C M Y K

RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Dated July 07, 2007
100% Book Built Issue

ZYLOG SYSTEMS LIMITED

(Originally incorporated as Zylog Systems Private Limited on June 1, 1995 under the Companies Act, 1956 as a private limited company and was later converted into a public limited company on May 11, 2000 and the name was changed to Zylog Systems Limited)

Registered Office / Corporate Office: No. 82/40, First Main Road, CIT Nagar, Nandanam, Chennai - 600 035, India.
Tel: +91 44 4286 7000; **Fax:** +91 44 2432 6420
Contact Person: Mr. Jitendra Kumar Pal, Company Secretary & Compliance Officer
E-mail: secretarial@zylog.co.in; **Website:** www.zsl.com

(For details of incorporation and changes in the address of the registered office please refer to the section titled "Our History and Other Corporate Matters" beginning on page 69 of this Red Herring Prospectus)

PUBLIC ISSUE OF 3,600,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING PREMIUM) AGGREGATING TO RS. [●] MILLION (HEREINAFTER REFERRED TO AS THE "ISSUE") BY ZYLOG SYSTEMS LIMITED ("ZYLOG" OR "COMPANY"). THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF 3,500,000 EQUITY SHARES ("THE NET ISSUE") AND A RESERVATION OF UPTO 100,000 EQUITY SHARES FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (THE "EMPLOYEE RESERVATION PORTION"), AT THE ISSUE PRICE. THE ISSUE WILL CONSTITUTE 21.89% AND THE NET ISSUE WILL CONSTITUTE 21.28% OF THE FULLY DILUTED POST ISSUE PAID-UP EQUITY CAPITAL OF THE COMPANY.

PRICE BAND: RS. 330 TO RS. 350 PER EQUITY SHARE OF FACE VALUE RS. 10/- EACH
THE ISSUE PRICE IS 33 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 35 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND.

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

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

RISK IN RELATION TO FIRST ISSUE

This being the first public issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The Face Value of the Equity Shares is Rs. 10 and the Issue Price is [●] times of the Face Value. The Issue Price (as determined by the Company in consultation with the BRLM, on the basis of assessment of market demand for the Equity Shares by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/ or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

The Company has not opted for the grading of this Issue from a credit rating agency.

GENERAL RISKS

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

COMPANY'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on Bombay Stock Exchange Limited ("BSE") and the National Stock Exchange of India Limited ("NSE"). We have received in-principle approval from BSE and NSE for the listing of Equity Shares pursuant to letters dated March 19, 2007 and May 29, 2007 respectively. BSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
MOTILAL OSWAL INVESTMENT ADVISORS PRIVATE LIMITED 81/82, Bajaj Bhawan,8th Floor, Nariman Point, Mumbai 400 021, India. Tel: +91 22 3980 4380, Fax: +91 22 3980 4315 Email: zsl.ipo@motilaloswal.com Website: www.motilaloswal.com Contact Person : Ms. Akshata Tambe	**KARVY COMPUTERSHARE PRIVATE LIMITED** Plot No. 17 to 24, Vithalrao Nagar, Madhapaur, Hyderabad 500 086, India. Tel : 1-800-345 4001, Fax : +91 40 2342 0814 Email: einward.ris@karvy.com Website: www.karvy.com Contact Person: Mr. M Murali Krishna

ISSUE PROGRAMME

BID/ISSUE OPENS ON: JULY 20, 2007	BID/ISSUE CLOSES ON: JULY 25, 2007

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SECTION I: GENERAL

DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

In this Red Herring Prospectus, all references to "Zylog Systems Limited" or "Zylog" or "ZSL" or "Company" or "our Company" or "Issuer" are to Zylog Systems Limited, a public limited company incorporated under the Companies Act, 1956.

In this Red Herring Prospectus, all references to "we", "us" or "our" are to Zylog Systems Limited and its Subsidiaries, unless the context otherwise requires.

In this Red Herring Prospectus, all references to "Subsidiaries" or "our Subsidiaries" or "its Subsidiaries" mean collectively Vishwa Vikas Services Limited, Zylog Systems (India) Limited, Zylog Systems Asia Pacific Pte Ltd and Zylog Systems (UK) Limited.

COMPANY RELATED TERMS:

Term	Description
Articles / Articles of Association / AOA	Articles of Association of Zylog Systems Limited
Board / Board of Directors	Board of directors of Zylog Systems Limited or a committee of the Board
CEO	Chief Executive Officer
COO	Chief Operating Officer
Equity Shares	Equity Shares of our Company of face value Rs. 10 each
Memorandum/ Memorandum of Association/ MOA	The Memorandum of Association of our Company
Promoters	Mr Sudarshan Venkataraman, Mr. Ramanujam Sesharathnam [individual promoters] and Sthithi Insurance Services Private Limited [corporate promoter]
Promoter Group	Unless the context otherwise requires, refers to those companies and individuals mentioned in the section titled "Our Promoters and Promoter Group" on page 85 of this Red Herring Prospectus
Registered Office	The registered office of our Company being No. 82/40, First Main Road, CIT Nagar, Nandanam, Chennai - 600 035
SISPL	Sthithi Insurance Services Private Limited

ISSUE RELATED TERMS

Term	Description
Allotment	Unless the context otherwise requires, the allotment of Equity Shares pursuant to this Issue.
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.
Allottee	The successful Bidder to whom the Equity Shares are/have been issued or transferred.
Auditors	The statutory auditors of our Company M/s. Brahmayya & Co, Chartered Accountants.
Bankers to the Issue/ Escrow Collection Banks	The Bankers to the Issue being BNP Paribas, ICICI Bank Ltd, Kotak Mahindra Bank Ltd, The Hongkong and Shanghai Banking Corporation Limited , Union Bank of India.
Bid	An indication to make an offer during the Bidding/ Issue Period by a prospective investor to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto.

Term	Description
Bid Price/Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares and which will be considered as the application for issue of the Equity Shares pursuant to the terms of the Red Herring Prospectus.
Bid/ Issue Closing Date	The date after which the Syndicate Members will not accept any Bids for the Issue, which shall be mentioned in the Red Herring Prospectus and the Bid cum Application Form and notified in an English national newspaper, a Hindi national newspaper and a Tamil newspaper, with wide circulation.
Bid/ Issue Opening Date	The date on which the Syndicate Members shall start accepting Bids for the Issue, which shall be mentioned in the Red Herring Prospectus and the Bid cum Application Form and notified in an English national newspaper, a Hindi national newspaper and a Tamil newspaper, with wide circulation.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form.
Bidding/ Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which Bidders can submit their Bids.
Board of Directors/ Board	The board of directors of our Company or a committee constituted thereof.
Book Building Process	Book building route as provided under Chapter XI of the SEBI Guidelines, in terms of which the Issue is being made.
BRLM/ Book Running Lead Manager	Book Running Lead Manager to the Issue, in this case being Motilal Oswal Investment Advisors Private Limited.
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the QIB Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Companies Act	The Companies Act, 1956, as amended from time to time.
Cut-off Price	Any price within the Price Band finalized by us, in consultation with the BRLM. a Bid submitted at Cut Off Price by a Retail Individual Bidder and Eligible Employees under the Employee Reservation Portion is a valid Bid at all price levels within the Price Band.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository	A body corporate registered 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.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account and any surplus money to the Refund Account after the Prospectus is filed with the RoC, following which the allotment will be made to successful Bidders.
Designated Stock Exchange	Bombay Stock Exchange Limited
Draft Red Herring Prospectus/ DRHP	The Draft Red Herring Prospectus filed with SEBI on March 7, 2007.
EGM	Extra Ordinary General Body Meeting
Eligible Employee	Permanent employees and directors of our Company, whether a whole time director, part time director excluding the Promoter Directors who are Indian nationals based in India and are present in India on the date of submission of Bid Cum Application form. In

Term	Description
	addition, such person should be an employee or director during the period commencing from the date of filing of the Red Herring Prospectus with the ROC upto the Bid/Issue Closing Date
Employee Reservation Portion	That portion of the issue being a maximum of 100,000 Equity Shares available for allocation to Eligible Employees
EPS	Earnings Per Share
Eligible NRI	NRI from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue.
Escrow Account	A no-lien account opened with an Escrow Collection Bank (s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount/ Margin Amount when submitting a Bid.
Escrow Agreement	Agreement to be entered into amongst our Company, the Registrar, the Escrow Collection Banks and the BRLM for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed hereunder.
FII	Foreign Institutional Investor (as defined under the Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 as amended) registered with SEBI under applicable laws in India.
Financial Year/ Fiscal / FY	Period of 12 months ended March 31 of that particular year, unless otherwise stated.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no bids will be accepted
Government/ GoI	The Government of India.
IPO	Initial Public Offering
I.T. Act/ ITA	The Income Tax Act, 1961, as amended from time to time.
Indian GAAP	Generally accepted accounting principles in India.
Issue	Public issue of 3,600,000 Equity Shares for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million
Issue Price	The final price as determined by our Company, in consultation with the BRLM, on the Pricing Date and the Equity Shares will be allotted at that Issue Price.
Issuer	Zylog Systems 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.
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Mutual Funds Portion	5% of the QIB Portion or 105,000 Equity Shares (assuming the QIB portion not more than 60% of the Issue size) available for allocation to Mutual Funds only, out of the QIB portion.
Net Issue	The Issue less the Employee Reservation Portion being 3,500,000 Equity Shares
Non-Institutional Bidders	All Bidders that are not eligible Qualified Institutional Buyers for this Issue or Retail Individual Bidders and who have Bid for an amount more than Rs. 100,000

Term	Description
Non-Institutional Portion	The portion of the Issue being upto 350,000 Equity Shares available for allocation to Non-Institutional Bidders.
NRI/Non Resident Indian	A person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000.
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of atleast 60% by NRIs including overseas trusts, in which not less than 60% of the beneficial interest is irrevocably held by NRIs directly or indirectly as defined under the Foreign Exchange Management (Transfer or Issue of security by a Person Resident Outside India) Regulations, 2000. OCBs are not allowed to participate in this issue.
Pay-in Date	Bid/ Issue Closing Date or the last date specified in the CAN sent to Bidders, as applicable.
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/ Issue Closing Date, and
	(ii) With respect to Bidders whose Margin Amount is 10% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN.
Price Band	The price band with a minimum price of Rs. 330.0 and the maximum price of Rs. 350.0 per Equity Share, including revisions thereof.
Pricing Date	The date on which our Company in consultation with the BRLM finalises 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 for the Issue on the Designated Date.
Red Herring Prospectus/ RHP	This RHP to be issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and the size of the Issue, which will be filed with the RoC at least three days before the Bid/ Issue Opening Date and will become a Prospectus upon filing with RoC after the determination of pricing and allocation
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 with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.
QIB Portion	The portion of the Issue being 2,100,000 Equity Shares, available for allocation to QIBs on a proportionate basis out of which 105,000 Equity Shares are available for allocation to Mutual Funds.
Registrar/ Registrar to the Issue	Karvy Computershare Private Limited
Retail Individual Bidders	Individual Bidders (including HUFs and Eligible NRIs) who have Bid for Equity Shares for an amount less than or equal to Rs. 100,000 in any of the bidding options in the Issue.

Term	Description
Retail Portion	The portion of the Issue being upto 1,050,000 Equity Shares, available for allocation to Retail Individual Bidders.
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines/ DIP Guidelines/ SEBI DIP Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time.
Stock Exchanges	BSE and NSE.
Syndicate	The BRLM and the Syndicate Member.
Syndicate Agreement	The agreement to be entered into among our Company, the BRLM and the Syndicate Members, in relation to the collection of Bids in this Issue.
Syndicate Members	Collectively the BRLM and the Syndicate Members as disclosed in this Red Herring Prospectus and persons who are registered with SEBI and are eligible to act as Underwriters
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid.
Underwriters	The BRLM and the Syndicate Member.
Underwriting Agreement	The Agreement among the Syndicate Members and our Company to be entered into on or after the Pricing Date but before the filing of the Prospectus with RoC.

Conventional / General Terms:

Term	Description
AGM	Annual General Meeting
APAC	Asia Pacific
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year in accordance with Income-Tax Act
BSE	Bombay Stock Exchange Limited
BIFR	Board of Industrial and Financial Reconstruction
BCSIS	BCS Information System Pte Limited
CAGR	Compounded Annual Growth Rate
CEPS	Cash Earning Per Equity Share
CY	Calendar Year
DIN	Director’s Identification Number
DRHP	Draft Red Herring Prospectus
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
FCNR Account	Foreign Currency Non Resident Account
FDI	Foreign Direct Investment

Term	Description
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed there under
FII(s) / Foreign Institutional	Foreign Institutional Investor as defined under SEBI (Foreign Institutional Investors)
Investors	Regulations, 1995 and registered with SEBI
FIPB	Foreign Investment Promotion Board
FY	Financial Year
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GIR Number	General Index Registry Number
GoI	Government of India
HNI	High Networth Individual
HUF	Hindu Undivided Family
IPO	Initial Public Offer
I. T. Act	The Income Tax Act, 1961
MAPIN	Market Participant and Investor Database
MD	Managing Director
MIS	Management Information System
MNC	Multi National Company
NAV	Net Asset Value
NRE Account	Non-Resident External Account
NRO Account	Non – Resident Ordinary Account
NRI	Non Resident Indian
NSE	National Stock Exchange of India Limited
PAN	Permanent Account Number
PAT	Profits After Taxation
PBT	Profits Before Taxation
P/E Ratio	Price/Earnings Ratio
Q1	Quarter ending June 30
Q2	Quarter ending September 30
Q3	Quarter ended December 31
Q4	Quarter ending March 31
RBI	The Reserve Bank of India
ROC	Registrar of Companies, Tamil Nadu located at Block No.6, B Wing, 2nd Floor, Shastri Bhavan, 26 Haddows Road, Chennai – 600 006 India.
RONW	Return on Net Worth
Rs. / Rupees / INR	Indian Rupees

Term	Description
RTGS	Real Time Gross Settlement System
SCRR	Securities Contract Regulations Rules, 1957
SEBI	Securities and Exchange Board of India constituted under the SEBI Act, 1992.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SICA	Sick Industrial Companies (Special Provisions) Act, 1985
SGD	Singapore Dollars
UIN	Unique Identification Number
UTI Ventures	Unit Trust of India Investment Advisory Services Limited A/c Ascent India Fund
YOY	Year on Year

TECHNICAL / INDUSTRY RELATED TERMS

Term	Description
ASP	Authorised Service Provider
BDM	Business Development Manager
BFS	Banking and Financial Services
BFSI	Banking, Financial Services and Insurance
CTS	Cheque Truncation System
CRM	Customer Relationship Management
DAS	Direct Attached Storage
DBA	Doing Business As
DES	Data Encryption Standard
ECC	Elliptic Curve Cryptography
EDM	Enterprise Data Management
EIM	Enterprise Infrastructure Management
EMS	Enterprise Managed Services
EOU	Export Oriented Unit
ERP	Enterprise Resource Planning
HTML	HyperText Markup Language
IFSC	Indian Financial System Code
IPR	Intellectual Property Rights
ISO 9001:2000	International Standard Organisation 9001:2000 Quality Certification Standard.
ISV	Independent Software Vendor
IT	Information Technology
ITES	Information Technology Enabled Services
ITES-BPO	Information Technology Enabled Services- Business Process Outsourcing
LAN	Local Area Network

Term	Description
MMS	Multimedia Messaging Service
MQ	Message Queue
NAS	Network Area Storage
NASSCOM	National Association of Software and Service Companies
ODC	Offshore Development Center
PKI	Public Key Infrastructure
QA	Quality Assurance
QC	Quality Control
SAN	Storage Area Network
SDK	Software Development Kit
Sis	System Integrators
SMS	Short Messaging Service
SMTP	Simple Message Transfer Protocol
SPs	Solution Providers
SSL	Secured Software Layer
STP	Software Technology Park
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TPs	Technology Partners
VAR	Value Added Reseller
VPN	Virtual Private Network
WAN	Wide Area Network
WBMP	Wireless Bitmap
WML	Wireless Markup Language
WTLS	Wireless Transport Layer Security
WYSIWYG	What You See Is What You Get
XML	Extensible Markup Language

All other words and expressions used but not defined in this Red Herring Prospectus, but defined in the Companies Act, 1956, the SEBI DIP Guidelines or in the Securities Contracts (Regulation) Act, 1956 and/ or the Rules and the Regulations made thereunder, shall have the meanings respectively assigned to them in such Acts or the Rules or the Regulations made thereunder or any statutory modification or re-enactment thereto, as the case may be.

CERTAIN CONVENTIONS; USE OF MARKET DATA

In this Red Herring Prospectus, unless the context otherwise requires, all references to one gender also refers to another gender and the word "lac" means "one hundred thousand", the word "million (mn)" means "ten lac", the word "crore" means "ten million" and the word "billion (bn)" means "one hundred crore". In this Red Herring Prospectus, any discrepancies in any table between total and the sum of the amounts listed are due to rounding-off. Throughout this Red Herring Prospectus, currency figures have been expressed in Rs. Millions.

For additional definitions used in this Red Herring Prospectus, see the section titled "Definitions and Abbreviations" on page no. i of this Red Herring Prospectus. In the section titled "Main Provisions of Articles of Association of "Zylog Systems Limited" on page no. 179 of this Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles of Association of our Company.

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

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our standalone financial statements prepared in accordance with Indian GAAP and audited by our statutory auditors M/s. Brahmayya & Co. Unless stated otherwise, references to consolidated financial information is to the consolidated financial information under Indian GAAP.

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

Currency of presentation

All references to "Rupees" or "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India. All references to "US$" or "U.S. Dollar(s)" or "$" are to United States Dollars, the official currency of the United States of America. All references to "GBP" are to Pounds Sterling, the official currency of the United Kingdom. All references to "S$" or "SGD" are to Singapore Dollars, the official currency of Singapore.

This Red Herring Prospectus contains translations of certain U.S. Dollar and other currency amounts into Indian Rupees as per the following tables:

US Dollar

	Year ended Mar 31, 2005	Year ended Mar 31, 2006	Year ended Mar 31, 2007
Period end	43.79	44.62	43.59
Average	44.92	44.29	45.29
Low	43.39	43.17	43.00
High	46.47	46.38	46.99

Source: www.oanda.com

UK Pounds

	Year ended Mar 31, 2005	Year ended Mar 31, 2006	Year ended Mar 31, 2007
Period end	82.28	77.62	85.25
Average	82.95	79.10	85.63
Low	78.28	75.61	77.28
High	86.62	84.01	88.96

Source: www.oanda.com

Singapore Dollar

	Year ended Mar 31, 2005	Year ended Mar 31, 2006	Year ended Mar 31, 2007
Period end	26.52	27.54	28.64
Average	26.83	26.65	28.92
Low	25.97	25.65	27.58
High	27.54	27.64	29.70

Source: www.oanda.com

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FORWARD - LOOKING STATEMENTS

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

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

a. General economic and business conditions in the markets in the U.S;

b. The loss of or decline in the revenues from our clients in US to whom we have significant exposure;

c. Our failure to keep pace with the technological advancements

d. Our ability to anticipate contract awards and match the size of our work force

e. Our ability to successfully implement our strategy and growth plans;

f. Our ability to compete effectively and access funds at competitive cost;

g. Changes in the value of Rs and other currencies;

h. Our ability to consummate strategic acquisitions and integrate such businesses

i. Changes in tax benefits and incentives and other applicable regulations, including various tax laws;

j. Our ability to retain our management team and skilled personnel;

k. Developments affecting Indian economy and changes in political conditions in India.

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

SECTION II: RISK FACTORS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Company's Equity Shares. You should read this section in conjunction with the sections titled 'Our Business" and "Management's Discussion and Analysis of Financial Conditions and Results of Operations" on pages 45 and 132 of this Red Herring Prospectus, as well as the financial information contained in this Red Herring Prospectus. If any one or some combination of the following risks were to occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

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

Internal Risk Factors

1. ***Our Company is involved in 3 tax cases. If determined against our Company, our Company would be liable to pay the amount claimed/demanded.***

   Our Company is involved in 3 Income Tax cases and the aggregate amounts demanded are as follows:

Sr. No	Type of Dispute	Amount (Rs in Mn)
1	Income tax cases/demands*	40.86

   Out of the total demand of Rs. 40.86 mn we have already deposited Rs 19.06 mn with the Income Tax Department.

   Our Company has also received 2 notices proposing to assess to tax under the Central Sales Tax Act, 1956. For further details, please refer the section titled "Outstanding Litigation and Other Material Developments" beginning on page 142 of this Red Herring Prospectus.

2. ***Except for the working capital requirement, rest of the objects of the Issue for which funds are being raised have not been appraised by any independent appraiser***

   We intend to use the proceeds of the Issue for setting up of the ODC, making acquisition(s) / strategic investments and to meet the working capital requirements. The use of the proceeds of the Issue for setting up of the ODC have been determined based on quotations received from builders, architects, vendors and our internal estimates. No bank or financial institution has appraised the use of proceeds to be raised through the Issue except for working capital requirements which has been appraised by Union Bank of India. No independent body will be monitoring the use of proceeds. Our progress towards deployment of the use of proceeds from the Issue will be reported periodically as mentioned in section titled "Objects of the Issue – Monitoring of Utilisation of Funds" on page 26.

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

   A significant proportion of our revenue is derived from clients located in the United States. In Fiscal 2007 over 98% of our revenues were derived from clients located in the United States. Consequently, if there is an economic slowdown in the United States, our clients may reduce or postpone their IT spending significantly, which may in turn lower the demand for our services and negatively affect our revenues and profitability. For more details of our client concentration please refer to section titled "Our Business – Client Concentration" on page 59 of this Red Herring Prospectus.

4. ***Our failure to complete fixed price projects within budget and on time will negatively affect our profitability.***

   We typically perform projects either on a fixed cost or on time and materials basis. Fixed cost contracts are recognized as per the proportionate completion method. We derive a significant portion of our revenues from fixed cost contracts. If we fail to estimate accurately the resources and the time required for a fixed cost project, future wage inflation rates or currency exchange rates, or if we fail to complete our contractual obligations within the contracted time frame, our profitability may suffer. For details of fixed cost contracts please refer section titled "Our Business" page no 45 of this Red Herring Prospectus.

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

We have experienced significant growth in revenues in recent years.

Rs. In Million

Particulars	**2003**	**2004**	**2005**	**2006**	**2007**
Revenue	648.3	965.5	1467.1	2676.2	4040.6
YOY Growth		48.93%	51.95%	82.41%	50.98%

Our revenues (based on Standalone Restated Financials) have grown at a compounded annual growth rate of 58 % from Rs.648.3 million in the Fiscal 2003 to Rs4040.6 million in the Fiscal 2007. We expect this growth to place significant demand on both our management and our resources. This will require us to continuously evolve and improve our operational, financial and internal controls across the organisation. The reasons for the growth in the revenue has been explained in section titled "Management Discussion & Analysis of Financial Condition and Results of Operations" on page no. 132.

Any inability to manage growth may have an adverse effect on our business, results of operation and financial condition.

6. ***We have following contingent liabilities which if materializes could have an adverse effect on our financial condition***

Rs. In Million

As at	**March 31, 2007**
Income tax demands disputed in appeal	19.03
Sales tax demands disputed	3.48
Total	**22.51**

7. ***Our revenues and expenses are difficult to predict and can vary significantly from quarter to quarter, which could cause the price of our Equity Shares to fluctuate.***

Our revenues and profitability have grown rapidly in recent years. Our revenue grew by 82% from Rs. 1467.1 mn in FY 2005 to Rs 2676.2 mn in FY 2006 and a further 50% in FY 2007 to 4040.6 mn. For further details please refer to the section titled "Management Discussion & Analysis of Financial Condition and Results of Operations" on page no. 132. However the revenues are likely to vary significantly in the future from period to period due to the acquisition of new clients or the loss of existing clients, the size and timing of our major projects, the proportion of our projects delivered offshore versus onsite and the utilisation of our billable employees, among other factors. Our revenues could also fluctuate based on the achievement or the missing of milestones in certain projects, as well as payment delays by clients who sometimes postpone payment in an effort to manage their cash flows and earnings. Therefore, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indicative of our future performance. It is possible that in the future some of our results of operations may be below the expectations of market analysts, which could cause the price of our Equity Shares to decline significantly.

8. ***There has been a delay in the completion of ODC I and is expected to be operational by August 2007.***

As mentioned in section titled "Objects of the Issue" beginning on page 20 of this Red Herring Prospectus, the ODC I was to be completed on or before June 2007. However, it has now been rescheduled for completion by August 2007. We cannot assure that we will be able to complete our projects as planned and any further delay is likely to affect our business and the results of our operations.

9. We may maintain a workforce based upon current and anticipated workloads and if we do not receive anticipated contract awards, or if these awards are delayed, we could incur significant costs.

As on March 31, 2007, our Company's headcount stands at 968. For details, please refer section titled "Our Business – Employee Profile" on page 64 of this Red Herring Prospectus. Our estimates of future performance depend upon, among other things, whether and when we will receive certain new contract awards. While our estimates are based upon our best judgement based upon past experience, these estimates may frequently change based on newly available information. In the case of large-scale projects where timing is often uncertain, it is particularly difficult to predict whether or when we will receive a contract award. The uncertainty of contract awards and timing can present difficulties in matching our workforce size with our contract needs. If an expected contract award is delayed or not received, we could incur costs due to maintaining underutilized staff and facilities, which in turn would have the effect of reducing our profits.

10. Our Company may be unable to consummate strategic acquisition(s) and/or make investments

One of the objects of the Issue is to finance strategic acquisition of companies that would crystallize with our future strategy. However, we have not as yet identified the targets for such acquisitions. We cannot assure that we would be able to consummate acquisitions or conclude such definitive agreements on terms acceptable to us. We cannot assure that our acquisitions would be at an optimum price, or that the same will not turn out to be overpriced or overvalued, which may adversely affect our profitability in relation to such acquisition. Further, the targeted acquisition could lead to consequential difficulties like integration of acquired business, including its operations, personnel, technology and services.

Also, any delay in business acquisitions would have an impact on our growth.

As on the date of filing the Red Herring Prospectus with RoC, we have not entered into any definitive agreements for our proposed strategic acquisitions.

11. Common pursuits among the Subsidiary Companies

Our Subsidiaries are enabled by their respective memorandum of associations to undertake activities which may appear to be similar in nature in comparison to our Company. However, all our subsidiaries transact with each other strictly on an arms length basis and details in respect thereof are reflected in the section titled "Financial Statements" on page 94 of the Red Herring Prospectus.

12. Our Client contracts may not be renewed or may be terminated at short notice

Our Company does not have any exclusive contract with our clients and therefore cannot assure renewals of such contracts which could ensure a specific volume of business or future work. Moreover, the contracts that we enter into with our clients may be terminated at short notices. Our Company's business is also dependent on the decisions and actions of our clients, and there are a number of factors relating to our Company's clients that may be outside our control, and not directly related to our performance of contractual obligations, that might result in the termination of a project or the loss of a client, including among others:

- Financial difficulties for a client;
- A change in strategic priorities, resulting in a reduced level of IT spending;
- A demand for price reductions;
- A change in outsourcing strategy by moving more work to client in-house IT departments or to our competitors;
- Change in management or controlling interests;

Termination of one or more projects or loss of one or more of our clients could have an adverse effect on our business, results of operations and financial condition.

13. We have not registered any of its products under the intellectual property right laws applicable in India or abroad.

Except for our Company's logo, our Company does not hold any IPR rights for any of our products which have been developed and hence are not protected from infringement.

14. Third parties may claim that we infringe their intellectual property rights.

We may receive notices from third parties claiming that we infringe their intellectual property rights, given the growing number of products and competitors in our industry. Our responding to any infringement claim could be time-consuming, costly and could even result in litigation claiming monetary damages or entering into royalty agreements that would not be acceptable to us. During the pendency of such proceedings, we may be required to temporarily stop selling or redesigning our products. If we are unable to defend ourselves successfully, our business, financial condition and results of operations could be adversely affected.

15. Our Company is liable to indemnify our clients for losses caused due to breach of the agreements

Most of our agreements have a clause whereby our Company would be liable to indemnify our clients for any loss caused to them due to breach of the terms of the agreement or any negligence on our part. If any such liability arises, it could have an adverse effect on our finances and businesses,

16. Our Company may face short-term liquidity constraints or shortage in working capital funds due to delays in realization of dues from clients.

Our Company has experienced delays in realization of dues from clients. Such delays could create a burden on our working capital finances. Normally, our Company receives progressive payments from our clients depending upon the stages of completion of each project. However, any disputes arising over services rendered could cause delays in receipt of payments, which could adversely affect our operating results and cash flow.

17. A critical success factor for our business is our ability to attract and retain skilled personnel

The industry where we operate is human capital intensive with a high rate of attrition. Our ability to execute projects and to obtain new clients depends largely on our ability to attract, train, motivate and retain highly skilled software professionals. There is a possibility that we may not be able to retain skilled professionals or attract new skilled professionals in the future. The loss of skilled professionals may adversely affect our business, results of operations and financial condition.

18. We may be liable to our clients for damages caused by our system failures or breaches of security obligations

Contracts involving projects that are critical to the operation of our clients businesses may require us to comply with certain security obligations including maintaining network security, ensuring network is virus free and proper backup of data, and impose liabilities on us for not complying with contractual conditions. We cannot assure that we will be able to comply with all these obligations and not incur any liability.

Further, while we have implemented industry-standard security measures, our network may still be vulnerable to unauthorized access, computer viruses and other disruptive problems. A party that is able to circumvent security measures could misuse the proprietary information and cause interruptions in our operations. We may be required to expend significant capital or other resources to protect against the threat of security breaches or to alleviate problems caused by such breaches. There can be no assurance that any measures implemented will not be circumvented in the future.

19. Major events affecting our clients, such as bankruptcies, mergers and acquisitions, could adversely impact our business.

If any of our major clients becomes bankrupt or insolvent, we may lose some or all of our business from that client and our receivables from that client would increase and may have to be written off, adversely impacting our revenues and financial condition. Our business could also be adversely affected by the acquisition of a major client if the combined entity chooses not to engage us to provide it with IT services and solutions

20. Our success depends in large part upon our management team and the loss of any member of this team could negatively impact our business.

We are highly dependent on the senior members of our management team for the management of our daily operations and the planning and execution of our business strategy. The competition for senior executives in the IT services industry is severe, and if we lose the services of any of these or other key individuals and are unable to find suitable replacements in a timely manner, our ability to realise our strategic objectives could be impaired.

21. We operate in a technologically dynamic industry. Our inability to adapt to technological advancements may adversely affect us

The industry we operate in is technologically dynamic, and prone to rapid technological changes due to various factors, including evolving industry standards and changing client preferences. This leads to the introduction of new product and services in the IT service industry to meet those challenges. We believe that our future success will depend, *inter alia*, on our ability to foresee these advances and innovate and develop new service offerings to meet client needs, ensure market acceptance for our suite of services, our ability to introduce, enhance and add functions to our suite of products to meet the evolving needs of our clients, and for our service offerings to be perceived as better than the competitor. We may not be successful in anticipating these advances on a timely basis or if we do not respond, or do not respond adequately, the services or technologies we develop or innovate may not be able to meet client expectations, withstand competition or be successful in the market place. Our competitors may develop services which may be perceived as better than ours. One or more of the aforesaid factors occurring may adversely affect our business, financial condition and results of operations.

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

22. Some of our Subsidiaries and Group Companies have incurred losses in the recent years

Rupees in millions

Subsidiary	**Fiscal Year Ended March 31,2005**	**Fiscal Year Ended March 31,2006**	**Fiscal Year Ended March 31,2007**
Zylog Systems (India) Limited	N.A	(0.77)	N.A
Zylog Systems (UK) Limited	(0.52)	N.A	N.A
Sthithi Insurance Services Private Limited (Promoter company) *	(0.0025)	(0.0025)	(0.81)

*The Promoter company is a loss making entity since inception

23. The market price of our Equity Shares may be adversely affected by additional issues of equity or equity linked securities by our Company or by sale of a large number of our Equity Shares by our significant shareholders

We may finance our growth plans through additional equity offerings. Any future issuance of equity or equity-linked securities by our Company may dilute the shareholding of investors in our Equity Shares and could adversely affect the market price of our Equity Shares. Although our Promoters are subject to lock-in as per applicable SEBI Guidelines, sales of a large number of our Equity Shares by any significant shareholder after the expiry of the lock-in periods could adversely affect the market price of our Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

24. In the past 12 months, we have issued Equity Shares, which may be at a price less than the lower end of the price band for the Equity Shares being offered in the Issue. For further details refer section titled "Capital Structure" on page 14 of this Red Herring Prospectus.

25. ***We operate in a highly competitive environment, and face competition from major operators as well as smaller operators***

The market for IT services is rapidly evolving and highly competitive. We experience intense competition across markets for our services from major domestic and international players. For details, please refer section titled "Our Business – Competition" on page 61 for competition received from other major players. Major players have significant financial, technical and marketing resources and may be able to offer products and/or services at prices that may be more competitive than ours. Such pricing pressure may result in us not being able to attract new clients and/or retain existing clients, decrease our market share, or may result in us having to lower our prices, which may result in lowering our margins and profitability. We may also face competition and pricing pressure from start-ups and comparatively smaller operators.

26. ***We may be unable to obtain required approvals and licenses in a timely manner, in which case our business and operations may be adversely affected.***

We require certain approvals, licenses, registrations and permissions for operating our business, some of which may have expired and for which we may have either made or are in the process of making an application for obtaining the approval or its renewal. For more information, see the section titled "Government and Other Approvals" beginning on page 144. If we fail to obtain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business could be adversely affected.

27. ***High debtor receivable days may increase our collection risk, which could adversely affect our results of operations.***

We normally allow customers up to 90 days credit from the invoice date within which to pay amounts due. Our inability in future to accelerate the realisation of receivables could adversely impact our operations.

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

After this Issue, our Promoters and persons/entities in the Promoter Group will collectively hold approximately 33.61% of the fully diluted post Issue equity capital of our Company. Consequently they may exercise substantial control over us and *inter alia* may have the power to elect and remove a majority of our Directors and to determine the outcome of significant corporate transactions and decisions requiring approval of our Board of Directors. Further, they may be able to influence any shareholder action or approval requiring a majority vote, and may be able to delay, prevent or deter a change in control. Such a concentration of ownership may also have the effect of delaying, preventing or deterring a change in control.

29. ***We are yet to place confirmed orders for a significant portion of the proposed utilisation of the Issue proceeds.***

The total offshore development cost estimated is Rs. 667.18 million out of which we have not placed confirmed orders to the vendors to the extent of Rs. 542.31 million. For details refer to the Section titled "Objects of the Issue" on page 20.

30. ***Certain clauses of the share holders agreement may affect the shareholders interest***

We have entered into share subscription and shareholders agreements with Unit Trust of India Investment Advisory Services Limited A/c Ascent India Fund and Argonaut Ventures which contain the following clauses that may affect the interest of our other shareholders:

- the right to retain its nominee on the Board
- Information Rights
- Confidentiality and
- Right to indemnification as mentioned in the agreement.

For details refer section titled "History and other Corporate Matters" on page 69 of this Red Herring Prospectus.

31. Our Registered Office is located in a licenses premise. In the event that we are unable to renew the term of the same, we may have to relocate our Registered Office

32. One of our independent Directors Mr. S. Rajagopal's name appears in the RBI wilfull defaulters list for being the director of M/s SPIC Ltd. Mr. S. Rajagopal was the independent director of M/s SPIC Ltd. from April 15, 2002 to December 12, 2006 and the company was declared a wilful defaulter on February 28, 2007. However, his name still remains in the RBI wilful defaulters list.

External Risk Factors

1. A significant change in the Government of India's economic liberalization and deregulation policies could disrupt our business and cause the price of our Equity Shares to decline.

The Government has traditionally exercised and continues to exercise a dominant influence over many aspects of the economy. Its economic policies have had and could continue to have a significant effect on private sector entities, including us, and on market conditions and prices of Indian securities, including the Equity Shares. The present government, which was formed after the Indian parliamentary elections in April-May 2004, is headed by the Indian National Congress and is a coalition of several political parties. Any significant change in the government's policies or any political instability in India could adversely affect business and economic conditions in India and could also adversely affect our business, our future financial performance and consequently the market price of our Equity Shares.

2. Our Company may face competition from emerging countries with lower costs

Our Company may face stiff competition from other countries such as China and Philippines who have lower employee cost as compared to India. This may result in price pressures thereby having an adverse impact on our profit margins.

3. Increases in wages for IT professionals could reduce our cash flows and profit margins.

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

4. We are subject to risks arising from exchange rate fluctuations

The exchange rate between the Rupee and the U.S. Dollar has changed substantially in recent years and may continue to fluctuate substantially in the future. During FY 2006, we earned a foreign exchange gain of Rs.9.35 million and incurred a foreign exchange loss of Rs. 41.66 million in FY 2007. We expect that a majority of our revenues will continue to be generated in U.S. dollars for the foreseeable future and that a significant portion of our expenses, including personnel costs as well as capital and operating expenditures, will continue to be denominated in Rupees. We have not entered into any forward contract, to minimise the impact of fluctuating exchange rates, and cannot assure you that we will be able to effectively mitigate the adverse impact of currency fluctuations on our results of operations.

5. We are subject to various Indian and international taxes and avail of certain tax benefits offered by the Government of India and the State of 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 IT industry include: customs duties; excise duty; central and state sales tax and other levies; income tax; value added tax; entry tax; turnover tax; service tax; and other new or special taxes and surcharges introduced on a permanent or temporary basis from time to time. For more details on the direct benefits, please refer section titled "Statement of Tax Benefits" beginning on page 30 of this Red Herring Prospectus. We currently take advantage of various income tax exemptions and deductions, which are applicable to companies engaged in export activities, some of which are only for a specified duration. The loss or unavailability of these benefits would increase our income tax obligations and have a material adverse effect on our after tax profits and cash flow.

6. ***Political opposition to offshore outsourcing in the United States, and other countries where we operate, could adversely affect our business.***

   Recently, offshore outsourcing has been the subject of intense political debate, including the campaign for the recently concluded U.S. presidential elections, and has come under increased government scrutiny within the United States due to its perceived association with loss of jobs in the United States. Several U.S. state governments have recently implemented or are actively considering implementing restrictions on outsourcing by U.S. state government entities to offshore IT services providers. Any changes to existing laws in the United States or in other countries where we operate or the enactment of new legislation restricting offshore outsourcing may adversely impact our business and profitability.

7. ***Restrictions on work permits may affect our ability to compete for and provide services to clients.***

   The majority of the work we perform is completed onsite/ offsite. Since the vast majority of our employees are Indian citizens, most of the IT professionals we send to work onsite/offsite with clients outside India must obtain visas and work permits. Limits may be placed upon the aggregate number of certain types of visas, such as H-1B visas in the United States. As a result of current or future immigration restrictions, we could be limited in our ability to perform client projects outside India, which would constrain our growth.

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

   India has experienced natural calamities such as earthquakes, tsunami, floods and drought in the past few years. The extent and severity of these natural disasters has an impact on the Indian economy. Any negative impact of natural disasters on the Indian economy could adversely affect our business and the market price of our Equity Shares.

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

   Terrorist attacks and other acts of violence or war may negatively affect the Indian economy and financial markets and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence and ultimately adversely affect our business.

   Diplomatic relations between India and some of its neighboring countries have been strained in the past. Any deterioration in relations between Indian and its neighboring countries might result in investor concern about stability in the region, which could adversely affect the market price of the Equity Shares.

   India has also witnessed civil disturbances in recent years and it is possible that future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us. Regional or international hostilities, terrorist attacks or other acts of violence of war could have a significant adverse impact on international or Indian financial markets or economic conditions or in government policy. Such incidents could also create a perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of our Equity Shares.

10. ***Insurance cover is unavailable for certain risks or may be inadequate*.**

    Our Company has covered itself against certain risks. For details please see the section titled “Our Business – Insurance” refer to page 65. Insurance cover may not have been taken or is generally not available for certain kind of risks. We believe our insurance coverage is consistent with the industry practice. To the extent that any uninsured risks materialize, our operating results and financial performance could be detrimentally affected.

11. ***After this Issue, the price of our Equity Shares may be volatile, or an active trading market for our Equity Shares may not develop.***

Prior to this Issue, there has been no public market for our Equity Shares. The trading price of our Equity Shares may fluctuate after this Issue due to a variety of factors, including the performance of our business, competitive conditions, general economic, political and social factors, volatility in the Indian and global securities markets, trends in the overall IT industry, the performance of the Indian and global economy and significant developments in India's fiscal regime. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the price at which our Equity Shares are initially issued will correspond to the prices at which they will trade in the market subsequent to this Issue.

