currently none of the Directors, senior managerial personnel and employees hold Equity Shares arising out of the ESOP 2004 amounting to more than 1% of the issued capital. There are no other persons who hold Equity Shares arising out of the ESOP 2004 amounting to more than 1% of the issued capital.

13. All the holders of options have given an undertaking that they do not intend to sell the shares which would result from the exercise of options granted within a period of 3 months from the date of listing of our Equity Shares.

14. Only Employees who are on our employee rolls/register as on the cut-off date, i.e., February 28, 2005 would be eligible to apply in the Issue under reservation for Employees on competitive basis. The number of eligible Employees as of cut-off date is 1518. Employees can also make Bids in the Net Public Offer and such Bids shall not be treated as multiple Bids.

15. The unsubscribed portion, if any, out of the 149,600 Equity Shares reserved for allotment to Employees may be added to the Net Public Offer under any of the categories.

16. In this Issue, in case of over-subscription in all categories, at least 50% of the Net Offer to the Public shall be allocated on a discretionary basis to Qualified Institutional Buyers, a maximum of 25% of the Net Offer to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and a maximum of 25% of the Net Offer to the Public shall be available for allocation on a proportionate basis to Retail Bidders, subject to valid Bids being received at or above the Issue Price.

Under-subscription, if any, in any category would be met with spill over from other categories at the sole discretion of the Company in consultation with the BRLMs.

17. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
18. Except as disclosed herein, there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue, exercise of employee stock options or in any other manner during the period commencing from submission of the Draft Red Herring Prospectus with SEBI until the Equity Shares issued have been listed.
19. We presently do not intend or propose to alter our capital structure for six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except that we may issue stock options to our employees pursuant to our ESOP 2004 or, if we enter into acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
20. 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.
21. As on March 26, 2005, the total number of holders of Equity Shares is 15.
22. An over-subscription to the extent of 10% of the Net Offer to the Public can be retained for the purposes of rounding off while finalising the basis of allotment.

OBJECTS OF THE ISSUE

The objectives of the Issue are to achieve the benefits of listing and raising capital. We believe that listing of our Equity Shares will enhance our brand name and provide liquidity to our shareholders. The main objects of our Memorandum of Association permits us to undertake our existing activities and the activities for which the funds are being raised by us, through the present Issue.

The net proceeds of this Issue after deducting underwriting and management fees, brokerage, fees to various advisors and all other Issue related expenses payable by us is approximately Rs. 384.1 million. We propose to deploy the net proceeds from the Issue towards setting up of a new facility, repayment of our corporate loan, meeting our working capital requirements and strategic investments/ joint venture.

Funds Requirement

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

Activity	Rs. million
Setting up New Facility	280.0
Repayment of Loan Amount	100.0
Working capital requirements	80.0
Issue expenses	40.0
Total	**500.0**

We are in the process of setting up a 1000-seat facility in Chennai in a premise located at 46-C, Velachery Main Road, Velachery, Chennai 600 042 ("New Facility") adjoining our Velachery facility, as part of our expansion plan. Based on quotations from potential suppliers and our workings, we have estimated the total cost of setting up the New Facility to be Rs. 380.0 million. We have obtained a sanction ("Sanction Memorandum") for a corporate loan of Rs.100.0 million ("Loan Amount") from Canara Bank vide sanction letter no. 27 CR CSB 183 05 MSS dated February 7, 2005. We have obtained this Loan Amount in relation to the initial phase of setting up the New Facility. For more details, please refer to the sections titled "Debt Obligations" and "Repayment of Loan Amount" on pages 80 and 27 respectively of this Prospectus. We plan to repay this Loan Amount out of the proceeds of this Issue.

Means of finance

The Sanction Memorandum requires that prior to the disbursement of the Loan Amount, a sum of not less than Rs. 15 million, which will be funded through internal accruals for setting up the initial phase of the New Facility. We intend to finance the initial phase of setting up of the New Facility in the following manner

(Rs. in million)

Sl. No.	Manner of Funding	Amount of funding
1.	Internal Accruals	15.0
2.	Monies received from CCRT International Holdings B.V. in relation to the issue of 684,362 Equity Shares	35.0
3.	Loan Amount	100.0
	Total	**150.0**

Apart from the funds received and utilised as mentioned above, we propose to fund the Project cost through the proceeds of this Issue. The shortfall in funds, if any shall be met by internal accruals and /or raising the debt funds. We have sufficient internal accruals to meet the shortfall of funds, if any. As on December 31, 2004, we had Rs. 21.3 million in cash and cash equivalents on hand and Rs. 20.9 million unutilised on our Rs. 45.0 million overdraft facility with Canara Bank. The long-term debt equity ratio of our company as on December 31, 2004 was 0.34: 1

We are in compliance with Clause 2.8 of the SEBI DIP Guidelines.

Setting up New facility

Currently, we have 700 seats located in three facilities in Chennai. All the facilities are located in leased premises including an offsite facility located at the client's premises. The details of these locations are:

Location	Area in Sq. Ft	Total number of seats
R.A.Puram Facility	16,800	225
Velachery Facility	33,500	450
Offsite Facility	Client's premises	25

Please refer to the section titled "Properties" on page 42 of this Prospectus.

We intend to set up and fill the 1000 seats in the New Facility by December 2005 in three phases, depending upon our business requirement. In this regard, we entered into a 9-year lease agreement on January 27, 2005 for the New Facility.

The specifications of the New Facility are given below:

Item	Units	
Area	Square Feet	75,000
Number of seats	Numbers	1,000
Interior and Furnishing cost	Rs. million	69.1
Lease Deposit	Rs. million	15.0
Capital Expenditure	Rs. million	295.9
Total	**Rs. million**	**380.0**

The proposed capital expenditure plan for the New Facility is detailed below:

Item Description	Supplier/Model	Date of available quotations/agreements	Amount (Rs. million)
Lease Deposit	Lease agreements	January 27, 2005	15.0
Interior Furnishing	M/s Benchmark	January 11, 2005	55.4
Furniture and Fixtures	M/s Benchmark	January 11, 2005	13.7
Office Computer Equipment	Our estimates	Not Applicable	0.6
Generator and UPS	Numeric Power Systems Limited, Powerica Limited	January 12, 2005	12.9
Office Equipment	Total Presentation Devices Private Limited (for Polycom and Infocus equipment) Avaya Globalconnect	January 11, 2005	2.5
Call centre software	Avaya Globalconnect, SES Technologies Limited (for CTConnect products) Verint Systems Limited (for automated recording solutions)	January 20,2005	24.9
Networking Equipments	3D Networks Pte Limited (for Nortel equipment) Madras Networking Company (for Avaya LAN equipment)	-	27.6
Call centre equipments	Avaya Globalconnect	January 20, 2005	168.9
IT Security Solutions	Ramco Systems Limited	January 11, 2005	6.2
IT Computing Hardware	Precision Infomatic (M) Private Limited (for IBM and Hewlett Packard equipment)	-	37.3
IT Computing Software	Precision Infomatic (M) Private Limited (Operating)	January12, 2005	15.0
Total			**380.0**

We have placed orders in relation to supply of certain equipments/ machinery and have obtained preliminary quotes in relation to certain capital expenditure items from suppliers. We have not yet placed orders in relation to 71% of the equipments/machinery, aggregating approximately Rs. 261.5 million. Except as stated elsewhere in this Prospectus, we have not incurred any expenditure in relation to any portion of the New Facility.

We intend to set up the New Facility over three phases as described below:

Item	Phase 1	Phase 2	Phase 3
Number of Seats	300	300	400
Leasing of Facility	January 2005 onwards	Continuing	Continuing
Interior work*	April 2005	July 2005	November 2005
Installation of Equipment*	April 2005	July 2005	November 2005
Commissioning*	June 2005	August 2005	December 2005
Proposed Expenditure (Rs. in million)	150.0	135.0	95.0

* Dates mentioned for these phases denote the estimated completion of work in relation to that phase.

Initial funding for Phase 1 of the New Facility will be funded as stated above in the Means of Finance. We plan to repay this Loan Amount by way of a single payment from the proceeds of this Issue. Phase 2 and Phase 3 will be entirely funded out of the proceeds of this Issue.

We have paid a security deposit amount of Rs. 3.0 million in relation to the lease for our New Facility.

Infrastructure Facilities

We intend to install the following facilities at our New Facility

Work Place	• Agent workstations that are ergonomically designed and conveniently segregated to seat 1000 agents. • Well designed lay out to facilitate installation of call centre equipments. • Workspace for administration, quality and back office support staff. • Access control entry to all areas to ensure total security of the processes
Power	• Supply of uninterrupted power • Back up power supply with independent set of batteries, enabling continuous operation of critical call centre equipments • Installation of noise insulated power generators capable of independently handling the entire power requirements including air-conditioners and lighting
Other Facilities	• Self redundant International Private Leased Circuit (IPLC) to transfer voice and data • Fully air-conditioned environment • Adequate facilities for employee conveniences • Potable and non-potable water • Independent canteen and pantry facilities • 24*7 security • Fire alarm systems and extinguishers • Security Cameras • Adequate parking facilities

Capacity Utilization

The installed and utilization capacity is provided below:

(Number of seats)

Location	Installed	Utilized
R. A. Puram Facility	225	225
TNPL Facility	25	25
Velachery Facility	450	450

Details of Corporate Loan

We intend to avail of a short-term loan (including inland/foreign Letter of Credit) for Rs. 100.0 million from Canara Bank to part fund the initial phase of the New Facility proposed to be set up by us. This loan has been granted to us by way of a Sanction Memorandum bearing ref no. 27 CR CSB 183 05 MSS dated February 7, 2005.

- This loan would need to be repaid in a single payment at the end of one year from the date of availing of the loan.
- This loan has been granted against a personal guarantee of Mr. A. Saravanan and Mr. R. Jagadish along with the hypothecation of machinery and equipment to be procured out of the said loan.
- The loan has been granted subject to our compliance *inter alia* with the following conditions:
  - Auditor's certificate for having received an equity contribution of not less than Rs. 35.0 million from CCRT International Holdings B.V.
  - Utilising the entire equity contribution from CCRT and internal accruals of not less than Rs. 15.0 million towards setting up the New Facility.

Repayment of Loan Amount

We have obtained a sanction for a corporate loan of Rs.100.0 million ("Loan Amount") from Canara Bank as aforesaid. For more details, please refer to the sections titled "Debt Obligations" beginning on page 80 of this Prospectus. We plan to repay this Loan Amount by way of a single payment out of the proceeds of this Issue.

Strategic Investments/Joint Ventures

We seek to further enhance our position as a player in the Indian BPO industry. In addition to continued investments in developing our technological expertise, industry expertise and delivery infrastructure, we intend to enhance our capabilities and address gaps in industry expertise, technical expertise and geographical coverage through strategic acquisitions of business(es) and/or assets (including immovable properties), investments or joint ventures. Our acquisition strategy will be driven by leveraging our mature offshore delivery model. Towards this end, we propose to target companies in India and overseas which have substantial experience in their respective domains and a good clientele. As of the date of this Prospectus we have not yet entered into any letter of intent or definitive commitment for such acquisition, investment or joint venture.

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

Working Capital Requirements

The proceeds of this Issue will also be used to meet our working capital requirements, which arise primarily from expenses relating to payments to sundry debtors, general and administration expenses and selling expenses.

In this regard, our net current assets position for the nine months ending December 31, 2004 and our estimate of the net current assets position for the Financial Year 2005 are as follows:

(Rs. million)

Current Assets, Loans and Advances	**For the nine months ended December 31, 2004**	**Estimate for Financial Year 2005**
Sundry Debtors	84.1	93.7
Cash and bank balances	21.3	13.1
Loans and advances	13.5	25.2
Total (A)	**118.8**	**131.9**
Current Liabilities and Provision		
Current Liabilities	72.4	22.2
Provisions	41.5	14.8
Total (B)	**76.6**	**36.9**
Net Current Assets (A-B)	**42.2**	**95.0**
Less: Lease Deposit in Loans and advances considered separately in the Facility cost		**15.0**
Net Current Assets		**80.0**

While estimating our working capital requirements for the Financial Year 2005, we have made the following assumptions:

1. The debtor collection period has been assumed at 60 days and the creditors' payment period has been assumed to be 30 days. For the nine months ended December 31, 2004, our average debtors' collection period was 54 days.

2. Other current assets include advance for new premises, security deposit, pre-paid expenses etc

   On the aforesaid basis, we estimate that we would require Rs. 80 million to meet our working capital requirements. For details on our corporate borrowings and term loans, please refer to the section titled "Debt Obligations" on page 80 of this Prospectus. The aforesaid estimates of working capital have not been assessed by any bank or financial institution and have only been estimated by us.

Interim Use of proceeds

The management, in accordance with the policies set up by the Board, will have flexibility in deploying the net proceeds received by us from the Issue. Pending utilisation for the purposes described above, we intend to temporarily invest the funds in high quality, interest/dividend bearing liquid instruments including money market mutual funds, deposits with banks for the necessary duration. Such investments would be in accordance with investment policies approved by the Board from time to time. We also intend to apply part of the net proceeds of the Issue, pending utilisation for the purposes described above, to temporarily reduce our working capital borrowings from banks and financial institutions.

Monitoring and utilization of proceeds

The audit committee appointed by the Board will monitor the utilization of the proceeds from the Issue.

Issue Expenses

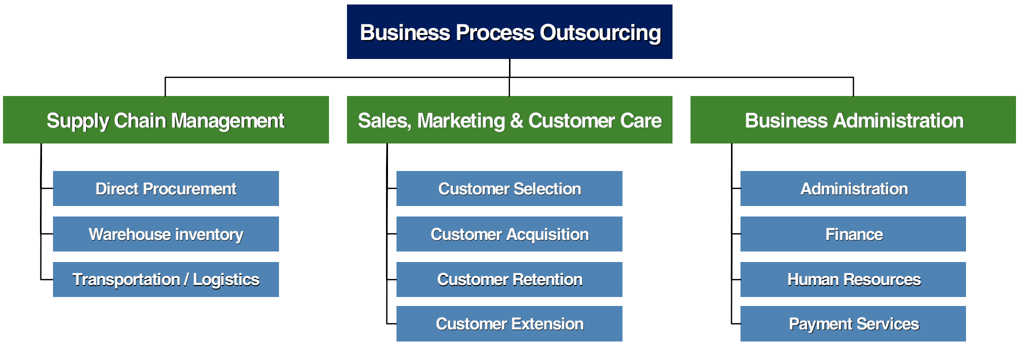
The expenses for this Issue include underwriting and management fees, selling commissions, printing and distribution expenses, legal fees, fees to various advisors, statutory advertisement expenses and listing fees payable to the stock exchanges, among others. We estimate that the total expenses for the Issue will be Rs. 40 million. Please refer to the section titled "Expenses of the Issue" on page 178 of this Prospectus

Business Process Outsourcing (BPO) is the delegation of one or more business processes to an external service provider that in turn owns, administers and manages the selected process based on certain pre-defined and measurable performance criteria. The term 'Information Technology Enabled Services' (ITES), which is often used interchangeably with BPO, refers to BPO activities that employ information technology.

I. Global BPO Industry

Globally, competitive pressure is forcing organizations to look for ways to sustain growth and manage costs effectively and efficiently, particularly the Selling, General and Administration (SG&A) and a portion of the Cost of Goods Sold (COGS), with less infrastructure and fewer employees. BPO service providers offer to reduce such SG&A and COGS costs for their clients, by providing a more cost effective solution. Offshoring such activities is fast emerging as a viable business solution. Non-core business and administrative processes, including human resources, finance and accounting, customer relationship management, logistics, procurement, which were traditionally processed in-house are now being outsourced to third-party service providers.

The BPO industry can be divided into three large business activities, being (1) Supply Chain Management (to manage COGS), (2) sales, marketing and customer care (to manage selling and marketing costs) and (3) business administration (to manage G&A costs). Each of these activities can be further sub-divided into the following processes and functions:



Worldwide BPO Forecast

Based on IDC research information, the worldwide spending on BPO services in 2003 was approximately US$405 billion, indicating a growth of approximately 8% from 2002. IDC has projected that the worldwide spending on BPO services will increase to US$ 682.5 billion in 2008 based on a Compound Annual Growth Rate (CAGR) of 11%. The forecast below sets out the worldwide BPO spending by region for the period 2002-2008:

Worldwide BPO Spending by Region, 2002-2008 ($M)

	2002	2003	2004	2005	2006	2007	2008	2003-2008 CAGR (%)
Americas	244,590	264,171	291,072	321,492	354,636	389,511	426,612	10.1
EMEA	85,208	90,497	98,565	108,451	119,796	131,406	145,390	9.9
Asia / Pacific	45,216	50,478	58,013	67,866	80,397	93,942	110,458	17.0
World wide	375,014	405,146	447,650	497,809	554,830	614,858	682,460	11.0

Notes:

This forecast updates the one found in Worldwide Business Process Outsourcing Forecast and Analysis, 2002-2006 (IDC #27504 July 2002).

Source: IDC, 2004

The worldwide BPO spending by business function for the period 2002-2008, as detailed in the table below, indicates that the logistics, sales and marketing, customer care, and facility operations and management segments are the most developed. Certain emerging segments, including human resources, procurement, engineering/research and development, and training, though relatively smaller show strong growth projections, with the five-year CAGR for each such segment exceeding 20%.

Worldwide BPO Spending by Business Function, 2002-2008 ($M)

	2002	2003	2004	2005	2006	2007	2008	2003-2008 CAGR (%)
Key horizontal business functions								
Human resources	7,939	9,037	10,785	13,183	15,883	19,024	22,535	20.1
Procurement	1,112	1,340	1,674	2,191	2,952	4,102	5,841	34.2
Finance and accounting	12,900	13,882	15,064	16,484	18,223	20,349	22,807	10.4
Customer care	37,470	40,382	44,911	50,458	57,305	64,588	72,357	12.4
Other horizontal business functions								
Logistics	155,763	166,666	182,374	200,976	226,098	255,038	288,704	11.6
Engineering / R&D	6,229	7,728	12,490	19,552	24,776	30,843	37,824	37.4
Sales and marketing	126,345	136,612	147,173	158,097	168,711	176,140	183,379	6.1
Facility operations and management	26,419	27,467	29,596	31,521	33,532	35,786	38,351	6.9
Training	837	2,032	3,583	5,348	7,349	8,988	10,663	39.3
Total	**375,014**	**405,146**	**447,650**	**497,809**	**554,830**	**614,858**	**682,460**	**11.0**

Source : IDC, 2004

Customer Care Service

We are primarily engaged in providing customer care services to our clients. The customer care services market can be broadly sub-divided into the following processes:

(i) Customer analytics. This is a suite of services to collect, manage, augment, analyse, and apply customer data in support of marketing, sales, and service efforts, which includes:

- Analytics/data mining services
- Data preparation and enhancement
- List rental
- Campaign management/execution
- Customer-centric data warehouse development
- Customer data integration services
- Customer data analysis services

(ii) Customer care. This involves outsourcing of certain customer interaction facilities and processes that handle billing inquiries, account maintenance, service dispatch, scheduling, and general information. This involves mainly inbound contact and customer care is provided by telephone, email, web chat or fax.

(iii) Fulfillment. This involves a suite of services that combines front-end customer interaction centre services with real-time order management, automated payment processing, advanced letter processing, and back-end logistics and reverse logistics to support product fulfilment. Integrated distribution services also include inventory, transportation, and warehouse management.

(iv) Technical support. This involves providing assistance for software, systems, and other consumer products or devices to users. The technical support outsourcer receives calls from users of third party software or products, on behalf of the Intermediary Support Vendor or Original Equipment Manufacturer, and is responsible for resolving problems faced by such users. Interaction in relation to technical support services can include:

- Telephone support
- Maintenance of a self-support web site
- Onsite support by trained service technicians
- Escalating certain calls to the Intermediary Support Vendor or Original Equipment Manufacturer.

We believe that on a comparative basis, item (ii) above, the customer care process, is sufficiently mature for adoption by BPO companies in India. In recent years, the customer care BPO market has been challenged by longer sales cycles, a decline in contract values, and intense competitive pressures. In addition, certain international legislations and policies such as the national Do-Not-Call legislation in the United States of America and the Data Protection Act of 1998 in the United Kingdom have had a negative impact on certain sub-segments like outbound telesales and telemarketing services. Despite these setbacks, we believe the market continues to present strong growth opportunities.

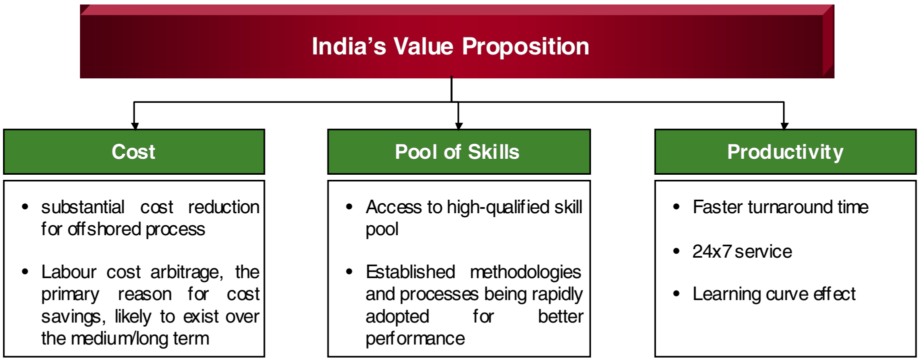
II. Indian BPO Industry

The Indian BPO industry has its roots in the mid-1990s when global corporations like American Express, British Airways and GE Capital established captive operations for customer support and transaction processing services, although these were not voice interactive call centres. In the late-1990s, GE Capital established its first voice operations, which was soon followed by third-party outsourcers. The BPO/ITES sector in India has grown at a rate of over 46% from US$ 2.5 billion in FY 2003 to US$ 3.6 billion in FY 2004. (Source: NASSCOM)

Since 1991, following the liberalisation policies issued from time to time by the Government of India, international trade barriers have been reduced, resulting in an increasingly interlinked global economy. Intense global competition is putting pressure on business managers across the world to cut costs of operations. Simultaneously, improved telecommunication and data-communication capabilities have opened up new opportunities for spreading business operations to various locations across the world that offer significant cost and quality advantages. Reorganization of business models to leverage the benefits of outsourcing and focusing instead on their core competencies is fast becoming an important strategy for a diverse range of global and national clients, irrespective of size. BPO service providers are expected to return a series of benefits, including a combination of expertise, lower costs through economies of scale, better scalability, improved methodologies and greater flexibility of service.

The global insurance and retail banking industry verticals have taken the lead in outsourcing certain processes and services from India. Certain high potential sectors, mainly from the US, including telecommunications, retailing, utilities, IT, hotels, airlines and software have also seen a migration to offshoring of certain activities. In some cases, in-house facilities, known as 'captives', cater to the internal requirements of global corporations, like American Express and GE Capital. In addition to pure play BPO service providers, certain Indian software/IT firms (including Wipro, Infosys and MphasiS) and Indian subsidiaries of global corporation (including Accenture, EDS) also provide third party BPO services (voice and non-voice).

Advantages of Outsourcing to India

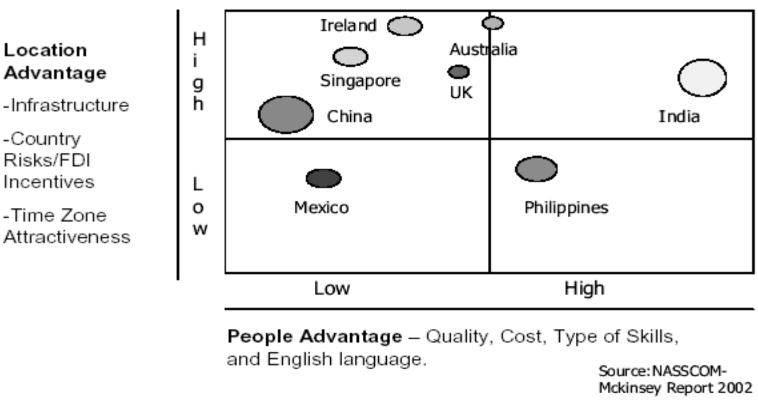


India currently has a large and rapidly growing number of BPO providers, covering a wide gamut of services, with different levels of complexity and value-adds. India has emerged as an attractive destination for locating facilities to provide BPO services globally, more so because of the availability of a large pool of skilled (or easily trained), English speaking candidates and relative cost effectiveness. Liberalization of national long-distance and international telephony and permitting Internet telephony are significant developments for BPO facilities engaged in voice-based contact centre activities in India.

Offshoring of BPO activities to India is popular since it allows global corporations to benefit from international time zone differences and in most cases to provide round-the-clock services (24x7 model). Similar to the efforts of the Government of India and the respective state governments to develop the software/IT industry, the potential of the BPO industry has been recognized and is being suitably marketed, by providing several incentives in the form of tax holidays and other infrastructure support. Further, Indian BPO service providers have been demonstrating a strong commitment to achieving internationally recognized quality standards. This has also helped to significantly increase the entrepreneurship opportunities by way of venture capital funding, or otherwise.

Contact centre outsourcing is experiencing the strongest demand in India today. There are two distinct types of vendor, being (i) captive BPOs and (ii) third party vendors, with each of them providing unique advantages to the clients. The advantages of captive BPOs include reliability, maintenance of confidentiality and cost savings. Third-party vendors provide segment specific expertise and flexibility.

Certain advantages of outsourcing activities to India over other competing nations, including Philippines and China, have been graphically represented below:



Cost Savings

The cost effectiveness of a BPO service provider for providing specific services in India is a factor of the labour cost arbitrage opportunities available. Typically, skilled manpower costs in India are significantly lower than in the United States and other OECD countries. For certain offshoreable processes (like Tele services and Accounting services), the cost savings in wages between the parent facility in the US or UK and the subsidiary facility in India averages more than 70-80%. For instance, the average salary of customer service agents in India is between US$ 2,000 and US$ 3,000 per annum, while the comparable salary in the US is between US$ 23,000 and US$ 35,000 per annum. However since the outsourcing activities are being done offshore, certain interactivity/shared costs like telecommunications, bandwidth and connectivity increase by approximately 10% to 20%.

Employees

Indian BPO service providers benefit largely from the high numbers of English speaking candidates for their contact centres who are already familiar with basic business communication skills, leading to a reduction in certain cases in the learning curve for selected candidates, including in relation to accent training. Taking into account the unique nature of the business services being offered, certain state government have initiated several reform processes, including providing of certain benefits to employees.

A career in the BPO sector is fast becoming an attractive career option for young graduates. On the flip side, due to the intense competition and wage wars between different BPO service providers, it is increasingly difficult to retain dedicated talent.

Suitability of Chennai for BPO Activities

Chennai (earlier known as Madras), the capital city of Tamil Nadu has been actively pursuing BPO/ITES activities. This has been aided by several government initiatives from time to time, availability of qualified technical personnel, numerous higher educational/ vocational training institutions, international air connectivity and low cost of operations. We estimate that there are around 70 BPO service providers operating in Tamil Nadu. Several companies/institutions of international repute, including Singapore Airlines, Citibank, Standard Chartered Bank and American Express Bank and The World Bank Group have set up back-office processing centres in Chennai.

III. Future Trends

The Indian BPO industry has developed a reputation for being cost effective and a provider of quality service and processes. NASSCOM has projected the growth of the BPO industry in 2008 to be between US$ 21 billion to US$ 24 billion and that of contact centres between US$ 8 billion to US$ 8.5 billion.

However, while several positive factors drive the growth of the BPO industry in India, there are certain challenges and hurdles, which need to be overcome. Some of these challenges include:

(i) Increased competition. With the emergence of alternative offshore BPO destinations like the Philippines, Mexico, Guatemala, Canada, Russia, Hungary, Poland, the Caribbean countries and the Czech Republic, Indian BPO service providers will be challenged to build and maintain their lead position. There is intense domestic competition, including growing competition from several IT service companies expanding their portfolio to include outsourcing activities (voice and non-voice) and US corporations establishing offshore facilities through subsidiaries in India. This competition may lead to large-scale consolidations by strong players through acquisitions or organic growth.

(ii) Employee intensive industry. The above mentioned countries also offer strong pools of skilled labour, English proficiency, relatively low costs and sophisticated telecommunication and network infrastructure. There is likely to be a gradual increase in Indian labour costs, as industry development stimulates more competition for highly skilled workers. Rampant poaching of people among competing companies could also lead to increase in wage levels. While there is abundance of good candidates for contact-centre positions, there is a dearth of training institutes to deliver the required training. Poaching offers a fast alternative to getting production ready staff.

(iii) Strong dependence on the United States. Currently, a substantial portion of the revenues for several BPO service providers in India arises from their US based clients. In order to mitigate any risk arising there from, there may be a need to diversify the client base across several geographical locations.

(iv) Disaster-recovery preparedness. In order to address certain geopolitical concerns, Indian vendors need to demonstrate their disaster-recovery preparedness and business continuity plans to convince potential clients that their facilities are reasonably safe and reliable.

(v) **Limited infrastructure beyond special zones.** Certain special economic zones and software technology parks, which have been demarcated, apart from availing of special incentives also receive good quality power, transport, telecommunications and data communications infrastructure. There is a need to extend such benefits to areas outside these demarcated zones, since enterprises are often forced to invest heavily on unnecessary capital expenditure items such as captive power generators and to provide additional infrastructure in remote locations.

(vi) **Need to reduce costs.** Outsourcing services and processes to India has helped global companies to achieve a 40-50% of cost savings. However, Clients will be looking for continued value creation, especially in view of the wage arbitrage and higher generation of free cash flows due to reduced investments in physical infrastructures, telecom and equipment. Indian companies would increasingly need to be able to offer the same economies of scale to smaller clients, including higher value addition through improved domain skills.

BUSINESS

OVERVIEW

We are a BPO service company providing support services for inbound customer care; technology helpdesk; inbound and outbound tele-services that include sales, collections, lead generation and market research. We also provide third-party quality assurance as well as HR & Payroll processing.

We are an ISO 9001:2000 certified organisation and are in the process of obtaining a BS 7799 Certification.

We commenced commercial operations in January 2001 with an initial capacity of 100 seats. Since then, we have experienced rapid growth and significantly expanded our operation to 700 seats and 1470 people today.

We currently have 10 clients, all of which are either US corporations or Indian subsidiaries of US corporations. CompuCredit is our anchor client and we derive a significant part of our total revenue from CompuCredit. Over the last twelve months, we have successfully expanded the revenue from most of our existing clients in addition to adding a few significant clients. Our client relationships are often long-term, and some migrate into partnerships that are very strategic to our growth.

We presently have three facilities in Chennai, including one Offsite Facility located at client premises, aggregating 700 seats. In addition, we propose to set up a 1000-seat facility in Chennai in Financial Year 2005.

Our business model revolves around three key drivers: our people, our processes and our best-of-breed technology. These have been instrumental in successfully delivering our BPO services to our clients.

OUR GOALS

- Build a robust, India-centric BPO company with global reach and diversified service offerings that will stand the test of time and varying business challenges.
- Continuously enhance shareholder wealth by achieving improved earnings and sustained growth.
- Maintain high standards of corporate governance, management and workplace practices.

FACTORS TO CONSIDER

Learning from our experience and our understanding of the BPO industry, we have built our strategy on the following beliefs:

- The ideal model calls for a multi-location, multi-service offering, where profitability is enhanced by efficient utilization of assets.
- Delivering services to the East and West coasts of the US, the UK, Australia and daytime use of same assets (offline and processing work) results in better utilization of infrastructure. Client portfolios should be managed in line with this.
- A high client concentration is an accepted practice in this industry. A strategic commitment from at least one "anchor" client is imperative for growth and cost-effective operations.
- Sales and marketing costs should be met only out of operating revenues and should not be indiscriminately incurred upfront. The business does not call for a "feet on street" approach to business development – the team needs to be small, senior in experience, domain-focused and work deeper and broader into client relationships. Client servicing should be done by the relevant operations team out of cost-efficient delivery locations.
- Price is not the sole factor that influences a client during the awarding of a contract. Cost-value ratios, commitment, quality, referrals and ability to sustain performance levels are important decision-drivers
- Many clients choose to build redundancy by engaging different vendors out of diverse locations. However, we believe that geographic redundancy in India alone might soon cease to be of value to Indian vendors and expansion of delivery needs to be planned at locations outside India.

OUR STRATEGY

(i) Maintain Our Focus on Long-term Relationships

We expect to maintain our focus on long-term client relationships. We believe that there are significant opportunities for additional growth with our existing clients and to expand these relationships by increasing the depth and breadth of the services we provide. This strategy increases our in-depth client-specific knowledge to provide more fully integrated BPO solutions and develop closer relationships with our clients. Working with a small number of clients on a long-term basis also allows us to focus on quality and to devote the time and resources necessary to provide savings and to meet their expectations.

(ii) *Expand our Client Base*

Although we intend to maintain our focus on long-term client relationships, we have 10 clients at present and in order to mitigate risks arising from a small number of clients and to diversify our exposure to any one client, we intend to expand our client base. We intend to increase the number of clients for our HR processing, call quality monitoring (quality assurance service) and technical support services, which should increase our profit margins. Our HR processing services are driven by our proprietary technology and are characterized by non-linear growth in revenues as against costs. We believe our quality assurance service is an attractive value-proposition for global corporations to outsource on a large scale. This offering fulfills their requirement for continuous business process improvement and independent assessment of their internal and external BPO vendors. We currently provide our quality assurance service to a global personal computer manufacturer. We currently provide technical support services to two clients.

We also propose to provide value-addition along industry horizontals like data analytics, collections and technology-driven transaction processing.

(iii) *Maintain our Focus on the Financial Services Segment*

In the customer management services horizontal, we plan to retain our focus on the financial services segment, which currently contributes more than 65% of our revenues. We intend to continue to pursue opportunities in niches like retail financial services and student loan consolidation.

(iv) *Continue to Invest in Operational Infrastructure*

We believe that our delivery, infrastructure and processes are robust, proven and scalable and we will continue to invest in infrastructure, including human resources, to meet our growing needs. We plan to continue our hiring and training efforts internally, as this will help maintain the quality of our human resources and homogeneity in culture, and to continuously upgrade and benchmark our training materials and methodology. We propose to retain the ISO 9001:2000 certification and will are in the process of obtaining certification in relation to the BS 7799 standards. We also plan to develop technology for client-interactions and productivity improvements.

In order to capitalise on the advantages of operating out of Chennai (e.g., a telecom landing point and a large pool of English-speaking graduates), we are in the process of setting up a New Facility in Chennai, which will be completed in three phases in Financial Year 2005.

(v) *Maintain our Cost-Effective Client Acquisition Strategy*

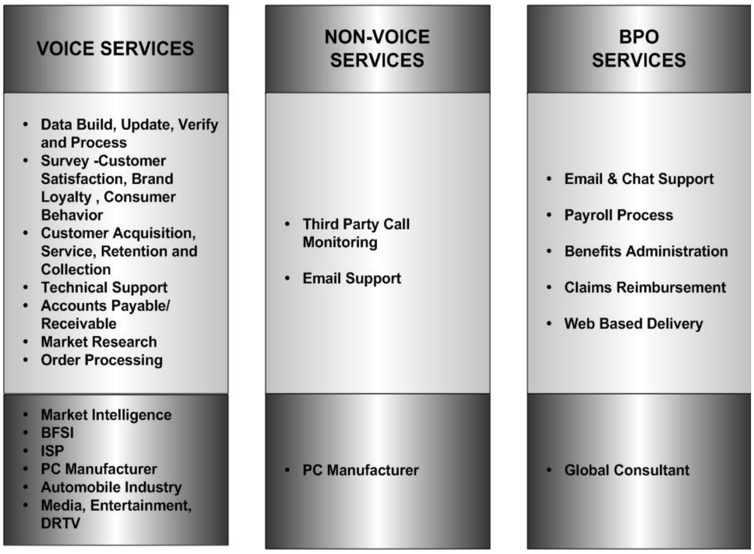
We plan to keep our client acquisition strategy as cost effective as it has been, without compromising on developing a pipeline of clients. The pre-sales team will be based in India and the front-end team will be placed in specific sourcing locations. Our front-end offices will concentrate on marketing our services offerings in the US, the UK and Australian markets and also focus on the emerging markets in financial services verticals. The global selling of technical support and HR processing services will be driven from India. We intend to secure client relationships through domain-based concept selling before formal outsourcing structures are put in place, which should help ensure a competitive blend of bidding and non-bidding opportunities.

(vi) *Pursue Strategic Relationships and Acquisitions*

Over and above our organic growth strategies, we plan to enter into joint-marketing efforts with our existing clients in order to participate in client strategies for growth and integrate our offshore offering therein. We propose to enhance our capabilities through strategic investments/joint ventures in order to expand our existing client base, increase our horizontal skill-sets and to provide scalability of our service offerings.

SERVICE OFFERINGS

We provide a range of services in different verticals. The chart below indicates our service offerings:



We primarily offer response and contact management solutions cutting across all media of delivery, i.e., voice, e-mail, web chat and offline processing. Among the horizontals, we specialize in providing:

- Customer Relationship Management ("CRM") - acquisition of customers for our clients through telemarketing and account servicing, including the collection of debts owed to our clients by their customers. We have developed and implemented certain in-house internal processes in this regard, which mirror our client's processes and ensure that we meet the client specific service level agreements.
- Quality assurance - We monitor inbound and outbound calls made by certain call centres overseas and assess them on several parameters, including call handling skills, soft skills, diagnostic and resolution skills and provide performance reports and feedback. We hold proprietary techniques for third-party assessment, including offline call-monitoring and satisfaction surveys, which we believe are unique among peers in the industry. This service is often referred to in the industry as call quality monitoring.
- Technology Support - This service was kicked-off with two client accounts in June 2004 and we believe that this will expand into a much larger offering.
- HR Processing – We assist our client and his employees, by way of pay roll processing, claims and benefits administration, income tax configuration and offer them a suite of services. We have developed technology tools that drive payroll processing and is scalable to larger volumes with a small servicing team. The payroll software solution developed by Allsec Technosoft Limited has also been transferred to Allsec Technologies Limited.
- Student Loan Consolidation – We have a focused team, which provides outbound voice services to garner customers to K2 Corporation, including acceptance check and query handling and intend to provide complete online documentation services.

OUR SERVICE CAPABILITIES

In order to better serve the interests of our clients, we have developed certain in-house expertise in relation to operations, sales and marketing and transitioning processes.

(i) Operations

Our operations team plays a significant role in reaching our goals in line with the client's requirements. Some of the achievements of our operational team are:

- Conceptualised, designed, developed and implemented several inbound and outbound projects

- Evolved well-defined and documented systems and procedures covering all aspects of operational processes, which includes call flow, back office, quality and reporting.
- Ensured strict adherence to statutory compliance and other requirements.
- Achieved near zero down time in operations.
- Documented change and knowledge management processes.
- Structured reporting processes and analytics for client deployment.

(ii) Sales and Marketing

We have a sales and marketing team working out of our Indian and US offices. Our employees in front-end marketing possess specialized domain expertise with a wide network of contacts and global experience. The front-end marketing team, apart from focusing on new client acquisitions, also acts as the client's first point of contact located in the respective country of operation.

The sales, marketing and business development group is responsible for new client acquisition, client relationship management, public relations and participation in industry forums and conferences in the United States, the United Kingdom and India. They identify prospective clients based on selective criteria that map our domain competencies to the prospective client's business lines, goals and operating constraints, and qualify the long-term relationship potential with the client.

Our marketing support team based in India handles interaction with the front-end team on a regular basis and co-ordinates with them on critical client acquisition functions including market research, prospecting and pre-sales, drafting of proposals and creation of presentations.

Our US and UK sales and marketing professionals operate collaboratively with the team based in India. Our sales and marketing professionals focus on identifying, qualifying and initiating discussions with prospective clients, while the support team frames solutions, prepares responses to requests for proposals, hosts client visits to our facilities and coordinates due diligence investigations into client processes. Each member of our sales and marketing team has significant experience in offshore outsourcing and has expertise in identifying outsourcing opportunities and process migration across select domains.

Our sales, marketing and business development group works actively with our service delivery team as the sales process moves closer to the prospective client's selection of a service provider. The account management team works with the migration and service delivery teams to define the scope, solutions, assumptions and execution strategies for a proposed project and to develop project estimates and pricing and sales proposals. Senior management reviews and approves each proposal. The selling cycle varies depending on the type of service required and generally ranges from six months to over a year, with an average of eight months.

Members of our sales, marketing and business development group remain actively involved in a project through the execution phase as relationship management representatives.

(iii) Transitioning

Business architecture describes the functions a business performs and the information it uses. We have implemented a solution that enables the free flow of information across various departments that are critical for the successful migration of a process from the client's site to our location. Our transition team works in sync with the client, understands the client's requirements and shares this information/knowledge internally with various departments such as training, technology, IT, operations, quality and reporting. The system is flexible and allows changes to be made when needed.

Clients

We currently have a total of 10 clients on our roster. Our single largest client is CompuCredit, which accounted for approximately 52% of our total revenues for the nine months ended December 31, 2004. While we are developing relationships with new clients and expect to continue to diversify our client base, we believe that the loss of our single largest clients including CompuCredit could have a material adverse effect on our financial condition.

We enter into long-term agreements with our clients of durations ranging between one year to nine years. Each agreement is individually negotiated with the client. Our client contracts can typically be terminated by our clients with or without cause, with 30 days to 90 days notice and without penalty. This could negatively impact our revenues and profitability.

Our agreements generally limit our liability to our clients to a maximum amount, subject in many cases to certain exceptions such as indemnification for third-party claims and breaches of confidentiality.

In order to tailor to the specific needs of our clients, we enter into contracts with varying terms. For example, under the MSA with CompuCredit, CompuCredit has a Build-Operate-Transfer ("BOT") arrangement with us, whereby it is entitled to purchase our existing facility (including transfer of employees) located at 46-B, Velachery Main Road, Chennai (i) on or after March 31, 2009 but before March 31, 2011 or (ii) in the event of any prescribed termination event prior to March 31, 2009. See the section titled "Master Services Agreement with CompuCredit" on page 44 of this Prospectus.

COMPETITION

The BPO industry in India is a mature business model. The market for BPO services is highly competitive and we expect competition to intensify and increase from a number of sources. We believe that the principal competitive factors in our markets are price, service quality, sales and marketing skills, the ability to develop customized solutions and technological and industry expertise. We compete with a number of large and medium size companies (in India and including foreign companies with India operations). The BPO industry is also experiencing consolidation and a group of large, domain focused competitors are emerging.

Certain segments of the BPO industry are low in complexity and therefore have low entry barriers to deter competition. In addition, the trend toward offshore outsourcing, international expansion by competitors and continuing technological changes will result in new competitors entering our markets. These competitors may include entrants from related industries, including the communications, software and data networking industries or entrants in geographic locations with equal or lower costs than those in India. Some of the existing and future competitors may have greater financial, personnel and other resources, longer operating histories, a broader range of service offerings, greater technological expertise, more recognizable brand names and more established relationships in industries that we currently serve or may serve in the future. In addition, some of our competitors may enter into strategic or commercial relationships among themselves or with larger, more established companies in order to increase their ability to address client needs, or enter into similar arrangements with potential clients.

The table below provides a summary of the various types of business models competing in the BPO industry and what we believe to be their relative advantages and disadvantages:

Business Model	Advantages	Disadvantages
Global BPO Players in India	• Track-record and blended model • Additional offering to existing clientele	• Transition and cultural issues • Profit and loss compulsions and cannibalisation
Captive players	• Guaranteed business • Clear cost-saving proposition	• Control on employment and allied costs • Inability to engage third-party outsourcers
IT-Services Backed Players	• Offshoring and scale experience • Hiring brand and full-service approach	• Different sales process • Inherent operational differences
Pure Indian Third-party players	• Flexibility on structures • Fresh, no-legacy approach	• Difficulty in client acquisitions • Strength of balance sheet and access to capital

We believe that our main competitors are WNS Global Services, EXL Services Limited, 24x7 Customer Limited, Hinduja TMT Limited and ICICI OneSource Limited.

In the global markets, the Philippines and China could pose the strongest competition to India in the medium to long-term period, especially given that they have a sizeable, low-cost talent pool that could meet global BPO manpower needs. The governments in both countries are taking significant steps to attract more players and investments in their BPO industry. Other countries like Malaysia, countries in the Caribbean, South Africa and Hong Kong have also seen some BPO activity. However, we believe the small size of their talent pools and lack of reference clients severely constrains their ability to emerge as BPO hubs.

HUMAN RESOURCES

As on January 31, 2005, we had 1,470 employees, nearly all of whom were based in India. Our employees do not have any adverse labour arrangements and are not unionised. We have never experienced any work stoppages and believe that our employee relations are good.

Our business is based on the strength of our workforce. We focus on people-centric policies, equal opportunities, internal growth schemes, retention strategies and lateral avenues for career development. We believe that this has resulted in an enthusiastic workforce. For the nine months ended December 31, 2004, our attrition rate for employees who had been with us more than six months was approximately 22%. Competition for skilled personnel is intense and if we fail to attract and retain trained employees to support our operations, our business could be adversely affected.

(i) Hiring Process

We have tested and well-proven processes for recruitment. Recruitment at Allsec is a four-stage procedure: a test to evaluate the applicant's English-language proficiency; a group discussion or an extempore speech; an aptitude test; and a one-on-one interview. An applicant must pass a stage before moving on to the next stage. We have historically made offers of employment to about seven out of 100 candidates. Of these, on an average, five join us, indicating a full hiring ratio of about 5%.

We also have an employee referral program that provides us with a cost-effective way of accessing qualified potential employees and adds to the income of employees who refer successful applicants to us. We also believe that the referral program adds to our reputation as a good employer.

(ii) Training Process

Recognizing the importance of accent training since our inception, we have spent a lot of time and resources in developing programs for accent neutralization, Americanisation and American and British cross-culture. These programs are very comprehensive and cover a lot of details about the English spoken in the US and the UK, including expressions, tones and inflections. In order to maintain consistent quality, all our training is done by our in-house team, which is staffed with experienced trainers with good accents and training skills. Our in-house team currently has the capacity to train around 300 agents in a month.

(iii) Career Development

We believe we provide the right platform for career growth for our employees. Understanding that the needs of an employee changes as he/she grows in our organization, we have in place the following measures to constantly monitor and motivate our employees:

- Cross-functional opportunity – deserving employees get to move cross functionally from operations into areas such as marketing, IT support, technology, projects, recruitment and training.
- Structured compensation packages – on par with industry best and help attract and retain good talent.
- Logistics and cafeteria – provided to every employee as they work by the US time zones, which is the Indian night shift.
- Periodic appraisals – helps motivate performing personnel by reviewing and rewarding.
- Performance based incentives – are paid in addition to fixed salary component on a monthly basis and are purely based on performance and weighted by other critical factors like attendance, quality and accent skills.