Notes to Risk Factors

1. The Public Issue of 3,600,000 Equity Shares of Rs. 10 each at a price of Rs. [●] for cash aggregating Rs. [●] million. The Issue Comprises a Net Issue to the public of 3,500,000 Equity Shares of Rs 10 each (Net Issue) and includes an Employee Reservation Portion of 100,000 Equity Shares of face value of Rs. 10 each at a price of Rs. [●] for cash aggregating Rs. [●] million. The Public Issue would constitute 21.89% of the fully diluted post issue capital of our Company and the Net Issue will constitute 21.28% of our post-issue capital

2. The Net Worth of our Company is Rs. 1,034.74 million and Rs.2164.35 million as at March 31, 2006 and March 31, 2007 respectively, as per our restated standalone financial statements under Indian GAAP.

3. The average cost of acquisition of Equity Shares by our Promoters, is as follows:

	Name of the Promoter Equity Shares Acquired	Number of Cost per Equity Share
Mr. Sudarshan Venkatraman	2,363,768	4.93
Mr. Ramanujam Sesharathnam	2,363,768	6.33
Sthithi Insurance Services Private Limited	800,000	225.00

4. As per our restated standalone financial statements NAV per Equity Share (excluding intangible assets) is Rs. 85.43 per Equity Share and Rs. 194.47 per Equity Share as at March 31, 2006 and March 31, 2007 respectively.

5. The summary of our Related Party Transactions are as follows:

Transactions with Related Parties	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Directors and Key Managerial Personnel	-	0.6	5.18	10.42	13.69
Group Companies	-		6.62	17.52	27.62

For further details please refer to the section titled "Financial Statements – Transactions with related parties" on page 92 of this Red Herring Prospectus.

6. Investors are free to contact the BRLM and the Compliance Officer for any complaints/ information/ clarification pertaining to this Issue. For contact details of the BRLM and the Compliance Officer, please refer to the cover page of this Red Herring Prospectus.

7. All information shall be made available by the BRLM and our Company to the public and investors at large and no selective or additional information would be available only to a section of the investors in any manner whatsoever.

8. In the event of the Issue being oversubscribed, the allocation shall be on a proportionate basis to QIBs, Retail Individual Bidders and Non-Institutional Bidders. For details, refer to the section titled "Issue Procedure" beginning on page 158 of this Red Herring Prospectus.

9. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue and the proportionate allocation of the same would be at the sole discretion of our Company in consultation with the BRLM. Under subscription, if any, in the Retail Portion and Non Institutional Portion will be allowed to be met with a spill over from any other category at the discretion of our Company in consultation with the BRLM.
10. Trading in Equity Shares of our Company for all investors shall be in demat form only.
11. Investors are advised to refer to the section titled "Basis for Issue Price" beginning on page 27 of this Red Herring Prospectus before making an investment decision in respect of this issue.
12. Details of Equity Shares issued in the last one year at a price less than the Issue Price

Date of issue	**Names**	**No. of shares**	**Price per share**
February 28, 2007	Sthithi Insurance Services Private Limited	8,00,000	Rs. 225
March 1, 2007	Unit Trust of India Investment Advisory Services Ltd A/c Ascent India Fund	10,00,000	Rs. 270
March 1, 2007	Argonaut Ventures	6,25,000	Rs. 270

SECTION III: INTRODUCTION

SUMMARY OF OUR BUSINESS

We are a global services provider delivering technology-driven business solutions that meet the strategic objectives of our clients. ZSL delivers business value to customers through a combination of process excellence, quality frameworks and service delivery innovation. The Global Delivery Model of our Company leverages talent and infrastructure in order to provide high quality, rapid time-to-market solutions and services.

Our Company was incorporated as a private limited company on June 1, 1995 and commenced its business operations in May 1997. As a certified ISO 9001:2000 Company and being assessed for CMMI Level 4, we continuously leverage cutting edge tools, methodologies and benchmark standards to exceed the expectations of our customers. We are a 100% EOU, registered with the Software Technology Parks of India, focusing on providing technology services to client specific requirements. These services are performed onsite / offsite / offshore or in combination depending upon the clients' requirement, nature of engagement and the nature of the project. We earn almost a third of our revenue through partnerships with Systems Integrators / Solution Providers and Value Added Resellers (VARs). This unique business model over a period of years have created a specialization and focus in industry verticals such as Telecom, BFS & Retail which are prominent contributors of business.

Services & Products offered

Services

We offer a broad range of services and solutions providing added value across multiple domains. Our major services include

- Application Development
- Enterprise Infrastructure Management
- Quality Assurance & Testing

Products

- Z*Connect
- Z*PRISM
- insured Vehicle Accident Recovery system **(**iVARs)
- Claims Management System (CMS)
- RTGS PayManager
- VISTEM
- WAP Page

Our Strengths

We believe the following aspects of our business help our customers' address the challenges posed by today's business and information technology environment.

➢ *Global Delivery Model*

The overseas operations are taken care of by the overseas branch offices setup across USA with the US head quarters located at New Jersey. Also subsidiaries have been set up in Singapore and United Kingdom to take care of the operations pertaining to the respective regions. This has greatly helped us to use a low-risk Global Delivery Model (GDM) to accelerate schedules with a high degree of time and cost predictability. Over the past decade, we have developed our onsite and offshore execution capabilities to deliver high quality and scalable services. In doing so, we have made substantial investments in our processes, infrastructure and systems, and have refined our Global Delivery Model to effectively integrate onsite and offshore technology services.

➢ *Unique positioning*

We have been able to survive and out weigh the competition because of our established credentials, proven track record and by uniquely positioning ourselves in the niche areas of technology.

- *Specialization*

  We have technology management practices specializing in Mobile/Wireless Computing, Enterprise Reporting, Business Intelligence and Enterprise Application Integration.

- *Commitment to quality and process execution*

  We have developed a project management methodology to ensure timely, consistent and accurate delivery of quality solutions to maintain a high level of client satisfaction. We constantly benchmark our services and processes against globally recognized quality standards. Our Company's ISO certified quality practices ensure consistent quality standards without compromising on project-scheduled timelines.

- *Long-standing client relationships*

  We have long-standing relationships with large multi-national corporations built on successful prior engagements with them. Our track record of delivering quality solutions across the entire software life cycle and our domain expertise help us to solidify these relationships and gain increased business from our existing clients. As a result, we have a history of client retention and derive a significant proportion of revenues from repeat clients. Our client endorsements translated into repeat business from existing customers to the extent of 71.30% of our Company's revenue during the last Fiscal.

- *Ability to Scale*

  We have successfully managed our growth by investing in infrastructure and by rapidly recruiting, training and deploying new professionals. We currently have 2 global development centers, the biggest of which is located in Chennai, India. We are in the process of increasing the offshore capacity. We have purchased 1.1 acre of land off the IT Expressway in Sholinganallur, Chennai. On this land, we have started construction of 80,000 sq ft fully equipped offshore development center with state of the art infrastructure to cater to all offshore projects at an estimated cost of Rs. 24 crore. We have also been allotted 2.12 acres of land by SIPCOT at the Siruseri IT Park, which would be used for future expansion plans.

- *Business Development*

  We have a full-fledged team to focus on business development and marketing activities headed by a vice-president. Further we have plans to focus on region specific business development & Marketing team and this shall be implemented during the current year.

- *Our Presence in the US*

  Our presence in the US allows us to achieve the required customer interaction, leading to higher customer satisfaction enhancing the potential for long-term revenue generation. A key means of advancing the competitiveness is our knowledge management system and organization. This capability captures and shares our best practices, while filling critical knowledge voids. The integration of people, processes, and technology provides a powerful learning continuum, which allows us to leverage the value of our organizational experience to continuously improve our ability to serve clients.

Business Strategy

We seek to further strengthen our position as a leading global technology services company by successfully differentiating our service offerings and increasing the scale of our operations. To achieve these goals, we seek to:

- *Increase business from existing and new clients*

  Our goal is to build enduring relationships with both existing and new clients. With existing clients, we aim to expand the nature and scope of our engagements by increasing the size and number of projects and extending the breadth of our service offerings. For new clients, we seek to provide value added solutions by leveraging our in-depth industry expertise and expanding the breadth of services offered to them beyond those in the initial engagement. We manage first-time engagements by educating clients about the offshore model, taking on smaller projects to minimize client risk and demonstrating our execution capabilities. We plan to increase our recurring business with clients by providing software re-engineering, maintenance, infrastructure management and business process management services, which are long-term in nature and require frequent client contact.

- *Strategic acquisitions*

  We intend to selectively pursue acquisitions that augment our existing skill sets, industry expertise, client base or geographical presence. We are constantly on the lookout for Targets that meet our acquisition strategies viz

  - Deepening our Domain Competence

- Expanding or Filling out our Service Lines
- Obtaining Access to New Market / Verticals
- Enhancing Technology Footprints

Couple of acquisitions have been targeted for the year 2007-08.

➢ *Expand geographically*

We seek to selectively expand our global presence to enhance our ability to service clients. We plan to accomplish this by establishing new sales and marketing offices, representative offices and global development centers to expand our geographical reach. We intend to increase our presence in Asia Pacific through Zylog Systems Asia Pacific Limited, in the Europe directly through Zylog Systems UK Limited and in South & East Asia through Zylog Systems India Limited. We intend to use our operations in these regions to eventually support clients in the local market as well as our global clients.

➢ *Continue to invest in infrastructure and employees*

We intend to continue investing in physical and technological infrastructure to support our growing worldwide development and sales operations and to increase our productivity. To enhance our ability to hire and successfully deploy increasingly greater numbers of technology professionals, we intend to continue investing in recruiting, training and maintaining a challenging and rewarding work environment.

➢ *Increasing our offshore business*

Acquiring IT service companies that provides industry specific technology solutions predominantly onsite based (who do not have much of offshore exposure) in US and European markets.

88% of present revenue is derived from our top 100 clients. 92% of these clients have not leveraged the offshore delivery model. This gives Zylog a major scope for increasing the offshore component.

We would continue to follow the present proven three tier (onsite-offsite-offshore) delivery model, wherein the development happens out of the offshore and the project management upto the design phase happens out of onsite-offsite combination, to increase the offshore component in the near future.

➢ *Partnering / Alliance*

We intend to continue to develop alliances that complement our core competencies. Our alliance strategy is targeted at partnering with leading technology providers, which allows us to take advantage of emerging technologies in a mutually beneficial and cost-competitive manner.

We have secured orders from two large foreign banks for Cheque Truncation product, Front-End Cheque Truncation System (FeCTS). We would be customizing and implementing FeCTS to these banks and will be rolling out for the whole country. FeCTS consists of a data and image-capturing application that allows the banks to capture, process and transmit the cheque data and images, to the clearinghouse via a secured communication network.

SUMMARY OF FINANCIAL INFORMATION

The following table sets forth our consolidated financial information derived from our restated and audited consolidated financial statements for the Fiscals ended March 31, 2003, 2004, 2005, 2006 and 2007, all prepared in accordance with Indian GAAP, the Companies Act, and SEBI DIP Guidelines, and restated as described in the auditor's report of M/s Brahmayya & Co, Chartered Accountants included in the section titled "Financial Statements" beginning on page 94 of this Red Herring Prospectus and should be read in conjunction with those financial statements and notes thereon.

Summary statement of consolidated profits and losses of Zylog Systems Limited, as restated

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Income					
Software development services and products	646.28	964.91	1,470.83	2,700.70	4,074.81
Other Income	2.10	0.60	2.34	11.15	6.36
Total Income	648.38	965.51	1,473.17	2,711.85	4,081.17
Expenditure					
Software development expenses	336.88	632.65	970.31	1,732.61	2,707.55
Operating & Other Expenses	116.38	131.87	227.22	474.26	670.50
Interest	2.79	3.65	10.13	22.04	40.40
Depreciation	53.76	72.49	68.87	81.62	96.45
Total Expenditure	509.81	840.66	1,276.53	2,310.53	3,514.90
Profit Before Tax	138.57	124.85	196.64	401.32	566.27
Taxation					
- Current Tax	43.08	8.68	13.50	14.50	17.45
- Deferred Tax	0.02	(0.05)	0.27	0.48	(0.19)
- Fringe Benefit Tax	-	-	-	0.21	0.42
Profit After Tax	95.47	116.22	182.87	386.13	548.59
(Short)/Excess Provision in respect of Income Tax for earlier years	-	-	-	(3.36)	-
Net Profit as per audited financial statements (A)	**95.47**	**116.22**	**182.87**	**382.77**	**548.59**
Adjustments on account of restatements					
- Depreciation	2.75	1.29	5.26	(13.50)	-
- Expenses written back	0.08	0.31	0.03	(1.61)	1.64
- Deferred Tax impact on the above	-	-	-	-	-
- Short/(Excess) provision in respect of income tax for earlier years	-	2.27	1.10	(3.36)	-
Total of adjustments (B)	**2.83**	**3.87**	**6.39**	**(18.47)**	**1.64**
Net Profit as restated (A) - (B)	**92.64**	**112.35**	**176.48**	**401.24**	**546.95**
Balances brought forward from the previous year as restated	62.32	87.95	116.63	203.84	512.26
Profit available for appropriation as restated	154.96	200.31	293.11	605.08	1,059.21
Apporiations					
- Dividend	6.22	7.69	12.51	15.63	25.29
- Dividend Tax	0.79	0.99	1.76	2.19	4.30
- Transfer to General Reserve	60.00	75.00	75.00	75.00	75.00
Total Appropriations	**67.01**	**83.68**	**89.27**	**92.82**	**104.59**
Balance carried forward as restated	**87.95**	**116.63**	**203.84**	**512.26**	**954.62**

Summary statement of consolidated assets & liabilities of Zylog Systems Limited, as restated

Rupees in millions

	As at		**March 31, 2003**	**March 31, 2004**	**March 31, 2005**	**March 31, 2006**	**March 31, 2007**
A	Fixed Assets						
	Gross block		343.33	390.89	414.20	744.04	835.43
	Less : Depreciation		136.33	210.03	283.53	365.19	461.59
	Net block		207.00	180.86	130.67	378.85	373.84
	Capital Work in Progress		-	-	-	-	68.69
	Total	A	207.00	180.86	130.67	378.85	442.53
B	Investments	B	3.13	0.62	-	0.23	200.23
C	Deferred Tax Asset/(Liabilities) (Net)	C	0.12	0.17	(0.10)	(0.58)	(0.39)
D	Current Assets, Loans & Advances						
	Sundry debtors		186.63	279.41	438.33	790.17	1,097.01
	Cash and bank balances		67.94	139.12	163.04	300.43	836.43
	Loans and advances		8.98	36.70	134.64	116.64	424.07
	Others		-	-	-	-	-
	Total	D	263.55	455.23	736.01	1,207.24	2,357.51
E	Liabilities & Provisions						
	Secured Loan		22.70	111.01	157.00	379.50	593.78
	Other Liabilities & Provision		52.82	23.91	47.81	160.97	223.97
	Total	E	75.52	134.92	204.81	540.47	817.75
F	**Networth**	A+B+ +D-E	**398.28**	**501.96**	**661.77**	**1,045.27**	**2,182.13**
G	Represented by						
	Share Capital		52.11	104.22	104.22	104.22	128.47
	Reserves & Surplus		346.17	397.74	559.93	942.94	2,055.17
	Share Application money	-	-	-	-	-	
	Total	G	398.28	501.96	664.15	1,047.16	2,183.64
H	Others						
	Preoperative expenses	-	-	2.37	-	-	
	Preliminary expenses	-	-	0.01	1.89	1.51	
	Total	H	-	-	2.38	1.89	1.51
	Networth	G-H	**398.28**	**501.96**	**661.77**	**1,045.27**	**2,182.13**

Summary statement of consolidated cash flows of Zylog Systems Limited, as restated (contd…)

Rupees in millions

	As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
A	**Cash From Operating Activities:**					
	Net Profit Before Tax	138.57	124.85	196.64	401.32	566.27
	Adjustments for:					
	Depreciation	53.76	72.49	68.27	81.62	96.45
	Prior Period Depreciation	-	-	-	13.50	-
	Interest received	(1.18)	(0.20)	(1.16)	(1.57)	(2.39)
	Text books written off					
	Interest expenses	2.79	3.65	10.13	22.04	40.39
	Deferred Revenue expenditure W/O	-	-	-	-	-
	Preliminary expenses	-	-	0.00	0.01	0.38
	Pre-Operative Expenses	-	-	(2.37)	-	
	(Profit) / Loss of sale of Investments	-	-	(0.17)	-	-
	(Profit) / Loss of sale of Fixed Assets	(0.10)	0.07	-	-	-
	Miscellaneous Expenses written off	-	-	-	-	-
	Provsion for Investments	-	-	-	-	-
	Provisions Gratuity, Leave Encashments etc	-	-	-	-	-
	Unrealised Forex (Gain) / Loss	-	-	-	-	0.36
	Amortisation of Business Aqcuisition	-	-	-	-	-
	Amortisation of Product Development expenses	-	-	-	-	-
	Operating Profit before working capital changes:	193.84	200.86	271.34	516.92	701.47
	Adjustments for changes in working capital:	-	-	-	-	-
	(Increase)/Decrese in Sundry Debtors	(40.77)	(92.76)	(164.15)	(369.07)	(306.84)
	(Increase)/Decrese in other Receivables	(3.77)	(27.72)	(58.13)	9.80	(307.43)
	Deferred Tax	0.02	-			-
	Increase/(Decrease) in trade and other payables	11.19	(31.49)	34.58	143.78	61.36
	Cash generated from operations	160.50	48.89	83.64	301.43	148.55
	Direct Taxes	(43.11)	(8.68)	(13.50)	(18.08)	(17.87)
	Net Cash From Operating Activities (A)	**117.40**	**40.21**	**70.14**	**283.35**	**130.68**

Summary statement of consolidated cash flows of Zylog Systems Limited, as restated (contd. . .)

Rupees in millions

	As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
B	**Cash Flow from Investing Activities**					
	Purchase of Fixed assets	(152.77)	(47.77)	(23.31)	(329.82)	(91.44)
	Purchase of Software licences	-	-	-	-	-
	Disposal of Fixed Assets	0.17	0.06	-	-	-
	Diposal of Investments	(3.00)	2.51	0.28	-	-
	Capital work in progress	-	-	-	-	(68.69)
	Investments in Subsidiaries / Others	-	-	-	(0.22)	(200.00)
	Advance paid for business acquisitions	-	-	(45.92)	-	-
	Net cash flow from investing activities (B)	**(155.60)**	**(45.20)**	**(68.95)**	**(330.04)**	**(360.13)**
C	**Cash Flow form Financing Activities**					
	Issue of Share Capital (Incl. Premium)	99.99	-	-	-	618.75
	Share Application Money	(100.03)	-	-	-	-
	Proceeds from Long term borrowings	(12.08)	-	-	-	-
	Proceeds from Short term borrowings	0.90	(0.25)	4.85	(5.50)	-
	Proceeds from cash credits	21.80	83.72	42.49	173.37	142.05
	Dividends paid (Incl.Dividend Tax)	(7.02)	(8.68)	(14.26)	(17.82)	(29.59)
	Preliminary expenses	-	-	(0.02)	(0.12)	-
	Interest paid	(2.79)	(3.65)	(10.13)	(22.04)	(40.39)
	Interest Received	1.18	0.20	1.16	1.57	2.39
	Other Loans	-	4.83	(1.34)	54.62	72.23
	Net cash flow from financing activities (C)	**1.95**	**76.17**	**22.75**	**184.09**	**765.44**
	Net Increase /(Decrease) in cash & cash equivalent (A+B+C)	(36.25)	71.18	23.92	137.40	536.00
	Opening Cash and cash equivalent	104.19	67.94	139.12	163.03	300.43
	Closing Cash and cash equivalent	**67.94**	**139.12**	**163.04**	**300.43**	**836.43**

THE ISSUE

Fresh Issue	3,600,000 Equity Shares
Employee Reservation Portion**	100,000 Equity Shares
Net Issue to the Public	3,500,000 Equity Shares
Of which	
1. QIB Portion#	At least 2,100,000 Equity Shares.
a. Reservation for Mutual Funds	At least 105,000 Equity Shares
b. Balance available for all QIBs including Mutual Funds	1,995,000 Equity Shares
2. Non – Institutional Portion*	Upto 350,000 Equity Shares
3. Retail Portion*	Upto 1,050,000 Equity Shares
Equity Shares outstanding prior to the Issue	12,846,420
Equity Shares outstanding after the Issue	16,446,420
Objects of the Issue	Please see the section titled "Objects of the Issue" on page 20 of this Red Herring Prospectus.

Allocation of Equity Shares to all categories shall be on a proportionate basis

* Under subscription if any, in the Non – Institutional Portion and Retail Portion, would be allowed to be met with spill over from any of the other categories, at the discretion of our Company in consultation with the BRLM.

** Under subscription if any, in the Employee Reservation Portion will be added back to the Net Issue and the proportionate allocation of the same would be at the sole discretion of our Company in consultation with the BRLM.

#If atleast 60% of the Net Issue can not be alloted to QIBs, then the entire application money will be refunded.

GENERAL INFORMATION

Registered Office of our Company
Zylog Systems Limited
No. 82 / 40, First Main Road
CIT Nagar
Nandanam
Chennai 600 035.
Tel: 044- 42867000
Fax: 044- 24326420
E-mail: secretarial@zylog.co.in
Website: www.zsl.com
Registration Number: 18- 31651

Our Company is registered with the Registrar of Companies, Tamil Nadu located at Block No.6, B Wing, 2nd Floor, Shastri Bhavan, 26 Haddows Road, Chennai – 600 006 India.

Our Company was incorporated as Zylog Systems Private Limited on June 1,1995 under the Companies Act as a private limited company and was later converted into a public limited company on May 11,2000 as a result of which the name was changed to Zylog Systems Limited

Board of Directors

The following persons constitute our Board of Directors**:**

1. Mr. Sudarshan Venkatraman (Chairman and CEO)
2. Mr. Ramanujam Sesharathnam (Managing Director and COO)
3. Mr. V. Chandramouly. (Non- Executive Director)
4. Mr. P. Srikanth (Independent Director)
5. Mr. M. Gajhanathan (Independent Director)
6. Mr. S. Rajagopal (Independent Director)
7. Mr. A.V. Rajwade (Independent Director)
8. Mr. Ajay Mittal (Nominee Director)

For further details of our Chairman, Managing Director and Directors, please refer to the section titled "Our Management" beginning on page 75 of this Red Herring Prospectus.

Company Secretary and Compliance Officer

Mr. Jitendra Kumar Pal
82/40, First Main Road, C I T Nagar, Nandanam, Chennai 600 035
Tel: 044-4286 7000
Fax: 044-2432 6420
E-mail: secretarial@zylog.co.in

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

Book Running Lead Manager

Motilal Oswal Investment Advisors Private Limited
81/82, Bajaj Bhawan, 8th Floor, Nariman Point,
Mumbai 400 021, India.
Tel: +91 22 3980 4380
Fax: +91 22 3980 4315
Email: zsl.ipo@motilaloswal.com
Website: www.motilaloswal.com
Contact Person : Ms. Akshata Tambe

Syndicate Members

Motilal Oswal Securities Limited
81/82, Bajaj Bhawan,
8th Floor, Nariman Point,
Mumbai 400 021, India.
Tel: +91 22 3980 4200
Fax: +91 22 2288 3821
Email: zsl.ipo@motilaloswal.com
Website: www.motilaloswal.com
Contact Person : Mr. Sanket Padhye

Legal Advisors to the Issue

Khaitan & Co.
4th & 5th Floor, Meher Chambers,
R. K. Marg, Ballard Estate,
Mumbai 400 038, India
Tel: 91 22 6636 5000
Fax: 91 22 6636 5050
E-mail: bom@khaitanco.com

Registrar to the Issue

Karvy Computershare Private Limited
Plot No. 17 to 24, Vithalrao Nagar,
Madhapaur, Hyderabad 500 086
Tel : 1-800-3454001
Fax : +91 04 23420814
Email: einward.ris@karvy.com
Website : www.karvy.com
Contact Person : Mr. M Murali Krishna, DGM

Bankers to our Company

Union Bank of India
Industrial Finance Branch,
Riaz Garden,
12/ 13, Kodambakkam High Road,
Nungambakkam,
Chennai 600 034

Banker to the Issue and Escrow Collection Banks

BNP Paribas
French Bank Building, 62, Homji Street, Fort
Mumbai – 400 001
Tel: +91 22 6650 1436
Fax: +91 22 2266 0913
Email: v.ravichander@asia.bnpparibas.com
Website: www.bnpparibas.co.in
Contact person: Ravichander Varadarajan

ICICI Bank Limited
Capital Markets Division,
30, Mumbai Samachar Marg,
Mumbai – 400 001
Tel: +91 22 2262 7600
Fax: +91 2261 1138
Email: sidhartha.routray@icicibank.com
Website: www.icicibank.com
Contact person: Mr. Sidhartha Sankar Routray

Kotak Mahindra Bank Limited
CMS Dept., 4th Floor, Dani Corporate Bank,
C.S.T. Road, Kalina,Santacruz (E),
Mumbai 400 098, India.
E-mail: mahesh.shekdar@kotak.com / ibrahim.sharief@kotak.com
Website: www.kotak.com
Contact Person : Mr. Mahesh Shekdar / Mr. Ibrahim Sharief

The Hongkong and Shanghai Banking Corporation Limited
Nagabrahma Towers,
76 Cathedral Road (Near Music Academy)
Chennai 600 086,India.
Tel.: +91 44 4391 2010
Fax.: +91 44 2811 7633
E-mail: haricherannr@hsbc.co.in/ soundararajansenthilnathan@hsbc.co.in
Website: www.hsbc.co.in
Contact Person: Mr. N.R. Haricheran/ Mr. S. Senthilnathan

Union Bank of India
Industrial Finance Branch,
Riaz Garden, 12/ 13, Kodambakkam High Road,
Nungambakkam, Chennai 600 034
Tel.: +91 44 2821 7188
Fax: +91 44 2823 2274
E-mail: ubiifbchn@vsnl.net
Website: www.unionbankofindia.co.in
Contact Person: Mr. K. Parthasarathy

Statutory Auditors
M/s. Brahmayya & Co
Chartered Accountants
48, Masilamani Road, Balaji Nagar, Royapettah,
Chennai 600 014.
Tel: 044-2813 1128
Fax: 044-2813 1158
Email: brahmayya@vsnl.com

Withdrawal of this Issue

Our Company, in consultation with the BRLM, reserves the right not to proceed with this Issue at any time, including after the Bid/ Issue Closing Date without assigning any reason therefore.

IPO Grading

We have not opted for the grading of this Issue from a credit rating agency.

Credit Rating

As the issue is of Equity Shares, credit rating is not required.

Trustees

As the Issue is of Equity Shares, the appointment of Trustees is not required.

Monitoring Agency

There is no requirement to appoint a monitoring agency for this issue in terms of clause 8.71 of the SEBI DIP Guidelines

Book Building Process

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

The principal parties involved in the Book Building Process are:

(1) Our Company;

(2) The Book Running Lead Manager;

(3) The Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/ NSE and eligible to act as underwriters. Syndicate Members are appointed by the BRLM; and

(4) The Registrar to the Issue.

In terms of Rule 19 (2)(b) of the Securities Contract Regulation Rules, 1957 (“SCRR”), this being an Issue for less than 25% of the post–Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60 % of the Net Issue will be allocated on a proportionate basis to Qualified Institutional Buyers (“QIBs”), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue will be available for allocation on a proportionate basis to Non- Institutional Bidders and up to 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further, up to 100,000 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

In accordance with SEBI Guidelines, QIBs are not allowed to withdraw their Bid(s) after the Bid/ Issue Closing Date. **In addition, QIBs are required to pay 10% Margin Amount upon submission of the Bid cum Application Form during the Bidding/ Issue Period and allocation to QIBs will be on a proportionate basis**. For further details please refer to section titled “Issue Structure” on page 155 of this Red Herring Prospectus.

We shall comply with the SEBI Guidelines and any other directions issued by SEBI for this Issue. In this regard, we have appointed Motilal Oswal Investment Advisors Private Limited as the BRLM to manage the Issue and to procure the subscriptions to the Issue.

The process of book building under the SEBI Guidelines is subject to change from time to time. Investors are advised to make their own judgment about investment through this process of Book Building prior to making a Bid.

Illustration of Book Building and Price Discovery Process

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

Bidders can bid at any price within a price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 Equity Shares and receipt of five bids from bidders. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding/ issue period and on the websites of BSE (www.bseindia.com) and NSE (www.nseindia.com). The illustrative book, as shown below, shows the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which our Company is able to issue the desired number of shares is the price at which the issue is subscribed, i.e., Rs. 22 in the above example. The company, in consultation with the BRLM, will finalize the issue price at or below such price, i.e., at or below Rs. 22. All Bids at or above the Issue Price and Bids at cut-off by Retail Individual Bidders and Eligible Employees are valid bids and are considered for allocation in the respective categories.

Steps to be taken for Bidding:

1. Check eligibility for making a Bid (see paragraph titled “Who Can Bid” under section titled “Issue Procedure” on page 158 of this Red Herring Prospectus);

2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form.

3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copy of your PAN card to the Bid cum Application Form (see paragraph titled “Issue Procedure - ‘PAN’ or ‘GIR’ Number” under section titled “Issue Procedure” on page 158 of this Red Herring Prospectus); and

4. 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.
5. The Bidder should ensure the correctness of his or her demographic details (as defined in the Section "Issue Procedure" – Bidder's Depository Account Details" beginning on page 168 Red Herring Prospectus given in the Bid Cum Application Form vis-a –vis those with his or her depository participant).

Bid/Issue Programme:

BID/ISSUE OPENS ON	July 20, 2007
BID/ISSUE CLOSES ON	July 25, 2007

Bids and any revisions in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid-cum-Application Form except that on the Bid /Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded until such time as permitted by the BSE and the NSE on the Bid /Issue Closing Date. Bids will only be accepted on working days i.e. Monday to Friday (excluding any public holidays).

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

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

The Issuer shall comply with applicable guidelines issued by SEBI for this Issue. In this regard, the Issuer has appointed Motilal Oswal Investment Advisors Private Limited to manage the Issue and to procure subscription to the Issue.

Underwriting Agreement

After the determination of the Issue Price but prior to filing of the Prospectus with the RoC, we will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Member does not fulfill its underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein.

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

Name and address of the underwriters	**Indicative number of Equity Shares to be underwritten**	**Amount underwritten** *(Rupees in millions)*
Motilal Oswal Investment Advisors Private Limited 81/82, Bajaj Bhawan,8th Floor, Nariman Point, Mumbai 400 021, India.	[●]	[●]

(The above table will be completed before filing of the Prospectus with RoC)

The above Underwriting Agreement is dated [●].

In the opinion of the Board of Directors (based on certificates given to them by the BRLM and the Syndicate Members), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. The above Underwriting Agreement has been accepted by the Board of Directors.

Notwithstanding the above table, the Underwriter shall be responsible for ensuring payment with respect to the Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligation to be defined in the Underwriting Agreement, will also be required to procure/ subscribe to the extent of the defaulted amount, except in the case where the allocation to QIB's is less than 60% in such case the entire subscription will be refunded.

CAPITAL STRUCTURE

The share capital of our Company as on the date of filing of this Red Herring Prospectus with SEBI is as set forth below.

(Amount in rupees)

Sr No	Particulars	Nominal Value	Aggregate value at issue price
A	**Authorised capital**		
	20,000,000 Equity Shares	200,000,000	
B	**Issued, Subscribed and paid-up capital before this Issue**		
	12,846,420 Equity Shares	128,464,200	
C.	**Present Issue to the public in terms of this Red Herring Prospectus**		
	3,600,000 Equity Shares	360,00,000	[●]
	Out of which		
	(I) 100,000 Equity Shares are reserved for Eligible Employees	1,000,000	[●]
	(II) 3,500,000 Equity Shares as Net Issue to the public	35,000,000	[●]
D.	**Issued, subscribed and paid-up capital after this Issue**		
	16,446,420 Equity Shares	164,464,200	
E.	**Securities premium account**		
	Before this issue	678,672,980	
	After this issue	[●]	

The authorized share capital was increased from Rs. 2.5 million comprising of 250,000 Equity Shares to Rs. 5.0 million comprising 500,000 Equity Shares pursuant to a resolution passed at the EGM held on May 2, 1997. The authorized share capital was increased to Rs. 7.5 million comprising 750,000 Equity Shares pursuant to a resolution passed at the EGM held on June 30, 1997. The authorized share capital was increased to Rs. 20 million comprising 2,000,000 Equity Shares pursuant to a resolution passed at the EGM held on November 23, 1998. The authorized share capital was increased to Rs. 40 million comprising 4,000,000 Equity Shares pursuant to a resolution passed at the EGM held on January 19, 2000. The authorized share capital was increased to Rs. 70 million comprising 7,000,000 Equity Shares pursuant to a resolution passed at the EGM held on March 29, 2000. The authorized share capital was increased to Rs. 120 million comprising 12,000,000 Equity Shares pursuant to a resolution passed at the AGM held on October 31, 2002. The authorized share capital was increased to Rs. 150 million comprising 15,000,000 Equity Shares pursuant to a resolution passed at the EGM held on December 5, 2003. The authorized share capital was increased to Rs. 200 million comprising 20,000,000 Equity Shares pursuant to a resolution passed at the EGM held on January 17, 2007

NOTES TO CAPITAL STRUCTURE

1. Share capital history of our Company

Date of allotment	No. of Equity Shares	Cumulative no. of shares	Face value	Issue price	Nature of payment of consi-deration	Reasons for allotment	Cumulative paid-up capital (Rs)	Cumulative share premium (Rs)
June 1, 1995	2	2	10	10	Cash	Initial subscription to the MOA	20	0
August 7, 1997	434,998	435,000	10	10	Cash	Allotment to promoters and others	4,350,000	0
November 23, 1998	100,000	535,000	10	10	Cash	Allotment to others	5,350,000	0
December 23, 1998	1,050,500	1,585,500	10	10	Cash	Allotment to Promoters and others	15,855,000	0
June 9,1999	40,000	1,625,500	10	10	Cash	Allotment to others	16,255,000	0
November 17,1999	300,000	1,925,500	10	10	Cash	Allotment to others	19,255,000	0
January 28,2000	930,000	2,855,500	10	10	Cash	Allotment to promoters	28,555,000	0

Date of allotment	No. of Equity Shares	Cumulative no. of shares	Face value	Issue price	Nature of payment of consi-deration	Reasons for allotment	Cumulative paid-up capital (Rs)	Cumulative share premium (Rs)
March 28, 2000	16,200	2,871,700	10	50	Cash	Allotment to promoters	28,717,000	648,000
March 28, 2000	118,300	2,990,000	10	10	Cash	Allotment to promoters	29,900,000	648,000
April 10, 2000	921,100	3,911,100	10	50	Cash	Allotment to others	39,111,000	37,492,000
May 25, 2000	211,300	4,122,400	10	50	Cash	Allotment to others	41,224,000	45,944,000
November 4,2000	20,000	4,142,400	10	50	Cash	Allotment to others	41,424,000	46,744,000
February 12, 2001	4,590	4,146,990	10	50	Cash	Allotment to others	41,469,900	46,927,600
March 17,2003	1,063,720	5,210,710	10	94	Cash	Allotment to others	52,107,100	136,280,080
October 9, 2003	5,210,710 +	10,421,420	10	10	Bonus	Bonus Issue	104,214,200	84,172,980
February 28, 2007	800,000	11,221,420	10	225	Cash	Allotment of shares to Promoters	112,214,200	256,172,980
March 1, 2007	1,000,000	12,221,420	10	270	Cash	Allotment of Shares to Unit Trust of India Investment Advisory Services Ltd A/c Assent India fund	122,214,200	516,172,980
March 1, 2007	625,000	12,846,420	10	270	Cash	Allotment of shares to Argonaut Ventures	128,464,200	678,672,980
Total	**12,846,420**						**128,464,200**	678,672,980

+On October 9, 2003 our Company allotted 5,210,710 Equity Shares as bonus in the ratio of 1:1 through capitalization of the share premium account.

2. Details of Promoter Shareholding

The share capital build up of the promoters are as follows:-

Name of promoter	Date/ Year of allotment/ transfer	No. of shares	Face value (Rs.)	Issue Price/ Transfer price (Rs.)	Conside-ration	Nature of allotment	Cumulative paid up capital (Rs.)
Mr. Sudarshan Venkatraman	June 1, 1995	1	10	10	Cash	Subscriber to memorandum of Association	10
	August 7, 1997	163,903	10	10	Cash	Further issue of shares	1,639,040
	December, 23, 1998	525,000	10	10	Cash	Further issue of shares	6,889,040
	January 28, 2000	465,000	10	10	Cash	Further Issue of shares	11,539,040
	March 28, 2000	16,200	10	50	Cash	Further Issue of shares	11,701,040
	February 12, 2001	4,590	10	50	Cash	Further issue of shares	11,746,940
	July 22, 2002	107,190	10	10	Transfer	Transfer of shares to Mr. Sudarshan from Mr. Satish Tamboli	12,818,840
	October 9, 2003	1,281,884	10	10	Bonus	Bonus issue of shares	25,637,680
	February 5, 2007	(200,000)	10	10	Transfer	Transfer of shares to Mr. Ramanujam	23,637,680
Sub total	**2,363,768**						
Mr. Ramanujam Sesharathnam	September 2, 1996	1	10	10	Transfer	Transfer of shares to Mr. Ramanujam from Mr Rohit Mehta	10
	August 7, 1997	163,905	10	10	Cash	Further issue of shares	1,639,060
	December 23, 1998	525,000	10	10	Cash	Further issue of shares	6,889,060
	January 28, 2000	465,000	10	10	Cash	Further issue of shares	11,539,060
	March 8, 2000	150,000	10	10	Transfer	Transfer of shares from Meera Manohar Krishnan	13039,060
	March 28,2000	118,300	10	10	Cash	Further issue of shares	14,222,060
	April 10, 2000	40,000	10	10	Transfer	Transfer of shares from Mr. S.Rajendran	14,622,060

Name of promoter	Date/ Year of allotment/ transfer	No. of shares	Face value (Rs.)	Issue Price/ Transfer price (Rs.)	Conside-ration	Nature of allotment	Cumulative paid up capital (Rs.)
	May 25, 2000	150,000	10	10	Transfer	Transfer of shares from Mr. Manohar Krishnan	16122060
Mr. Ramanujam Sesharathnam	September 20, 2000	(30,000)	10	10	Transfer	Transfer of shares to K. Venkata Surya Prasad and K Padmaja	15,822,060
	January 18,2002	(550,000)	10	10	Transfer	Transfer of shares to S. Sripriya and R.Murlidharan	10,322,060
	October 9, 2003	1,032,206	10	10	Bonus	Bonus issue	20,644,120
	February 5, 2007	200,000	10	10	Transfer	Transfer of shares from Mr. Sudarshan	22,644,120
	February 5, 2007	50,000	10	10	Transfer	Transfer of shares from Ms Sripriya	23,144,120
	February 5, 2007	49,356	10	10	Transfer	Transfer of shares from Mr. R. Muralidharan	23,637,680
Sub Total	**2,363,768**						
Sthithi Insurance Services Private Limited	February 28,2007	800,000	10	225	Allotment	Allotment of shares to promoter	8,000,000
Sub Total	**800,000**						
Total	**5,527,536**						

Details of Promoters contribution locked-in for three years:

Name	Date of Allotment/ Acquisition and when made fully paid-up	Nature of Allotment/ Transfer	Nature of Consideration (Cash, bonus, kind, etc.)	No. of shares	Face value (Rs.)	Issue Price (Rs)	Percentage of Post-Issue paid-up capital	Lock–in Period
Sudarshan Venkataraman	October 9, 2003	Bonus shares*	Bonus	1,081,884	10	10	6.28%	3 years
	July 22, 2002	Transfer of shares to Mr. Sudarshan from Mr. Satish Tamboli	Cash	107,190	10	10	0.92%	3 years
	February 12, 2001	Further issue of shares	Cash	4,590	10	10	0.24%	3 years
	March 28, 2000	Further issue of shares	Cash	16,200	10	50	0.20%	3 years
	January 28, 2000	Further issue of shares	Cash	434,778	10	10	2.64%	3 years
Sub Total	**1,644,642**	10.00%						
Ramanujam Sesharathnam	October 9,2003*	Bonus shares	Bonus	10,32,206	10	10	6.28%	3 years
	May25, 2000	Transfer of shares from Mr. Manohar Krishnan	Cash	150,000	10	10	0.92%	3 years
	April 10, 2000	Transfer of shares from Mr. S.Rajendran	Cash	40,000	10	10	0.24%	3 years
	March 28, 2000	Allotment	Cash	33,300	10	10	0.20%	3 years
	March8, 2000	Transfer of shares from Meera Manohar Krishnan	Cash	150,000	10	10	0.91%	
	December 23, 1998	Further issue of shares	Cash	239,136	10	10		
Sub Total				**1,644,642**			10.00%	
Total				**3,289,284**			**20.00%**	

* The Equity Shares being locked- in for a period of three years from the date of allotment, which have been issued through a bonus issue are not from a bonus issue of revaluation of reserves or out of reserves without accrual of cash resources**.**

In terms of Clause 4.14.1 of the SEBI DIP Guidelines, other than the Equity Shares mentioned above which are locked in for three years, the entire remaining pre-Issue share capital shall be locked in for a period of one year from the date of allotment in this Issue.

All the Equity Shares locked in are eligible for computation of promoter's contribution under clause 4.6 of the DIP Guidelines**.**

The BRLM shall inform the non- transferability details to both the Depositories NSDL and CDSL. The details of lock-in shall be provided to BSE, the Designated Stock Exchange, where the Equity Shares of our Company are proposed to be listed.

Equity Shares held by the person other than the Promoters, prior to this Issue, which are subject to lock in as per the relevant provisions of Chapter IV of SEBI Guidelines, may be transferred to any other person holding shares which are locked in, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.

Equity Shares held by Promoter(s) which are locked in as per the relevant provisions of Chapter IV of the SEBI Guidelines, may be transferred to and amongst Promoter/Promoter group or to a new promoter or persons in control of our Company, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations, 1997, as applicable. The locked-in Equity Shares held by the Promoter(s) can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of such loan.

3. **Transactions in our Company's Equity Shares by the Promoters/Promoter or directors of the Promoters during a period of six months preceding the date of filing of this Red Herring Prospectus with SEBI**

   One of our Promoters, Sthithi Insurances Services Private Limited has been allotted 800,000 Shares at Rs 225 per Equity Share on February 28, 2007 and there was an inter-se transfer of 200,000 Equity Shares amongst Promoters on February 5, 2007. Further, one of the Promoters has purchased 99,356 Equity Shares on February 5, 2007 for cash at Rs 10 per Share.

4. **Shareholding pattern of our Company prior and post this Issue**

Name of the shareholders	**Pre-issue equity capital**		**Post-issue equity capital ***	
	Number of Equity Shares	**%**	**Number of Equity Shares**	**%**
I. Promoters and Promoter Group				
Mr. Sudarshan Venkatraman	2,363,768	18.40	2,363,768	[●]
Mr. Ramanujam Sesharathnam	2,363,768	18.40	2,363,768	[●]
Sthithi Insurance Services Private Limited	800,000	6.23	800,000	[●]
Sub-Total (I)	**5,527,536**	**43.03**	**5,527,536**	[●]
II. Non-Promoters				
A. Venture Fund Unit Trust of India Investment Advisory Services Ltd A/c Assent India fund	1,150,000	8.95	[●]	[●]
B. FIIArgonaut Ventures	625,000	4.87	[●]	[●]
EIF Coinvest V	650,000	5.06		
Sub-Total (II)	**2,425,000**	**18.88**	[●]	[●]
III. Others				
A. Private Bodies Corporate	992,864	7.73	[●]	[●]
B. NRIs/OCBs	286,600	2.23	[●]	[●]
C. Others	3,614,420	28.13	[●]	[●]
Sub-Total (III)	**4,893,884**	**38.09**	[●]	[●]
Total [I+II+III]	**12,846,420**	**100.00**	[●]	[●]

***** Post-Issue shareholding pattern will be determined after the Book Building process

· The total number of shareholders under point III above are 155 and the number of shareholders under III. C. are 140

5a) **Particulars of top ten shareholders on the date of filing this Red Herring Prospectus with SEBI**

S. No.	Name of the shareholder	Number of Equity Shares	% Holding
1	Mr. Sudarshan Venkatraman	2,363,768	18.40
2	Mr. Ramanujam Sesharathnam	2,363,768	18.40
3	Unit Trust of India Investment Advisory Services Limited	1,150,000	8.95
4	Ms. S. Sripriya	1,100,000	8.56
5	Sthithi Insurance Services Private Limited	800,000	6.23
6	Dwarkadhish Trading Private Limited	709,864	5.53
7	EIF Coinvest V	650,000	5.06
8	Argonaut Ventures	625,000	4.87
9	Mr. R Muralidharan	276,280	2.15
10	Magnus Capital Corp. Limited	250,000	1.95

5b) **Particulars of top ten shareholders ten days prior to filing this Red Herring Prospectus with SEBI**

S. No.	Name of the shareholder	Number of Equity Shares	% Holding
1	Mr. Sudarshan Venkatraman	2,363,768	18.40
2	Mr. Ramanujam Sesharathnam	2,363,768	18.40
3	Unit Trust of India Investment Advisory Services Limited	1,150,000	8.95
4	Ms. S. Sripriya	1,100,000	8.56
5	Sthithi Insurance Services Private Limited	800,000	6.23
6	Dwarkadhish Trading Private Limited	709,864	5.53
7	Argonaut Ventures	625,000	4.87
8	EIF Coinvest V	500,000	3.89
9	Mr. R Muralidharan	276,280	2.15
10	Magnus Capital Corp. Limited	250,000	1.95

5c) **Particulars of the top shareholders 2 years prior to the date of filing of this Red Herring Prospectus with SEBI**

S. No.	Name of the shareholder	Number of Equity Shares	% Holding
1	Mr. Sudarshan Venkatraman	2,563,768	24.60
2	Mr. Ramanujam Sesharathnam	2,064,412	19.81
3	Mr. A. Packianathan	649,700	6.23
4	Mr. R. Muralidharan	550,000	5.28
5	Ms. Sripriya S.	550,000	5.28
6	Mackertich Consultancy Service Private Limited	300,000	2.88
7	Magnus Capital Corp. Limited	250,000	2.39
8	Mr. K Shivakumar	208,000	1.99
9	Mr. R. Paulraj	208,000	1.99
10	Mr. Sirish Kumar Rastogi	208,000	1.99

6. Save as otherwise disclosed in the section titled " Our History and Other Corporate Matters" beginning on page 69 of this Red Herring Prospectus, the Directors, the Promoters, or Promoter Group companies and the BRLM to this Issue have not entered into any buy-back, standby or similar arrangements for purchase of Equity Shares offered through this Issue, from any person.

7. At least 60% of the Net Issue will be available for allocation on a proportionate basis to Qualified Institutional Buyers, upto 10% of the Net Issue will be available for allocation on a proportionate basis to Non Institutional Bidders and upto 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. From the existing QIB Portion, 5% shall be available for allocation to Mutual Funds only. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. Further, up to 100,000 Equity Shares would be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

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

9. 100,000 Equity Shares have been reserved for Allocation to the Eligible Employees on a proportionate basis, subject to valid bids being received at or above the Issue Price. If the aggregate demand in the Employee Reservation Portion is greater than 100,000 Equity Shares or above the Issue Price, allocation shall be on a proportionate basis. Only the Eligible Employees as defined in the section titled "Definitions and Abbreviations" on page i of this Red Herring Prospectus would be eligible to apply in this Issue under the reserved category for our Eligible Employees. Eligible Employees may also bid in the Net Issue to public portion and such Bids shall not be treated as multiple Bids. Any under subscription in the Equity Shares under the Employee Reservation Portion would be added to the Net Issue and the allotment shall be in accordance with description in the section titled "Issue Procedure" on page no. 158 of this Red Herring Prospectus.

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

11. Under-subscription, if any, in the Retail or Non – Institutional Portion will be met with spill over from other categories or combination of categories at the discretion of our Company in consultation with the BRLM.

12. Our Company has not raised any bridge loan against the proceeds of this Issue.

13. Our Company presently does not have any intention or proposal to alter our capital structure for a period of six months commencing from the date of opening of this Issue, by way of split/consolidation of the denomination of Equity Shares or further issue of Equity Shares or securities convertible into Equity Shares, whether on a preferential basis or otherwise. However, during such period or at a later date, we may, subject to necessary approvals, undertake an issue of shares or securities linked to Equity Shares to finance an acquisition, merger, or joint venture by us or as consideration for such acquisition, merger or joint venture, or to capitalize upon any business opportunities, or for regulatory compliance if an opportunity of such nature is determined by our Board to be in our interest.

14. The Promoters may pledge their Equity Shares with banks or financial institutions as additional security for loan whenever availed of from banks or financial institutions provided pledge of Equity Shares is one of the terms of sanction of loan. One of our Promoters has pledged 800,000 Shares with an NBFC.

15. An oversubscription to the extent of upto 10% of the net issue can be retained for the purpose of rounding off while finalizing the basis of allotment.

16. Our Company has not granted any options or issued any employee stock option or employee stock purchase scheme.

17. Our Company has not made any public issue since its incorporation.

18. Our Company has not issued shares for consideration other than cash except for Bonus as disclosed in Note 1 to Capital Structure.

19. Save and except as disclosed in the section titled "Our Management" on page no. 75 of this Red Herring Prospectus, none of the Directors and Key Managerial Personnel holds any Equity Shares in our Company.

20. Our Company has not revalued any of its assets in the five years preceding the date of this Red Herring Prospectus.

21. Save and except as mentioned at Note 1 of this Chapter, Our Company has not capitalized any of our reserves.

22. As on the date of this Red Herring Prospectus, the total number of holders of Equity Shares is 160.

23. Pursuant to SEBI Guidelines, the Promoters contribution has been brought in to the extent not less than the specified minimum lot and from persons defined as Promoters.

24. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into Equity Shares as on the date of filing of this Red Herring Prospectus.

25. Our Company undertakes that at any given time, there shall be only one denomination for the Equity Shares of our Company and we shall comply with such disclosure and accounting norms as specified by SEBI from time to time.

OBJECTS OF THE ISSUE

The object of the Issue is to raise capital for developing and expanding our business and also to achieve the benefits of listing on the Stock Exchanges. We believe that listing would provide liquidity to our shareholders and enhance our visibility. We shall utilize the funds for the following businesses and operational requirements of our Company:

1. To set up two state of the art Offshore Development Centres (ODCs)
2. To fund acquisition(s) / strategic investments
3. To meet the increasing working capital requirement
4. To meet the issue expenses

The main objects clause 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.

Cost of the project

The total estimated fund requirement is given below:

Rupees in million

Sr. No.	Particulars	Total
1	Setting up of the ODCs	667.18
2	Acquisition(s) / Strategic investments	[●]
3	Meet increasing working capital requirements	818.90
4	Issue Expenses	[●]
	Total	[●]

Means of finance

Rupees in million

Sources of Finance	Amount
Preferential allotment	438.75
Term loan from Bank	131.50
Issue proceeds	[●]
Internal accruals	[●]
Total	[●]

We confirm that the firm arrangements of finance through verifiable means towards 75% of the stated means of finance, excluding the amount to be raised through this Issue have been made. Our Company has done a preferential allotment of Equity Shares to Unit Trust of India Investment Advisory Services Ltd A/c Assent India fund and Argonaut Ventures in February 2007 and has received Rs. 438.75 million towards this allotment. The term loan of Rs. 131.50 million has been sanctioned by Union Bank of India out of which Rs. 76.19 million has been already utilised for the Shollinganallur ODC till June 15, 2007.

The fund requirement and deployment are based on internal management estimates and have not been appraised by any bank or financial institution or any independent organization except for the working capital requirement which has been appraised by Union Bank of India on February 3, 2007. We have not placed orders to the extent of Rs. 542.31 million out of the total estimated cost of Rs. 667.18 for setting up the 2 ODCs.

Details of the cost of the Proposed Project

1. Setting up of ODCs

Presently we have operations in Chennai with seating capacity of 250 seats in our software development facilities that are spread across 15,000 sq ft rented space at CIT Nagar in Chennai.

To increase our offshore business we have proposed to develop two Offshore Development Centres with a capacity of 800 and 1250 seater at Sholinganallur and Siruseri respectively. We intend to invest Rs. 667.18 million for setting up the two ODCs namely ODC-1 at Sholinganallur and ODC -2 at Siruseri

ODC - 1 at Sholinganallur

We have purchased 1.06 acre of land off the IT Expressway in Sholinganallur, No. 51, Tambaram Taluk, Kancheepuram District, Chennai at a cost of Rs. 2.25 million. We have already started the construction of around 80,000 sq ft fully equipped ODC with state of the art infrastructure to cater to all offshore projects. This ODC can seat about 800 software professionals.

The break-up of cost estimates and fund deployment schedule for the ODC-1 at Sholinganallur is given below:

Rupees in millions

Particulars	Already incurred	To be Incurred in Q2 of FY 2008	Total Cost
Building and structural work	76.19	48.68	124.87
Interiors and Furniture	0	48.16	48.16
Equipment cost	0	69.16	69.16
TOTAL	**76.19**	**166.00**	**242.19**

As certified by L. U. Krishnan & Co. (chartered accountant) on June 18, 2007, Rs. 76.19 million has been incurred by us up till June 15, 2007. The source of the same is from the term loan sanctioned by Union Bank of India.

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

Building and structural work

Particulars	Area Sq. ft.	Unit Cost (Rs.)	Amount *(Rupees in millions)*
Stilt floor	18,953	400	7.58
First floor	26,579	800	21.26
Second floor	26,579	800	21.26
Third floor	26,579	800	21.26
Sanitary & plumbing works (8% on civil cost)	79,737	65	5.18
Electrical works (Transformer, Main Gear, HT/LT cables)	Lumpsum		7.58
Site developments	Lumpsum		0.67
External paving works	Lumpsum		1.10
Site filling	Lumpsum		0.69
Elevators (2 nos. of 13 person & 1 no. service lift)			2.10
Structural Glazing & panel work	79,737	226	18.02
Landscaping work	Lumpsum		0.45
D G set (2 sets @ Rs. 2.63 million.each)			5.25
Fire fighting works	79,737	5	0.40
Sewage treatment plant	Lumpsum		1.00
Storm water drain works	Lumpsum		0.14
Rain water harvesting works	Lumpsum		0.35
Septic tank	Lumpsum		0.10
Government approvals	Lumpsum		3.20
Structural & other consultant fees	Lumpsum		0.80
Architect fees (6% of the total building and structural cost and interiors and furniture)	Lumpsum		6.47
Total Building and structural work			**124.87**

Interiors and Furniture cost

Particulars	Area Sq. ft.	Unit Cost (Rs.)	Amount *(Rupees in millions)*
Interior works including air-conditioning	27,848	1,200	33.42
Architect fees - interior (8% of the total building and structural cost and interiors and furniture)	Lumpsum		3.60
Furniture Cost	27,848	400	11.14
Total Interiors and Furniture cost			**48.16**

The total cost of Building and Structural and Interiors and Furniture at Rs. 173.03 million is as per the estimate dated May 13, 2006 given by Bhaggyam Constructions, Chennai.

Equipment cost

Particulars	No.of Units	Unit Cost (Rs.)	Amount *(Rupees in millions)*
Servers	32	450,000	14.40
Sonic Firewall PRO 3060 Comprehensive gateway security bundle (UTM)	Lumpsum	400,000	0.40
Symantec Anti Virus Pack - 2006 multi user	400	1,500	0.60
SQL server Enterprise Edition 2005	6	794,650	4.77
Oracle 10G Enterprise Edition – Pre processor licence	6	1,420,000	8.52
Visual studio.net (60%)	400	25,000	10.00
Nortel 48 port switch	25	85,000	2.13
HCL 34 U Switch Rack	4	50,000	0.20
AMP CAT 6 Network Cables and Labor cost (20000 sq.ft.@ Rs. 50 / sq.ft.)	-	-	1.00
HCL 34 U Server Rack With KVM Switch & LCT Monitor	7	120,000	0.84
IBM Desktop Model 8291DAQ	300	60,000	18.00
Panasonic IPBX KX TDS 600	1	2,800,000	2.80
Panasonic CTI Console with software	1	150,000	0.15
Digital operator/manager phone KX T7633	40	9,500	0.38
Main distribution frame 1000 + 1000 pair (sub station)	1	75,000	0.08
Panasonic push button telephone KX TS500	200	550	0.11
Panasonic Executive Phone KX - T2375	170	2,000	0.34
Panasonic LCD projector Model PT 60NTE	5	215,000	1.08
Attendance monitoring & Access control system	1	1,001,750	1.00
UPS	14	170,000	2.38
Total Equipment cost			**69.16**

The total equipment cost of R. 69.16 million is as per the quotations received from various suppliers

We have obtained the material approvals for the structural plan and drawings for the above project. The building completion certificate can be obtained only after the construction of the structure is complete. We undertake to obtain all such consents / approvals and certificates from appropriate authorities as may be required.

ODC- 2 at Siruseri IT Park:

We have been allotted 2 acres of land by SIPCOT at the Siruseri IT Park which is on a 99 year renewable lease from the Government of Tamilnadu at a lumpsum payment of Rs.3.47 million. We plan to build the second ODC at this SIPCOT allotted land. The total estimated area of construction would be 125,000 sq. ft. with the state of the art infrastructure facilities.

The break-up of cost estimates and fund deployment schedule for the ODC-2 at Siruseri IT Park is given below:

Rs. In Million

Particulars	**To be Incurred in Q2 of FY 2008**	**To be Incurred in Q3 of FY 2008**	**Total Cost**
Building and structural work	45.40	136.19	181.58
Interiors and Furniture		102.25	102.25
Equipment cost		141.16	141.16
TOTAL	**45.40**	**379.60**	**424.99**

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

Building and structural work

Particulars	**Area Sq. ft.**	**Unit Cost (Rs.)**	**Amount** *(Rupees in millions)*
Stilt floor	41667	490	20.42
First floor	41667	750	31.25
Second floor	41667	750	31.25
Third floor	41667	750	31.25
Sanitary & plumbing works (8% on civil cost)	Lumpsum		11.25
Electrical works (Transformer, Main Gear, HT/LT cables)	Lumpsum		11.25
Power and Generator room	3000	600	1.80
Water storage sources and exterior plumbing works	Lumpsum		5.63
Effluent treatment plant	Lumpsum		6.56
Generator for electricity break up	Lumpsum		2.50
Elevators (2 passenger lifts & 1 service lift)	Lumpsum		4.00
Compound wall (RFT 1150 @ Rs. 800 per RFT)	Lumpsum		0.92
Entrance gate	Lumpsum		0.01
Landscaping work	34875	100	3.49
Side pavement and pavement blocks	21528	75	1.61
Roads	18898	150	2.83
Miscellaneous and other service charges	Lumpsum		2.04
Supervision and consultancy charges (5% of the total building and structural cost and interiors and furniture)	Lumpsum		13.52
Total Building and structural work			**181.58**

Interiors and Furniture Cost

Particulars	Area Sq. ft.	Unit Cost (Rs.)	Amount (Rupees in millions)
Interior Designing	125000	750	70.23
Air-conditioning	Lumpsum		8.5
Furniture Cost	Lumpsum		23.52
Total Interiors and Furniture cost			**102.25**

The total cost of Building and Structural and Interiors and Furniture at Rs. 283.83 million is as per the estimate dated October 16, 2006 given by Bhaggyam Constructions, Chennai

Equipment cost

Particulars	No. of units	Unit Cost (Rs.)	Amount (Rupees in millions)
IBM Desktop	1250	30,000	37.50
IBM Blade Server HS20	50	500,000	25.00
IBM SAN Storage BOX with Fiber Chanal	15	2,666,667	40.00
WS-C3560G-48TS-S Catalyst 3560 48 10/100/1000T + 4 SFP Standard Image Managed Switch	30	370,655	11.12
Cat6 24port Jack Panal	52	8,780	0.46
Cat6 I/O with faceplate and Back box	1250	440	0.55
Cat6 2mtr patch card	1250	310	0.39
CON-SMBS-356048TS	30	4,371	0.13
CON-SMBS-3750G48T	5	8,510	0.04
MS Project Server	1	101,435	0.10
MS Sharepoint Server	1	101,432	0.10
MS Vista (Open Value With Softwrea assurance)	1250	3,897	4.87
Ms office Professional (Open Value With Softwrea assurance)	1250	10,529	13.16
MS Exchnage Server	1	82,531	0.08
MS Internet Security and Acceslaration Server 2007 -1 Processer	4	29,693	0.12
MS SQL 2007 STD Processor Based server	5	118,690	0.59
Panasonic IPBX KX TDA 600	1	2,110,543	2.11
CTI With PC Console Cale With Softwrea	1	560,000	0.56
Panasonic Voice Guidence Card With 1000 Boxes	1	136,000	0.14
Panasonic Push Buitan Telephobe KX TS 500	800	470	0.38
Panasonic Digital Telephone KX t7565	2	5,900	0.01
Panasonic LCD Projeter LB 60	5	150,000	0.75
160 KVA UPS	3	1,000,000	3.00
Total equipment cost			**141.16**

The total equipment cost of R. 141.16 million is as per the quotations received from various suppliers

For the above project, we need to obtain a No Objection Certificates from various government authorities. We are in the process of obtaining the same.

2. Acquisition(s) / Strategic investments

The very basic purpose of acquiring a business is to expand and grow at a rapid pace. Acquisitions become a necessity for IT companies to meet out the challenges and stiff competition which prevail in this sector. The investment in these acquisitions can be either in form of equity or debt or a combination of both.

We have acquired five companies in the past which has helped us to grow inorganically. In these acquisitions, we have acquired business, technical professionals along with their entire clientele. This has contributed and enriched our technology offerings, the practice and our client mining. These acquisitions done in the past has contributed 28% of our total revenues for Fiscal 2007. The companies that we look for business acquisitions are predominantly based in U.S / Europe without any offshore presence. Hence, our offshore presence makes it an attractive proposition. The client gets the offshore facility in addition to the existing model of delivery which will certainly help them in cost savings without compromising on quality standards.

We are still in the process of identifying the target companies. We are constantly on the lookout for targets that would meet our acquisition strategies viz.

- Deepening our Domain competence
- Expanding or filling out our service lines
- Obtaining access to new market / verticals
- Enhancing technology footprints

The potential benefits that we would enjoy from these acquisitions are set below:

- Positive contribution to revenue and profitability.
- Expansion of clientele.
- Cross selling of services to the acquired clientele.
- Increase in offshore business.

3. Working Capital Requirements (Rs. 818.90 million)

As per the past trends, the chief component of our working capital is sundry debtors. Our future requirement of working capital has been appraised by Union Bank of India as on February 03, 2007. The same is given below.

Rupees in millions

Particulars	**Actual**	**Projections**	
	March 31, 2006	**March 31, 2007**	**March 31, 2008**
Increase/(decrease) in Sundry Debtors*	330.10	326.90	761.60
Increase/(decrease) in Loans & Advances	-10.90	110.20	53.40
Increase/(decrease) in Current Liabilities	106.90	45.30	257.80
Increase/(decrease) in Provisions	8.20	50.70	80.40
Increase in Working Capital	**204.10**	**341.10**	**477.80**

(*) The closing debtor receivable days has been assumed at 108 days while the average debtor receivable days are around 85 days.

4. Issue Expenses

The expenses for this Issue include lead management fees, selling commission, printing and distribution expenses, legal fees, advertisement expenses, registrar fees, depository charges and listing fees to the Stock Exchanges, among others. The total expenses for this Issue are estimated to be approximately Rs. [●] millions, which is [●] % of the issue size. However so far a sum of Rs. 27.53 Millions was advanced towards the issue expenses.

All the Issue related expenses shall be met out of the proceeds of the Issue and the break-up of the same is as follows:

Rupees in millions

Particulars **expenses**	**Expenses**	**As a % of the Issue size**	**As a % of the total Issue**
Management fees, underwriting commission and brokerage	[●]	[●]	[●]
Marketing and advertisement expenses	[●]	[●]	[●]
Stationery, printing and registrar expenses	[●]	[●]	[●]
Others	[●]	[●]	[●]
Total	[●]	[●]	[●]

Schedule of Implementation

Sr. No.	**Activity**	**Commencement Date**	**Completion Date**
1	Setting up ODC-1 at Sholinganallur	October, 2006	August, 2007
2	Setting up ODC-2 at Siruseri	May, 2007	November, 2007
3	Acquisition(s) / Strategic investments	April, 2007	September, 2007

There has been a delay in the completion of ODC I and is expected to be operational by August 2007.

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 our Company from the Issue. Pending utilization for the purposes described above, we intend to invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds, inter-corporate deposits, deposit with banks for necessary duration or reducing the working capital / term borrowings from banks and financial institutions.

No part of the Issue proceeds will be paid by us as consideration to our Promoters, Directors, key management personnel or Subsidiaries or group companies.

Monitoring of Utilization of Funds

There is no requirement for a monitoring agency in terms of Clause 8.17 of the SEBI DIP Guidelines. The Audit Committee appointed by the Board of Directors will monitor the utilization of the proceeds of the Issue. As required under clause 43 of the Listing Agreement, we will disclose the details of the utilization of the Issue proceeds periodically, including interim use, under a separate head in our financial statements specifying the purpose for which such proceeds have been utilized.

BASIS FOR ISSUE PRICE

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

The Price Band of the Issue is Rs 330.0 to Rs 350.0 per Equity Share. The face value of the Equity Share is Rs 10/- and the price is 33 times the face value at the lower end of the price band and 35 times the face value at the higher end of the price band.

Qualitative Factors

We believe the following aspects of our business help our customers' address the challenges posed by today's business and information technology environment.

- *Global Delivery Model*

  The overseas operations are taken care of by the overseas branch offices setup across USA with the US head quarters located at New Jersey. Also subsidiaries have been set up in Singapore and United Kingdom to take care of the operations pertaining to the respective regions. This has greatly helped us to use a low-risk Global Delivery Model (GDM) to accelerate schedules with a high degree of time and cost predictability. Over the past decade, we have developed our onsite and offshore execution capabilities to deliver high quality and scalable services. In doing so, we have made substantial investments in our processes, infrastructure and systems, and have refined our Global Delivery Model to effectively integrate onsite and offshore technology services.

- *Unique positioning*

  We have been able to survive and out weigh the competition because of our established credentials, proven track record and by uniquely positioning ourselves in the niche areas of technology.

- *Specialization*

  We have technology management practices specializing in Mobile/Wireless Computing, Enterprise Reporting, Business Intelligence and Enterprise Application Integration.

- *Commitment to quality and process execution*

  We have developed a project management methodology to ensure timely, consistent and accurate delivery of quality solutions to maintain a high level of client satisfaction. We constantly benchmark our services and processes against globally recognized quality standards. Our Company's ISO certified quality practices ensure consistent quality standards without compromising on project-scheduled timelines.

- *Long-standing client relationships*

  We have long-standing relationships with large multi-national corporations built on successful prior engagements with them. Our track record of delivering quality solutions across the entire software life cycle and our domain expertise help us to solidify these relationships and gain increased business from our existing clients. As a result, we have a history of client retention and derive a significant proportion of revenues from repeat clients. Credible endorsements translated into repeat business from existing customers to the extent of 88.60% of our revenue during the last Fiscal.

- *Ability to Scale*

  We have successfully managed our growth by investing in infrastructure and by rapidly recruiting, training and deploying new professionals. We currently have 2 global development centers, the biggest of which is located in Chennai, India. We are in the process of increasing the offshore capacity. We have purchased 1.1 acre of land off the IT Expressway in Sholinganallur, Chennai. On this land, we have started construction of 80,000 sq ft fully equipped offshore development center with state of the art infrastructure to cater to all offshore projects at an estimated cost of Rs. 24 crore. Our financial position allows us to make investments in infrastructure and personnel required for continuous growth our business. We have also been allotted 2.12 acres of land by SIPCOT at the Siruseri IT Park, which would be used for future expansion plans.

- *Business Development*

  We have a full-fledged team to focus on business development and marketing activities headed by a vice-president. Further we have plans to focus on region specific business development & Marketing team and this shall be implemented during the current year.

➢ *Our Presence in the US*

Our presence in the US allows us to achieve the required customer interaction, leading to higher customer satisfaction enhancing the potential for long-term revenue generation. A key means of advancing the competitiveness is our knowledge management system and organization. This capability captures and shares our best practices, while filling critical knowledge voids. The integration of people, processes, and technology provides a powerful learning continuum, which allows us to leverage the value of our organizational experience to continuously improve our ability to serve clients.

Quantitative Factors

The information presented in this section is derived from our Company's audited restated financials statements for the Fiscals 2005, 2006 and 2007.

1. Restated diluted Earning per Equity Share (EPS) of face value of Rs.10 each.

Standalone

Year	EPS (Rs.)	Weight
For Fiscal 2005	16.96	1
For Fiscal 2006	37.24	2
For Fiscal 2007	50.91	3
Weighted Average	**40.70**	

Consolidated

Year	EPS (Rs.)	Weight
For Fiscal 2005	16.93	1
For Fiscal 2006	38.46	2
For Fiscal 2007	51.52	3
Weighted Average	**41.40**	

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

Standalone

a. Based on Fiscal 2007 EPS of Rs. 50.91 - [●] x

b. Based on weighted average EPS of Rs. 40.70 - [●] x

Consolidated

a. Based on Fiscal 2007 EPS of Rs. 51.52 - [●] x

b. Based on weighted average EPS of Rs. 41.40 - [●] x

Industry peer P/E

i.	Highest	:	130.8
ii.	Lowest	:	2.8
iii.	Industry composite	:	24.6

(*Source: Capital Market, June 04-17, 2007*

Industry: Computers – Software – Medium / Small)

* would be calculated after discovery of the Issue Price through Book-Building Process.

3. Return on Net worth (RONW)

Standalone

Year	EPS (Rs.)	Weight
Fiscal 2005	28.26	1
Fiscal 2006	43.60	2

Year	EPS (Rs.)	Weight
Fiscal 2007	26.18	3
Weighted Average	**32.33**	

Consolidated

Year	RONW (%)	Weight
Fiscal 2005	28.23	1
Fiscal 2006	44.48	2
Fiscal 2007	26.27	3
Weighted Average	**32.67**	

4. Minimum return on the increased net worth after the Issue required to maintain standalone pre-Issue EPS of Rs. 50.91 is [●] % and consolidated pre-Issue EPS of Rs. 51.52 is [●] %.

5. Net Asset Value (NAV) per share, pre-Issue, post-Issue and comparison with the Issue Price:

Standalone

a. As at March 31, 2007 : Rs. 194.47

b. As at March 31, 2006 : Rs. 85.43

c. Issue Price* : Rs. [●]

d. After the Issue : Rs. [●]

Consolidated

a. As at March 31, 2007 : Rs. 196.11

b. As at March 31, 2006 : Rs. 86.46

c. Issue Price* : Rs. [●]

d. After the Issue : Rs. [●]

* would be determined after discovery of the Issue Price through Book Building Process.

Note: The Net worth considered to calculate the RONW and NAV is after excluding intangible assets.

6. Comparison with Industry Peers

The comparable ratios of the companies which are to some extent similar to our business are as given below:

Name of the Company	Face Value (Rs.)	EPS (Rs.)	P/E	RONW (%)	NAV (Rs.)
Zylog Systems Limited#	10	51.52	*	26.27	196.11
NIIT Technologies Limited	10	28.3	20.7	30.1	75.9
iGate Global Solution Limited	4	15.5	22.7	5.1	95.9
Mindtree Consulting Limited	10	23.3	33.0	31.9	115.4

Earnings per share, Return on Net Worth and net asset value are based on last audited financial results for the period ending March 31, 2007

(*Source: Capital Market, June 04-17, 2007*

Industry: Computers – Software – Medium / Small)

Based on Consolidated Restated Financials for Fiscal 2007

** would be determined after discovery of the Issue Price through Book Building Process.*

The Issue Price of Rs. [●] has been determined by our Company in consultation with the BRLM, on the basis of assessment of market demand for the Equity Shares by way of the Book Building Process.

The BRLM believes that the Issue Price of Rs [●] is justified based on the above parameters.

STATEMENT OF TAX BENEFITS

The tax benefits listed below are the possible benefits available under the current tax laws in India. Several of the benefits are dependent on the Company / its shareholders (as applicable) fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the Company or its Shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives and other considerations they face in the future, they may not choose to fulfill.

The following tax benefits will be available to the Company and the prospective shareholders under Direct Tax laws.

1. To the Company – Under the Income Tax Act, 1961 (The Act)

1.1. As per section 10A of the Act, the Company is eligible to claim a benefit with respect to profits derived by its undertaking(s) established in a Software Technology Park from export of articles or things or computer software for a period of ten consecutive assessment years, beginning with the assessment year relevant to the previous year in which the undertaking(s) begins to manufacture or produce computer software. The benefit is available subject to fulfillment of conditions prescribed by the aforesaid section. No benefit under this section shall be allowed with respect to any such undertaking from the assessment year beginning on the 1st day of April, 2010 and subsequent years.

1.2. As per Section 10AA of the Act, the Company will be entitled to deduction of 10% of the profits and gains derived from export of articles or things manufactured or produced or any services provided from its unit set up in a Special Economic Zone for a period of 5 consecutive assessment years beginning with the assessment year relevant to the previous year in which such unit begins to manufacture or produce such articles or things or provide services, as the case may be, and 50% of such profits and gains for a further 5 consecutive assessment years. For the next 5 consecutive assessment years, the company will be entitled a deduction of such amount not exceeding 50% of the profit as is debited to Profit & Loss Account of the previous year in respect of which the deduction is to be allowed and credited to a special reserve viz. 'Special Economic Zone Reinvestment Reserve Account' to be created and utilized for the purpose of the business of the Company in the manner laid down in Section 10AA(2). The benefit will be available subject to fulfillment of conditions prescribed by the aforesaid section.

1.3. Subject to Compliance of certain conditions laid down in section 10-B of the Income Tax Act, 1961 the company will be entitled to the benefit of deduction from its total income chargeable to income tax, of an amount equal to 100% of Profits upto and including the Assessment Year 2009-2010, derived from the export of computer software out of India, the proceeds whereof are realized in convertible foreign exchange, to the extent calculated in accordance with the Provisions of that section. As per the provisions of this 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 center services, back office operation, data processing, payroll, remote maintenance, revenue accounting, support center, human resource services, insurance claim processing (as notified by the Central Board of Direct Taxes vide Notification number 11521 dated September 26, 2000).

1.4. Under Section 32 of the Income Tax Act, 1961 the Company can claim depreciation allowance at the prescribed rates on tangible assets such as building, plant & machinery, furniture & fixtures, etc. and intangible assets such as patent, trademark, copyright, know-how, licenses, etc. if acquired after March 31, 1998. In terms of clause (ii a) of sub-section (1) of Section 32 of the Act, the Company is entitled to further deduction of 20% as additional depreciation on new plant & machinery acquired and installed after March 31, 2005 (subject to overall depreciation of 100%), subject to conditions specified therein.

1.5. Under Section 35D of the Act, the Company will be entitled to a deduction equal to 1/5th of the expenditure incurred of the nature specified in the said section, including expenditure incurred on present issue, such as underwriting commission, brokerage and other charges, by way of amortization over a period of 5 successive years, subject to the stipulated limits. However, the registration fees paid for increase of authorized capital of the Company shall not be regarded as revenue expenditure and hence not an allowable expenditure as per the Act.

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

1.7. As per Section 10(35) of the Act, Income received in respects of the units of a Mutual Fund specified under section 10(23D) is exempt in the hands of the Company.

1.8. As per Section 10(38) of the Act, long term capital gains arising to the Company from the transfer of a long term capital asset being an Equity Share (held for a period of twelve months or more) in a Company or a unit of a equity oriented fund where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the Company. As per the provisions of Section 115JB, the Company will not be able to reduce the income to which the provisions of Section 10(38) of the Act apply while calculating "book profits" under the provisions of Section 115JB of the Act and will be required to pay Minimum Alternate Tax @11.22% (including surcharge of 10% and education cess of 2% on the overall tax) of the book profits determined.

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

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

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

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

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

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

1.12. Under section 112 of the Act and other relevant provisions of the Act, long-term capital gains, (i.e., if the shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of investment in shares, shall be taxed at a rate of 20% (plus applicable surcharge & cess) after indexation as provided in the second proviso to section 48. If the tax payable in respect of any income arising from the transfer of a long term capital assets being listed securities, exceeds 10% of the amount of capital gain before giving effect to the provisions of section 48 (i.e., indexation provisions), then such excess shall be ignored for computing capital gain tax.

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

2. To the Members of the Company – Under the Income Tax Act

2.1. Resident Members

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

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

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

a) The transaction of sale of such Equity Share is entered into on or after October 1, 2004

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a) The transaction of sale of such Equity Share is entered into on or after October 1, 2004.

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

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

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

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

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

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

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

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

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

2.2.8. Under Section 112 of the Act and other relevant provisions of the Act, long-term capital gains (i.e. if shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of shares in the company, shall be taxed at a rate of 20% (plus applicable surcharge & cess) after indexation as provided in the second proviso to section 48. The tax payable in respect of any income arising from the transfer of a long term capital assets being listed securities, exceeds 10% of the amount of capital gain before giving effect to the provisions of Section 48 (i.e. indexation provisions), then such excess shall be ignored for computing capital gain tax.

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

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

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

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

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

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

2.3. Foreign Institutional Investors (FIIs)

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

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

a) The transaction of sale of such Equity Share is entered into on or after October 1, 2004;

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

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

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

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

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

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

b) Long term capital gains -10% (without cost indexation plus applicable surcharge). Shares held in the Company would be considered as a long- term capital asset provided the are held for a period exceeding 12 months.)

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

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

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

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

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

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

2.4. Venture Capital Companies / Funds

In terms of section 10(23FB) of the Act, all Venture capital companies/funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including dividend from and income from sale of shares of the company. However, income received by a person out of investment made in a venture capital company or in a venture capital fund shall be chargeable to tax in the hands of such person.

2.5. Mutual Funds

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

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

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

Notes:

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2006.
2. The stated benefits will be available only to the sole/first named holder in case the share are held by joint holders
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has Fiscal domicile.
4. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme

No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes.

For BRAHMAYYA & CO
Chartered Accountants

P S KUMAR
Partner

Chennai

Membership No. 1559

Date: 03-Jan-2007

SECTION IV: ABOUT THE COMPANY

INDUSTRY OVERVIEW

The information in this section has been extracted from publicly available documents prepared by NASSCOM, Gartner and other publicly available data sources and has not been prepared or independently verified by us or any of our advisors.

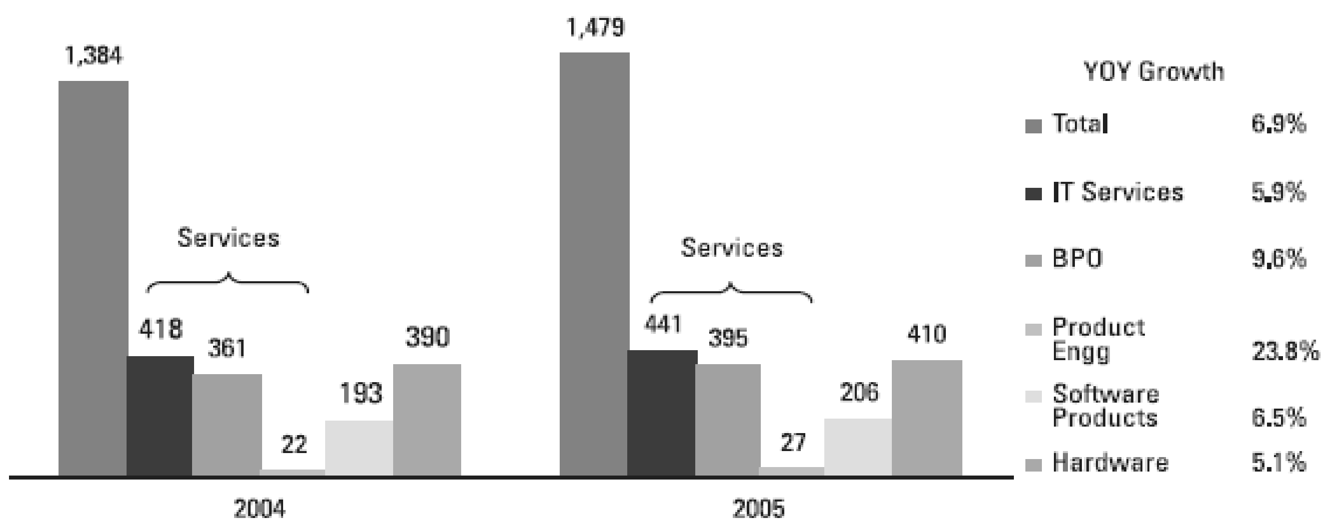
Global IT-ITES Industry

IT is one of the most important industries in the global economy. Worldwide spending on IT-ITES witnessed steady growth in 2005, on the back of healthier spending across key markets of the US and Western Europe, and strong growth in emerging markets. Outsourcing continued to be the primary growth engine with global delivery forming an integral part of the strategies adopted by customers as well as service providers. (Source: NASSCOM Strategic Review 2006)

Global IT-ITES Spending in 2005

Led by gradual economic recovery and a positive outlook for corporate earnings, worldwide IT-ITES spending witnessed steady growth in 2005. As depicted in the following table, the worldwide aggregate spend on IT-ITES is estimated to have grown from USD 1,384 billion in 2004 to over USD 1,479 billion in 2005, a growth of nearly seven per cent over the year.