TECHNOLOGY

Our technology platforms are built on best-of-breed hardware and software platforms. Our contact centre equipment, including PBX, networking equipment, switches and voice loggers, are from global vendors including Avaya, Nortel Networks, CISCO, Dell, Nice and HP. To increase productivity on outbound voice processes, including data verification, management telemarketing, collections and surveys, we have invested in predictive dialling equipment from Avaya and Davox. Our equipment is well balanced and configured and provides for scalability. Ably assisted by our in-house IT skilled team, we deliver services 24*7 for our clients.

We have implemented information security policies in line with the requirements prescribed under BS 7799 and we are in the process of obtaining a certificate from British Standards (BS).

CONNECTIVITY

The entire architecture is disaster recovery planned. Our fibre optic links to the United States are on international private leased circuits through Atlantic and Pacific routings from diverse vendors. This routing through different oceanic routes as well as through different carriers provides the disaster recovery plan and our experience has been exceptional, with an up time of over 99% and above over the last two years. In addition to trans-oceanic routing of fibre links, there are two interconnected Indian centres and two points of presence in the United States with a cloud level routing process to help ensure that there is no outage and virtually no call drops.

The total bandwidth across Atlantic and Pacific routings linking the two Indian delivery centres to two US points of presence on the West Coast as well as on the East Coast is scalable.

DISASTER RECOVERY/BUSINESS CONTINUITY

Our Velachery Facility and our R.A.Puram Facility provide disaster recovery/business continuity facilities to each other in case of an outage. The business continuity has been ensured in terms of the following:

(i) Employees: In the event of an outage, the agents located at the two facilities can be transported to the other facility to assist in providing the required services till the other facility is enabled.

(ii) Networking: We have self redundant IPLCs from each of our facilities to transport voice and/or data to the US. The point-to-point optical fibre based leased line will be connected to the PSTN in the USA enabling support of both inbound and outbound calls. Data connectivity through alternative routes (either trans-Atlantic or trans-Pacific) has also been provided for.

(iii) Electrical power: In addition to the Tamil Nadu Electricity Board power supply redundancy processes, we separately maintain electrical power continuity by way of 100% battery backups with adequately powered standby generators.

(iv) Equipment: All call centre equipment are self redundant by design.

QUALITY PROCESSES

Our ISO 9001:2000 certified quality management system is aligned with the business objectives of continuously benchmarking and delivering quality customer-centric solutions, which meet client expectations, resulting in end customer satisfaction. Our quality process is divided into:

- Call Quality Monitoring (“CQM”), which is a quality measurement process to evaluate and establish the quality of voice delivery across multiple parameters of customer support soft skills, product knowledge and resolution accuracy of an agent.
- Data quality assurance, which is a quality measurement process to ensure accuracy of the data collected, updated and validated by an agent. This ensures that the error rates are within the service levels prescribed by the client.
- Compliance Monitoring, which checks for adherence to legal and statutory compliances and conformance to client specified policies and procedures.
- Quality on Quality, which is a process to check the accuracy of the call quality evaluation carried out by the Transaction Monitoring Officers who work in quality assurance processes.

EXPORT OBLIGATION AND ACHIEVEMENT

We are registered as a 100% Export Oriented Unit under the STPI scheme. As per the scheme of approval, the minimum export obligation expected from our unit within four years from the date of import is three times the CIF value of the Capital Goods imported. As on January 31, 2005, we have imported capital goods worth Rs.100.8 million (being the CIF value). As against the stipulated export obligation of Rs.302.4 million, we have already invoiced Rs.827.7 million as exports in Foreign Currency, which has been formally acknowledged by the STPI.

INTELLECTUAL PROPERTY

Our principal intellectual property is the process methodologies we follow and the know how of our management team. An example is our quality assurance process. However, such intellectual property may not be registered formally or otherwise.

Our contracts usually provide that all intellectual property created for use of our clients will automatically be assigned to our clients.

We have applied for trademark registration in India in relation to our logo and brand name, ‘Allsec’.

PROPERTIES

Property	Owned/ Leased	Use	Date of Acquisition	Date of Termination	Total Seats	Area (in sq. ft.)
No. 8/1, Sundaram Salai. R.A.Puram, Chennai	Leased	Office	February 1, 2000	January 31, 2007	225	12,000
No. 8/2, Sundaram Salai. R.A.Puram, Chennai	Leased	Office	December 1, 2001	January 31, 2007		2400
No. 8/3, Sundaram Salai. R.A.Puram, Chennai	Leased	Office	January 1, 2005	December 31, 2005		2400
TNPL building, 39 Mount Road, Chennai	Offsite facility located at client premises	Office	July 12, 2003	July 11, 2005	25	886
46B, Velachery Main road, Chennai	Leased	Office	May 1, 2002	April 30, 2011	450	33,500
46C, Velachery Main road, Chennai	Leased	Office	January 27,2005	January 26,2014	1000	75,000
5 Independence Way, Princeton, New Jersey, USA, 08540	Business centre rented on a regular basis	Temporary office	-	-	-	-

EXISTING INFRASTRUCTURE CAPACITY AND CAPACITY UTILISATION

Our multimedia response management centres are located in Chennai, India. We operate from three centres: two of which we lease - one in R. A. Puram and the other in Velachery and the third is an offsite facility at a clients premises. The R. A. Puram facility and the Velachery facility are equipped with cutting-edge technology platforms and equipment, including software. Agent workstations are ergonomically designed and segregated into convenient lots. Access controls restrict entry to authorized personnel only. These facilities have adequate supply of water and electricity for the current infrastructure. Our US subsidiary also leases office space in three business centres in the United States.

The table below details our capacity in relation to our existing facilities:

Location	Area in Sq. Ft.	Total Number of seats	Number of Operational Seats
R. A. Puram Facility	16,800	225	225
Velachery Facility	33,500	450	450
Offsite Location	Client's Infrastructure	25	25
3 US locations	Business Centres	Nil	Nil

The table below provides existing installed and utilized capacities as of the date indicated:

Centre	December 31, 2002		December 31, 2003		March 31, 2004		January 31, 2005	
	Installed	Utilized	Installed	Utilized	Installed	Utilized	Installed	Utilized
R.A. Puram	150	150	150	150	150	150	225	150
Offsite Location	25	25	25	25	25	25	25	25
Velachery	225	225	450	450	450	450	450	450

New Facility in Chennai

We propose to set up 1,000 billable seats in Chennai, which would take our total number of billable seats to 1,700.

The New Facility will be in leased premises at 46C, Velachery Main Road, Chennai, India, which is adjacent to our Velachery Facility. We entered into a lease agreement for this premises and commenced work on the project in February 2005.

We plan to set up the New Facility with state-of-the-art equipment, including computers and servers, call centre equipment, networking equipment, routers, work-stations and data servers, all of which will be sourced from world-class vendors. The equipment will be well balanced and configured for any future scaling. The equipment will also be integrated with our already tested and proven software. A description of the equipment required and their estimated cost is provided in the section titled "Objects of the Issue" on page 24 of this Prospectus.

The facility will have back-up power through the installation of a number of uninterrupted powers sources with independent batteries so as to enable the continuous operation of critical call centre equipment for up to one hour without resumption of the power supply.

We plan to install self-redundant International Private Leased Circuit link on fibre of adequate bandwidth from Chennai to an identified location in the US depending on the traffic to transfer voice/data. The point-to-point optical based leased line will be connected to the Telephone Network in the US, enabling support of both inbound and outbound calls. We also provide data connectivity through an alternative route through an Internet Service Provider with whom we would establish a last mile link. The last mile link would be a mixture of fibre optic and copper cable. The access to the last mile link would be made available from two alternate service providers through a self-healing ring.

We intend to execute the creation of new facility over three phases as described below:

Item	Phase 1	Phase 2	Phase 3
Number of seats	300	300	400
Leasing of facility	January 2005	Continuing lease	Continuing lease
Interior work*	April 2005	July 2005	November 2005
Installation of equipment*	April 2005	July 2005	November 2005
Commissioning*	June 2005	August 2005	December 2005

* Expected date of completion.

The table below sets forth our planned capacity utilization:

Item	Phase 1	Phase 2	Phase 3
Current capacity (No. of seats)	700	1000	1300
Installed capacity (No. of seats) – From the New Facility	300	300	400
Total capacity	1000	1300	1700
Utilized capacity	800	1100	1500

Insurance

We maintain an insurance policy (No : 2004/500103/48/04/1500053) with National Insurance Company Limited to cover certain risks for our R.A.Puram Facility, including tenants liability, infidelity/dishonesty, loss of electronic equipment, portable computers and money in the office during business hours. The sum insured under this policy is Rs. 184,060,681. This policy is valid till May 30, 2005.

We also maintain an insurance policy (No: 2004/500103/48/04/1500142) with National Insurance Company Limited to cover certain risks for our Velachery Facility, including tenants liability, infidelity/dishonesty, loss of electronic equipment, portable computers and money in the office during business hours. The sum insured under this policy is Rs. 311,350,465. This policy is valid till July 28, 2005.

We also maintain an insurance policy (No: 500013/46/04/8700032) with National Insurance Company Limited, for certain clients, to cover commercial general liability upon occurrence, and any liability arising out of non compliance with the Do-Not-Call Laws. The sum insured under this policy is US$1,000,000. This policy is valid till May 30, 2005.

We intend to renew these policies upon expiry.

OUR SUBSIDIARY

Allsectech Inc., a company incorporated in State of Delaware, USA, is our wholly owned subsidiary. Allsectech is responsible for handling business development and client relationships in the United States. Allsectech operates from Princeton, New Jersey in the USA.

MASTER SERVICES AGREEMENT WITH COMPUCREDIT

Allsec Technologies Limited (Service Provider) has entered into a revised Master Services Agreement (MSA) with CompuCredit Corporation (Subscriber) on January 3, 2005. This MSA supersedes the Master Services Agreement dated December 10, 2003 and the Agreement for Teleservices dated July 3, 2003. Under the terms of this MSA, Allsec should render the Services exclusively from its international call centre facility demarcated at Velachery, Chennai and no other location without the prior written approval of the CompuCredit. The key provisions of this MSA are:

- Pursuant to the Build-Operate-Transfer (BOT) arrangement with Allsec, CompuCredit is entitled to purchase our existing facility (including employees) located at 46-B, Velachery Main Road, Chennai (i) after March 31, 2009 and before March 31, 2011or (ii) in the event of any prescribed termination event prior to March 31, 2009 (collectively referred to as the 'Transfer Options'). The termination events prescribed include: (i) Allsec' failure to meet the Service Level Standards agreed to between the parties from time to time; (ii) Sale or merger whereby the current promoter of Allsec do not continue to own shares of the combined entity; (iii) Any sale of greater than 50% of the assets of Allsec to a competitor of CompuCredit or to any entity who in CompuCredit's reasonable judgment is either (a) not as sufficiently capitalized as Allsec or (b) unable to provide the Services in accordance with the Service Standard or (c) has a business reputation that is unacceptable to it; (iv) Insolvency, bankruptcy, or other similar financial designation of Allsec, as reasonably determined by CompuCredit; (v) At the election of CompuCredit, if Allsec fails to perform any of its material obligations or duties or commits a breach of its representations and warranties; (vi) Change in control of Allsec (including change of more than 50% of the equity share capital or the ability to control the composition of the Board); (vii) Any other default under or non-payment of any obligation of Allsec that individually or in the aggregate are material to the business of Allsec.
- Upon an exercise of the Transfer Options, the management team and all other employees providing the service to CompuCredit shall be transferred along with the facility, unless otherwise negotiated at the time of the transfer.
- Allsec shall not during the terms charge on in any way encumber the existing assets in any manner whatsoever or offer the assets, equipment and infrastructure as security for any further loans, indebtedness or performance without the prior written approval of CompuCredit. However, prior to entering into the MSA, Allsec had charged the existing assets to Canara Bank and IDBI as security for the term loan facilities extended which will continue.
- During the term of the MSA, Allsec shall not enter into any other BOT agreement, or substantially similar agreement or arrangement for the provision of services that are similar to or compete with the services required to be provided under the MSA, without the prior written consent of CompuCredit.
- Allsec would need to obtain the prior written approval of CompuCredit in relation to the following matters: (i) transfer of shares of the Promoters, prior to, and for 2 years after, an IPO; (ii) pursuit of new business (outside the purview of current business outlined in the MSA) and discontinuance of the existing business of Allsec; (iii) any alteration of Allsec' Articles of Association or Memorandum of Association, except those in relation to this Issue; (iv) Any merger, demerger, reconstruction, amalgamation or any other transaction with similar result; (v) Mortgage, sale, pledge of any of the fixed assets of Allsec or the issuance of any debt instrument, guarantee in excess of US$ 3 million.
- The MSA shall continue in force until March 31, 2011 or until terminated.
- The MSA may be terminated by CompuCredit *inter alia* for (i) failure of Allsec to meet the specified Service Level Standards; (ii) an amalgamation, reconstruction or merger, whereby the current Promoters cease to be significant shareholders of Allsec or do not continue to own at least 15% of Allsec, the amalgamated company or reconstituted company, as the case may be; (iii) Bankruptcy or insolvency of the Promoters; (iv) Default of Allsec under any of its loan agreements which default is not remedied to the satisfaction of the lenders within 15 days from the date of intimation; (v) At the election of CompuCredit, if Allsec fails to perform any of its material obligations under the MSA or commits a breach of its representations and warranties; (vi) Change in control of Allsec; or (vii) Any other default under or non-payment of any obligation of Allsec that individually or in aggregate are material to the business of Allsec.
- Failure of Allsec to meet the Service Level Standards (SLS) would result in certain penalties becoming payable. Repeated failures would result higher penalties being payable, and may even result in termination of the MSA.
- CompuCredit may cancel or a portion of a scope of work at any time prior to the scheduled performance of services by giving 90 days prior written notice, provided that it shall pay for services already satisfactorily performed prior to such notice date.

- After this Issue, if the total number of hours of service in any calendar quarter to be performed by Allsec falls below 50% of the services performed in any previous calendar quarter beginning in the third quarter of 2004, Allsec has the right to cancel the Transfer Option. If CompuCredit is able to make up the volume of hours of service in the immediately following quarter, then the Transfer Options, if cancelled, shall be deemed to be reinstated.
- The MSA may be terminated by Allsec *inter alia* for: (i) At the election of Allsec, if CompuCredit fails to perform any of its material obligations or duties under the MSA or commits a material breach of its representation and warranties; or (ii) CompuCredit ceases to conduct business in the normal course, becomes or is discharged insolvent, commences any suspension of payments, liquidation proceedings, reorganization or bankruptcy.
- All intellectual property arising during the term of the MSA or developed or created by Allsec towards the performance of the Services shall reside with CompuCredit.
- CompuCredit shall pay to Allsec the monthly service fees and expenses chargeable under the MSA in US dollars. If US$ trades for less than Rs. 40 for more than 30 consecutive days after January 1, 2006, then the parties will renegotiate the fees. If the parties cannot come to an agreement subsequent to the negotiations, the fee will be based on an exchange rate of 1 US$ = Rs. 40.

HISTORY AND CERTAIN CORPORATE MATTERS

The Company was incorporated on August 24, 1998 under the Companies Act, 1956 and was issued Certificate for Commencement of Business on October 16, 1998. The registration number assigned to the Company on incorporation is 18-41033 of 1998.

Main Objects of the Company

1. To design, develop, market and implement computer software packages for clients in India and abroad and to acquire the necessary equipments - hardware and software and related know-how, locally or from overseas.
2. To offer and undertake professional services in India and abroad in the areas of management, computer and information technology and communication services, database services, internet and intranet services including consultancy, system study and analysis, recruitment, training, placements, information processing, maintenance and all other services arising out of technological advancements in these areas.
3. To buy, sell, market, lease or deal in all manner computer hardware, software, peripherals, communication equipments, computer accessories, training materials, components, spare parts and other electronic items in India and abroad, including internet and intranet systems, satellites and the like and such other products arising out of technological advancements in these areas.
4. To engage in research and development activities relating to management, computer and information technology areas.

Changes in Memorandum of Association

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.

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

Date of shareholder approval	Changes
EGM dated March 20, 2000	Increase in authorized share capital and amendment to MOA
EGM dated August 31, 2000	Increase in authorized share capital and amendment to MOA
EGM dated April 3, 2002	Increase in authorized share capital and amendment to MOA
EGM dated January 14,2005	Increase in authorized share capital and amendment to MOA

The details of the capital raised by the Company are given in the section titled "Capital Structure" on page 18 of this Prospectus.

History and Major Events

The chronology of events since the Company was incorporated in August 24, 1998 is as follows:

Year	Key Events, Milestones and Achievements
August 1998	Incorporation of the Company
February – July 2000	Setting up of 100 seat facility at R. A. Puram, Chennai.
September 2000	First round of venture capital funding from IDBI
September 2000	Incorporation of Allsectech Inc., our 100% owned subsidiary in USA
November 2000	Contracted with our first client
January 2001	Commercial outsourcing operation started at R. A. Puram facility
February 2001	Entered into outsourcing contract with CompuCredit
March 2001onwards	Started operation for CompuCredit processes
August 2001	Setting up of TNPL Facility
October 2001 onwards	Commencement of processes in TNPL Facility
March 2002	Second round of funding

March – August 2002	Expansion of R. A. Puram facility from 100 seats to 150 seats completed and facility was operational immediately
April 2002	Setting up of 400 seats at Velachery, Chennai.
September 2002 onwards	Commencement of quality assurance pilot process for a Fortune 100 PC manufacturing company
January 2003	Ramp up of quality assurance Process
January 2003	Received ISO 9001:2000 certification
November 2003	Strategic alliance with CompuCredit
December 2003	HR payroll processing for a global IT consulting company, India
March 2004	First technical support process started
January 2005	Revised strategic agreement with CompuCredit.

Shareholder Agreements

The Company along with our Promoters (Mr. A. Saravanan and Mr. R. Jagadish), Euronet LLC (EI) and Kotak Mahindra Venture Capital Fund (KMVCF, through its trustee Kotak Mahindra Private Equity Trustee Limited) entered into a Subscription Cum Shareholders Agreement (SSA) on April 8, 2002. Pursuant to this SSA, 55,000 Equity Shares and 1,332,250 Cumulative Convertible Preference Shares (CCPS) were allotted to EI and KMVCF for a total subscription amount of Rs. 134,875,000 (in two equal tranches). The SSA governs the rights and obligations of the parties, *inter alia* prescribing the basis for conversion of the CCPS, conditions precedent, representations and warranties, creation of a Management Stock Option Plan (MSOP), procurement of term debt facilities, pre-emptive rights of EI and KMVCF (including a Right of First Refusal, Tag Along Rights, Drag Along Rights and buyback options), rights to nominate Directors on the Board and certain Committees, corporate actions requiring the affirmative vote of EI and KMVCF and other operational issues. The aforesaid provisions of this SSA will no longer be valid and shall automatically terminate upon the completion of this Issue.

MANAGEMENT

Board of Directors

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

Name, Designation, Father's Name, Address, Occupation and Term	**National of**	**Age (years)**	**Other Directorships in Other companies**
Dr. Bala V. Balachandran Chairman Independent Director S/o. Mr. A. Venkatraman 3269, Prestwick Lane North Block, IL 60062 United States of America Occupation: Academician Part time Director liable to retire by rotation	United States of America	67	• Godrej Consumer Products Limited • The Credit Rating Information Services of India Limited • Great Lakes Institute of Management
Mr. A. Saravanan President Whole time Director S/o. Late. Mr. K.V. Adiseshan 20, Yogambal Street T. Nagar Chennai – 600 017 Occupation: Business Whole time Director liable to retire by rotation	India	42	• Allsectech Inc., USA • Allsec Agencies Private Limited
Mr. R. Jagadish Chief Executive Officer Whole time Director S/o. Late. Mr. V. Ramamoorthi 16/18 First Cross Street R.A.Puram Chennai – 600 028 Occupation: Business Whole time Director liable to retire by rotation	India	42	• Allsectech Inc, USA • Allsec Agencies Private Limited
Mr. Vinod Ganjoor Nominee Director* S/o. Mr. G.K. Ganjoor 12, Fairfax Road, London United Kingdom Occupation: Service Part time Director	India	40	• Karma Information Technologies Private Limited • Thinksoft Global Services Private Limited • Eurindia Limited • Euronet LLC, Mauritius • Elliot Prima Resorts Private Limited • Elliot Resorts Limited, Mauritius • Inaltus Limited
Mr. N. S. Raghuram# Alternate to Vinod Ganjoor S/o. Mr. N.K. Sampath Kumar 101, Meenakshi Manor, 14/2, 10th D Main, I Block, Jayanagar Bangalore – 11 Occupation: Service Part time Director	India	34	• E Power N Ventures Private Limited **Alternate Director** • Karma Information Technologies Private Limited • Thinksoft Global Services Private Limited

Name, Designation, Father's Name, Address, Occupation and Term	National of	Age (years)	Other Directorships in Other companies
Mr. Dilip B. Patel Independent Director S/o. Mr. Babhubai Mothibai Patel 1238, Whispering Meadow CT, New Albany Ohio - 43054 United States of America Occupation: Business Part time Director liable to retire by rotation	United States of America	56	• Servion Inc., USA
Mr. N Kartikeyan Alternate to Dilip B. Patel Independent Director S/o. Mr. R Nagarajan 29, 1st Main Road, C.I.T. Colony, Mylapore, Chennai -600 004 Occupation: Business Part time Director	India	41	• Consortium Management Services Private Limited • Consortium Advisory Services Private Limited • Allsec Financials Limited

*** Mr. Vinod Ganjoor is presently a nominee of Euronet pursuant to the terms of the SSA. After the completion of the Issue, the SSA will no longer be valid and Euronet will not be entitled to nominate any directors on our Board. However, he will continue as a Director in the Board.**

 # Mr. N. S. Raghuram is presently an alternate director to Mr. Vinod Ganjoor (a nominee director of Euronet) pursuant to the terms of the SSA. After the completion of the Issue, the SSA will no longer be valid and Euronet will not be entitled to nominate any directors on our Board. However, he will continue as an alternate director to Mr.Vinod Ganjoor in the Board

A Brief Biography of our Directors is set forth below:

Padmashree Dr Bala V. Balachandran, 67, Chairman, completed his Masters of Science in Applied Statistics from Annamalai University, Chennai and obtained an intermediate degree in Business Administration and a Ph.D in Industrial Administration from Carnegie-Mellon University, US. He also holds a Master of Science degree in electronic engineering from the University of Dayton. He is certified public accountant and certified management accountant in the State of Illinois. Mr. Bala is an eminent economist and distinguished professor of accounting, information system & decision sciences and director of the Accounting Research Centre at J. L. Kellogg Graduate School of Management (Kellogg), North-Western University, Evanston, Illinois. Dr. Bala has held several key positions in Kellogg over the last few decades. Being a highly accomplished educationist, Dr. Bala has to his credit several honors, awards and fellowships, notably Ernst & Young Research Fellowship (1989-92,1994, 1996, 1998 and 1999), Outstanding Teacher Award EMP 17 Class, Sid Levy Teaching Award (l996) and Alumni Faculty Choice Award (1997). Dr. Bala advises several corporations with global operations including Bank of Montreal, Motorola and Harris Bank. He is also a consultant for the US Air Force, Dayton, Ohio, Federal Aviation Administration, Oklahoma, and Pennsylvania Blue Shield. He has over 40 years of experience in accounting and expertise in management and as our Chairman he advises us on strategies and corporate governance.

Mr. A. Saravanan, 42, President, completed his B. Sc. in Physics from Vivekananda College in 1982. He is a qualified chartered accountant. He has over 17 years of experience in finance and management across different industry segments, which he has effectively used whilst being the co-promoter of the Allsec group of companies. He headed the financial services operations of the Allsec group of companies for 12 years. He also headed marketing initiatives in areas of investments, merchant banking, portfolio management, brokerages and debt syndication for the Allsec group of companies. Prior to setting up the Allsec group of companies with Mr. Jagadish, he worked for Ashok Leyland Finance Limited as a Finance Executive, Overseas Sanmar Finance Limited as a Senior Officer Marketing and Pioneer Leasing Limited as Vice President. In addition to being our President, he is also a Director of Allsectech Inc., our wholly owned subsidiary. As our President and Whole Time Director, he is responsible for business development, strategy and finance and also directly oversees the marketing initiatives of the Company across all geographies.

Mr. R. Jagadish, 42, Chief Executive Officer, He has completed his B. Sc. in Physics from Vivekananda College in 1982. He is a qualified chartered accountant from India and a Management Accountant from the Chartered Institute of Management Accountants, London. Jagadish has over 17 years of experience in enterprise creation and corporate management, which he has effectively used whilst being the co-promoter of the Allsec group of companies. He has been managing the operations of the Allsec group of companies for 12 years and has handled departments like merchant banking, investment banking, treasury operations, portfolio management and debt syndication. Prior to setting up the Allsec group of companies with Mr. Saravanan, he worked for Ashok Leyland for four years in various departments including management information systems, budgets, and planning & treasury. In addition to being our Chief Executive Officer, he is also a Director of Allsectech Inc., our wholly owned subsidiary. As our Chief Executive Officer and Whole Time Director, he is responsible for all our day-to-day operations, human resources, delivery and client servicing initiatives.

Mr. Dilip B Patel, 56, Director, has a Bachelor of Science degree in Engineering from the University of Portsmouth, England and a Master of Science degree in Engineering from Columbia University, NY, USA. Mr. Dilip worked at Bell Labs for more then 27 years. He joined Bell Labs as an individual technical contributor and went on to become Director - CRM -IVR R&D programs. His responsibilities included business analysis, strategy planning and implementation, general and program management, technical management and operations management across a broad range of products within Lucent Bell Labs. From 1996 until 1997, he was the Managing Director of the Tata/Lucent joint venture in India and managing director of the first Bell Labs in India at Pune. He received various awards while at Lucent, including Lucent GROWS and Lucent Trailblazer Awards, for successfully operationalising the Tata/Lucent joint venture and achieving superior sales results, Jon Wiese International VP Award for Business Excellence, Trailblazer Award for setting up the first Bell Labs R&D Facility in India and CTO Golden Pyramid Award for excellence in software development. Mr. Dilip currently is the CEO of MeCorp Inc., a management consultancy company he formed after retiring from Lucent Technologies-Bell Labs four years ago. Mr. Dilip has vast experience in the use of technology in the customer services industry having been involved in research and development, product development and other technology areas including development of the computer telephony industry.

Vinod Ganjoor, 40, Nominee Director, has an MBA from the University of Massachusetts, Boston, MA and a Masters in Finance from London Business School. His 15 years of professional experience includes working as a venture capitalist, credit / bond analyst and corporate banker. The initial part of his career was spent in India with Bank of America after which he was a senior credit analyst with Standard Chartered in its Middle East regional head quarters office covering leveraged lending to small, high-growth enterprises. Subsequently, he worked with Deutsche Bank as a senior analyst in the media, technology and consumer sectors. His various roles have involved corporate analysis, structuring, advising companies on their corporate and financial strategy; and dealing with a broad base of lenders, and bond and equity investors. Mr. Vinod Ganjoor is the CEO of Eurindia, an early-stage, India-Europe Venture fund operating through offices in London and Bangalore.

N. S. Raghuram, 34, Alternate Director to Mr. Vinod Ganjoor, has a Bachelors degree in Mechanical Engineering from the University of Mysore and an MBA from IIM, Bangalore. He has over 12 years of industry experience including 10 years of experience in the Indian venture capital industry. During his 10 years as a venture capitalist, Raghuram has been directly involved in funding several investments and providing exit options for companies. Prior to joining EurIndia in 2000, Raghuram was Manager of Private Equity Investments at ICICI Venture, a leading venture capital firm in India. He was a member of the investment team of ICICI Venture's first offshore fund in partnership with US-based Trust Company of West (TCW), and was directly involved in the fund's investments in the life sciences sector, which included Biocon, Medicorp Technologies and Bangalore Genei. Prior to ICICI Venture, he worked for Motor Industries Co. Ltd, a Robert Bosch Group Company. Mr. Raghuram is currently Director-Investments of EurIndia.

N. Kartikeyan, 41, Alternate Director to Mr. Dilip Patel has a Bachelors degree in Commerce from Madras University. His 17 years of professional experience includes working in treasury and finance management and corporate and retail financial services. He has worked for Allsec Financial Limited for 14 years and in charge of corporate and retail finance. Prior to joining Allsec Financial limited, he had worked for Bajaj Auto Finance selling retail products. Mr. N. Kartikeyan, is a Director of Consortium Advisory Services Private Limited, a company involved in Corporate and Retail Financial Services and Allsec Financial Limited.

Compensation of Our Directors

For details of compensation of our Directors, please refer to the section titled "Remuneration of Executive Directors" on page 179 of this Prospectus. None of our other Directors are entitled to any remuneration or sitting fees for their services.

Borrowing Powers of Directors

Vide a resolution approved at the extraordinary general meeting of the shareholders held on January 14, 2005, the current borrowing powers of the Directors pursuant to Section 293(1)(a) and Section 293(1)(d) of the Companies Act is Rs. 500 million.

Shareholding of Our Directors in the Company

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

Name of Directors	Number of Equity Shares (Pre-Issue)	Number of Equity Shares (Post-Issue)
Dr. Bala V. Balachandran	50,000	50,000
Mr. A. Saravanan	2,045,010	2,045,010
Mr. R. Jagadish	2,045,010	2,045,010
Mr. N.S. Raghuram	10,000	10,000

Term of Office

Mr. A. Saravanan, President of the Company was appointed as a whole time Director for a period of five years from October 1, 2001 by a resolution of the shareholders passed on October 19, 2001. Mr. R. Jagadish, Chief Executive Officer of the Company was appointed as whole time Director for a period of five years from July 1, 2000 by a resolution of the shareholders passed on July 21, 2000. For the terms of their appointment see section titled "Remuneration of Executive Directors" on page 179 of this Prospectus.

Apart from the above mentioned persons and Mr. Vinod Ganjoor, (nominee of Euronet), our other Directors, are required to retire by rotation in accordance with the provisions of the Companies Act and our Articles of Association.

Changes in Our Board of Directors during the last three years

Changes to our Board of Directors during the last three years are as follows:

Sl. No	Name	Date of Appointment	Date of Resignation	Reasons
1	Mr. N. Kartikeyan	August 20, 2001	-	Appointment as Alternate Director to Dilip B Patel
2	Mr. Rajeev Ahuja	July 15, 2002	January 29, 2004	Resigned as Nominee of Euronet
3	Mr. N.S. Raghuram	July 15, 2002	January 29, 2004	Vacated office as Alternate Director to Rajeev Ahuja
4	Mr. Vinod Ganjoor	January 29, 2004	-	Appointed as Nominee of Euronet
5	Mr. N.S. Raghuram	January 29, 2004	-	Alternate Director to Vinod Ganjoor

Corporate Governance

The provisions of the listing agreements to be entered into with the Stock Exchanges with respect to corporate governance become applicable to us at the time of seeking in-principle approval of the Stock Exchanges. We have complied with such provisions, including with respect to the appointment of independent Directors to our Board and the constitution of the following committees of the Board: the Audit Committee, the Compensation/Remuneration Committee and the Investors' Grievances Committee. We undertake to take all necessary steps to comply with all the requirements of the guidelines on corporate governance and adopt the Corporate Governance Code as per Clause 49 of the listing agreement to be entered into with the Stock Exchanges, as would be applicable to the Company upon listing of its Equity Shares.

Audit Committee

The composition of the Audit Committee complies with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The Audit Committee was constituted on October 10, 2002. The committee currently comprises Dr. Bala V. Balachandran, Independent Chairperson, Mr. R. Jagadish, CEO and Director, Mr. Dilip B. Patel, Independent Director and Mr. N. Kartikeyan, Alternate Director to Mr. Dilip B. Patel.

The objective of the Committee is to comply with the requirements of the Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges and Section 292 A of the Companies Act, 1956.

Compensation Committee

The composition of the Compensation/ Remuneration Committee complies with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The Remuneration Committee was constituted on October 10, 2002 and was merged with the Compensation committee on January 14, 2005. The Compensation Committee was constituted on May 15, 2003. The committee consists of Dr. Bala V. Balachandran, Independent Director, Mr. Dilip B. Patel, Independent Director Mr. Vinod Ganjoor, Nominee Director and Mr. N. Kartikeyan, Alternate Director to Mr. Vinod Ganjoor.

The objective of the Committee is

- To determine and recommend to the Board of Directors the remuneration package of the Managing Director and the Whole-time Directors
- To review and determine the remuneration package of the senior management.
- To approve in the event of loss or inadequate profits in any year the minimum remuneration payable to the Managing Director and the Whole-time Directors within the limits and subject to the parameters as prescribed in Schedule XIII of the Companies Act, I956.
- Grant of stock options under the Employees Stock Option Scheme and perform other functions of compensation committee as required/ recommended by SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999.
- To determine and amend the remuneration package of the key management personnel of the company and to frame policies to attract, motivate and retain personnel.
- Other functions of a Remuneration Committee as required / recommended in the Listing Agreement.

Shareholders/Investor Grievance Committee

The composition of the Shareholders/Investor Grievance Committee complies with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges.

The Shareholders/Investor Grievance Committee was constituted on January 14, 2005. The committee consists of Mr. Vinod Ganjoor, Nominee Director and Chairman, Mr. A. Saravanan, President and Director, Mr. R. Jagadish, CEO and Director, Mr. N.S. Raghuram, Alternate Director to Mr. Vinod Ganjoor.

Key Managerial Personnel

The details of our key managerial personnel are as follows:

Mr. Arun P Sowdas, 40 years, is the General Manager- Technology. He has completed his B. Tech in Electronic Engineering from Islamia Institute of Technology, Bangalore in 1989. He has more than 17 years of experience in networking and telecommunications. Prior to joining us in July 2000 he has worked at Chowgule Group, Mekaster Telcome, BPL Telecom and Page Point services – a Motorola Joint Venture. In his last assignment at Page Point Services, he was in charge of Telecom and Special Products. His current remuneration is Rs. 1.2 million per annum.

Mr. C. Mahadevan, 38 years, is the Head HR BPO. He completed his B. Tech in Metallurgical Engineering in 1987 from the Anna University, Chennai and his Masters in Management Systems from University of Hull, UK in 1989. He has over 15 years of experience in operations and marketing. Prior to joining us in January 2003, he served as a Business Head at Allsec Technosoft Limited, a company specialising in bespoke software application development. His current remuneration is Rs. 0.9 million per annum.

Mr. P Swaminathan, 40 years, is the Chief Financial Officer. He is a qualified Chartered Accountant. He has over 17 years experience in finance and accounting. Prior to joining us in July 2000, he was working with Allsec Financials Limited. Prior to joining the group, he was in the Audit and Account team at Ernst & Young, Bahrain. His current remuneration is Rs. 1.6 million per annum.

Mr. R. Seshadri, 42 years, is the Vice President- Quality. He is qualified Chartered Accountant. He has more that 18 years of experience in finance and accounting**.** Prior to joining us in January 2005, he served as Chief Operating Officer for five years at Compass Group, Malaysia and was also the Chief Financial Officer of the group in 2004. His current remuneration is Rs. 1.5 million per annum.

Mr. R. Swaminathan, 40 years is the Vice President Finance. He is a qualified Chartered Accountant, Cost & Works Accountant, Company Secretary and a Certified Oracle Financials Professional. Prior to joining us in June 2004 he worked with MHEW Oman representing Bhawan's group of companies as a technical advisor on finance and systems. His current remuneration is Rs. 1.3 million per annum.

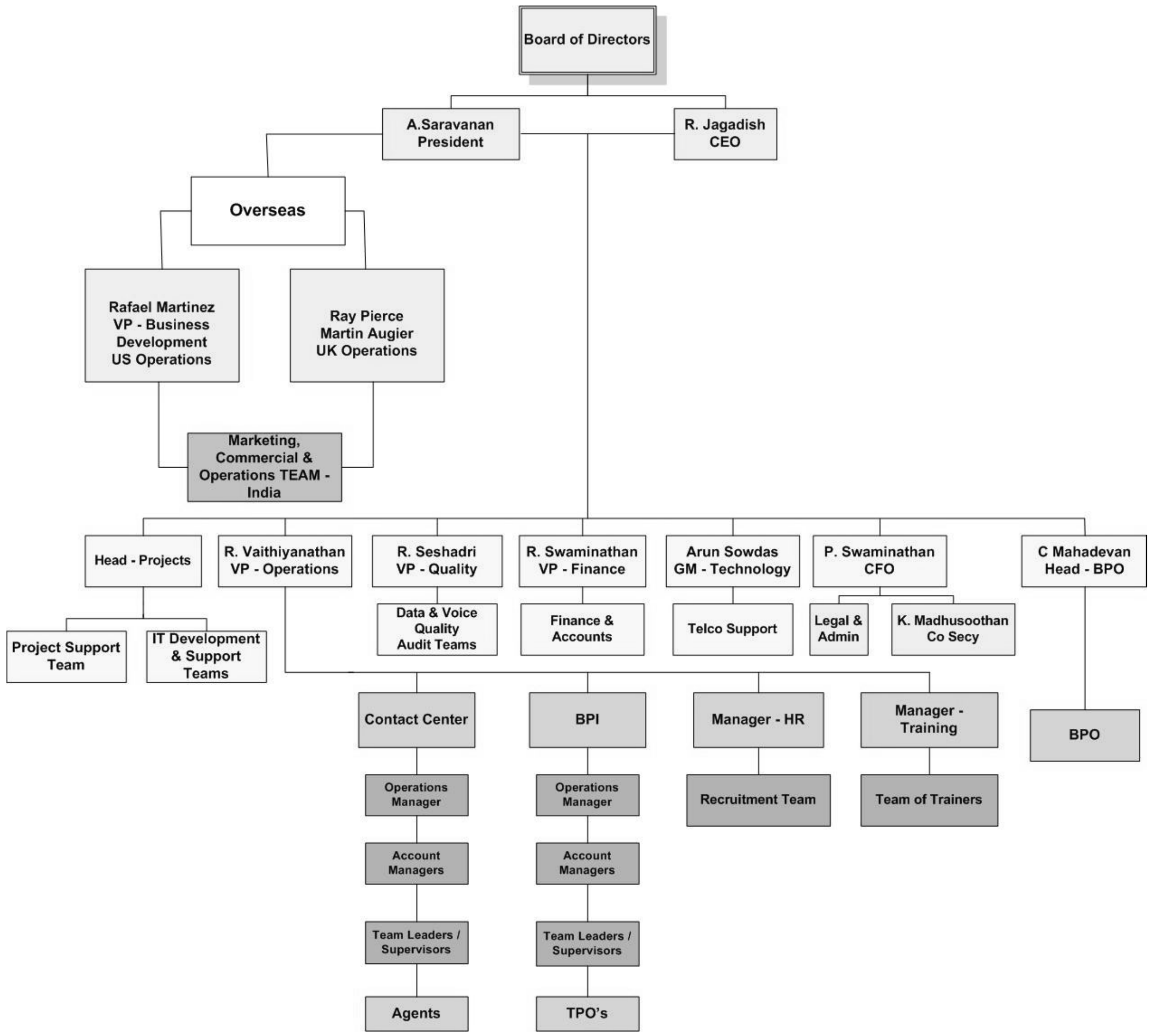
Mr. R Vaithiyanathan, 39 years, is the Vice President-Operations. He completed his Bachelor in Physics from Madras University in 1986 and Masters in Business Administration from Jamnalal Bajaj Institute of Management in 1996 specialising in Human Resources. He has more than 15 years of experience in human resources and operations. Prior to joining us in September 2000, he served as Senior Manager at Ranbaxy. His current remuneration is Rs. 1.6 million per annum.

Key Managerial Personnel of our Subsidiary

Mr. Rafael A. Martinez, 36 years, is the Vice President - Business Development and is an Economics Graduate He is based at Atlanta, Georgia, USA and handles our business development initiatives in the US markets. He has expertise in setting up customer support centres, and outsourcing requirements to markets outside the US. Prior to joining us in January 2003, he was working as the Marketing Manager, CompuCredit Corporation, USA. His current remuneration is Rs.6.5 million per annum.

All the abovementioned key managerial personnel are permanent employees of our Company, except Mr. Rafael A. Martinez, who is a permanent employee of Allsectech Inc. The remuneration of each of our key personnel is as per the statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975.

The organisation structure of the Company is given below:



Interest of Promoters, Directors and Key Managerial Personnel

Except as stated in the section titled "Related Party Transactions" on page 64 of this Prospectus, and to the extent of shareholding in our Company, the Promoters do not have any other interest in our business.

Mr. P. Swaminathan and Mr. R. Vaithiyanathan hold 10 Equity Shares each.

Other than as described above, the other key managerial personnel of the Company 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 and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them in the Company, if any, and options granted to them under the ESOP.

During Fiscal 2005, we granted options to our Directors and senior management as follows:

Sl. No.	Name of Director or key managerial personnel	Number of Equity Shares entitled at the time of grant of option	Number of Equity Shares issuable upon exercise of options
Directors			
1	Dr. Bala V. Balachandran	20,000	20,000
2	Mr. Dilip B. Patel	20,000	20,000
Key managerial employees-Allsec Technologies Limited			
3	Mr. R. Vaithiyanathan	36,800	36,800
4	Mr. P. Swaminathan	36,600	36,600
5	Mr. R. Seshadri	11,800	11,800
6	Mr. R. Swaminathan	9,800	9,800
7	Mr. Arun Sowdas	17,800	17,800
8	Mr. C. Mahadevan	12,800	12,800
Key managerial employees –Allsectech Inc.			
9	Mr. Rafael A. Martinez	19,800	19,800

Except as stated otherwise in this Prospectus, we have not entered into any contract, agreement or arrangement during the preceding two years from the date of this Prospectus in which the Directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

Our Articles provide that our Directors and officers shall be indemnified by the Company against losses in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer receives judgement in his favour or is acquitted in such proceeding. We currently do not have any directors' and officers' insurance policy.

Changes in our key managerial employees during the last three years

Name of employee	Position Held	Date of Appointment	Date of Cessation	Reason
Mr. N Venkatraman	Vice President – Marketing	July 2000	January 2005	Resignation in the normal course
Mr. G. Viswanathan	Vice President – Quality	June 2002	September 2003	Resignation in the normal course
Mr. Bill Scott	Director – Business Development; UK Operations	August 2002	July 2003	Resignation in the normal course
Mr. C. Mahadevan	Head –HR BPO	January 2003	Continuing	Joined Allsec Technologies Limited
Mr. Rafael A. Martinez	Vice President – Business Development (of our Subsidiary)	January 2003	Continuing	Joined Allsectech Inc., USA
Mr. R. Swaminathan	Vice President-Finance	June 2004	Continuing	Joined Allsec Technologies Limited
Mr. R. Seshadri	Vice President - Quality	January 2005	Continuing	Joined Allsec Technologies Limited

PROMOTERS

Mr. A. Saravanan, 42, President, has completed his B. Sc. in Physics from Vivekananda College in 1982. He is a qualified chartered accountant. He has over 17 years of experience in finance and management across different industry segments, which he has effectively used whilst being the co-promoter of the Allsec Group of companies. He headed the financial services operations of the Allsec Group of companies for 12 years. He also headed marketing initiatives in areas of investments, merchant banking, portfolio management, brokerages and debt syndication for the Allsec Group of companies. Prior to setting up the Allsec Group of companies with Mr. Jagadish, he worked for Ashok Leyland Finance Limited as a Finance Executive, Overseas Sanmar Finance Limited as a Senior Officer Marketing and Pioneer Leasing Limited as Vice President. In addition to being our President, he is also a Director of Allsectech Inc., our wholly owned subsidiary. As our President and Whole Time Director, he is responsible for business development, strategy and finance and also directly oversees the marketing initiatives of the Company across all geographies.

His voter ID is # TN/03/009/0339080 and driving license number is # F/TN/10/000588/2001.

Mr. R. Jagadish, 42, Chief Executive Officer, has done his B. Sc. in Physics from Vivekananda College in 1982. He is qualified chartered accountant from India and a Management Accountant from the Chartered Institute of Management Accountants, London. Jagadish has over 17 years of experience in enterprise creation and corporate management, which he has effectively used whilst being the co-promoter of the Allsec Group of companies. He has been managing the operations of the Allsec Group of companies for 12 years and has handled departments like merchant banking, investment banking, treasury operations, portfolio management and debt syndication. Prior to setting up the Allsec Group of companies with Mr. A. Saravanan, he worked for Ashok Leyland for four years in various departments including management information systems, budgets, and planning & treasury. In addition to being our Chief Executive Officer, he is also a Director of Allsectech Inc., our wholly owned subsidiary. As our Chief Executive Officer and Whole Time Director, he is responsible for all our day-to-day operations, human resources, delivery and client servicing initiatives.

He does not hold a voter ID. His driving license number is # R/TN/07X/005306/2002.

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of the Promoters have been submitted to the NSE and BSE at the timing of filing the Draft Red Herring Prospectus with them.

SUBSIDIARY

The Company currently has one wholly owned subsidiary, being Allsectech Inc.. In this section, financial data for Allsectech Inc. has been derived from its financial statements prepared in accordance with US GAAP.

Allsectech Inc., USA

Our wholly owned subsidiary, Allsectech Inc. is a corporation duly incorporated on September 14, 2000 in the State of Delaware, USA, and having its registered office at #5 Independence Way, Princeton, New Jersey, USA 08540. The main business of the Subsidiary is to handle business development and client relationships in the USA. The Subsidiary operates from Princeton, New Jersey.

Board of Directors

Mr. A. Saravanan and Mr. R. Jagadish are the directors of the Subsidiary, and have been since inception.

Financial Performance

The operating results of Allsectech Inc. is set forth below:

(Rs. in million, except share data)

	12 months ended December 31, 2001	12 months ended December 31, 2002	15 months ended March 31, 2004	9 months ended December 31, 2004
Sales and Other income	9.8	12.3	17.8	47.2
Profit after tax (before adjustments)	(0.2)	(1.4)	(4.7)	5.4
Equity Capital (par value US$ per share)*	0.5	10.5	14.9	14.9
Reserves	(0.1)	(1.6)	(6.3)	(0.9)
Earnings per share* in Rs.	(1,460)	(14,404)	(46,717)	53,490
Book value per share*	3,255	88,617	86,452	139,941

* Allsectech Inc., issued 100 stocks on a total value of stock as on date US$ 310,000. Being a stock, Earnings per share and Book value per share represents Earnings per stock and Book value per stock

GROUP COMPANIES

Our Promoters have direct ownership control of all the group companies described herein. Financial data for each group company has been derived from its financial statements prepared in accordance with Indian GAAP.

Allsec Financials Limited

Allsec Securities Limited

Allsec Technosoft Limited

Allsec Agencies Private Limited

Allsec Persocom Private Limited

Allsec Stocks Private Limited

Delpak Industries Limited

Alliance Credit Management Private Limited

S. J. Associates (Partnership Firm)

I. Allsec Financials Limited

Allsec Financials Limited was incorporated on March 19, 1993 as Alliance Securities Private Limited. On January 11, 1995, the name of the company was changed to Allsec Financials Limited. The registered office is situated at 7 H, Century Plaza, 560/562, Anna Salai, Chennai 600018. Allsec Financials Limited was engaged in financial services, investment and trading in shares and securities. Allsec Financials Limited was registered as a Category I merchant banker in 1996 and has chosen not to continue its merchant banking operations since 2002. Allsec Financials Limited was also a member of Over The Counter Exchange of India (OTCEI) and the membership was sold in the year 2003. Allsec Financials Limited has ceased to carry on business.