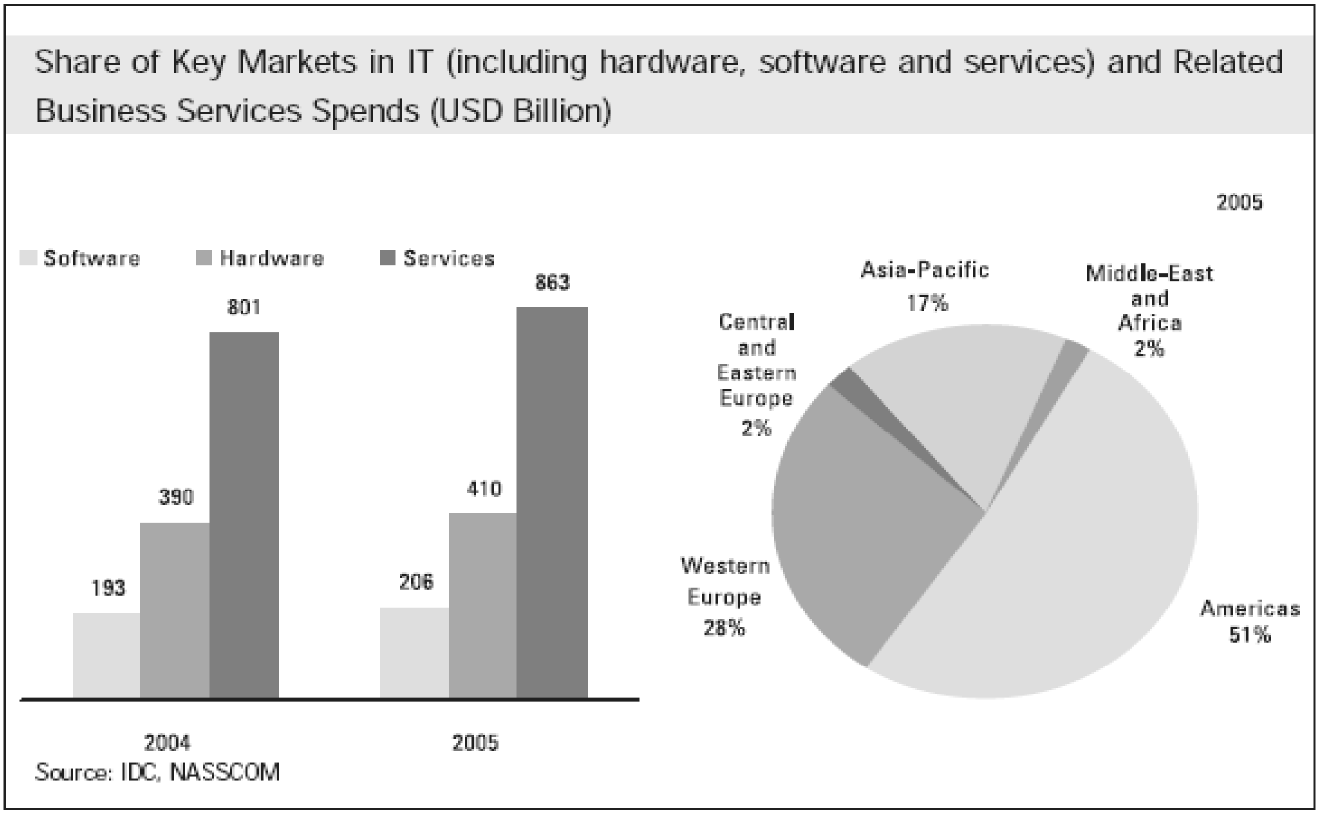
The following chart depicts the growth in IT (including hardware, software and services) and related business services spends in 2005 (USD Billion)



Source: IDC, NASSCOM

Services, comprising IT services, product engineering and business process outsourcing (BPO) account for a dominant share (approximately 58 per cent) of the worldwide aggregate spend and form the fastest growing segment of the industry, growing by 8 per cent in 2005. Hardware (28 per cent) and software (14 per cent) spending grew by 6.5 per cent and 5.1 per cent, respectively. (Source: NASSCOM Strategic Review 2006)

Share of Key Markets in IT



The Americas continued to account for more than half of the worldwide aggregate in 2005.

Global IT-ITES Spending Forecast

Forecasts for Worldwide IT (including hardware, software and services) and Related Business Services Spends (USD Billion)

	2004	2005	2006	2007	2008	2009	2004-09 CAGR
Worldwide Aggregate	1,384.2	1,479.3	1,585.9	1,696.8	1,822.3	1,963.7	7.2%
Services Total	800.6	863.2	935.6	1,013.1	1,099.5	1,197.9	8.4%
IT Services	418.1	440.7	466.9	495.3	525.5	556.6	5.9%
Product Engineering	22.1	27.3	32.8	38.8	45.4	53.0	19.2%
ITES-BPO	360.4	395.2	435.9	479.1	528.6	588.2	10.3%
Software Total	193.2	205.7	219.8	234.8	250.2	266.0	6.6%
Hardware Total	390.4	410.4	430.5	448.8	472.6	499.8	5.1%

Source: IDC

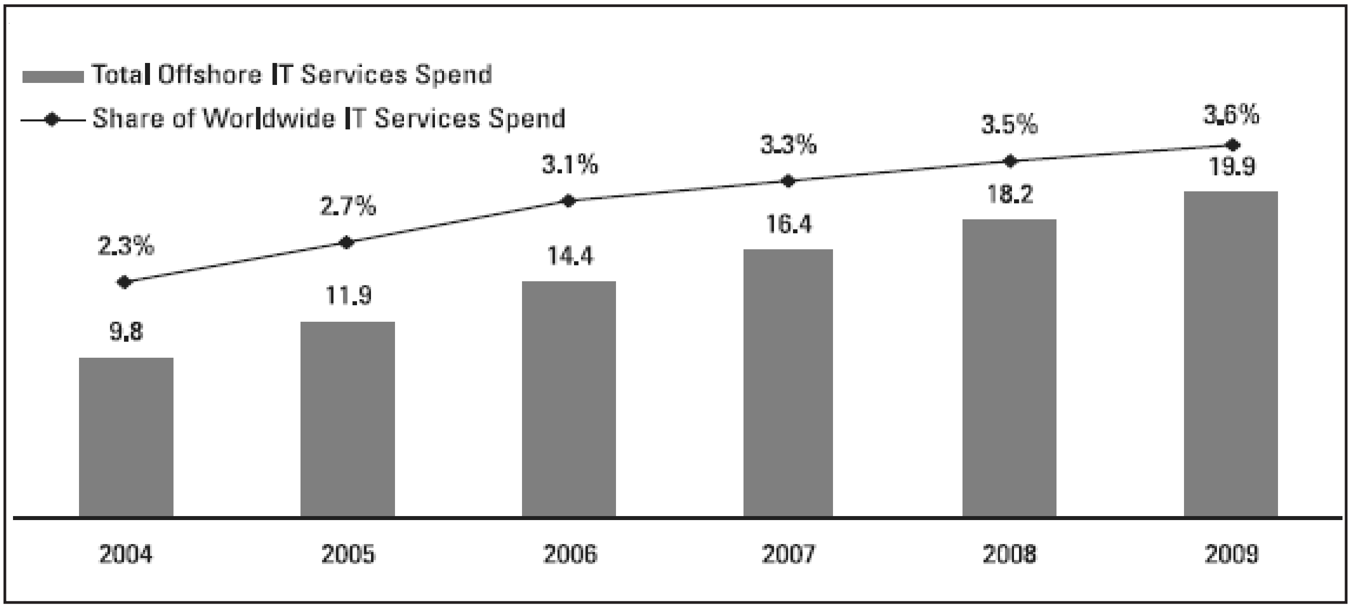
Global IT-ITES spending is projected to grow at a CAGR of more than 7 per cent over 2005-09. Aggregate IT spends, comprising amounts spent on hardware, software and IT services are forecast to grow at a CAGR of 6 per cent over the same period. Spending on ITES-BPO is expected to grow significantly faster, at a CAGR of more than 10 per cent, over the same period. (Source: NASSCOM Strategic Review 2006)

Global Offshore Market

Global sourcing is now an integral part of global business strategy, making multiple offshore delivery capability indispensable not only to offer the lowest possible cost option, but also to mitigate risks. Maturation of offshore delivery will continue to increase the overall market opportunity by allowing existing customers to expand the scope of their contracts and by allowing new end-consumer segments to utilize services that were previously too expensive.

The addressable global market for offshore IT is around US$150-180 billion. Going forward, the more traditional IT outsourcing service lines such as hardware and software maintenance, network administration and help desk services will account for 45 per cent of the total addressable market for offshoring and are likely to drive the next wave of growth. (Source: NASSCOM Strategic Review 2006)

Forecast Trends for Offshore IT Services Spends (USD Billion)



The following chart depicts the total offshore IT services spend and its share in the worldwide IT service spend

IDC forecasts share of offshore IT services spending to grow from 2.7 per cent in 2005 to 3.6 per cent of the total IT services spending by 2009

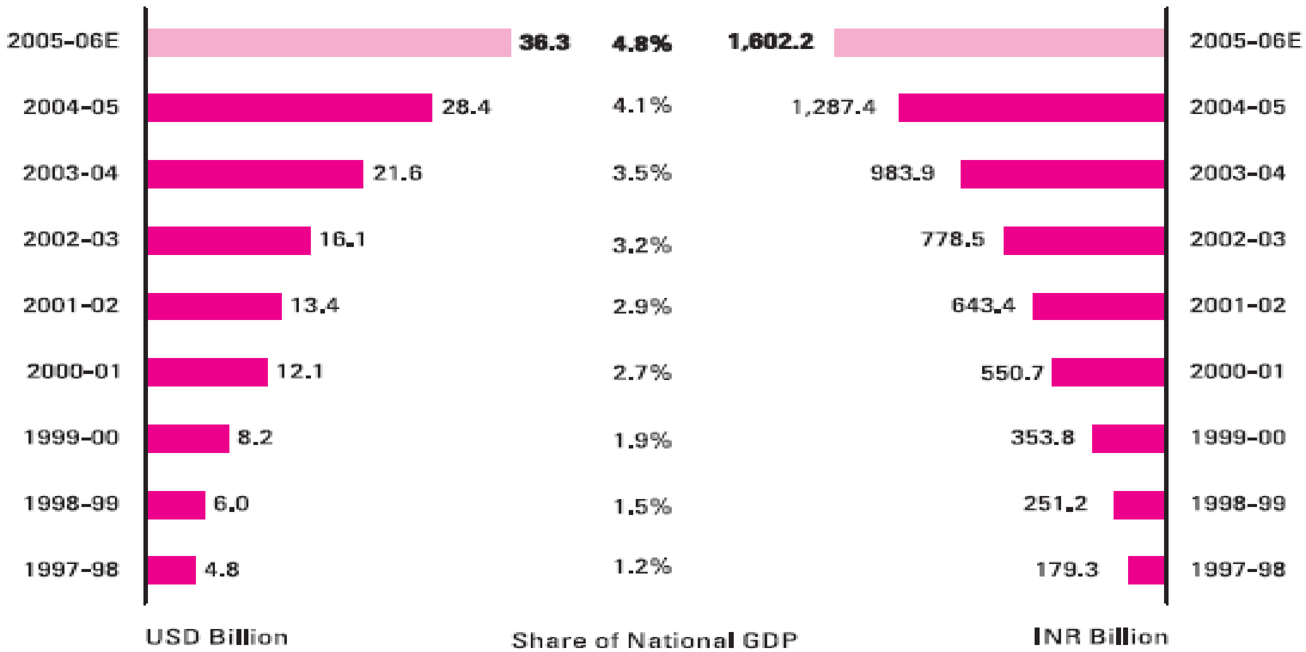
It is estimated that less than 10 per cent of the potential US$ 300 billion addressable market for globally sourced IT-ITES has been captured till date. It is estimated that out of $300 billion offshore market, $110 billion will be offshored by 2010. India has the potential to capture more than 50 per cent of this opportunity and generate export revenues of approximately $60 billion by growing at 25 per cent year-on-year till 2010. Further, deep and enduring innovation by industry participants in India can accelerate this growth and add an additional US$ 15-20 billion in export revenue over the next five to ten year.

According to TPI estimates, nearly USD 100 billion in total contract value is due to come up for renewal over 2006-07. It reveals that 325 deals are due for renewal during calendar year 2006 and calendar year 2007, representing over 1/5th of active contracts. It observes a trend towards a larger number of smaller deals – 293 deals were signed in calendar year 2005, of which 70 per cent were small to medium sized contracts (US$50-200m), up from 65 per cent in calendar year 2004 and 61 per cent in calendar year 2003.

Indian IT-ITES Industry

Indian IT-ITES industry continues to chart remarkable double-digit growth for the nth successive year and is expected to exceed USD 36 billion in annual revenue in FY 2005-06, a growth of nearly 28 per cent. Services exports, accounting for nearly two-thirds of the total, are estimated to grow by 32 per cent.

The following chart depicts the growth of Indian IT (including hardware, software and services) and Related Business Services Industry and its contribution to the National GDP (FY1997-2006E)

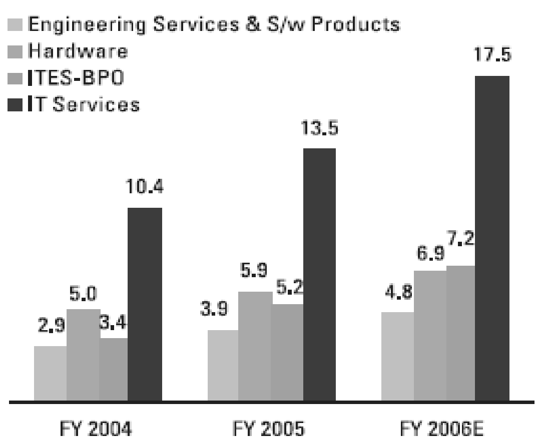


Source: NASSCOM

The Indian IT-ITES industry has grown at a CAGR of over 28 per cent since FY 1999-2000. Over the same period, the industry's contribution to the national GDP has risen from 1.2 per cent in FY 1999-2000 to a projected 4.8 per cent in the FY 2005-2006. The total direct employment in the Indian IT-ITES sector is estimated to have grown by over a million, from 284,000 in FY 1999-2000 to a projected 1,287,000 in the FY 2005-06. In addition to the nearly 1.3 million-strong workforce employed directly in the industry, Indian IT-ITES is estimated to have helped create an additional 3 million job opportunities through indirect and induced employment. Indirect employment includes expenditure on vendors including telecom, power, construction, facility management, IT, transportation, catering and other services.

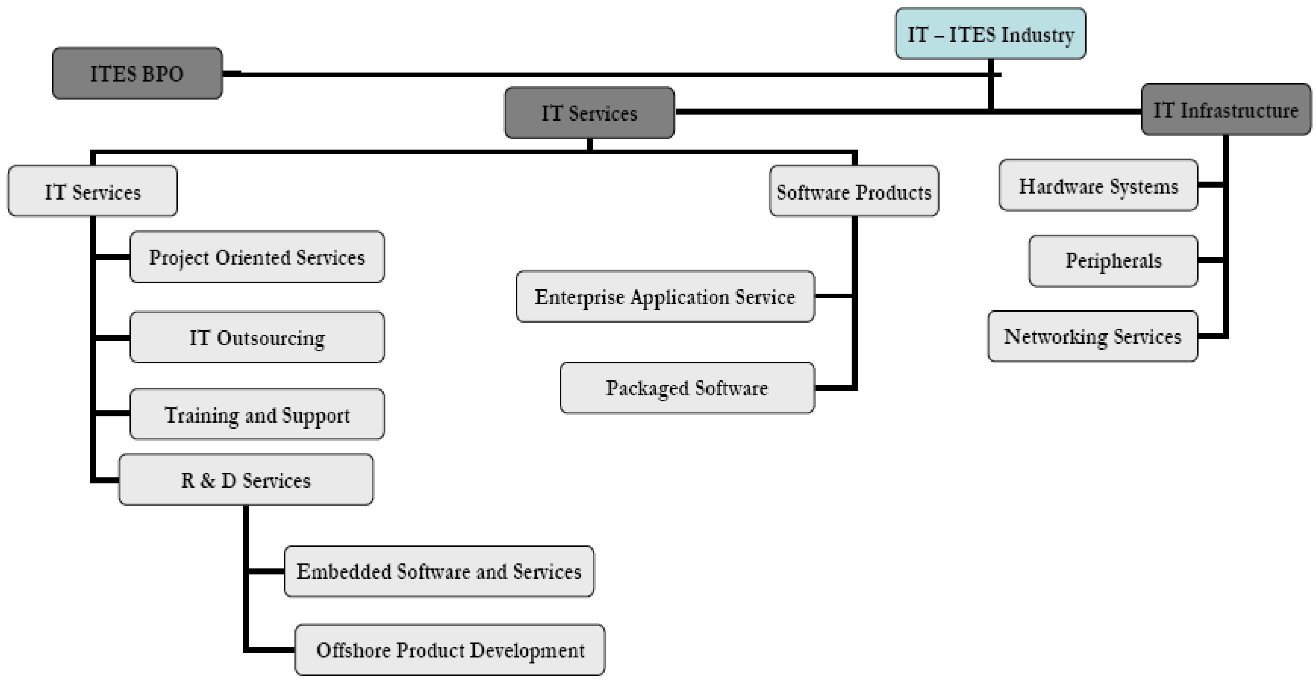
As in the previous years, IT services and software continue to account for a lion's share of the Indian IT-ITES industry, contributing over 47 per cent of the total industry revenue in FY 2004-05. The hardware, ITES-BPO and engineering and R&D Services segments accounted for 21 per cent, 18 per cent and 14 per cent respectively. The segment composition of industry revenues is likely to remain unchanged – weighed towards the services (IT+ITES-BPO) and software segments in FY 2005-06.

As seen from the graphical representation below IT Services is expected to top the chart with US$ 17.5 billion revenues followed by ITES-BPO with revenues of US$ 7.2 billion in FY 2006.



Source: IDC, NASSCOM

Indian IT-ITES Industry Segmentation

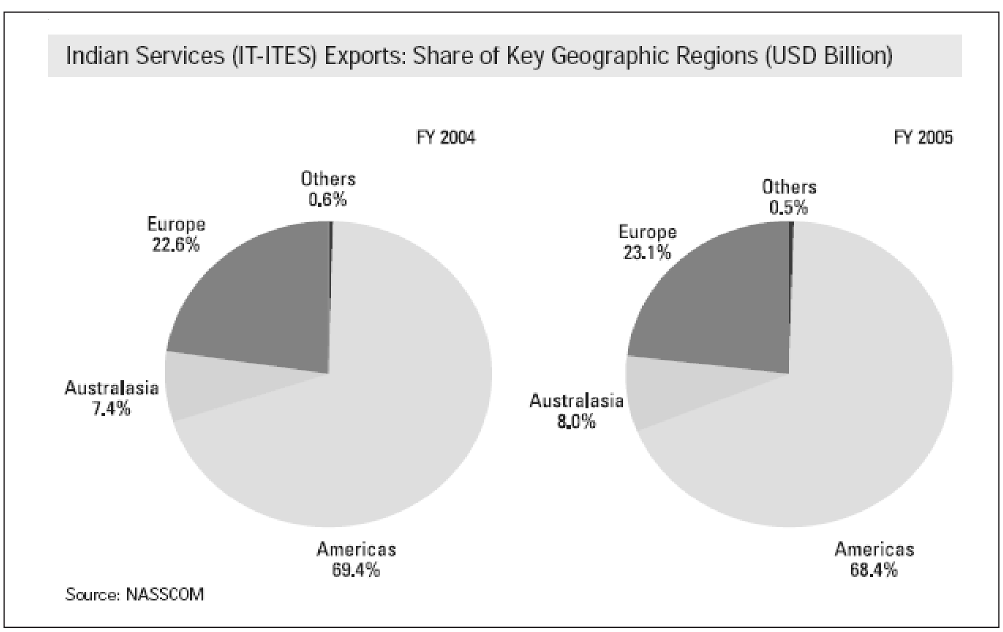


Export IT-ITES Market

Export earnings accounted for 64 per cent of the total IT-ITES aggregate in FY 2004-05. Strong fundamentals including a large base of skilled talent, demonstrated quality and service delivery expertise at a significant cost advantage and an enabling environment have ensured that India attracts a disproportionately larger share of the global IT-ITES demand for offshored services – and continues to drive India's export-led growth.

IT-ITES exports from India grew from USD 13.3 billion in FY 2003-04 to USD 18.2 billion in FY 2004-05. It is estimated that Indian IT-ITES sector would achieve the targeted USD 60 billion in exports by 2010.

The following chart depicts the Indian IT-ITES exports region wise



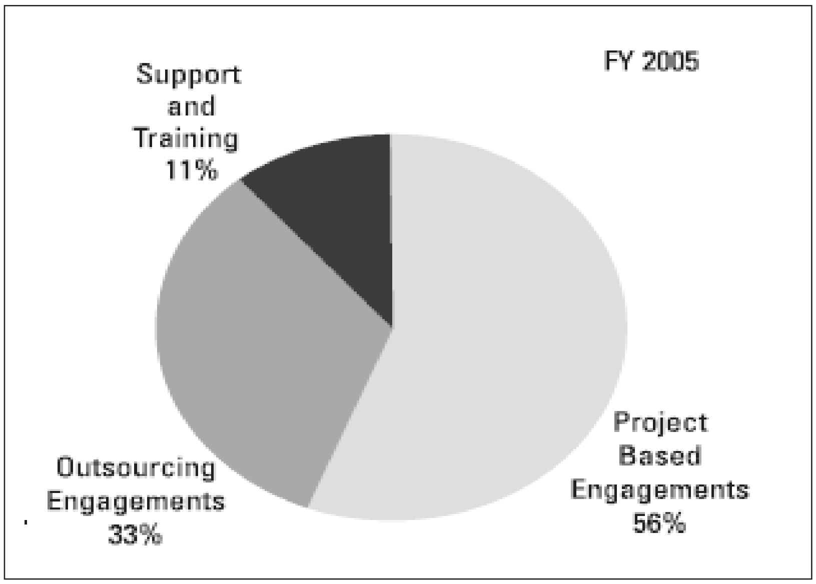
Americas and Europe remain the key markets, accounting for over 90 per cent of Indian IT-ITES exports.

Key Service Lines

Indian IT Services exports are categorized into:

- Outsourcing Engagements
- Project oriented services
- Support and training

The following chart shows the share of key segments in the Indian IT Services Exports



The Project oriented engagements comprising of Custom application development, IT consulting, Systems integration and Network consulting and integration is expected to increase from US$ 4.04 billion in FY 2004 to US$ 7.39 billion in FY 2006. The Outsourcing engagement comprising of application management, network and desktop outsourcing, hosting infrastructure services and infrastructure management services is expected to grow from US$ 2.57 billion in FY 2005 to US$ 4.36 billion in FY 2006. While Support and training is expected to grow by 126% in FY 2006 over FY 2004

Domestic IT-ITES Market

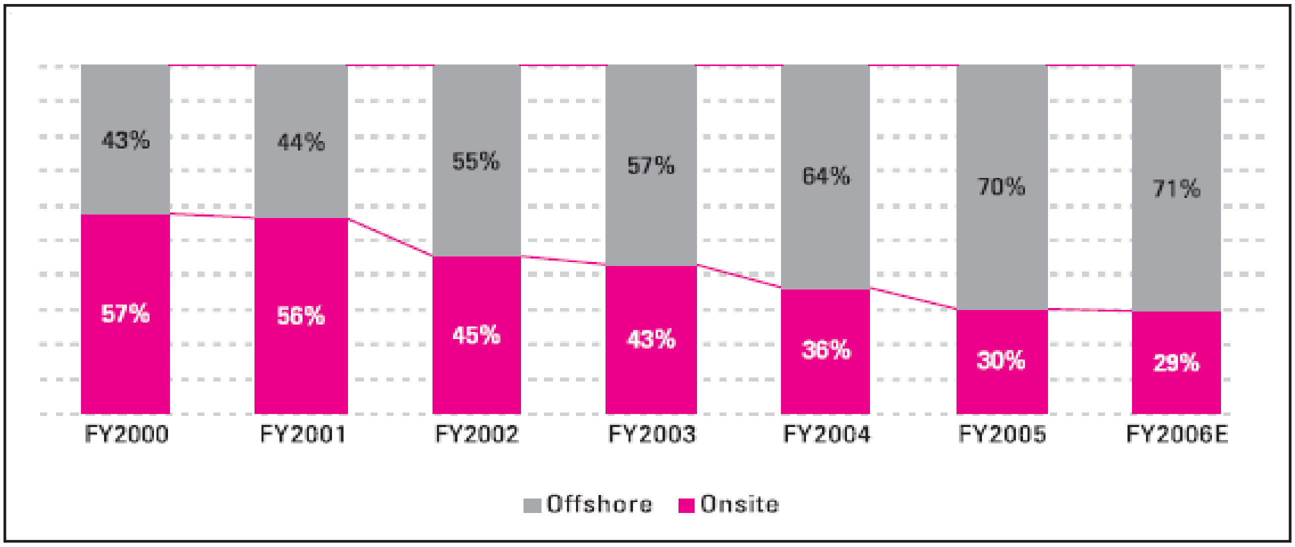
Complementing the continued growth in IT-ITES exports is a steadily evolving domestic market. Strong demand over the past few years has placed India amongst the fastest-growing IT markets in the Asia-Pacific region. BFSI, Telecom, Government and Manufacturing are the key vertical markets driving growth across categories including hardware systems, networking, storage, security, enterprise application products and related services. Education and healthcare are a few emerging areas expected to drive additional growth. ITES-BPO demand in the domestic market is also witnessing increased levels of activity.

The size of the domestic market is expected to exceed USD 12.4 billion growing at nearly 22 per cent in the FY 2005-06. In the domestic market hardware segment has contributed about 53 per cent of the total IT-ITES spend in FY 2004-05 as against global trend where services segment dominated IT-ITES industry with 55 per cent. *(Source : Nasscom Strategic Review 2006)*

Indian IT-ITES: Leveraging the Offshore Model

According to NASSCOM estimates, offshore revenues as a proportion of total service exports have increased from approximately 43 per cent in FY 1999-00 to 70 per cent in FY 2004-05. Indian vendors have successfully delivered on the offshore promise to help establish offshore outsourcing of IT services as an integral element of the corporate strategy for almost every company.

Over FY 2001-05, India's share in global sourcing has grown from 62 per cent to 65 per cent for IT and 39 per cent to 46 per cent for ITES-BPO.The following chart shows the evolution of the offshore mix in Indian IT-ITES



In spite of the fact that the growing share of offshore has a decelerating effect on the total value of IT-ITES exports (due to the significantly lower billing rates for offshore services), Indian vendors continue to sustain remarkable year-on-year double digit growth. Further Indian vendors are benefiting from the growing share of offshore as the lower cost structure and productivity gains achieved from offshore service delivery have a positive impact on business profitability.

Value Added Resellers (VARs) Market

(Source : www.varbusiness.com and Value-Added Services: Bottoms Up, By Rick Whiting)

Solution providers are anticipating a good year in 2007, and it's definitely not because they are expecting bigger discounts from hardware and software vendors. Channel partners are projecting increased profitability and revenue growth approaching 25 percent this year as services make up a bigger portion of solution sales and boost average selling prices, or Application Service Providers ("ASPs"). That's according to the results of the 2007 VAR Business State of the Market survey of 477 solution providers in North America. Services accounted for 50 percent of VARs' revenue stream in 2006, the survey found, and 60 percent of their net profit.

Among the other findings: The average tenure of a VAR's customer relationship is almost nine years. Nearly half of VARs' revenue comes from selling to vertical markets. And wireless, security and storage are high on VARs' lists of technology to add to their portfolios in 2007. The state of the market results reflect several long-range trends among solution providers. VARs are putting more emphasis on professional/consulting, technical break-fix and managed services today than on pushing hardware and software. Not just superior technical capabilities but also sales and marketing skills are increasingly important in winning and retaining customers.

No longer do VARs' fortunes rise and fall with the level of discounts offered by hardware manufacturers and software developers. "More solution providers recognize that their destiny is in their own hands and isn't dictated by the vendors," says Ryan Morris, channel intelligence director at CMP's Institute for Partner Education and Development. (IPED is a part of the CMP Channel Group, which publishes VAR Business.) Ryan also says that "there's no way to stem the tide of commoditization if all you do is resell. The way to turn that around is effective differentiation at a branding or real competition level and the ability to generate proactive demand. 94% of VARs feel that relationship alone generate pro-active demand; 75% on account of service quality; 28% on account of best product and 21% on account of best pricing.

There's evidence that the increased emphasis on service and customer relationships is paying off in higher ASPs too. Of those surveyed, 33 percent said the average selling price of their typical IT solution had increased in the past 12 months, while 50 percent said it held steady. Only 17 percent said the ASP had declined.

VARs that reported higher ASPs cited increased demand from customers (66 percent), the ability to offer more services (47 percent), and better sales strategy and sales management (43 percent) as factors. For those reporting lower ASPs, competitive market pressure was far and away the leading culprit.

Establishing and managing sales goal is the top sales and marketing priority cited by respondents, followed by greater management focus on sales.

Surveyed VARs said they did business with a typical customer for an average of 8.7 years. That number was lower for smaller VARs with annual sales of less than $1 million (8.3 years), higher for midsize VARs with sales of $1 million to $9.9 million (9.3 years) and higher also for large VARs with sales of more than $10 million (11 years).

Solution providers attributed nearly half (48 percent) of their overall revenue to sales into vertical markets. Of those sales, survey respondents classified 54 percent as industry-specific vertical solutions and 44 percent as general horizontal solutions to similar businesses.

On the whole, surveyed VARs said that 50 percent of their revenue in 2006 was generated by consulting, break-fix and managed services, while only 26 percent of their revenue came from software sales and 24 percent from hardware sales. Small VARs reported generating 52 percent of their revenue from services, compared to midsize and large VARs (45 percent and 42 percent, respectively).

Services are also more profitable: Solution providers said 60 percent of their net profit was derived from their service offerings. For small VARs, that figure was 63 percent. Professional and consulting services, on the average, account for 51 percent of all services-generated revenue, followed by technical break-fix services (33 percent) and managed services (16 percent). The latter, which include monitoring, managing and servicing a customer's IT system, account for a bigger chunk of service-related sales for midsize and large VARs.

Surveyed VARs said that, on the average, 45 percent of the revenue they derived from software came from shrink-wrapped products, 33 percent came from custom-built software, and 22 percent came from vendor software that they customized.

VARs' great expectations for 2007

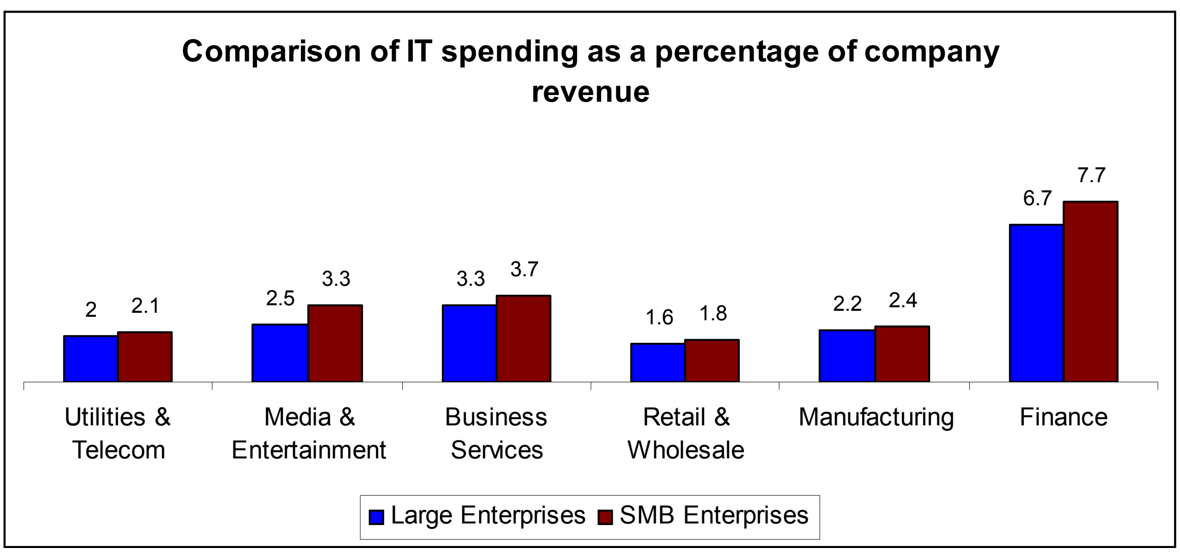
Solution providers have high expectations for 2007. Nearly 34 percent project sales growth of more than 15 percent, while 47 percent expect growth in the range of 5 percent to 15 percent.

VARs are thinking about expanding their businesses with new products and technologies. Asked what technologies are high on their list of things to add to their product line-ups, 45 percent of survey respondents pointed to wireless technologies. Security software was cited by 35 percent, while 33 percent listed the old standby of desktop and laptop PCs.

The Small and Mid-sized Business (SMB) Market

(Source: Everest Research Institute Whitepaper)

Industry analysts usually define the SMB market to include companies with fewer than 1,000 employees and less than US$ 800 million revenue. According to government statistics, the US alone has almost eight million of such companies. The SMB market exhibits a much greater annual growth in IT expenditures than the more mature enterprise IT market. The SMB market rebounded from a significant drop to 2-3% annualized growth in the after-boom years of 2001-2002 to approximately 7-8% worldwide, according to Gartner. This is a very respectable growth compared to the enterprise IT expenditure growth of 3-5% annually. Further, SMBs in almost every industry tend to spend more on IT as a percentage of their revenues than their larger counterparts (exhibit below – Data for 2004).



This trend suggests that SMBs should have an even greater appetite for IT savings, creating a powerful basis for demand for outsourcing services. Further, the IT outsourcing market is becoming more SMB friendly in nature. Nonetheless, SMBs were very late to the outsourcing market and even today rank out-sourcing last in their assessment of IT priorities, according to a recent Forrester Research survey ("Top IT Priorities For Medium-Size Businesses in 2005"). The majority of SMBs participating in the survey stated outsourcing was behind other IT priorities such as PC upgrades, security improvements, and new packaged application deployment.

Several factors suggest that the SMB segment is unlikely to remain below the radar of IT outsourcing suppliers for long and will play a much larger role going forward. These factors include:

- Advances in the remote-management tools are leading to the ability to serve an increased number of functions remotely and the ability to take advantage of the Software-as-a-Service (SaaS) model in deploying these tools.
- Virtualization technologies are gaining acceptance and allowing better scale play in distributed systems, which are a primary technology platform for SMBs.
- Relative rebound in the start-up activity and influx of venture-capital money into the software industry is likely to prompt creation of a large number of SMBs with extensive software development needs.
- Offshore outsourcing firms that historically preferred to focus on large companies to fuel their ~30% yearly growth will have to actively look for new sources of revenue and will likely pay increased attention to SMBs.

The SMB market is a healthy outsourcing market that presents significant opportunity for those suppliers that figure out how to serve it. SMB clients might prove to become the missing piece in the puzzle of the next source of growth in outsourcing. There are

- 80 million SMBs worldwide
- $450+ billion spending by SMBs on IT in 2006
- SMB IT spending to outpace larger enterprises thru 2007
- 7% growth in IT spending by SMBs in 2006
- Nearly half of all IT spending is by SMBs.

The SMB segment is large in terms of size and revenue, as well as fast growing. There is ample opportunity for IT Companies to achieve great financial success in this market with targeted strategies.

(Source: Gartner IT ChannelVision Phoenix 2006)

OUR BUSINESS

We are a global services provider delivering technology-driven business solutions that meet the strategic objectives of our clients. ZSL delivers business value to customers through a combination of process excellence, quality frameworks and service delivery innovation. The Global Delivery Model of our Company leverages talent and infrastructure in order to provide high quality, rapid time-to-market solutions and services.

Our Company was incorporated as a private limited company on June 1, 1995. As a certified ISO 9001:2000 Company and being assessed for CMMI Level 4, we continuously leverage cutting edge tools, methodologies and benchmark standards to exceed the expectations of our customers. We are a 100% EOU, registered with the Software Technology Parks of India, focusing on providing technology services to client specific requirements. These services are performed onsite / offsite / offshore or in combination depending upon the clients' requirement, nature of engagement and the nature of the project. We earn almost a third of our revenue through partnerships with Systems Integrators / Solution Providers and Value Added Resellers (VARs). This unique business model over a period of years have created a specialization and focus in industry verticals such as Telecom, BFS, Insurance & Retail which are prominent contributors of business. The client engagements are also such services provided to the client as a whole in combination of consulting, onsite, offsite and offshore considering the factors involved within. We have been able to perform with the average annual growth rate of around 40% in terms of our revenue through our organic growth alone. Apart from this, we did five business acquisitions in the last four years. This has increased our revenue, profit margin, specialization in technology areas and industry verticals. Major technology focus is in Application Development and Integration (Web Application, Web Services, Application Integration, Business Intelligence, Data Warehousing and Mobile & Wireless Application) and Enterprise Infrastructure Management

Our three – tier engagement model comprises of onsite, offsite and offshore. The client engagements comprise of the software development process in combination of this engagement model.

Onsite: The software development as a service provided to the client needs constant interaction with the respective personnel at their business and technology team. This interaction doesn't stop once the requirement analysis is complete. Our resources have to be at the client's place throughout the tenure of our development until the implementation stage, to make sure our solution perfectly fits to their requirement and the needs, as many a time the requirement changes during the course of the development work.

Offsite: Our Company has full-fledged development centres at our major branch offices located in USA. Projects that are outsourced but cannot be executed out of our offshore facility for certain reasons are handled out of our offsite location. On such projects our project managers work from our US branch offices. In addition to the above, they are in constant touch with the onsite team of our Company and work in tandem with them and also coordinate with the offshore managers stationed at our offshore site in India. Offsite team works between onsite and offshore to bring effective project delivery.

Offshore: Development and testing part of the whole solution is being performed at our offshore development centre in India. Our effective three-tier model approach ensures that the offshore team gets to a very minimal level of direct interaction with the client; there by the limitations like time zone, presentation and cultural barriers get addressed.

Thus this model ensures onsite quality at the offshore cost.

Our Company has been marching ahead due to the following key reasons:

- Professionally managed and experienced management team.
- A clear long-term vision to create a durable end-to-end business model that shall sustain any market extremes.
- Created and grew an excellent sales & marketing team by defining an aggressive and result oriented sales / marketing strategy which is designed, shaped-up and oriented to the needs of the market. Constant effort being deployed by the business development team to keep up to market needs and structure accordingly the pre-sales and delivery team's expertise and approach. Our management realizes that, in the field of IT services, one need to constantly orient and/or correct the direction of strategies and approach if required; to sustain and grow in changing market conditions.
- Built-up over a period of time well-qualified and experienced human resources pool possessing required level of commitment and dedication. This was possible to keep a sustained level even during the rapidly increasing staff member count due to the pyramid structural approach and by recognizing performance with defined evaluation criterion.
- Creates a database of expertise with the experience obtained through delivered projects and services by keeping up with the latest technological developments.

- Implementing and maintaining well-defined quality standards (certified with ISO 9001:2000, assessed for CMMI Level 4). This ensures the durability for the client deliverables along with support and services especially with the onsite, offsite & offshore (three-tier) services. This has been one of the reasons for yielding repeat business.
- Providing competitive pricing on services rendered to clients by moving to direct and tier-1 relationships along with providing end-to-end IT related services. This has helped us to increase the growth rate of topline and maintain the bottomline ratio.
- Identified and performed suitable business acquisitions that fit-in and contribute (with required grooming) with the existing business model. This has been a reason for providing a considerable growth rate on the topline of our Company. Further business acquisitions have given strength to its existing technological expertise and a reasonable industry vertical spread.
- Accountability from top to bottom at each and every level of our Company is yielding expected performance and quality standard within the timeline.
- Our Company is being run with a proper required financial discipline.

Mission

To foster a symbiotic relationship through a market driven business model leveraging "best-of-breed" people and "best-in-class" contemporary IT practices.

Values

- Integrity
- Excellence
- Open, Transparent and Trusting Environment
- Timely Delivery
- Exceed Client Expectation and Customer Delight
- Leadership by Example

Services & Products offered

<u>Services</u>

We offer a broad range of services and solutions providing added value across multiple domains. Our major services include

a. Application Development

b. Enterprise Infrastructure Management

c. Quality Assurance & Testing

<u>Products</u>

a. Z*Connect

b. Z*PRISM

c. insured Vehicle Accident Recovery system (iVARs)

d. Claims Management System (CMS)

e. RTGS PayManager

f. VISTEM

g. WAP Page

<u>Services</u>

a. Application Development

Our Company focuses on providing IT development services to the clients in the field of Application development specific to Web application, Application Integration, Data Warehousing, Business Intelligence, Mobile and Wireless application and Web services.

Web Application

All the development oriented projects that pertain to the web related with the typical implementation of n-tier technology using Dot Net and / or Java / J2EE environment.

Application Integration

Our Company has specialized in this segment for the past 6-7 years. The development is an interface routine of development to connect / communicate between two or more islands of application modules.

Data Warehousing:

A data warehouse is the main repository of the organization's historical data, its corporate memory. For example, an organization would use the information that's stored in its data warehouse to find out what day of the week they sold the most widgets in May 1992, or how employee sick leave the week before Christmas differed between California and Quebec from 2001-2005. In other words, the data warehouse contains the raw material for management's decision support system. While operational systems are optimized for simplicity and speed of modification (online transaction processing, or OLTP) through heavy use of database normalization and an entity-relationship model, the data warehouse is optimized for reporting and analysis (online analytical processing, or OLAP). Our Company has kept our focus in this space especially with the BFS and Telecom segment.

Business Intelligence:

Business intelligence (BI) is a business management term which refers to applications and technologies which are used to gather, provide access to, and analyze data and information about their company operations. Business intelligence systems can help companies to have a more comprehensive knowledge of the factors affecting their business, such as metrics on sales, production, internal operations, and they can help companies to make better business decisions.

Mobile & Wireless application:

Providing access to information that is available at the server end to the hand held devices. Primarily, this gets divided in to two divisions namely: a) providing data (by way of alerts and notification) pro-actively to the hand-held both by way of asynchronous and synchronous method. b) Providing data to the hand held devices on request (by way of transaction processing).

Mobility and convenience are redefining business practices and customer expectations. As wireless devices continue to gain popularity and functionality, the ability to effectively harness the power of their supporting technologies will shape the leading global enterprises of tomorrow. Our Company allows seamless integration of mobile capabilities with leading Enterprises Applications, and supports virtually every wireless device available. An organization will realize increased flexibility using our Mobile Server, which allows platform and protocol neutral integration and is fully compliant with J2EE and XML standards. Not only does this enhance portability and ease of integration, it also accelerates deployment and time-to-market for critical applications.

The objective of keeping pace with growing business needs and enhancing productivity could be achieved through mobile wireless initiative. We have several years of experience in helping firms in the healthcare, retail, financial and telecom sectors with competency in the latest wireless applications development. The clients, sales force, workforce, customers and partners will be able to maintain smooth communication with the empowerment of wireless. We provide shrink-wrapped and customized packaged applications to numerous industry verticals. Our Mobile and Wireless competencies include:

- Pocket PC/WinCE Application (C, C++, eVC, eVB, MS®. NET Compact Framework, SQL Server, CE)
- Palm OS Applications
- J2ME, J2ME GPS applications
- Messaging Protocols: SMS, GSM, SMPP, SNPP, TAP, MMS, WAP Push, Nokia Smart messaging
- Blue tooth, Wireless WAN, VPNx, OBEX and IR Library
- Qualcomm® BREW, Symbian, RIM OS, Nokia Series 60, 40 and 30 developments
- 3G, GPRS, UTRAN, CDPD, CDMA
- Middleware (Extended Systems, MIS, Sybase and Synchrologic, Puma)
- Relational Databases (Oracle Lite, SQL Server CE, Sybase SQL Anywhere)

We have an in-depth understanding of native target platforms for each wireless device, and can create applications that function across multiple platforms (such as browsers and email clients) using socket-based programming, web clipping and other methods of optimizing Internet access.

Web Services:

A Web service is a software system designed to support interoperable machine-to-machine interaction over a network. Web services are frequently just application programming interfaces (API) that can be accessed over a network, such as the Internet, and executed on a remote system hosting the requested services.

We have a unique process and methodology of providing quality Application Development service. Our methodology for offering application development services is as follows.

Survey:

Custom application development needs a proper assessment of the domain of the application, the target audience, and the expected life of the application, current models / applications already in circulation, competition, lacunae / restrictions / limitations of existing systems

Blueprint:

This stage depicts the visualization of the application in an abstract manner. We believe in investing time and thought into the design phase, as it will minimize rework and ambiguity at later stages of the development cycle. Our Company is experienced in adopting the right development model (waterfall, prototype, and spiral) depending on the size, complexity and time to deliver for any custom development.

Development:

This stage marks the culmination of all abstract activities including design and architectural framework. This is the critical phase in which the design ideas and requirements are given a tangible and perceptible shape. This stage involves a close and tightly knit feedback loop which comprises

- Good workmanship and code documentation
- Cohesive and focused interaction
- Validation of the implementation process with the design
- Intuitive improvisation when needed
- Demonstration of incremental builds for the client to see and analyze.
- Development of accurate and relevant test plans strategies.
- Maintaining source code integrity through effective code versioning (CVS, VSS etc).

Inspect:

Our quality assurance ("QA") team's primary objective is to add value to the meticulous efforts put in by the developers. Our QA team has gained a reputation of providing precise unbiased quality services to both our in-house and external QA requirements and projects. Our QA team is well equipped with the state of the art technologies and tools and an approach that upholds the tradition of providing precise and unambiguous quality certification. At our Company, QA is an iterative process until all the bugs are resolved.

Evolution:

All applications need handholding and maintenance. There are also instances of evolution of any given project. At ZSL, our evolution and maintenance services involve annual maintenance, maintenance on a need basis and emergency support.

b. Enterprise Infrastructure Management ("EIM")

For an organization's information technology, infrastructure management (IM) is the management of essential operation components, such as policies, processes, equipment, data, human resources, and external contacts, for overall effectiveness. Infrastructure management is sometimes divided into categories of systems management, network management, and storage management.

Among other purposes, infrastructure management seeks to:

- Reduce duplication of effort
- Ensure adherence to standards
- Enhance the flow of information throughout an information system
- Promote adaptability necessary for a changeable environment
- Ensure interoperability among organizational and external entities
- Maintain effective change management policies and practices

Our EIM group provides outstanding support services in the following areas:

- LAN/WAN/SAN/DAS/NAS Administration: Our Company has knowledge of administration and management, including design and implementation of network management centers, design of distributed network management systems, selection, installation, and integration of network management platforms and integration with alarm managers and helpdesk systems.
- Unix/Linux/Windows/HP Open View/Tivoli/MMS Administration**:** Our team is familiar with multi-platform systems management and Enterprise data migration. We strive to automate both deployment and administrative functions whenever possible, to streamline tasks and keep associated costs down.
- Backup and Disaster Recovery Management: Design, implementation and maintenance of enterprise-wide backup plans and effective disaster recovery plans to minimize any downtime in a 24X7 environment.
- Web Application Servers Management: Our interactive, online event is designed for those who need to manage the performance, and availability of web application servers and web applications. This web cast includes Web Application Servers Management solutions. Our services include testing, compliance, and creating solutions based on the client needs, both present and future. Our goal is to reduce downtime and increase efficiency for the client.
- Database Administration: We offer a variety of database administration tools. We guide the client with installation to tune-ups, performance analysis and query optimization. Our team brings a depth of experience to assist the client with database administration-related tasks.
- Space Monitoring: Our Company provides a variety of tools for the client to quickly & easily monitor and maintain the free space on each local drive of the clients' server or Windows PC. If free space falls below the expected limit, automatic action can be taken - e.g. to clear down temporary files to reclaim disk space, the client can be alerted, or both.
- Performance and Fine Tuning: Identifying bottlenecks associated with OLTP and OLAP Databases, as well as the operating system including memory utilization, I/O, CPU consumption etc.,
- Database Objects: Report on any invalid objects, disabled triggers, broken jobs, unusable indexes, objects which cannot extend etc.
- Troubleshooting: We provide the client with report on services like database errors, corruption, point of errors and Network errors.
- Security: SSL/VPN/Firewall: We provide a wide range of internet security systems. We also help the client maintain the security level on annual contract. Hardware-based encryption modules / processors / encryption engines at up to triple level DES (168-bit encryption), as well as the software-based firewall protection and PKI security, to maintain the highest level of security for the clients' data and infrastructure.

We provide a wide array of configurable options all geared toward making it easy to integrate its monitoring into the client's fault management system.

c. Quality Assurance & Testing

QA & Testing methodology is precisely defined at ZSL. QA is the activity of providing evidence needed to establish confidence among all concerned, that the quality-related activities are being performed effectively. All those planned or systematic actions necessary to provide adequate confidence that a service will satisfy given requirements for quality. QA is a part and consistent pair of quality management proving fact-based external confidence to customers and other stakeholders that product meets the need, expectations, and other requirements. QA assures the existence and effectiveness of procedures that attempt to make sure – in advance - that the expected levels of quality will be reached.

Project management, maintenance of time schedules, quality assurance, and software engineering are some of the key areas we focus on in the Software Development life cycle process. Our exhaustive methodology ensures thorough and effective QA and testing of the software products and applications. We have separate teams for Manual and Automation testing with highly experienced and technically skilled resources and independent quality assurance team that conducts various testing methodologies.

Our Company uses various software tools which include Mercury Interactive tools, Compuware tools, Rational tools, Segue tools, Techexcel tools, etc for the QA & Testing requirements. The various levels /scope of Testing are

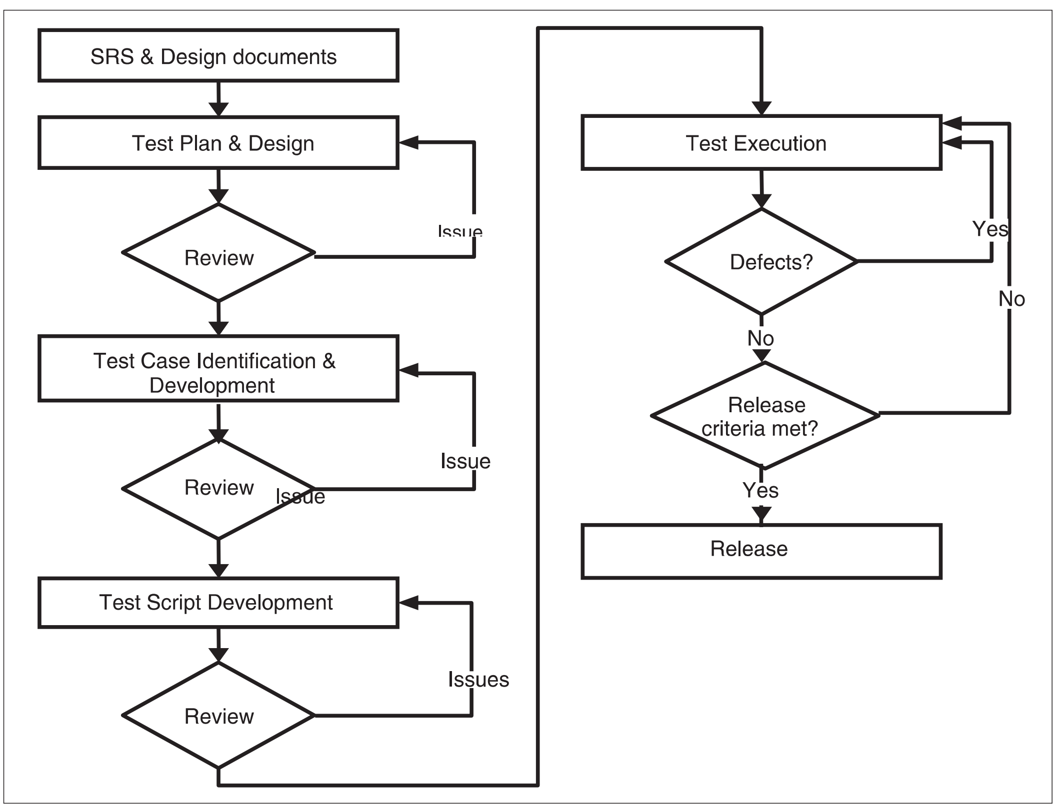
Always

- Functional Testing
- Integration Testing
- System Testing (on requirement basis)
- Regression Testing

Get added if required

- Smoke Testing
- Install – Uninstall Testing
- Recovery Testing
- Security Testing
- Compatibility Testing
- Alpha Testing
- Beta Testing

The Test execution process flow is as follws



Testing methodologies adopted are as follows:

System Testing

System testing is concerned with evaluating a system's ease of use and the level of convenience it provides to non-technical people to enable them to utilize the various tools and functionalities offered by the system. This helps users derive the maximum benefit from the system. System testing further entails detailed analysis of the navigation system, the user interfaces, etc.

Black Box Testing

This testing technique whereby the tester does not know the internal workings of the software being tested. This test does not ever examine the programming code and does not need any further knowledge of the program other than its specifications. The advantages of this type of testing are that the tests are unbiased because the designer and the tester are independent of each other; the tester does not need knowledge of any specific programming languages. The test is done from the point of view of the user, not the designer. Test cases can be designed as soon as the specifications are complete.

White-Box Testing

A software testing technique whereby explicit knowledge of the internal workings of the item being tested is used to select the test data. White box testing uses specific knowledge of programming code to examine outputs. The test is accurate only if the tester knows what the program is supposed to do. He or she can then see if the program diverges from its intended goal. White box testing does not account for errors caused by omission, and all visible code must also be readable.

Stress/ Load Testing

In Stress testing, the parameters typically tested are: storage, computing time, communication capacity, and database recovery time. This process drives the system to the very limits of its endurance in order to determine what features in the application design can fail during implementation. The features that do fail can turn out to be defects capable of causing disastrous failure. Load testing is used to test the load-bearing capacity of the system and to measure the response time and throughput of the various components of the system.

Platform Portability Testing

Platform portability testing addresses concerns regarding a product's capability to interface with other software and hardware. ZSL is equipped to test client products across a varied range of software and hardware platforms to evaluate the related issues involved in platform portability testing.

Functionality Testing

Functionality Testing is performed to ensure the conformance of the application to the specified requirements. In functionality testing, as the name suggests, the test engineer does not access the source code and the testing is more behavioural. The sole focus of functionality testing is to ensure that the system conforms to the expected results under various test scenarios.

Regression Testing

During the development cycle, the regression testing is carried out for each of the intermediate builds promoted periodically, by a pre-planned regression testing cycle. Whenever defects are fixed, ZSL does regression testing on the entire application/ system. Most of test cases in the test suite are automated to minimize manual testing effort.

Integration Testing

Testing the interface between 'items' previously tested in isolation. Examples of items are components, integrated components, and entire applications.

Performance Testing

After identifying the scenarios representing the functionality that are critical from the point of view of stress and scalability, they are tested using an automated tool. We use automated tools to simulate the load and measure the metrics with respect to performance, durability and scalability. Finally, the output is analyzed based on various parameters including the response time, failures, CPU utilization and throughput.

Installation Testing:

Checking that the correct version of application has been installed correctly on the targeted OS/Hardware environment. This is done in conjunction with configuration management. De-installation should also be tested if appropriate.

Acceptance Testing

The Client Project Manager/Team will prepare acceptance testing plan and test cases based on the system requirement. The test cases will be executed and treated as exit criteria if those cases passed successfully. The business user of the end product i.e. the software deliverable performs this test. The focus of this test is primarily the business functionality of the software product. The user may perform Volume, Regression, Stress and Chain tests at an application level.

All the Test results are documented in a structured manner. The test data and results are used to improve the quality of the software over a few iterations.

Products

a. Z*Connect

This product has been ranked as best mid-market product'2006 by the VAR Business magazine. Z*Connect is a world-class software platform that provides alerts and notifications over Short Messaging Service (SMS), Multimedia Messaging Service (MMS) and traditional paging networks. It is protocol independent and delivers messages to both SMS and any other wireless devices. This platform provides push adapters over Java messaging framework for different SMS and email protocols. Alerts and notifications generated by server applications are delivered to mobile devices (including Smart phones and pagers) using the push adapters. These easy-to-use adapters are designed to shield developers from the details of protocols and enable quick development of wireless-smart applications.

Z*Connect has bundled a web application suite, with a rich list of features in it. The web application suite for administrator enabled remote administration. Z*Connect users can use the web application suite for sending SMS and smart messages through the web.

The Z*Connect SDKs (Software Development Kit) are provided for applications that may require additional details at the protocol level. Each carrier that supports SMS has one or more SMS Centers (SMSC) that manages short message traffic. Z*Connect's push engine allows communication between External Short Message Entities, and any wireless device, through SMSC of the wireless carrier. Devices that do not support standard SMS protocols are also supported through SMTP (Simple Mail Transfer Protocol). Z*Connect includes Scheduler for effective scheduling of time-based alerts and notifications. The administration interface simplifies maintenance of time-based services and enables the push engine to deliver alerts and notifications to those clients registered for SMS messages. Z*Connect offers seamless integration options with any Enterprise Application.

It supports alert methodology based on specific events, transactions, and the client's business logic. Another unique feature of Z*Connect is its ability to provide for automated escalation of high priority alerts to targeted users in accordance with predetermined rule sets. This feature assures accountability and improves response time when dealing with mission critical events. The Z*Connect development framework enables rapid development and deployment on any industry standard messaging server. Z*Connect package includes clear and comprehensive documentation, software libraries, extensive source code examples and a built-in development and debugging environment. It is designed so that the customers are up-to-date any time, anywhere on any device.

b. Z*PRISM

Z*PRISM is a world-class wireless transactional server designed to provide end-to-end mobile solution for corporate business that demands rapid development, flexibility, scalability and security. This real time transactional platform provides server infrastructure, XML based integration engine, effective content delivery to the mobile devices such as Pocket PCs, Palm OS PCs, WAP Phones, and Two-way pagers. As prime in enterprise-to-wireless universal device data delivery, Z*PRISM brings, 'write once, deliver anywhere' into reality. This simplifies development of mobile applications, offering seamless integration options with any Enterprise Data Sources.

Z*PRISM gives enterprises the ability to deliver any transactional business logic to mobile devices. The mobile development framework enables rapid development and deployment on any industry standard Web application server. The Profile Manager enables the user to customize their device profile. The Device Detection component automatically identifies the mobile devices from the device request. In addition, XML-based Device Repository assists the applications to disseminate device appropriate data. The Device Manager constructs device objects in Z*PRISM's workspace, which represents the physical device that issues a request to the server. Z*PRISM's ZML (Zylog's Markup Language) development kit brings "write once deliver anywhere" into reality using its patent pending content conversions technology. The Render Engine applies device specific and user specific personalization and formats the business data according to the request, and then converts the output to one of the following device specific languages, HDML, WML, cHTML, HTML, PQA and VoiceXML.

Z*PRISM's EJB based Session Manager maintains the user's session information between a mobile device and the server. Using effective mobile proxy cookie management, the server can behave as a cookie for the mobile browsers. This session maintenance mechanism assures that end-users never lose transactions or see performance degradation even when the session bandwidth decreases. Security is a fundamental requirement for any enterprise that provides transactional services. To provide safe and secure transactions, Z*PRISM's development kit conforms to industry wide security standards such as SSL, WTLS and ECC. The XML based Z*PRISM comes with complete software libraries, clear and comprehensive documentation, extensive source code examples and a built-in development and debugging environment.

c. Insured Vehicle Accident Recovery system (iVARs)

This is a product developed basically to facilitate the activities of the recovery agencies in having first-hand information about the claims from the insurance company and to regulate the activities of the Recovery Operators (RO) through the Recovery Agents to serve the customers in time. Fundamentally, this software product focuses on the day-to-day operations of the Recovery Operators who work in harmony with the Recovery Agents and their primary role is to assist the insured/ claimant caught up in the unforeseen situations like vehicle accident or break down

Salient Features of iVARs

- ➢ Reduced human intervention at data gathering stage, thereby maintaining a very high precision level on the acquired information.
- ➢ Facilitates a speedy recovery operation.
- ➢ Automation of the day-to-day activities of the Recovery Operators.
- ➢ Windows-based mobile application, which runs on Windows Mobile 5.0 Operating System that keeps the recovery agent to work from the field effectively and even when they are on the move.

d. Claims Management System ("CMS")

Claims Management System is developed basically for the insurance claim agents/brokers which will schedule and assign the tasks for their employees and have a track over the same, manages all claim related processing activities and will admin the activities of their employees as a whole. It reduces paperwork and time involved in coordinating various parties thereby achieving optimized work efficiency and serving the customers promptly.

Claims Management System works as a Task Scheduling and Tracking system that facilitates the user to set the target and continuously monitor the same. It enables to login as an Admin and Standard user. As an admin user it allows to assign tasks to the subordinates and also to execute their own tasks. As a standard user it allows to execute the tasks as an individual. This software has features to escalate the issues to the immediate superior by sending automated e-mail alerts if the task(s) assigned is/are over-due.

Salient Features of CMS

- ➢ CMS can handle Claims for different types of Policies like General Liability Policy, Property Policy, EL Policy, etc.
- ➢ Speed-up the processes by monitoring the status of each sub-process, so that any delay in a particular sub-process can be identified and rectified, and hence the customer is served at right time.
- ➢ Alerts for incomplete tasks on crossing 50% of the allotted timeframe.
- ➢ Displays the task status by colored symbols such as Green, Amber and Red Circle that denotes the level of delays.
- ➢ Multi-level task allotment per Claim can be done. For ex: 'Request Proposal From', 'Provide update on claimant's legal action', ' Provide a copy of the latest technical report' etc.
- ➢ Provision to update the management about the status of tasks, value of claims completed for a period, claim details of an individual, etc, on daily basis.
- ➢ Automated messaging facility to communicate with various interested parties such as Solicitors, Underwriters, Client, Loss Adjustor, etc. via Email, SMS and MMS.
- ➢ Necessary supporting documents like Technical report, Proposal form, etc., can be sent through Email between the departments — the facility that speeds up the claim processing activities.
- ➢ It can be integrated with a Mobile Data collection Module, which is used by the Loss Adjusters.

e. RTGS Pay Manager

RTGS Pay Manager is a Centralised Payment Hub (PH) with Intra-day Liquidity Manager (IDL) that enables the bank to have a centralised release of RTGS payment instructions and to intervene when necessary before a stipulated cut-off time to transmit the instructions on a timely basis. It provides real-time position for all incoming and outgoing payment instructions. RTGS Pay Manager inter-connects all the banks hosts with number of payment and settlement systems, financial networks and correspondent bank hosts, sending and receiving payment messages without any manual intervention.

RTGS Pay Manager also provides facility to help the bank to monitor any incoming and outgoing RTGS transactions. The incoming transactions will then be routed to the respective host systems for processing. Likewise, this would apply for all acknowledgement received from the Payment gateway.

RTGS Pay Manager provides a common interface to the various host applications within the bank, which allows centralised release of messages to Payment Gateway. The protocol used to interface with the various hosts is MQ Series, a messaging middleware where MQ guarantees of message delivery. Essentially RTGS Pay Manager offers the Bank the capability to better regulate and optimise funds for RTGS transaction before releasing the transaction to Central Bank.

Salient Features of RTGS Pay Manager

- A central HUB inter-connecting all the Banks Hosts with any number of Payment Gateways, Payment and Settlement Systems, financial networks and correspondent Bank hosts, sending and receiving payment messages without any manual intervention.
- Connectivity to Payment and Settlement Systems like RTGS and SFMS Gateways and support for message formats thereof.
- Connectivity to any number of Financial networks likes SWIFT and support for message format thereof.
- Connectivity to any number of Correspondent Banks Hosts.
- A GUI based, Menu driven, user friendly Front-end tool for Administrator-interface
- Support for password based secured access from hosts.
- Support for PKI based secured access from hosts
- A GUI based front-end tool for monitoring the Network status of the communication channels connecting the Bank's internal hosts, directly connected Clients to the HUB on the bank's side, as well as those hosts, networks external to the Bank
- Network Connectivity monitoring screen to be client based
- Message templates for repeatedly used message types.
- Provision for rule based inward and outward message routing.
- Modifications, deletions of messages, parameters, routing rules, Master information etc. in the HUB to be based on Maker-Checker principle.
- Audit trails for all additions, changes, deletions carried out to include and indicate user id, time, pre and post status of the messages/fields or master data so changed.
- Automated redirection of error messages to hosts and clients concerned. The error messages are specific and descriptive.
- Facility to track status of the messages on an end-to-end basis.
- Inward Messages from External Payment Systems eg. SWIFT, RTGS, etc., meant for the Bank's interfaced Hosts/ Clients to be kept in their respective queues for any number of days/holidays until the hosts/clients they are meant for, log in to down-load.
- Facility to hold or redirect to another IFSC or return an inward message back to the sender at the hub, to be performed only by administrators.

- Facility to store forward-dated outward messages received from the interfaced hosts/clients of the Bank and release the same on the value date if its an RTGS message, and one day in advance if it is SWIFT, without any limit on the intervening days between the date of creation and value-date of the message.
- A well-defined Start of day (SOD), End of day (EOD) and Backup Procedure from within the HUB administrator-interface.
- Automated as well as manual SOD and EOD at the HUB along with hot and cold backup
- SOD and EOD to be in sync with those of PI, SWIFT and other payment Gateways of the Bank

f. VISTEM

Variance Invoices Settlement SysTem (VISTEM) is designed to simplify the billing and settlement of accounts between Retailers and Manufacturers (Suppliers).

VISTEM is a complete solution allowing the user to not only views those invoices in difference but also allowing for the user to drill into a specific Invoice Number. In addition the user may print a full copy of the invoice directly from their user interface.

VISTEM's Advantages

VISTEM yields a two-fold solution as it replaces:

1. Manufacturer's traditional paper based invoicing
2. Retailers' manual controlling of those invoices, while all benefit from:
   a. Streamlined invoicing and collection of sales revenue processes;
   b. A neutral settlement office;
   c. Total flexibility to manage data centrally or from any field office with VISTEM's web-based application;
   d. Accelerate processing of receipts and invoices;
   e. The elimination of invoices' loss or failure to deliver through electronic production and distribution;
   f. Enhanced financial control and improved cash flow, as the VISTEM rate of success in collecting funds is virtually 100%.

Streamline Invoice Management

With VISTEM invoicing capabilities, organizations can increase the efficiency and accuracy of their payables processes.

For suppliers that have the capability to send electronic invoices, VISTEM is also e-invoice enabled. Like receipts, the system pre-populates invoice documents with data from the purchase order, which eliminates redundant data entry, reduces the risk of data-entry errors and creates the baseline for the application's threshold functionality.

g. WAP Page

WAP Page 2.1 is a progressive tool for WAP (Wireless Application Protocol) Sites. WAP Page 2.1 is a visual design tool with new look and feel extraordinarily for WML. WAP Page 2.1 allows a developer to edit, compile and integrate WML (Wireless Markup Language) Pages. The conversion of HTML to WML has never been easier. Specifically, WAP Page 2.1 supports WML 1.1. WAP Page 2.1 enables a user to create and maintain WML files without having to know anything in regards to WML tags.

Features

- Include an Integrated development environment for WML, supporting WML 1.1.
- It's Drag and Drop operations make operational control fun and easy.
- Users can navigate WML files with ease by using WAP Page's XML tree view.
- It gives real-time depiction of content on a WAP enabled handset.
- It contains GUI components for WML tags and has a source editor with syntax highlighting.

- WAP Page 2.1 provides sample projects and design views, code views and XML views. Also, with extensive WBMP support.

WAP Page 2.1 is the logical choice for a complete and savvy WML site editor.

Benefits

- WAP Page 2.1's ability to allow creating advanced WML sites with less difficulty than conventional coding.
- It allows designing card and decks "on the fly" even if you know nothing about WML tags.
- You can manage multiple WML files in a single project file.
- You can edit the source code with a powerful source code editor and locate syntax errors with the source compiler.
- WAP Page 2.0 allows an individual to minimize difficulty and speed up the time it takes for development.

This first of its kind WYSIWYG editor is essential for those that want to make professional WAP sites with little effort.

STRENGTH AND FUTURE GROWTH STRATEGY

Our vision is to become the leading global information technology solutions provider and assist clients leverage technology to achieve business advantage. Accomplishing this vision requires the ability to deliver broad range of IT solutions and services, a delivery network responsive to the needs of a global client base, and an infrastructure to enable continued sharing of critical information and building intellectual capital.

Information technology is increasingly enabling businesses to improve their understanding of customers thereby reaching and supporting them in new and improved ways. As competitive pressures demand more business value from IT, organizations need to take an integrated approach to people, process, and technology. This integrated approach starts from the front-end planning stages, to the building of systems that apply new technology, moving finally to the management of existing IT assets.

Sustaining to grow as projected with the existing technology exposure with the linear growth is possible in the core-competent area. However to maintain and grow further in other technological areas such as Enterprise Managed Services (EMS), Enterprise Data Management (EDM), Hosted Services, Professional services around Security and Storage areas, Mobile and Wireless Application development and Mid market ERP based package implementation services, the businesses acquired in the last four years have given us the required technology specialisation in the focussed area along with the concentration in the industry vertical.

Our Company is aligning with Microsoft Business Solutions strategically to tap the potential mid market for ERP and CRM implementations based on Microsoft Dynamics GP, Dynamics CRM, Dynamics NV and Dynamics AX product line in North America and Europe.

We see a prospective future in the field of consumer electronics to provide software services with our existing BDM initiatives. As part of this initiative, we have jointly with FieldPower (one of our partner clients) promoted a suite of product called "Early Detection Monitor Software" (EDMS). EDMS captures information necessary to allow manufacturers to identify potential product defects and their sources at the earliest possible time.

<u>EDMS Key elements</u>

- Captures information while the product is waiting to be sold on the dealer's floor or at other early detection key points to detect product defects or failures early in the product life cycle.
- Permits ample notice so manufacturers engineering / service team can inspect reported defects to analyze them onsite (or at the manufacturers' service) / QC / designed engineering facility.
- Implements quicker changes to manufacturing procedures and processes to enable the manufacturer to make real-time running production changes.
- Addresses manufacturer pain points and reduces product returns, warranty expense and costly recalls / field product reworks post product being manufactured, shipped, distributed and sold.
- Provides intelligent analysis of similar and accumulating problems of the same type, automatically reporting important early detection data to the manufacturers including auto alerts and detailed real-time custom analysis.

Creative Practice

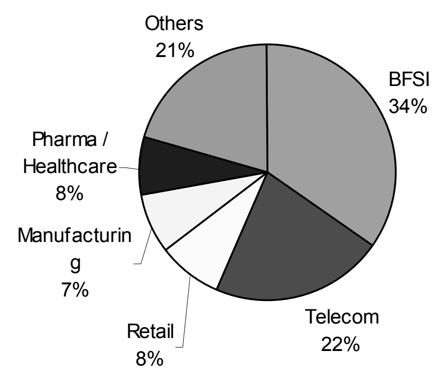
ZSL will be launching a Creative Practice to enhance its service offerings for global clients. This offering will be targeted towards the media agencies that rely on design and creative services for mass scale print production. This practice will be built in partnership with a company promoted my agency industry experts. There is a growing need and awareness of the outsourcing opportunities within the design and creative practice in US and global markets. Towards that end, ZSL will build this practice exclusively to support the needs of our partner company in providing design and in the near future creative services. The following are the objectives of this practice.

- Develop best in class off shore practice that is in parallel to some of the well known agencies in US.
- Enable growth and scalability of the practice based on market potential - infrastructure, personnel and related processes.
- Enhance the basic design practice to include creative services.
- Aggressive approach for effective market penetration.

Our Domain Expertise

Last financial year, we recognized our business units to focus on growing key verticals. Experts with domain specific were aligned across business units to develop specific solutions.

The details of the revenues generated for Fiscal 2007 on the basis of the industry verticals are provided below:



Others comprise of logistics, transportation, education etc.

Our Strengths

We believe the following aspects of our business help our customers' address the challenges posed by today's business and information technology environment.

- *Global Delivery Model*

  The overseas operations are taken care of by the overseas branch offices setup across USA with the US head quarters located at New Jersey. Also subsidiaries have been set up in Singapore and United Kingdom to take care of the operations pertaining to the respective regions. This has greatly helped us to use a low-risk Global Delivery Model (GDM) to accelerate schedules with a high degree of time and cost predictability. Over the past decade, we have developed our onsite and offshore execution capabilities to deliver high quality and scalable services. In doing so, we have made substantial investments in our processes, infrastructure and systems, and have refined our Global Delivery Model to effectively integrate onsite and offshore technology services.

- *Unique positioning*

  We have been able to survive and out weigh the competition because of our established credentials, proven track record and by uniquely positioning ourselves in the niche areas of technology.

- *Specialization*

  We have technology management practices specializing in Mobile/Wireless Computing, Enterprise Reporting, Business Intelligence and Enterprise Application Integration.

- *Commitment to quality and process execution*

  We have developed a project management methodology to ensure timely, consistent and accurate delivery of quality solutions to maintain a high level of client satisfaction. We constantly benchmark our services and processes against globally recognized quality standards. Our Company's ISO certified quality practices ensure consistent quality standards without compromising on project-scheduled timelines.

- *Long-standing client relationships*

  We have long-standing relationships with large multi-national corporations built on successful prior engagements with them. Our track record of delivering quality solutions across the entire software life cycle and our domain expertise help us to solidify these relationships and gain increased business from our existing clients. As a result, we have a history of client retention and derive a significant proportion of revenues from repeat clients. Our client endorsements translated into repeat business from existing customers to the extent of 88.60% of our revenue during the last Fiscal.

- *Ability to Scale*

  We have successfully managed our growth by investing in infrastructure and by rapidly recruiting, training and deploying new professionals. We currently have 2 global development centers, the biggest of which is located in Chennai, India. We are in the process of increasing the offshore capacity. We have purchased 1.1 acre of land off the IT Expressway in Sholinganallur, Chennai. On this land, we have started construction of 80,000 sq ft fully equipped offshore development center with state of the art infrastructure to cater to all offshore projects at an estimated cost of Rs. 24 crore. We have also been allotted 2.12 acres of land by SIPCOT at the Siruseri IT Park, which would be used for future expansion plans.

- *Business Development*

  We have a full-fledged team to focus on business development and marketing activities headed by a vice-president. Further we have plans to focus on region specific business development & Marketing team and this shall be implemented during the current year.

- *Our Presence in the US*

  Our presence in the US allows us to achieve the required customer interaction, leading to higher customer satisfaction enhancing the potential for long-term revenue generation. A key means of advancing the competitiveness is our knowledge management system and organization. This capability captures and shares our best practices, while filling critical knowledge voids. The integration of people, processes, and technology provides a powerful learning continuum, which allows us to leverage the value of our organizational experience to continuously improve our ability to serve clients.

Business Strategy

We seek to further strengthen our position as a leading global technology services company by successfully differentiating our service offerings and increasing the scale of our operations. To achieve these goals, we seek to:

- *Increase business from existing and new clients*

  Our goal is to build enduring relationships with both existing and new clients. With existing clients, we aim to expand the nature and scope of our engagements by increasing the size and number of projects and extending the breadth of our service offerings. For new clients, we seek to provide value added solutions by leveraging our in-depth industry expertise and expanding the breadth of services offered to them beyond those in the initial engagement. We manage first-time engagements by educating clients about the offshore model, taking on smaller projects to minimize client risk and demonstrating our execution capabilities. We plan to increase our recurring business with clients by providing software re-engineering, maintenance, infrastructure management and business process management services, which are long-term in nature and require frequent client contact.

- *Strategic acquisitions*

  We intend to selectively pursue acquisitions that augment our existing skill sets, industry expertise, client base or geographical presence. We are constantly on the lookout for Targets that meet our acquisition strategies viz

  - Deepening our Domain Competence

- Expanding or Filling out our Service Lines
- Obtaining Access to New Market / Verticals
- Enhancing Technology Footprints

Couple of acquisitions have been targeted for the year 2007-08.

- *Expand geographically*

  We seek to selectively expand our global presence to enhance our ability to service clients. We plan to accomplish this by establishing new sales and marketing offices, representative offices and global development centers to expand our geographical reach. We intend to increase our presence in Asia Pacific through Zylog Systems Asia Pacific Limited, in the Europe directly through Zylog Systems UK Limited and in South & East Asia through Zylog Systems India Limited. We intend to use our operations in these regions to eventually support clients in the local market as well as our global clients.

- *Continue to invest in infrastructure and employees*

  We intend to continue investing in physical and technological infrastructure to support our growing worldwide development and sales operations and to increase our productivity. To enhance our ability to hire and successfully deploy increasingly greater numbers of technology professionals, we intend to continue investing in recruiting, training and maintaining a challenging and rewarding work environment.

- *Increasing our offshore business*

  Acquiring IT service companies that provides industry specific technology solutions predominantly onsite based (who do not have much of offshore exposure) in US and European markets.

  88% of present revenue is derived from our top 100 clients. 92% of these clients have not leveraged the offshore delivery model. This gives Zylog a major scope for increasing the offshore component.

  We would continue to follow the present proven three tier (onsite-offsite-offshore) delivery model, wherein the development happens out of the offshore and the project management upto the design phase happens out of onsite-offsite combination, to increase the offshore component in the near future.

- *Partnering / Alliance*

  We intend to continue to develop alliances that complement our core competencies. Our alliance strategy is targeted at partnering with leading technology providers, which allows us to take advantage of emerging technologies in a mutually beneficial and cost-competitive manner.

  We have secured orders from two large foreign banks for Cheque Truncation product, Front-End Cheque Truncation System (FeCTS). We would be customizing and implementing FeCTS to these banks and will be rolling out for the whole country. FeCTS consists of a data and image-capturing application that allows the banks to capture, process and transmit the cheque data and images, to the clearinghouse via a secured communication network.

Our Clients

We presently have 259 active clients with 63 new clients added during Fiscal 2007. We have built a culture based on anticipating and understanding the clients' needs and then working with close partnerships with the clients to make their businesses stronger and profitable. The fact that 88.60% of the revenue for the Fiscal 2007 has come from the existing clients clearly demonstrates their recognition of the value that we bring to their business.

We have successfully developed and implemented systems for Fortune 1000 organizations. Our clients include amongst others prominent names from the industry like Barclays Capital Inc, MCI Communications Inc, United American of Tennesse, Admin Server Inc, FTI Consulting Inc, Pfizer Inc, Volt Telecom, Fieldpower, Ahold USA Inc and First USA Bank, N.A.

Client Concentration

Our client base has been increasing over the past few years and the number of our clients was 142, 196 and 259 at the end of Fiscal 2005, Fiscal 2006 and Fiscal 2007 respectively The following table bestows the client contribution to the total revenue in terms of percentage:

	Fiscal 2005	Fiscal 2006	Fiscal 2007
Top client	2.88	2.59	3.80
Top 5 clients	12.67	10.88	15.40
Top 10 clients	21.64	18.36	25.70

The above table signifies that we are not dependent on the top 20 clients for earning our revenues. In Fiscal 2007 95% of our revenues were from the top 145 clients.

Get IT Together – A unique partnership model of Zylog

ZSL's "Get IT Together" is a proven partnership model that provides a cost effective and quality Onshore and/or Offshore Component for Systems Integrators (SIs), Value Added Resellers (VARs) and Solution Providers (SPs) seeking to both supplement and add value to their service capabilities.

In today's current IT environment where the complexity of products and infrastructures continues to increase, and finding qualified technical resources to service new and existing customers has become more and more challenging, partnering with other IT Services firms with specific and deep expertise in a technical or business domain is becoming a business necessity.

<u>Flexible Partnership Model</u>

Flexibility is the keyword when describing the "Get IT Together" program. Partnership models are structured based upon the needs and requirements of our partners and include co-branded or sub-contracted service offerings on a fixed price or T & M basis.

<u>Industry Recognition</u>

ZSL's "Get IT Together" program is listed in VAR Business Partner Programs Guide (PPG) 2006

Strategic Alliance and Business Partnerships

- The Sun Developer Connection Partner Program – This program is the centralized resource through which Sun reaches out to ISVs, providing premium resources ranging from discounted hardware and software to sales, marketing, and technical support. Sun's ultimate goal is to provide a consistently compelling technology platform, while supporting the ISVs as they develop solutions for that platform providing customers with a single, high-performance, highly reliable, network computing architecture.
- Our Company is a Certified Partner of Microsoft. The Microsoft Solutions Partner Program is a worldwide initiative bringing together a community of like-minded developers to build and expand the mobile information revolution. This Program is a key focus for Microsoft in enabling our partners to develop cutting-edge solutions (applications, consulting and deployment, information services) based on Microsoft's mobility platform and technologies.
- The HP Middleware partner program - This is a comprehensive program designed to promote and build solid, strategic partnerships to help the businesses of today evolve into the leading e-businesses of tomorrow. The program brings system integrators, VARs, solution providers, ISVs, software developers, ASPs, and consulting and training organizations into a successful business partnership with HP Middleware.
- Orange Partner – This is a partner and developer program created to provide support to developers wishing to develop and propose mobile application solutions for possible distribution. Orange Partner works with a number of key partners to bring the members a broader range of information to assist in product, service and application development. Orange supports development on all Operating Systems and for all the major manufacturers. Once the mobile application has been developed, tested, certified and accepted into the Orange product catalogue, it can be commercialized in one or several countries.