Shareholding Pattern

The shareholding pattern of Allsec Financials Limited as of January 31, 2005 is set forth below:

Sl. No.	Name of the shareholders	Number of shares	Percentage share holding
1.	Allsec Technosoft Ltd.	900,000	32.7
2.	Mr. A. Saravanan	857,600	31.2
3.	Mr. R. Jagadish	857,600	31.2
4.	Other individuals	134,800	4.9
	Total	**2,750,000**	**100.0**

Board of Directors

The directors of Allsec Financials Limited as of January 31, 2005 are set forth below:

1. Mr. N. Kartikeyan
2. Mr. N.A. Viswanath Krishnan
3. Mr. V. Kannan

Financial Performance

(Rs. in millions, except share data)

Particulars	As at and for the year ended		
	March 31, 2002	March 31, 2003	March 31, 2004
Sales & Other Income	12.1	5.1	4.7
PAT	0.6	0.0	0.8
Equity Capital (Face value of Rs. 10 per share)	27.5	27.5	27.5
Reserves	12.2	12.2	13.1
EPS (Rs.)	0.2	0.0	0.3
Book Value/Share (Rs.) *	14.5	14.5	14.7

* Net of miscellaneous expenditure to the extent not written off

II. Allsec Securities Limited

Allsec Securities Limited was incorporated on June 30, 1993. The registered office of the company is situated at 7 H, Century Plaza, 560/562, Anna Salai, Chennai- 600018. Allsec Securities Limited was a member of The National Stock Exchange of India Limited and surrendered its membership in March 2002. Allsec Securities Limited has ceased to carry on any business operations.

Shareholding Pattern

The shareholding pattern of Allsec Securities Limited as of January 31, 2005 is set forth below :

Sl. No.	Name of the shareholders	Number of shares	Percentage share holding
1.	Allsec Financials Limited	99,950	99.9
2.	Other individuals	50	0.1
	Total	**100,000**	**100.0**

Board of Directors

The directors of Allsec Securities Limited as of January 31, 2005 are set forth below:

1. Mr. L. Gopalakrishnan
2. Mr. V. Srinivasan
3. Mr. V. Kannan

Financial Performance

(Rs. in millions, except share data)

Particulars	As at and for the year ended		
	March 31, 2002	March 31, 2003	March 31, 2004
Sales & Other Income	5.7	1.9	0.8
PAT	(0.2)	0.3	(0.5)
Equity Capital (Face value of Rs. 100 per share)	10.0	10.0	10.0
Reserves	0.7	0.6	0.2
EPS (Rs.)	(1.7)	2.5	4.6
Book Value/Share (Rs.) *	107.0	106.1	101.6

* Net of miscellaneous expenditure to the extent not written off

III. Allsec Technosoft Limited

Allsec Technosoft Limited was incorporated on April 24, 1996 as Vipra Software Consultancy Private Limited. On August 01, 2000, the name of the company was changed to Allsec Technosoft Limited. The registered office of Allsec Technosoft Limited is situated at 7 H, Century Plaza, 560/562, Anna Salai, Chennai- 600018. Allsec Technosoft Limited was engaged in the business of developing, manufacturing and implementing software and to provide consultancy and technical know-how of computer system and data processing. Allsec Technosoft Limited does not have any employees and has ceased to carry on any business.

Shareholding Pattern

The shareholding pattern of Allsec Technosoft Limited as of January 31, 2005 is set forth below:

Sl. No.	Name of the shareholders	Number of shares	Percentage share holding
1.	Mr. R Jagadish	114,675	49.9
2.	Mr. A Saravanan	114,675	49.9
3.	Other individuals	90	0.2
	Total	**229,440**	**100.0**

Board of Directors

The directors of Allsec Technosoft Limited as of January 31, 2005 are set forth below:

1. Mr. L. Gopalakrishnan
2. Ms. Malati Rajan
3. Mr. V. Ganesh

Financial Performance

(Rs in millions, except share data)

Particulars	As at and for the year ended		
	March 31, 2002	March 31, 2003	March 31, 2004
Sales & Other Income	9.5	8.7	16.7
PAT	0.1	0.8	(0.1)
Equity Capital (Face value of Rs. 10 per share)	2.3	2.3	2.3
Reserves	0.5	1.1	1.0
EPS (Rs.)	0.3	3.5	(0.4)
Book Value/Share (Rs.) *	11.9	14.8	14.5

* Net of miscellaneous expenditure to the extent not written off

IV. Allsec Agencies Private Limited

Allsec Agencies Private Limited was incorporated on March 19, 1993 as JS Securities (India) Private Limited. On December 29, 1998, the name of the company was changed to Allsec Agencies Private Limited. The registered office of the company is situated at 7 H, Century Plaza, 560/562, Anna Salai, Chennai 600018. Allsec Agencies Private Limited was earlier engaged in the business of general commercial agents, but currently does not carry on any business.

Shareholding Pattern

The shareholding pattern of Allsec Agencies Private Limited as of January 31, 2004 is set forth below:

Sl. No.	Name of the shareholders	Number of shares	Percentage share holding
1.	Mr. R. Jagadish	4,600	50.0
2.	Mr. A. Saravanan	4,599	50.0
	Total	**9,199**	**100.0**

Board of Directors

The directors of Allsec Agencies Private Limited as of January 31, 2005 are set forth below:

1. Mr. A. Saravanan
2. Mr. R. Jagadish
3. Mr. N. A. Viswanath Krishnan
4. Mr. V. Kannan
5. Mr. L. Gopalakrishnan

Financial Performance

(Rs. in millions, per share data)

Particulars	As at and for the year ended		
	March 31, 2002	March 31, 2003	March 31, 2004
Sales & Other Income	0.4	0.1	0.1
PAT	0.0	(0.0)	0.1
Equity Capital (Face value of Rs. 100 per share)	0.9	0.9	0.9
Reserves	1.1	0.9	0.9
EPS (Rs.)	1.2	0.1	5.6
Book Value/Share (Rs.) *	214.5	199.7	205.3

* Net of miscellaneous expenditure to the extent not written off

V. Allsec Persocom Private Limited

Allsec Persocom Private Limited was incorporated on November 10, 1995 as Allsec Management Services Private Limited. On June 28, 2000, the name of the company was changed to Allsec Persocom Private Limited. The registered office of Allsec Persocom Private Limited is situated at 7 H, Century Plaza, 560/562, Anna Salai, Chennai 600018. Allsec Persocom Private Limited is a direct selling agent.

Shareholding Pattern

The shareholding pattern of Allsec Persocom Private Limited as of January 31, 2005 is set forth below:

Sl. No.	Name of the shareholders	Number of shares	Percentage share holding
1.	Mr. A. Saravanan	22,500	48.9
2.	Mr. R. Jagadish	22,500	48.9
3.	Other individuals	1000	2.2
	Total	**46,000**	**100.0**

Board of Directors

The directors on the board of Allsec Persocom Private Limited as of January 31, 2005 are set forth below:

1. Mr. N. A. Viswanath Krishnan
2. Mr. V. Kannan
3. Mr. V. Ganesh

Financial Performance

The following table sets forth Allsec Persocom Private Limited's summary financial data

(Rs. in millions, except share data)

Particulars	As at and for the year ended		
	March 31, 2002	March 31, 2003	March 31, 2004
Sales & Other Income	9.6	15.2	13.3
PAT	0.1	(0.0)	0.3
Equity Capital (Face value Rs. 10 per share)	0.5	0.5	0.5
Reserves	0.2	0.2	0.6
EPS (Rs.)	3.1	(0.9)	7.3
Book Value/Share (Rs.) *	14.8	14.7	21.9

* Net of miscellaneous expenditure to the extent not written off

VI. Allsec Stocks Private Limited

Allsec Stocks Private Limited was incorporated on February 2, 1995 and converted the proprietary membership of Mr. A. T. Krishankumar, Proprietor, Arka Investments in 1996. Allsec Stocks Private Limited has surrendered the membership in August 2001 and is awaiting confirmation from the Coimbatore Stock Exchange and SEBI. The registered office of Allsec Stocks Private Limited is situated at No. 4, III Floor, Parsan's Trade Plaza, 156, Dr. Nanjappa Road, Coimbatore 641 018.

Shareholding Pattern

The shareholding pattern of Allsec Stocks Private Limited as of January 31, 2005 is set forth below:

Sl. No.	Name of the shareholders	Number of shares	Percentage share holding
1.	Mr. A. T. Krishna Kumar	60,000	60.0
2.	Mr. A Saravanan	20,000	20.0
3.	Mr. R. Jagadish	20,000	20.0
	Total	**46,000**	**100.0**

Board of Directors

The directors of Allsec Stocks Private Limited as of January 31, 2005 are set forth below:

1. Mr. A. T. Krishna Kumar
2. Mr. V. Srinivasan
3. Ms. Malati Rajan

Financial Performance

(Rs. in millions, except share data)

Particulars	As at and for the year ended		
	March 31, 2002	March 31, 2003	March 31, 2004
Sales & Other Income	-	-	-
PAT	(0.0)	(0.0)	(0.0)
Equity Capital(Face value Rs. 10 per share)	1.0	1.0	1.0
Reserves	(0.3)	(0.3)	(0.4)
EPS (Rs.)	(0.2)	(0.3)	(0.3)
Book Value/Share (Rs.) *	6.5	6.2	6.0

* Net of miscellaneous expenditure to the extent not written off

VII. Delpak Industries Limited

Delpak Industries Limited was incorporated on May 31, 1995 and commenced business on July 27, 1995. The registered office of Delpak Industries Limited is at 7 H , Century Plaza, 560/562, Anna Salai, Chennai 600018. The main business of Delpak Industries Limited was to do the business of manufacture, trader, agent, retailer, exporter and importers of bags, rolls, sheets, liners & products of all kinds made out of plastics, thermoplastics, polyolefin and polyester. Delpak Industries Limited has applied on December 31, 2003 to the Registrar of Companies for striking off the name under Section 560 of the Act under the Simplified Exit Scheme since Delpak Industries Limited has been inoperative from November 2001. The name of Delpak Industries Limited has not yet been struck off by the Registrar of Companies.

Shareholding Pattern

The Shareholding Pattern of Delpak Industries Limited as on January 31, 2005 is set forth below:

Sl. No.	Name of the shareholders	Number of shares	Percentage share holding
1.	Mr. A Saravanan	22,200	49.4
2.	Mr. R Jagadish	22,100	49.2
3.	Other individuals	600	1.4
	Total	**44,900**	**100.0**

Board of Directors

The directors of Delpak Industries Limited as of January 31, 2005 are set forth below:

1. Mr. N. Kartikeyan
2. Mr. N. A. Viswanath Krishnan
3. Mr. L Gopal Krishnan

Financial Performance

(in Rs. millions, except share data)

Particulars	As at and for the year ended		
	March 31, 2002	March 31, 2003	September 30, 2003
Sales & Other Income	0.0	0.0	0.4
PAT	(0.0)	(0.0)	(0.3)
Equity Capital	0.5	0.5	0.5
Reserves	(0.1)	(0.1)	(0.5)
EPS (Rs.)	(0.4)	(0.4)	(7.2)
Book Value/Share (Rs.) *	6.4	6.4	-

* Net of miscellaneous expenditure to the extent not written off

VIII. Alliance Credit Management Private Limited

Alliance Credit Management Private Limited was incorporated on May 18, 1993. The registered office of Alliance Credit Management Private Limited is at 7 H, Century Plaza, 560/562, Anna Salai, Chennai- 600018. The main business of Alliance Credit Management Private Limited is that of financial advisory and management and financial consultants. Alliance Credit Management Private Limited has applied on December 31, 2003 to the Registrar of Companies for striking off the name under Section 560 of the Act under the Simplified Exit Scheme since Alliance Credit Management Private Limited has been inoperative from April 2001. The name of Alliance Credit Management Private Limited has not yet been struck off.

Shareholding Pattern

The Shareholding Pattern of Alliance Credit Management Private Limited as on January 31, 2005 is set forth below::

Sl. No.	Name of the shareholders	Number of shares	Percentage share holding
1.	Mr. A. Saravanan	70	35.0
2.	Mr. R. Jagadish	70	35.0
3.	Mr. N. Kartikeyan	20	10.0
4.	Mr. V. Kannan	20	10.0
5.	Mr. P. Swaminathan	20	10.0
	Total	**200**	**100.0**

Board of Directors

The directors of Alliance Credit Management Private Limited as of January 31, 2005 are:

1. Mr. N. Kartikeyan
2. Mr. N. A. Viswanath Krishnan
3. Mr. G. Viswanathan

Financial Performance

Alliance Credit Management Private Limited has not prepared its financial statements for the years ended March 31, 2002 and March 31, 2003. Audited accounts have been prepared for the six months ended September 30, 2003 as required in relation to the Simplified Exit Scheme under Section 560 of the Companies Act. The operating results of Alliance Credit Management Private Limited as at and for the six months ended September 30, 2003 are set forth below:

(in Rs. millions, except per share data)

Particulars	Six months ended September 30, 2003
Sales & Other Income	0.3
PAT	0.0
Equity Capital	0.0
Reserves	-
EPS (Rs.)	0
Book Value/Share (Rs.) *	0

* Net of miscellaneous expenditure to the extent not written off

IX. S. J. Associates (Partnership Firm)

S.J. Associates is a partnership firm, which was set up in January 14, 2002. The firm is engaged in investment in shares and securities. Its principal office is at 7 H, Century Plaza, 560-562, Anna Salai, Chennai- 600018.

S.No.	Name of Partner	Profit/(loss) share ratio
1.	Mr. A. Saravanan	50%
2.	Mr. R. Jagadish	50%

Financial Performance

(Rs. in millions)

Particulars	As at and for the year ended		
	March 31, 2002	March 31, 2003	March 31, 2004
Sales & Other Income	0.1	27.4	3.9
PAT	(0.1)	(0.2)	1.2
Partner's Capital	7.2	9.9	10.4

Disassociations

Name of company	Date of Incorporation	Date of Disassociation	Mode of disassociation
Alltex Clothing Limited	January 13, 1999	July 23, 2004	Struck off by the Registrar of Companies under Section 560 of the Companies Act.
JS Associates (Partnership firm)	January 11, 1991	January 14, 2002	Dissolution by mutual consent

RELATED PARTY TRANSACTIONS

4. Name of the related parties with whom the transactions have been entered into;

Relationship	Name of the Party
Enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control of the company.	Subsidiary: Allsectech Inc.
Associates of the Company	Allsec Technosoft Limited Vipra Software Consultancy Private Limited J.S.Associates
Key Management Personnel	Whole Time Directors: A.Saravanan R.Jagadish

b) Transactions with related parties

Nature of Transaction		Subsidiary	Key Management Personnel	Associates
Transactions for the Period ended December 31,2001	Remuneration	—	886,254	—
	Selling Commission	4,061,954	—	—
	Payment for other services	—	—	730,800
	Reimbursement of connectivity & other expenses	1,175,012	—	—
	Service Income	4,263,973	—	—
	Advance from Subsidiary	849,596	—	—
	Investment in Subsidiary	—	—	—
Nature of Transaction		**Subsidiary**	**Key Management Personnel**	**Associates**
Transactions for the Period ended December 31,2002	Remuneration	—	2,700,000	—
	Selling Commission	12,005,757	—	—
	Payment for other services	—	—	258,050
	Service Income	—	—	—
	Advance from Subsidiary	—	—	
	Investment in Subsidiary	9,976,500	—	—
Nature of Transaction		**Subsidiary**	**Key Management Personnel**	**Associates**
Transactions for the fifteen months ended March 31,2004	Remuneration	—	4,500,000	—
	Selling Commission	13,897,873	—	—
	Service Income	2,755,026	—	—
	Advance from Subsidiary	8,653,000	—	—
	Investment in Subsidiary	4,455,150	—	—

Nature of Transaction		Subsidiary	Key Management Personnel	Associates
	Remuneration	—	4,500,000	—
Transactions for the	Selling Commission	28,101,896	—	—
Nine months ended	Service Income	15,870,702	—	—
December 31,2004	Advance from Subsidiary	(5,616,836)	—	—
	Investment in Subsidiary	—	—	—

Selected Financial Data (As Per Unconsolidated Financial Statement Under Indian GAAP)

Summary Of Profit And Loss Account, As Restated

(All amounts in Indian Rupees)

	Nine months ended December 31, 2004	Fifteen months ended March 31, 2004	Year ended December 31, 2002	Year ended December 31, 2001*	Fifteen months ended December 31, 2000	August 24, 1998 (the incorporation date) to September 30, 1999
Income						
From services						
Export	404,278,488	247,101,193	196,877,563	80,023,360		
Domestic	10,184,755	2,307,155	236,310	50,000		
Total	414,463,243	249,408,348	197,113,873	80,073,360		
Other income	15,659	199,168	2,317,611	1,441,183		
Total income	**414,478,902**	**249,607,516**	**199,431,484**	**81,514,543**	**-**	**-**
Expenditure						
Connectivity costs	75,988,686	132,790,566	57,255,690	23,892,099		
Database costs	-	19,844,301	-	-		
Employee cost and benefits	150,432,366	140,535,241	55,926,960	19,788,553		
General and administration expenses	40,984,404	43,535,825	24,792,270	12,619,891		
Selling expenses	31,543,981	15,485,857	14,418,013	4,717,674		
Finance charges	11,352,805	14,941,821	5,841,443	5,211,954		
Depreciation	29,190,583	47,591,698	18,797,487	9,138,379		
Deferred revenue expenditure	1,439,727	772,245	4,446,946	3,824,108		
Total expenditure	**340,932,552**	**415,497,554**	**181,478,809**	**79,192,658**	**-**	**-**
Net profit/ (loss) before tax	**73,546,350**	**(165,890,038)**	**17,952,675**	**2,321,885**	**-**	**-**
Provision for tax						
Current tax/(excess provision written back)	361,890	(906,066)	896,667	25,000		
Deferred tax	196,322					
Net profit/ (loss) after tax (A)	**72,988,138**	**(164,983,972)**	**17,056,008**	**2,296,885**	**-**	**-**
Adjustment on account of change in accounting policy						
Pre-operative expenditure				516,200	13,337,683	
(Refer Note 2 in Annexure IV)						
Preliminary expenditure			(5,880)	(840)	(1,680)	8,400
Deferred revenue expenditure			(3,823,271)	(3,823,268)		
(Refer Note 2 in Annexure IV)						
Depreciation	(836,577)	(1,394,295)	(1,115,436)	(836,577)		
(Refer Note 2 in Annexure IV)						
Deferred tax		(3,653,165)	(2,680,787)	(2,364,197)		
(Refer Note 1 in Annexure IV)						
Total of adjustments	**(836,577)**	**(5,047,460)**	**(7,625,374)**	**(6,508,682)**	**13,336,003**	**8,400**
Tax impact on adjustments	**-**	**-**	**-**	**-**	**-**	**-**
Total of adjustments after tax impact (B)	**(836,577)**	**(5,047,460)**	**(7,625,374)**	**(6,508,682)**	**13,336,003**	**8,400**
Net profit/ (loss), as restated (A-B)	**73,824,715**	**(159,936,512)**	**24,681,382**	**8,805,567**	**(13,336,003)**	**(8,400)**
Profit/ (loss) at the beginning of the period	**(139,878,464)**	**20,058,048**	**(4,538,836)**	**(13,344,403)**	**(8,400)**	**-**
Profit/ (loss) available for appropriation	**(66,053,749)**	**(139,878,464)**	**20,142,546**	**(4,538,836)**	**(13,344,403)**	**(8,400)**
Preference dividend		-	84,498	-		
Balance carried forward, as restated	**(66,053,749)**	**(139,878,464)**	**20,058,048**	**(4,538,836)**	**(13,344,403)**	**(8,400)**

Statement of assets and liabilities, as restated

(All amounts in Indian Rupees)

	As at December 31,2004	As at March 31,2004	As at December 31,2002	As at December 31,2001	As at December 31,2000	As at September 30, 1999
Fixed assets						
Gross block	238,090,760	224,675,491	198,744,515	64,961,856	12,458,885	
Less : Accumulated depreciation	101,047,275	72,693,269	26,766,200	9,084,149	782,347	
Net block	137,043,485	151,982,222	171,978,315	55,877,707	11,676,538	
Capital work in progress	-	-	16,597,380	-	22,865,573	1,500
Total	**137,043,485**	**151,982,222**	**188,575,695**	**55,877,707**	**34,542,111**	**1,500**
Investments	14,903,150	14,903,150	10,448,000	471,500	-	
Deferred tax assets/ (liabilities)	8,501,827	8,698,149	5,044,984	2,364,197		
Current Assets, loans and advances						
Cash and bank balances	21,289,790	5,085,060	10,992,004	11,508,646	9,005,876	
Sundry debtors	84,054,975	54,102,216	40,865,460	22,185,125	-	
Loans and advances	13,470,534	17,505,236	15,096,849	9,423,165	3,741,282	
Total	**118,815,299**	**76,692,512**	**66,954,313**	**43,116,936**	**12,747,158**	**-**
Liabilities and provisions						
Secured loans	92,341,951	114,785,805	46,911,715	39,042,714	22,934,760	
Current liabilities and provisions	76,588,679	102,421,539	29,878,321	24,325,762	2,698,212	9200
Total	**168,930,630**	**217,207,344**	**76,790,036**	**63,368,476**	**25,632,972**	**9200**
Networth	**110,333,131**	**35,068,689**	**194,232,956**	**38,461,864**	**21,656,297**	**(7,700)**
Represented by						
Share capital	176,775,700	176,775,700	176,775,700	43,000,700	35,000,700	700
Reserves and surplus	(66,053,749)	(139,878,464)	20,058,048	(4,538,836)	(13,344,403)	(8,400)
Miscellaneous expenses to the extent not written off or adjusted	(388,820)	(1,828,547)	(2,600,792)	-	-	-
Networth	**110,333,131**	**35,068,689**	**194,232,956**	**38,461,864**	**21,656,297**	**(7,700)**

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF UNCONSOLIDATED FINANCIAL STATEMENTS UNDER INDIAN GAAP

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Prospectus. You are also advised to read the section titled "Risk Factors" beginning on page i of this Prospectus, which discusses a number of factors and contingencies that could impact our financial condition, results of operations and cash flows. The following discussion relates to Allsec Technologies Limited on an unconsolidated basis. Our financial statements have been prepared in accordance with Indian GAAP, the accounting standards referred to in Section 211(3C) of the Companies Act and the other applicable provisions of the Companies Act. The following discussion is also based on internally prepared statistical information and publicly available information.

Overview

We are a provider of BPO services, currently serving the needs of clients in the United States or Indian subsidiaries of US corporations. We provide integrated front, middle and back-office process outsourcing solutions and manage large scale processes for our US-based and Indian-based clients. A significant portion of our business relates to processes that we believe are integral to our clients' operations and the close nature of our relationships with our clients allows us to develop strong strategic long term relationships with them.

We currently have three operations facilities in Chennai, India, including one at a client's premises and propose to set up a new 1000-seat facility in Chennai in three phases by end of December 2005.

We have a wholly owned subsidiary in the US, being Allsectech Inc., which we use primarily for marketing our services to overseas clients.

Income

Income from services. Our income from services is generated from contracts to provide BPO services. We primarily serve clients in the United States and India generating approximately 97.5% and 2.5% of our income from services, respectively, for the nine months ended December 31, 2004.

We derive most of our income from services from a small number of clients. For the 12 months ended December 31, 2002, the 15-months ended March 31, 2004 and the nine-months ended December 31, 2004, our single largest client, CompuCredit, accounted for 24.4%, 16.0% and 52.1% of our income from services, respectively. During the same periods, our three largest clients accounted for 88.1%, 64.2% and 73.3% of our income from services, respectively.

We report our financial results in Rupees, but 97.5% of our income from services was denominated in US Dollars and 67.47% of our expenses were incurred and paid in Rupees for the nine-months ended December 31, 2004. The exchange rate between the Rupee and the US Dollar has changed substantially in recent years and may fluctuate substantially in future. We do not hedge any of our US Dollar-Rupee exposure. As a result, even if the US Dollar amount of the services we provide to our clients remains constant, our income from services may vary significantly from period to period. Based upon our income from services for the nine months ended December 31, 2004 amounting to Rs. 404.3 million, a 5.0% depreciation in the US Dollar against the Rupee would have decreased our income from services during the nine months ended December 31, 2004 by approximately Rs. 20.2 million. Conversely, a 5.0% appreciation in the US Dollar against the Rupee would have increased our income from services during the nine months ended December 31, 2004 by approximately Rs. 19.3 million.

Most of our contracts do not have any protection for US Dollar depreciation against the Rupee. However in our Master Services Agreement with CompuCredit, in case the US Dollar trades for less than Rs. 40 for more than 30 consecutive days after January 1, 2006 and the parties are unable to negotiate the exchange rate the monthly service fee will be based on an exchange rate of 1US Dollar = Rs. 40. We believe this is sufficient protection for any major fluctuations, considering that CompuCredit is our single largest client and we have a natural hedge with approximately 30% of our expenses denominated in US Dollars.

We have derived and expect to continue to derive nearly all of our revenues from fixed-rate contracts. Our fixed rate contracts subject us to the risk that our expenses could be higher with respect to a particular client engagement than we anticipated at the time of agreeing to the fixed fee. If we fail to anticipate our costs when entering a fixed rate contract our margins may be reduced and our results of operations could be adversely affected.

Expenditure

Our most significant expenses are employee costs and benefits and connectivity cost.

Employee costs and benefits

Employee costs and benefits comprise salaries, wages and allowances, contributions to provident and other funds, gratuity payments, staff welfare costs and recruitment and training costs. Salary levels in India, employee turnover rates and our ability to efficiently manage and utilize our employees significantly affect our employee costs and benefits. We make every effort to manage employee costs and capacity utilization and continuously monitor service levels and staffing requirements. However, a contract termination or significant reduction in work assigned to us by clients could cause us to experience a higher than expected number of unassigned employees, which would increase our employee costs and benefits as a percentage of revenues until we are able to reduce or reallocate our headcount. A significant increase in the attrition rate among our employees in India, particularly among the highly skilled workforce needed to execute BPO services, would increase our recruiting and training costs and decrease our operating efficiency, productivity and profit margins. However, with a lower than industry average attrition and an internal training team, these costs are lower than our industry peers. In addition, expenditure also includes a non-cash amortization of deferred stock compensation expenses relating to our issuance of stock options to employees. We believe that our Employee Stock Option Scheme will help us control employee attrition.

Connectivity Cost

Connectivity cost comprises telecommunication and Internet charges incurred in connection with the provision of our BPO services.

The rates we are charged for telecommunication and Internet have fallen considerably since we began commercial operations. India now has some of the lowest telecommunication charges in the world. As such, we believe that although the rates we are charged for telecommunication and Internet may decrease further, the extent of any decrease in charges will not be the same.

For a description of our other expenses, please refer to the section titled "Nine Months Ended December 31, 2004 Compared with 15 Months Ended March 31, 2004" on page 69 of this Prospectus.

Taxes

Direct Taxes

Our facilities are registered as software technology park units under the Software Technology Park of India scheme. The Income Tax Act, 1961 provides STP units with a ten-year holiday from Indian corporate income taxes from fiscal 2000 to fiscal 2009. Accordingly, facilities set up in India on or before March 31, 2000 have a 10 year tax holiday, new facilities set up on or before March 31, 2001 have a nine-year tax holiday and so forth until March 31, 2009. After March 31, 2009, the tax holiday will no longer be available to new facilities. The export income derived from BPO services rendered from our facilities in India is not subject to taxes until March 31, 2009. However domestic income earned is subject to income tax in accordance with the applicable provisions of the Income Tax Act, 1961.

As a result of the aforesaid tax holiday, our operations have been subject to relatively lower tax liabilities. The tax holiday allowed us to recognize income tax expense of Rs. 0.4 million for the nine months ended December 31, 2004 compared with Rs. 0.4 million that we would have incurred if the tax holiday had not been available for that period. However, this was due to the losses we incurred in fiscal 2004. When our tax holiday expires or terminates, our tax expense will materially increase.

Our US subsidiary is subject to US income taxes on the profits it recognizes in the United States.

Results of Operations

Nine Months Ended December 31, 2004 Compared with 15 Months Ended March 31, 2004

The accounting period of the nine months ended December 31, 2004 is not comparable directly with the accounting period of the 15 months ended March 31, 2004 due to differences in the length of the accounting periods.

Income. Income for the nine months ended December 31, 2004 was Rs. 414.5 million, comprising Rs. 414.5 million of income from services,. Our income from services in this nine-month period benefited from better utilization of facilities and the income increased by Rs. 165.0 million compared to the previous 15-month period. The income from services benefited from additional business from CompuCredit and addition of four new clients. Income from services generated from new clients for the said period accounted for 23.9% of the income from services.

Total income for the 15 months ended March 31, 2004 was Rs. 249.6 million, comprising Rs. 249.4 million of income from services and Rs. 0.2 million of other income, which comprised interest received on bank deposits and other interest income. Our income from services for the 15 months ended March 31, 2004 benefited from the addition of six new clients during the period, which accounted for 30.6% of the income from services.

Expenditure. As a percentage of income from services, expenditure was 82.3% for the nine months ended December 31, 2004 compared with 166.5% for the 15 months ended March 31, 2004.

Connectivity cost. As a percentage of total income, connectivity cost was 18.3% for the nine months ended December 31, 2004 compared with 53.2% for the 15 months ended March 31, 2004. This decrease as a percentage of income was due to better utilization of fixed cost bandwidth capacity in this period and rate reductions in bandwidth cost.

Employee costs and benefits. As a percentage of total income, employee costs and benefits were 36.3% for the nine months ended December 31, 2004 compared with 56.3% for the 15 months ended March 31, 2004. This decrease as a percentage of income was due to more effective utilization of our employees by way of increased business and better realizations per employee per hour.

General and administration expenses. Our general and administrative expenses comprises expenses relating to electricity, rent, rates and taxes, repairs and maintenance, insurance, professional and consultancy fees, travel and conveyance, telephone calls, audit fees, losses on sale of fixed assets and foreign exchange fluctuations and miscellaneous expenses and other expenses. As a percentage of total income, general and administration expenses were 9.9% for the nine months ended December 31, 2004 compared with 17.5% for the 15 months ended March 31, 2004. This decrease as a percentage to total income was due to higher revenue realization only.

Selling expenses. Selling expenses comprise selling commission paid to independent sales agents and other selling expenses, including commission paid to our Subsidiary. Selling expenses were Rs. 31.5 million for the nine months ended December 31, 2004. As a percentage of total income, selling expenses were 7.6% for the nine months ended December 31, 2004 compared with 6.2% for the 15 months ended March 31, 2004. This increase as a percentage of income was due to an increase in the number of our client contracts, which attracted selling commission.

Finance charges. Finance charges comprise interest on term loans and other loans and bank charges. Finance charges were Rs. 11.3 million for the nine months ended December 31, 2004. As a percentage of total income, finance charges were 2.7% for the nine months ended December 31, 2004 compared with 6.0% for the 15 months ended March 31, 2004. This decrease as a percentage of total income was due to repayment of a term loan and higher realisation of income.

Deferred revenue expenses written off. Deferred revenue expenditure written off comprises share issue expenses and ancillary borrowing costs amortized in the period. Deferred revenue expenditure written off was Rs. 1.4 million for the nine months ended December 31, 2004. As a percentage of total income, deferred revenue expenses written off were 0.3% for the nine months ended December 31, 2004 compared with 0.3% for the 15 months ended March 31, 2004.

Depreciation. Depreciation pertains to depreciation of our tangible assets being computers and servers, software, call centre equipment, office equipment, office furniture and fixtures, leasehold improvements, and motor vehicles. Depreciation on assets was Rs. 29.2 million for the nine months ended December 31, 2004. As a percentage of total income, depreciation was 7.0% for the nine months ended December 31, 2004 compared with 19.0% for the 15 months ended March 31, 2004. This decrease as a percentage of total income was due to higher realisations.

Profit/Loss before Tax. Profit before tax was Rs. 73.6 million for the nine months ended December 31, 2004. As a percentage of total income, profit before tax was 17.7% for the nine months ended December 31, 2004. For the 15 months ended March 31, 2004, we made a loss before tax of Rs. 165.9 million.

Profit/Loss after Tax. Because of our tax holiday, we did not have any tax liability on our income except on our domestic income that was estimated at Rs.0.4 million and our profit after tax was Rs. 73.0 million for the nine months ended December 31, 2004. However, pursuant to AS 22, Rs. 0.2 Million was deducted back as deferred tax liability. For the 15 months ended March 31, 2004, we made a loss after tax of Rs. 165.0 million, which included Rs. 0.9 million of excess provision for tax written back. The impact of restatement of the profits/losses for the prior years (on account of changes in accounting policies) was reflected and the net profit after tax for the nine months ended December 31 2004 was Rs 73.8 million. The loss for the 15 month period ended March 31, 2004 was Rs. 159.9 million.

15 Months Ended March 31, 2004 Compared with 12 Months Ended December 31, 2002

The accounting period for the 15 months ended March 31, 2004 is not comparable with the accounting period for the 12 months ended December 31, 2002 due to differences in the length of the accounting periods.

Income. Total income for the 15 months ended March 31, 2004 was Rs. 249.6 million, comprising Rs. 249.4 million of income from services and Rs. 0.2 million of other income, which comprised interest received on bank deposits and other interest income.

Total income for the 12 months ended December 31, 2002 was Rs. 199.4 million, comprising Rs. 197.1 million of income from services and Rs. 2.3 million of other income, which included Rs. 1.9 million of income from mutual funds. Our income from services in this period benefited from the addition of five new clients, which accounted for 8.2% of our income from service during the period.

Expenditure. As a percentage of total income, expenditure was 166.5% for the 15 months ended March 31, 2004 compared with 91.0% for the 12 months ended December 31, 2002. This increase was mainly because of the capacity expansion from 175 seats to 675 seats in August 2002 and corresponding expenses for the same. Pursuant to one of our contracts we also purchased a database, which amounted to Rs 19.8 million.

Connectivity cost. As a percentage of total income, connectivity cost was 53.2% for the 15 months ended March 31, 2004 compared with 28.7% for the 12 months ended December 31, 2002. This increase as a percentage of total income was due to additional fixed bandwidth contracted for the increased capacity.

Employee costs and benefits. As a percentage of total income, employee costs and benefits were 56.3% for the 15 months ended March 31, 2004 compared with 28.0% for the 12 months ended December 31, 2002. This increase as a percentage of total income was due to an increase in the number of our employees from 257 at December 31, 2002 to 676 at March 31, 2004 and the lower realization per hour.

General and Administration Expenses. As a percentage of total income, general and administration expenses was 17.5% for the 15 months ended March 31, 2004 compared with 12.5% for the 12 months ended December 31, 2002. This increase as a percentage of total income resulted due to the additional capacity created in August 2002

Selling expenses. As a percentage of total income, selling expenses was 6.2% for the 15 months ended March 31, 2004 compared with 7.2% for the 12 months ended December 31, 2002. This decrease as a percentage of total income was due to revenue generated out of a new contract that was entered into directly and no selling commission was payable.

Finance charges. As a percentage of total income, finance charges were 6.0% for the 15 months ended March 31, 2004 compared with 3.0% for the 12 months ended December 31, 2002. This increase as a percentage of total income was due to additional term loan and working capital facilities availed by us for the increased capacity.

Deferred revenue expenses written off. As a percentage of total income, deferred revenue expenses written off was 0.3% for the 15 months ended March 31, 2004 compared with 2.2% for the 12 months ended December 31, 2002. This decrease as a percentage of total income was due to a write off of preliminary expenses in December 2002.

Depreciation. As a percentage of total income, depreciation was 19.0% for the 15 months ended March 31, 2004 compared with 9.5% for the 12 months ended December 31, 2002. This increase as a percentage of total income was due to capitalization of Rs. 160.5 million during end of 2002 and early 2003 for which depreciation was provided for the period of 15 months.

Profit/Loss before Tax. For the 15 months ended March 31, 2004, we made a loss before tax of Rs. 165.9 million. For the 12 months ended December 31, 2002, we made a profit before tax of Rs. 18.0 million. The loss for the 15 months ended March 31, 2004 was a result of increased cost due to an increase in capacity without corresponding increase in revenue. The revenue only grew by 26.5% during the period, while expenses grew by 131.2%. This was the result of under utilization of capacity and also lower realization per hour compounded with data base costs in one of the contracts.

Profit/Loss after Tax. For the 15 months ended March 31, 2004, we made a loss after tax of Rs. 165.0 million, which included Rs. 0.9 million of excess provision for tax written back. For the 12 months ended December 31, 2002, we had a tax liability of Rs. 0.9 million on the income we received from our investments in mutual funds and a tax liability of Rs. 0.01 million on dividend payments to our preferred shareholders, which resulted in a profit after tax of Rs. 17.0 million. The impact of restatement of the profit/losses for the prior years on account of changes in accounting policies have been reflected and the net loss after tax for the 15 months ended March 31, 2004 was Rs.159.9 million and the profit for the 12 months ended December 31, 2002 was Rs. 24.7 million.

Liquidity and Capital Resources

Our primary liquidity needs have been to finance our working capital needs and capital expenditure. We have financed our operations primarily by way of subscription to our Equity Shares, loans from banks and other financial institutions except for the 15 months ended March 31, 2004, which was by way of cash flows from operations.

As at December 31, 2004, we had Rs. 21.3 million in cash and cash equivalents on hand and Rs. 20.9 million unutilised on our Rs. 45.0 million overdraft facility with Canara Bank.

In January 2005, we issued 684,362 Equity Shares to CompuCredit for an aggregate purchase price in cash of Rs. 35.4 million.

We plan to set up a new-1000 seat facility in Chennai, India in three phases at an estimated cost of Rs. 380 million, which will be paid for out of part of the net proceeds of the Issue. We plan to complete setting up the New Facility by December 2005. The first phase of 300 seats is expected to be completed by June 2005. Please refer to section titled “Objects of the Issue” beginning on page 24 of this Prospectus.

In future, we will need the consent of CompuCredit to raise additional funds by providing the equipment or infrastructure existing at the Velachery Facility as security. In addition, we cannot mortgage, sell or pledge, any of the fixed assets of the Company or issue any debt instruments or guarantee in excess of US$3 million without the consent of CompuCredit, which consent shall not be unreasonably withheld.

Debt Obligations

We entered into a Rupee term loan agreement for Rs. 29.5 million with IDBI on September 25, 2000. This loan has been secured by way of (i) hypothecation of all our moveable assets, both present and future, and (ii) pledge of the entire shareholding of our Promoters held in the Company and in Allsec Securities Limited. The aforesaid shares pledged by the Promoters have been released by IDBI on September 2004. In case of a default under the loan agreement, IDBI has the option to convert the loan outstanding into Equity Shares, subject to a maximum holding of 40% of the paid up share capital of the Company.

The General Conditions (bearing no. IDBI-GC-1-94, the "**IDBI General Conditions**") applicable to assistance (project loans and guarantees) provided by Industrial Development Bank of India provide for certain conditions in relation to the management of the Company, being:

(i) Section 6.4 of the IDBI General Conditions states that IDBI shall have the right to appoint and remove from time to time a director or board of directors of the Company (Nominee Director).

(ii) Section 6.5 of the IDBI General Conditions in relation to management states that unless IDBI agrees, the Company shall not remove any person, by whatever name called, exercising substantial powers of management of the affairs of the Borrower at the time of execution of the Loan Agreement.

(iii) Under Section 8.3(a) of the IDBI General Conditions, on the happening of any of the events of default as specified in Section 8.1, IDBI shall be entitled to (i) appoint and remove from time to time one additional nominee director; or (ii) appoint and remove from time to time whole time director(s) on the board of directors of the Company.

(iv) Under Section 8.3(d) of the IDBI General Conditions, in case of default in payment of any dues to IDBI or if in IDBI's opinion the business of the Company is conducted in a manner opposed to public policy or in a manner prejudicial to IDBI's interest, IDBI shall have the right to review the management set-up or organization of the Company and to require the Company to restructure it as may be considered necessary by IDBI , including the formation of management committees with such powers and functions as may be considered suitable by the Lenders.

We have availed of the following facilities from Canara Bank, which have been secured by a first ranking pari passu charge against the assets and receivables of the Company:

(i) Inland irrevocable letter of credit facility for Rs. 10.0 million on September 6, 2002, additionally secured by way of an on demand promissory note of even date for even sum in favour of Canara Bank. This letter of credit facility has been enhanced to Rs. 13 million on November 19, 2004.

(ii) Overdraft facility of Rs. 45.0 million from Canara Bank on September 6, 2002 against its book debts, at an interest rate of bank prime lending rate (PLR) plus 1%.

(iii) Term loan of Rs. 75.0 million from Canara Bank on September 6, 2002, at an interest rate of PLR plus 1%. This term loan was modified on October 14, 2003, and was split into a term loan of Rs. 50.6 million and a demand promissory note of Rs. 24.4 million.

(iv) Additional term loan of Rs. 3.8 million from Canara Bank on October 14, 2004, at an interest rate of PLR plus 1%.

Item 12 of Schedule 3 (Additional Terms and Conditions) to the Common Hypothecation Agreement dated September 6, 2002 between Canara Bank and the Company states that Canara Bank reserves the right, at its absolute discretion, at any time it deems fit to appoint a nominee director on the board of the Company on such terms and conditions as it may deem fit and the Company agrees and accepts to immediately make all necessary arrangements and complete all necessary formalities whether legal or otherwise to enable him to act as such.

We are also intending to avail a short term loan (including inland/foreign letter of credit) for Rs.100.0 million from Canara Bank to part fund the initial phase of the New Facility proposed to be set up by us. This loan has been granted to us by way of a sanction memorandum. For further details and terms and conditions of the loan refer to page 27 of this Prospectus.

Off-Balance Sheet Arrangements

As of December 31, 2004, we were not a financial guarantor of obligations of any unconsolidated entity, and we were not a party to any similar off-balance sheet obligation or arrangement.

Changes in accounting policies in last three years

There have been no changes in accounting policies in relation to the financial operations of our Company in the last three years.

Significant developments after December 31, 2004 that may affect the future of our operations

Except as stated elsewhere in this Prospectus and in compliance with AS 4, to our knowledge, no circumstances have arisen since the date of the last financial statements as disclosed in the Prospectus which materially and adversely affect or are likely to affect, the trading and profitability of the Company and our Subsidiary (taken as a whole), or the value of the consolidated assets or their ability to pay their material liabilities within the next 12 months.

Except as stated elsewhere in this Prospectus, there are no subsequent developments after the date of the Auditors report dated January 31, 2005 which we believe are expected to have material impact on the reserves, profits, earnings per share or book value of the Company and our Subsidiary (taken as a whole).

Unusual or Infrequent Events or Transactions

Except as described elsewhere in this Prospectus, there have been no events or transactions to our knowledge which may be described as “unusual” or “infrequent”

Significant economic/regulatory changes

Except as described in section “Regulations and Policies” in this Prospectus, there have been no significant economic/regulatory changes.

Known Trends or uncertainties

Except as described in “Risk Factors” and “Management Discussion and Analysis of Financial Conditions and Results of Operations” and elsewhere in this Prospectus, 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

Except as described in “Risk Factors” and “Management Discussion and Analysis of Financial Conditions and Results of Operations” and elsewhere in this Prospectus, to our knowledge, there are no known factors which will have a material adverse impact on the operations and finances of our Company.

New Products or business segment

Other than the one described elsewhere in this Prospectus, to our knowledge, there are no new products or business segments

Seasonality of business

To our knowledge, our services do not have any seasonal impact, other than the one described elsewhere in this Prospectus

Significant dependence on single or few clients

Refer section in “Risk Factors” and “Management Discussion and Analysis of Financial Conditions and Results of Operations” and elsewhere in this Prospectus for the details of our dependence on single or few clients

Competitive conditions

Refer section “Business” of this Prospectus beginning page 35.