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Sales and Marketing

Our sales mechanism works in a hierarchical manner having well defined roles and responsibilities. We have three different divisions who work towards tapping the new clients. . In Fiscal 2007 over 55% of the revenues came from Fortune 1000 and Large Corp (>$1Bn).

➢ *BDM, Selling & Marketing*

We have a team of 52 Business development, selling & marketing professionals working full-time. They are located predominantly in the east-coast of USA.

Business Development

The main task of this team is to explore new channels like Value added resellers (VARs), System integrators (SIs), Solution providers (SPs), Technology partners (TPs), etc. To accomplish this we use web sites' access, Dun & Bradstreet database, Lead generating companies (like Vendover Corp., True Advantage Inc, etc). As soon as we get any new potential lead through this team, marketing department takes over the lead.

Marketing

They use different methodologies to accomplish this. We have formulated 5 levels of marketing efforts starting from basic to Level 5, which brings the lead closer to a sale. Based on the nature of the lead, the marketing department decides from which level marketing effort should start. Once it reaches Level 5, sales executives take over the lead.

Sales

Sales team follows up the potential leads and culminate them into contracts. Usually, the strike rate in these cases is 60% to 70%, because these leads are already cultivated and matured by Business Development and Marketing teams.

Other than this, we get repeat orders from our existing clients and middle-clients, where we don't need to go through the entire sales cycle.

Competition

The IT services market is highly competitive. Our competitors include large global consulting firms, sub-division of large multinational technology firms, IT outsourcing firms, Indian IT services firms, software firms and in-house IT departments of large corporations.

Our Company faces competition in all the verticals where it is present. Under the BFSI and Telecom vertical, the major competitors are Covansys Corporation, Michigan, Syntel Inc, Michigan, and HCL Technologies, Virginia. Trizetto Group, California is our competitor in the health care and insurance services. MTM Technologies, Connecticut, in the Managed Services Business. RWD Technologies, Maryland, in the business intelligence segment.

The increasing attractiveness of the Global Delivery Model is forcing the overseas-based competitors to expand their base in India. In the future we expect competition from firms establishing and building their offshore presence and firms in countries with lower personnel costs than those prevailing in India. However, we recognize that price alone cannot constitute sustainable competitive advantage. The competitors have also indulged in aggressive poaching of talent, especially for experienced IT professionals. The strategies adopted by us to protect its talent are discussed elsewhere in this report.

The following factors are required to remain competitive in our business:

➢ Effectively integrate onsite and offshore execution capabilities to deliver seamless, scalable, cost-effective services;

➢ Increase scale and breadth of service offerings to provide one-stop solutions;

➢ Provide industry expertise to clients' business solutions;

➢ Attract and retain high quality technology professionals; and

- Maintain financial strength to make strategic investments in human resources and physical infrastructure through business cycles.

We believe we compete favourably with respect to these factors.

Our integrated delivery model, efficient distribution system, and a comprehensive knowledge management system support our capabilities. Finally, all of our services are grounded in a heritage of delivery excellence and a focus on making our customers successful.

Quality Initiatives

Quality and best practices define the foundation of a company. We are an ISO 9001:2000 quality certified Company for the sixth year in succession and are being assessed for CMMI Level 4. We continuously leverage cutting edge tools, methodologies and benchmark standards to exceed the expectations of our customers.

We, as an IT Solution provider, will continue to strive for excellence in all areas of business, guarantee the quality of its software products at all stages of development and build the highest quality standards. Our Company follows the most widely used paradigms for QA management, PDCA (Plan-Do-Check-Act) approach, also known as the Shewhart cycle. The main goal of QA is to ensure that the product / service fulfills or exceeds customer expectations.

PDCA (Shewhart cycle) is an iterative four-step quality control strategy.

Plan: Establish the objectives and processes necessary to deliver results in accordance with the specifications.

Do: Implement the processes.

Check: Monitor and evaluate the processes and results against objectives and Specifications and report the outcome.

Act**:** Apply actions to the outcome for necessary improvement. This means reviewing all steps (Plan, Do, Check, Act) and modifying the process to improve it before its next implementation.

The Six-Step Method:

The Plan-Do-Check-Act cycle is applied at all levels of improvement. However, it is useful to have a fuller, more detailed P-D-C-A that applies to the project as a whole. This provides us with framework with which we can visualize progress through a project, check-steps that allow us to see that we are not trying to proceed too quickly through part of the improvement process without having gained sufficient understanding, a means of documenting a project. Our Company follows the framework of "6 Step Model", which is:

STEP-1 Define Project Purpose and Scope

- Focus on strategically important problems
- Choose an appropriate project team and team leader
- Clarify the project mission
- Determine how much progress can be expected
- Formulate a framework and execution plan for the project

STEP-2 As is process

- Understand the present process
- Determine customer needs and expectations
- Flow chart the process
- Collect data to identify the real problem
- Standardize the process, if necessary

STEP-3 Cause and effect analysis

- Dig down for the root causes of the problem
- Identify the major potential causes
- Verify them with data, if possible

STEP-4 To be Process

- Choose between alternative solutions
- Keep solutions simple
- Identify barriers to implementing solutions
- Plan and make necessary changes (use PDCA)

STEP-5 Results

- Evaluate the solutions
- Collect data, to compare before and after improvement
- Compare results with what we expected

STEP-6 Standardization

- Standardize the new process
- Document the changes made
- Error proof the process

An independent audit team, headed by a manager who reports directly to the senior management, ensures proper implementation of all the control functions. The audit team conducts regular internal audits, intimates the nonconformities found during such audits, ensures that necessary corrective and preventive actions are taken and furnishes necessary summary reports to the senior management.

We have developed and implemented control systems for software development, for information security and for managerial functions. Policies, processes and procedures have been developed for each control system and these are placed in our network to ensure their availability to all the employees at all times.

Awards and Recognition

➢ The VAR Business 500 ranked our Company at 396 for the year 2005; for 2006 this ranking improved to 318 and further to 275 for the year 2007. We are working aggressively to climb this ranking ladder within 100 in the next 2-3 years. Our Company has been recognized among the fastest growing companies.

➢ Our Company has been awarded TECHXNY New York's Technology Week's Best Of Show Award In The Program for Solution Providers Category in 2004.

➢ Our Company's product, Z*Connect (SMS Gateway) won the best product award under the 'Products for Linux/Open Source' category for 2006.

➢ Our Company has been ranked 89 by DataQuest for the year 2006.

Facilities and Infrastructure

Our registered and corporate office is located at No 82/40, First Main Road, CIT Nagar, Nandanam, Chennai 600 035, India. The same is a leasehold property and the term of the lease deed is 11 months, renewable from time to time. The existing offshore development center of ZSL is based out of Chennai. Our Company has leased approximately 15,000 square feet of space in Chennai spread at four facilities for carrying out software development activities. We have our sales and marketing office in New Jersey which is a 8000 square feet owned facility which is also the offsite center for its US Operations. This office space was acquired in January 2006 with necessary infrastructure to house our US head quarters. Zylog Systems Limited has registered its Overseas Branch office in United States as Zylog Systems Ltd. DBA ZSL Inc as per the US standard norms. This enables us to perform its business operations in the name of ZSL Inc.

We also have our sales offices in New York, Virginia, Illinois, Georgia, California, Texas, Singapore, Mumbai & London.

We had also acquired a guesthouse in New Jersey. This guest house and the office space acquisitions were made during the Fiscal 2006 at a total cost of US $1.76 million. This acquisition of office space and a guesthouse is required as major portion of the business comes from US operations. We have already bought 1.1 acres of land off the IT Expressway in Sholinganallur where the construction of 80,000 sq feet state of the art offshore development centre has already commenced. This will enable us to substantially expand our offshore activities. We had also been allotted 2 acres of land by SIPCOT at the Siruseri IT Park where our second offshore center will be constructed this year. We also own 1.74 acres of land off the IT Expressway at Thoraipakkam.

Human Resources ("HR")

Employees are vital to the success of any IT / Software company. Considering the highly competitive environment of IT industry, selection, recruitment and retention are major areas of concern for any growing IT industry. Our Company has been able to draw the best of talents through referral schemes and campus selection. The work environment and the assured career progression for any talented professional help us retain the talents in its fold.

Employee Profile

As on March 31, 2007, we had 133 consultants and 835 permanent employees. Of these 835 permanent employees 655 employees work on the technical side and 127 is support staff. 53 technical resources are classified as trainees. These software professionals are primarily engineering or masters degree holders.

Selection process:

Our Company follows a practical selection process, which has been derived out of our experiences in the past. The sequence of selection process is as follows:

Fresher selection: The primary source of selection has been the campus interview. The HR department has relationships with Universities, colleges in the state of Tamilnadu (metro cities of Chennai, Coimbatore, Trichy & Madurai). We also take freshers through NIIT, three-year GNIIT program.

1. *Pre-screening:* Our Company has standard format of information obtained which basically looks for qualification, communication & presentation skills and the college of graduation – rating.
2. *Written test:* a) Standard aptitude and logical test is being conducted to filter the candidates who possess analytical skills. b) Standard algorithmic test that can be written in any acquainted programming language chosen by the candidate. C) We have also started using the services of a leading people assessment company on their technical and analytical skills.
3. *Personal Interview:* Interviewer does the selection on the basis of the following criterion:
    a. Rating provided by the Pre-screening.
    b. Score obtained in the written test.
    c. Presentation and communication skills.
    d. Aptitude and approach.
    e. Commitment and loyalty factor.

Experienced resource selection for Offshore: Resources are identified and selected normally on the basis of the requirement posed by the respective technical head. Depending upon the nature and experience level of the requirement the selection is framed up. In general, the sequence of selection procedure is as follows:

1. *Pre-screening:* Our Company has standard format of information obtained which basically looks for qualification, communication & presentation skills and the college of graduation – rating.
2. *Online exams such as Brainbench:* Candidates are asked to take the online exam in the respective area of skills. The score and rating clearly gives us the picture of the depth of their technical skills.
3. *Technical & Personal Interview:* An experienced technical lead or a senior resource with the specialized skill accompanied by the respective Project Manager / Project Lead forms the interview panel. They take in to account the rating provided by Pre-screen and the score obtained in the online exam. As requirement sometimes could be unique in nature, the respective level of expertise is observed by the PM / PL. Standard formatted fill-up form is prepared by the panel and PM in discussion with the HR Manager finalizes the selection.

Experienced resource selection for Onsite / Offsite at overseas: Resources are identified and selected normally on the basis of the requirement posed by the respective technical head. A minimum of 3+ years of experience is insisted. Depending upon the nature and experience level of the requirement the selection is framed up. In general, the sequence of selection procedure is as follows:

1. *Pre-screening:* Our Company has standard format of information obtained which basically looks for qualification, communication & presentation skills and the college of graduation – rating.
2. *Online exams such as Brainbench:* Candidates are asked to take the online exam in the respective area of skills. The score and rating clearly gives us the picture of the depth of his technical skills.
3. *Technical Certification insistence:* For each technical skill like DotNet, J2EE, Oracle, SQL Server, etc – the respective products' certification is insisted and this sets the pre-requisite level on the standard of the candidate.

4. *Technical & Personal Interview:* An experienced technical lead or a senior resource with the specialized skill accompanied by the respective Project Manager (PM) / Project Lead (PL) forms as the interview panel and conducts it. In most of the cases, the PM / PL preferably happens to be at onsite / offsite in overseas. They take in to account the rating provided by pre-screen and the score obtained in the online exam and certifications. As requirement sometimes could be unique in nature, the respective level of expertise is observed by the PM / PL. Standard formatted fill-up form is prepared by the panel and PM in discussion with the HR Manager finalizes the selection.

HR Policy

Our Company's HR policies and processes are aligned to effectively drive its expanding business and forays into emerging opportunities. This has been achieved by continuously investing in learning and development programs, creating a compelling environment, empowering employees at all levels and maintaining well structured reward and recognition mechanisms.

Our Company has been implementing a performance based increment system, which motivates the employees to excel in their work. This way we have been successful in conveying the message that seniority is measured through contribution and not by number of years in service – a performance oriented growth.

Retaining talented human resources has always been a challenge for any technology based company and our Company is no exception to that. However, we have been successful in retaining efficient, sincere and committed staffs all these years. Challenging work environment, providing due recognition to the result oriented, creating a conducive work atmosphere, providing opportunities to grow in the hierarchy, creating opportunities to learn new technology areas, helping the staffs to improve inter-personal, managerial skills has always been few other extra reasons for our human resources retention level. The attrition rate of the software professionals at ZSL was 21.9% per annum for the 12 months ending March 31, 2007.

Insurance

Sr. No.	Name of the Insurer	Policy No.	Type of Policy	Coverage Part	Clause	Sum Assured (USD)	Policy Period		Premium Amt (USD)	Expiry Date
							From	To		
1	Great American Insurance Group	PAC 528 - 11 - 31 - 03	Commercial Property	Building	General Insurance	1,100,100	29-Mar-06	29-Mar-07	1,957	29-Mar-07
					Personal Property	15,100				
					Business Income with Extra Expenses	100,100				
			Commercial General Liability	Computer Consulting / Programmingh Products	General Insurance		2,000,000	29-Mar-06	500	29-Mar-07
					Products - Completed Operations	2,000,000				
					Personal and Advertising Injury Limit	1,000,000				
					Each occur-ance Limit	1,000,000				
					Damage to Premises	100,000				
					Medical Expenses	10,000				
				Commercial Crime	Employee Theft	10,000	29-Mar-06	29-Mar-07	335	29-Mar-07
					Inside the Premises - Theft of Money & Securities	10,000				
					Outside the Premises	5,000				
				Commercial Inland Marine	Equipment	18,000	29-Mar-06	29-Mar-07	120	29-Mar-07
				Commercial Auto		1,000,000	29-Mar-06	29-Mar-07	244	29-Mar-07
								Surcharge	55	
					Total				**3,211**	

Sr. No.	Name of the Insurer	Policy No.	Type of Policy	Coverage Part	Clause	Sum Assured (USD)	Policy Period		Premium Amt (USD)	Expiry Date
							From	To		
2	Great American Insurance Group	WC 528 - 11 - 30 - 02	Workers Compensation and Employees Liability Insurance	Bodily Injury by Accident / Disease - Each Employee	Computer Programming or Software Development (CA) Computer System Designers or Programmers (MA) Computer System Designers or Programmers (NJ) Computer System Designers or Programmers - Travelling (NY) Computer System Designers or Programmers - Travelling (VA)	1,000,000	29-Mar-06	29-Mar-07	909 394 3,545 253 142	
					Total				**5,243**	

REGULATION AND POLICIES

There are no industry-specific regulations governing our business. Taxation statutes such as the Income Tax Act, 1961 (for the various tax benefits received my our company, please refer to our section titled 'Statement of Tax benefits' on page 30 of this Red Herring Prospectus), Central Sales Tax Act, 1956 and applicable local sales tax statutes, labour regulations such as the Employees Provident Fund and Miscellaneous Act, 1952, and other miscellaneous regulations such as the Trade Marks Act, 1999. For details of government approvals obtained by our Company in compliance with these regulations, see the section titled "Government and Other Approvals" on page 144 of this Red Herring Prospectus.

Foreign investment regulations

Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder, and the policy prescribed by the Department of Industrial Policy and Promotion, GoI, which is regulated by the FIPB.

The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 (**"FEMA Regulations"**) to prohibit, restrict or regulate, transfer by or issue security to a person resident outside India. As laid down by the FEMA Regulations, no prior consents and approvals is required from the RBI, for FDI under the 'automatic route' within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI. Presently, investments in companies such as ours fall under the RBI's 'automatic route' for FDI/NRI investment of up to 100%.

STP Schemes

Policy and Benefits

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 (STPs) which may be 100% Export Oriented Units undertaking software development for export using data communication links or in the form of physical media and includes export of professional services.

Our company has set up a 100% EOU under the STP Scheme at No 82/40, 1st Main Road, CIT Nagar, Nandanam, Chennai 600 035.

The benefits under the STP Scheme

- Approvals are given under single window clearance mechanism.
- An STP project may be set up any where in India.
- Jurisdictional Directors have the powers to approve import of capital goods (net of taxes) not more than US$ 20 million.
- 100% foreign equity is permitted.
- All the imports of Hardware & Software in the STP units are completely duty free, import of second hand capital goods also permitted.
- Re-Export of capital goods are permitted.
- Simplified Minimum Export Performance norms i.e., (STP scheme)
- Domestic purchases by STP unit are eligible for the benefit of deemed exports to the equipment suppliers.
- Use of computer system for commercial training purpose is permissible subject to the condition that no computer terminals are installed outside the STP premises.
- The sales in the Domestic Tariff Area [DTA] shall be permissible upto 50% of the export in value terms.
- STP units are exempted from payment of corporate income tax for a block of 10 years (upto 2009-10).
- The capital goods purchased from the Domestic Tariff Area [DTA] are entitled for the benefits like levy of Excise Duty & Reimbursement of Central Sales Tax [CST].

- Capital invested by Foreign Entrepreneurs Know - How Fees, Royalty, Dividend etc., can freely be repatriated after payment of Income Taxes due on them if any.
- Depreciation on Capital Goods 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.
- Call center permitted under the STPI scheme.
- All Services as listed in appx.54 of hand book of procedures (EXIM) are eligible for facility of STP scheme
- Service providers eligible for recognition as 'Service Export House', International Service Export House' or International Star service House'

Statutory Compliance for STP Units

Important statutory compliance for STP units is listed below:

Accounts:

Each of such unit is required to maintain separate accounts for its operations. Separate annual balance sheet will have to be made for each such unit which would be become a part of the main balance sheet of the company. For maintaining separate accounts the following will have to be done:

- Maintenance of Separate Cash & Bank book and corresponding vouchers.
- Maintenance of sales invoices.
- Maintenance of Fixed Assets register.
- Maintenance of Foreign Inward Remittance Certificate file (FIRC's) & Bank Realisation Certificate file where the original of the FIRC's and BRCs are kept.
- Maintenance of contract file, where copies of contracts received from buyers are maintained.
- Preparation of yearly balance sheet for the unit which would ultimately become a part of the balance sheet of the company.

Banking:

Each unit is required to maintain separate bank accounts for its operations. The units is free to have as many bank accounts as it desires but shall have to designate a single branch of bank whom all export documents will be submitted. In other words the work of handling of all shipping documents and realisation of export proceeds will have to be entrusted to this designated bank branch.

Importer Exporter Code

Under the Indian Foreign Trade Policy, 2004, no export or import can be made by a person or company without an Importer Exporter Code number unless such person/company is specifically exempted. An application for an Importer Exporter Code number has to be made to the office of the Joint Director General of Foreign Trade, Ministry of Commerce. An Importer Exporter Code number allotted to an applicant is valid for all its branches/ divisions/ units/factories.

OUR HISTORY AND OTHER CORPORATE MATTERS

Our Company was originally incorporated under the Companies Act as “Zylog Systems Private Limited” *vide* certificate of incorporation No. 18- 31651 dated June 1, 1995 issued by the ROC. Pursuant to a resolution passed on March 29, 2000, we made an application under Section 44 of the Companies Act to the ROC to convert ourself from a private limited company to a public limited company. In terms of the requirements of Section 44 of the Companies Act, our Company also filed a form of statement in lieu of prospectus with the Registrar of Companies, Tamil Nadu on March 29, 2000. Pursuant thereto, the name of our Company was changed to “Zylog Systems Limited” and a fresh certificate of incorporation consequent to change of name was issued by the ROC on May 11, 2000.

MAJOR EVENTS

Year	Events
1995	Incorporation of our Company
1996	First offshore contract obtained from Rand Software Corporation, Vermont in Mobile and Wireless space to provide data synchronization between server and hand-held device (Sharp Zaurus). Opened our first Offshore Development Center (ODC) in Chennai Established our first sales and marketing office in New Jersey, USA First onsite / offsite contract with a leading health insurance company in Business Intelligence (Actuate development)
1997	Opened our New York branch office and initiated the sales and marketing efforts in the downtown Wall Street area
1998	Started our SI / VAR partnership practice.
1999	Certified as ISO 9001:2000 for software development process by Det Norske Veritas (DNV)
2000	Launched our products Z*Connect and Z*PRISM in the mobile and wireless space in Las Vegas International convention of VAR Partnerships
2002	Acquired three businesses namely Silver Spring Technologies (MD), Schumacher Consulting (MA) and Schmidt Systems (VA) primarily expanding our Business Intelligence, Data Warehousing and Application Integration solutions
	Incorporated a 100% wholly owned subsidiary Zylog Systems (UK) Limited.
2003	Strategic partnership with BCSIS (subsidiary of OCBC, Singapore) to market and implement their banking products in India
2004 2005	Best of show - TechXNY winner Two more businesses acquired namely Impeksoft, Inc and JDAN Systems, Inc Revenue crosses Rs. 1000 million
	Incorporated a 100% wholly owned subsidiary, Zylog Systems (India) Limited to cater to domestic business
2006	Ranked 89 in Indian IT companies by Dataquest’s DQ TOP 20 CMP Media recognizes the “Get IT Together” partnership program launched by us. Ranked 318 among North America’s TOP500 Technology Integrators – VARBUSINESS Business Magazine Incorporated a 100% wholly owned subsidiary in Singapore to cater to APAC region
2007	Preferential allotment to Unit Trust of India Investment Advisory Services Limited A/c Ascent India Fund and Argonaut Ventures Ranked 275 among North America’s TOP500 Technology Integrators – VARBUSINESS Business Magazine

Changes in Registered Office of our Company

The table below shows the changes in the Registered Office since incorporation:

Previous Address	New Address	Reasons for Change in Office	Date of Change
19/15, Jagadeeswaran Street, T. Nagar, Chennai 600 017	No. 3, Aswini, Swati, 57/1, Thirumalai Pillai Road, T. Nagar, Chennai 600 01	Increased requirements for office space	March 3, 1997
No. 3, Aswini, Swati, 57/1, Thirumalai Pillai Road, T. Nagar, Chennai 600 01	No. 1, West Road, West CIT Nagar, Nandanam, Chennai 600 035	Increased requirements for office space.	August 25, 2000
No. 1, West Road, West CIT Nagar, Nandanam, Chennai 600 035	No. 82/40, First Main Road, CIT Nagar, Nandanam, Chennai 600 035	Increased requirements for office space	June 24, 2002

The requisite Form 18 for the shifting of the Registered Office was duly filed with the ROC

MAIN OBJECTS OF OUR COMPANY

The main objects of our Company as contained ***inter alia*** in our Memorandum of Association are as set forth below:

(a) To carry on the business as computer consultants, software engineers, programmers and analysts, to render all kinds of services and sell products related to information technology industry and to install and run telecommunications network for data interchange or for data transmission using computers whether by way of electronic mail facility, satellite transmission or otherwise.

(b) To act as hardware engineers, dealers, manufacturers, suppliers, exporters and importers in all kinds of computers and all their peripherals including printers, hard disc drives, co-processors, chips, floppy diskette drives and floppy diskettes, and such other data storage, retrieval and management systems as may be available from time to time.

(c) To install, establish and run communication network including chord less systems such as radio pagers, cellular telephones, mobile and or remote communication facilities of all kinds and for this purpose to manufacture, deal in, sell, import and export all telecommunication products and systems.

(d) To establish and run coaching institutions, training facilities, research centers and libraries for imparting knowledge related to computer hardware, software, communication system and to publish magazines, journals and periodicals in such related topics.

(e) To engage in business of producing interactive company multimedia productions including corporate presentations, training systems and corporate digital video productions, digital music production, filming and editing, creation of CD ROM titles for market sale, creation of multi media software for computerized applications as for example information kiosks, on line applications including the dealership activities.

(f) To develop, implement, manufacture, convert, alter, modify, export, import, purchase, sell or lease, otherwise deal in software and hardware and to install or hire computer and allied data processing equipments and to run and to conduct bureau of complete services and in particular to develop design programmes, conduct feasibility study and to act as advisers, consultants in any capacity of all matters and problems relating to the management, marketing and processing systems, personnel, operational procedures and technique.

(g) To carry on the business of rendering service of compilation storage and dissemination of all kinds of commercial, Industrial, Scientific, Technical, Statistical data and Data Processing through computers and Computer Networks, Computer Linked Telecommunication and other modes of electronic Communication in India and Abroad and to carry on the business as developers, manufacturers, importers, exporters, dealers, agents, in computer software, hardware, accessories and equipments for computers, telecommunication and entertainment electronics.

(h) To carry on the business in and relation to research and development, manufacture, assembly, fitting up, repairing, converting, over hauling, maintaining, rendering service, buying, selling, importing, exporting, exchanging, altering, letting on hire, lease, improve and deal in apparatus, equipments, instruments, components required in computers, telecommunications and electronics engineering and to carry on the business as consultants in computers, telecommunication and electronics engineering, marketing, to establish, setup institutes, training centres for education and training in engineering, science and technology in India and Abroad.

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

CHANGES IN MEMORANDUM OF ASSOCIATION

Date of Shareholders' Approval	Changes in the Memorandum of Association
EGM dated May 2, 1997	The authorized share capital was increased to Rs. 5.0 million comprising 500,000 Equity Shares.
EGM dated June 30, 1997	The authorized share capital was increased to Rs. 7.5 million comprising 750,000 Equity Shares.
EGM dated November 23, 1998	The authorized share capital was increased to Rs. 20 million comprising 2,000,000 Equity Shares.
EGM dated January 19, 2000	The authorized share capital was increased to Rs. 40 million comprising 4,000,000 Equity Shares.
EGM dated March 29, 2000	The authorized share capital was increased to Rs. 70 million comprising 7,000,000 Equity Shares.
EGM dated March 29, 2000	Conversion of our Company from a private limited company to a public limited company and change of name to "Zylog Systems Limited"
AGM dated October 31, 2002	The authorized share capital was increased to Rs. 120 million comprising 12,000,000 Equity Shares.
EGM dated December 5, 2003	The authorized share capital was increased to Rs. 150 million comprising 15,000,000 Equity Shares
EGM dated January 17, 2007	The authorized share capital was increased to Rs. 200 million comprising 20,000,000 Equity Shares

Our Subsidiaries

Our Company has four subsidiaries, namely

1. Vishwa Vikas Services Limited.
2. Zylog Systems (India) Limited.
3. Zylog Systems Asia Pacific Pte Limited
4. Zylog Systems (UK) Limited

For further details on our Subsidiaries, please refer to the section titled 'Our Subsidiaries' beginning on page 88 of the Red Herring Prospectus.

Shareholders agreements

Share subscription and shareholders agreement dated February 19, 2007 between Zylog Systems Limited, Mr. Sudarshan Venkatraman, Mr. Ramanujam Sesharatnam (Individual Promoters) and Unit Trust of India Investment Advisory Services Limited A/c Ascent India Fund (Investor)

- Our Company has entered into a Share subscription and shareholders agreement dated February 19, 2007 between the Individual Promoters and the Investors, whereby, a sum of Rs 270,000,000 was paid by the Investor to our Company to subscribe to 1,000,000 of our Equity Shares, at the price of Rs. 270 per Equity Share (Investor Shares) on the following amongst other terms:
- All Equity Shares of our Company, including the Equity Shares issued to the Investor shall carry uniform rights and the Equity Shares issued to the Investor shall be ranked pari passu with the subsisting Equity Shares of our Company or any future issue of Equity Shares of our Company.
- Investor shall be entitled to nominate and appoint 1 non-retiring Director (Investor Director) upon the Board who shall be a Director – Private Equity of UTI Ventures, so long as:

- Prior to listing, the Investor remains a shareholder of our Company; and
- Post listing, so long as the Investor holds at least 4% of the total paid–up Equity Share capital of our Company.

- The Investor shall also have the right to appoint an alternate director (who is a director - private equity of UTI Ventures), who shall have all the rights, benefits and privileges as the Investor Director. The Investor Director will be non-executive director and shall also be a member of the Audit Committee.
- The Investor Director shall not be in charge of, or responsible for the day to day management of our Company and shall not be deemed to be "officers in default" as the term is defined in the Companies Act and shall accordingly not be liable for any default or failure of our Company in complying with the provisions of any applicable laws.
- If at any time, there is a new round of funding, by way of subscription of any securities the Investor shall have the right to offer up to 25% of its shareholding held at the time to any third party.
- The Investor is entitled to a tag along right in respect of the Investor Shares till the expiry of six months after closing of an IPO
- The Investor shall not sell its shares to any Person before offering the same to the Individual Promoters. Further, the Investor shall not be permitted to sell any of the subscription shares in a privately negotiated off market block transaction to a competitor of our Company. Apart from this there shall be no restriction on transfer of investor shares. Transfer of the Investor Shares to any person shall automatically result in the assignment of all the rights and obligations under this Agreement. Upon such transfer, our Company and Promoters shall be informed of such transfer of rights.
- The Investor retains an option to ask for a buy-back of the Investor Subscription Shares as per the provisions of this Agreement, anytime after the closing date in case of one or more of the following occurs:
  - Breach of the Agreement by our Company or the Individual Promoters, and/or
  - One or more of the Promoters are sued and convicted or restricted in any manner (regardless of extent, context and validity of such restrictions) from conducting business by any court of law anywhere in the world; and/or

  Provided further that, the Promoter Group shall not tender any of its shares in the buy-back of the Investor Shares.

  Upon filing of the Draft Red Herring Prospectus with SEBI, the listing of the Equity Shares, the rights of the Investor under this agreement shall cease except for the following:

  - the right to retain its nominee on the Board
  - Information Rights
  - Confidentiality and
  - Right to indemnification as mentioned in the agreement.

Share subscription and shareholders agreement dated February 24, 2007 between Zylog Systems Limited, Mr. Sudarshan Venkatraman, Mr. Ramanujam Sesharatnam (Individual Promoters) and Argonaut Ventures (Investor)

- Our Company has entered into a share subscription and shareholders agreement dated February 19, 2007 between the Individual Promoters and the Investor whereby, a sum of Rs 168.75 million was paid by the Investor to our Company to subscribe to 625,000 of our Equity Shares, at the price of Rs. 270 per Equity Share on the following amongst other terms:
- All Equity Shares of our Company, including the Equity Shares issued to the Investor shall carry uniform rights and the Equity Shares issued to the Investor shall be ranked *pari passu* with the subsisting Equity Shares of our Company or any future issue of Equity Shares of our Company.
- If at any time, there is a new round of funding, by way of subscription of any securities the Investor shall have the right to offer up to 25% of its shareholding held at the time to any third party.
- The Investor is entitled to a tag along right in respect of the Investor Shares, till the expiry of six months after closing of an IPO
- Our Company and the Promoters agree that the prior written approval of the Board shall be obtained on an annual basis for the following budgets:(a) Estimated sources and applications of funds;(b) Estimated consolidated profit and loss account;(c) Estimated consolidated Balance sheet; and(d) Detailed assumptions underlining the forecasts for the above.
- Our Company shall provide a written notice to the Investor within 3 (three) Business Days of receipt by our Company, of a Change of Control Offer. Further, for as long as the Investor owns not less than 4% of the our Equity Shares, we will

allow the Investor and its counsel, accountants and other consultants and representatives full access during normal business hours to all of its properties, books, contracts, commitments and records pertaining to our Company and will furnish to the Investor and their Advisors such information concerning the affairs of our Company.

- The Investor retains an option to ask for a buy-back of the Investor Subscription Shares as per the provisions of this Agreement, anytime after the closing date in case of one or more of the following occurs:
  - Breach of the Agreement by our Company or the Promoters, and/or
  - One or more of the Promoters are sued and convicted or restricted in any manner (regardless of extent, context and validity of such restrictions) from conducting business by any court of law anywhere in the world; and/or

  Provided that the Promoter Group shall not tender any of its shares in the buy-back of the Investor Shares.
- Upon filing of the Draft Red Herring Prospectus with SEBI, the listing of the Equity Shares, the rights of the Investor under this agreement shall cease except for the following:
  - Information Rights
  - Confidentiality and
  - Right to indemnification as mentioned in the agreement.

Strategic Partnerships

Other than mentioned below, there are no strategic partnerships which have been entered into by our Company:

Software distributorship agreement

Our Company has entered into a Software Distributorship Agreement dated March 1, 2005 with BCS Information Systems Pte Limited **('BCSIS').**

'BCSIS' as the owner has the right to distribute "Front end cheque /item image capture and processing system, installed at the commercial banks or financial institutions to capture and process the cheque/ item image and/or transmits the cheque/item images to the location for the purpose of clearing or image exchange as to achieve an end- to end cheque truncation system **('CTS')"**

Our Company has obtained non- exclusive, non- transferable and non- assignable rights from '**BCSIS'** to market, distribute, promote and support the **'CTS'** Software in India. The following are the terms and conditions of this agreement:

- This agreement shall commence on March 1, 2005 and shall continue for a period of 12 months from the commencement date and from year to year thereafter unless and until it is terminated by either party. This agreement is valid as on date.
- Zylog acknowledges that the '**CTS'** software materials together with all copyrights, patents, designs, confidential information, trademarks and all other intellectual property rights created, developed, used or embodied in or in connection with the '**CTS'** Software are and shall remain the sole property of '**BCSIS'** in India and throughout the world.
- Until the termination of this agreement, Zylog shall not during or at any time after the expiry or termination of this agreement in any way question or dispute the ownership of '**BCSIS'** in the '**CTS'** Software.
- Zylog agrees to fully indemnify **'BCSIS'** from and against all and any actions, proceedings, claims, liabilities, losses, costs and expenses which may be made or brought against '**BCSIS'** or which '**BCSIS**' may suffer as a result of any breach of any of the terms of the agreement by Zylog.
- Zylog is not a partner, agent or representative of **'BCSIS'** and has no authority or power to bind or contract in the name of or to create any liability against **'BCSIS'** in any way or for any purpose.

Financial Partnerships

There are no financial partnerships involving our Company or to which either our Promoters or our Company is a party as on the date of this Red Herring Prospectus

Other agreements:

<u>Jdan Systems Inc</u>

Pursuant to the Business Acquisition Agreement dated March 8, 2005, entered into with Jdan Systems Inc ('JSI') by our Company, our Company has acquired certain on going business contracts with its clients for software development, along with the technical resources assigned to those contracts as specified therein.

Some of the terms and conditions of this agreement is as follows: -

- JSI has guaranteed that their employees, working on these contracts, have legal work permits and visas
- Zylog has enrolled all the employees working on these contracts, to its pay-roll on or before April 25, 2005.
- For a period of three years from the date of signing this agreement, JSI with its principals have jointly and severally agreed not to directly or indirectly engage in the business that competes with Zylog. This shall apply to the clients, customers, contractors, agents and other employers for whom Zylog has rendered services.
- For a period of three years from signing this agreement, JSI and its principals have agreed not to directly or indirectly solicit business from, or attempt to sell, license or provide the same or similar product or services as are now provided to, any customer or client of Zylog. Further, for the same duration, JSI and its principals, jointly and severally have also agreed not to directly or indirectly solicit, induce or attempt to induce any employee of Zylog to terminate his or her employment with Zylog

OUR MANAGEMENT

BOARD OF DIRECTORS

As per the Articles of Association, Our Company must have a minimum of three Directors and a maximum of twelve Directors. As on the date of this Red Herring Prospectus, Our Company has eight Directors on its Board.

The following table sets forth the current details of the Board of Directors.

S. No.	Name, Designation, Father's Name, Address, Term and Occupation	Nationality	Age (in years)	Details of other Directorships/Partnerships
1.	Mr. Sudarshan Venkatraman, Chairman and CEO. (Son of Mr. S. Venkatraman) Address: 385 Pierson Avenue, Edison, New Jersey 08837 United States of America Term: Non-retiring Director, Appointed for a term of 5 years with effect from August 1, 2004 Occupation: Business Director Identification Number 01110967	Non-resident Indian, Citizen of India	43	1. Vishwa Vikas Services Limited 2. Zylog Systems (UK) Limited 3. Zylog Systems (India) Limited 4. Zylog Systems Asia Pacific Pte Limited. 5. Sthithi Insurance Service Private Limited
2.	Mr. Ramanujam Sesharathnam, Managing Director and COO. (Son of Mr. A.V. Sesharathnam) Address: 13516, Mallard Watch way Clifton, VA 20124USA Term: Non-retiring Director, Appointed for a term of 5 years with effect from April 1, 2003 Occupation: Business Director Identification Number 01245926	Non Resident Indian Citizen of USA Person of Indian origin (PIO)	40	1. Vishwa Vikas Services Limited 2. Zylog Systems (UK) Limited 3. Zylog Systems (India) Limited 4. Zylog Systems Asia Pacific Pte Ltd 5. Sthithi Insurance Service Private Limited.
3.	Mr. V Chandramouly, Non-Executive Director (Son of Mr. N. Venkatraman) Address: 4, Red Lodge, 1, Hillside Road, Ealing, UK –W52JA Term: Director liable to retire by rotation Occupation Business Director Identification Number 01043341	Indian	43	1. Zylog Systems (UK) Limited
4.	Mr. P Srikanth, Independent Director (Son of Mr. R. Parthasarathy) Address: No.18/A, Rajamannar Street T. Nagar, Chennai – 600 017 Term: Director liable to retire by rotation Occupation: Chartered Accountant Director Identification Number 00238506	Indian	36	1. Zylog Systems (India) Limited 2. YRSK Property Consultants Private Limited Partnerships: 1. Vijai Sarathy & Co, Chartered Accountants

S. No.	Name, Designation, Father's Name, Address, Term and Occupation	Nationality	Age (in years)	Details of other Directorships/Partnerships
5.	Mr. M. Gajhanathan, Independent Director (Son of Mr. T. Madurai) Address: 13, Sunkuvar Street Triplicane, Chennai 600 005 Term: Director liable to retire by rotation Occupation: Business Director Identification Number 01423732	Indian	50	NIL
6	Mr. S. Rajagopal Independent Director (Son of Mr. P.M Srinivasachari) Address: No 71/1, Margosa Road, Malleswaram, Bangalore- 560 055 Term: Director liable to retire by rotation Occupation: Retired Banker Director Identification Number 00022609	Indian	67	1. GMR Energy Limited 2. GMR Tambaram Tindivanam Express Ways Private Limited. 3. GMR Tuni Anakapalli Expressways (P) Limited 4. M/s Srei Infrastructure Finance Limited 5. M/s Srei Venture Capital Limited 6. M/s Capstone IT Technology Private Limited. 7. M/s SP Apparals Limited 8. M/s National Trust Housing Finance limited 9. M/s Varun Industries Limited
7.	Mr. A.V. Rajwade Independent (Son of Mr. Vishnu Rajwade) Address: 2, Parshwakunj malaviya Road, Vile Parle (East), Mumbai 57. Term: Director liable to retire by rotation Occupation: Business Director Identification Number 00007232	Indian	70	1. The Clearing corporation of India Limited 2. Cybertech Systems and Software Limited 3. Royal Sundaram Alliance Insurance Company Limited 4. Thomas Cook India Limited 5. reliance Asset Reconstruction Company Limited 6. Jak Mining Tools Private Limited.
8.	Mr. Ajay Mittal (Son of Mr. Subhas Mittal) Nominee Director of Unit Trust of India Investment Advisory Services Limited A/c Ascent India Fund Address: A-61 , 5th floor Classic Apartment, Plot No –II Sector 22 Dwaraka Phase I, Delhi 110 045 Term: Director liable to retire by rotation Occupation: Service Director Identification Number 00084644	Indian	39	1. Marksans Pharma Limited 2. Koutons Retail India Limited 3. Semantic Space Technologies Limited 4. Cybermotion Technology Private Limited.

BRIEF BIOGRAPHY OF OUR DIRECTORS

Mr. Sudarshan Venkatraman, Chairman and Chief Executive Officer

For details of Mr. Sudarshan Venkatraman, please refer to the section titled "Our Promoter and Promoter Group" beginning on page no. 85 of this Red Herring Prospectus.

Mr. Ramanujam Sesharathnam, Managing Director and Chief Operating Officer

For details of Mr. Ramanujam Sesharathnam, please refer to the section titled "Our Promoter and Promoter Group" beginning on page no. 85 of this Red Herring Prospectus.

Mr. V. Chandramouly, Non-Executive Director

Mr. V. Chandramouly, age 43 years, joined our Company in December 2003 and is currently looking after Zylog's European operation. He has more than 17 years of IT experience working. He worked as a Systems Analyst & programmer with Tata Consultancy Services from February 1987 to December 1989 and later as the Country Manager for Transworld UK from January 1990 to November 1993, subsequently he joined Bitech India Ltd, Chennai as General manager – Product Sales from December 1993 to December 1997. He was with SCORP IT solutions – Singapore as VP – Business Development from January 1998 – October 2003. He holds a Masters Degree in Technology from IIT, Kharagpur.

Mr. P. Srikanth, Independent Director

Mr. P Srikanth, age 36 years, is a Partner of Vijai Sarathy & Co, Chartered Accountants. Mr. Srikanth has 12 years of experience and specializes in delivering audit and tax compliance services to clients in an array of industries including construction, retail, investments, professional services, real estate, technology, mining, entertainment, and manufacturing. Mr. Srikanth was also involved, as part of his professional career, in business valuations and financial structuring of numerous companies. He is a member of Zylog's Audit Committee and chairman of its Compensation Committee. He brings with him a vast experience in financial management, technical accounting, financial reporting, and process management. Mr. Srikanth is also a cost accountant, Certified Systems Auditor having done his Bachelors in Commerce from Vivekananda College, Chennai.

Mr. M. Gajhanathan, Independent Director

Mr. M. Gajhanathan, age 50 years, has more than 20 years of experience in real estate and financial sector. He has done his Master of Arts from Chennai University and LLB from Bangalore University. He is a member of our Audit Committee.

Mr. S Rajagopal, Independent Director

Mr. S Rajagopal, age 67 years, former Chairman & Managing Director of Bank of India has been associated with Indian Commercial Banking System for a number of years. He holds a Masters Degree in Economics and degrees in Commerce and Law, besides having professional qualifications from Indian Institute of Bankers. After serving as Managing Director in State Bank of Mysore, he moved to Indian Bank in 1994 and subsequently was elevated to Chairman and Managing Director. He was appointed as Chairman in Bank of India in 1998. Having been on the Board of several Corporates and Development funds in India as well as abroad, Mr. Rajagopal has expert knowledge of finance and insurance. He was Director representing Government of India and the Banks on the Board of the diverse leading Insurance and Financial companies. Mr. Rajagopal was the Chairman of Committee of Economists and Member of Management Committee of Indian Bank's Association and Member of several Councils and professional bodies.

Mr. A.V Rajwade, Independent Director

Mr. Rajwade, age 70 years, is an independent forex and treasury management consultant for more than two decades now. He has done his B.Sc. (Hons.) with Major in Statistics and also holds the membership of C.A.I.I.B.. He was working working the State Bank of India from July 1957 to October 1976 (including 3½ years in London) where he specialised in industrial finance and international banking.. As a visiting professor, he has taught "International Banking and Finance", for 4 years at the Indian Institute of Management, Ahmedabad, one of the most prestigious management institutes in the world.

The Reserve Bank of India also appointed him as a Member of the Expert Group on Development of the Foreign Exchange Markets in India (1995) and of the Committee on Capital Account Convertibility (1997). He is also a former member of the supervisory board of India Opportunities Fund, Bermuda and Mauritius, and Director of CRISIL, India's first credit-rating company.

Mr. Ajay Mittal, Nominee Director

Mr. Ajay Mittal, 39 years is a Chartered Accountant and a Cost Accountant by profession. He has over 13 years experience in funds management, taxation and finance. Mr. Ajay was earlier involved in managing 'India Access Fund' a U.S $ 80 million India dedicated offshore fund of UTI. He was a key member of UTI Investment monitoring function where he was involved in extensive performance monitoring of around 300 portfolio companies spanning various sectors such as information technology, fast moving consumer goods, pharmaceuticals and power, in the course of which he gained valuable experience in negotiations, restructuring and in mergers and divestures. He also has experience in mutual fund accounting and back office functions.

Mr. Ajay Mittal has been with UTI Ventures since its inception and has played an active part in identification and evaluation of investment opportunities and monitoring the investments made. He represents UTI Ventures on the boards of portfolio companies.

TERMS AND CONDITIONS OF APPOINTMENT OF OUR MANAGING DIRECTOR/WHOLE TIME DIRECTORS

MR. SUDARSHAN VENKATRAMAN, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Sudarshan was appointed as the Chairman and Chief Executive Officer of our Company for a period of five years with effect from August 1, 2004 and the same was approved *vide* a resolution passed by the shareholders at the AGM held on October 29, 2004. As per the terms thereof, Mr. Sudarshan is entitled to the following:

Salary: A monthly remuneration of US $ 8,500 with a provision for increases of not more than 10% per annum over the previous year. The remuneration stated can be paid in US$ or its equivalent in INR or partly in US$ and partly in INR.

Perquisites: In addition to salary, the following perquisites shall be allowed to Mr. Sudarshan -

(a) in addition to salary, perquisites like accommodation (furnished or unfurnished) or house rent allowance in lieu thereof, reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs;

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income Tax rules, wherever applicable and in the absence of any such rule, perquisites shall be evaluated at actual cost.

(b) provision of car with driver for official purposes and telephone at residence;

(c) reimbursement of medical expenses and medical insurance for self and family members as decided by the Board from time to time;

(d) gratuity as per the rules of our Company but not exceeding one half month's salary for each completed year of service;

(e) leave in accordance with the rules of our Company;

(f) air travel expenses for self and family for a trip every year between USA and India.

Note: The term "family" shall mean spouse, dependent children and dependent parents.

MR. RAMANUJAM SESHARATHNAM, MANAGING DIRECTOR AND CHIEF OPERATING OFFICER

Mr. Ramanujam was appointed as the Managing Director and Chief Operating Officer of our Company for a period of five years from April 1, 2003 and the same was approved *vide* a resolution passed by the shareholders at the AGM held on August 7, 2003. The terms thereof were further revised *vide* a resolution passed by the shareholders at the AGM held on October 29, 2004 and with effect from April 1, 2004 Mr. Ramanujam was entitled to the following:

Salary: A monthly remuneration of US $ 6,000 with a provision for increases of not more than 10% per annum over the previous year. The remuneration stated can be paid in US$ or its equivalent in INR or partly in US$ and partly in INR.

Perquisites: In addition to Salary, the following perquisites shall be allowed to Mr. Ramanujam -

(a) in addition to salary, perquisites like accommodation (furnished or unfurnished) or house rent allowance in lieu thereof, reimbursement of expenses or allowances for utilities such as gas, electricity, water, furnishings and repairs;

For the purpose of calculating the above ceiling, perquisites shall be evaluated as per the Income Tax rules, wherever applicable and in the absence of any such rule, perquisites shall be evaluated at actual cost.

(b) provision of car with driver for official purposes and telephone at residence;

(c) reimbursement of medical expenses and medical insurance for self and family members as decided by the Board from time to time;

(d) gratuity as per the rules of our Company but not exceeding one half month's salary for each completed year of service;

(e) leave in accordance with the rules of our Company;

(f) air travel expenses for self and family for a trip every year between USA and India.

Note: The term "family" shall mean spouse, dependent children and dependent parents.

Our Company has obtained the approval of the Central Government vide letter No. 1/421/2004-CLVII for payment of the abovementioned remuneration. Further, the Central Government has also sanctioned to the managerial personnel the payment of minimum remuneration at the same substantive salary not exceeding total remuneration as per Schedule XIII part II section I of the Companies Act on inadequacy of profits in any year for the period from April 1, 2004 to July 31, 2009 as stipulated therein.

Details of Appointment and Compensation of our Directors

Name of Directors	Contract/ Appointment Letter/Resolution	Term
Mr. V Chandramouly	Resolution of the Board of Directors dated December 12, 2003.	To retire by rotation
Mr. P. Srikanth	Resolution of the Board of Directors dated June 30, 2006.	To retire by rotation
Mr.M. Gajhanathan	Resolution of the Board of Directors dated March 31, 2002.	To retire by rotation
Mr. S. Rajagopal	Resolution of the Board of Directors dated January 17, 2007	To retire by rotation
Mr. A.V Rajwade	Resolution of the Board of Directors dated March 01, 2007	To retire by rotation
Mr. Ajay Mittal	Resolution of the Board of Directors dated February 28, 2007	Nominee Director of Unit Trust of India Investment Advisory Services Limited A/c Ascent India Fund

Compensation to our Non-Executive Directors

In accordance with the provisions of the Companies Act and the AOA, all non- executive Directors are entitled to receive sitting fees for attending meetings of the Board or committees thereof. As per our AOA, the Directors are not required to hold any qualification shares. Further in the AGM held on June 21, 2007 our shareholder's resolved that pursuant to the provisions of section 309 and other applicable provision of the Companies Act for sum not exceeding 1% p.a of the net profit of the Company calculated in accordance with the provisions of section 198, 349 and 350 of the Companies Act be paid and distributed amongst the Directors of the Company or some or any of them other than the Managing Director and the whole time Director if any in such amount or proportion or manner as may be directed by the board of directors and such payments shall be made in respect of the profits of the Company for each year of the period of five years commencing April 01, 2007.

BORROWING POWERS OF DIRECTORS

The Articles of Association of our Company authorises our Board to borrow, the extract of which is as follows:

"Article 127: The Board may from time-to-time raise any money or any moneys or sums of money for the purpose of the Company; provided that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not without the sanction of the Company at a General Meeting exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose and in particular but subject to the provisions of Section 292 of the Act, the board may from time-to-time at their discretion raise or borrow or secure the payment of any such sum or sums of money for the purpose of the Company, by the issue of debentures to Members, perpetual or otherwise including debentures convertible into shares of this or any other Company or perpetual annuities and in security of any such money so borrowed raised or received, mortgage, pledge or charge, the whole or any part of the property, assets, or revenue of the Company present or future, including its uncalled capital by special assignment or otherwise or transfer or convey the same absolutely or in trust and give the lenders powers of sale and other powers as may be expedient and purchase redeem or pay off any such Securities."

SHAREHOLDING OF OUR DIRECTORS

As per our Articles, our Directors are not required to hold any qualification shares in our Company. Save and except as below, our Directors do not hold any Equity Shares in our Company as on the date of filing of this Red Herring Prospectus.

S. No.	Name of Director	No. of Shares
1.	Mr. Sudarshan Venkatraman	2,363,768
2.	Mr. Ramanujam Sesharathnam	2,363,768
3.	Mr. V Chandramouly	40,000
4.	Mr. M. Gajhanathan	20,000

INTEREST OF DIRECTORS

All Directors of our Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration, reimbursement of expenses payable to them under our Articles of Association/shareholders' approval. The whole time directors will be interested to the extent of remuneration received by them for services rendered by them as officers or employees of our Company. All our Directors may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or their relatives in our Company, or that may be subscribed for and allotted to the Directors (other than Promoter Directors), out of the present Issue in terms of the Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

The AOA provide that the Directors and officers shall be indemnified by our Company against any loss in defending any proceeding brought against the Directors and officers in their capacity as such if the indemnified Director or officer receives a judgment in his favour or is acquitted in such proceedings.

CHANGES IN OUR BOARD OF DIRECTORS DURING THE LAST THREE YEARS

Year	Name of the Director	Date of Appointment / Resignation	Reasons for change
2006	Mr. P. Srikanth	June 30, 2006	Appointment as Additional Director
2007	Mr. S. Rajagopal	January 17, 2007	Appointment as Independent director
2007	Mr. A.V. Rajwade	March 1, 2007	Appointment as Independent director
2007	Mr. Ajay Mittal	March 1, 2007	Appointed as nominee director on behalf of Unit Trust of India Investment Advisory Services Limited A/c Ascent India Fund

CORPORATE GOVERNANCE

The provisions of the listing agreement, to be entered into with the Stock Exchanges with respect to corporate governance and the SEBI Guidelines in respect of corporate governance, will be applicable to our Company immediately upon the listing of our Company's Equity Shares on the Stock Exchanges.

Corporate Governance is administered through the Board and various committees of the Board. However, the primary responsibility for upholding high standards of Corporate Governance and providing the necessary disclosures within the framework of legal provisions and institutional covenants with the commitment to enhance shareholders' value vest with the Board.

We are in compliance with the applicable provisions of the listing agreement pertaining to corporate governance, including appointment of independent Directors and constitution of the following committees of our Company's Board.

Committees of the Board:

Audit Committee

The Audit Committee was constituted by a meeting of the Board of Directors held on March 09, 2007 and presently comprises Mr. S. Rajagopal (Independent Director), Mr. P Srikanth (Independent Director), and Mr. Ajay Mittal (UTI Venture Nominee Director). Two of the Directors are independent Directors. The Chairman of the Audit Committee is Mr. S.Rajagopal who is an independent Director and Mr. Jitendra Pal is the Secretary.

The terms of reference of the Audit Committee including the following:

(a) reviewing with the Management, the performance of statutory and internal auditors and adequacy of internal control systems;

(b) review of the half yearly and annual statements;

(c) investigate into any matter in relation to items specified in section 292A or referred by the Board;

(d) oversight of our Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

(e) recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees;

(f) discussions with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

Investors' Grievance Committee

The Investor Grievances and Share Transfer Committee comprise Mr. A V Rajwade (Independent Director), Mr. Ghajanathan (Independent Director), Mr. Ajay Mittal (UTI Ventures Nominee Director) and Sudarshan Venkataraman (Chairman & CEO). Mr. A V Rajwade is the Chairman of this Committee and Mr. Jitendra Kumar Pal is the Secretary. The Investor Grievances and Share Transfer Committee looks into redressal of shareholder and investor complaints, issue of duplicate/consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/ transmission of shares and debentures and reference to statutory and regulatory authorities.

Remuneration Committee

The Remuneration Committee was constituted for the purpose of determining the terms and conditions including the remuneration payable to the Chairman & CEO and to the Managing Director & COO of our Company. The committee comprises Mr. S Rajagopal (Independent Director), Mr. P Srikanth (Independent Director), Mr. M Ghajanathan (Independent Director) and Mr.Ajay Mittal (UTI Ventures Nominee Director). Mr. P Srikanth is the Chairman of this committee. The committee meets at least 4 times a year.

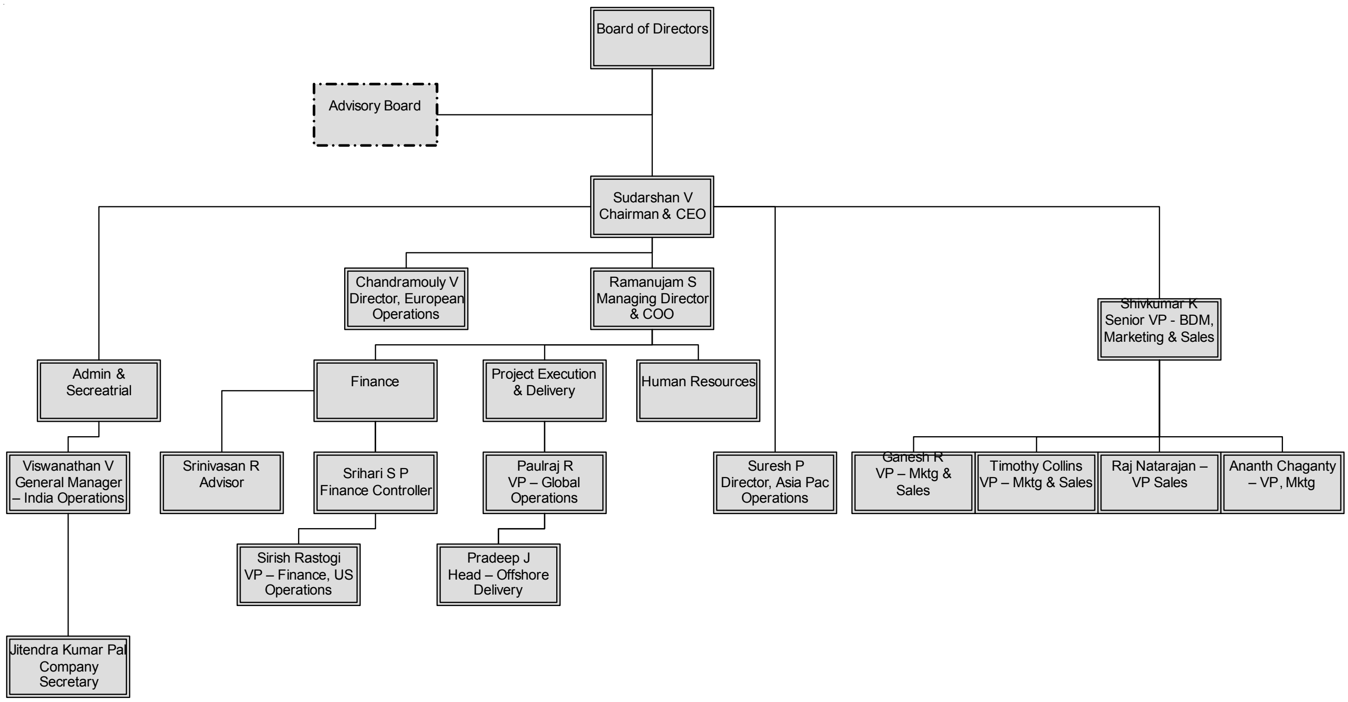
Policy on Disclosures and Internal Procedure for Prevention of Insider Trading

The provisions of Regulation 12 (1) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 will be applicable to our Company immediately upon the listing of its Equity Shares on the Stock Exchanges. We shall comply with the requirements of the SEBI (Prohibition of Insider Trading) Regulations, 1992 prior to listing of our Equity Shares.

Board Procedures

Our Company has held Board meetings as per the provisions of the Companies Act and has maintained minutes of the meetings thereof

ORGANISATIONAL STRUCTURE



*** Advisory Board comprises of** Mr. S. Rajagopal (Chairman), Mr. Nanjappa (Member) and Mr. Hegde (Member)

OUR KEY MANAGERIAL PERSONNEL

The Key Managerial Personnel of our Company, other than our Managing Director, CEO and COO are as follows:

Mr. Shivkumar Kandaswamy – Senior Vice President, BDM, Marketing & Sales

Mr. Shivkumar holds a Masters Degree in Computer Applications from Bharathiar University, India and joined our Company in January 1998. Mr. Shivkumar takes care of Business Development, Marketing and Sales of our Company. He has more than 12 years of extensive Software Project and Resources Management experience. He has successfully executed projects, from design through deployment, for global 1000 companies like NEC, NTT, OKI and KDD. He has specialized in designing and customizing the Network Management Systems (NMS) for mission and business critical networks such as banking, securities and telecom. He managed offshore projects of NEC Corporation, Tokyo, Japan, from India. He has worked in Unix internals, TCP/IP, X.25, VSAT and Win NT Internals to create Private Inter-Network (PIN) as an R & D Engineer at ICNET LTD, Chennai. The gross remuneration paid to him in Fiscal 2007 was Rs.4,032,000 p.a.

Mr. Paulraj Rathinasamy – Vice President, Global Operations

Mr. Paulraj holds a Masters Degree in Computer Science, graduated at Bharatidasan University, India and joined our Company in August 1996. Mr. Paulraj heads the global operations of our Company. Has 11 years of experience in designing and developing n-tier based enterprise-class applications and interfaces for Clarify and Siebel. He has executed several projects for leading Insurance and Manufacturing Companies in United States. His specialized skills are VC++, C++, Java, EJB, WAP, WML, XML, COM, Actuate, VB, WIN CE, Palm OS, WIN NT, WIN 2000, Unix. The gross remuneration paid to him in Fiscal 2007 was Rs. 4,032,000 p.a.

Mr. Ananth Chaganty – Vice President, Marketing

Mr. Ananth holds a holds masters degrees in Computer Science from Central University (India) and Applied Statistics from Osmania University (India) and a graduate degree in Mathematics, Applied Mathematics & Statistics from Nizam's College affiliated to Osmania University (India) and joined our company in November 2006. Mr Ananth heads the Marketing for our Enterprise Solutions. He has more than 24 years of experience in the field of information technology, including experience in technology strategy, project management, system analysis/design, and development. He offers clients a strong knowledge of varied technologies and tool sets, with the ability to apply the latest emerging technologies across multiple functional business areas. Mr. Ananth consistently adheres to strong process foundations, with the maturity and leadership skills to ensure delivery of scalable and quality solutions to complex client problems. He was the founder of Strato Solutions. Prior to founding Strato Solutions, Mr. Ananth directed major technology engagements for Deep Bridge Content Solutions, Keane Incorporated and The Boston Group. The gross remuneration paid to him in Fiscal 2007 was Rs. 6,300,000 p.a.

Mr. Timothy S Collins – Vice President, Marketing & Sales

Mr. Timothy Collins holds a Bachelor's degree in Science from Elizabethtown College with Business Administration and Computer Science as major heads and joined our company in July 2004. Mr. Timothy Collins heads the Marketing & Sales for the SME Segment. He has more than 23 years of rich marketing experience in some of the Companies like Application Consulting Group Inc, and Design Systems Inc. He was instrumental in developing and launching our company's first efforts to market services and solutions directly to small and mid-sized enterprises throughout New Jersey, New York, and New England. The gross remuneration paid to him in Fiscal 2007 was Rs. 4,620,000 p.a.

Mr. Viswanathan V – General Manager, India Operations

Mr. Viswanathan holds a Bachelors degree in Science with Mathematics as the major and joined our Company in February 2003 heads the Administration and Secretarial activities of the Indian Operations. He joined our Company in February 2003 and has more than 33 years of experience in this field. He has worked with some of the leading Indian Companies like Sical Breweries Limited and Facit Asia Limited in the areas of Administration and Secretarial. The gross remuneration paid to him in Fiscal 2007 was Rs. 945,250 p.a.

Mr. Srihari S P – Finance Controller

Mr. Srihari is a Chartered Accountant and holds a Bachelor degree in Science from Agarchand Manmull Jain College with Mathematics as major and joined our Company in July 2005. He heads the Finance team and. has more than 12 years of Finance & Accounts experience. He started his career as a Management Trainee in Sundaram Finance Services Limited in January 1995 and. Prior to joining Zylog, he was associated with some of the leading Companies like OfficeTiger Database Systems as AVP Finance heading the transactional processing side of finance for the group and with GE Consumer Finance India, heading the Centralized banking function and latter heading the financial operations of the Retail Services Group (RSG). The gross remuneration paid to him in Fiscal 2007 was Rs. 1,800,000 p.a.

Mr. Pradeep Janakiraman – Head, Offshore Delivery

Mr. Pradeep Janakiraman holds a Bachelor's degree from BITS, Pilani and a Masters degree in Computer Science from Syracuse University, NY and joined our Company in October 2006. He heads the Offshore Delivery for Zylog, servicing clients in the US, UK and Singapore and has over 12 yrs of industry experience in various settings such as software services, product development and research, and has worked in leading companies such as IBM Research, Sun Microsystems and Verisign. Prior to Zylog, Mr. Pradeep was working at Verisign as Sr. Program Manager and handling product development and delivery of customized 3G VAS services for telecom customers spread across the globe. He started his career at IBM's prestigious T.J. Watson research center in NY, USA working on early stage technologies and First-Of-A-Kind (FOAK) projects. Mr. Pradeep has published several technical papers and also holds a couple of patents related to his technical work. Mr. Pradeep. He also pursued coursework on an executive management program at IIM Kolkata. The gross remuneration paid to him in Fiscal 2007 was Rs. 1,800,000 p.a.

Mr. Raj Natarajan – Head, Sales for Retail & Logistics

Mr. Raj Natrajan holds a Bachelor of Science degree from the University of Madras, BSEE from University of Delhi and Masters in Applied Science from the University of Windsor and joined Our Company during May 2002. He heads the sales for the Retail & Logistics segment for the tristate region of DC, Maryland & Virginia and has over 30 years of experience in computer systems research and development, with particular emphasis upon transaction-based E-Commerce service approaches to the food retail industry .Previously he was a Co-Founder of E-Com Systems. Prior to E-Com Systems, Mr. Natarajan served as President of Supermation, Inc., which specialized in the development and marketing of Direct Store Delivery systems for the food industry in US, Canada and Europe. He has also undertaken assignments at Argonne National Laboratory, Comten, Inc., JRB Associates, and Johnson Systems. The gross remuneration paid to him in Fiscal 2007 was Rs. 4,179,996 p.a.

Mr.Sirish Rastogi – Vice President – Finance & Accounts

Mr. Sirish holds M.B.A Degree in Finance from Poddar Institute of Management in Jaipur and joined our Company in January 2000. He heads the US branch office's finance and accounts department and has over 19 years of experience in varied areas like financial planning, budgeting and reporting, statutory and management accounting, documentation and implementation of financial processes and procedures, financial restructuring, sourcing of funds, procurement, etc. He has also wide variety of experience in Legal, Administrative functions of Zylog and has worked in Governmental Boards / Large Public Ltd companies earlier. He was previously employed with J. K. Synthetics Ltd., Kota. The gross remuneration paid to him in Fiscal 2007 was Rs. 4,032,000 p.a.

Mr. Ganesh Ramakrishnan – Vice President – Sales & Marketing

Mr. Ganesh holds a Bachelors degree in Electronics from Bharathiar University and Masters in Business Administration (MBA) from Devi Ahilya University , Indore and joined Our Company in November 2001. He heads the BFSI – Business Development, Sales & Marketing in the eastern region of US. Before joining Our Company, he was working with Kumaran Software, Canada. Mr. Ganesh has an extensive background in sales, account management /marketing to his position. His ability to nurture and enhance the relationship between our Company and its clients in different vertical segments had an immense value addition increasing the profitability and revenues of our Company. He has helped build strategic relationships in North America, Europe &Asia Pacific , has headed Strategic Business Units for Financial Services and built a Valued Network of Distributors across the globe. He has handled IT Services, Product Marketing right from Launch and Professional Services. In prior diverse capacities, he has headed Marketing teams for Global Sales support, launched New Products/Offshore Services and overseeing corporate marketing efforts/public relations. He . The gross remuneration paid to him in Fiscal 2007 was Rs. 3,360,000 p.a.

Mr. Vinayan Poduwal, Vice President – BFSI

Mr. Vinayan Poduval, , is an MBA from Sikkim Manipal University and has done his BGL from Gujarat University and joined our Company on February 2007. He is the Vice President – BFSI and has over 21 years of banking experience in various areas including implementation of IT security policy in State Bank of India.. Prior to this he was employed with Charterhouse Bank, Kenya as the Head of Information Technology with additional charge of Head of foreign exchange and treasury. He brings with him. He has worked in areas of IT Infrastructure management, technology resources administration with experience in establishing vendor networks, strategic alliance and partnership and has also worked as member of various IT committees at corporate centre for enhancement of IT delivery channel and software procurement. Mr. Vinayan is. He is also a Certified Information Systems Auditor (CISA) from ISACA, New York. The gross remuneration paid to him in Fiscal 2007 was Rs. 1,000,000 p.a.

Mr. Jitendra Kumar Pal

Mr. Jitendra Kumar Pal has an LLB degree from Utkal University and has done his Company Secretaryship and joined our Company in December 2003. He is the Company Secretary and has over 7 year experience in company law and secretarial matters. Prior to joining our Company, he was employed with Shapre Infotech India Limited. The gross remuneration paid to him in Fiscal 2007 was Rs 440,160 p.a.

All the key management personnel are on the payrolls of our Company as permanent employees of our Company. None of the above mentioned key managerial personnel are related to each other or to the Promoters of our Company. None of the key managerial personnel are appointed pursuant to any arrangement or understanding with major shareholder, customer or supplier.

Our Asia Pacific operations are headed by Mr. Suresh Parthasarathy who is on the pay roll of Zylog Systems Asia Pacific Pte Limited. Mr. Suresh Parthasarathy holds a Masters Degree in Computer Applications from Madras University, India and joined our Company in 1995. He heads the Asia Pacific Operations of our Company and operates out of Singapore and has more than 15 years of extensive Software Project and Resources Management experience. He has successfully executed various projects, from design stage till deployment. He has done extensive multi-tier and web applications design for the leading financial institutions. His specialized skills are C++, MTS, IIS, WML, XML, COM, Actuate, VB, WINCE, Palm OS, WIN NT, WIN 2000, UNIX, SQL Server and Oracle. Before this stint at Singapore, Suresh was heading the Sales for the Domestic businesses in India, where he was instrumental in the banking products practice in India where he was able to procure some prestigious orders from leading MNC Banks. The gross remuneration paid to him in Fiscal 2007 was Rs. 2,610,000

SHAREHOLDING OF OUR KEY MANAGERIAL PERSONNEL

The following table details the shareholding of our key managerial personnel as on the date of this Red Herring Prospectus

S. No.	Names of our Key Managerial Personnel	No. of Equity Shares
1.	Mr. Shivkumar K.	208,000
2.	Mr. Paulraj R.	208,000
3.	Mr. Sirish Rastogi	2,08,000
4.	Mr. Viswanathan V	25,000
5.	Mr. Ganesh Ramakrishnan	15,000
6.	Mr. Suresh Parthasarathy	15,000
7.	Mr Srihari	2,500
8.	Mr Jitendra Kumar Pal	400

CHANGES IN OUR KEY MANAGERIAL PERSONNEL DURING THE LAST THREE YEAR

Save and except as follows there have no changes in our Key Managerial Personnel in the last three years preceding the date of this Red Herring Prospectus:

Name of the Key Managerial Personnel	Designation	Date of change	Reasons
Mr. Srihari S P	Finance Controller	July1, 2005	Appointment
Mr. Pradeep Janakiraman	Head, Offshore Delivery	October 2, 2006	Appointment
Mr. Ananth Chaganty	Vice President, Marketing	October 1, 2006	Appointment
Mr. Timothy S Collins	Vice President, Marketing & Sales	July 1, 2004	Appointment

EMPLOYEE STOCK OPTION SCHEME

Our Company does not have any Employee Stock Option Scheme as on the date of filing of this Red Herring Prospectus.

INTEREST OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

Except as stated in the section titled "Financial Statements" beginning on page 94 of this Red Herring Prospectus, no amount or benefit has been paid or given since the incorporation of our Company or is intended to be paid or given to any of the Directors or Key Managerial Personnel or officers of our Company except the normal remuneration for services rendered as Directors, officers or employees.

PAYMENT OR BENEFITS (NON SALARY RELATED)

Save and except as stated otherwise in this Red Herring Prospectus, no amount or benefit has been paid or given within the two preceding years or are intended to be given to any of our Directors or key managerial personnel except the normal remuneration for services rendered as directors, officers or employees.

BONUS OR PROFIT SHARING PLAN FOR KEY MANAGERIAL PERSONNEL

There is no scheme for profit sharing or special bonus for our Key Managerial Personnel.

SALES OR PURCHASES BETWEEN COMPANIES IN THE PROMOTER GROUP

There have been no sales or purchases between the group companies except as stated in the section titled "Financial Statement" beginning on page 94 of this Red Herring Prospectus

OUR PROMOTER AND PROMOTER GROUP

Promoters:

The Promoters of our Company are:

1. Mr Sudarshan Venkataraman
2. Mr. Ramanujam Sesharathnam
3. Sthithi Insurance Services Private Limited

Mr. Sudarshan Venkatraman, aged 43 years, (Passport No. F4529274, PAN: AWJPS4793B, Bank A/c No: 936519) is our Promoter. Mr. Sudarshan has over 17 years of business experience in Technology business. He heads the US Operations and mainly focuses on strategic planning, alliances & partnerships, and business development. Prior to establishing Zylog, he was associated with TGF Media Systems which was developing program software for the television channels for a period of over two years (February 1994 – July 1996) as a Program Director. Before that he was a legal consultant. He holds a Bachelors Degree in Science, Bachelors in Law and Master's Degree in Management (Marketing) from Pace University, New York.

Mr. Ramanujam Sesharathnam aged 40 years, (Passport No. 095645014, Driving License number: A62-46-3801, PAN: AERPR6301N, Bank A/c No: 1010028972361), is our Promoter. Mr Ramanujam is a Citizen of USA. He focuses mainly on overseeing the operations of our Company including delivery, finance and Human Resources and Development. He has over 18 years of experience in the IT field. Prior to establishing Zylog, he worked for Hilliard Farber & Co (Wall Street) from January 1991 to June 1995 at various levels like Senior Application Developer, Tech Head, Application Manager and later as Backoffice –Director in-charge, He worked for Goldman Sachs Securities for a period June – October 1995 , with Bankers, USA Trust (November 1995 – March 1996) and Associated Press , USA (April 1996 –May 1996) as a Database Manager. His exposure to the International market has helped our Company to establish its quality standards and on-time delivery mechanism. Mr. Ramanujam holds a Masters Degree in Computer Science from Pace University, New York.

STHITHI INSURANCE SERVICES PRIVATE LIMITED (SISPL)

SISPL was incorporated on July 15, 2003 as a Private Limited Company under the Companies Act, 1956. The registered office of SISPL is at No 82/40 First Main Road, CIT Nagar, Chennai 600 035. SISPL was incorporated to carry on the business of effecting insurance on movable and immovable property and assets including contracts and also to market products in insurance business. However, the company has not done any transaction in this line of business. The company is not a sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995. SISPL has not been restrained by SEBI or any other regulatory authority in India from accessing the capital markets for any reason.

Shareholding Pattern

The shareholding pattern of Sthithi Insurance Services Private Limited is as follows:

Shareholder	No. of Shares Held	Shareholding (%)
Mr. Sudarshan Venkatraman	6,765,000	50%
Mr. Ramanujam Sesharatnam	6,765,000	50%
Total	**13,530,000**	**100%**

Board of Directors

The Board of Directors of SISPL comprises of

Mr. Sudarshan Venkatraman and

Mr. Ramanujam Sesharatnam

Financial Performance

The financial results of SISPL for the years ended March 31, 2005, 2006 and 2007 are set forth below:

(Rs. Millions)

Particulars	Fiscal 2005	Fiscal 2006	Fiscal 2007 (unaudited)
Equity Capital	0.10	0.10	135.30
Reserves & Surplus (Excluding Revaluation Reserves)	(0.02)	(.020)	(0.83)
Total Income	0.00	0.00	0.00
Profit / (Loss) After Tax	(0.0025)	(0.0025)	(0.81)
Earnings Per Share in Rs	N.A	N.A	N.A
Book value Per Share in Rs	8.23	7.98	9.96

The details of SISPL's permanent account number, registration number, bank account number and the address of the RoC where it is registered are as follows:

PAN	Applied for
Bank Account Number	211
Registration Number	U66030TN2003PTC051201
Address of the RoC	Registrar of Companies, Tamil Nadu located at Block No.6, B Wing, 2nd Floor, Shastri Bhavan, 26 Haddows Road, Chennai – 600 006 India

We confirm that the details of the permanent account numbers, bank account numbers and passport numbers of our individual promoters and permanent account numbers, bank account number, registration number of SISPL and the addresses of the Registrars of companies where SISPL is registered has been submitted to the Stock Exchanges at the time of filing the Draft Red Herring Prospectus with the Stock Exchanges.

Disclosure on Capital Issue

As on date of this Red Herring Prospectus SISPL has not made any public/ rights issue

Common Pursuits

Our Subsidiaries are enabled by their respective memorandum of associations to undertake activities which may appear to be similar in nature in comparison to our Company. However, all our subsidiaries transact with each other strictly on an arms length basis and details in respect thereof are reflected in the section titled "Financial Statements" beginning on page 94 of the Red Herring Prospectus. It may also be noted that a conflict of interest does not arise as all our subsidiaries operate in different geographic locations.

Interest in promotion of Our Company

Our Company has been promoted by Mr. Sudarshan Venkatraman, Mr Ramanujam Sesharathnam and Sthithi Insurance Services Private Limited. The Promoters may be deemed to be interested in the promotion of our Company to the extent of Equity Shares held by them, their friends or relatives, and benefits arising from them holding directorship in our Company.

Interest in any Property acquired by our Company within two years of the date of the Red Herring Prospectus or proposed to be acquired by us.

The Promoters are not interested in any property that has been acquired by our Company within two years from the date of the Red Herring Prospectus or is proposed to be acquired by our Company.

Payments of benefits to our Promoters during the last two years

Except as stated in the section titled "Transactions with related parties" on page 92 of this Red Herring Prospectus, there has been no payment of benefits to our Promoters during the last two years from the date of filing of this Red Herring Prospectus.

Other Confirmations

Our Company has neither made any payments in cash or shares or otherwise to the Promoters or to firms or companies in which our Promoters are interested as members, directors or promoters nor our Promoters have been offered any inducements to become directors or otherwise to become interested in any firm or company, in connection with the promotion or formation of our Company.

Further, our promoters and promoter group entities, including relatives of the promoter have confirmed that they have not been detained as willful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

Promoter Group

Given below is the list of entities which form part of our Promoter Group. The Promoter Group consists of only natural persons.

Relationship	**Mr. Sudarshan Venkatraman**	**Mr. Ramanujam Sesharathnam**
Father	Mr. S. Venkatraman	Mr. A.V. Sesharathnam
Mother	Mrs. V. Meenakshi	Mrs. S. Jayalakshmy
Brothers	Mr. V. Jayaraman Mr. V. Sesha Sai Mr. V. Ganesan Mr. V. Varadharajan Mr. V. Sridhar Mr. V. Natarajan Mr. V. Nagarajan Mr. V. Gurumurthy	Mr. Kannan Sesharathnam
Sister	Mrs. Hema Jayaraman	-
Spouse	Mrs. Sadhana Jayaraman	Mrs. Madhangi Ramasamy
Children	Mr. Surya Venkatram Ms. Abhirami Venkatram	Mr. Aravind R. Amoor Mr. Hari Prasad R. Amoor
Spouse's Father	Mr. S. Jayaraman	Mr. A. Ramaswamy
Spouse's Mother	Mrs. J. Hema	Mr. R. Rajeswari
Spouse's Brother	-	Mr. Srinivasan Ramaswamy
Spouse's Sister	Gayathri Jayaraman	-

None of the natural persons who form part of our Promoter Group (due to their relationship with our Promoters), have any shareholding in our Company

Save and except our Company, there are no other companies or firms in which – (i) 10% or more of the share capital is held by our Promoters or an immediate relative of the Promoters or a firm or HUF in which our Promoters or any one or more of their relatives are members; and (ii) any HUF or firm in which the aggregate share of the Promoters and their immediate relative is equal to or more than 10% of the total capital**.**

Our Promoters have not disassociated themselves with any companies/firms during the three years preceding the date of filing of this Red Herring Prospectus.

None of the companies promoted by our Promoters have ever been struck off from the records of the Register of Companies.

Companies under the same management

There are no companies under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act, other than our Subsidiaries details of which are provided in the sections titled "Our Subsidiaries" beginning on page 88, of this Red Herring Prospectus.

OUR SUBSIDIARIES

Vishwa Vikas Services Limited

Vishwa Vikas Services Limited was incorporated as a public limited Company on March 17, 2004. It obtained a commencement certificate for its business on April 15, 2004. Its registered office is situated at 77/36, First Floor, 1st Main Road, CIT Nagar, Nandanam, Chennai – 600 035. It was incorporated to engage in the business of setting up facilities in India and elsewhere for data processing, data conversion, document management, data entry, data preparation, document report generation; IT enabled services of all kinds, software services and development of IT technology system and hardware and to act as consultants for IT projects.

Shareholding pattern

Vishwa Vikas Services Limited is a wholly owned subsidiary of our Company.

The Equity Shares of the company are not listed on any stock exchange. The shareholding pattern of Vishwa Vikas Services Limited is as follows:

Sr. No	Name of shareholder	No. of shares (in Rs)	FaceValue	Percentage of Shareholding(%)
1	Zylog Systems Limited	249,994	10	99.99
2	Mr. Sudarshan Venkataraman	1	10	00.01
3	Mr. Ramanujam Sesharathnam	1	10	
4	Mr. M. Gajhanathan	1	10	
5	Mr. V. Chandramouly	1	10	
6	Mr. V. Viswanathan	1	10	
7	Mr M.V. Ganesan	1	10	
	Total	**2,50,000**		**100.00**

Board of Directors

The board of directors of Vishwa Vikas Services Limited comprises of:-

1. Mr. Sundarshan Venkatraman
2. Mr. Ramanujam Sesharathnam
3. Mr. V. Chandramouly

Financial Performance

The financial results of Vishwa Vikas Services Limited for the year ended March 31 2005, 2006 and 2007 are set forth below:

Rupees in millions

Particulars	March 31, 2005	March 31, 2006	March 31, 2007
Total Income	5.28	24.62	13.23
Profit/ loss after taxation	0.22	11.60	4.65
Equity Share Capital	2.50	2.50	2.50
Reserves (excluding revaluation reserve)	0.22	11.82	16.46
Net Worth 2.70	14.31	18.96	
NAV per Share (Rs)	10.87	57.27	65.84
EPS per Share (Rs)	0.87	46.40	18.60

Zylog Systems (India) Limited

Zylog Systems (India) Limited was incorporated as a public limited Company on December 28, 2005. It obtained a commencement certificate for its business on January 25, 2006. Its registered office is situated at 71 and 73, first Main Road, CIT Nagar, Nandanam, Chennai 600 035. It was incorporated to engage in the business of providing software services for the Indian markets.

Shareholding pattern

Zylog Systems (India) Limited is a wholly owned subsidiary of our Company.