SELECTED FINANCIAL DATA (AS PER CONSOLIDATED FINANCIAL STATEMENT UNDER INDIAN GAAP)

SUMMARY OF PROFIT AND LOSS ACCOUNT, AS RESTATED

(All amounts in Indian Rupees)

	Nine months ended December 31, 2004	Fifteen months ended March 31, 2004	Year ended December 31, 2002	Year ended December 31, 2001*	Fifteen months ended December 31, 2000	August 24, 1998 (the incorpo-ration date) to September 30, 1999
Income						
From services						
Export	407,539,502	248,277,557	196,868,119	81,647,838		
Domestic	10,184,755	2,307,155	236,310	50,000		
Total	417,724,257	250,584,712	197,104,429	81,697,838		
Other Income	15,659	199,168	2,317,611	1,441,183		
Total income	**417,739,916**	**250,783,880**	**199,422,040**	**83,139,021**	**-**	**-**
Expenditure						
Connectivity costs	75,988,686	132,790,566	57,255,690	24,973,891		
Database costs	-	19,844,301	-	-		
Employee cost and benefits	157,203,267	151,461,112	63,506,777	20,613,236		
General and administration expenses	55,554,617	52,811,111	30,812,727	16,621,367		
Selling expenses	3,442,085	1,637,634	2,443,366	965,890	-	-
Finance charges	11,457,790	14,989,947	5,870,700	5,265,749		
Depreciation	30,429,906	49,269,191	19,286,194	9,154,128		
Deferred revenue expenditure	1,439,727	772,245	4,446,946	3,824,108		
Total expenditure	**335,516,078**	**423,576,107**	**183,622,400**	**81,418,369**	**-**	**-**
Net profit/ (loss) before tax	82,223,838	(172,792,227)	15,799,640	1,720,652	-	-
Provision for tax						
Current tax/ (Excess provision written back)	361,890	(906,066)	896,667	25,000		
Deferred tax	3,524,832	(2,230,540)	(712,675)	(455,250)		
Net profit/ (loss) after tax (A)	**78,337,116**	**(169,655,621)**	**15,615,648**	**2,150,902**	**-**	**-**
Adjustment on account of change in accounting policy						
Pre-operative expenditure (Refer Note 2 in Annexure VIII)	-	-	-	516,200	13,337,683	-
Preliminary expenditure	-	-	(5,880)	(840)	(1,680)	8,400
Deferred revenue expenditure (Refer Note 2 in Annexure VIII)	-	-	(3,823,271)	(3,823,268)	-	-
Depreciation (Refer Note 2 in Annexure VIII)	(836,577)	(1,394,295)	(1,115,436)	(836,577)	-	-
Deferred tax (Refer Note 1 in Annexure VIII)		(3,653,165)	(2,680,787)	(2,364,197)	-	-
Total of adjustments	(836,577)	(5,047,460)	(7,625,374)	(6,508,682)	13,336,003	8,400
Tax impact on adjustments	-	-	-	-	-	-
Total of adjustments after tax impact (B)	(836,577)	(5,047,460)	(7,625,374)	(6,508,682)	13,336,003	8,400
Net profit/ (loss), as restated (A-B)	79,173,693	(164,608,161)	23,241,022	8,659,584	(13,336,003)	(8,400)
Profit/ (loss) at the beginning of the period	(146,136,456)	18,471,705	(4,684,819)	(13,344,403)	(8,400)	-
Profit/ (loss) available for appropriation	(66,962,763)	(146,136,456)	18,556,203	(4,684,819)	(13,344,403)	(8,400)
Preference dividend	-	-	84,498	-		
Balance carried forward, as restated	**(66,962,763)**	**(146,136,456)**	**18,471,705**	**(4,684,819)**	**(13,344,403)**	**(8,400)**

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(All amounts in Indian Rupees)

	As at Dec. 31, 2004	As at Mar. 31, 2004	As at Dec. 31, 2002	As at Dec. 31, 2001	As at Dec. 31, 2000	As at Sept. 30, 1999
Fixed Assets						
Gross block	248,238,156	231,388,640	203,312,478	65,042,853	12,458,885	-
Less : Accumulated depreciation	104,468,547	74,875,218	27,270,656	9,099,898	782,347	-
Net block	143,769,609	156,513,422	176,041,822	55,942,955	11,676,538	-
Capital work in progress	-	-	16,597,380	-	22,865,573	1,500
Total	**143,769,609**	**156,513,422**	**192,639,202**	**55,942,955**	**34,542,111**	**1,500**
Deferred tax assets/ (liabilities)	8,480,821	11,861,887	6,234,159	2,828,604	-	-
Current assets, loans and advances						
Cash and bank balances	23,373,306	5,133,138	11,170,532	11,605,729	9,366,904	-
Sundry debtors	79,151,092	54,970,797	40,865,460	22,184,650	-	-
Loans and advances	13,470,534	18,911,072	15,096,849	9,423,165	3,380,254	-
Total	**115,994,932**	**79,015,007**	**67,132,841**	**43,213,544**	**12,747,158**	**-**
Liabilities and provisions						
Secured loans	92,341,951	114,785,805	46,911,715	39,042,714	22,934,760	-
Current liabilities and provisions	66,479,294	103,793,814	26,447,874	24,626,508	2,698,212	9,200
Total	**158,821,245**	**218,579,619**	**73,359,589**	**63,669,222**	**25,632,972**	**9,200**
Net worth	**109,424,117**	**28,810,697**	**192,646,613**	**38,315,881**	**21,656,297**	**(7,700)**
Represented by						
Share capital	176,775,700	176,775,700	176,775,700	43,000,700	35,000,700	700
Reserves and surplus	(66,962,763)	(146,136,456)	18,471,705	(4,684,819)	(13,344,403)	(8,400)
Miscellaneous expenses to the extent not written off or adjusted	(388,820)	(1,828,547)	(2,600,792)	-	-	-
Net worth	**109,424,117**	**28,810,697**	**192,646,613**	**38,315,881**	**21,656,297**	**(7,700)**

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF CONSOLIDATED FINANCIAL STATEMENTS UNDER INDIAN GAAP

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Prospectus. You are also advised to read the section titled "Risk Factors" beginning on page i of this Prospectus, which discusses a number of factors and contingencies that could impact our financial condition, results of operations and cash flows. The following discussion relates to Allsec Technologies Limited, on a consolidated basis. Our financial statements have been prepared in accordance with Indian GAAP, the accounting standards referred to in Section 211(3C) of the Companies Act and the other applicable provisions of the Companies Act. The following discussion is also based on internally prepared statistical information and publicly available information.

Overview

We are a provider of BPO services, currently serving the needs of clients in the United States or Indian subsidiaries of US corporations. We provide integrated front-, middle- and back-office process outsourcing solutions and manage large-scale processes for our US-based and India based clients. A significant portion of our business relates to processes that we believe are integral to our clients' operations, and the close nature of our relationships with our clients allows us to develop strong strategic long-term relationships with them.

We currently have three operations facilities in Chennai, India, including one in a client's facility, and anticipate opening a new 1000-seat facility in Chennai, India by June 2005.

We have a wholly owned subsidiary in the US, being Allsectech Inc., which we use primarily for marketing our services to overseas clients. The main revenue for our Subsidiary is by way of the selling commission paid by our Company and direct contracts, the execution of which is by our Company. Our revenue will be the total revenue received net of selling commission. Our results on a consolidated basis will not vary substantially from our results on a stand-alone basis, except in relation to our selling and general expenses since these expenses are incurred by us and accounted for as income by our Subsidiary. Other expenses will include expenses incurred by our Subsidiary and changes, if any, will be similar to the description of such expenses in the relevant section titled "Management Discussion And Analysis Of Financial Condition And Results Of Operations Of Consolidated Financial Statements Under Indian GAAP" beginning on page 76 of this Prospectus.

Income

Income from services. Our income from services is generated from contracts to provide BPO services. We primarily serve clients in the United States and India generating approximately 97.5% and 2.5% of our income from services, respectively, for the nine months ended December 31, 2004.

We derive most of our income from services from a small number of clients. For the 12 months ended December 31, 2002, the 15 months ended March 31, 2004 and the nine months ended December 31, 2004, our single largest client, CompuCredit, accounted for 24.39%, 16.00% and 52.1% of our income from services, respectively. During the same periods, our three largest clients accounted for 88.1%, 64.2% and 73.3% of our income from services, respectively.

We report our financial results in Rupees, but 97.5% of our income from services was denominated in US Dollars and 69.0% of our expenses were incurred and paid in Rupees for the nine-months ended December 31, 2004. The exchange rate between the Rupee and the US Dollar has changed substantially in recent years and may fluctuate substantially in future. We do not hedge any of our US Dollar-Rupee exposure. As a result, even if the US Dollar amount of the services we provide to our clients remains constant, our income from services may vary significantly from period to period. Based upon our income from services for the nine months ended December 31, 2004 amounting to Rs.404.3 million, a 5.0% depreciation in the US Dollar against the Rupee would have decreased our income from services during the nine months ended December 31, 2004 by approximately Rs. 20.2 million. Conversely, a 5.0% appreciation in the US Dollar against the Rupee would have increased our income from services during the nine months ended December 31, 2004 by approximately Rs. 19.3 million.

Most of our contracts do not have any protection for US Dollar depreciation against the Rupee. However in our Master Services Agreement with CompuCredit, in case the US Dollar trades for less than Rs. 40 for more than 30 consecutive days after January 1, 2006 and the parties are unable to negotiate the exchange rate the monthly service fee will be based on an exchange rate of 1US Dollar = Rs. 40. We believe this is sufficient protection for any major fluctuations, considering that CompuCredit is our single largest client and we have a natural hedge with approximately 30% of our expenses denominated in US Dollars.

We have derived and expect to continue to derive nearly all of our revenues from fixed-rate contracts. Our fixed rate contracts subject us to the risk that our expenses could be higher with respect to a particular client engagement than we anticipated at the time of agreeing to the fixed fee. If we fail to anticipate our costs when entering a fixed rate contract our margins may be reduced and our results of operations could be adversely affected.

Expenditure

Our most significant expenses are employee costs and benefits and connectivity cost.

Employee costs and benefits

Employee costs and benefits comprise salaries, wages and allowances, contributions to provident and other funds, gratuity payments, staff welfare costs, and recruitment and training costs. Salary levels in India, employee turnover rates and our ability to efficiently manage and utilize our employees significantly affect our employee costs and benefits. We make every effort to manage employee costs and capacity utilization and continuously monitor service levels and staffing requirements. However, a contract termination or significant reduction in work assigned to us by clients could cause us to experience a higher than expected number of unassigned employees, which would increase our employee costs and benefits as a percentage of revenues until we are able to reduce or reallocate our headcount. A significant increase in the attrition rate among our employees in India, particularly among the highly skilled workforce needed to execute BPO services, would increase our recruiting and training costs and decrease our operating efficiency, productivity and profit margins. However, with a lower than industry average attrition and an internal training team, these costs are lower than our industry peers. In addition, expenditure also includes a non-cash amortization of deferred stock compensation expenses relating to our issuance of stock options to employees. We believe that our Employee Stock Option Scheme will help us control employee attrition

Connectivity Cost

Connectivity cost comprises telecommunication and internet charges incurred in connection with the provision of our BPO services.

The rates we are charged for telecommunication and internet have fallen considerably since we began commercial operations. India now has some of the lowest telecommunication charges in the world. As such, we believe that although the rates we are charged for telecommunication and internet may decrease further, the extent of any decrease in charges will not be the same.

For a description of our other expenses, please refer to the section titled "Nine Months Ended December 31, 2004 Compared with 15 Months Ended March 31, 2004" on page 77 of this Prospectus.

Taxes

Direct Taxes

Our facilities are registered as software technology park units under the Software Technology Park of India scheme. The Indian Income Tax Act, 1961 (IT Act) provides STP units with a ten-year holiday from Indian corporate income taxes, commencing from fiscal 2000 through fiscal 2009. Accordingly, facilities set up in India on or before March 31, 2000 have a 10 year tax holiday, new facilities set up on or before March 31, 2001 have a nine-year tax holiday and so forth until March 31, 2009. After March 31, 2009, the tax holiday will no longer be available to new facilities. The export income derived from BPO services rendered from our facilities in India is not subject to taxes until March 31, 2009. However domestic income earned is subject to income tax in accordance with the applicable provisions of the Income Tax Act, 1961.

As a result of the aforesaid tax holiday, our operations have been subject to relatively lower tax liabilities. The tax holiday allowed us to recognize income tax expense of Rs. 0.4 million for the nine months ended December 31, 2004 compared with Rs. 0.4 million that we would have incurred if the tax holiday had not been available for that period. However this was due to the losses we incurred in fiscal 2004. When our tax holiday expires or terminates, our tax expense will materially increase.

Our US subsidiary is subject to US income taxes on the profits it recognizes in the United States.

Results of Operations on a consolidated basis.

Nine Months Ended December 31, 2004 Compared with 15 Months Ended March 31, 2004

The accounting period for the nine months ended December 31, 2004 is not directly comparable with the accounting period of the 15 months ended March 31, 2004 due to differences in the length of the accounting periods.

Income. Income for the nine months ended December 31, 2004 was Rs. 417.7 million, comprising Rs. 417.7 million of income from services,. Our income from services in this nine-month period benefited from better utilization of facilities and the income increased by Rs. 167 million compared to the previous 15-month period. Our income from services for the nine months ended December 31, 2004 benefited from additional business from CompuCredit and addition of four new clients. Income from services generated from new clients for the period accounted for 23.9% of the income from services.

Total income for the 15 months ended March 31, 2004 was Rs. 250.8 million, comprising Rs. 250.6 million of income from services and Rs. 0.2 million of other income, which comprised interest received on bank deposits and other interest income. Our income from services for the 15 months ended March 31, 2004 benefited from the addition of 6 new clients during the period. Income from services generated from new clients for the period accounted for 30.6% of the income from services.

Expenditure. As a percentage of income from services, expenditure was 80.3% for the nine months ended December 31, 2004 compared with 168.90% for the 15 months ended March 31, 2004.

Connectivity cost. As a percentage of total income, connectivity cost was 18.2% for the nine months ended December 31, 2004 compared with 52.95% for the 15 months ended March 31, 2004. This decrease as a percentage of income was due to better utilization of fixed cost bandwidth capacity in this period and rate reductions in bandwidth cost.

Employee costs and benefits. As a percentage of total income, employee costs and benefits were 37.6% for the nine months ended December 31, 2004 compared with 60.4% for the 15 months ended March 31, 2004. This decrease as a percentage of income was due to more effective utilization of our employees by way of increased business and better realizations per hour.

General and administration expenses. Our general and administrative expenses comprises expenses relating to electricity, rent, rates and taxes, repairs and maintenance, insurance, professional and consultancy fees, travel and conveyance, telephone calls, audit fees, losses on sale of fixed assets and foreign exchange fluctuations and miscellaneous expenses and other expenses. As a percentage of total income, general and administration expenses were 13.3% for the nine months ended December 31, 2004 compared with 21.1% for the 15 months ended March 31, 2004. This decrease as a percentage of total income was due to higher revenue realizations only.

Selling expenses. Selling expenses comprises selling commission paid to independent sales agents and other selling expenses. Selling expenses were Rs. 3.4 million for the nine months ended December 31, 2004. As a percentage of total income, selling expenses were 0.8% for the nine months ended December 31, 2004 compared with 0.6% for the 15 months ended March 31, 2004.

Finance charges. Finance charges comprise interest on term loans and other loans and bank charges. Finance charges were Rs. 11.5 million for the nine months ended December 31, 2004. As a percentage of total income, finance charges were 2.7% for the nine months ended December 31, 2004 compared with 5.9% for the 15 months ended March 31, 2004. This decrease as a percentage of total income was due to repayment of a term loan and higher realization of revenues.

Deferred revenue expenses written off. Deferred revenue expenditure written off comprises share issue expenses and ancillary borrowing costs amortized in the period. Deferred revenue expenditure written off was Rs. 1.5 million for the nine months ended December 31, 2004. As a percentage of total income, deferred revenue expenses written off were 0.3% for the nine months ended December 31, 2004 compared with 0.3% for the 15 months ended March 31, 2004.

Depreciation. Depreciation pertains to depreciation of our tangible assets including computers and servers, software, call centre equipment, office equipment, office furniture and fixtures, leasehold improvements and motor vehicles. Depreciation of our assets was Rs. 30.4 million for the nine months ended December 31, 2004. As a percentage of total income, depreciation of our assets was 7.3% for the nine months ended December 31, 2004 compared with 19.6% for the 15 months ended March 31, 2004. This decrease as a percentage of total income was due higher realizations.

Profit/Loss before Tax. Profit before tax was Rs. 82.2 million for the nine months ended December 31, 2004. As a percentage of total income, profit before tax was 19.7% for the nine months ended December 31, 2004. For the 15 months ended March 31, 2004, we made a loss before tax of Rs. 172.8 million as a result of increased cost due to an increase in capacity without a corresponding increase in revenue. The effective utilization of assets and better revenue realization in the nine month ended December 2004 resulted in a profit of Rs. 82.2 million.

Profit/Loss after Tax. Because of the tax holiday available to us as a software technology park unit, we did not have any tax liability on our income, except on our domestic income, which has been estimated at Rs.0.4 million and tax on our Subsidiary's income. We have created a deferred tax liability of Rs. 35.3 million as per AS22. Our profit after tax for the nine months ended December 31, 2004 was Rs. 78.3 million. For the 15 months ended March 31, 2004, we incurred a loss after tax of Rs. 169.7 million. The impact of restatement of the profit/losses for the prior years on account of changes in accounting policies have been reflected and the net loss after tax for the nine months ended December 31 2004 was Rs.79.2 million and the loss for the 15 months ended March 31, 2004 was Rs.164.61 million.

15 Months Ended March 31, 2004 Compared with 12 Months Ended December 31, 2002

The accounting period of the fifteen months ended March 31, 2004 is not comparable with the accounting period of the 12 months ended December 31, 2004 due to differences in the length of the accounting periods.

Income. Total income for the 15 months ended March 31, 2004 was Rs. 250.8 million, comprising Rs. 250.6 million of income from services and Rs. 0.2 million of other income, which comprised interest received on bank deposits and other interest income.

Total income for the 12 months ended December 31, 2002 was Rs. 199.4 million, comprising Rs. 197.1 million of income from services and Rs. 2.3 million of other income, which included Rs. 1.9 million of income from mutual funds.

Expenditure. As a percentage of total income, expenditure was 168.9% for the 15 months ended March 31, 2004 compared with 92.1% for the 12 months ended December 31, 2002. This was mainly because of the capacity expansion from 175 seats to 675 seats in August 2002 and the corresponding expenses for the same. Pursuant to one of our contracts we purchased a database for Rs. 19.8 million.

Connectivity cost. As a percentage of total income, connectivity cost was 52.9% for the 15 months ended March 31, 2004 compared with 28.7% for the 12 months ended December 31, 2002. This increase as a percentage of total income was due to additional fixed bandwidth contracted for the increased capacity.

Employee costs and benefits. As a percentage of total income, employee costs and benefits were 60.4% for the 15 months ended March 31, 2004 compared with 31.9% for the 12 months ended December 31, 2002. This increase as a percentage of total income was due to an increase in the number of our employees from 257 at December 31, 2002 to 676 at March 31, 2004 and the lower realization per hour.

General and Administration Expenses. As a percentage of total income, general and administration expenses were 21.1% for the 15 months ended March 31, 2004 compared with 15.5% for the 12 months ended December 31, 2002. This increase as a percentage of total income resulted due to the additional capacity created in August 2002

Selling expenses. As a percentage of total income, selling expenses were 0.7% for the 15 months ended March 31, 2004 compared with 1.2% for the 12 months ended December 31, 2002. This decrease as a percentage of total income was due to revenue generated out of a new contract which we entered into directly and no selling commission was payable.

Finance charges. As a percentage of total income, finance charges were 5.9% for the 15 months ended March 31, 2004 compared with 2.9% for the 12 months ended December 31, 2002. This increase as a percentage of total income was due to additional term loan and working capital facilities availed for the increased capacity.

Deferred revenue expenses written off. As a percentage of total income, deferred revenue expenses written off were 0.3% for the 15 months ended March 31, 2004 compared with 2.2% for the 12 months ended December 31, 2002. This decrease as a percentage of total income was due to a write off of preliminary expenses in December 2002.

Depreciation. As a percentage of total income, depreciation was 19.6% for the 15 months ended March 31, 2004 compared with 9.7% for the 12 months ended December 31, 2002. This increase as a percentage of total income was due to capitalization of Rs. 160.5 million during end of 2002 and early 2003 for which depreciation was provided for during the period of 15 months.

Profit/Loss before Tax. For the 15 months ended March 31, 2004, we made a loss before tax of Rs. 172.8 million. For the 12 months ended December 31, 2002, we made a profit before tax of Rs. 15.8 million. The loss for the 15 months ended March 31, 2004 was a result of increased cost due to an increase in capacity without corresponding increase in revenue. Our revenue increased by 25.8% during the period, while expenses grew by 130.7%. This was the result of under utilization of capacity and also lower realization per hour compounded with data base costs in one of our contracts.

Profit/Loss after Tax. For the 15 months ended March 31, 2004, we made a loss after tax of Rs. 169.7 million, after adjustments, which included Rs. 0.9 million of excess provision for tax written back and a deferred tax asset of Rs. 22.3 million. For the 12 months ended December 31, 2002, we had a tax liability of Rs. 0.9 million on the income we received from our investments in mutual funds,a deferred tax asset of Rs. 0.8 million and a tax liability of Rs. 0.1 million on proposed dividend payments to our shareholders, which resulted in a profit after tax of Rs. 15.6 million.

Liquidity and Capital Resources

Our primary liquidity needs have been to finance our working capital needs and capital expenditure. We have financed our operations primarily by way of subscription to our Equity Shares, loans from banks and other financial institutions except for the 15 months ended March 31, 2004, which was by way of cash flows from operations.

As at December 31, 2004, we had Rs. 23.4 million in cash and cash equivalents on hand and Rs. 20.9 million undrawn on our Rs. 45.0 million overdraft facility with Canara Bank.

In January 2005, we issued 684,362 Equity Shares to CompuCredit for an aggregate purchase price in cash of Rs. 35.3 million.

We plan to set up a new-1000 seat facility in Chennai, India in three phases at an estimated cost of Rs. 380 million, which will be paid for out of part of the net proceeds of the Issue. We plan to complete setting up the new facility by December 2005. The first phase of 300 seats is expected to be completed by June 2005. Please refer to section titled “Objects of the Issue” beginning on page 24 of this Prospectus.

In future, we will need the consent of CompuCredit to raise additional funds by providing the equipment or infrastructure existing at the Velachery facility as security. In addition we cannot mortgage, sell or pledge, any of the fixed assets of the Company or issue any debt instruments or guarantee in excess of US$ 3 million without the consent of CompuCredit, which consent shall not be unreasonably withheld.

Debt Obligations

We entered into a Rupee term loan agreement for Rs. 29.5 million with IDBI on September 25, 2000. This loan has been secured by way of (i) hypothecation of all our moveable assets, both present and future, and (ii) pledge of the entire shareholding of our Promoters held in the Company and in Allsec Securities Limited. The aforesaid shares pledged by the Promoters have been released by IDBI on September 2004. In case of a default under the loan agreement, IDBI has the option to convert the loan into Equity Shares, subject to a maximum holding of 40% of the paid up share capital of the Company.

The General Conditions (bearing no. IDBI-GC-1-94, the **"IDBI General Conditions"**) applicable to assistance (project loans and guarantees) provided by Industrial Development Bank of India provide for certain conditions in relation to the management of the Company, being:

i. Section 6.4 of the IDBI General Conditions states that IDBI shall have the right to appoint and remove from time to time a director or board of directors of the Company (Nominee Director).

ii. Section 6.5 of the IDBI General Conditions in relation to management states that unless IDBI agrees, the Company shall not remove any person, by whatever name called, exercising substantial powers of management of the affairs of the Borrower at the time of execution of the Loan Agreement.

iii. Under Section 8.3(a) of the IDBI General Conditions, on the happening of any of the events of default as specified in Section 8.1, IDBI shall be entitled to (i) appoint and remove from time to time one additional nominee director; or (ii) appoint and remove from time to time whole time director(s) on the board of directors of the Company.

iv. Under Section 8.3(d) of the IDBI General Conditions, in case of default in payment of any dues to IDBI or if in IDBI's opinion the business of the Company is conducted in a manner opposed to public policy or in a manner prejudicial to IDBI's interest, IDBI shall have the right to review the management set-up or organization of the Company and to require the Company to restructure it as may be considered necessary by IDBI , including the formation of management committees with such powers and functions as may be considered suitable by the Lenders.

We have availed of the following facilities from Canara Bank, which have been secured by a first ranking pari passu charge against the assets and receivables of the Company:

(i) Inland irrevocable letter of credit facility for Rs. 10.0 million on September 6, 2002, additionally secured by way of an on demand promissory note of even date for even sum in favour of Canara Bank. This letter of credit facility has been enhanced to Rs. 13 million on November 19, 2004.

(ii) Overdraft facility of Rs. 45.0 million from Canara Bank on September 6, 2002 against its book debts, at an interest rate of bank prime lending rate (PLR) plus 1%.

(iii) Term loan of Rs. 75.0 million from Canara Bank on September 6, 2002, at an interest rate of PLR plus 1%. This term loan was modified on October 14, 2003, and was split into a term loan of Rs. 50.6 million and a demand promissory note of Rs. 24.4 million.

(iv) Additional term loan of Rs. 3.8 million from Canara Bank on October 14, 2004, at an interest rate of PLR plus 1%.

Item 12 of Schedule 3 (Additional Terms and Conditions) to the Common Hypothecation Agreement dated September 6, 2002 between Canara Bank and the Company states that Canara Bank reserves the right, at its absolute discretion, at any time it deems fit to appoint a nominee director on the board of the Company on such terms and conditions as it may deem fit and the Company agrees and accepts to immediately make all necessary arrangements and complete all necessary formalities, whether legal or otherwise, to enable them to act as such.

We also intend to avail a short-term loan (including inland/foreign letter of credit) for Rs.100.0 million from Canara Bank to part fund the initial phase of the New Facility proposed to be set up by us. This loan has been granted to us by way of a sanction memorandum. For further details and terms and conditions of the loan refer to page 27 of this Prospectus.

Off-Balance Sheet Arrangements

As of December 31, 2004, we were not a financial guarantor of obligations of any unconsolidated entity and we were not a party to any similar off-balance sheet obligation or arrangement.

Changes in accounting policies in last three years

There have been no changes in accounting policies in relation to the financial operations of our Company in the last three years.

Significant developments after December 31, 2004 that may affect the future of our operations

Except as stated elsewhere in this Prospectus and in compliance with AS 4, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in the Prospectus which materially and adversely affect or are likely to affect, the trading and profitability of the Company and our Subsidiary (taken as a whole), or the value of the consolidated assets or their ability to pay their material liabilities within the next 12 months.

Except as stated elsewhere in this Prospectus, there are no subsequent developments after the date of the Auditors report dated January 31, 2005 which we believe are expected to have material impact on the reserves, profits, earnings per share or book value of the Company and our Subsidiary (taken as a whole).

FINANCIAL INFORMATION

1. Unconsolidated summary statements of assets and liabilities, profit and loss and cash flows, as restated, under Indian GAAP (including subsidiary) for the period August 24, 1998 to September 30, 1999, for the fifteen months period ended December 31, 2000, for the years ended December 31, 2001, 2002, for the fifteen months period ended March 31, 2004 and for the nine months period ended December 31, 2004 and Consolidated summary statements of assets and liabilities, profit and loss, as restated for the above periods/ years
2. Unconsolidated Financial statement of Allsec Technologies Limited as at and for the month ended December 31, 2004
3. Consolidated financial statement of Allsec Technologies Limited and its subsidiary Allsectech Inc. as at and for the month ended December 31, 2004

UNCONSOLIDATED SUMMARY STATEMENTS OF ASSETS AND LIABILITIES, PROFIT AND LOSS AND CASH FLOWS, AS RESTATED, UNDER INDIAN GAAP (INCLUDING SUBSIDIARY) FOR THE PERIOD AUGUST 24, 1998 TO SEPTEMBER 30, 1999, FOR THE FIFTEEN MONTHS PERIOD ENDED DECEMBER 31, 2000, FOR THE YEARS ENDED DECEMBER 31, 2001, 2002, FOR THE FIFTEEN MONTHS PERIOD ENDED MARCH 31, 2004 AND FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2004

Auditors' report as required by Part II of Schedule II to the Companies Act, 1956

January 31, 2005

To

The Board of Directors
Allsec Technologies Limited
46-B, Velachery Main Road,
Chennai 600 042

Dear Sirs,

We have examined the financial information of Allsec Technologies Limited ('Allsec' or 'the Company') annexed to this report which have been prepared in accordance with the requirements of:

a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992; and

c) the terms of reference received from the Company, requesting us to carry out work, proposed to be included in the Offer document of the Company in connection with its proposed Initial Public Offer ('IPO').

The IPO will be for a fresh issue by the Company of 3,141,200 equity shares of Rs. 10 each, at such premium, by way of book building process, as may be decided by the Board of Directors (referred to as 'the Offer'). The offer is being made through the 100 per cent book-building scheme.

Financial information as per audited financial statements of Allsec Technologies Limited

1. We have examined the attached restated summary statement of assets and liabilities of the Company as at December 31, 2004, March 31, 2004, December 31, 2002, 2001, 2000 and September 30, 1999, the attached restated summary statement of profit and loss and cash flows for each of the periods/years ended on those dates ('summary statements') (see Annexure I, II and III) as prepared by the Company and approved by the Board of Directors. These profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure IV to this report. The financial statements of the Company for the period August 24, 1998 to September 30, 1999 and fifteen months period ended December 31, 2000 have been audited and reported upon by M/s. Srinivasan & Shankar, Chartered Accountants. We have audited the financial statements of the Company for the years ended December 31, 2001, 2002, fifteen months period ended March 31, 2004 and for the nine months period ended December 31, 2004.

   Based on our examination of these summary statements, we confirm that:

   - The impact of changes in accounting policies adopted by the Company as at and for the nine months period ended December 31, 2004 have been adjusted with retrospective effect in the attached summary statements;
   - The prior period items have been adjusted in the summary statements in the years to which they relate;
   - The extraordinary items, which need to be disclosed separately in the summary statements, are appropriately disclosed; and
   - There are no qualifications in the auditors' reports, which require any adjustments to the summary statements.

2. The summary of significant accounting policies adopted by the Company together with the notes pertaining to the audited financial statements for the nine months period ended December 31, 2004 are enclosed as Annexure V to this report.

Consolidated Financial information of Allsec Technologies Limited and its subsidiary

3. We have examined the attached restated consolidated summary statement of assets and liabilities of the Company as at December 31, 2004, March 31, 2004, December 31, 2002, 2001, 2000 and September 30, 1999 and the attached restated consolidated summary statement of profit and loss for each of the periods/years ended on those dates ('consolidated summary statements') (see Annexure VI and VII) as prepared by the Company and approved by the Board of Directors. These profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the

notes appearing in Annexure VIII to this report. The financial statements of the Company for August 24, 1998 to September 30, 1999 and fifteen months period ended December 31, 2000 have been audited and reported upon by M/s. Srinivasan & Shankar, Chartered Accountants. We have audited the financial statements of the Company for the years ended December 31, 2001, 2002, fifteen months period ended March 31, 2004 and for the nine months period ended December 31, 2004. The financial statements of the Company's wholly owned subsidiary, Allsectech, Inc. ('WOS') for the nine months period ended December 31, 2004, for the fifteen months period ended March 31, 2004, year ended December 31, 2002, 2001 have been audited and reported upon by M/s. Srinivasan Sridharan LLC. As informed to us by the management, the accounts for the period September 14, 2000 to December 31, 2000 are unaudited.

4. Based on our examination of these summary statements, we confirm that:
   - The impact of changes in accounting policies adopted by the Company as at and for the nine months period ended December 31, 2004 have been adjusted with retrospective effect in the attached summary statements;
   - The are no prior period items which need to be adjusted in the summary statements in the years/ periods to which they relate;
   - There are no extraordinary items, which need to be disclosed separately in the summary statements; and
   - There are no qualifications in the auditors' reports, which require any adjustments to the summary statements.
5. The summary of significant accounting policies adopted by the Company together with the notes pertaining to the audited consolidated financial statements for the nine months period ended December 31, 2004 are enclosed as Annexure IX to this report.

Other financial information

6. We have examined the following unconsolidated financial information of the Company proposed to be included in the Offer Document as approved by you and annexed to this report:
   - Accounting ratios based on the restated profits relating to earnings per share, net asset value and return on net worth is enclosed in Annexure X;
   - Capitalisation statement as at December 31, 2004 is enclosed in Annexure XI;
   - Statement of tax shelters is enclosed in Annexure XII;
   - Statement of possible tax benefits available to the Company, its subsidiaries and shareholders is enclosed in Annexure XIII;
   - Details of secured and unsecured loans as appearing in Annexure XIV to the report; and

   The Company has not declared any dividend on equity and preference shares during any of the reporting periods, except during the year ended December 31, 2002 on preference shares at 0.1%.
7. In respect of the 'financial information as per the audited financial statements of Allsec Technologies Limited' and 'other financial information' contained in this report, we have relied upon the audited financial statements for the period August 24, 1998 to September 30, 1999 and fifteen months period ended December 31, 2000 of the Company which were audited by a firm of Chartered Accountants other than us, as referred to in paragraph 1 above.
8. In respect of the 'consolidated financial information of Allsec Technologies Limited and its subsidiary' contained in this report, we have relied upon the audited financial statements of subsidiary which have been audited by a firm of Chartered Accountants other than us, as referred to in paragraph 3 above.
9. In our view, the 'financial information as per audited financial statements', 'other financial information' and 'consolidated financial information of Allsec Technologies Limited and its subsidiary' mentioned above have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.
10. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

S.R. Batliboi & Associates
Chartered Accountants

per Mahendra Jain
partner
Membership No.: 205839

Chennai
31 January 2005

Annexure I: Summary statement of assets and liabilities, as restated

(All amounts in Indian Rupees)

	As at December 31,2004	As at March 31,2004	As at December 31,2002	As at December 31,2001	As at December 31,2000	As at September 30, 1999
Fixed assets						
Gross block	238,090,760	224,675,491	198,744,515	64,961,856	12,458,885	
Less : Accumulated depreciation	101,047,275	72,693,269	26,766,200	9,084,149	782,347	
Net block	137,043,485	151,982,222	171,978,315	55,877,707	11,676,538	
Capital work in progress	-	-	16,597,380	-	22,865,573	1,500
Total	**137,043,485**	**151,982,222**	**188,575,695**	**55,877,707**	**34,542,111**	**1,500**
Investments	14,903,150	14,903,150	10,448,000	471,500	-	
Deferred tax assets/ (liabilities)	8,501,827	8,698,149	5,044,984	2,364,197		
Current Assets, loans and advances						
Cash and bank balances	21,289,790	5,085,060	10,992,004	11,508,646	9,005,876	
Sundry debtors	84,054,975	54,102,216	40,865,460	22,185,125	-	
Loans and advances	13,470,534	17,505,236	15,096,849	9,423,165	3,741,282	
Total	**118,815,299**	**76,692,512**	**66,954,313**	**43,116,936**	**12,747,158**	**-**
Liabilities and provisions						
Secured loans	92,341,951	114,785,805	46,911,715	39,042,714	22,934,760	
Current liabilities and provisions	76,588,679	102,421,539	29,878,321	24,325,762	2,698,212	9200
Total	**168,930,630**	**217,207,344**	**76,790,036**	**63,368,476**	**25,632,972**	**9200**
Networth	**110,333,131**	**35,068,689**	**194,232,956**	**38,461,864**	**21,656,297**	**(7,700)**
Represented by						
Share capital	176,775,700	176,775,700	176,775,700	43,000,700	35,000,700	700
Reserves and surplus	(66,053,749)	(139,878,464)	20,058,048	(4,538,836)	(13,344,403)	(8,400)
Miscellaneous expenses to the extent not written off or adjusted	(388,820)	(1,828,547)	(2,600,792)	-	-	-
Networth	**110,333,131**	**35,068,689**	**194,232,956**	**38,461,864**	**21,656,297**	**(7,700)**

The above statement should be read with Notes to the Statements of profit and loss and assets and liabilities, as restated, together with the significant accounting policies appearing in Annexure V.

Annexure II: Summary statement of profit and loss, as restated

(All amounts in Indian Rupees)

	Nine months ended December 31, 2004	Fifteen months ended March 31, 2004	Year ended December 31, 2002	Year ended December 31, 2001*	Fifteen months ended December 31, 2000	August 24, 1998 (the incorpo-ration date) to September 30, 1999
Income						
From services						
Export	404,278,488	247,101,193	196,877,563	80,023,360		
Domestic	10,184,755	2,307,155	236,310	50,000		
Total	414,463,243	249,408,348	197,113,873	80,073,360		
Other income	15,659	199,168	2,317,611	1,441,183		
Total income	**414,478,902**	**249,607,516**	**199,431,484**	**81,514,543**	**-**	**-**
Expenditure						
Connectivity costs	75,988,686	132,790,566	57,255,690	23,892,099		
Database costs	-	19,844,301	-	-		
Employee cost and benefits	150,432,366	140,535,241	55,926,960	19,788,553		
General and administration expenses	40,984,404	43,535,825	24,792,270	12,619,891		
Selling expenses	31,543,981	15,485,857	14,418,013	4,717,674		
Finance charges	11,352,805	14,941,821	5,841,443	5,211,954		
Depreciation	29,190,583	47,591,698	18,797,487	9,138,379		
Deferred revenue expenditure	1,439,727	772,245	4,446,946	3,824,108		
Total expenditure	**340,932,552**	**415,497,554**	**181,478,809**	**79,192,658**	**-**	**-**
Net profit/ (loss) before tax	73,546,350	(165,890,038)	17,952,675	2,321,885	-	-
Provision for tax						
Current tax/(excess provision written back)	361,890	(906,066)	896,667	25,000		
Deferred tax	196,322					
Net profit/ (loss) after tax (A)	72,988,138	(164,983,972)	17,056,008	2,296,885	-	-
Adjustment on account of change in accounting policy						
Pre-operative expenditure				516,200	13,337,683	
(Refer Note 2 in Annexure IV)						
Preliminary expenditure			(5,880)	(840)	(1,680)	8,400
Deferred revenue expenditure			(3,823,271)	(3,823,268)		
(Refer Note 2 in Annexure IV)						
Depreciation	(836,577)	(1,394,295)	(1,115,436)	(836,577)		
(Refer Note 2 in Annexure IV)						
Deferred tax		(3,653,165)	(2,680,787)	(2,364,197)		
(Refer Note 1 in Annexure IV)						
Total of adjustments	(836,577)	(5,047,460)	(7,625,374)	(6,508,682)	13,336,003	8,400
Tax impact on adjustments	-	-	-	-	-	-
Total of adjustments after tax impact (B)	(836,577)	(5,047,460)	(7,625,374)	(6,508,682)	13,336,003	8,400
Net profit/ (loss), as restated (A-B)	73,824,715	(159,936,512)	24,681,382	8,805,567	(13,336,003)	(8,400)
Profit/ (loss) at the beginning of the period	(139,878,464)	20,058,048	(4,538,836)	(13,344,403)	(8,400)	-
Profit/ (loss) available for appropriation	(66,053,749)	(139,878,464)	20,142,546	(4,538,836)	(13,344,403)	(8,400)
Preference dividend		-	84,498	-		
Balance carried forward, as restated	**(66,053,749)**	**(139,878,464)**	**20,058,048**	**(4,538,836)**	**(13,344,403)**	**(8,400)**

The above statement should be read with Notes to the Statements of profit and loss and assets and liabilities, as restated, together with the significant accounting policies appearing in Annexure V.

Note :

* The Company commenced its commercial operation from January 14, 2001.

Annexure III: Summary statement of cash flows, as restated

(All amounts in Indian Rupees)

		April 1, 2004 to Dec. 31, 2004	Jan. 1, 2003 to Mar. 31, 2004	Jan. 1, 2002 to Dec. 31, 2002``	Jan. 1, 2001 to Dec. 31, 2001	Oct. 1, 1999 to Dec. 31, 2004	Aug. 24, 1998 to Sept. 30, 1999
A.	**Cash flow from operating activities:**						
	Net (loss)/profit before tax, as restated	74,382,927	(164,495,743)	22,897,262	6,466,370	(13,336,003)	(8,400)
	Adjustments for:						
	Depreciation	28,354,006	46,197,403	17,682,051	8,301,802	782,347	-
	Amortisation of employee compensation cost	2,222,250	-	-	-	-	-
	Interest expense	11,352,805	14,941,821	5,841,443	5,211,954	308,300	-
	Interest income	(15,659)	(199,168)	(333,024)	(109,342)	-	-
	(Profit)/Loss on fixed assets sold	-	131,950	-	-	-	-
	(Profit/Loss on sale of investments	-	-	(1,850,502)	(34,731)	-	-
	Deferred revenue expenditure written off	1,439,727	772,245	617,795	-	-	-
	Unrealised foreign exchange (gain) /loss, net	3,466,132	(1,389,319)	(172,400)	169,117	-	-
	Operating profit before working capital changes	**121,202,188**	**(104,040,811)**	**44,682,625**	**20,005,170**	**(12,245,356)**	**(8,400)**
	Adjustments for changes in working capital :						
	- (Increase)/Decrease in sundry debtors	(30,321,002)	(14,319,129)	(18,738,017)	(22,116,072)	-	-
	- (Increase)/Decrease in other receivables	3,219,213	(802,923)	(5,364,216)	(8,104,858)	(1,269,148)	-
	- Increase/(Decrease) in trade and other payables	(31,340,551)	82,167,605	3,736,546	16,807,092	1,490,158	9,200
	Cash generated from operations	**62,759,848**	**(36,995,258)**	**24,316,938**	**6,591,332**	**(12,024,346)**	**800**
	- Taxes (paid) / received	371,297	(584,416)	(1,174,513)	(61,335)	(634)	-
	Net cash from/ (used in) operating activities	63,131,145	(37,579,674)	23,142,425	6,529,997	(12,024,980)	800
B.	**Cash flow from Investing activities:**						
	Purchase of fixed assets	(13,086,013)	(17,138,457)	(148,356,432)	(23,160,214)	(36,432,404)	(1,500)
	Proceeds from sale of fixed assets	-	420,048	-	-	-	-
	Purchase of investments	-	-	(100,000,000)	(8,200,000)	-	-
	Proceeds from sale of investments	-	-	101,850,502	8,234,731	-	-
	Investment in subsidiary (including advances)	-	(4,455,150)	(9,976,500)	-	(471,500)	-
	Interest received	97,961	84,186	301,402	97,152	-	-
	Net cash from/ (used in) investing activities	**(12,988,052)**	**(21,089,373)**	**(156,181,028)**	**(23,028,331)**	**(36,903,904)**	**(1,500)**
C.	**Cash flow from financing activities:**						
	Proceeds from issue of share capital	-	-	134,875,000	8,000,000	35,000,000	700
	Share issue / ancillary borrowing expenses	-	-	(4,318,587)	-	-	-
	Proceeds / (Repayments) from / to secured loans, net	(22,728,149)	67,860,312	7,805,642	15,911,361	22,934,760	-
	Interest paid	(11,210,214)	(15,013,711)	(5,840,094)	(4,910,257)	-	-
	Dividend paid	-	(84,498)	-	-	-	-
	Net cash from/ (used in) financing activities	**(33,938,363)**	**52,762,103**	**132,521,961**	**19,001,104**	**57,934,760**	**700**
	Net Increase/(Decrease) in cash and cash equivalents	**16,204,730**	**(5,906,944)**	**(516,642)**	**2,502,770**	**9,005,876**	-
	Opening Cash and cash equivalents	**5,085,060**	**10,992,004**	**11,508,646**	**9,005,876**	**-**	-
	Closing Cash and cash equivalents*	**21,289,790**	**5,085,060**	**10,992,004**	**11,508,646**	**9,005,876**	-
	***Includes restricted cash balances**	3,419,367	918,750	1,074,605	411,733	2,172,250	

Annexure IV: Notes to the summary statements of assets and liabilities and profit and loss, as restated

1. **Adjustments resulting from changes in Accounting Policies**

Deferred Taxes:

The Accounting Standard 22 *"Accounting for Taxes on Income"* issued by the Institute of Chartered Accountants of India was applicable to the Company for the first time in respect of the financial statements as at and for the fifteen months period ended March 31, 2004. The application of the standard resulted in a net deferred tax asset of Rs. 8,698,149 as at that date primarily attributable to tax depreciation available to the Company subsequent to the tax holiday period under Section 10 A of the Income Tax Act, 1961. The Company however, did not record the deferred tax asset as at that date since, in the opinion of the management, there was no reasonable certainty that sufficient taxable profits would be available subsequent to the tax holiday period to absorb the deferred taxes.

Accordingly, management has reassessed its deferred tax assets and liabilities as at December 31, 2004 resulting in a net deferred tax liability of Rs. 196,322 relating to additions to fixed assets made for the period from April 1, 2004 to December 31, 2004 and net deferred tax asset of Rs. 8,698,149 relating to additions to fixed assets made prior to April 1, 2004 for the purpose of this statement has been recognized in the respective years of origination.

2. **Other material adjustments**

Decapitalisation of pre-operative expenditure on fixed assets and write off of Deferred Revenue expenditure

In the year 2000, the Company adopted the *guidance note on treatment of expenditure during construction period* issued by the Institute of Chartered Accountants of India and had consequently capitalized an amount of Rs. 6,081,318 to the cost of certain fixed assets and had also recognized an amount of Rs. 7,256,365 as deferred revenue expenditure since such amounts represented pre-operative expenses incurred during the construction period. Consequent to the application of Accounting Standard -26 (AS-26) *Intangibles Assets* with effect from April 1, 2004, the Company has restated its assets by decapitalising the amounts earlier capitalized and by writing off the amount of deferred revenue expenditure to give effect to the standard as would have been required had AS -26 been applicable at the time the expenditure was incurred. The related amounts of depreciation has also been restated in each of these years/periods.

Annexure V: Statement of significant accounting policies

(a) Basis of preparation

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and in accordance with generally accepted accounting principles in India, including the mandatory standards on accounting issued by the Institute of Chartered Accountants of India and referred to in Section 211 (3C) of the Act.

(b) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses where applicable. Cost comprises purchase price and all direct / indirect costs incurred to bring the asset to its working condition for its intended use.

(c) Depreciation

Depreciation is provided using the straight line method in the manner specified in Schedule XIV to the Companies Act, 1956, at the rates prescribed therein or at the rates based on management's estimate of the useful lives of such assets, whichever is higher, as follows:

Asset Description	Percentage
Plant and machinery	4.75 - 16.21
Software	25
Furniture and fittings	6.33
Vehicles	9.5

Leasehold improvements are amortised over the estimated useful lives or the remainder primary lease period, whichever is less. Assets individually costing Rs. 5000/- or less are fully depreciated in the year of purchase.

(d) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. Provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(e) Revenue recognition

Income from IT enabled services is derived from both time based and unit priced contracts. Revenue is recognized as the related services are performed in accordance with the specific terms of the contract with the customer. Interest income is recognized using the time proportion method.

(f) Retirement benefits

Retirement benefit in the form of provident fund is charged to the profit and loss account of the year when the contribution is due.

Gratuity liability is accrued and provided for on the basis of actuarial valuation made at the end of each financial year. Gratuity is an unfunded liability.

Liability on account of leave encashment is determined and provided on the basis of estimated total liability for eligible employees.

(g) Taxation

Provision for current income tax is made on the assessable income at the tax rate applicable to the relevant assessment year. Deferred income taxes are recognized for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits.

(h) Foreign currency transactions

The Company has adopted Accounting Standard (AS)-11(Revised 2003) *"The effects of changes in foreign exchange rates"* with effect from April 1, 2004. Accordingly, transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. At the year-end, monetary items are converted into rupee equivalents at the year-end exchange rates. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

All exchange differences arising on settlement/conversion of foreign currency transactions are included in the profit and loss account, except in cases where they relate to the acquisition of fixed assets, in which case they are adjusted in the cost of the corresponding asset.

(i) Deferred revenue expenditure

Unamortized deferred revenue expenditure comprising ancillary borrowing costs are amortized over six years, being the primary term of the borrowing.

(j) Earnings per share ("EPS")

The earnings considered in ascertaining the Company's earnings per share comprise the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average share considered for deriving basic earnings per share and also the weighted average number of shares, if any, which would have been issued on the conversion of all dilutive potential equity shares.

(k) Deferred employee stock compensation expenses

Deferred employee stock compensation expense for employee stock options is recognised on the basis of generally accepted accounting principles and is measured as the excess of the fair value of the options on the date of grant over its exercise price. Compensation expense is recognised on a straight line method over the vesting period.

(l) Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.

Leases of assets for which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense over the lease term.

Annexure VI: Consolidated summary statement of assets and liabilities, as restated

(All amounts in Indian Rupees)

	As at Dec. 31, 2004	As at Mar. 31, 2004	As at Dec. 31, 2002	As at Dec. 31, 2001	As at Dec. 31, 2000	As at Sept. 30, 1999
Fixed Assets						
Gross block	248,238,156	231,388,640	203,312,478	65,042,853	12,458,885	-
Less : Accumulated depreciation	104,468,547	74,875,218	27,270,656	9,099,898	782,347	-
Net block	143,769,609	156,513,422	176,041,822	55,942,955	11,676,538	-
Capital work in progress	-	-	16,597,380	-	22,865,573	1,500
Total	**143,769,609**	**156,513,422**	**192,639,202**	**55,942,955**	**34,542,111**	**1,500**
Deferred tax assets/ (liabilities)	8,480,821	11,861,887	6,234,159	2,828,604	-	-
Current assets, loans and advances						
Cash and bank balances	23,373,306	5,133,138	11,170,532	11,605,729	9,366,904	-
Sundry debtors	79,151,092	54,970,797	40,865,460	22,184,650	-	-
Loans and advances	13,470,534	18,911,072	15,096,849	9,423,165	3,380,254	-
Total	**115,994,932**	**79,015,007**	**67,132,841**	**43,213,544**	**12,747,158**	**-**
Liabilities and provisions						
Secured loans	92,341,951	114,785,805	46,911,715	39,042,714	22,934,760	-
Current liabilities and provisions	66,479,294	103,793,814	26,447,874	24,626,508	2,698,212	9,200
Total	**158,821,245**	**218,579,619**	**73,359,589**	**63,669,222**	**25,632,972**	**9,200**
Net worth	**109,424,117**	**28,810,697**	**192,646,613**	**38,315,881**	**21,656,297**	**(7,700)**
Represented by						
Share capital	176,775,700	176,775,700	176,775,700	43,000,700	35,000,700	700
Reserves and surplus	(66,962,763)	(146,136,456)	18,471,705	(4,684,819)	(13,344,403)	(8,400)
Miscellaneous expenses to the extent not written off or adjusted	(388,820)	(1,828,547)	(2,600,792)	-	-	-
Net worth	**109,424,117**	**28,810,697**	**192,646,613**	**38,315,881**	**21,656,297**	**(7,700)**

The above statement should be read with Notes to the Statements of profit and loss and assets and liabilities, as restated, together with the significant accounting policies appearing in Annexure IX.

Annexure VII: Consolidated summary statement of profit and losses, as restated

(All amounts in Indian Rupees)

	Nine months ended December 31, 2004	Fifteen months ended March 31, 2004	Year ended December 31, 2002	Year ended December 31, 2001*	Fifteen months ended December 31, 2000	August 24, 1998 (the incorporation date) to September 30, 1999
Income						
From services						
Export	407,539,502	248,277,557	196,868,119	81,647,838		
Domestic	10,184,755	2,307,155	236,310	50,000		
Total	417,724,257	250,584,712	197,104,429	81,697,838		
Other Income	15,659	199,168	2,317,611	1,441,183		
Total income	**417,739,916**	**250,783,880**	**199,422,040**	**83,139,021**	**-**	**-**
Expenditure						
Connectivity costs	75,988,686	132,790,566	57,255,690	24,973,891		
Database costs	-	19,844,301	-	-		
Employee cost and benefits	157,203,267	151,461,112	63,506,777	20,613,236		
General and administration expenses	55,554,617	52,811,111	30,812,727	16,621,367		
Selling expenses	3,442,085	1,637,634	2,443,366	965,890	-	-
Finance charges	11,457,790	14,989,947	5,870,700	5,265,749		
Depreciation	30,429,906	49,269,191	19,286,194	9,154,128		
Deferred revenue expenditure	1,439,727	772,245	4,446,946	3,824,108		
Total expenditure	**335,516,078**	**423,576,107**	**183,622,400**	**81,418,369**	**-**	**-**
Net profit/ (loss) before tax	82,223,838	(172,792,227)	15,799,640	1,720,652	-	-
Provision for tax						
Current tax/ (Excess provision written back)	361,890	(906,066)	896,667	25,000		
Deferred tax	3,524,832	(2,230,540)	(712,675)	(455,250)		
Net profit/ (loss) after tax (A)	**78,337,116**	**(169,655,621)**	**15,615,648**	**2,150,902**	**-**	**-**
Adjustment on account of change in accounting policy						
Pre-operative expenditure (Refer Note 2 in Annexure VIII)	-	-	-	516,200	13,337,683	-
Preliminary expenditure	-	-	(5,880)	(840)	(1,680)	8,400
Deferred revenue expenditure (Refer Note 2 in Annexure VIII)	-	-	(3,823,271)	(3,823,268)	-	-
Depreciation (Refer Note 2 in Annexure VIII)	(836,577)	(1,394,295)	(1,115,436)	(836,577)	-	-
Deferred tax (Refer Note 1 in Annexure VIII)		(3,653,165)	(2,680,787)	(2,364,197)	-	-
Total of adjustments	(836,577)	(5,047,460)	(7,625,374)	(6,508,682)	13,336,003	8,400
Tax impact on adjustments	-	-	-	-	-	-
Total of adjustments after tax impact (B)	(836,577)	(5,047,460)	(7,625,374)	(6,508,682)	13,336,003	8,400
Net profit/ (loss), as restated (A-B)	79,173,693	(164,608,161)	23,241,022	8,659,584	(13,336,003)	(8,400)
Profit/ (loss) at the beginning of the period	(146,136,456)	18,471,705	(4,684,819)	(13,344,403)	(8,400)	-
Profit/ (loss) available for appropriation	(66,962,763)	(146,136,456)	18,556,203	(4,684,819)	(13,344,403)	(8,400)
Preference dividend			84,498	-		
Balance carried forward, as restated	**(66,962,763)**	**(146,136,456)**	**18,471,705**	**(4,684,819)**	**(13,344,403)**	**(8,400)**

The above statement should be read with Notes to the Statements of profit and loss and assets and liabilities, as restated, together with the significant accounting policies appearing in Annexure IX.

Note:

* The Company commenced its commercial operation from January 14, 2001.

Annexure VIII: Notes to the consolidated summary statements of assets and liabilities and profit and loss, as restated

1. Adjustments resulting from changes in Accounting Policies

Deferred Taxes:

The Accounting Standard 22 *"Accounting for Taxes on Income"* issued by the Institute of Chartered Accountants of India was applicable to the Company for the first time in respect of the financial statements as at and for the fifteen months period ended March 31, 2004. The application of the standard resulted in a net deferred tax asset of Rs. 8,698,149 as at that date primarily attributable to tax depreciation available to the Company subsequent to the tax holiday period under Section 10 A of the Income Tax Act, 1961. The Company however, did not record the deferred tax asset as at that date since, in the opinion of the management, there was no reasonable certainty that sufficient taxable profits would be available subsequent to the tax holiday period to absorb the deferred taxes.

Accordingly, management has reassessed its deferred tax assets and liabilities as at December 31, 2004 resulting in a net deferred tax liability of Rs. 196,322 relating to additions to fixed assets made for the period from April 1, 2004 to December 31, 2004 and net deferred tax asset of Rs. 8,698,149 relating to additions to fixed assets made prior to April 1, 2004 for the purpose of this statement has been recognized in the respective years of origination.

2. Other material adjustments

Decapitalisation of pre-operative expenditure on fixed assets and write off of Deferred Revenue expenditure

In the year 2000, the Company adopted the *guidance note on treatment of expenditure during construction period* issued by the Institute of Chartered Accountants of India and had consequently capitalized an amount of Rs. 6,081,318 to the cost of certain fixed assets and had also recognized an amount of Rs. 7,256,365 as deferred revenue expenditure since such amounts represented pre-operative expenses incurred during the construction period. Consequent to the application of Accounting Standard -26 (AS-26) *Intangibles Assets* with effect from April 1, 2004, the Company has restated its assets by decapitalising the amounts earlier capitalized and by writing off the amount of deferred revenue expenditure to give effect to the standard as would have been required had AS -26 been applicable at the time the expenditure was incurred. The related amounts of depreciation has also been restated in each of these years/periods.

Annexure IX: Summary of significant accounting policies

(a) Basis of presentation and consolidation of financial statements

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and to comply in all material respects with the mandatory accounting standards issued by the Institute of Chartered Accountants of India to reflect the financial position and the results of operations of Allsec together with its subsidiary company, Allsectech Inc. Further, the financial statements are presented in the general format specified in Schedule VI to the Companies Act, 1956 ('the Act'). However, as these financial statements are not statutory financial statements, full compliance with the above Act are not required and so they do not reflect all the disclosure requirements of the Act.

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the balance sheet, statement of profit and loss and cash flows of Allsec and Allsectech as at December 31, 2004.

All material inter-company transactions and balances between the entities included in the consolidated financial statements have been eliminated.

The significant accounting policies adopted by the Group in respect of the consolidated financial statements are detailed as follows:

(b) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses where applicable. Cost comprises purchase price and all direct / indirect costs incurred to bring the asset to its working condition for its intended use.

(c) Depreciation

Depreciation is provided using the straight line method in the manner specified in Schedule XIV to the Companies Act, 1956, at the rates prescribed therein or at the rates based on management's estimate of the useful lives of such assets, whichever is higher, as follows:

Asset Description	Percentage
Plant and machinery	4.75 - 16.21
Software	25
Furniture and fittings	6.33
Vehicles	9.5

Leasehold improvements are amortised over the shorter of their estimated useful lives or the remainder of primary lease period. Assets individually costing Rs. 5000/- or less are fully depreciated in the year of purchase.

The assets of the subsidiary amounting to Rs. 10 million (4% of the total group assets) are depreciated using straight line method over its estimated useful life of 3 years for computers and accessories and five years for other equipments.

(d) Revenue recognition

Income from IT enabled services is derived from both time based and unit priced contracts. Revenue is recognized as the related services are performed in accordance with the specific terms of the contract with the customer. Interest income is recognized using the time proportion method.

Unbilled revenue represents accrual of income relating to services provided but not billed until subsequent period.

(e) Retirement benefits

Retirement benefit in the form of provident fund is charged to the profit and loss account of the year when the contribution is due.

Gratuity liability is accrued and provided for on the basis of actuarial valuation made at the end of each financial year. Gratuity is an unfunded liability.

Liability on account of leave encashment is determined and provided on the basis of estimated total liability for eligible employees.

(f) Taxation

Provision for current income tax is made on the assessable income at the tax rate applicable to the relevant assessment year. Deferred income taxes are recognized for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits.

(g) Foreign currency transactions/translations

Transactions

The Company has adopted Accounting Standard (AS)-11(Revised 2003) *"The effects of changes in foreign exchange rates"* with effect from April 1, 2004. Accordingly, transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. At the year-end, monetary items are converted into rupee equivalents at the year-end exchange rates. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

All exchange differences arising on settlement/conversion of foreign currency transactions are included in the profit and loss account, except in cases where they relate to the acquisition of fixed assets, in which case they are adjusted in the cost of the corresponding asset.

Translations

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the company itself.

The resulting difference on account of translations is recorded in the profit and loss account.

(h) Deferred revenue expenditure

Unamortized deferred revenue expenditure comprising ancillary borrowing costs are amortized over six years, being the primary term of the borrowing.

(i) Earnings per share ("EPS")

The earnings considered in ascertaining the Group's earnings per share comprise of the net profit after tax. The number of shares used in computing the basic earnings per share is the weighted average number of shares outstanding during the period/year. The number of shares used in computing diluted earnings per share comprises the weighted average share considered for deriving basic earnings per share, and also the weighted average number of shares, if any which would have been issued on the conversion of all dilutive potential equity shares.

(j) Deferred employee stock compensation expenses

Deferred employee stock compensation expense for employee stock options is recognised on the basis of generally accepted accounting principles and is measured as the excess of the fair value of the options on the date of grant over its exercise price. Compensation expense is recognised on a straight line method over the vesting period.

(k) Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.

Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense over the lease term.

Annexure X - Accounting Ratios

	Nine months ended December 31, 2004	Fifteen months ended March 31, 2004	Year ended December 31, 2002	Year ended December 31, 2001	Fifteen months ended December 31, 2000	August 24, 1998 (the incorporation date) to September 30, 1999
Earnings per share (Rs)						
- Basic	16.95	(36.77)	5.70	2.22	(14.70)	(12.00)
- Diluted	8.86	(36.77)	4.05	2.22	(14.70)	(12.00)
Return on net worth %	67%	-456%	13%	23%	-62%	109%
Net asset value per equity share (Rs)	(5.26)	(22.58)	14.08	9.68	23.86	(11.00)
Weighted average number of diluted equity shares outstanding during the year / period	8,332,174	4,355,070	6,089,887	3,975,070	907,467	700
Weighted average number of basic equity shares outstanding during the year / period	4,355,070	4,355,070	4,332,153	3,975,070	907,467	700

Note :

1) The ratios have been computed as follows

Basic Earnings per Share (Rs.)	=	(Net profit/ (loss) attributable to equity shareholders)/ (Weighted average number of equity shares outstanding during the year/period)
Diluted Earnings per Share (Rs.)	=	(Net profit/ (loss) attributable to equity shareholders)/ (Weighted average number of diluted equity shares outstanding during the year/ period)
Return on Net Worth (%)	=	(Net Profit after tax)/ (Net worth at the end of the year/ period)
Net Asset Value per Equity Share (Rs.)	=	(Net worth excluding preference share capital incl. annualised return in arrears thereon at the end of the year/ period) / (Weighted average number of basic equity shares outstanding during the year/ period)

2) Net profit/ (loss), as restated and appearing in the statement of Profits and losses has been considered for the purpose of computing the above ratios. These ratios are computed on the basis of the restated financial statements of the Company.

3) Earnings per share calculations have been done in accordance with Accounting Standard 20 - “Earnings per share” issued by the Institute of Chartered Accountants of India.

4) Net Worth computations in the above workings include ‘Compulsory Convertible Preference Shares’.

Annexure XI: Capitalisation statement as at December 31, 2004

(All amounts in Indian Rupees)

	Pre Issue	Post issue *
Short term debt	54,688,841	
Long term debt	37,653,110	
Shareholders' funds		
Share capital	176,775,700	
Reserves and surplus, as restated		
less miscellaneous expenditure,	(66,442,569)	
Total shareholders' funds	**110,333,131**	**-**
Long term debt/equity	34%	

Notes :

Share capital and reserves and surplus post issue can be calculated only on the conclusion of the book building process.

Annexure XII : Statement of Tax Shelters

(All amounts in INR)

		Nine month period	Year ended March 31				
		Dec 31, 2004	2004	2003	2002	2001	2000
Net Profit/ (Loss) before current taxes		73,546,350	(146,486,807)	(3,946,278)	14,720,775	(9,892,341)	-
Income tax rate		36.5925%	35.875%	36.75%	35.70%	39.55%	38.50%
Tax at notional rate	A	26,912,448	(52,552,142)	(1,450,257)	5,255,317	(3,912,421)	-
Adjustments:							
Permanent Differences							
Expenses of capital in nature disallowed		1,364,800	131,950	-	-	-	-
Deduction under section 10A of the Income-tax Act, 1961 ('Act')		(47,996,262)	-	-	(13,726,557)	-	-
Deferred revenue expenditure disallowed		-	-	-	5,097,694	-	-
Share issue expenses disallowed		1,342,522	610,236	488,189	-	-	-
Other expenses disallowed		3,692,105	1,114,633	175,406	10,162	92,023	-
Total	B	**(41,596,835)**	**1,856,819**	**663,595**	**(8,618,701)**	**92,023**	**-**
Temporary Differences							
Deferred revenue expenditure disallowed / (claimed)		97,205	162,009	(648,033)	-	-	-
Preliminary expenses written off (section 35D of the Act)		(1,680)	(1,680)	3,360	(840)	(840)	-
Difference between Book Depreciation and Tax Depreciation		(21,780,716)	(2,122,012)	(10,526,337)	(4,923,247)	(4,988,860)	(41,446)
Disallowance under section 40(a) of the Act		-	8,339,729	4,493,542	2,233,330	2,854,048	
Expenses disallowed		493,744	1,774,261	277,842	456,428	-	-
Expenses disallowed in earlier year, now claimed		(8,345,059)	(4,493,542)	(1,309,052)	(2,854,048)	-	-
Utilisation of brought forward losses		(2,413,009)	-	-	-	-	-
Total	C	**(31,949,515)**	**3,658,765**	**(7,708,678)**	**(5,088,377)**	**(2,135,652)**	**(41,446)**
Net Adjustment	D = B+C	(73,546,350)	5,515,584	(7,045,083)	(13,707,078)	(2,043,629)	(41,446)
Tax Saving thereon	E	(26,912,448)	1,978,716	(2,589,068)	(4,893,427)	(808,255)	(15,957)
Net tax impact	F = A+E	-	(50,573,426)	(4,039,325)	361,890	(4,720,676)	(15,957)
Tax under normal provisions of the Act	G	-	-	-	361,890	-	-
Tax under MAT	H	-	-	-	(18,812)	-	-
Notional current domestic tax provision for the year [Max of (G) & (H)]		-	-	-	361,890	-	-
Provision for current domestic tax as per the books of account					25,000		

Notes

For the years ended March 31, 2000, 2001, 2002, 2003 and 2004, the above statement has been prepared based on the financial statements and tax audit report issued under section 44AB of the Income-tax Act, 1961 (as at March 31 of the respective financial years, which has been certified by a firm of Chartered Accountants other than S R Batliboi & Associates) filed together with the income-tax return and the clarifications given by the Management.

For the nine month period ended December 31, 2004, the statement has been prepared based on the financial statements drawn up for this period and Management estimates.

Further, the Management has represented to us that the re-statements made to the statutory financial statements (in order to conform with SEBI guidelines) would not have a tax impact.

STATEMENT OF TAX BENEFITS

Auditor's Report

Statement of Possible Income-tax Benefits available to Allsec Technologies Limited ('the Company') and its Shareholders

We hereby report that the enclosed annexure states the possible income-tax benefits available to the Company and its shareholders under the Income-tax Act, 1961 presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

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

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

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

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

For **SR Batliboi & Associates**
Chartered Accountants

Per Mahendra Jain
Partner
Membership No.: 205839
Chennai
31st January 2005

ANNEXURE XIII - STATEMENT OF POSSIBLE BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

1. Benefits available to the Company under the Income-tax Act, 1961 ('Act')

1.1 *Tax holiday under Section 10A of the Act*

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 (as notified by the Central Board of Direct Taxes vide circular number SO 890(E) 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 2003-04.

The benefit is available subject to fulfillment 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.

1.2 Deduction under Section 80HHE of the Act

As per the provisions of Section 80HHE of the Act, an Indian company engaged in the business of –

- export out of India of computer software or its transmission from India, to a place outside India by any means; or
- providing technical services outside India in connection with the development or production of computer software -

can claim a deduction under this section to the extent of the profits derived by the assesee from such business. For this purpose the profits derived from the business shall be the amount which bears to the profits of the business, the same proportion as the export turnover bears to the total turnover of the business carried on by the assesee.

The deduction under this Section has gradually been phased out as under:

Relevant Years	Deduction as percentage of export profits
For the financial year ended 31 March 2001	80 per cent
For the financial year ended 31 March 2002	70 per cent
For the financial year ended 31 March 2003	50 per cent
For the financial year ended 31 March 2004	30 per cent

No deduction shall be allowed under this Section for the financial year ended March 31, 2005 and any subsequent financial years. Further, once a tax benefit under this Section is claimed, no deduction is allowed in relation to such profits under any other provisions of the Act for the same or any other assessment year.

In the event, the Company becomes ineligible for claiming Section 10A benefits in respect of its undertaking due to noncompliance with the conditions of Section 10A, it could claim a deduction under Section 80HHE of the Act upto the year ended March 31, 2004, provided the conditions specified in the said Section are fulfilled.

1.3 Computation of capital gains

Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a company or any other security listed in a recognized stock exchange in India or a unit of the UTI or a unit of a mutual fund specified under section 10(23D)) are considered to be long term capital assets if they are held for a period in excess of 36 months. Shares held in a company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months.

Consequently, capital gains arising on sale of shares held in a company or any other listed security or units of UTI or Mutual Fund units, held for more than 12 months would be considered as "long term capital gains".

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

As per the provisions of Section 112(1)(b) of the Act, long term capital gains as computed above would be subject to tax at a rate of 20 percent (plus applicable surcharge). However, as per the proviso to Section 112(1) of the Act, if the tax payable in respect of long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable surcharge).

Gains arising on transfer of short term capital assets are currently chargeable to tax at 35 percent (plus applicable surcharge). However, as per section 111A of the Act, short term capital gain arising from transfer of an equity share in a company or a unit of an equity oriented fund would be taxable at 10 percent (plus applicable surcharge), if:

- o the transaction of sale is entered into on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force; and
- o such transaction is chargeable to securities transaction tax under that Chapter.

1.3.1 Exemption of long term capital gains from income tax

- As per the provisions of Section 10(38) of the Act, long term capital gain arising from transfer of an equity share in a company or unit of an equity oriented fund is exempt from income-tax if:
  - o the transaction of sale is entered into on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force; and
  - o such transaction is chargeable to securities transaction tax under that Chapter.
- Long term capital gain arising from transfer of an ‘eligible equity share’ in a company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more are exempt from tax under section 10(36) of the Act. ‘Eligible equity share’ means:
  - o any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on March 1, 2003 and the transactions of purchase and sale of such equity share are entered into on a recognized stock exchange in India; or
  - o any equity share in a company allotted through a public issue on or after March 1, 2003 and listed on a recognized stock exchange in India before March 1, 2004 and the transaction of sale of such equity share is entered into on a recognized stock exchange in India.

    The CBDT has clarified vide Circular number 7/2003 dated September 5, 2003, that ‘public issue’ for the purpose of this Section shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.
- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to the Company on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the Company transfers or converts the notified bonds into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money
- As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term capital assets, being listed securities or units of a mutual fund specified under section 10(23D) of the Act or the UTI shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an “eligible issue of capital” within six months from the date of transfer of the said long term capital assets. Eligible issue of capital has been defined as an issue of equity shares which satisfies the following conditions –
  - o the issue is made by a public company formed and registered in India; and
  - o the shares forming part of the issue are offered for subscription to the public.

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

Dividends (whether interim or final) declared, distributed or paid by a domestic company for any assessment year commencing on or after April 1, 2003 are exempt in the hands of the Company, in its capacity as shareholder, as per the provisions of Section

10(34) of the Act, if the same is subject to dividend distribution tax under section 115O of the Act.

1.5 Unabsorbed depreciation and business losses

As per the provisions of section 32(2) of the Act, where full allowance cannot be given to the depreciation allowance in any year, the same can be carried forward and claimed in the subsequent years. Further, as per the provisions of section 72 of the Act, unabsorbed business losses which is not set off in any previous year can be carried forward and set off against the business profits of the subsequent assessment years, subject to a maximum of eight assessment years. However, the carry forward and set off of the unabsorbed depreciation and business losses are subject to restrictions specified in section 10A, section 79 and section 80.

2. Benefits available to resident shareholders

2.1 Income of a minor exempt up to certain limit

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

2.2 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company for any assessment year commencing on or after April 1, 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act, if the same is subject to dividend distribution tax under section 115O of the Act.

2.3 Computation of capital gains

Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a company or any other security listed in a recognized stock exchange in India or a unit of the UTI or a unit of a mutual fund specified under section 10(23D)) are considered to be long term capital assets if they are held for a period in excess of 36 months. Shares held in a Company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months.

Consequently, capital gains arising on sale of shares held in a company or any other listed security or units of UTI or Mutual Fund units, held for more than 12 months would be considered as "long term capital gains".

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

As per the provisions of Section 112(1) of the Act, long term capital gains as computed above would be subject to tax at a rate of 20 percent (plus applicable surcharge). However, as per the proviso to Section 112(1) of the Act, if the tax payable in respect of long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable surcharge).

Gains arising on transfer of short term capital assets are normally chargeable to tax at the rates as applicable to the status of the shareholder. However, as per section 111A of the Act, short term capital gain arising from transfer of an equity share in a company or a unit of an equity oriented fund would be taxable at 10 percent (plus applicable surcharge), if:

- o the transaction of sale is entered into on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force; and
- o such transaction is chargeable to securities transaction tax under that Chapter

2.3.1 *Exemption of long term capital gains from income tax*

- As per the provisions of Section 10(38) of the Act, long term capital gain arising from transfer of an equity share in a company or unit of an equity oriented fund is exempt from income-tax if:
  - o the transaction of sale is entered into on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force; and
  - o such transaction is chargeable to securities transaction tax under that Chapter.

- Long term capital gain arising from transfer of an 'eligible equity share' in a company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more are exempt from tax under section 10(36) of the Act. 'Eligible equity share' means:

    - o any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on 1 March 2003 and the transactions of purchase and sale of such equity share are entered into on a recognized stock exchange in India; or

    - o any equity share in a company allotted through a public issue on or after 1 March 2003 and listed on a recognized stock exchange in India before 1 March 2004 and the transaction of sale of such equity share is entered into on a recognized stock exchange in India.

    The CBDT has clarified vide Circular number 7/2003 dated September 5, 2003, that 'public issue' for the purpose of this Section shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to the Company on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the Company transfers or converts the notified bonds into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

- As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term capital assets, being listed securities or units of a mutual fund specified under section 10(23D) of the Act or the UTI shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of capital" within six months from the date of transfer of the said long term capital assets. Eligible issue of capital has been defined as an issue of equity shares which satisfies the following conditions.

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

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

- As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to income-tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house either purchased or constructed. If part of such net consideration is invested within the prescribed period in a residential house, then so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of the new asset bears to the net consideration shall not be chargeable to income-tax. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

    Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

3. Benefits available to Non-Resident Indian shareholders

3.1. Income of a minor exempt up to certain limit

Under Section 10(32) of the IT Act, any income of minor children clubbed 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.

3.2. Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company for any assessment year commencing on or after April 1, 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act, if the same is subject to dividend distribution tax under section 115O of the Act.

3.3. Computation of capital gains

Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a company or any other security listed in a recognized stock exchange in India or a unit of the UTI or a unit of a mutual fund specified under section 10(23D)) are considered to be long term capital assets if they are held for a period in excess of 36 months. Shares held in a company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months. Consequently, capital gains arising on sale of shares held in a company or any other listed security or units of UTI or Mutual Fund units, held for more than 12 months would be considered as "long term capital gains".

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

Gains arising on transfer of short term capital assets are normally chargeable at the tax rates as applicable to the status of the shareholder. However, as per section 111A, short term capital gain arising from transfer of an equity share in a company or a unit of an equity oriented fund would be taxable at 10 percent (plus applicable surcharge), if:

- o the transaction of sale is entered into on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force; and
- o such transaction is chargeable to securities transaction tax under that Chapter

3.3.1 *Capital gains tax - Options available under the Act*

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

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

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

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

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

As per the provisions of Section 112(1)(c) of the Act, long term capital gains as computed above would be subject to tax at a rate of 20 percent (plus applicable surcharge). However, as per the proviso to Section 112(1) of the Act, if the tax payable in respect of long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable surcharge).As per the provisions of Section 112(1)(b) of the Act, long term capital gains as computed above would be subject to tax at a rate of 20 percent (plus applicable surcharge). However, as per the proviso to Section 112(1) of the Act, if the tax payable in respect of long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable surcharge).

3.3.2 *Exemption of long term capital gains from income tax*

- As per the provisions of Section 10(38) of the Act, long term capital gain arising from transfer of an equity share in a company or unit of an equity oriented fund is exempt from income-tax if:
  - o the transaction of sale is entered into on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force; and
  - o Such transaction is chargeable to securities transaction tax under that Chapter.
- Long term capital gain arising from transfer of an 'eligible equity share' in a company purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more are exempt from tax under section 10(36) of the Act. 'Eligible equity share' means:
  - o any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on March 1, 2003 and the transactions of purchase and sale of such equity share are entered into on a recognized stock exchange in India; or
  - o any equity share in a company allotted through a public issue on or after March 1, 2003 and listed on a recognized stock exchange in India before March 1, 2004 and the transaction of sale of such equity share is entered into on a recognized stock exchange in India.

  The CBDT has clarified vide Circular number 7/2003 dated September 5, 2003, that 'public issue' for the purpose of this Section shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.
- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to the Company on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the Company transfers or converts the notified bonds into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- As per the provisions of Section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units of a mutual fund specified under section 10(23D) of the Act or the UTI shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of capital" within six months from the date of transfer of the said long term capital assets. Eligible issue of capital has been defined as an issue of equity shares which satisfies the following conditions –
  - o the issue is made by a public company formed and registered in India; and
  - o The shares forming part of the issue are offered for subscription to the public.

- As per the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house either purchased or constructed. If part of such net consideration is invested within the prescribed period in a residential house, then so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of the new asset bears to the net consideration shall not be chargeable to income-tax. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

  Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

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

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

4. Benefits available to other Non-Residents

4.1 Income of a minor exempt up to certain limit

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

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

Dividends (whether interim or final) declared, distributed or paid by the Company for any assessment year commencing on or after April 1, 2003 are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act, if the same is subject to dividend distribution tax under section 115O of the Act.

4.3 Computation of capital gains

Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a company or any other security listed in a recognized stock exchange in India or a unit of the UTI or a unit of a mutual fund specified under section 10(23D)) are considered to be long term capital assets if they are held for a period in excess of 36 months. Shares held in a Company, any other listed securities, units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months. Consequently, capital gains arising on sale of shares held in a company or any other listed security or units of UTI or Mutual Fund units, held for more than 12 months would be considered as "long term capital gains".

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

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

As per the provisions of Section 112(1)(c) of the Act, long term capital gains as computed above would be subject to tax at a rate of 20 percent (plus applicable surcharge). However, as per the proviso to Section 112(1) of the Act, if the tax payable in respect of long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax payable on gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at the rate of 10 percent without indexation benefit (plus applicable surcharge).

Gains arising on transfer of short term capital assets are normally chargeable at the tax rates as applicable to the status of the shareholder. However, as per section 111A, short term capital gain arising from transfer of an equity share in a company or a unit of an equity oriented fund would be taxable at 10 percent (plus applicable surcharge), if:

- o the transaction of sale is entered into on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force; and
- o such transaction is chargeable to securities transaction tax under that Chapter.

4.4 Exemption of capital gains from income tax

- As per the provisions of Section 10(38) of the Act, long term capital gain arising from transfer of an equity share in a company or unit of an equity oriented fund is exempt from income-tax if:
  - o the transaction of sale is entered into on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force; and
  - o such transaction is chargeable to securities transaction tax under that Chapter.
- Long term capital gain arising from transfer of an 'eligible equity share' in a company, purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more, are exempt from tax under section 10(36) of the Act. 'Eligible equity share' means:
  - o any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on March 1, 2003 and the transactions of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or
  - o any equity share in a company allotted through a public issue on or after March 1, 2003 and listed on a recognised stock exchange in India before March 1, 2004 and the transaction of sale of such equity share is entered into on a recognised stock exchange in India.

    The CBDT has clarified vide Circular number 7/2003 dated September 5, 2003, that 'public issue' shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.
- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to the Company on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the Company transfers or converts the notified bonds into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- As per the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units of a mutual fund specified under section 10(23D) of the Act or of the UTI shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the said long term capital assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions -
  - o the issue is made by a public company formed and registered in India; and
  - o the shares forming part of the issue are offered for subscription to the public.
- As per the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house either purchased or constructed. If part of such net consideration is invested within the prescribed period in a residential house, then so much of the capital gain as bears to the whole of the capital gain the same proportion as the cost of the new asset bears to the net consideration shall not be chargeable to income-tax. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

  Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

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

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

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

5.1 Taxability of capital gains

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

Nature of income	Rate of tax
Long term capital gains	10 percent
Short term capital gains	30 percent / 10 percent[1]

[1] Reduced rate of 10 percent if the transaction of sale is entered into on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force; and such transaction is chargeable to securities transaction tax under that Chapter.

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

- As per 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 the non-resident.

5.2 Exemption of capital gain from income tax

- As per the provisions of Section 10(38) of the Act, long term capital gain arising from transfer of an equity share in a company or unit of an equity oriented fund is exempt from income-tax if:
  - o the transaction of sale is entered into on or after the date on which Chapter VII of the Finance (No.2) Act, 2004 comes into force; and
  - o such transaction is chargeable to securities transaction tax under that Chapter.
- Long term capital gain arising from transfer of an 'eligible equity share' in a company, purchased during the period March 1, 2003 to February 29, 2004 (both days inclusive) and held for a period of 12 months or more, are exempt from tax under section 10(36) of the Act. 'Eligible equity share' means:
  - o any equity share in a company being a constituent of BSE-500 Index of the Stock Exchange, Mumbai as on March 1, 2003 and the transactions of purchase and sale of such equity share are entered into on a recognised stock exchange in India; or
  - o any equity share in a company allotted through a public issue on or after March 1, 2003 and listed on a recognised stock exchange in India before March 1, 2004 and the transaction of sale of such equity share is entered into on a recognised stock exchange in India.

  The CBDT has clarified vide Circular number 7/2003 dated September 5, 2003, that 'public issue' shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.
- As per the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains arising to the Company on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. However, if the Company transfers or converts the notified bonds into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- As per the provisions of section 54ED of the Act and subject to the conditions specified therein, capital gains arising from transfer of long term assets, being listed securities or units of a mutual fund specified under section 10(23D) of the Act or of the UTI shall not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an "eligible issue of share capital" within six months from the date of transfer of the said long term capital assets. Eligible issue of share capital has been defined as an issue of equity shares which satisfies the following conditions -
  - o the issue is made by a public company formed and registered in India; and

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

6. Benefits available to Mutual Funds

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

7. Benefits available to Venture Capital Companies / Funds

As per the provisions of section 10(23FB) of the Act, any income of Venture Capital Companies / Funds (set up to raise funds for investment in a venture capital undertaking registered and notified in this behalf) registered with the Securities and Exchange Board of India, would be exempt from income tax, subject to the conditions specified therein. However, the income distributed by the Venture Capital Companies / Funds to its investors would be taxable in the hands of the recipients.

Annexure XIV: Secured & Unsecured Loans

(All amounts in Indian Rupees)

Secured loans

As at	December 31, 2004	March 31, 2004	December 31, 2002	December 31, 2001	December 31, 2000	September 30, 1999
Term loans						
- From Banks	52,198,674	52,188,111	19,319,296	8,616,667		
- From Financial Institutions	12,716,974	18,514,063	25,075,000	29,500,000	22,000,000	
Interest accrued and due on term loans	558,026	273,731	259,953	196,593		
Total	**65,473,674**	**70,975,905**	**44,654,249**	**38,313,260**	**22,000,000**	**-**
Other Secured Loans						
- Bank Overdraft	24,023,284	41,505,603	-			
- Hire Purchase Loans from Banks	2,844,993	2,304,297	2,257,466	262,684		
- Hire Purchase Loans from Others				466,770	934,760	
Total	**26,868,277**	**43,809,900**	**2,257,466**	**729,454**	**934,760**	
Grand Total	**92,341,951**	**114,785,805**	**46,911,715**	**39,042,714**	**22,934,760**	**-**

1) Interest on term loan from banks was payable in the range of 11.25, 11.25% to11.50%,11.50% and 16%for the periods ended December 31, 2004, March 31, 2004, December 31, 2002 and December 31, 2001 respectively. Term Loans from bank are secured by a paripassu charge on the entire receivables, entire fixed assets (both existing and proposed) with IDBI, personal guarantee given by two directors of the Company.

2) Interest on term loan from financial institutions was payable in the range of 11% to 16.5% for the period ended December 31, 2004 and 16.5% for each of the periods ended March 31, 2004, December 31, 2002, December 31, 2001, December 31, 2000. Term Loan from financial institution is secured by hypothecation of all the movable assets both present and future of the Company.

3) Interest on Bank Overdraft was payable in the range of 10.25% to10.50% and 10.5% for each of the periods ended December 31, 2004 and March 31, 2004. Bank Overdraft is secured by a paripassu charge with IDBI on the entire receivables and fixed assets of the Company.

4) Hire purchase loans are secured by hypothecation of the respective assets acquired.

Unsecured loans

The Company did not have any unsecured loans as at December 31, 2004, March 31, 2004, December 31, 2002, December 31, 2001, December 31, 2000 and September 30, 1999.

UNCONSOLIDATED FINANCIAL STATEMENTS UNDER INDIAN GAAP AS AT AND FOR THE NINE MONTHS ENDED DECEMBER 31, 2004.

Auditors' Report

To the Board of Directors ofAllsec Technologies Limited;

1. We have examined the accompanying balance sheet of Allsec Technologies Limited ('the Company') as at December 31, 2004, the profit and loss account and statement of cash flows for the nine months period then ended annexed thereto, prepared in accordance with accounting principles generally accepted in India.

2. These financial statements are the responsibility of the management of Allsec Technologies Limited. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. The accompanying financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 25, Interim Financial Reporting, issued by the Institute of Chartered Accountants of India, solely for the purpose of use in connection with information required to be included in the proposed initial public offer for fresh issue of 3,141,200 equity shares of Rs. 10 each, at such premium as may be determined, by way of 100% book building process.

4. On the basis of the information and explanations given to us, we are of the opinion that these financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   i) in the case of the balance sheet, of the state of affairs of the Company as at December 31, 2004;

   ii) in the case of the profit and loss account, of the results of operations of the Company for the nine months period then ended; and

   iii) in the case of the cash flow statement, of the cash flows of the Company for the nine months period then ended.

5. This report is furnished solely for use as set out in paragraph 3 above, and is not to be used for any other purpose or referred to in any document or distributed to anyone without our prior written consent.

For S.R. BATLIBOI & ASSOCIATES
Chartered Accountants

per Mahendra Jain
Partner
Membership No: 205839

Chennai
January 31, 2005

Allsec Technologies Limited

Financial Statements for the nine months period ended December 31, 2004

Balance Sheet

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

	Schedule	As at December 31, 2004	As at March 31, 2004 (Refer Note 17.18)
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	176,775,700	176,775,700
		176,775,700	176,775,700
Loan funds			
Secured loans	2	92,341,951	114,785,805
		269,117,651	**291,561,505**
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	244,298,104	230,882,835
Less : Accumulated depreciation		105,230,160	76,039,577
Net block		139,067,944	154,843,258
Investment in subsidiary	4	14,903,150	14,903,150
Deferred tax assets / (liabilities)	5	8,501,827	-
Current assets, loans and advances			
Sundry debtors	6	84,054,975	54,102,216
Cash and bank balances	7	21,289,790	5,085,060
Loans and advances	8	13,470,534	17,505,236
		118,815,299	76,692,512
Less : Current liabilities and provisions	9	76,588,679	102,421,539
Net current assets/ (liabilities)		42,226,620	(25,729,027)
Miscellaneous expenditure	10	388,820	1,828,547
(To the extent not written off or adjusted)			
Debit balance in profit and loss account		64,029,290	145,715,577
		269,117,651	**291,561,505**
Notes to Accounts	17		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

S.R.Batliboi & Associates
Chartered Accountants

per Mahendra Jain
Partner
Membership No: 205839

Place: Chennai
Date : January 31, 2005

For and on behalf of the Board of Directors

A Saravanan
Director

R Jagadish
Director

K Madhusoothanan
Company Secretary

Place: Chennai
Date : January 31, 2005

Allsec Technologies Limited
Financial Statements for the nine months period ended December 31, 2004

Profit and Loss Account
(All amounts are in Indian Rupees, unless otherwise stated)

	Schedule	9 months period ended December 31, 2004	15 months period ended March 31, 2004 (Refer Note 17.18)
Income :			
Income from services	**11**	414,463,243	249,408,348
Other income	**12**	15,659	199,168
		414,478,902	**249,607,516**
Expenditure :			
Connectivity cost (net of reimbursements Rs.333,298 , previous period Rs.1,662,457)		75,988,686	132,790,566
Database cost		-	19,844,301
Employee costs and benefits	**13**	150,432,366	140,535,241
General and administration expenses	**14**	40,984,404	43,535,825
Selling expenses	**15**	31,543,981	15,485,857
Finance charges	**16**	11,352,805	14,941,821
Deferred revenue expenses written off	**10**	1,439,727	772,245
Depreciation	**3**	29,190,583	47,591,698
		340,932,552	**415,497,554**
Profit/ (loss) before tax		**73,546,350**	**(165,890,038)**
Provision for taxation			
- Current tax (for earlier periods)		361,890	-
- Deferred tax (Refer Note 17.12)		8,501,827	
- Excess provision written back		-	(906,066)
Profit/ (loss) after tax		**81,686,287**	**(164,983,972)**
Profit/ (loss) brought forward		(145,715,577)	19,268,395
Profit/ (loss) carried forward to balance sheet		**(64,029,290)**	**(145,715,577)**
Net profit/(loss) available to equity shareholders	**17.11**	81,686,287	(165,167,156)
Number of weighted average equity shares used in computing basic earnings per share		4,355,070	4,355,070
Basic earnings/ (loss) per share (equity shares, par value Rs 10 each)		18.76	(37.93)
Number of weighted average equity shares used in computing diluted earnings per share		8,332,174	4,355,070
Diluted earnings/ (loss) per share (equity shares, par value Rs10 each)		9.80	(37.93)
Notes to Accounts	**17**		

The schedules referred to above and notes to accounts form an integral part of the profit and loss account

As per our report of even date

S.R.Batliboi & Associates
Chartered Accountants

per Mahendra Jain
Partner
Membership No: 205839

Place: Chennai
Date : January 31, 2005

For and on behalf of the Board of Directors

A Saravanan	**R Jagadish**	**K Madhusoothanan**
Director	**Director**	**Company Secretary**

Place: Chennai
Date : January 31, 2005

Allsec Technologies Limited
Financial Statements for the nine months period ended December 31, 2004

Schedules to the Financial Statements
(All amounts are in Indian Rupees, unless otherwise stated)

	As at December 31, 2004	As at March 31, 2004
1. Share capital		
Authorised		
6,000,000 [Previous period — 6,000,000] Equity shares of Rs 10/- each	60,000,000	60,000,000
1,350,000 [Previous period — 1,350,000] Convertible Preference Shares of Rs 100/- each	135,000,000	135,000,000
Issued, subscribed and paid-up		
4,355,070 [Previous period — 4,355,070] Equity Shares of Rs 10/- each	43,550,700	43,550,700
1,332,250 [Previous period — 1,332,250] Convertible Preference Shares of Rs 100/- each	133,225,000	133,225,000
(Refer Note 17.3 for terms of conversion)	**176,775,700**	**176,775,700**
2. Secured loans		
Term loans		
- from a bank (Refer Note 17.4)	52,198,674	52,188,111
- from a financial institution (Refer Note 17.4)	12,716,974	18,514,063
Add: Interest accrued and due on term loans	558,026	273,731
(includes amount repayable within one year is Rs. 29,170,000 , previous period Rs. 30,584,063)	65,473,674	70,975,905
Bank overdraft (Refer Note 17.4)	24,023,284	41,505,603
Others		
Hire purchase loans (Refer Note 17.4)		
- from banks	2,844,993	2,304,297
(includes amount repayable within one year is Rs. 937,531, previous period Rs.573,528)		
	92,341,951	**114,785,805**

Allsec Technologies Limited

Financial statements for the nine months period ended December 31, 2004

Schedules to the financial statements

3. Fixed assets

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

	Gross Block				Depreciation				Net Block	
Description of assets	As at April 1, 2004	Additions for the period	Deletions for the period	As at Dec. 31, 2004	As at April 1, 2004	For the period	Deletions for the period	As at Dec. 31, 2004	As at Dec. 31, 2004	As at March 31, 2004
Plant and machinery										
- Computers and servers	32,162,710	1,109,989	–	33,272,699	10,185,354	4,006,890	-	14,192,244	19,080,455	21,977,356
- Software	29,229,603	2,931,024	–	32,160,627	13,956,297	5,652,969	-	19,609,266	12,551,361	15,273,306
- Call Centre Equipment	108,372,462	7,849,305	–	116,221,767	33,899,062	13,759,571	-	47,658,633	68,563,134	74,473,400
- Office Equipment	16,333,706	181,947	–	16,515,653	2,012,053	569,272	-	2,581,325	13,934,328	14,321,653
Furniture and Fixtures	11,109,997	40,024	–	11,150,021	3,943,849	410,076	-	4,353,925	6,796,096	7,166,148
Leasehold Improvements	29,480,549	13,251	–	29,493,800	11,416,345	4,433,817	-	15,850,162	13,643,638	18,064,204
Vehicles*	4,193,808	1,289,729	–	5,483,537	626,617	357,988	-	984,605	4,498,932	3,567,191
Total	**230,882,835**	**13,415,269**	–	**244,298,104**	**76,039,577**	**29,190,583**	**-**	**105,230,160**	**139,067,944**	**154,843,258**
Previous Period	**204,951,859**	**26,753,308**	**822,332**	**230,882,835**	**28,718,213**	**47,591,698**	**270,334**	**76,039,577**	**154,843,258**	

* Vehicles include assets acquired under financial lease - Rs. 5,339,908 (previous period - Rs.4,098,768)

Allsec Technologies Limited

Financial statements for the nine months period ended December 31, 2004

Schedules to the financial statements

	As at December 31, 2004	As at March 31, 2004
4. Investments — Long term (At cost)		
In subsidiary company		
Unquoted, non trade		
100 fully paid stock in Allsectech Inc., USA	14,903,150	14,903,150
	14,903,150	**14,903,150**
5. Deferred tax assets / (liabilities)		
Depreciation (Refer Note 17.12)	8,501,827	-
	8,501,827	**-**
6 Sundry debtors (unsecured, considered good)		
Debts outstanding for a period exceeding six months	3,630,990	130,474
Other debts {includes unbilled debtors of Rs. Nil (previous period Rs. 10,876,695)}	80,423,985	53,971,742
	84,054,975	**54,102,216**

Allsec Technologies Limited

Financial statements for the nine months period ended December 31, 2004

Schedules to the financial statements
(All amounts are in Indian Rupees, unless otherwise stated)

		As at December 31, 2004	As at March 31, 2004
7.	**Cash and bank balances**		
	Cash on hand	111,516	62,476
	Balance with scheduled banks		
	- in current accounts	17,758,907	4,103,834
	- in deposit accounts	3,419,367	918,750
		21,289,790	**5,085,060**
8.	**Loans and advances** *(unsecured, considered good)*		
	Advances recoverable in cash or in kind or for value to be received	1,836,354	1,201,875
	Prepaid expenses	2,682,244	6,421,921
	Deposits	7,879,826	8,076,143
	Advance income tax and tax deducted at source, net	1,072,110	1,805,297
		13,470,534	**17,505,236**
9.	**Current liabilities and provisions**		
	Current liabilities :		
	Sundry creditors		
	- Due to small scale undertakings	–	–
	- Others	40,640,148	35,138,210
	Deferred employee stock compensation	2,222,250	–
	Advances from customers	12,032,560	49,006,836
	Other liabilities	17,416,090	13,710,242
	Interest accrued but not due on loans	124,021	265,725
		72,435,069	**98,121,013**
	Provisions :		
	Gratuity	2,730,000	2,236,256
	Provident Fund	1,156,665	1,791,995
	Leave Encashment	266,945	272,275
		4,153,610	4,300,526
		76,588,679	**102,421,539**
10.	**Miscellaneous expenditure**		
	Deferred revenue expenditure		
	Balance at the commencement of the period		
	Share issue expenses	1,342,522	1,952,758
	Ancillary borrowing costs	486,025	648,034
		1,828,547	2,600,792
	Less: Amortised during the period	1,439,727	772,245
	Balance at the end of the period	**388,820**	**1,828,547**

Allsec Technologies Limited

Financial statements for the nine months period ended December 31, 2004

Schedules to the financial statements
(All amounts are in Indian Rupees, unless otherwise stated)

	9 months Period ended December 31, 2004	15 months Period ended March 31, 2004
11. Income from services		
- Export [Includes unbilled revenue of Rs. Nil , previous period Rs. 10,876,695, Tax Deducted at source - Rs. 325,577 , Prior Period - Rs. 584,967]	404,278,488	247,101,193
- Domestic [Tax Deducted at source - Rs. 482,411, previous period - Rs. 127,700]	10,184,755	2,307,155
	414,463,243	**249,408,348**
12. Other income		
Interest on deposits [(Gross) (Tax deducted at source - Rs. 3,201) previous period Rs. 20,862]	15,307	93,292
Interest Income - Others	352	105,876
	15,659	**199,168**
13. Employee costs and benefits		
Salaries, wages and allowances	123,955,444	111,961,212
Contributions to provident fund	5,042,558	5,258,198
Gratuity	493,744	1,590,871
Employee stock compensation cost	2,222,250	-
Staff welfare	15,364,820	19,220,016
Recruitment and training	3,353,550	2,504,944
	150,432,366	**140,535,241**
14. General and administration expenses		
Electricity	7,014,311	9,478,465
Rent and amenities	5,510,394	8,974,495
Rates and taxes	1,374,352	9,400
Repairs and maintenance		
- Plant and machinery	7,650,154	6,315,221
- Others	2,840,031	5,143,624
Insurance	568,768	1,031,592
Professional and consultancy charges	4,090,703	2,593,546
Travel and conveyance	4,422,890	5,554,635
Telephone	1,016,417	1,608,034
Loss on sale of fixed asset	-	131,950
Foreign exchange fluctuation, net	4,162,757	566,089
Miscellaneous expenses	2,333,627	2,128,774
	40,984,404	**43,535,825**
15. Selling expenses		
Selling commission	30,601,956	14,001,888
Other selling expenses	942,025	1,483,969
	31,543,981	**15,485,857**
16. Finance charges		
Interest		
- on term loans	7,147,038	10,668,997
- others	3,730,575	3,715,973
Bank charges	475,192	556,851
	11,352,805	**14,941,821**

Allsec Technologies Limited
Financial Statements for the nine months period ended December 31, 2004

Statement of Cash Flows
(All amounts are in Indian Rupees, unless otherwise stated)

		April 1, 2004 to December 31, 2004	Jan 1, 2003 to March 31, 2004 (Refer Note 17.18)
A.	**Cash flow from operating activities:**		
	Net (loss)/profit before tax	73,546,350	(165,890,038)
	Adjustments for:		
	Depreciation	29,190,583	47,591,698
	Amortisation of employee compensation cost	2,222,250	-
	Interest expense	11,352,805	14,941,821
	Interest income	(15,659)	(199,168)
	(Profit)/Loss on fixed assets sold	-	131,950
	Deferred revenue expenditure written off	1,439,727	772,245
	Unrealised foreign exchange (gain) /loss, *net*	3,466,132	(1,389,319)
	Operating profit/ (loss) before working capital changes	**121,202,188**	**(104,040,811)**
	Adjustments for changes in working capital :		
	- (Increase)/Decrease in sundry debtors	(30,321,002)	(14,319,129)
	- (Increase)/Decrease in other receivables	3,219,213	(802,923)
	- Increase/(Decrease) in trade and other payables	(31,340,551)	82,167,605
	Cash generated from/ (used in) operations	**62,759,848**	**(36,995,258)**
	- Taxes (paid) / received	371,297	(584,416)
	Net cash from/ (used in) operating activities	**63,131,145**	**(37,579,674)**
B.	**Cash flow from investing activities:**		
	Purchase of fixed assets (Refer note 1)	(13,086,013)	(17,138,457)
	Proceeds from sale of fixed assets	-	420,048
	Investment in subsidiary	-	(4,455,150)
	Interest received	97,961	84,186
	Net cash from/ (used in) investing activities	**(12,988,052)**	**(21,089,373)**
C.	**Cash flow from financing activities:**		
	Proceeds from/ (repayments of) borrowings, *net*	(22,728,149)	67,860,312
	Interest paid	(11,210,214)	(15,013,711)
	Dividend paid	-	(84,498)
	Net cash from/ (used in) financing activities	**(33,938,363)**	**52,762,103**
	Net Increase/(Decrease) in cash and cash equivalents	16,204,730	(5,906,944)
	Opening cash and cash equivalents	5,085,060	10,992,004
	Closing cash and cash equivalents*	21,289,790	5,085,060
	*Includes restricted cash balances	3,419,367	918,750

Note :

1) Purchase of fixed assets includes the payment made for items in capital work in progress and advances for purchase of fixed assets. Adjustments for increase/ decrease in current liabilities related to acquisition of fixed assets to the extent identified have been made.

As per our report of even date

S. R. Batliboi & Associates
Chartered Accountants

per Mahendra Jain
Partner
Membership No: 205839

Place: Chennai
Date : January 31, 2005

For and on behalf of the Board of Directors

A Saravanan
Director

R Jagadish
Director

K Madhusoothanan
Company Secretary

Place: Chennai
Date : January 31, 2005

17. Notes to accounts

17.1 Background

Allsec Technologies Limited ('Allsec' or the 'Company') was incorporated on August 24, 1998 as a limited company under the Companies Act, 1956. The Company is engaged in the business of providing IT enabled services. The services provided by the Company include data verification, processing of orders received through telephone calls, telemarketing, monitoring quality of calls of other call centers, customer services and HR and payroll processing for domestic companies. The Company has also invested in a wholly owned subsidiary in USA for the purpose of carrying out marketing activities for the Company.

17.2 Statement of significant accounting policies:

(a) Basis of preparation

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and in accordance with generally accepted accounting principles in India, including the mandatory standards on accounting issued by the Institute of Chartered Accountants of India and referred to in Section 211 (3C) of the Act.

(b) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses where applicable. Cost comprises purchase price and all direct / indirect costs incurred to bring the asset to its working condition for its intended use.

(c) Depreciation

Depreciation is provided using the straight line method in the manner specified in Schedule XIV to the Companies Act, 1956, at the rates prescribed therein or at the rates based on management's estimate of the useful lives of such assets, whichever is higher, as follows:

Asset Description	Percentage
Plant and machinery	4.75 - 16.21
Software	25
Furniture and fittings	6.33
Vehicles	9.5

Leasehold improvements are amortised over the estimated useful lives or the remainder primary lease period, whichever is less. Assets individually costing Rs. 5000/- or less are fully depreciated in the year of purchase.

(d) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. Provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(e) Revenue recognition

Income from IT enabled services is derived from both time based and unit priced contracts. Revenue is recognized as the related services are performed in accordance with the specific terms of the contract with the customer. Interest income is recognized using the time proportion method.

(g) Retirement benefits

Retirement benefit in the form of provident fund is charged to the profit and loss account of the year when the contribution is due.

Gratuity liability is accrued and provided for on the basis of actuarial valuation made at the end of each financial year. Gratuity is an unfunded liability.

Liability on account of leave encashment is determined and provided on the basis of estimated total liability for eligible employees.

(h) Taxation

Provision for current income tax is made on the assessable income at the tax rate applicable to the relevant assessment year. Deferred income taxes are recognized for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits.

(i) Foreign currency transactions

The Company has adopted Accounting Standard (AS)-11(Revised 2003) *"The effects of changes in foreign exchange rates"* with effect from April 1, 2004. Accordingly, transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. At the year-end, monetary items are converted into rupee equivalents at the year-end exchange rates. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

All exchange differences arising on settlement/conversion of foreign currency transactions are included in the profit and loss account, except in cases where they relate to the acquisition of fixed assets, in which case they are adjusted in the cost of the corresponding asset.

(j) Deferred revenue expenditure

Unamortized deferred revenue expenditure comprising ancillary borrowing costs are amortized over six years, being the primary term of the borrowing.

(k) Earnings per share ("EPS")

The earnings considered in ascertaining the Company's earnings per share comprise the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average share considered for deriving basic earnings per share and also the weighted average number of shares, if any, which would have been issued on the conversion of all dilutive potential equity shares.

(l) Deferred employee stock compensation expenses

Deferred employee stock compensation expense for employee stock options is recognised on the basis of generally accepted accounting principles and is measured as the excess of the fair value of the options on the date of grant over its exercise price. Compensation expense is recognised on a straight line method over the vesting period.

(m) Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.

Leases of assets for which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense over the lease term.

17.3 Share capital

Equity capital

As per the terms of the borrowing agreement entered into with the Industrial Development Bank of India (IDBI), IDBI has the option to convert its outstanding loan balance into equity shares of the Company, in the event of default in repayment of 3 consecutive installments of principal amount of the outstanding loan or interest thereon or any combination thereof (default event), at any time during the term of the loan subject to a maximum of 40% paid up capital of the Company at the time of conversion. As at December 31, 2004 there was no occurrence of the default event requiring the exercise of the conversion option.

Compulsorily convertible preference share capital (CCPS)

During the year 2002, the Company raised additional capital through the issue of CCPS to Kotak Mahindra Venture Capital Fund and Euronet – a Mauritius based venture capital fund. Preference dividend on CCPS is cumulative and is payable at the rate of 0.1% per annum.

Consequent to the proposed initial public offer of the Company's shares, the holders of the CCPS and the Company have agreed to convert the all outstanding CCPS into 1,668,092 equity shares (face value Rs. 10 per share) at Rs. 29.61 per share and 2,117,317 (face value Rs. 10 per share) equity shares at Rs. 39.59 per share to Kotak Mahindra Venture Capital Fund and

Euronet respectively. The holders of the CCPS have also waived the arrears of preference dividend.

The Board of Directors at their meeting held on January 14, 2005 passed a resolution for allotting equity shares by the conversion of compulsorily convertible preference share capital.

Option on unissued share capital

The Company entered into an agreement on December 10, 2003, with one of its customers, Compu Credit Corporation U.S.A ("the subscriber") granting an option to the subscriber to subscribe to a certain number of shares at a price as determined by the terms of the agreement. The agreement was revised thereafter and provides for the subscriber to subscribe to a maximum of 684,362 equity shares at a price of Rs 51.65 per share.

Subsequent to the balance sheet date, the subscriber has exercised his option in full and the shareholders at the Extraordinary General Meeting ('EGM') of the Company held on January 14, 2005, approved to issue 684,362 equity shares at a price of Rs. 51.65 per share to the subscriber on the basis as stated above.

Employee Stock Option Plan (ESOP)

The Shareholders at the Extra Ordinary General Meeting held on May 6, 2004 have approved an Employee Stock Option Plan (ESOP) which provides for an issue of 550,000 options to the employees. Consequently, the compensation committee on July 1, 2004 has granted 286,500 options to its employees at an exercise price of Rs.10 per share. Subsequent to the balance sheet date, on January 14, 2005, further 13,500 options have been granted to the employees.

Effective April 1, 2004, the Company has adopted the (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 issued by Securities and Exchange Board of India, and has recorded a compensation expense using the fair value method as set out in theses guidelines. The options outstanding and the assumptions used in determining fair value are provided below:

Particulars	December 31, 2004
Options outstanding, beginning of period	—
Granted during the period	**286,500**
Exercised during the period	—
Forfeited	33,700
Expected forfeiture	37,920
Number of options expected to be exercised	**214,880**
Risk free interest rate	**6%**
Expected life	**2 Years**
Expected attrition	**15%**
Expected dividend	**Nil**
Price of the underlying share at the time of option grant*	**Rs. 38.50**

* - The fair value of the option is assumed to closely approximate the fair value of equity shares at or near the grant date in an independent transaction for the sale of the Company's shares.

17.4 Secured loans

a. Term loans from banks are secured by:

1. Paripassu charge on the entire receivables of the Company
2. Paripassu charge on the entire Fixed Assets of the Company (both existing and proposed) with IDBI
3. Personal guarantee given by two directors of the Company

b. Term loan from a financial institution is secured by:

1. Hypothecation of all the movable assets both present and future of the Company.
2. Personal guarantee given by two directors of the Company.

c. Bank overdraft is secured by paripassu charge on the entire receivables and fixed assets of the Company, with IDBI.

d. Hire purchase loans are secured by hypothecation of the respective assets acquired.

17.5 Income tax

The Company is a 100% Export Oriented Unit (EOU) registered with the Software Technology Parks of India (STPI). The Company enjoys a tax holiday under Section 10A of the Income Tax Act, 1961 for a period of 10 years commencing from the fiscal year 2000.

17.6 Unbilled revenue

Unbilled revenue represents accrual of income relating to services provided but not billed until subsequent period. There was no unbilled revenue as of December 31, 2004.

17.7 Segment reporting

The Company's operations predominantly relate to IT enabled services and accordingly this is the only primary reportable segment. The Company does not have geographical segment, since more than 90% of its income is derived from services provided to the United States of America.

17.8 Related party transactions

1. Names of related parties

Relationship	Name of the party
Subsidiary	Allsectech Inc.
Associates	Allsec Financials Limited Allsec Securities Limited Allsec Technosoft Limited Allsec Agencies Private Limited Allsec Stocks Private Limited Delpak Industries Limited Alltex Clothing Private Limited Alliance Credit Management Private Limited S.J. Associates
Key management personnel	Whole time directors: A. Saravanan R. Jagadish

2. There were no transactions with any of the associates during the period.
3. Transactions with related parties.

Directors

Particulars	December 31, 2004	March 31, 2004
Salaries	4,464,000	4,440,000
Perquisites	36,000	60,000

Subsidiary

Particulars	December 31, 2004	March 31, 2004
Transaction during the period		
Selling commission expenses	28,101,896	13,897,873
Service income	15,870,702	2,755,026
Advance from subsidiary	(5,616,836)	8,653,000
Investment in subsidiary	—	4,455,150
Balance as at the period		
Receivables	9,686,919	—
Payables	12,845,641	4,285,934
Advance from subsidiary	—	5,616,836
Investment in subsidiary	14,903,150	14,903,150

17.9 **Lease commitments**

Financial lease

Particulars	December 31, 2004	March 31, 2004
Not later than one year		
Minimum lease payments	1,114,754	747,867
Less: Finance Charges	177,223	174,339
Present value	937,531	573,528
Later than one year but not later than five years		
Minimum lease payments	2,061,918	1,958,995
Less: Finance Charges	154,456	228,227
Present value	1,907,462	1,730,768
Later than five years		
Minimum lease payments	Nil	Nil
Less: Finance Charges	Nil	Nil
Present value	Nil	Nil

Operating lease

Office premises in India are obtained under operating lease. Lease rentals incurred during the period Rs. 5,510,394 (prior period – Rs. 8,974,495), have been charged as an expense in the profit and loss account.

The future lease rentals payable in respect of the above lease are as follows:

Particulars	As at December 31, 2004	As at March 31, 2004
Upto 1 year	7,449,629	6,695,220
1 to 5 years	28,385,729	28,713,287
Beyond 5 years	9,792,000	15,300,000

17.10 **Contingencies**

Particulars	December 31, 2004	March 31, 2004
Arrears of preference dividend	—*	166,351

*- The arrears of preference dividend have been waived by the holders of CCPS.

17.11 **Earning per share**

Particulars	December 31, 2004	March 31, 2004
Net profit/ (loss) as per profit and loss account	81,686,287	(164,983,972)
Less: Arrears of preference dividend, including tax	—	183,184
Net profit/ (loss) for calculation of basic and diluted EPS	81,686,287	(165,167,156)
Weighted average number of basic equity shares outstanding during the period/ year	4,355,070	4,355,070
Add: Diluted potential equity shares	3,977,104	—
Number of weighted average equity shares for calculation of diluted EPS	8,332,174	4,355,070

17.12 **Deferred taxes**

The Accounting Standard 22 *"Accounting for Taxes on Income"* issued by the Institute of Chartered Accountants of India was applicable to the Company for the first time in respect of the financial statements as at and for the fifteen months period ended March 31, 2004. The application of the standard resulted in a net deferred tax asset of Rs. 8,698,149 as at that date primarily attributable to tax depreciation available to the Company subsequent to the tax holiday period. The Company however, did not record the deferred tax asset as at that date since, in the opinion of the management, there was no reasonable certainty that sufficient taxable profits would be available subsequent to the tax holiday period to absorb the deferred taxes.

On the basis of the results of operations for the nine months period ended December 31, 2004 and the estimates of future growth and profitability, management is of the opinion that there is reasonable certainty that the Company would have sufficient taxable profits subsequent to the tax holiday period to absorb the deferred taxes.

Accordingly, management has reassessed its deferred tax assets and liabilities as at December 31, 2004 resulting in a net deferred tax liability of Rs. 196,322 relating to additions to fixed assets made for the period from April 1, 2004 to December 31, 2004 and net deferred tax asset of Rs. 8,698,149 relating to additions to fixed assets made prior to April 1, 2004 have been adjusted to the profit and loss account.

17.13 CIF value of imports

	December 31, 2004	March 31, 2004
Capital Goods	10,253,268	2,267,066

17.14 Expenditure in foreign currency

	December 31, 2004	March 31, 2004
Connectivity	76,321,984	134,453,023
Data Base Cost	—	19,844,301
Selling Commission	30,601,956	14,001,888
Foreign Travel	581,118	970,971
Others	3,404,544	3,604,234

17.15 Earnings in foreign exchange

	December 31, 2004	March 31, 2004
Service Income	404,278,488	247,101,193
Connectivity charges reimbursed	333,298	1,662,457

17.16 Auditors' remuneration

	December 31, 2004	March 31, 2004
Statutory audit		
- audit fees	—	300,000
- service tax	—	24,000
- out of pocket expenses	5,000	18,850
Other matters	350,000	—

17.17 Payment to directors

	December 31, 2004	March 31, 2004
Salaries	4,464,000	4,440,000
Perquisites	36,000	60,000

17.18 Prior period comparatives

This is the first time that the Company has prepared and presented financial statements for the nine months period ended December 31, 2004, accordingly no comparatives are provided for the prior period. The management believes that it is impracticable to generate the financial statements of the preceding period, as necessary cut off were not taken as at December 31, 2003 and for the nine months then ended. However, comparatives for the period ended March 31, 2004 have been provided by the management and have been reclassified, where necessary, to conform to the current period classification.

S.R.Batliboi & Associates
Chartered Accountants

For and on behalf of the Board of Directors

per **Mahendra Jain**
Partner
Membership No: 205839

A Saravanan
Director

R Jagdish
Director

K Madhusoothan
Company Secretary

Place: Chennai
Date: January 31, 2005

CONSOLIDATED FINANCIAL STATEMENTS UNDER INDIAN GAAP AS AT AND FOR THE NINE MONTHS ENDED DECEMBER 31, 2004

Auditors' Report

To the Board of Directors of Allsec Technologies Limited;

1. We have examined the attached consolidated balance sheet of Allsec Technologies Limited ('the Company') and its subsidiary, Allsectech Inc as at December 31, 2004, the consolidated profit and loss account and consolidated cash flow statement for the nine months period ended annexed thereto. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statement of the subsidiary, whose financial statements reflect total net assets of Rs. 6.7 million as at December 31, 2004, the total revenue of Rs. 47.23 million and cash flows to Rs. 1.88 million for the period ended on that date. The financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of other auditors.

4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate financial statements of Allsec Technologies Limited and its aforesaid subsidiary in the consolidated financial statements, solely for the purpose of use in connection with information required to be included in the proposed initial public offer for fresh issue of 3,141,200 equity shares of Rs. 10 each, at such premium as may be determined, by way of 100% book building process.

5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   i) in the case of the consolidated balance sheet, of the state of affairs of Allsec Technologies Limited and its subsidiary as at December 31, 2004;

   ii) in the case of the consolidated profit and loss account, of the results of operations of Allsec Technologies Limited and its subsidiary for the nine months period then ended; and

   iii) in the case of the consolidated cash flow statement, of the cash flows of Allsec Technologies Limited and its subsidiary for the nine months period then ended.

6. This report is furnished solely for use as set out in paragraph 4 above, and is not to be used for any other purpose or referred to in any document or distributed to anyone without our prior written consent.

For **S.R. BATLIBOI & ASSOCIATES**
Chartered Accountants

per Mahendra Jain
Partner
Membership No: 205839

Chennai
January 31, 2005

Consolidated Financial Statements Of Allsec Technologies Limited and its subsidiary

For the nine months period ended December 31, 2004

Consolidated Balance Sheet
(All amounts are in Indian Rupees, unless otherwise stated)

	Schedule	As at December 31, 2004	As at March 31, 2004 (Refer Note 16.14)
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	176,775,700	176,775,700
		176,775,700	176,775,700
Loan funds			
Secured loans	2	92,341,951	114,785,805
		269,117,651	**291,561,505**
APPLICATION OF FUNDS			
Fixed assets			
Gross block	3	254,445,502	237,595,985
Less : Accumulated depreciation		108,651,432	78,221,526
Net block		145,794,070	159,374,459
Deferred tax assets/ (liabilities)	4	8,480,821	3,163,738
Current assets, loans and advances			
Sundry debtors	5	79,151,092	54,970,797
Cash and bank balances	6	23,373,306	5,133,138
Loans and advances	7	13,470,534	18,911,072
		115,994,932	79,015,007
Less : Current liabilities and provisions	8	66,479,294	103,793,814
Net current assets/ (liabilities)		49,515,638	(24,778,807)
Miscellaneous expenditure	9	388,820	1,828,547
(To the extent not written off or adjusted)			
Debit balance in profit and loss account		64,938,302	151,973,568
		269,117,651	**291,561,505**
Notes to Accounts	16		

The schedules referred to above and notes to accounts form an integral part of the consolidated balance sheet.

As per our report of even date

S R Batliboi & Associates
Chartered Accountants

per Mahendra Jain
Partner

Membership No: 205839

Place: Chennai
Date : January 31, 2005

For and on behalf of the Board of Directors

R. Jagadish **Director**

A. Saravanan **Director**

K. Madhusoothanan **Company Secretary**

Place: Chennai
Date : January 31, 2005

Consolidated Financial Statements Of Allsec Technologies Limited and its subsidiary

For the nine months period ended December 31, 2004

Consolidated Profit and Loss Account
(All amounts are in Indian Rupees, unless otherwise stated)

	Schedule	9 months Period ended December 31, 2004	15 months Period ended March 31, 2004 (Refer Note 16.14)
Income :			
Income from services	10	417,724,257	250,584,712
Other income	11	15,659	199,168
		417,739,916	**250,783,880**
Expenditure :			
Connectivity costs		75,988,686	132,790,566
Database cost		-	19,844,301
Employee costs and benefits	12	157,203,267	151,461,112
General and administration expenses	13	55,554,617	52,811,111
Selling expenses	14	3,442,085	1,637,634
Finance charges	15	11,457,790	14,989,947
Deferred revenue expenses written off	9	1,439,727	772,245
Depreciation	3	30,429,906	49,269,191
		335,516,078	**423,576,107**
Profit/ (loss) before tax		**82,223,838**	**(172,792,227)**
Provision for taxation			
- Current tax (for earlier period)		361,890	-
- Deferred tax (Refer Note 16.13)		5,173,318	2,230,540
- Excess provision written back		-	(906,066)
Profit/ (loss) after tax		**87,035,266**	**(169,655,621)**
Profit/ (Loss) brought forward		(151,973,568)	17,682,053
Profit/ (Loss) carried forward to balance sheet		**(64,938,302)**	**(151,973,568)**
Net profit/(loss) available to equity shareholders	16.12	87,035,266	(169,838,805)
Number of weighted average equity shares used in computing basic earnings per share		4,355,070	4,355,070
Basic earnings/ (loss) per share (equity shares, par value Rs 10 each)		19.98	(39.00)
Number of weighted average equity shares used in computing diluted earnings per share		8,332,174	4,355,070
Diluted earnings/ (loss) per share (equity shares, par value Rs10 each)		10.45	(39.00)
Notes to Accounts	16		

The schedules referred to above and notes to accounts form an integral part of the consolidated profit and loss account

As per our report of even date

S R Batliboi & Associates
Chartered Accountants

per Mahendra Jain
Partner
Membership No: 205839

Place: Chennai
Date : January 31, 2005

For and on behalf of the Board of Directors

R. Jagadish
Director

A. Saravanan
Director

K. Madhusoothanan
Company Secretary

Place: Chennai
Date : January 31, 2005

Consolidated Financial Statements Of Allsec Technologies Limited and its subsidiary

For the nine months period ended December 31, 2004

Schedules to the Financial Statements
(All amounts are in Indian Rupees, unless otherwise stated)

		As at December 31, 2004	As at March 31, 2004
1	**Share Capital**		
	Authorised		
	6,000,000 [Previous period — 6,000,000]		
	Equity shares of Rs 10/- each	60,000,000	60,000,000
	1,350,000 [Previous period — 1,350,000]		
	Convertible Preference Shares of Rs 100/- each	135,000,000	135,000,000
	Issued, subscribed and paid-up		
	Equity Shares	43,550,700	43,550,700
	Convertible Preference Shares of Rs 100/- each	133,225,000	133,225,000
	(Refer Note 16.4 for terms of conversion)		
		176,775,700	**176,775,700**
2	**Secured Loans**		
	Term Loans		
	- from a bank (Refer Note 16.5)	52,198,674	52,188,111
	- from a financial institution (Refer Note 16.5)	12,716,974	18,514,063
	Add: Interest accrued and due on term loans	558,026	273,731
		65,473,674	70,975,905
	Bank Overdraft (Refer Note 16.5)	24,023,284	41,505,603
	Others		
	Hire Purchase Loans (Refer Note 16.5)		
	- from banks	2,844,993	2,304,297
		92,341,951	**114,785,805**

Consolidated Financial Statements Of Allsec Technologies Limited and its subsidiary

For the nine months period ended December 31, 2004

Schedules to the financial statements

3. Fixed assets

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

Description of Assets	As at April 1, 2004	Additions for the period	Deletions for the period	As at Dec. 31, 2004	As at april 1, 2004	For the period	Deletions for the period	As at Dec. 31, 2004	As at Dec. 31, 2004	As at March 31, 2004
Plant and machinery										
- Computers and servers	32,602,837	1,149,471	-	33,752,308	10,365,600	4,106,658	-	14,472,258	19,280,050	22,237,237
- Software	29,229,603	2,931,024	-	32,160,627	13,956,297	5,652,969	-	19,609,266	12,551,361	15,273,306
- Call centre Equipment	114,645,485	11,244,071	-	125,889,556	35,900,765	14,899,126	-	50,799,891	75,089,665	78,744,720
- Office Equipment	16,333,706	181,947	-	16,515,653	2,012,053	569,272	-	2,581,325	13,934,328	14,321,653
Furniture and fixtures	11,109,997	40,024	-	11,150,021	3,943,849	410,076	-	4,353,925	6,796,096	7,166,148
Leasehold improvements	29,480,549	13,251	-	29,493,800	11,416,345	4,433,817	-	15,850,162	13,643,638	18,064,204
Vehicles*	4,193,808	1,289,729	-	5,483,537	626,617	357,988	-	984,605	4,498,932	3,567,191
Total	**237,595,985**	**16,849,517**	**-**	**254,445,502**	**78,221,526**	**30,429,906**	**-**	**108,651,432**	**145,794,070**	**159,374,459**
Previous Period	**209,456,377**	**28,961,940**	**822,332**	**237,595,985**	**29,222,669**	**49,269,191**	**270,334**	**78,221,526**	**159,374,459**	

* Vehicles include assets acquired under financial lease - Rs. 5,388,497 (previous period - Rs.4,098,768)

Consolidated Financial Statements Of Allsec Technologies Limited and its subsidiary
For the nine months period ended December 31, 2004

Schedules to the Financial Statements
(All amounts are in Indian Rupees, unless otherwise stated)

		As at December 31, 2004	As at March 31, 2004
4	**Deferred tax assets/ (liabilities)**		
	Depreciation (Refer Note 16.13)	8,480,821	3,163,738
		8,480,821	**3,163,738**
5	**Sundry Debtors (Unsecured, considered good)**		
	Debts outstanding for a period exceeding six months	3,630,990	130,474
	Other debts {includes unbilled debtors of Rs. Nil, (previous period Rs. 10,876,695)}	75,520,102	54,840,323
		79,151,092	**54,970,797**
6	**Cash and bank balances**		
	Cash on hand	111,516	62,476
	Balance with banks		
	- in current accounts	19,842,423	4,151,912
	- in deposit accounts	3,419,367	918,750
		23,373,306	**5,133,138**
7	**Loans and advances** *(unsecured, considered good)*		
	Advances recoverable in cash or in kind or for value to be received	1,836,354	2,607,711
	Prepaid expenses	2,682,244	6,421,921
	Deposits	7,879,826	8,076,143
	Advance income tax and tax deducted at source, net	1,072,110	1,805,297
		13,470,534	**18,911,072**
8	**Current liabilities and provisions**		
	Current liabilities :		
	Sundry creditors	30,530,763	42,127,321
	Deferred employee stock compensation	2,222,250	-
	Advances from customers	12,032,560	43,390,000
	Other liabilities	17,416,090	13,710,242
	Interest accrued but not due on loans	124,021	265,725
		62,325,684	**99,493,288**
	Provisions :		
	Gratuity	2,730,000	2,236,256
	Provident Fund	1,156,665	1,791,995
	Leave Encashment	266,945	272,275
		4,153,610	4,300,526
		66,479,294	**103,793,814**

Consolidated Financial Statements Of Allsec Technologies Limited and its subsidiary
For the nine months period ended December 31, 2004

Schedules to the Financial Statements
(All amounts are in Indian Rupees, unless otherwise stated)

		9 months Period ended December 31, 2004	15 months Period ended March 31, 2004
9	**Miscellaneous expenditure**		
	Deferred revenue expenditure		
	Balance at the commencement of the period		
	Share issue expenses	1,342,522	1,952,758
	Ancillary borrowing costs	486,025	648,034
		1,828,547	2,600,792
	Less: Amortised during the period	1,439,727	772,245
	Balance at the end of the period	**388,820**	**1,828,547**
10	**Income from services**		
	- Export	407,539,502	248,277,557
	- Domestic	10,184,755	2,307,155
		417,724,257	**250,584,712**
11	**Other income**		
	Interest on deposits	15,307	93,292
	Interest income - Others	352	105,876
		15,659	**199,168**
12	**Employee costs and benefits**		
	Salaries, wages and allowances	130,726,345	122,619,400
	Contributions to provident and other funds	5,042,558	5,258,198
	Gratuity	493,744	1,590,871
	Employee stock compensation cost	2,222,250	-
	Staff welfare	15,364,820	19,487,699
	Recruitment and training	3,353,550	2,504,944
		157,203,267	**151,461,112**

Consolidated Financial Statements Of Allsec Technologies Limited and its subsidiary
For the nine months period ended December 31, 2004

Schedules to the Financial Statements
(All amounts are in Indian Rupees, unless otherwise stated)

	9 months Period ended December 31, 2004	15 months Period ended March 31, 2004
13 General and administration expenses		
Electricity	7,014,311	9,478,465
Rent and amenities	5,544,679	9,681,060
Rates and taxes	2,376,950	21,026
Repairs and maintenance		
- Plant and machinery	7,650,154	6,315,221
- Others	2,840,031	5,148,256
Insurance	681,055	1,141,000
Professional and consultancy charges	14,385,287	2,792,398
Travel and conveyance	5,977,987	9,331,799
Telephone	1,712,948	2,742,550
Loss on sale of fixed asset	-	131,950
Foreign exchange fluctuation, net	4,308,269	1,010,144
Miscellaneous expenses	3,062,946	5,017,242
	55,554,617	**52,811,111**
14 Selling expenses		
Selling commission	2,500,060	104,015
Other selling expenses	942,025	1,533,619
	3,442,085	**1,637,634**
15 Finance charges		
Interest		
- on term loans	7,147,038	10,668,997
- others	3,730,575	3,715,973
Bank charges	580,177	604,977
	11,457,790	**14,989,947**

Consolidated Financial Statements Of Allsec Technologies Limited and its subsidiary
For the nine months period ended December 31, 2004
Statement of Consolidated Cash Flows
(All amounts are in Indian Rupees, unless otherwise stated)

		April 1, 2004 to December 31, 2004	Jan 1, 2003 to March 31, 2004 (Refer Note 16.14)
A.	**Cash flow from operating activities:**		
	Net (loss)/profit before tax	82,223,838	(172,792,227)
	Adjustments for:		
	Depreciation	30,429,906	49,269,191
	Amortisation of employee compensation cost	2,222,250	-
	Interest expense	11,457,790	14,989,947
	Interest income	(15,659)	(199,168)
	(Profit)/Loss on fixed assets sold	-	131,950
	Deferred revenue expenditure written off	1,439,727	772,245
	Unrealised foreign exchange (gain) /loss, net	2,836,820	(838,830)
	Operating profit/ (loss) before working capital changes	**130,594,672**	**(108,666,892)**
	Adjustments for changes in working capital :		
	- (Increase)/Decrease in sundry debtors	(24,357,502)	(15,187,710)
	- (Increase)/Decrease in other receivables	4,625,049	(2,208,759)
	- Increase/(Decrease) in trade and other payables	(42,527,700)	86,675,816
	Cash generated from/ (used in) operations	**68,334,519**	**(39,387,545)**
	- Taxes (paid) / received	371,297	(584,416)
	Net cash from/ (used in) operating activities	**68,705,816**	**(39,971,961)**
B.	**Cash flow from investing activities:**		
	Purchase of fixed assets (Refer note 1)	(16,520,261)	(19,283,643)
	Proceeds from sale of fixed assets	-	420,048
	Interest received	97,961	84,186
	Net cash from/ (used in) investing activities	**(16,422,300)**	**(18,779,409)**
C.	**Cash flow from financing activities:**		
	Proceeds from/ (repayments of) borrowings, net	(22,728,149)	67,860,312
	Interest paid	(11,315,199)	(15,061,837)
	Dividend paid	-	(84,498)
	Net cash from/ (used in) financing activities	**(34,043,348)**	**52,713,977**
	Net Increase/(Decrease) in cash and cash equivalents	18,240,168	(6,037,393)
	Opening cash and cash equivalents	5,133,138	11,170,532
	Closing cash and cash equivalents*	23,373,306	5,133,138
	* Includes restricted cash balances	3,578,242	918,750

Note :

1) Purchase of fixed assets includes the payment made for items in capital work in progress and advances for purchase of fixed assets. Adjustments for increase/ decrease in current liabilities related to acquisition of fixed assets to the extent identified have been made.

As per our report of even date

S.R.Batliboi & Associates
Chartered Accountants

per Mahendra Jain
Partner
Membership No: 205839

Place: Chennai
Date : January 31, 2005

For and on behalf of the Board of Directors

A Saravanan
Director

R Jagadish
Director

K Madhusoothanan
Company Secretary

Place: Chennai
Date : January 31, 2005

16. Notes to accounts

16.1 Background

Allsec Technologies Limited ('Allsec' or the 'Company'), promoted by Mr. A. Saravanan and Mr. R. Jagadish was incorporated at Chennai for providing IT enabled services on August 24, 1998 as a limited company under the Companies Act, 1956. Allsectech Inc. *(Allsectech)* was incorporated as a wholly owned subsidiary of the company on September 14, 2000 in the State of Delaware, United States of America.

Allsec, along with its subsidiary, Allsectech hereinafter collectively referred to as 'the Group'.

16.2 Operations

Allsec is engaged in the business of providing services which include data verification, processing of orders received through telephone calls, telemarketing, monitoring quality of calls of other call centers, customer services and HR and payroll processing for domestic companies.

Allsectech is engaged primarily in the business of providing marketing support services to Allsec.

16.3. Summary of significant accounting policies

(a) Basis of presentation and consolidation of financial statements

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and to comply in all material respects with the mandatory accounting standards issued by the Institute of Chartered Accountants of India to reflect the financial position and the results of operations of Allsec together with its subsidiary company, Allsectech Inc. Further, the financial statements are presented in the general format specified in Schedule VI to the Companies Act, 1956 ('the Act'). However, as these financial statements are not statutory financial statements, full compliance with the above Act are not required and so they do not reflect all the disclosure requirements of the Act.

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the balance sheet, statement of profit and loss and cash flows of Allsec and Allsectech as at December 31, 2004.

All material inter-company transactions and balances between the entities included in the consolidated financial statements have been eliminated.

The significant accounting policies adopted by the Group in respect of the consolidated financial statements are detailed as follows:

(b) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses where applicable. Cost comprises purchase price and all direct / indirect costs incurred to bring the asset to its working condition for its intended use.

(c) Depreciation

Depreciation is provided using the straight line method in the manner specified in Schedule XIV to the Companies Act, 1956, at the rates prescribed therein or at the rates based on management's estimate of the useful lives of such assets, whichever is higher, as follows:

Asset Description	Percentage
Plant and machinery	4.75 - 16.21
Software	25
Furniture and fittings	6.33
Vehicles	9.5

Leasehold improvements are amortised over the shorter of their estimated useful lives or the remainder of primary lease period. Assets individually costing Rs. 5000/- or less are fully depreciated in the year of purchase.

The assets of the subsidiary amounting to Rs. 10 million (4% of the total group assets) are depreciated using straight line method over its estimated useful life of 3 years for computers and accessories and five years for other equipments.

(d) Revenue recognition

Income from IT enabled services is derived from both time based and unit priced contracts. Revenue is recognized as the related services are performed in accordance with the specific terms of the contract with the customer. Interest income is recognized using the time proportion method.

Unbilled revenue represents accrual of income relating to services provided but not billed until subsequent period.

(e) Retirement benefits

Retirement benefit in the form of provident fund is charged to the profit and loss account of the year when the contribution is due.

Gratuity liability is accrued and provided for on the basis of actuarial valuation made at the end of each financial year. Gratuity is an unfunded liability.

Liability on account of leave encashment is determined and provided on the basis of estimated total liability for eligible employees.

(f) Taxation

Provision for current income tax is made on the assessable income at the tax rate applicable to the relevant assessment year. Deferred income taxes are recognized for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits.

(g) Foreign currency transactions/translations

Transactions

The Company has adopted Accounting Standard (AS)-11(Revised 2003) *"The effects of changes in foreign exchange rates"* with effect from April 1, 2004. Accordingly, transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. At the year-end, monetary items are converted into rupee equivalents at the year-end exchange rates. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

All exchange differences arising on settlement/conversion of foreign currency transactions are included in the profit and loss account, except in cases where they relate to the acquisition of fixed assets, in which case they are adjusted in the cost of the corresponding asset.

Translations

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the company itself.

The resulting difference on account of translations is recorded in the profit and loss account.

(h) Deferred revenue expenditure

Unamortized deferred revenue expenditure comprising ancillary borrowing costs are amortized over six years, being the primary term of the borrowing.

(i) Earnings per share ("EPS")

The earnings considered in ascertaining the Group's earnings per share comprise of the net profit after tax. The number of shares used in computing the basic earnings per share is the weighted average number of shares outstanding during the period/year. The number of shares used in computing diluted earnings per share comprises the weighted average share considered for deriving basic earnings per share, and also the weighted average number of shares, if any which would have been issued on the conversion of all dilutive potential equity shares.

(j) Deferred employee stock compensation expenses

Deferred employee stock compensation expense for employee stock options is recognised on the basis of generally accepted accounting principles and is measured as the excess of the fair value of the options on the date of grant over its exercise price. Compensation expense is recognised on a straight line method over the vesting period.

(k) Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income.

Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense over the lease term.

16.4. Share capital

Equity capital

As per the terms of the borrowing agreement entered into with the Industrial Development Bank of India (IDBI), IDBI has the option to convert its outstanding loan balance into equity shares of the Company, in the event of a default in repayment of 3 consecutive installments of principal amount of the outstanding loan or interest thereon or any combination thereof (default event), at any time during the term of the loan subject to a maximum of 40% paid up capital of the Company at the time of conversion. As at December 31, 2004 there was no occurrence of the default event requiring the exercise of the conversion option.

Compulsorily convertible preference share capital (CCPS)

During the year 2002, the Company raised additional capital through the issue of CCPS to Kotak Mahindra Venture Capital Fund and Euronet – a Mauritius based venture capital fund. Preference dividend on CCPS is cumulative and is payable at the rate of 0.1% per annum.

Consequent to the proposed initial public offer of the Company's shares, the holders of the CCPS and the Company have agreed to convert the all outstanding CCPS into 1,668,092 equity shares (face value Rs. 10 per share) at Rs. 29.61 per share and 2,117,317 (face value Rs. 10 per share) equity shares at Rs. 39.59 per share to Kotak Mahindra Venture Capital Fund and Euronet respectively. The holders of the CCPS have also waived the arrears of preference dividend. The Board of Directors at their meeting held on January 14, 2005 passed a resolution for allotting equity shares by the conversion of compulsorily convertible preference share capital.

Option on unissued share capital

The Company entered into an agreement on December 10, 2003, with one of its customers, Compu Credit Corporation U.S.A ("the subscriber") granting an option to the subscriber to subscribe to a certain number of shares at a price as determined by the terms of the agreement. The agreement was revised thereafter and provides for the subscriber to subscribe to a maximum of 684,362 equity shares at a price of Rs 51.65 per share.

Subsequent to the balance sheet date, the subscriber has exercised his option in full and the shareholders at the Extraordinary General Meeting ('EGM') of the Company held on January 14, 2005, approved to issue 684,362 equity shares at a price of Rs. 51.65 per share to the subscriber on the basis as stated above.

Employee Stock Option Plan (ESOP)

The Shareholders at the Extra Ordinary General Meeting held on May 6, 2004 have approved an Employee Stock Option Plan (ESOP) which provides for an issue of 550,000 options to the employees. Consequently, the compensation committee on July 1, 2004 has granted 286,500 options to its employees at an exercise price of Rs.10 per share. Subsequent to the balance sheet date, on January 14, 2005, further 13,500 options have been granted to the employees.

Effective April 1, 2004, the Company has adopted the (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 issued by Securities and Exchange Board of India, and has recorded a compensation expense using the fair value method as set out in these guidelines. The options outstanding and the assumptions used in determining fair value are provided below:

Particulars	December 31, 2004
Options outstanding, beginning of period	—
Granted during the period	286,500
Exercised during the period	—
Forfeited	33,700
Expected forfeiture	37,920
Number of options expected to be exercised	**214,880**
Risk free interest rate	**6%**
Expected life	**2 Years**
Expected attrition	**15%**
Expected dividend	**Nil**
Price of the underlying share at the time of option grant*	**Rs. 38.50**

* - The fair value of the option is assumed to closely approximate the fair value of equity shares at or near the grant date in an independent transaction for the sale of the Company's shares.

16.5 Secured loans

a. Term loans from banks are secured by:

1. Paripassu charge on the entire receivables of the Company
2. Paripassu charge on the entire Fixed Assets of the Company (both existing and proposed) with IDBI
3. Personal guarantee given by two directors of the Company

b. Term loan from a financial institution is secured by:

1. Hypothecation of all the movable assets both present and future of the Company.
2. Personal guarantee given by two directors of the Company.

c. Bank overdraft is secured by Paripassu charge on the entire receivables and fixed assets of the Company, with IDBI.

d. Hire purchase loans are secured by hypothecation of the respective assets acquired.

16.6 Income tax

The Company is a 100% Export Oriented Unit (EOU) registered with the Software Technology Parks of India (STPI). The Company enjoys a tax holiday under Section 10A of the Income Tax Act, 1961 for a period of 10 years commencing from the fiscal year 2000.

16.7 Unbilled revenue

Unbilled revenue represents accrual of income relating to services provided but not billed until subsequent period. There was no unbilled revenue as of December 31, 2004.

16.8 Segment reporting

The Company's operations predominantly relate to IT enabled services and accordingly this is the only primary reportable segment. The Company does not have geographical segment, since more than 90% of its income is derived from services provided to the United States of America.

16.9 Related party transactions

1. Names of related parties

Relationship	Name of the party
Associates	Allsec Financials Limited Allsec Securities Limited Allsec Technosoft Limited Allsec Agencies Private Limited Allsec Stocks Private Limited Delpak Industries Limited Alltex Clothing Private Limited Alliance Credit Management Private Limited S.J. Associates
Key management personnel	Whole time directors: A. Saravanan R. Jagadish

2. There were no transactions with any of the associates during the period.

3. Related party transactions with

Directors

Particulars	December 31, 2004	March 31, 2004
Salaries	4,464,000	4,440,000
Perquisites	36,000	60,000

16.10 Lease commitments

Financial Lease

Particulars	December 31, 2004	March 31, 2004
<u>Not later than one year</u>		
Minimum lease payments	1,114,754	747,867
Less: Finance Charges	177,223	174,339
Present value	937,531	573,528
<u>Later than one year but not later than five year</u>		
Minimum lease payments	2,061,918	1,958,995
Less: Finance Charges	154,456	228,227
Present value	1,907,462	1,730,768
<u>Later than five years</u>		
Minimum lease payments	Nil	Nil
Less: Finance Charges	Nil	Nil
Present value	Nil	Nil

Operating lease

Office premises in India are obtained under operating lease. Lease rentals incurred during the period Rs. 5,510,394 (prior period – Rs. 8,974,495), have been charged as an expense in the profit and loss account.

The future lease rentals payable in respect of the above lease are as follows:

Particulars	As at December 31, 2004	As at March 31, 2004
Upto 1 year	7,449,629	6,695,220
1 to 5 years	28,385,729	28,713,287
Beyond 5 years	**9,792,000**	15,300,000

Office premises in the US are obtained under an operating lease. Lease rentals paid during the period Rs. 34,285 (prior period – Rs. 706,565), have been charged as an expense in the profit and loss account.

16.11. Contingencies

Particulars	December 31, 2004	March 31, 2004
Arrears of preference dividend	—*	166,351

*- The arrears of preference dividend have been waived by the holders of CCPS.

16.12. Earning per share

Particulars	December 31, 2004	March 31, 2004
Net profit/ (loss) as per profit and loss account	87,035,266	(169,655,621)
Less: Arrears of preference dividend, including tax	—	183,184
Net profit/ (loss) for calculation of basic and diluted EPS	87,035,266	(169,838,805)
Weighted average number of basic equity shares outstanding during the period/ year	4,355,070	4,355,070
Add: Diluted potential equity shares	3,977,104	—
Number of weighted average equity shares for calculation of diluted EPS	8,332,174	4,355,070

16.13. Deferred taxes

The Accounting Standard 22 “Accounting for Taxes on Income” issued by the Institute of Chartered Accountants of India was applicable to the Company for the first time in respect of the financial statements as at and for the fifteen months period ended March 31, 2004. The application of the standard resulted in a net deferred tax asset of Rs. 8,698,149 as at that date primarily attributable to tax depreciation available to the Company subsequent to the tax holiday period. The Company however, did not record the deferred tax asset as at that date since, in the opinion of the management, there was no reasonable certainty that sufficient taxable profits would be available subsequent to the tax holiday period to absorb the deferred taxes.

On the basis of the results of operations for the nine months period ended December 31, 2004 and the estimates of future growth and profitability, management is of the opinion that there is reasonable certainty that the Company would have sufficient taxable profits subsequent to the tax holiday period to absorb the deferred taxes.

Accordingly, management has reassessed its deferred tax assets and liabilities as at December 31, 2004 resulting in a net deferred tax liability of Rs. 196,322 relating to additions to fixed assets made for the period from April 1, 2004 to December 31, 2004 and net deferred tax asset of Rs. 8,698,149 relating to additions to fixed assets made prior to April 1, 2004 have been adjusted to the profit and loss account.

16.14. Prior period comparatives

This is the first time that the Company has prepared and presented financial statements for the nine months period ended December 31, 2004, accordingly no comparatives are provided for the prior period. The management believes that it is impracticable to generate the financial statements of the preceding period, as necessary cut off were not taken as at December 31, 2003 and for the nine months then ended. However, comparatives for the period ended March 31, 2004 have been provided by the management and have been reclassified, where necessary, to conform to the current period classification.

S.R.Batliboi & Associates
Chartered Accountants
per Mahendra Jain
Partner
Membership No: 205839

Place: Chennai
Date: January 31, 2005

For and on behalf of the Board of Directors

R. Jagadish	A. Saravanan	K. Madhusoothanan
Director	Director	Company Secretary

REGULATIONS AND POLICIES

Companies in the business process outsourcing ("BPO") industry in India are subject to various regulations and policies. We are also required to comply with certain legal formalities in the jurisdictions in which our clients operate. We are a BPO service provider located in India, with a majority of our clients situated in the United States of America.

Regulatory Regime in India

A large portion of the BPO sector in India is regulated under the terms of the Software Technology Parks Scheme, which permits the establishment of units engaged in information technology enabled products and services (ITES). Several State governments have also enacted specific legislations in this regard, including by way of various incentives to investors to set up ITES units within the respective state.

Unlike in the US, there is no law regulating telemarketing in India. However, a public interest litigation has been filed recently in the Supreme Court of India seeking a law to ban 'uncalled for' telemarketing calls. The petitioners have termed telemarketing as an invasion of privacy. Our Company is presently not involved in telemarketing activities in India.

Software Technology Parks Scheme ("STP Scheme")

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

Whilst activities falling within the information technology (IT) sector have not been defined by the Foreign Investment Promotion Board (FIPB), certain activities under ITES have been notified vide a circular dated September 26, 2000 issued by the Central Board of Direct Taxes (CBDT). The ITES activities which fall under the scope of the said circular includes, (i) Back-Office Operations (ii) Call Centres (iii) Content Development or Animation (iv) Data Processing (v) Engineering and Design (vi) Geographic Information System Services (vii) Human Resources Services (viii) Insurance Claim Processing (ix) Legal Databases (x) Medical Transcription (xi) Payroll (xii) Remote Maintenance (xiii) Revenue Accounting (xiv) Support Centres and (xv) Web-site Services.

Setting up a STP Unit

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

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

(a) manufacturing consent from the relevant customs department;

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

(c) registration under the Tamil Nadu Shops and Establishments Act, 1947; and

(d) registration as an 'Other Service Provider' with the Department of Telecommunications to provide call centre services.

Benefits under the STP Scheme

The salient features of the benefits available to a unit under the STP Scheme are:

1. All imports of hardware and software are duty free. The import of second hand goods is permitted and the re-export of capital goods is also permitted. Further, domestic purchases by the unit are eligible for the benefit of deemed exports to the equipment suppliers;
2. Sales in the domestic tariff area (DTA) are permissible up to 50% of the export in value terms;
3. No corporate income tax is payable till the year 2010;
4. The capital goods purchased from the DTA are entitled to benefits relating to the levy of excise duty and the reimbursement of central sales tax;

5. Capital invested by foreign entrepreneurs, know-how fees, royalties and dividend can freely be repatriated after payment of income taxes due on them, if any;
6. The income of these STP units can also be invested in principal companies overseas;
7. The unit is entitled to a Green Card for priority treatment for Government clearances and other services;
8. Depreciation on capital goods can be availed of above 90% over a period of five years and also the accelerated rate of 7% per quarter during the first two years subject to an overall limit of 70% in the first three years; and
9. An STP unit can import all types of goods (including capital goods) without the payment of duty for its activities or in connection therewith provided that such goods are not prohibited items of import.

State specific benefits

In addition to the benefits offered to an ITES company under the STP Scheme, certain benefits are also available under the relevant state legislation/regulations. These benefits include rebates/waivers in relation to payments for transfer of property and registration (including for purchase/lease of premises), waiver of conversion fee for land, entry tax exemptions, labour law relaxations, exemption from state pollution control requirements and commercial usage of electricity.

The State Government of Tamil Nadu has offered certain benefits to IT companies. In this behalf, the Tamil Nadu government issued an Information Technology Policy (IT Policy) in 2002, which is applicable to the ITES/BPO sectors in the state. Some of the salient features of this IT Policy are summarised below:

1. Capital subsidy as applicable to electronics industries at 20% of fixed assets subject to a maximum of Rs. 20.0 lakhs will be available for all IT companies, irrespective of their location in the State.
2. New units (small, medium or major) where more than 40% of the total workers employed are women shall be eligible for an additional capital subsidy of 5% of investment in fixed assets, subject to a ceiling of Rs.10 lakhs.
3. 50% exemption of the stamp duty and the registration fee will be given at the time of purchase of land or building for IT companies. This will be conditional to the concerned company putting up the facilities to commence the operations within twelve months from the date of the transaction.
4. There will be no locational restrictions for setting up units exclusively engaged in software development or training.
5. All software industries, including services and training institutions will be entitled to ‘Industry’ status and eligible for all concessions and incentives applicable to Industries.
6. Continuous power supply for low tension units as per LT Tariff III-C and for High Tension units as per HT Tariff I-A shall be provided to IT companies while ensuring the quality of power as required by the industry.
7. All software companies will be exempted from the purview of Tamil Nadu Pollution Control Board.
8. In addition to the exemption already given from Chapter II of the Tamil Nadu Shops and Establishments Act, 1947. Further exemption from the provisions of Chapter III of the Tamil Nadu Shops and Establishments Act, 1947 covering sections 12 to 16 will be granted for IT companies.
9. The Tamil Nadu Industrial Establishments (National and Festival Holidays) Act, 1959 is applicable to IT companies. Under Rule 6A of the National and Festival Holidays Rules 1959, if companies require their employees to work on a national or festival holiday, they have to send a notice in Form 6A to the Inspector having jurisdiction over the area in which the company is situated. IT companies will be exempted from the provisions of Rule 6A and Rule 7 of the Tamil Nadu Industrial Establishments (National and Festival Holidays) Rules 1959.
10. IT companies will be permitted to self certify indicating that they are compliant with and maintaining the registers and forms under the:
    - Tamil Nadu Shops and Establishments Act, 1947;
    - Payment of Wages Act, 1936;
    - Minimum Wages Act, 1948;
    - Workmen Compensation Act, 1923;
    - Contract Labour (Regulation and Abolition) Act, 1970;

- Employees State Insurance Act, 1948;
- Employment Exchanges Compulsory Notification of Vacancies Act, 1959;
- Payment of Gratuity Act, 1972; and
- Equal Remuneration Act, 1976.

11. The Motor Vehicles Act, 1988 has been amended to enable IT companies to make use of hired privately owned omnibuses to transport their employees between their residences and work place.

Foreign Investment

Foreign investment in India is regulated by the Foreign Exchange Management Act, 1999 (FEMA), the regulations framed by the Reserve Bank of India (RBI) and policy guidelines issued by the Ministry of Industry (through various Press Notes issued from time to time). Foreign investment in IT companies is under the automatic route (i.e. prior approval of the Foreign Investment Promotion Board (FIPB) is not required).

Foreign investment by way of subscription to equity shares in the ITES sector currently does not require the prior approval of the RBI (vide Press Note 8 of 2000) or the FIPB, except for a post subscription filing with the RBI in Form FC-GPR within 30 days from the issue of shares by the company. The Government of India has indicated that in all cases where foreign direct investment is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment.

Transfers of equity shares previously required the prior approval of the FIPB. However, vide a circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the foreign direct investment (FDI) Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

Labour laws

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

Workmen have been provided several benefits and are protected under various labour legislations, whilst those persons who have not been classified as workmen are afforded no statutory benefits or protection, except in relation to bonus, provident fund and gratuity. Employees are usually subject to the terms of their employment contracts with their employer, which contracts are regulated by the provisions of the Indian Contract Act, 1872.

The conditions of service of employees of BPO companies are regulated by the relevant shops and establishments law in which the BPO unit is situated. The Tamil Nadu Shops and Establishment Act, 1947, *inter alia,* determines the working hours, overtime payable, the leave policy, weekly holidays, sick leave benefit and maternity benefits.

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

Regulatory Regime in USA

Companies engaged in providing BPO services to end customers located in the United States have to comply with a wide range of laws and regulations. In particular, they have to comply with US laws that govern telemarketing, debt collection practices, credit reporting and the use of non-public information.

Telemarketing Regulations

Outbound sales services are subject to numerous federal and state laws and regulations. In 2003, the United States Federal Trade Commission and the United States Federal Communications Commission established the national do-not-call registry, a list containing the personal telephone numbers of telephone subscribers who have voluntarily indicated that they do not wish to receive unsolicited calls from commercial telemarketers. Commercial telemarketers are generally prohibited from calling telephone numbers that have been placed on the do-not-call registry and failure to comply could result in fines and injunctions. Over 55 million telephone numbers have been registered on the national do-not-call registry and more telephone subscribers may register. In addition to the do-not-call registry, many states have adopted, and other states are considering adopting, statutes or regulations that specifically affect telemarketing activities. Several states require registration of commercial telemarketers. These registrations ordinarily only exempt those telemarketing service providers which have been in business for a certain period of time under the same name and provide 75% or more of their services to otherwise exempt entities.

The Federal Trade Commission's Telemarketing Sales Rule sets forth a number of limitations and restrictions on the ability to make outbound calls on behalf of clients and engage in "up-selling" on inbound calls. The Federal Communication Commission's Rules and Regulations implementing the Telephone Consumer Protection Act of 1991, which governs the use of certain automated calling technology, may also apply.

Debt Collection Services

The Fair Debt Collection Practices Act, establishes specific guidelines and procedures that debt collectors must follow in communicating with consumer debtors, including the time, place and manner of such communications. The statute places restrictions on communications with third parties in connection with the collection of any consumer debt. Companies providing BPO services in specific will also have to comply with applicable state debt collection practices laws. Many states require a debt collector to maintain a license to engage in debt collection activities within the state, though exemptions may be granted in certain cases to out-of-state collection agencies.

Credit Reporting

The Fair Credit Reporting Act governs services, which involve the use of consumer credit reports. Although a BPO company may not be a "consumer reporting agency" within the meaning of the Fair Credit Reporting Act, they are required to comply with certain provisions of the Fair Credit Reporting Act applicable to users of consumer reports.

Privacy Laws

In addition to the above, there are various federal and state privacy laws in the United States that could limit the ability of customers to provide information to a company providing BPO services or such company's ability to use this information. For example, the Gramm-Leach-Bliley Act imposes restrictions on the use and disclosure of non-public information about consumers received or obtained by financial institutions. In addition, some states have adopted laws applicable to the privacy of consumer information.

Regulations governing email communication

Federal and state legislatures are considering or have enacted various laws governing email communications. While most of these laws concern unauthorized emails known as "spam" and may not apply to a company providing BPO services, they may affect the use of email by such companies to conduct marketing activities.

Data Protection

India has currently not enacted any legislation in relation to data protection. A committee has been set up to examine the need for a data protection legislation in India. The recommendations of the Committee have not yet been made public.

European Union

Unlike in India, there exists a well defined legal regime for data protection in Europe.

The European Union has issued Directive 95/46/EC which specifically applies to *'any operation or set of operations which is performed upon personal data,'* called 'processing' of data. Such operations include the collection of personal data, its storage, and disclosure. The Directive applies to both data processed by automated means (e.g. a computer database of customers) and to data that is a part of or intended to be part of non automated 'filing systems' in which they are accessible according to specific criteria.

In addition, there is a separate Directive (97/66/EC) that deals specifically with the protection of privacy in telecommunications. This Directive states that Member States must guarantee the confidentiality of communication through national regulations. Further, Regulation (EC) 45/2001 of the European Parliament and of the Council of 18. December 2000 deals with the protection of individuals with regard to the processing of personal data by community institutions and bodies and on the free movement of such data.

United Kingdom

In order to comply with the Directives of the European Union, the United Kingdom has enacted the Data Protection Act, 1998, which regulates the processing of information relating to individuals, including the obtaining, holding, use or disclosure of such information.

United States of America

The United States relies on broad self-regulation and targeted sectoral legislation to provide consumers with data privacy protection. The US Department of Commerce on November 1, 2003, implemented a voluntary scheme of self-certification for US organizations, known as the Safe Harbor scheme. The concept of ‘Safe Harbor’ envisions that organizations could come within the safe harbor by self-certifying that they adhere to these privacy principles.

The First and Fourth Amendments of the US Constitution, tort law and consumer protection laws also grant limited privacy rights. Several State and Federal consumer protection laws provide protection to children, medical and financial records. The Gramm-Leach-Bliley Act, 1999 protects against pre-texting and sets limitations on data sharing for banks, insurance, and brokerage companies. In addition, the Privacy Act of 1974 states that no federal agency may disclose information without the consent of the person. Data collection agencies must also meet certain requirements for protecting the information.

GOVERNMENT APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any Government authority or RBI are required to continue those activities.

(I) Allsec Technologies Limited

A. Government approvals applied for and received

I. STPI, related approvals

1. Letter (bearing Ref. No. STPIC/G315/99-2000/2643) dated March 10, 2000 and Agreement for Software Technology Park (STP) dated March 13, 2000 issued by the Director, Software Technology Parks of India (STPI), Chennai approving the setting up of a 100% Export Oriented Unit (EOU) at 8/1, Sundaram Salai, R.A.Puram, Chennai 600 028 under the STP scheme for import of capital goods, raw materials, spares and consumables, etc free of import duty for data and call centre services for export through satellite data link. Renewal of the above units upto March 12, 2010 vide letter (bearing Ref No. STPIC/IMSC/2004-05/1330) issued by the Director, STPI, Chennai.
2. Approval (bearing Ref. No. STPIC/G315/2001-02/1541) dated August 4, 2001 issued by Director, STPI, Chennai to Allsec Technologies Limited for bonding of warehouse extension facility at TNPL Building, 39, Mount Road, Guindy, Chennai 600 032 for STP operations.
3. Approval (bearing Ref. No. STPIC/G315/2001-02/2549) dated December 11, 2001 issued by Director, STPI, Chennai to Allsec Technologies Limited for bonding of warehouse extension facility at No. 8/2, Sundaram Salai, R.A.Puram, Chennai 600 028 for STP operations.
4. Approval (bearing Ref. No. STPIC/G315/2002-03/120) dated April 26, 2002 issued by Director, STPI, Chennai to Allsec Technologies Limited for bonding of warehouse extension facility at No. 46-B, Velachery Main Road, Velachery, Chennai 600 042 for STP operations.
5. Approval (bearing Ref. No. STPIC/Expan/10032005/0001/7248/1384) dated March 10, 2005 issued by Director, STPI, Chennai to Allsec Technologies Limited for bonding of warehouse extension facility at Ground, First, Second, Third and Fourth Floor, No. 46-C, Velachery Main road, Velachery, Chennai 600 042 for STP operations.
6. Renewal of Green Card No. MIT/STPI-C/99/1532 dated March 20, 2000 up to March 12, 2010 vide letter (bearing Ref. No. STPIC/G315/2004-05/1353) dated March 4, 2005 issued to Allsec Technologies Limited.
7. Amended Certificate of Importer-Exporter Code (IEC) dated September 27, 2002 issued by Director, STPI, New Delhi to Allsec Technologies Limited for IEC Number 5199003224.
8. Bonded Warehouse License (No. E 209) dated December 17, 2002 granted by the Deputy Commissioner of Customs (Bonds) for four separate facilities of Allsec Technologies Limited, renewed up to March 12, 2010.
9. In Bond Manufacturing Sanction Order dated December 17, 2002 granted by the Deputy Commissioner of Customs (Bonds) for four separate facilities of Allsec Technologies Limited, renewed up to March 12, 2010.
10. B-17 Bond dated June 23, 2004 and valid till June 5, 2007 for four separate facilities of Allsec Technologies Limited, renewed up to June 24, 2005, for an amount of Rs. 20,20,00,000 (Rupees Twenty Crores Twenty Lakhs only) by way of Bank Guarantee no. BG 0389 dated June 6, 2002 issued by Canara Bank, Chennai for Rs. 25,25,000 (Rupees Twenty Five Lakhs Twenty Five Thousand only).
11. Permission granted to Allsec Technologies Limited by the Department of Telecommunications vide letter (bearing Registration No. 10-73/2001-OSP) dated August 21, 2002, to set up an international call centre at Chennai (Call Centre 1 at 8/1, Sundaram Salai, R.A.Puram, Chennai 600 028 with Extension/Remote Call Centre at TNPL Building, 39, Mount Road, Guindy, Chennai 600 032 and Call Centre 2 at 46-B, Velachery Main Road, Velachery, Chennai 600 042) under the Other Service Provider (OSP) category with foreign end at USA (Collocation 1 at River Oaks Pkwy, San Jose, CA, USA and Collocation 2 at Harbourside Financial Centre, Jersey City, New Jersey, USA) on 10Mbps International Private Leased Circuits (IPLC) (voice and data) from the authorized International Long Distance Provider (ILD), including for load balancing and redundancy. This permission is valid for 20 years.

II. RBI approvals

1. Letter (bearing Approval No. MAWRN20000332) dated September 7, 2000 issued by the RBI to Allsec Technologies Limited in relation to direct investment in a wholly owned subsidiary in USA for software development/services and web enabled services involving total equity investment of US$ 65,000/-.

2. Form ODA dated July 3, 2002 filed by Allsec Technologies Limited in relation to enhancement of equity in existing wholly owned subsidiary engaged in IT enabled services (data and call centre) by way of investment of US$ 400,000.

3. Form FC-GPR dated May 14, 2002 filed with RBI, Chennai on behalf of Allsec Technologies Limited in relation to investment from Euronet towards the first tranche of subscription to 17,500 Equity Shares and 4,19,125 cumulative convertible preference shares 0.1% aggregating Rs. 4,24,37,500.

4. Form FC-GPR dated June 21, 2002 filed with RBI, Chennai on behalf of Allsec Technologies Limited in relation to investment from Euronet towards the second tranche of subscription to 17,500 Equity Shares and 4,19,125 cumulative convertible preference shares 0.1% aggregating Rs. 4,24,37,500.

III. Telemarketing, debt collection licenses etc.

Allsectech, Inc. maintains the required telemarketing licenses and / or registrations in the following jurisdictions in the United States of America:

(i) Colorado

(ii) Idaho

(iii) South Dakota (Do-Not-Call)

(iv) Tennessee (Do-Not-Call)

(v) Vermont

(vi) Washington

(vii) Wyoming

IV. Miscellaneous

1. Certificate of Registration (bearing CST No. 725518/20.4.2000) dated April 25, 2000 issued by the Commercial Tax Officer in the name of Allsec Technologies Limited as a dealer under the Central Sales Tax Act, 1956 for the resale of computer software under 100% Export Oriented Unit. This license is valid until cancelled.

2. Certificate of Registration (bearing TNGST No. 086/812/2000-2001) dated April 25, 2000 issued by the Commercial Tax Officer in the name of Allsec Technologies Limited stating that the dealer has no additional place of business. This license is valid until March 31, 2005.

3. Letter (bearing No. E2/TN/49233/Enf/Regl./2000) dated October 19, 2000 issued by the Assistant Provident Fund Commissioner, Tamil Nadu addressed to Allsec Technologies Limited granting Code No. TN/49233 for the purpose of compliance with the provisions of the E.P.F and Misc. Provisions Act, 1952.

4. Letter (bearing Code No. 51/76935/66) dated December 8, 2000 issued by the Regional Director, Employees' State Insurance Corporation, Chennai and addressed to Allsec Technologies Limited allotting Code No. 51/76935-66 in relation to implementation of the ESI Act, 1948.

5. Agreement dated October 5, 2002 between the Company and Tamil Nadu Electricity Board for the supply of up to 300KVA at H.T. for the purpose of light and power at its I.T. enabled call centre at 46/B, Velachery Main Road, Velachery, Chennai 600 042 pursuant to the letter No. SE/CEDC/S/DEV/AE/FDOC/D/1101 dated September 11, 2002 issued by the Tamil Nadu Electricity Board in this regard. This agreement shall remain in force for a period 5 years until terminated by either party.

6. Letter dated January 29, 2003 issued by the Corporation of Chennai addressed to Allsec Technologies Limited assigning a Profession Tax New Assessment Number (PTNAN) being 10-153-PE-0073.

7. Fire Service License (No. 0869/A1/04) dated January 29, 2004 has been issued to Allsec Technologies Limited and is valid for 1 year from the date of issue.

8. Certificate of Registration (No. BAS/CH-IV/31/STC) dated February 13, 2004 and issued by the Superintendent of Central Excise to Allsec Technologies Limited located at 46B, Velachery Main Road, Velachery, Chennai 600 042 for payment of service tax on the services of 'Business Auxiliary Services'.

V. We have made applications for renewal of the following approvals:

Nil

B. Government approvals applied for but not yet received

1. The Company has applied for an application to extend the existing registration of international call centre (BPO) to the New Facility located at 46C, Velachery Main Road, Velachery, Chennai 600 042 and which is intended to be connected with the other call centres of the Company. In this behalf, the Company has also sought an amendment in interconnection of all the call centres.

C. Government approvals applied for but rejected

Nil

D. Government approvals not yet applied for

Nil

(II) Allsectech, Inc. USA

A. Government approvals applied for and received

I. General

1. Business License (No. 2004210321) issued by the Director of Revenue, State of Delaware to Allsectech, Inc.,
2. Letter dated November 3, 2003 issued by the Department of Treasury, Internal Revenue Service to Allsectech, Inc. assigning the Individual Taxpayer Identification Number (ITIN) being ITIN 949-76-6901.

II. Telemarketing, debt collection licenses etc.

Allsectech, Inc. maintains the required collection licenses and or registrations in the following jurisdictions in the United States of America:

(i) Alabama
(ii) Alaska
(iii) California
(iv) District of Columbia
(v) Delaware
(vi) Georgia
(vii) Florida
(viii) Indiana
(ix) Iowa
(x) Kansas
(xi) Kentucky
(xii) Louisiana
(xiii) Michigan
(xiv) Mississippi
(xv) Missouri
(xvi) Montana
(xvii) Nebraska
(xviii) New Hampshire
(xix) New York
(xx) New York City
(xxi) Ohio
(xxii) Oklahoma
(xxiii) Pennsylvania
(xxiv) Rhode Island
(xxv) South Carolina
(xxvi) South Dakota
(xxvii) Vermont
(xxviii) Virginia
(xxix) Wisconsin

III. We have made applications for renewal of the following approvals:

Nil

B. Government approvals applied for but not yet received

Nil

C. Government approvals applied for but rejected

Deputy Commissioner, Financial Institutions Division, Department of Business and Industry, State of Nevada vide letter dated June 21, 2004 rejected a Collection Agency Exemption request filed by Allsectech, Inc. because there is no provision for granting exemption or licensing to a collection agency that operates outside the United States. Pursuant to this letter, Allsectech, Inc. has filed a letter dated September 10, 2004 clarifying that Allsectech, Inc has operations in Princeton, New Jersey though none of its clients are physically located or incorporated in the state of Nevada, that there are no clients who may be incorporated in another state but operate solely from Nevada and that it contacts Nevada debtors only via interstate communications.

D. Government approvals not yet applied for

Telemarketing, debt collection licenses

The collection license applications are ready to be submitted to the appropriate jurisdictions in the United States for review once the required statutory bonds are obtained:

(i) Arkansas

(ii) City of Buffalo

(iii) Colorado

(iv) Connecticut

(v) Idaho

(vi) Illinois

(vii) Maine

(viii) Maryland

(ix) Massachusetts

(x) Minnesota

(xi) New Jersey

(xii) New Mexico

(xiii) North Dakota

(xiv) Oregon

(xv) Tennessee

(xvi) Texas

(xvii) Utah

(xviii) Washington

(xix) West Virginia

(xx) Wyoming

OUTSTANDING LITIGATION

Except as stated herein, there is no outstanding or pending litigation, suit, criminal or civil prosecution proceeding initiated for offence (irrespective of whether specified paragraph (I) if Part I of Schedule XIII of the Companies Act) or litigation for tax liabilities against the company, its Subsidiary, Promoters or Directors and there are no defaults, non payments or overdues of statutory dues, institutional or bank dues or dues towards holders of debentures, bonds and fixed deposits and arrears of preference shares, other than unclaimed liabilities of the Company or its subsidiaries and no disciplinary action has been taken by SEBI or any stock exchange against the Company, its Subsidiary, Promoters or Directors.

I. Cases involving the Company

1. *Criminal cases*

   There are no criminal cases filed by or against the Company till date.

2. *Securities cases*

   There are no securities cases filed by or against the Company till date.

3. *Statutory cases*

   There are no statutory cases filed by or against the Company till date.

4. *Civil cases*

   There are no civil cases filed by or against the Company till date.

5. *Other cases (including past cases)*

   a. The Company has defaulted in repayment of term loan instalment (including interest) due to Canara Bank of Rs. 1,812,932 for 7 days. The Company has also defaulted in repayment of 3 installments due to Industrial Development Bank of India (IDBI) of Rs. 2,395,158, Rs. 2,354,484 and Rs. 2,081,771 for 15, 19 and 88 days respectively. The Company has outstanding dues in respect of Canara Bank and IDBI amounting to Rs. 1,812,952 and Rs. 814, 063 respectively as on March 31, 2004.

   b. There was a delay in relation to remittance of income tax deducted at source (TDS) in certain cases for the 15 month ending March 31, 2004. In this regard, the Company has made a payment of Rs. 31,21,460.0, including interest and penalty for the delay, in accordance with the provisions of the Income Tax Act, 1961 and the applicable Rules. There are currently no income tax demands or claims against the Company.

   c. There has been a significant delay in relation to payment to a provident fund. Certain sums payable under the provisions of the Employee's Provident Funds Miscellaneous Provisions Act, 1952 were outstanding after payment of the estimate provident funds. In respect of provident fund, the amounts outstanding at the end of the period, for a period more than six months from the date they became payable, are as follows:

Gross total (Rs.)	Total remitted (Rs.)	Difference payable (Rs.)	Due Date	Date of payment
589,685	517,580	72,105	May 15, 2003	April 22, 2004
628,276	556,660	71,616	June 15, 2003	April 22, 2004
697,381	625,017	72,364	July 15, 2003	April 22, 2004
729,119	500,056	229,063	August 15, 2003	April 22, 2004
685,034	612,602	72,432	September 15, 2003	April 22, 2004

   There are no other cases filed by or against the Company till date.

6. *Potential cases*

   We are currently not aware of any potential disputes or claims that may be filed by or against the Company.

II. Cases involving our subsidiary

There are no cases filed by or against our Subsidiary till date.

III. Cases involving our Group Companies

1. Allsec Securities Limited (ASL)

1. ASL has filed a civil suit (No. C.S No. 700 of 1997) in the Madras High Court against Mr. G.D. Ramachandran, G.D.R. Financial Services, Seagull Securities Limited and others for the recovery of Rs. 42.82 lakhs, in relation to default in payment of outstanding money arising from their trading activities. ASL was earlier registered as a member of the National Stock Exchange of India Limited (NSE) and involved in the business of stock broking and providing services to various clients in dealing with securities. The defendants had signed a standard client agreement and were carrying out trading activities in shares through ASL. In relation to the aforesaid civil suit, the Hon'ble High Court in its order dated July 9, 2001 had passed orders rejecting the contention of the defendants to refer the matter to Arbitration. The matter has not yet been posted for hearing.

2. Allsec Securities Limited, (ASL) one of our Group Company in its capacity as a member of the NSE during the period May 1, 2000 to September 30, 2000, received a summons to appear in person before the Investigating Authority from SEBI in August 25, 2004 requiring it to assist in connection with the investigations being conducted by SEBI in the case of buying, selling or dealing in the shares of M/s Polaris Software Lab Limited. Further to this summons, ASL, which surrendered its NSE membership in March 2003, is in the process assisting SEBI in the said investigation by providing certain documents/ information available to it in its role as broker to the said transactions, which documents/information are being sought by SEBI from time to time.

There are no other cases filed by or against ASL till date.

2. Allsec Financials Limited (AFL)

AFL has filed an income tax appeal (I.T.A.No. 1895/Mds/98) with the Income Tax Appellate Tribunal, Chennai against an order dated August 27, 1998 passed by the Commissioner of Income Tax (Appeals) IV, Chennai, where expenses amounting to Rs. 8,90,314 were disallowed as expenses incurred on foreign tours. This appeal has been dismissed vide an *ex parte* order dated November 5, 2004 of the Income Tax Appellate Tribunal, Chennai. AFL proposes to challenge this *ex parte* order on the basis that notice was not served properly.

There are no other cases filed by or against AFL till date.

3. Allsec Agencies Private Limited (AAPL)

There are no cases filed by or against AAPL till date.

4. Allsec Persocom Private Limited (APPL)

There are no cases filed by or against APPL till date.

5. Allsec Technosoft Limited (ATL)

There are no cases filed by or against ATL till date.

6. Allsec Stock Private Limited (ASPL)

There are no cases filed by or against ASPL till date.

7. S.J. Associates (Partnership Firm)

There are no cases filed by or against S.J.Associates till date.

IV. Cases involving our Promoters and Directors

There are no cases filed by or against any of our Promoters or Directors till date. The Promoters or Directors have not defaulted in relation to any loan payments.

MATERIAL DEVELOPMENTS

Apart from the changes mentioned elsewhere in this Prospectus, including in the share capital as mentioned below, which have occurred since the date of the last financial statements disclosed (i.e., December 31, 2004) in this Prospectus, the Board of Directors of the Company are not aware of any circumstances that materially or adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

1. The Company has allotted 1,668,092 equity shares of Rs. 10 each at a premium of Rs. 19.61 amounting to Rs. 49,400,000 by conversion of 494,000 cumulative convertible preference shares of Rs. 100 each, vide a resolution passed by the Board of Directors at their meeting held on January 14, 2005.
2. The Company has allotted 2,117,317 equity shares of Rs. 10 each at a premium of Rs. 29.59 amounting to Rs. 83,825,000 by conversion of 838,250 cumulative convertible preference shares of Rs. 100 each, vide a resolution passed by the Board of Directors at theirmeeting held on January 14, 2005.
3. CCRT Investment Holdings B.V. invested in 684,362 Equity Shares at a price of Rs. 51.7 per share on January 31, 2005.
4. The compensation committee on January 14, 2005 and January 31, 2005 authorized the grant of 13,500 and 33,700 options respectively to eligible employees at a price of Rs. 10/- per stock option. Upon exercise, the holder of each stock option is entitled to one Equity Share.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion, and will depend on a number of factors, including but not limited to, our earnings, capital requirements and overall financial condition. We have has not paid any dividends to any of our Equity Shareholders during the last five years. However, this is not indicative of our bonus or dividend policy in the future.

OTHER REGULATORY DISCLOSURES

Stock Market Data for the Equity Shares

This being the initial public issue of the Company, the Equity Shares are not listed on any stock exchange.

Particulars Regarding Public Issues during the Last Five Years

We have not made any public issues during the last five years.

Companies Under the Same Management

There are no companies under the same management as defined under Section 370(1B) of the Companies Act.

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to the Issue and us will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of despatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In the 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 an Investor Grievance Committee on January 14, 2005 chaired by Mr. Vinod Ganjoor (Chairman), Mr. A. Saravanan, Mr. R. Jagadish and Mr. N.S. Raghuram (Alternate Director to Mr. Vinod Ganjoor) as members. We have appointed Mr. P. Swaminathan as the Compliance Officer for the Issue.

Details of Borrowings in the Company

Please refer to the section titled "Debt Obligations" on page 80 of this Prospectus for details of our borrowings as specified in Annexure XII to the report on our unconsolidated financial statements under Indian GAAP.

TERMS OF THE ISSUE

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

Authority for the Issue

The Issue has been authorised by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the extraordinary general meeting of the shareholders of the Company held on January 14, 2005. The Board of Directors has pursuant to a resolution dated January 14, 2005, authorized the Issue.

Ranking of Equity Shares

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

Face Value and Issue Price

Fresh Equity Shares with a face value of Rs. 10 each are being offered as part of the Issue at a total price of Rs. 135 per share. At any given point of time, there shall be only one denomination for the Equity Shares.

Rights of the Equity Shareholder

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

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

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/ splitting, please refer to the section titled "Main Provisions of Articles of Association of the Company" on page 182 of this Prospectus.

Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per existing SEBI DIP Guidelines, the trading of our Equity Shares shall only be in dematerialised form.

Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one Equity Share subject to a minimum allotment of 40 Equity Shares.

Jurisdiction

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

Nomination Facility to Investor

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

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

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

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

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

Application by Non Residents/NRIs/FIIs

There is no reservation for Non Residents, NRIs, FIIs and Foreign Venture Capital Funds and all Non Residents, NRI, FII and Foreign Venture Capital Fund applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the policy of the RBI, Overseas Corporate Bodies cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the “Securities Act”) or any state securities laws in the United States. Accordingly, the Equity Shares will be offered and sold in the Issue only outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur and will not be offered or sold in the United States.

ISSUE STRUCTURE

The present issue of 3,141,200 Equity Share of Rs. 10 each for cash at a premium of Rs. 125 per Equity Share aggregating a total consideration of Rs. 424.1 million is being made through a 100% book building process. Out of this, 149,600 Equity Shares are reserved for allotment to the Employees of the Company.

	Employees	QIBs	Non Institutional Bidders	Retail
Number of equity Shares[(1)]	Up to 149,600 Equity Shares	Issue size less allocation to non Institutional Investor and Retail Investor subject to a minimum of 1,495,800 Equity Shares	Minimum of 747,900 Equity Shares	Minimum of 747,900 Equity Shares
Percentage of Issue size available for allocation	Up to 4.8% of Issue size	Minimum of 50% of the Net Offer to the Public	Not more than 25% of the Net Offer to the Public or Net Offer to Public less allocation to QIBs and Retail Portion	Mot more than 25% of the Net Offer to Public or Net Offer to the Public less allocation to QIBs and Non Institutional Portion
Basis of Allocation or Allotment if respective category is oversubscribed.	Proportionate	Discretionary	Proportionate	Proportionate
Minimum Bid	40 Equity Shares and thereafter in multiples of 40 Equity Shares thereafter	Such number of Equity Shares such that the Bid Amount exceeds Rs. 50,000 and in multiples of 40 Equity Shares thereafter.	Such number of Equity Shares such that the Bid Amount exceeds Rs. 50,000 and in multiples of 40 Equity Shares thereafter	40 Equity Shares and in multiples of 40 Equity Shares thereafter
Maximum Bid	Not exceeding the size of the Issue	Not exceeding the size of the Issue, subject to applicable limits.	Not exceeding the size of the Issue	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 50,000
Allotment Mode	Compulsory in Dematerialised form	Compulsory in Dematerialised form	Compulsory in Dematerialised form	Compulsory in Dematerialised form
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Market lot/Bidding lot	40 Equity Shares	40 Equity Shares	40 Equity Shares	40 Equity Shares
Who can Apply	Employee as on cut-off date i.e.February 28, 2005	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million.	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, scientific institutions, societies and trusts.	Individuals (including NRIs and HUFs) applying for an amount up to Rs. 50,000 amount.

	Employees	QIBs	Non Institutional Bidders	Retail
Terms of Payment	Margin Amount applicable to Employees at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate	Margin Amount applicable to Retail Bidders at the time of submission of Bid cum Application Form to the members of the Syndicate

(1) Subject to valid Bids being received at or above the Issue Price, under subscription, if any, in the Non-Institutional Bidder and Retail Individual Bidder categories 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 BRLMs.

(2) Any under subscription in Equity Shares, if any, reserved for Employees would be included in the Net Offer to Public and allocated in accordance with the section titled "Basis of Allotment" on page 176 of this Prospectus.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein at least 50% of the Net Offer to the Public shall be available for allocation on a discretionary basis to QIBs. Further not more than 25% of the Net Offer to the Public shall be available for allocation on a proportionate basis to the Retail Bidders and not more than 25% of the Net Offer to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Our Company in consultation with the BRLMs, reserves the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate, without assigning any reason thereof. In case of Non-Institutional Bidders, Retail Bidders and Bids under Employee Reservation Portion, our Company would have a right to reject the Bids only on technical grounds.

Investors should note that allotment of Equity Shares to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

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 the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian public, NRIs applying on a non-repatriation basis	White
NRIs or FIIs or Foreign Venture Capital Funds registered with SEBI applying on a repatriation basis	Blue
Employees	Pink

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;
4. Provident funds with minimum corpus of Rs. 250 million (subject to applicable law) 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 RBI regulations and SEBI DIP Guidelines and regulations, as applicable);
9. Multilateral and bilateral development financial institutions;

10. Venture Capital Funds registered with SEBI;
11. Foreign Venture Capital Investors registered with SEBI;
12. State Industrial Development Corporations;
13. 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;
14. Eligible non-residents including NRIs and FIIs on a repatriation basis or a non-repatriation basis subject to applicable laws; and
15. Scientific and / or industrial research organisations authorised to invest in equity shares.

Note: The BRLMs, Syndicate Members and any associate of the BRLMs and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary and will not be eligible as a QIB in this Issue. Further, the BRLMs and Syndicate Members shall not be entitled to subscribe to the Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

In accordance with the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

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 capital of the Company (i.e., 10% of 1,19,66,041 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub account is a foreign corporate or an individual. With the approval of our Board and that of the shareholders by way of a special resolution dated January 14, 2005, the aggregate FII holding limit has been enhanced up to 100%.

In accordance with the current regulations, the following restrictions are applicable for investments 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. Accordingly, the holding by any venture capital fund or foreign venture capital investor should not exceed 25% of the corpus of the venture capital funds and foreign venture capital investors.

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 occur after the date of the 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 Bidders: The Bid must be for a minimum of 40 Equity Shares and in multiples of 40 Equity Shares thereafter, so as to ensure that the Bid Price payable by the Bidder does not exceed Rs. 50,000. In case of revision of Bids, the Retail Bidders have to ensure that the Bid Price does not exceed Rs. 50,000. In case the Bid Price is over Rs. 50,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) For Other Bidders (Non-Institutional Bidders and QIBs): The Bid must be for a minimum of such number of Equity Shares such that the Bid Price exceeds Rs. 50,000 and in multiples of 40 Equity Shares thereafter. A Bid cannot be submitted for more than the Net Offer to the Public. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under the existing SEBI DIP Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Price is greater than Rs. 50,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Price reduces to Rs. 50,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

(c) **For Bidders in the Employee Reservation Portion:** The Bid must be for a minimum of 40 Equity Shares and in multiples of 40 Equity Shares thereafter. The maximum Bid in this portion cannot exceed Rs. 24.2 million. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the Bidding Options not exceeding Rs. 50,000 may bid at "Cut-off".

Information for the Bidders:

(a) Our Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.

(d) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

Method and Process of Bidding

(a) Our Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi) and one regional newspaper in Tamil. This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI DIP Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(b) Investors who are interested in subscribing for our Equity Shares should approach any of the members of the Syndicate or their authorised agent(s) to register their Bid.

(c) The Bidding Period shall be for a minimum of five days and not exceeding 10 days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in two national newspapers (one each in English and Hindi) and one regional newspaper in Tamil and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 13 days.

(d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled "Bids at Different Price Levels" on page 160 of the Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled "Build up of the Book and Revision of Bids" on page 162 of the Red Herring Prospectus.

(f) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(g) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.

(h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "Terms of Payment and Payment into the Escrow Accounts" on page 161 of the Red Herring Prospectus.

Bids at Different Price Levels

(a) The Price Band has been fixed at Rs. 135 to Rs. 162 per Equity Share of Rs. 10 each, Rs 135 being the lower end of the Price Band and Rs. 162 being the higher end of the Price Band. The Bidders can bid at any price with in the Price Band, in multiples of Rs. 1 (One).

(b) Our Company reserves the right to revise the Price Band, during the Bidding Period, in accordance with SEBI DIP Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus.

(c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 13 days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper in Tamil, and also by indicating the change on the websites of the BRLMs, and at the terminals of the Syndicate Members.

(d) Our Company, in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Bidders and Employees applying for a maximum Bid in any of the bidding options not exceeding Rs. 50,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

(f) Retail Bidders or Employees who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Bidders or Employees bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the Allocation Amount payable by the Retail Bidders or Employees, who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Bidders or Employees, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the Escrow Account.

(g) In case of an upward revision in the Price Band announced as above, Retail Bidders or Employees, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 50,000 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 Price plus additional payment) exceeds Rs. 50,000, the Bid will be considered for allocation under the Non-Institutional portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In case of a downward revision in the Price Band, announced as above, Retail Bidders or Employees, who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 40 Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Escrow Mechanism

Our Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Price from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Account are per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, who is required to pay Margin Amount greater than 0% shall, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his / her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the paragraph titled "Payment Instructions" on page 167 of the Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold such monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e. QIB Bidders, Non-Institutional Bidders, Retail Bidders and Employees would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the section titled "Issue Structure" on page 155 of the Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated 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 Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

(a) The Members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. 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) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facilities of NSE and BSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor.
- Investor Category – Employee, Individual, Corporate, NRI, FII, or Mutual Fund etc.
- Numbers of Equity Shares bid for.
- Bid price.
- Bid cum Application Form number.
- Whether payment is made upon submission of Bid cum Application Form.
- Depository Participant Identification Number and Client Identification Number of the demat account of the Bidder.

(e) A system generated TRS will be given to the Bidder as proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) Consequently, the member of the Syndicate also has the right to accept the Bid or reject it without assigning any reason, in case of QIBs. In case of Non-Institutional Bidders, Retail Bidders and Bids under the Employee Reservation Portion, Bids would not be rejected except on the technical grounds listed on page 169 of the Red Herring Prospectus.

(h) The permission given by NSE and BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of 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 NSE and BSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by the NSE and BSE; 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 the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids

(a) Bids registered by various Bidders through the Members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a half hourly basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a half hourly basis.

(c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.

(f) Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(g) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate may, at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.

(h) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

(i) In case of discrepancy of data between NSE or BSE 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 Closing Date /Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with us.

(b) The Company, in consultation with the BRLMs, shall finalise the "Issue Price", the number of Equity Shares to be allotted in each category and the allocation to successful QIB Bidders.

(c) The allocation to QIB Bidders for at least 50% of the Net Offer to the Public would be discretionary and will be decided based, *inter alia*, on the quality of the Bidder, and the size, price and time of the Bid. The allocation to Non-Institutional Bidders and Retail Bidders, each not more than 25% of the Net Offer to the Public, would be on proportionate basis, in the manner specified in the SEBI DIP Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Under subscription, if any, in any category, other than in the QIB category, would be allowed to be met with spill over from any of the other categories at our discretion in consultation with the BRLMs. Any under subscription in Equity Shares reserved for allocation to Employees would be treated as part of the Net Offer to the Public and allocated in accordance with the basis of allotment described in the section titled "Basis of Allotment" on page 176 of the Red Herring Prospectus.

(e) Allocation to NRIs, FIIs, foreign venture capital funds registered with SEBI applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and RBI while granting permission for allotment of Equity Shares to them.

(f) The BRLMs, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Price has not been collected from the Bidders.

(g) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reasons whatsoever. In terms of the SEBI DIP Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Signing of Underwriting Agreement and RoC Filing

(a) The Company, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) to the Bidders.

(b) After signing the Underwriting Agreement, the Company would update and file the updated Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

Advertisement regarding Issue Price and Prospectus

We will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) The BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.

(b) The BRLMs or members of the Syndicate would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the Allocation Amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

Designated Date and Allotment of Equity Shares

(a) Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, our Company would ensure the credit to the successful Bidders depository account allotment of the Equity Shares to the allottees shall be within two working days of the date of allotment.

(b) In accordance with the SEBI DIP Guidelines, Equity Shares will be issued, transferred and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

a) Check if you are eligible to apply;

b) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour), or Employee Bid Cum Application Form (pink in colour) as the case may be;

c) Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;

d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

e) Ensure that you have been given a TRS for all your Bid options;

f) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS; and

g) Ensure that you mention your Permanent Account Number (PAN) allotted under the I.T. Act where the maximum Bid for Equity Shares by a Bidder is for a total value of Rs. 50,000 or more. In case the PAN number has not been allotted, mention "Not allotted" in the appropriate place.

Don'ts:

(a) Bid for lower than the minimum Bid size;

(b) Bid/ revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;

(c) Bid on another Bid cum Application Form after you have submitted a Bid to the member of the Syndicate;

(d) Pay the Bid Price in cash;

(e) Send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Bid at Cut Off Price (for QIB Bidders, Non-Institutional Bidders, and Employees for whom the Bid Price exceeds Rs 50,000);

(g) Fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Net Offer to the Public size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(h) Submit Bid accompanied with Stockinvest.

(i) Do not provide your GIR number instead of your PAN.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid cum Application Forms and / or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for NRI, FII or foreign venture capital fund registered with SEBI applying on repatriation basis and pink colour for Employees).

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(c) For Retail Bidders, the Bid must be for a minimum of 40 Equity Shares and in multiples of 40 thereafter subject to a maximum Bid Price of Rs. 50,000.

(d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Price exceeds or equal to Rs. 50,000 and in multiples of 40 Equity Shares thereafter. Bids cannot be made for more than the Net Offer to the Public. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) For Employees, the Bid must be for a minimum of 40 Equity Shares and shall be in multiples of 40 Equity Shares thereafter. The maximum Bid Price in this portion cannot exceed Rs. 24.2 million.

(f) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Employees

1. Bids by Employees shall be made only in the prescribed Bid cum Application Form or Revision Form, (i.e. pink colour form).
2. Employees should mention their Employee number at the relevant place in the Bid cum Application Form.
3. The sole/first Bidder should be an Employee. In case the Bid cum Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and in the same sequence in which they appear in the Bid cum Application Form.
4. Only Employees on the rolls of the Company as on the cut-off date i.e., February 28, 2005 would be eligible to apply in this Issue under the Employee Reservation portion on a competitive basis.
5. Employees will have to Bid like any other Bidder. Only those Bids, which are received at or above the Issue Price, would be considered for allotment under this category.
6. The maximum Bid in this category should not exceed 149,600 Equity Shares.
7. If the aggregate demand in this category is less than or equal to 149,600 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand. Any under-subscription in Equity Shares reserved for Employees would be treated as part of the Net Offer to the Public and allotment shall be in accordance with the basis of allotment described in the section titled "Basis of Allotment" on page 176 of the Red Herring Prospectus.
8. If the aggregate demand in this category is greater than 149,600 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of 40 Equity Shares. For the method of proportionate basis of allotment, refer to section titled "Basis of Allotment" on page 176 of the Red Herring Prospectus.
9. Bidding at Cut-off is allowed only for Employees whose Bid Price is less than or equal to Rs. 50,000.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (hereinafter referred to as 'Demographic Details'). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/ Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor. In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund / pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

Our Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company, and the BRLMs may deem fit.

Bids by NRIs

NRI Bidders may please note 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. 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 colour).

Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. NRIs for a Bid Price of up to Rs. 50,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 50,000 would be considered under Non-Institutional Portion for the purposes of allocation; by FIIs for a minimum of such number of Equity Shares and in multiples of 40 thereafter that the Bid Price exceeds Rs. 50,000.
4. For further details, please refer to the section titled 'Maximum and Minimum Bid Size' on page 158 of the Red Herring Prospectus. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

5. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

   Our Company does not require approvals from FIPB or RBI for the transfer of Equity Shares in this Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

   There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

PAYMENT INSTRUCTIONS

The Company shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Prices payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

PAYMENT INTO ESCROW ACCOUNT

1. The Bidders for whom the applicable Margin Amount is more than 0% shall, while submitting the Bid cum Application Form, draw a payment instrument for the Bid Price in favour of the Escrow Account and submit the same to the members of the Syndicate.
2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
   (a) In case of Resident Bidders: "Escrow Account – Allsec Public Issue"
   (b) In case of Non Resident Bidders: "Escrow Account – Allsec Public Issue – NR"
   (c) In case of Employees: "Escrow Account – Allsec Public Issue – Employees"
4. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.
5. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.
6. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Account of the Company.
7. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
8. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
9. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.
10. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is

submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash / Stockinvest / Money Orders / Postal orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

SUBMISSION OF BID CUM APPLICATION FORM

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. Each member of the Syndicate may, at its sole discretion, waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids made by Employees both under Employee Reservation Portion as well as in the Net Offer to the Public shall not be treated as multiple Bids. Our Company reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number or PAN

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should Mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B) or Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.**

UNIQUE IDENTIFICATION NUMBER - MAPIN

In terms of SEBI (Central Database of Market Participants) Regulations, 2003 as amended from time to time ("said Regulations") and SEBI Notification dated November 25, 2003 and July 30, 2004, no specified intermediaries, its related persons as mentioned in

Regulation 4 of the said regulations shall subscribe to securities which are proposed to be listed in any recognized stock exchange unless such specified intermediaries, its related persons, have been allotted unique identification numbers. Provided however that SEBI by its notification dated 17th August 2004 has specified 30th June 2005 as the extended date within which such promoters or directors of specified intermediaries, as are resident outside India, shall obtain Unique Identification Number. In terms of SEBI (Central Database of Market Participants) Regulation, 2003 as amended from time to time ("said Regulations") and SEBI Notification dated July 30, 2004, no specified investor being a body corporate shall subscribe to securities which are proposed to be listed in any recognized stock exchange unless such specified investor, its promoters and directors have been allotted unique identification numbers. In case of specified investor being a body corporate, the above para shall not apply to such specified investor who has applied for allotment of a unique identification number before December 31, 2004, till the disposal of its application or, where it has filed an appeal, till the disposal of the appeal, as the case may be. SEBI has by press release dated 31st December 2004 bearing PR No. 344 /2004 extended the notified date for the purposes of obtaining unique identification numbers for specified investors being bodies corporate whose promoters or directors are persons resident outside India to 31st December 2005. Furthermore SEBI vide its circular no. MAPIN-1/2005 dated January 4, 2005 has stated that:

The SEBI (Central Database of Market Participants) Regulations, 2003 were notified on November 20, 2003. Pursuant to the notification dated July 30, 2004 issued under the captioned Regulations, SEBI has, inter alia, specified in terms of sub-regulation (2) of regulation 6 that "All investors being bodies corporate as 'specified investors', along with their promoters and directors are required to obtain a UIN before December 31, 2004".

However, it is clarified that "wherever the President of India / Central Government / State Government is a promoter, it is exempted from the requirement of obtaining a UIN under regulation 6(2) of SEBI (Central Database of Market Participants) Regulations, 2003".

In terms of the above it shall be compulsory for specified intermediaries and specified investors being bodies corporate making application in this issue to give their unique identification number.

Applications from bodies corporate as mentioned above and specified intermediaries, which are not in compliance with the above regulations and any subsequent regulations/ notifications/ circulars/ guidelines/ clarifications if any, issued by SEBI shall be liable to be rejected.

OUR RIGHT TO REJECT BIDS

Our Company, and the BRLMs reserve the right to reject any Bid without assigning any reason therefor in case of QIB Bidders. In case of Non-Institutional Bidders, Retail Bidders and Employees who Bid, our Company has a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

GROUNDS FOR TECHNICAL REJECTIONS

Bidders are advised to note that Bids are liable to be rejected, *inter alia,* on the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of First Bidder not given;
3. Bid by minor;
4. PAN not given if Bid is for Rs. 50,000 or more and GIR number given instead of PAN number;
5. Bids for lower number of Equity Shares than specified for that category of investors;
6. Bids at a price less than lower end of the Price Band;
7. Bids at a price more than the higher end of the Price Band;
8. Bids at Cut Off Price by Non-Institutional and QIB Bidders;
9. Bids for number of Equity Shares which are not in multiples of 40;
10. Category not ticked;
11. Multiple Bids as defined in the Red Herring Prospectus;
12. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
13. Bids accompanied by Stockinvest/money order/postal order/cash;
14. Signature of sole and / or joint Bidders missing;

15. Bid cum Application Forms does not have the stamp of the BRLMs or Syndicate Members;

16. Bid cum Application Forms does not have Bidder's depository account details;

17. Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/ Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;

18. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;

19. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;

20. Bids by OCBs;

21. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act;

22. Bids under Employee Reservation Portion for more than 149,600 Equity Shares.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares in this Issue shall be only in a dematerialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

a) Agreement dated February 17, 2005 with NSDL, the Company and the Registrar to the Issue;

b) Agreement dated March 24, 2005 with CDSL, the Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

h) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

UNDERTAKINGS BY OUR COMPANY

Our Company undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that the refund orders or allotment advice to the successful Bidders shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Utilisation of Issue proceeds

Our Board of Directors certify that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act; details of all monies utilised out of Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;
- Our Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

DISPOSAL OF APPLICATIONS AND APPLICATIONS MONEY

Our Company shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of finalisation of allotment of Equity Shares. Our Company shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed are taken within 7 (seven) working days of finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI DIP Guidelines, our Company further undertakes that:

- allotment shall be made only in dematerialised form within 15 (fifteen) days of the Bid/Issue Closing Date;
- dispatch refund orders within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
- our Company shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI DIP Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment in the information technology sector is permitted up to 100% under the automatic route.

Our Company does not require approvals from FIPB or RBI for the transfer of Equity Shares in this Issue to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

The aggregate FII holding in our Company is permitted up to 100% of the total issued share capital.

BASIS FOR ISSUE PRICE

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

Investors should read the following summary with the Risk Factors included beginning page number i to xii and the details about the Company and the financial statements included in this Prospectus. The trading price of the equity shares of the Company could decline due to these risks and you may lose all or part of your investment.

Qualitative Factors

High Growth Industry:

The BPO/ITES sector in India has grown at a rate of over 46% from US$ 2.5 billion in FY 2003 to US$ 3.6 billion in FY 2004. Offshoring of BPO activities to India is popular since it allows global corporations to benefit from international time zone differences and in most cases to provide round-the-clock services (24x7 model). Similar to the efforts of the Government of India and the respective state governments to develop the software/IT industry, the potential of the BPO industry has been recognized and is being suitably marketed, by providing several incentives in the form of tax holidays and other infrastructure support. The Indian BPO industry has developed a reputation for being cost effective and a provider of quality services and processes. NASSCOM has projected the growth of the BPO industry in 2008 to be between US$ 21 billion to US$ 24 billion and that of contact centres between US$ 8 billion to US$ 8.5 billion.

Strong Client relationship:

Our single largest client, who has been with us for the last four years has now entered into a long term services agreement. This agreement is effective till March 2011 and the client has taken a 7.8% equity stake in our Company. The client has also as part of the agreement a Build Operate Transfer arrangement which gives the option to transfer the facility along with people who service the client after March 2009 and before March 2011. This client who now contributes over 50% of the revenue and this agreement is expected to continue till at least March 2009 and the company believes that a strategic commitment from at least one “anchor” client is imperative for growth and cost-effective operations in the BPO Industry

Diverse offering

The company has the following service offerings

- Customer Relationship Management (“CRM”) - acquisition of customers for clients through telemarketing and account servicing, including the collection of debts owed to clients by their customers.
- Quality Assurance – Providing quality assurance through proprietary techniques for third-party assessment, including offline call-monitoring and satisfaction surveys, which we believe are unique among peers in the industry. This service is often referred to in the industry as call quality monitoring.
- Technology Support - This service was kicked-off with two client accounts in June 2004 and we believe that this will expand into a much larger offering.
- HR Processing – Technology based Pay roll processing, claims and benefits administration and income tax configuration services.
- Student Loan Consolidation – The company has a focused team, which provides outbound voice services to garner customers in the fast growing student loan segment.

Profitability:

The Company was profitable in 2001 and 2002, the first two years of operations. Even though 15 months ended March 2004 was a year in which it incurred losses the company has bounced back strongly to post an after tax profit of over 20% for the nine months ended December 31st 2004 on a revenue of Rs. 400 Million which grew by over 65% compared to the 15 month prior period.

Quantitative Factors

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

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

Year	Basic EPS (Rs.)	Diluted EPS (Rs.)	Weight
Year ended December 31, 2002	**5.7**	**4.1**	**1**
Fifteen months ended March 31, 2004	**(36.8)**	**(36.8)**	**2**
Nine months ended December 31, 2004	**16.9**	**8.9***	**3**
Weighted Average	**(2.8)**	**(7.1)**	

* Diluted Earning Per Share for nine months ended December 31, 2004 is 8.9, calculated as per Accounting Standard 20 – "Earning Per Share" issued by the Institute of Chartered Accountants of India after considering dilution of equity on account of 1,332,250 Compulsorily Convertible Preference Shares and 300,000 Employee Stock Options. On January 14, 2005 the Company has allotted 3,785,399 Equity Shares by conversion of 1,332,250 Compulsorily Convertible Preference Shares. For details, refer Annexure X and Note 17.3 of Notes to Accounts in the section 'Financial Information' on pages 95 and 119 respectively of this Prospectus.

Note:

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

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

2. **Average Return on Net Worth** (as per unconsolidated restated Indian GAAP financials)

Year	RONW%	Weight
Year ended December 31, 2002	13	1
Fifteen months ended March 31, 2004	- 456	2
Nine months ended December 31, 2004	67	3
Weighted Average	**-698**	

Note:

The average return on net worth has been computed on the basis of the adjusted profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments / regroupings pertaining to earlier years.

3. **Price/Earning (P/E) ratio in relation to Issue Price of Rs. 135**

   a. Based on nine months ended December 31, 2004, the EPS is Rs. 16.9

   b. P/E based on nine months ended December 31, 2004 is 8.0

   c. Industry P/E[1]

      i) Highest 84.7

      ii) Lowest 2.9

      iii) Industry Composite 18.2

[1] **The Company is in the Business process outsourcing/information technology enabled services industry and there is no directly comparable listed company in this industry. For the sake of comparison, the industry close to the business process outsourcing / information technology enabled services industry, the software industry is considered. Datamatics, which is in the Business Process Outsourcing industry but not in the voice based Business Process Outsourcing industry is also classified under computer software medium and small category. Source: "Capital Market" data**

4. Comparison of Accounting Ratios

	EPS[1]	P/E[1]	RONW[2]	NAV[2]
Allsec	16.9	8.0	67%	(5.3)
Industry Data[3]		18.2		
Category: Computer –Software –Medium/Small				
Peer Group (Datamatics Technologies Ltd.)*	6.4	18.4	32.6%	52.4

*The face value for Allsec is Rs. 10/-, whereas for Datamatics Technologies Ltd. is Rs. 5/-

(1) ***Compiled from "Capital Market" data***

(2) ***Source: "Capital Market" Volume XIX dated February 28 to March 13, 2005 for the Category: Computer –Software – Medium / Small; For the nine months ended December 31, 2004***

(3) ***Compiled from "Capital Market" data***

STATUTORY AND OTHER INFORMATION

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to the Issue; and (b) Book Running Lead Managers to the Issue and Syndicate Members, Escrow Collection Bankers, Registrar to the Issue and Legal Advisors to the Company and Underwriters, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Tamil Nadu located at Chennai, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

S. R. Batliboi & Associates, Chartered Accountants, and our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

S. R. Batliboi & Associates, Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Prospectus and has not withdrawn such consent up to the time of delivery of this Prospectus for registration with the RoC.

Minimum Subscription

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

Method of Redressal of Investor Grievances

Please refer to the section titled "Other Regulatory Disclosures "on page 152 of this Prospectus.

Expert Opinion

Except as stated elsewhere in this Prospectus, we have not obtained any expert opinions.

Change in Auditors

The auditors of our Company are appointed (and reappointed) in accordance with provisions of the Companies Act and their remuneration, rights and duties are regulated by Sections 224 to 233 of the Companies Act.

There have been no changes of the auditors in the last three years except as detailed below

Name of Auditor	Date of Appointment	Date of resignation	Reasons for change
S.R.Batliboi and Associates	January 18, 2002	Continuing	NA
Srinivasan & Shankar	Since inception	January 18, 2002	Cessation as auditor in the normal course

Basis of Allotment

A. For Retail Bidders

- Bids received from the Retail Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Bidders will be made at the Issue Price.
- The Issue size less allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 747,900 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than 747,900 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of 40 Equity Shares. For the method of proportionate basis of allotment, refer page 177.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allotment to QIBs and Retail Portion shall be available for allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 747,900 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 747,900 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of 40 Equity Shares. For the method of proportionate basis of allotment refer below.
- The aggregate allotment to Retail and Non-Institutional Bidders shall not exceed 1,495,800 Equity Shares.

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 QIBs will be made at the Issue Price.
- The Issue size less allotment to Non-Institutional Portion and Retail Portion shall be available for allotment to QIBs who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allotment would be decided by our Company in consultation with the BRLMs and would be at their sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.
- The aggregate allotment to QIB Bidders shall be atleast 1,495,800 Equity Shares.

Method of Proportionate Basis of Allotment

In the event of the Issue being over-subscribed, we shall finalize the basis of allotment to Retail and Non-Institutional Bidders in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorized according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate allotment is less than 40 Equity Shares per Bidder, the allotment shall be made as follows:

   - Each successful Bidder shall be allotted a minimum of 40 Equity Shares; and
   - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

e) If the proportionate allotment to a Bidder is a number that is more than 40 but is a fraction, the fraction 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. Allotment to all Bidders in such categories would be arrived at after such rounding off.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Expenses of the Issue

The estimated Issue expenses are as under:

Sl. No.	Expenses incurred	Percentage of total Issue expenses	Percentage of total Issue size
1.	BRLMs	50.0	●
2.	Registrar to the Issue	3.0	●
3.	Advisors (Legal Counsel, Financial Consultants And Auditors)	18.8	●
4.	Bankers to the Issue	2.5	●
5.	Marketing Costs	14.0	●
6.	Others (Printing, stamp duty, listing fees, depository fees and other related expenses)	11.8	●
	Total	**100**	●

The total expenses of the Issue are estimated to be approximately Rs. 40.0 million. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Issue would be borne by the Company.

Fees Payable to the BRLMs

The total fees payable to the Book Running Lead Managers will be as per the letter of appointment dated January 4, 2005 with IL&FS Investsmart Limited and January 20, 2005 with Kotak Mahindra Capital Company Limited, issued by our Company, a copy of which is available for inspection at our corporate office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the letter of appointment dated February 7, 2005, issued by our Company, a copy of which is available for inspection at our corporate office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

Commission and Brokerage on Previous Issues

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Previous Rights and Public Issues

Our Company has not made any previous rights and public issues except as stated in the section titled “Capital Structure” on page 16 of this Prospectus.

Outstanding Debentures or Bond Issues or Preference Shares

Our Company has no outstanding debentures or bond issues.

Capitalization of Reserves or Profits

Our Company has not capitalized our reserves or profits at any time, except as stated in the section titled “Capital Structure” on page 16 of this Prospectus.

Issues otherwise than for Cash

Except as stated in the section titled “Capital Structure” on page 16 of this Prospectus, our Company has not issued any Equity Shares for consideration otherwise than for cash.

Application in Issue

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

Purchase of Property

Except as stated in the section titled “Properties” on page 42 of this Prospectus, there is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material; or
- disclosure has been made earlier in this Prospectus

Except as stated in the section titled "Related Party Transactions" on page 64 of this Prospectus, we have not purchased any property in which any of our Promoters and Directors, have any direct or indirect interest in any payment made thereof.

Remuneration of Executive Directors

1. Mr. A. Saravanan, President and Whole time Director

Mr. A Saravanan is entitled to receive remuneration not exceeding Rs. 2,50,000 per month as Whole Time Director of the Company, with effect from January 1, 2004 and valid up to September 30,2006, as set out below:

a) Salary	:	Rs. 1,50,000 per month
b) Special Allowance	:	Such sum as may be decided by the Board of Directors year to year, subject to the overall ceiling laid down in Section 198, 309 and Schedule XIII of the Companies Act, 1956.
c) Perquisites and Other Allowances	:	Such sum as may be decided by the Board of Directors year to year, subject to the overall ceiling laid down in Section 198, 309 and Schedule XIII of the Companies Act, 1956.
• Perquisites shall include accommodation (furnished or otherwise) or House Rent allowance in lieu thereof, House maintenance allowance, reimbursement of expenses or allowances for utilities such as gas, electricity, water, servant/ gardener salaries, Leave Travel Allowance for self and family, club fees, bonus etc., • Provision for use of car with chauffeur and Telephone at residence. • Reimbursement of Medical expenses for self and dependant family members. • For the purpose of determining the perquisites, family means spouse, dependant children and dependant parents. Perquisites shall be evaluated as per Income Tax Rules, wherever applicable or at actual cost, as the case may be.		
d) Commission	:	In addition to the salary and perquisites specified above commission may be paid at such percentage as may be decided by the Board of Directors year to year, subject to the overall ceiling laid down in Section 198, 309 and Schedule XIII of the Companies Act, 1956.
e) Minimum Remuneration	:	Where in any financial year during the currency of tenure of Mr. A. Saravanan, the Company has no profits or its profits are inadequate, the Company may pay remuneration to him, Director by way of salary, dearness allowance, perquisites and any other allowance not exceeding the ceiling limits laid down in Section II of Schedule XIII of the Companies Act, 1956.

Mr. A. Saravanan shall also be eligible for the following perquisites, which shall not be included in the computation of the ceiling on remuneration:

a) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and

c) Encashment of leave at the end of the tenure.

2. Mr. R. Jagadish, Chief Executive Officer and Whole time Director

Mr. R. Jagadish is entitled to receive remuneration not exceeding Rs. 2,50,000 per month as Whole Time Director of the Company, with effect from January 1, 2004 and valid up to June 30,2005, as set out below:

a) Salary	:	Rs. 1,50,000 per month
b) Special Allowance	:	Such sum as may be decided by the Board of Directors year to year, subject to the overall ceiling laid down in Section 198, 309 and Schedule XIII of the Companies Act, 1956.
c) Perquisites and Other Allowances ● Perquisites shall include accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof, House maintenance allowance, reimbursement of expenses or allowances for utilities such as gas, electricity, water, servant/ gardener salaries, Leave Travel Allowance for self and family, club fees, bonus etc., ● Provision for use of car with chauffeur and Telephone at residence. ● Reimbursement of Medical expenses for self and dependant family members. ● For the purpose of determining the perquisites, family means spouse, dependant children and dependant parents. Perquisites shall be evaluated as per Income Tax Rules, wherever applicable or at actual cost, as the case may be.	:	Such sum as may be decided by the Board of Directors year to year, subject to the overall ceiling laid down in Section 198, 309 and Schedule XIII of the Companies Act, 1956.
d) Commission	:	In addition to the salary and perquisites specified above commission may be paid at such percentage as may be decided by the Board of Directors year to year, subject to the overall ceiling laid down in Section 198, 309 and Schedule XIII of the Companies Act, 1956.
e) Minimum Remuneration	:	Where in any financial year during the currency of tenure of Mr. R. Jagadish, the Company has no profits or its profits are inadequate, the Company may pay remuneration to him, Whole Time Director by way of salary, dearness allowance, perquisites and any other allowance not exceeding the ceiling limits laid down in Section II of Schedule XIII of the Companies Act, 1956.

Mr. R. Jagadish shall also be eligible for the following perquisites, which shall not be included in the computation of the ceiling on remuneration:

a) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service, and

c) Encashment of leave at the end of the tenure.

Remuneration of other Directors

Other than as disclosed in the section titled "Remuneration of Executive Directors" on page 179 of this Prospectus, none of our Company's other Directors are entitled to any remuneration or sitting fees for their services.

Revaluation of Assets

We have not revalued our assets in the past 5 years.

Classes of Shares

Our authorized share capital is Rs. 285 million, which is divided into 15 million Equity Shares of Rs. 10 each and 1.35 million preference shares of Rs. 100 each.

Payment or Benefit to Promoters or Officers of the Company

Except as stated otherwise in this Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any of our Promoters or officers except the normal remuneration for services rendered as Directors, officers or employees.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF ALLSEC TECHNOLOGIES LIMITED

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company

The regulations contained in Table 'A' of Schedule I to the Companies Act (Act I of 1956) shall apply only in so far as the same are not provided for or are not inconsistent with these Articles and the regulations for the management of the Company and for observance of the members thereof and their representatives shall, subject to any exercise of the statutory powers of the Company with reference to repeal or alteration of or addition to, its regulations by Special Resolution, as prescribed by the Companies Act, 1956, be such as are contained in these Articles.

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of Allsec are detailed below:

Article No.	Heading	Details
		FORFEITURE AND LIEN
32.	If call or installment not paid, notice may be given	If any Member fails to pay any call or installment on or before the day appointed for the payment of the same the Board may at any time thereafter, during such time as the call or installment remain unpaid, serve a notice on such Member requiring him to pay the same forthwith within a further stipulated period together with any interest that may have accrued thereon, calculated at 10 percent per annum, from the date on which the same fell due and all expense that may have been incurred by the Company by reason of such non payment.
34.	If notice not complied with, shares may be forfeited.	If the requisitions of any such notice as aforesaid are not complied with, any shares in respect of which such notice has been given may at any time thereafter, before payment of all calls or installment, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.
35.	Notice after forfeiture	When any shares shall have been so forfeited, notice of the resolution shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register, but no forfeiture shall be, in any manner, invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.
36.	Forfeited shares become property of Company	Any share so forfeited shall be deemed to be the property of the Company and the Board may sell, re-allot or otherwise dispose of the same in such a manner as they think fit.
37.	Power to annul forfeiture	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 they think fit.
38.	Arrears to be paid not withstanding forfeiture	Any Member whose shares shall have been forfeited shall, notwithstanding anything contained above, be liable to pay and shall forthwith pay to the Company all calls, installments, interest and expenses, owing upon or in respect of such shares at the time of the forfeiture, together with interest thereon, from the time of forfeiture until payment, at 10 percent per annum, and the Board may enforce the payment thereof, without any deduction or allowance for the value of the shares at the time of forfeiture, which they shall not be under any obligation to do so.
39.	Effect of forfeiture	The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of the share and all other rights incident to the share except such of those rights as by these Articles are expressly saved.

Article No.	Heading	Details
40.	Evidence of forfeiture	A duly verified declaration in writing that the declarant is a Director of the Company and that certain shares in the Company have been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and such declaration and the receipt of the Company for the consideration, if any, given for the shares on the sale or, disposal thereof shall constitute a good title to such shares and the person to whom he shares are sold shall be registered as the holder of such shares who shall not be bound to see the application of the purchase money nor shall his title to such shares be affected by any irregularity or invalidity in the proceedings in reference to such forfeiture, sale or disposal.
41.	Company's lien on shares	The Company shall have a first and paramount lien upon all the shares including fully-paid shares registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof for such Members debts, liabilities, and engagements solely or jointly with any other person to or with the Company whether the period for the payment, fulfillment or discharge thereof shall have actually arrived or not, and such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any on such shares. The Board may at any time declare any shares to be exempt, wholly or partially from the provision of these Articles.
42.	Notice to be given	For the purpose of enforcing such lien the Board may sell the shares subject thereto in such a manner as it thinks fit, but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such Member, his executors or, administrators or his committee, curator bonis, or other legal curator, and default shall have been made by him or them in the payment, fulfillment, or discharge of such debts, liabilities or engagements until the expiry of seven days after such notice.
43.	Application of proceeds of sale	The net proceeds on any such sale after payment of the costs of such sale shall be applied in or towards satisfaction of the debts and liabilities of such Members or engagements and the residue (if any) shall be paid to such Member, his heirs, executors, administrators, committee or curator.
44.	Validity of sale under Article 41	Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers herein before given the Board may cause the purchaser name to be entered in the Register in respect of the shares sold and the purchaser shall not be bound to see to the regularity of the proceeding or to the application of the purchase money and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.
		TRANSFER AND TRANSMISSION OF SHARES
46.	Transfer fee not to be charged	No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certification of death or marriage, power of attorney or similar other document.
47.	Transmission of shares	The legal representative of a deceased Member shall be entitled to be recognized by the Company as having title to the shares of the deceased Member on production of probate or letters of administration or a succession certificate from a competent court of law, provided that the Board may dispense with the production of such probate letters of administration or succession certificates on the legal representative furnishing such indemnity as the Board may require.

Article No.	Heading	Details
48.	Instrument of transfer	The instrument of transfer shall be in writing and all provisions of Section 108 of the Act and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.
49.	Registration of transfer	Every instrument of transfer duly stamped and executed shall be left at the Office of the Company for registration, accompanied by the certificates of the shares to be transferred and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the shares. The Company shall retain all instruments of transfer, which shall be registered, but any instrument of transfer, which the Board may decline to register, shall, on demand be returned to the person depositing the name.
50.	Board may refuse to register transfer	Subject to the provisions of Section 111 of the Act, the Board may, at its own absolute discretion and by giving reasons thereof, decline to register or acknowledge any transfer of shares whether fully paid or not provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.
53.	Boards right to refuse registration of transmission	The Board shall have the same right to refuse a person entitled by transmission to any share or his nominee, as if he was the transferor named in an ordinary transfer for registration.
54.	No transfer to minor etc.	The Board shall not issue or register a transfer of any share to a minor (except in cases where they are fully paid) or insolvent or person of unsound mind.
58.	Register of Members when closed.	The Board shall have the power, on giving not less than seven days previous notice by advertisement in some newspaper circulating where the Registered Office of the Company is situated, to close the Register of Members and/or Register of Debenture Holder at such time or times and for such period or periods, not exceeding thirty days at a time, and not exceeding in the aggregate forty five days in each year as it may seem expedient to the Board.
60.	Compliance with rules, regulations and requirements of stock exchanges, etc.	The Company shall comply with the rules, regulations and requirements of the Stock Exchange or the rules made under the Act, or the rules made under the Securities Contracts (Regulation) Act, 1956 or any other law or rules applicable, relating to the transfer or transmission of shares or debentures.
		INCREASE, REDUCTION AND ALTERATION OF SHARE CAPITAL
61.	Increase of capital	The Company may, by a resolution passed in a General Meeting, from time to time increase the share capital by the creation of new shares of such amount as may be deemed expedient and specified in the resolution, subject to compliance with the provision of the Act and of any other laws that may be in force.
62.	On what conditions new shares may be issued (whether preferential or not)	New shares shall be issued upon such terms and conditions and with such rights and privileges attached thereto as are consistent with provisions of the Act and which the General Meeting, resolving upon the creation thereof shall direct, and if no direction be given, as the Board shall determine, and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a special or without any right of voting.
63.	Provision relating to issue	Before the issue of any new shares, the Company in General Meeting may make provisions as to the allotment and issue of the new shares, and in particular may determine that the same shall be offered in the first instance either at par or at a premium and, in default of any such provisions, or so far as the same shall not extend, the Company shall comply with the provisions of Section 81 of the Act.

Article No.	Heading	Details
64.	How far new shares to rank with shares in original capital	Except so far as otherwise provided by the condition of issue or by these presents, any capital raised by the creation of new shares shall be considered as part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien and otherwise.
66.	Consolidation, subdivision and cancellation of shares	(1) The Company may by Ordinary Resolution: Consolidate and divide its shares or any of them into shares of larger amount than its existing shares Sub-divide its existing shares or any of them into shares of smaller amount than is fixed originally by the Memorandum of Association, so however that in the subdivision the proportion between the amount paid and the amount, if any unpaid on each reduced share be the same as it was in the case of the share from which the reduced share is derived and other conditions, if any laid down by these Articles. Cancel any shares which at the date of the passing of the ordinary resolution, have not been taken or agreed to be taken by any person and also may diminish the amount of its share capital by the amount of the shares so cancelled. (2) The Company shall file with the Registrar, notice of exercise of any power referred to in sub clauses (a), (b) or (c) of Clause (1) of this Article within 30 days from the exercise thereof.
67.	Sub-division into preferred and ordinary share capital	The resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of such shares shall have some preference or special advantage as regards dividend, capital, voting or otherwise over or as compared with others, subject, nevertheless, to the provisions of Section 94 of the Act. The Board may, from time to time subject to the consent of the Members in General Meeting, reclassify or convert the preference share capital into equity share capital or vice versa, as may be permitted by law.
68.	Reduction of capital	The Company may, from time to time, by special resolution reduce its share capital or any share premium account in any manner and with, and subject to any incident authorized and consent required by law.
70.	Issue at discount etc. or with special privileges	Subject to the provisions of Section 79 of the Act, any debenture, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise. Debentures with the right of conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.
		MODIFICATION OF RIGHTS OF SHARE HOLDERS
71.	Power to modify rights to shareholders	If at any time the capital by reason of the issue of preference shares of otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class may be raised subject to the provisions of Sections 106 and 107 of the Act and all the provisions hereinafter contained as to General Meetings, shall apply *mutatis mutandis*, as regards meeting, if any, to be held for the purpose.

Article No.	Heading	Details
		DIRECTORS
107.	Board's maximum strength	The minimum number of directors shall not be less than three and the maximum number of directors shall not be more than fifteen. The maximum number of fifteen directors shall include a minimum of five independent directors. The maximum number of directors shall not include alternate directors appointed in terms of Article 124 of these Articles.
110.	Qualification Shares not required	A director shall not be required to hold any qualification shares.
111.	Director's fees remuneration and expenses	Unless otherwise determined by the Company in General Meeting each Director shall be entitled to receive out of the funds of the Company for his services in attending meetings of the Board or of a committee of the Board, such sum as may be fixed by the Board not exceeding the amount specified in this regard under the provisions of the Act, for each meeting of the Board or committee of the Board attended by him. All other remuneration, if any payable by the Company to each Director whether in respect of his services as a Managing Director or a Director in whole or part time employment of the Company shall be determined in accordance with and subject to the provision of the Act. The Directors shall be entitled to be paid their reasonable travelling and hotel and actual expenses incurred in consequence of their attending at Board and committee, meeting and actually incurred in the execution of their duties as Directors.
116.	Director may contract with the Company	(1) Subject to the provisions of the Act, Directors including the Managing Director, Company if any, shall not be disqualified by reason of their office contracting with the Company either as vendor, purchaser, lender, agent, broker, or otherwise and shall not apply to any contract of arrangement entered into by or on behalf of the Company with any Director the Managing Director or with any company or partnership of or in which any Director or Managing Director shall be a Member or otherwise interested nor shall any Director or Managing Director, so contracting or being such member or so interested be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director or the Managing Director holding that office or of the fiduciary relation thereby established, but the nature of the interest must be disclosed by him or them at the meeting of the Board at which the contract or arrangement is determined on, if the interest then exists or in any other case at the meeting of the Board after the acquisition of the interest. Provided nevertheless that no Director shall take part in the discussion of or vote, as a Director in respect of any contract or arrangement in which he is so interested as aforesaid and if he does so his vote shall not be counted but he shall be entitled to be present at the meeting during the transaction of the business in relation to which he is precluded from voting although he shall not be counted for the purpose of ascertaining whether there is a quorum of Director present. The provision shall not apply to any contract by or on behalf of the Company to give to the Directors or the Managing Directors or any of them any security by way of indemnity against any loss which they or any of them suffer by becoming or being sureties for the Company or to any contract or arrangements entered into or to be entered for the Company or to any contract or arrangements entered into or to be entered into with a public company, or a private company which is a subsidiary of a public company, in which the interest of the Director aforesaid consists solely in his being a Director of such Company and the holder of not more than shares of such number or value therein as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such Director by the Company or in his being a Member holding not more than two percent (or other percentage as may be prescribed by law) of its paid up share capital.

Article No.	Heading	Details
		(2) A general notice that any Director is a Director or a Member of any specified company or is a Member of any specified firm and is to be regarded as interested in subsequent transaction with the company or firm shall, as regards any such transaction by sufficient disclosure under this Article and after such general notice it shall not be necessary to give any special notice relating to any particular transaction with such Company or firm. (3) A Director may be or become, a Director or Member of any company promoted by this Company or in which this Company may be interested as a vendor shareholder or otherwise and no such Director shall be accountable to the Company for any benefit received as a Director or Member of such Company
117.	Disclosure of a Director's interest	Every Director who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement, entered into or to be entered into by or on behalf of the Company (not being a contract or arrangement entered into or to be entered into between the Company and any other company where any of the Directors of the Company or two or more of them together holds or hold not more than two percent (or other percentage as may be prescribed by law) of the paid up share capital in the other company) shall disclose the nature of his concern or interest at a meeting of the Board as required by Section 299 of the Act. A general notice, renewable in the last month of each financial year of the Company, that a Director is a director or a Member of any specified body corporate or is a Member of any specified firm and is to be regarded as concerned or interested in any subsequent contract or arrangement with that body corporate or firm shall be sufficient disclosure of concern of interest in relation to any contract or arrangement so made and, after such general notice, it shall not be necessary to give special notice relating to any particular contract or arrangement with such body corporate or firm, provided such general notice is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.
118.	Which Directors to retire	The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment, but as between persons who became Directors on the same day those to retire shall in default of the subject to any agreement among themselves, be determined by lot.
120.	Power to remove Director by ordinary resolution on special notice	The Company may, subject to the provisions of Section 284 of the Act, by ordinary resolution, of which special notice has been given, remove any Director before the expiration of his period of office and may, by ordinary resolution of which Special Notice has been given appoint another person in his stead, if the Director so removed was appointed by the Company in General Meeting or by the Board under Article 109. The person so appointed shall hold office until the date up to which his predecessor would have held office if he had not been so removed. If the vacancy created by the removal of a Director under the provision of this Article is not so filled by the General Meeting at which he is removed, the Board may at any time thereafter, fill such vacancy under the provisions of Article 109.
121.	Board may fillup casual vacancies	If any Director appointed by the Company in General Meeting vacates office as a Director before his term of office will expire in the normal course the resulting casual vacancy may be filled up by the Board at a meeting of the Board but any person so appointed shall retain his office so long only as the vacating Director would have retained the same if no vacancy had occurred. Provided that the Board may not fill such a vacancy by appointing thereto any person who has been removed from the office of Director under Article 114.
123.	Director elected by minority shareholders	The Company may have a director elected by minority shareholders in such manner as may be prescribed in this behalf by the government or any other statutory authority from time to time.

Article No.	Heading	Details
124.	Alternate Directors	The Board may appoint an alternate Director may appoint an alternate Director to act for a Director (hereinafter called the original Director) during the absence of the original Director from the State in which the meetings of the Board are ordinarily held for a period of not less than three months. An alternate Director so appointed shall vacate office if and when the original Director returns to the State in which meetings of the Board are ordinarily held if the term of office of original Directors is determined before he so returns to the state aforesaid, any provision for the automatic reappointment of retiring Director in default of another appointment shall apply to the original and not to the alternate Director.
125.	Meeting of Directors	Directors shall convene Board Meetings for the dispatch of business, adjourn and otherwise regulate their meeting and proceedings, as they deem fit and proper.
126.	Quorum	The quorum for a meeting of the Board shall be one-third of its total strength (any fraction contained in that one-third being rounded off as one or two Directors, whichever is higher).
127.	Resolution by circulation	Subject to the provisions of Section 289 of the Act, a resolution by circulation signed by the Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted.
128.	How question to be decided	Any questions arising at a meeting shall be decided by a majority of votes and, in case of any equality of votes, the Chairman shall have a second or casting vote.
129.	Power to appoint Committees and to delegate	The Board may, subject to the provisions of the Act, from time to time and at any time delegate any of its powers to a committee consisting of such Director or Directors as it thinks fit, and may from time to revoke such delegation. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.
130.	Proceedings of Committee	The meetings and proceedings of any such committee consisting of two or more Members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Board so far as the same are applicable thereto and are not superseded by any regulations made by the Board under the last preceding Article.
131.	When acts of a Director valid not withstanding defective appointment etc.	Acts done by a person as a Director shall be valid not withstanding that it may afterwards be discovered that his appointment was invalid by reason of any defect or disqualification or had terminated by virtue of any provisions contained in the act or in these Articles. Provided that nothing in this Article shall be deemed to give validity to acts done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.
132.	Retirement of directors	Not less than two-thirds of the total number of Directors shall (a) be persons whose period of office is liable to terminate by retirement of Directors by rotation and (b) save as otherwise expressly provided in these Articles, be appointed by the Company in General Meeting. Subject to the provision of Section 256 of the Act, at every Annual General Meeting of the Company one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three the number nearest to one-third shall retire from office.
133.	Eligibility for re-election	A retiring Director shall be eligible for re-election.

Article No.	Heading	Details
		POWERS OF THE BOARD
134.	General power of Company vested in the Board	Subject to the provisions of the Act, the control of the Company shall be vested in the Board who shall be entitled to exercise all such powers, and to do all such acts and things as the Company is authorized to exercise and do. The Board shall be entitled to pay all expenses incidental to the formation of the Company and in particular expenses incurred by the promoters for the purpose. Provided that the Board shall not exercise any power or do any act or thing which is directed or required whether by the Act or any other statute or by the Memorandum of the Company or by these Articles or otherwise, or be exercised or done by the Company, in General Meeting. Provided further that in exercising any such power or doing any such act thing the Board shall be subject to the provisions contained in the Act or any other statute or in the Memorandum of the Company or in these Articles or in any regulations not inconsistent therewith, including regulations made by the Company in General Meeting but no regulation made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.
		DIVIDEND
148.	Dividend to be declared in General Meeting	The Company in General Meeting may declare dividends to be paid to the Members according to their respective right and interest in the profits. No dividend shall exceed the amount recommended by the Board, but the Company may declare a smaller dividend in a General Meeting. The provisions regarding the manner and time of payment of dividend embodied in Sections 205, 206, 207 and 93 of the Act shall apply accordingly.
149.	Interim dividends	The Board may from time to time pay the Members such interim dividends as appear to them to be justified.
150.	Dividends out of profit only	No dividend shall be paid otherwise than out of the profits of the Company arrived at in the manner provided for in Section 205 of the Act. The declaration of the Board as to the net profits of the Company shall be conclusive.
151.	Division of profits	Subject to the rights of persons if any entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of shares in the Company, dividends may be declared and paid according to the amounts paid on the shares. No amount paid or credited as paid on a share in advance of calls shall be treated for the purpose of this regulation as paid on the share.
152.	Debts may be deducted	The Board may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
154.	Dividends in proportion to amount paid up.	All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms, providing that it shall rank for dividends as from a particular date such share shall rank for dividend accordingly. No member to receive dividend whilst indebted to the Company and the Company's right of reimbursement thereof. No Member shall be entitled to receive payment of any interest or dividend or bonus in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares (or otherwise however either alone or jointly with any other person or persons) and the Board may deduct from the interest or dividend to any Member all such sums of money so due from him to the Company.

Article No.	Heading	Details
155.	Effect of transfer of shares	A transfer of shares shall not pass the right to any dividend declared therein before the registration of the transfer.
156.	Dividend to joint holders	Any one of several persons who are registered as joint holders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends in respect of such share. A person entitled to a share by transmission shall subject to the right of the Board to retain such dividends or money as is hereafter provided be entitled to receive dividend without being registered as a Member and may give a discharge for any dividends or other moneys payable in respect of the share.
157.	Dividend how remitted	The dividend payable in cash may be paid by transfer to bank account or by cheque or warrant sent through post direct to registered address of the share-holder entitled to the payment of the dividend or in case of joint holders to the registered address of that one of the joint holders which is first named on the Register of Members or to such person and to such address as they may direct in writing. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transmission or for any dividend lost, to the Member or person entitled thereto by forged endorsement of any cheque or warrant or forged signature on any pay slip or receipt or the fraudulent recovery of the dividend by any other means.
158.	Dividend to be paid within thirty days	The Company shall pay the dividend or send the warrant in respect thereof to the shareholders entitled to the payment of dividend, within thirty days from the date of the declaration unless: where the dividend could not be paid by reason of the operation of any law; where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with; where there is a dispute regarding the right to receive the dividend; where the dividend has been lawfully adjusted by the Company against any sum due to it from shareholder, or where for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.
159.	Unclaimed dividend	No unclaimed dividend shall be forfeited by the Board and the Board shall comply with provisions of Sections 205A and 205B of the Act, as regards unclaimed dividends.
160.	No interest on dividends	Subject to the provisions of Section 205 A of the Act no dividend shall bear interest as against the Company.
161.	Dividends in cash	No dividend shall be payable except in cash, provided that nothing in this Article shall be deemed to prohibit the capitalization of the profits or reserves of the Company for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any shares held by Members of the Company.
		DEMATERIALIZATION OF SECURITIES
165.	Dematerialization of securities	Notwithstanding anything contained in the Articles, the Company shall be entitled to dematerialise its securities, rematerialize its securities held by the depositories and/or to offer its fresh securities in the dematerialised form pursuant to the Depositories Act, 1996 and the rules framed there under, if any.
166.	Option given to investors	Every person shall have the option to hold the securities with a Depository. Such a person who is a beneficial owner of the securities can at any time opt out of a Depository in respect of such security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificate of securities.

Article No.	Heading	Details
		If a person opts to hold his security with a Depository, the Company shall intimate such Depository the details of allotment of the security, and on receipt of the information, the Depository shall enter in its record the name of the allottee as the beneficial owner of the security.
167.	Securities in Depository to be in fungible form	All securities held by a Depository shall be dematerialised and shall be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187A, 187B, 187C and 372A of the Act shall apply to a Depository in respect of securities held by it on behalf of the beneficial owners. No certificate shall be issued for the securities held by the Depository.
168.	Voting rights of Depository and beneficial owner	The Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of securities on behalf of a beneficial owner. Save as otherwise provided here in above, the Depository as a registered owner shall not have any voting rights or any other rights in respect of securities held by it. Every person holding securities and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a Member of the Company. The beneficial owner shall be entitled to all the rights and benefits and shall be subject to all the liabilities in respect of such of his securities that are held by the Depository.
169.	Allotment of securities by the Depository	Notwithstanding anything contained in the Act or the Articles, where the Depository holds the securities, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.
171.	Transfer of securities	Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a Depository.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following Contracts (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years before the date of this Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These Contracts, copies of which have been attached to the copy of this Prospectus, delivered to the Registrar of Companies, Tamil Nadu at Chennai for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of the Company situated at 7-H, Century Plaza, 560/562 Anna Salai, Teynampet, Chennai 600 018 from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts

1. Letter of appointment dated January 04, 2005 to IL&FS Investsmart Limited from the Company appointing them as a BRLM to the Issue.
2. Letter of appointment dated January 20, 2005 to Kotak Mahindra Capital Company Limited from the Company appointing them as BRLM to the Issue.
3. Memorandum of Understanding dated February 07, 2005 amongst the Company and the BRLMs.
4. Memorandum of Understanding executed by the Company with the Registrar to the Issue..

Material Documents

1. Our Memorandum and Articles of Association as amended from time to time.
2. Our certification of incorporation dated August 24, 1998.
3. Our certificate for commencement of business dated October 16, 1998.
4. Master Services Agreement between the Company and CompuCredit dated January 3, 2005, including Exhibit C, Exhibit A (Scope of Work) and Exhibit B (Fee for Services) relate to confidential commercial terms and will not be open for inspection.
5. Subscription cum Shareholders Agreement between the Company, our Promoters, Euronet LLC and Kotak Mahindra Venture Capital Fund dated April 8, 2002.
6. Sanction Memorandum dated February 7, 2005 issued by Canara Bank, Chennai to Allsec Technologies Limited in relation to short term loan of Rs. 100 million.
7. Loan agreement between our Company and IDBI dated September 25, 2000.
8. General Conditions (bearing no. IDBI-GC-1-94, the "**IDBI General Conditions**") applicable to assistance (project loans and guarantees) provided by Industrial Development Bank of India.
9. Common Hypothecation Agreement dated September 6, 2002 between Canara Bank and the Company.
10. Shareholders' resolutions in relation to this Issue and other related matters such as appointment of auditors.
11. Resolutions of the Board of Directors of our Company dated January 14, 2005 regarding formation and revision of Audit, Remuneration and other committees.
12. Present terms of employment between the Company and Mr. A. Saravanan and Mr. R. Jagadish fixed by way of shareholders resolution dated February 19, 2004 of Allsec Technologies Limited.
13. Report of the statutory auditors, being S.R. Batliboi & Associates, Chartered Accountants, dated January 31, 2005 prepared as per Indian GAAP and mentioned in the Prospectus.
14. Copies of financial statements of the Company for the 15 months ended December 31, 2000, 12 months ended December 31, 2001, the 12 months ended December 31, 2002, the 15 months ended March 31, 2004 and the nine months ended December 31, 2004.
15. Consent of the Auditors being S.R.Batliboi & Associates, Chartered Accountants, for inclusion of their report on accounts in the form and context in which they appear in the Prospectus
16. General Power of Attorney executed by the Directors of the Company in favour of Mr. A. Saravanan and Mr. R. Jagadish for signing and making necessary changes to the Prospectus and other related documents

17. Consents of Auditors, Bankers to the Company, BRLMs, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Domestic and International Legal Counsels to the Issue, Financial Advisors to the Company, Underwriters, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities
18. Initial listing applications dated February 10, 2005 and February 10, 2005 filed with NSE and BSE respectively
19. In-principle listing approval dated March 17, 2005 and March 16, 2005 from NSE and BSE respectively
20. Tripartite Agreement between NSDL, the Company and the Registrar to the Issue dated February 17, 2005
21. Tripartite Agreement between CDSL, the Company and the Registrar to the Issue dated March 24, 2005
22. Due diligence certificate dated February 8, 2005 to SEBI from IL&FS Investsmart Limited
23. SEBI observation letter No. CFD/DII/ISSUES/PR/36306/2005 dated March 17, 2005.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the guidelines issued by Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be. The Company further certifies that all the statements in this Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF THE COMPANY

Dr. Bala V Balachandran

Mr. Dilipkumar B Patel

Mr. Vinod Ganjoor

Mr. A. Saravanan
Director & President

Mr. R. Jagadish
Director & CEO

SIGNED BY THE CHIEF FINANCIAL OFFICER

Mr. P. Swaminathan

Date : April 25, 2005.
Place : Chennai