The equity shares of the company are not listed on any stock exchange. The shareholding pattern of Zylog Systems (India) Limited is as follows:

Sr. No	Name of shareholder	No. of shares (in Rs)	FaceValue	Percentage of Shareholding(%)
1.	Zylog systems Limited	99,994	10	99.99
2.	Mr. Sudarshan Venkatraman	1	10	00.01
3.	Mr. Ramanujam Sesharathnam	1	10	
4.	Mr. P. Srikanth	1	10	
5.	Mr. V. Viswanathan	1	10	
6.	Mr. P Suresh	1	10	
7.	Mr. M.V. Ganesan	1	10	
	Total	**1,00,000**		**100.00**

Board of Directors

The board of directors of Zylog Systems (India) Limited comprises of:-

1. Mr. Sudarshan Venkatraman
2. Mr. Ramanujam Sesharatnam
3. Mr. P Srikanth.
4. Mr. Srinivasan Ramachandran

Financial Performance

The financial results of Zylog Systems (India) Limited for the year ended March 2006 and for 2007 are set forth below:

Rupees in millions

Particulars	March 31, 2006	March 31, 2007
Total Income	0	13.63
Profit/ loss after taxation	(0.77)	1.05
Equity Share Capital	1.00	1.00
Reserves (excluding revaluation reserve)	(0.77)	0.28
Net Worth 0.18	1.19	
NAV per Share (Rs)	1.8	11.90
EPS per Share (Rs)	N.A	10.5

Zylog Systems (UK) Limited

Zylog Systems (UK) Limited was incorporated as a public limited Company on August 5, 2004 vide certificate of incorporation No: 5197915. Its registered office is situated at London House, Suite#45, 271-273, King Street, Hammersmith, London W6 9LZ. It was incorporated to engage in the business of software and hardware consultants, install and establish communication systems, establish and run training facilities and to develop or manufacture hardware and software in the United Kingdom.

Shareholding pattern

Zylog Systems (UK) Limited is a wholly owned subsidiary of our Company.

The Equity Shares of the company are not listed on any stock exchange. The shareholding pattern of Zylog Systems (UK) Limited is as follows:

Sr. No	Name of shareholder	No. of shares	FaceValue (GBP)	Percentage of Shareholding(%)
1	Zylog Systems Limited	22000	1	99.99
2	Mr. V. Chandramouly	1	1	00.01
	Total	**22001**	**100.00**	

Board of Directors

The board of directors of Zylog Systems (UK) Limited comprises of:-

1. Mr. Sundarshan Venkatraman
2. Mr. Ramanujam Sesharathnam
3. Mr. Venkatraman Chandramouly

Financial Performance

The financial results of Zylog Systems (UK) Limited for the year ended March 2005, 2006 and for 2007 are set forth below:

Rupees in millions

Particulars	March 31, 2005	March 31, 2006	March 31, 2007
Total Income	6.07	34.57	25.35
Profit/ loss after taxation	(0.52)	0.66	0.60
Equity Share Capital	1.85	1.85	1.85
Reserves (excluding revaluation reserve)	(0.52)	0.14	0.87
Net Worth 1.33	2.00	1.31	
NAV per Share (Rs)	60.45	90.90	59.54
EPS per Share (Rs)	N.A	29.99	27.27

Zylog Systems Asia Pacific Pte Limited

Zylog Systems Asia Pacific Pte Limited was incorporated as a private limited Company on February 22, 2006. Its registered office is situated at 19 – 05, Suntec Tower Two,9, Temasek Boulevard, Singapore - 038989. It is incorporated to engage in the business of Software Development Services and Consulting.

Shareholding pattern

Zylog Systems Asia Pacific Pte Limited is a wholly owned subsidiary of our Company.

The Equity Shares of the company are not listed on any stock exchange. The shareholding pattern of Zylog Systems Asia Pacific Pte Limited is as follows:

Sr. No	Name of shareholder	No. of shares	FaceValue (SGD)	Percentage of Shareholding(%)
1	Zylog Systems Limited	99000	1	99.99
2	Mr. P Suresh	1000	1	00.01
	Total	**1,00,000**		**100.00**

Board of Directors

The board of directors of Zylog Systems Asia Pacific Pte Limited comprises of:-

1. Mr. Sundarshan Venkatraman
2. Mr. Ramanujam Sesharathnam
3. Mr. P. Suresh
4. Mr. Anil Changaroth

Financial Performance

The financial results of Zylog Systems Asia Pacific Pte Limited for the year ended March 2007are set forth below:

Rupees in millions

Particulars	March 31, 2007
Total Income	7.85
Profit/ loss after taxation	1.86
Equity Share Capital	2.93
Reserves (excluding revaluation reserve)	1.86
Net Worth	4.79
NAV per Share (Rs)	47.90
EPS per Share (Rs)	18.60

None of our Subsidiaries are listed companies and none of them have made any public or rights issue in the preceding three years. None of our Subsidiaries have become a sick company under the meaning of SICA and are not referred to BIFR or are under winding up.

Our subsidiary, Zylog Systems (India) Limited has made a loss in Fiscal 2006 and Zylog Systems (UK) Limited incurred a loss in Fiscal 2005

None of our Subsidiaries have been restrained or prohibited by SEBI or any other regulatory authority from accessing the capital markets for any reason.

RELATED PARTY TRANSACTIONS

For details of "Related Party Transactions" refer to the Section "Financial Statements" beginning on page 94 of this Red Herring Prospectus.

DIVIDEND POLICY

The declaration and payment of dividends on our Equity Shares is recommended by the Board of Directors and approved by the shareholders, at their discretion, and will depend on a number of factors, including but not limited to the profits, capital requirements and overall financial condition. The dividend and dividend tax paid by our Company during the last five Fiscal years is presented below.

As at	**March 31, 2003**	**March 31, 2004**	**March 31, 2005**	**March 31, 2006**	**March 31, 2007**
Number of equity shares at the end of the year of Rs. 10/- each fully paid up	5.21	10.42	10.42	10.42	10.62
	-	-	-	-	
Dividend %	15.00%	10.00%	12.00%	15.00%	25.00%
Dividend amount	6.22	7.69	12.51	15.63	25.29

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

SECTION V: FINANCIAL STATEMENTS

AUDITORS' REPORT

To,

The Board of Directors,
Zylog Systems Limited,
82/40, I Main Road,
CIT Nagar, Nandanam,
Chennai – 600035.

Dear Sirs,

Re: Public issue of Equity Shares of Zylog Systems Limited

We have examined the consolidated financial information of Zylog Systems Limited ('ZSL' or 'the Company'), annexed to this report and initialed by us for identification. The consolidated financial information has been prepared in accordance with the requirements of Part II of Schedule II to the Companies Act, 1956 ('the Act'), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') as amended to date and related clarifications thereto issued by the Securities and Exchange Board of India (SEBI) under section 11 of the Securities and Exchange Board of India Act, 1992.

Financial Information as per the audited financial statements

1. The consolidated financial information referred to above, relating to consolidated profits and losses, consolidated assets and liabilities and consolidated cash flows of ZSL is contained in the following Annexures to this report:

   a. Annexure 1 contains the Summary Statement of Consolidated Profits and Losses, as restated for the years ended March 31, 2003; March 31, 2004; March 31, 2005; March 31, 2006; March 31, 2007.

   b. Annexure 2 contains the Summary Statement of Consolidated Assets and Liabilities, as restated as at March 31, 2003; March 31, 2004; March 31, 2005; March 31, 2006; March 31, 2007.

   c. Annexure 3 contains the Summary Statement of Consolidated Cash Flows, as restated as on March 31, 2003; March 31, 2004; March 31, 2005; March 31, 2006; March 31, 2007.

   d. Annexure 4 contains the Notes on adjustments made in the Summary Consolidated Statements.

   e. Annexure 5 contains Schedules forming part of Consolidated Profits and Losses and Consolidated Assets and Liabilities.

   f. Annexure 6 contains Summary of Significant Accounting Policies and Notes on Consolidated Accounts.

Other Financial Information

2. Other financial information prepared by the Company is attached in Annexure 7 to 11 to this report:

   a. Annexure 7 contains Details of Other Income (Consolidated).

   b. Annexure 8 contains Accounting ratios (Consolidated).

   c. Annexure 9 contains Details of Investments.

   d. Annexure 10 contains Details of Loans and Advances (Consolidated).

   e. Annexure 11 contains Details of Secured Loans (Consolidated)

3. We have examined the attached consolidated restated summary statement of assets and liabilities of the Company as at March 31, 2003; March 31, 2004; March 31, 2005; March 31, 2006; March 31, 2007 and the attached consolidated restated summary statement of profits and losses for each of the aforesaid years and the attached consolidated restated summary of cash flows (See Annexure 1,2 and 3) as prepared by the Company and approved by the Board of Directors. The restated profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and as more fully described in the notes on adjustments made in the summary consolidated statements in the Annexure 4 to this report and Significant Accounting Policies and Notes on Consolidated Accounts in the Annexure 6 to this report.

4. The consolidated statement of assets and liabilities and profits and losses as restated for the years ended March 31, 2003; March 31, 2004; March 31, 2005; March 31, 2006 and March 31, 2007 including the adjustments and regroupings have been extracted from the audited, unconsolidated financial statements of ZSL and as applicable, its subsidiaries viz., Indian subsidiaries - Vishwa Vikas Services Limited (Incorporated on 17th March 2004) and Zylog Systems India Limited (Incorporated on 28th December, 2005) and Overseas subsidiaries – Zylog Systems (UK) Limited (Incorporated on 5th August, 2004) and Zylog Systems Asia Pacific Pte Limited, Singapore (Incorporated on 21st February, 2006).

5. Audit of the accounts of ZSL for the financial years ended March 31, 2003; March 31, 2004; March 31, 2005, was conducted by the previous auditors, M/s VENKAT & SUJATHA ASSOCIATES, Chennai and accordingly reliance has been placed on the financial information examined by them for the said period.

6. Audit of the accounts of ZSL's branch offices in U.S.A with head quarters at No. 85 Lincoln High, Edison, NJ 08820 for the financial years ended March 31, 2003; March 31, 2004; March 31, 2005 and March 31, 2006 were conducted M/s. Ketan Pathak LLC, Certified Public Accountants, Clifton, VA 20124, U.S.A and accordingly reliance has been placed on the financial information examined by them for the said period.

7. Audit of the accounts of the Company's Indian subsidiaries viz., Vishwa Vikas Services Limited for the accounting year(s) ended 31st March 2005; 31st March 2006; and March 31, 2007 and Zylog Systems (India) Limited for the accounting years ended 31st March 2006 and March 31, 2007 were conducted by M/s VENKAT & SUJATHA ASSOCIATES, Chennai and accordingly reliance has been placed on the financial information examined by them for the said period.

8. Audit of the accounts of the Company's overseas subsidiary viz., Zylog Systems (UK) Limited for the accounting year(s) ended 31st March 2005; 31st March 2006 and March 31, 2007 were conducted by M/s HANSON BURNELLS, Chartered Certified Accountants and Registered Auditors, Stanmore, Middlesex HA74AR, U.K and accordingly reliance has been placed on the financial information examined by them for the said period.

9. Audit of the accounts of the Company's overseas subsidiary viz., Zylog Systems Asia Pacific Pte Ltd, Singapore for the period from 21st February 2006 (Date of incorporation) to 31st March 2007 was conducted by M/s James Chan & Partners, Certified Public Accountants, 171 Chin Swee Road, #08-01 San Centre, Singapore 169877 and accordingly reliance has been placed on the financial information examined by them for the said period.

10. Based on our examination of the books and records produced before us and also as per the reliance placed on the reports of the other auditors for the respective years and/or periods as stated above, we confirm that:

    a. The prior period items have been adjusted in the Consolidated Summary Statements in the years to which they relate.

    b. There are no extraordinary items which need to be disclosed separately in the Consolidated Restated Summary Statements and

    c. There are no qualifications in the auditors' reports, which require any adjustments to the Consolidated Restated Summary Statements.

11. We have issued a report of even date on our examination of the Statement of Profit and Losses, as restated of the Company for the years ended March 31, 2003; March 31, 2004; March 31, 2005; March 31, 2006; March 31, 2007; the Statement of Assets and Liabilities, as restated of the Company as at March 31, 2003; March 31, 2004; March 31, 2005; March 31, 2006 and March 31, 2007 and the Statement of Cash flows, as restated for the years ended March 31, 2003; March 31, 2004; March 31, 2005; March 31, 2006 and March 31, 2007 together with the significant accounting policies and notes on accounts, other schedules and notes thereon.

12. The sufficiency of the procedures, as set forth in the above paragraphs of this report, is the sole responsibility of the Company. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purposes for which this report has been requested or for any other purpose.

13. This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by us or other auditors as above. Further this report should not be construed as a new opinion on any of the financial statements referred to herein.

14. In our opinion, the consolidated financial information of the Company as attached to this report, read with the significant accounting policies and notes on accounts and other notes contained in the aforesaid Annexures, has been prepared in accordance with Part II of Schedule II to the Companies Act, 1956 and the Guidelines issued by SEBI.

15. This report is intended solely for your information and for inclusion in the Red Herring Prospectus in connection with the Public Issue of Equity Shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

We have examined the consolidated financial information of Zylog Systems Limited ('ZSL' or 'the Company'), annexed to this report and initialled by us for identification. The consolidated financial information has been prepared in accordance with the requirements of Part II of Schedule II to the Companies Act, 1956 ('the Act'), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') as amended to date and related clarifications thereto issued by the Securities and Exchange Board of India (SEBI) under section 11 of the Securities and Exchange Board of India Act, 1992.

For BRAHMAYYA & CO
Chartered Accountants

Chennai

P S KUMAR
Partner
Membership No. 15590

Date: 21-May-2007

Consolidated

Annexure 1: Summary statement of Consolidated Profits and Losses of Zylog Systems Limited, as restated

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Income					
Software development services and products	646.28	964.91	1,470.83	2,700.70	4,074.81
Other Income	2.10	0.60	2.34	11.15	6.36
Total Income	648.38	965.51	1,473.17	2,711.85	4,081.17
Expenditure					
Software development expenses	336.88	632.65	970.31	1,732.61	2,707.55
Operating & Other Expenses	116.38	131.87	227.22	474.26	670.50
Interest	2.79	3.65	10.13	22.04	40.40
Depreciation	53.76	72.49	68.87	81.62	96.45
Total Expenditure	509.81	840.66	1,276.53	2,310.53	3,514.90
Profit Before Tax	138.57	124.85	196.64	401.32	566.27
Taxation					
- Current Tax	43.08	8.68	13.50	14.50	17.45
- Deferred Tax	0.02	(0.05)	0.27	0.48	(0.19)
- Fringe Benefit Tax	-	-	-	0.21	0.42
Profit After Tax	95.47	116.22	182.87	386.13	548.59
(Short)/Excess Provision in respect of Income Tax for earlier years	-	-	-	(3.36)	-
Net Profit as per audited financial statements (A)	**95.47**	**116.22**	**182.87**	**382.77**	**548.59**
Adjustments on account of restatements					
- Depreciation	2.75	1.29	5.26	(13.50)	-
- Expenses written back	0.08	0.31	0.03	(1.61)	1.64
- Deferred Tax impact on the above	-	-	-	-	-
- Short/(Excess) provision in respect of income tax for earlier years	-	2.27	1.10	(3.36)	-
Total of adjustments (B)	**2.83**	**3.87**	**6.39**	**(18.47)**	**1.64**
Net Profit as restated (A) - (B)	**92.64**	**112.35**	**176.48**	**401.24**	**546.95**
Balances brought forward from the previous year as restated	62.32	87.95	116.63	203.84	512.26
Profit available for appropriation as restated	154.96	200.31	293.11	605.08	1,059.21
Approriations					
- Dividend	6.22	7.69	12.51	15.63	25.29
- Dividend Tax	0.79	0.99	1.76	2.19	4.30
- Transfer to General Reserve	60.00	75.00	75.00	75.00	75.00
Total Appropriations	**67.01**	**83.68**	**89.27**	**92.82**	**104.59**
Balance carried forward as restated	**87.95**	**116.63**	**203.84**	**512.26**	**954.62**

Annexure 2: Summary statement of Consolidated Assets & Liabilities of Zylog Systems Limited, as restated

Rupees in millions

	As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
A	Fixed Assets					
	Gross block	343.33	390.89	414.20	744.04	835.43
	Less : Depreciation	136.33	210.03	283.53	365.19	461.59
	Net block	207.00	180.86	130.67	378.85	373.84
	Capital Work in Progress	-	-	-	-	68.69
	Total A	**207.00**	**180.86**	**130.67**	**378.85**	**442.53**
B	Investments B	3.13	0.62	-	0.23	200.23
C	Deferred Tax Asset/(Liabilities) (Net) C	0.12	0.17	(0.10)	(0.58)	(0.39)
D	Current Assets, Loans & Advances					
	Sundry debtors	186.63	279.41	438.33	790.17	1,097.01
	Cash and bank balances	67.94	139.12	163.04	300.43	836.43
	Loans and advances	8.98	36.70	134.64	116.64	424.07
	Others	-	-	-	-	-
	Total D	**263.55**	**455.23**	**736.01**	**1,207.24**	**2,357.51**
E	Liabilities & Provisions					
	Secured Loan	22.70	111.01	157.00	379.50	593.78
	Other Liabilities & Provision	52.82	23.91	47.81	160.97	223.97
	Total E	**75.52**	**134.92**	**204.81**	**540.47**	**817.75**
F	**Networth A+B+C+D-E**	**398.28**	**501.96**	**661.77**	**1,045.27**	**2,182.13**
G	Represented by					
	Share Capital	52.11	104.22	104.22	104.22	128.47
	Reserves & Surplus	346.17	397.74	559.93	942.94	2,055.17
	Share Application money -	-	-	-	-	
	Total G	**398.28**	**501.96**	**664.15**	**1,047.16**	**2,183.64**
H	Others					
	Preoperative expenses -	-	2.37	-	-	
	Preliminary expenses -	-	0.01	1.89	1.51	
	Total H	**-**	**-**	**2.38**	**1.89**	**1.51**
	Networth G-H	**398.28**	**501.96**	**661.77**	**1,045.27**	**2,182.13**

Annexure 3: Summary statement of consolidated cash flows of Zylog Systems Limited, as restated

Rupees in millions

	As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
A	**Cash From Operating Activities:**					
	Net Profit Before Tax	138.57	124.85	196.64	401.32	566.27
	Adjustments for:					
	Depreciation	53.76	72.49	68.27	81.62	96.45
	Prior Period Depreciation	-	-	-	13.50	-
	Interest received	(1.18)	(0.20)	(1.16)	(1.57)	(2.39)
	Interest expenses	2.79	3.65	10.13	22.04	40.39
	Preliminary expenses	-	-	0.00	0.01	0.38
	Pre-Operative Expenses	-	-	(2.37)	-	
	(Profit) / Loss of sale of Investments	-	-	(0.17)	-	-
	(Profit) / Loss of sale of Fixed Assets	(0.10)	0.07	-	-	-
	Miscellaneous Expenses written off	-	-	-	-	-
	Provsion for Investments	-	-	-	-	-
	Provisions Gratuity, Leave Encashments etc	-	-	-	-	-
	Unrealised Forex (Gain) / Loss	-	-	-	-	0.36
	Amortisation of Business Aqcuisition	-	-	-	-	-
	Amortisation of Product Development expenses	-	-	-	-	-
	Operating Profit before working capital changes:	193.84	200.86	271.34	516.92	701.47
	Adjustments for changes in working capital:	-	-	-	-	-
	(Increase)/Decrese in Sundry Debtors	(40.77)	(92.76)	(164.15)	(369.07)	(306.84)
	(Increase)/Decrese in other Receivables	(3.77)	(27.72)	(58.13)	9.80	(307.43)
	Deferred Tax	0.02	-			-
	Increase/(Decrease) in trade and other payables	11.19	(31.49)	34.58	143.78	61.36
	Cash generated from operations	160.50	48.89	83.64	301.43	148.55
	Direct Taxes	(43.11)	(8.68)	(13.50)	(18.08)	(17.87)
	Net Cash From Operating Activites (A)	**117.40**	**40.21**	**70.14**	**283.35**	**130.68**
B	**Cash Flow from Investing Activities**					
	Purchase of Fixed assets	(152.77)	(47.77)	(23.31)	(329.82)	(91.44)
	Purchase of Software licences	-	-	-	-	-
	Disposal of Fixed Assets	0.17	0.06	-	-	-
	Diposal of Investments	(3.00)	2.51	0.28	-	-
	Capital work in progress	-	-	-	-	(68.69)
	Investments in Subsidiaries / Others	-	-	-	(0.22)	(200.00)
	Advance paid for business acquisitions	-	-	(45.92)	-	-
	Net cash flow from investing activities (B)	**(155.60)**	**(45.20)**	**(68.95)**	**(330.04)**	**(360.13)**

	As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
C	**Cash Flow form Financing Activites**					
	Issue of Share Capital (Incl. Premium)	99.99	-	-	-	618.75
	Share Application Money	(100.03)	-	-	-	-
	Proceeds from Long term borrowings	(12.08)	-	-	-	-
	Proceeds from Short term borrowings	0.90	(0.25)	4.85	(5.50)	-
	Proceeds from cash credits	21.80	83.72	42.49	173.37	142.05
	Dividends paid (Incl.Dividend Tax)	(7.02)	(8.68)	(14.26)	(17.82)	(29.59)
	Preliminary expenses	-	-	(0.02)	(0.12)	-
	Interest paid	(2.79)	(3.65)	(10.13)	(22.04)	(40.39)
	Interest Received	1.18	0.20	1.16	1.57	2.39
	Other Loans	-	4.83	(1.34)	54.62	72.23
	Net cash flow from financing activiteis (C)	**1.95**	**76.17**	**22.75**	**184.09**	**765.44**
	Net Increase /(Decrease) in cash & cash equivalent (A+B+C)	(36.25)	71.18	23.92	137.40	536.00
	Opening Cash and cash equivalent	104.19	67.94	139.12	163.03	300.43
	Closing Cash and cash equivalent	**67.94**	**139.12**	**163.04**	**300.43**	**836.43**

Annexure 4: Notes on adjustments made in the consolidated statements of Zylog Systems Limited, as restated

1. Depreciation has been charged under written down value method at the rates and in the manner specified in schedule XIV of the Companies Act, 1956. Depreciation on assets sold / disposed during the year has been charged up to the date of sale / disposal. Depreciation upto 2004-05 was provided under the accelerated rate method by the branch office of Zylog Systems Limited in USA. The change in the depreciation method has resulted in additional depreciation provision of Rs. 13.51 Million pertaining to the previous years' and has been charged to profit and loss account of Zylog Systems Limited under prior period items during the year 2005-06. Such charge has been adjusted to the profits of the respective years.
2. Self assessment taxes to the tune of Rs. 3.37 Million was paid by Zylog Systems Limited in the year 2005-06 pertaining to the earlier years and the same was shown as prior period items by Zylog Systems Limited during 2005-06. This charge has been adjusted to the profits of the respective years.
3. Expenses to the tune of Rs. 1.64 Million was written back by Vishwa Vikas Services Limited in the year 2006-07 pertaining to the previous year and the same was booked as expenses by Vishwa Vikas Services Limited during 2005-06. Such charge has been adjusted to the profits of the respective years.
4. Summary of adjustments stated above

Rupees in millions

Year Ended	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Net Profit after tax as per audited financial statements	95.47	116.22	182.87	382.77	548.59
Add:					
Adjustments on account of depreciation	(2.75)	(1.29)	(5.26)	13.50	-
Adjutments on account of reversal of expenses	(0.08)	(0.31)	(0.03)	1.61	(1.64)
Adjustments on account of short provision of income taxes	-	(2.27)	(1.10)	3.36	-
Net Profit after tax, as restated	**92.64**	**112.35**	**176.48**	**401.24**	**546.95**

Annexure 5: Schedules forming part of consolidated balance sheet and profit and loss account of Zylog Systems Limited, as restated

Schedule (i) Details of share capital

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Authorised :					
70,00,000 equity shares of Rs. 10 each					
1,20,00,000 equity shares of Rs. 10 each	120.00				
1,50,00,000 equity shares of Rs. 10 each		150.00	150.00	150.00	
2,00,00,000 equity shares of Rs. 10 each					200.00
Total	**120.00**	**150.00**	**150.00**	**150.00**	**200.00**

Annexure 5: Schedules forming part of consolidated balance sheet and profit and loss account of Zylog Systems Limited, as restated (contd…)

Schedule (i) Details of share capital

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Issued Subscribed & Paid up:					
41,46,990 equity shares of Rs. 10 each					
52,10,710 equity shares of Rs. 10 each	52.11				
1,04,21,420 equity shares of Rs. 10 each		104.22	104.22	104.22	
1,28,46,420 equity shares of Rs. 10 each &					128.47
1 equity share of GBP 1 each					
Total	**52.11**	**104.22**	**104.22**	**104.22**	**128.47**

Annexure 5: Schedules forming part of consolidated balance sheet and profit and loss account of Zylog Systems Limited, as restated

Schedule (ii) Details of reserves and surpluses, as restated

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
General Reserve :					
As per last Balance Sheet	61.80	121.94	196.94	271.94	346.94
Add: Transfer from Profit and Loss Account	60.14	75.00	75.00	75.00	75.00
Foreign currency translation reserve	-	-	(0.02)	(0.43)	(0.06)
	121.94	**196.94**	**271.92**	**346.51**	**421.88**
Securities Premium :					
As per last Balance Sheet	46.93	136.28	84.17	84.17	678.67
Add: Received/(Capitalised) during the year	89.35	(52.11)	-	-	-
	136.28	**84.17**	**84.17**	**84.17**	**678.67**
Profit & Loss Account	87.95	116.63	203.84	512.26	954.62
Total	**346.17**	**397.74**	**559.93**	**942.94**	**2,055.17**

Annexure 5: Schedules forming part of balance sheet and profit and loss account of Zylog Systems Limited, as restated

Schedule (iii) Details of tangible and intangible assets, as restated

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Tangible Assets :					
Land					
Freehold	-	-	5.10	28.97	29.15
Leasehold	-	-	-	3.48	3.48
Building	-	-	-	77.94	101.27
Plant and machinery	33.47	47.10	47.27	47.99	48.58
Computer equipment	109.80	138.27	155.60	239.44	302.27
Furniture and fittings	4.83	4.83	5.00	5.66	5.99
Interior decoration	16.08	16.08	16.28	16.28	16.28
Electrical fittings	1.08	1.08	1.24	1.53	1.53
Office equipments	2.34	2.16	2.33	2.72	3.18
Text Books	0.26	0.26	0.26	0.26	0.25
Vehicles	1.17	6.81	6.81	6.81	6.81
Total	169.03	216.59	239.89	431.09	518.79
Less: Total Accumulated Depreciation	77.47	112.94	148.20	196.70	246.58
Tangible Assets Net Block	**91.56**	**103.65**	**91.69**	**234.39**	**272.21**
Intangible assets :					
Business acquisitions	84.72	84.72	84.72	223.37	223.37
Licence fee	13.85	13.85	13.85	13.85	13.85
Product development cost	75.73	75.73	75.73	75.73	79.42
Total	174.30	174.30	174.30	312.95	316.64
Less: Total Accumulated Amortisation	58.86	97.09	135.32	168.49	215.01
InTangible Assets Net Block	**115.44**	**77.21**	**38.98**	**144.46**	**101.63**
Total Fixed Assets Net Block	**207.00**	**180.86**	**130.67**	**378.85**	**373.84**

Annexure 5: Schedules forming part of balance sheet and profit and loss account of Zylog Systems Limited, as restated

Schedule (iv) Details of cash and bank

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Cash balance	0.06	0.00	0.03	0.02	0.42
Bank balance					
Balance with scheduled banks					
In current accounts	3.63	0.82	2.12	4.28	11.10
In fixed deposit accounts	4.25	12.20	17.44	15.22	388.62
Total	7.88	13.02	19.56	19.50	399.72
Balance with Non Scheduled banks	60.00	126.10	143.45	280.91	436.29
Total	67.88	139.12	163.01	300.41	836.01
Total cash & bank balances	67.94	139.12	163.04	300.43	836.43

Annexure 5: Schedules forming part of balance sheet and profit and loss account of Zylog Systems Limited, as Restated

Schedule (v) Details of current liabilities & provisions, as restated

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Current liabilities					
Creditor for supplies					
Due to small scale industries	-	-	-	-	-
Others	2.12	2.88	-	2.26	-
Creditor for expenses	-	-	10.95	118.86	147.90
Unclaimed dividend	0.02	0.04	0.15	1.16	1.34
Other current liabilities	0.58	0.04	7.82	1.56	22.19
Total	2.72	2.96	18.92	123.84	171.43
Provisions					
Provision for taxation	43.08	12.27	13.50	18.15	21.07
Proposed dividend	6.22	7.69	12.51	15.63	25.29
Tax on proposed dividend	0.80	0.99	1.75	2.19	4.30
Provision for gratuity	-	-	1.13	1.16	1.88
Total	50.10	20.95	28.89	37.13	52.54
TOTAL	**52.82**	**23.91**	**47.81**	**160.97**	**223.97**

Annexure 5: Schedules forming part of balance sheet and profit and loss account of Zylog Systems Limited, as Restated

Schedule (vi) Details of software development expense

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
SOFTWARE DEVELOPMENT EXPENSES					
Salaries including overseas staff expenses	301.77	531.55	725.43	1,263.84	2,124.07
Technical consultants - on contract	-	64.27	159.10	294.64	376.48
Staff welfare	0.89	2.59	4.27	2.27	7.86
Project expenses	34.22	34.24	81.51	171.86	199.14
Total	**336.88**	**632.65**	**970.31**	**1,732.61**	**2,707.55**

Annexure 5: Schedules forming part of balance sheet and profit and loss account of Zylog Systems Limited, as Restated

Schedule (vii) Details of administrative, selling & interest expense

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
ADMINISTRATIVE EXPENSES					
Administrative salary	-	-	-	28.84	30.13
Director's remuneration	0.24	0.60	5.18	10.43	13.69
Gratuity	-	-	-	0.04	0.75
Recruitment expenses	-	2.07	2.76	19.22	34.26
Rates & taxes	0.99	0.30	0.54	0.80	4.69
Office rent	17.07	24.79	27.20	24.44	22.00
Electricity	4.51	0.82	1.37	2.12	3.93
Insurance	1.90	0.94	0.90	1.24	0.19
Repairs and maintenance	26.46	13.67	5.65	2.45	7.64
Forex loss	1.32	12.54	-	-	39.94
Printing and stationery	0.35	0.32	0.50	0.65	1.61
Visa processing related expenses	5.85	3.16	7.61	27.43	48.93
Professional charges	7.00	5.31	4.68	3.72	9.24
Audit fee	0.11	0.14	0.19	2.47	3.28
Communication expenses	6.13	3.77	4.90	11.95	15.27
Books & periodicals	0.58	0.04	0.23	1.29	1.85
Bad debts, loans & advances written off	-	-	-	2.21	1.16
Bank charges	0.51	1.32	1.05	0.81	-
Travelling expenses	0.92	0.96	1.98	2.57	4.02
Donation paid	0.17	0.08	0.17	0.09	0.56
Miscellaneous expenses	0.26	0.64	0.10	0.11	1.27
Pre-operative expenses written off	-	-	-	0.61	0.38
Total	**74.37**	**71.47**	**65.01**	**143.49**	**244.79**

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
SELLING EXPENSES					
Marketing Salary	-	-	-	63.59	80.64
Marketing and business consultancy	3.77	19.84	70.11	76.19	86.00
Marketing and Sales commission	33.99	37.12	85.40	164.48	234.91
Trade show, seminar and conference expenses	1.84	2.04	4.24	4.30	8.71
Travel expenses	1.54	1.09	1.67	4.75	6.61
Advertisement	1.32	0.67	0.85	1.62	3.41
Entertainment	-	-	-	2.37	5.04
Total	42.46	60.76	162.27	317.30	425.32
Prior period adjustments	(0.45)	(0.37)	(0.06)	13.47	0.39
Total	**116.38**	**131.87**	**227.22**	**474.26**	**670.50**
INTEREST EXPENSES					
Term loan	1.24	-	0.29	1.24	5.88
Finance charges	-	0.68	1.43	1.94	3.06
Working capital	1.47	2.94	8.22	18.72	31.38
Others	0.08	0.03	0.19	0.14	0.08
Total	**2.79**	**3.65**	**10.13**	**22.04**	**40.40**

Annexure 5: Schedules forming part of balance sheet and profit and loss account of Zylog Systems Limited, as restated

Schedule (viii) Details of sundry debtors

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Debts considered good which company holds no security other than the debtors' personal security					
Outstanding for over 6 months	1.61	1.86	3.74	54.89	75.77
Others	185.02	277.55	434.59	735.28	1,021.24
Total	**186.63**	**279.41**	**438.33**	**790.17**	**1,097.01**

Annexure: 6 - Summary of significant accounting policies and notes on consolidated accounts of Zylog Systems Limited (ZSL), as restated

1. Significant accounting policies:

   a) *Basis of preparation*

      The consolidated financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles applicable in India (GAAP) and comply with the mandatory accounting standards issued by The Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956.

b) *Revenue recognition*

The company derives its revenues primarily from software development services / consulting & projects. Revenue from software services and projects comprise income from time-and-material contracts, fixed price/fixed time contracts, technical services and annual maintenance contacts. Revenue from time-and-material contracts is recognized on the basis of man hours spent and materials utilized for the development of software and billable in accordance with the terms of the contracts with clients. Revenue from fixed price/fixed time contracts is recognized as per the proportionate completion method. Revenue from technical service for software application is recognized on completion of the service. Interest on deployment of surplus funds is recognized on the accrual basis, based on underlying interest rates. Cost incurred on ongoing projects not yet billed and earnings in excess of billings is classified as unbilled revenue. Revenue from Business Process Outsourcing operations arises from time based and unit priced client contracts. Such revenue is recognized on completion of the related services and is billable in accordance with the specific terms of the contracts with the client.

c) *Fixed assets*

Fixed assets are stated at cost, less accumulated depreciation. Cost includes cost of acquisition including material cost, freight, installation cost, duties and taxes, and other incidental expenses, incurred up to the installation stage, related to such acquisition. Fixed assets purchased in foreign currency are recorded in rupees, converted at the then prevailing exchange rates.

d) *Depreciation & Amortisation*

Depreciation is provided on fixed assets on written down value method, as per the rates and in the manner specified by schedule XIV of the Companies Act, 1956. Depreciation on assets sold during the year has been charged up to the date of sale.

The cost and the accumulated depreciation of fixed assets sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the profit and loss account.

Leasehold land is amortised over the lease period excluding any refundable deposit.

Intangible assets are amortised over their respective individual estimated useful lives, not exceeding five years, on a straight-line basis, commencing from the date the asset is available to the company for its use.

e) Investments

Investments are either classified as current or long term, based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and market value. Cost for overseas investment comprises the Indian rupee value of the consideration paid for the investment. Long-term investments are carried at cost and provisions recorded to recognize any decline other than temporary, in the carrying value of each investment.

f) Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities as at the date of the financial statements and the reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

g) Impairment of Assets

The Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. An impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the assets and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

h) Foreign currency transactions

Revenues from overseas clients and collections are recorded at the exchange rate as of the date of respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Exchange differences are recorded when the amount actually received on sales or actually paid when expenditure is incurred is converted into Indian rupees. The exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise. US branch operations and subsidiary companies are an integral foreign operation. The financials of US operations and the subsidiary companies are translated in accordance with the Accounting Standard 11 – "The effects of change in foreign exchange rates" issued by ICAI. Monetary items denominated in foreign currency are translated at the exchange rate prevalent at the date of balance sheet and the resulting difference is also recorded in the profit & loss account.

i) Principles of Consolidation

The financial statements of the holding company and its subsidiaries have been consolidated on a line by line basis by adding together the book value of like items of assets, liabilities, income, expenses, after eliminating intra – group transactions and any unrealized gain or losses on the balances remaining within the group in accordance with the Accounting Standard - 21 (AS 21) on "Consolidated Financial Statements" issued by the ICAI. The financial statements of the holding company and its subsidiaries have been consolidated using uniform accounting policies for like transaction and other events in similar circumstances.

j) Translation and accounting of financial statement of foreign subsidiaries

The financial statements are translated to Indian Rupees in accordance with the guidance issued by the ICAI in the background material to AS 21 as follows:

1. All incomes and expenses are translated at the average rate of exchange prevailing during the year
2. Assets and liabilities are translated at the closing rate on the Balance sheet date
3. Share Capital is translated at historical rate
4. The resulting exchange differences are accumulated in currency translation reserve

k) Retirement benefits

a. Provident Fund:Eligible employees receive benefit from provident fund covered under the provident fund act. Both the employee and the company make monthly contributions

b. Gratuity:The company provides for a non-funded gratuity, based on the actuarial valuation.

c. Leave encashment:The leave encashment liability upon retirement would not arise as the accumulated leave is reimbursed every year and accounted at actual.

l) Income Taxes

Tax expense comprises current tax, deferred tax and fringe benefit tax. Current tax is measured at the amount expected to be paid to/recovered from the tax authorities, using the applicable tax rates. Deferred tax assets and liabilities are recognized for future tax consequences attributable to timing differences between taxable income and accounting income that are capable of reversal in one or more subsequent years and are measured using relevant enacted tax rates. Fringe benefits tax is recognized in accordance with the relevant provisions of the Income-tax Act, 1961 and the Guidance Note on Fringe Benefits Tax issued by the ICAI. Tax on distributed profits payable by Indian Companies in accordance with the provisions of the Income-tax Act, 1961 is disclosed in accordance with the Guidance Note on Accounting for Corporate Dividend Tax issued by the ICAI.

m) Contingent Liabilities

These, if any, are disclosed in the notes to accounts. Provision is made in the accounts if it becomes probable that any outflow of resources embodying economic benefits will be required to settle the obligation.

n) Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity share holders for the period by weighted average number of equity shares outstanding during the period. The company does not have any dilutive potential equity shares.

2. The consolidated financial statements present the consolidated accounts of ZSL, which consists of the accounts of ZSL and of the following subsidiaries

Name of the Subsidiary Company	Country of incorporation	Extent of Holding (%) as on March 31, 2007
Vishwa Vikas Services Limited	India	100%
Zylog Systems (UK) Limited	United Kingdom	100%
Zylog Systems (India) Limited	India	100%
Zylog Systems Asia Pacific Pte Ltd	Singapore	100%

3. The estimated amount of contracts remaining to be executed on capital account and not provided or:

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Offshore Delivery Centre at Sholinganallur					172.81

4. Contingent liabilities

   . Claims not acknowledged as debt - Rs. Nil

   b. Letter of credit outstanding - Rs. Nil

   c. Taxes

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Income tax demands disputed in appeal	-	-	3.15	12.61	19.03
Sales tax demands disputed	-	-	-	-	3.48

Rupees in millions

5. As required under Accounting Standard 18 (AS-18), the following are details of transactions during the year with the related parties of ZSL as defined in AS-18:

   a. List of related parties and relationships

Name of Related Party	Relation				
	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Key Management Personnel					
Mr. Sudarshan Venkatraman	Chairman & Chief Executive Officer	Chairman & Chief Executive Officer	Chairman & Chief Executive Officer	Chairman & Chief Executive Officer	Chairman & Chief Executive Officer
Mr. Ramanujam Sesharathnam	Managing Director & Chief Operating Officer	Managing Director & Chief Operating Officer	Managing Director & Chief Operating Officer	Managing Director & Chief Operating Officer	Managing Director & Chief Operating Officer
Mr. Chandramouly Venkatraman	Director	Director	Director	Director	Director

Name of Related Party	Relation				
	March 31, 2003	**March 31, 2004**	**March 31, 2005**	**March 31, 2006**	**March 31, 2007**
Group Companies					
Zylog Systems (UK) Limited			100% Subsidiary Company	100% Subsidiary Company	100% Subsidiary Company
Vishwa Vikas Services Limited			100% Subsidiary Company	100% Subsidiary Company	100% Subsidiary Company
Zylog Systems (India) Limited				100% Subsidiary Company	100% Subsidiary Company
Zylog Systems Asia Pacific Pte Ltd					100% Subsidiary Company

b. Transactions with related parties

Transactions with Related Parties	**March 31, 2003**	**March 31, 2004**	**March 31, 2005**	**March 31, 2006**	**March 31, 2007**
Mr. Sudarshan Venkatraman – Remuneration		-	1.75	3.91	3.85
Mr. Ramanujam Sesharathnam – Remuneration		0.60	2.68	3.46	3.40
Mr. Chandramouly Venkatraman – Remuneration		-	0.75	3.05	4.64
Mr. Suresh Parthsarathy - Remuneration		-	-	-	1.80

Transactions with Related Parties	**March 31, 2003**	**March 31, 2004**	**March 31, 2005**	**March 31, 2006**	**March 31, 2007**
Zylog Systems (UK) Limited – Operating Expenses			2.62	6.10	1.63
Vishwa Vikas Services Limited – Operating Expenses			4.00	9.16	16.26
Zylog Systems (India) Limited – Operating Expenses			-	0.02	9.73
Zylog Systems Asia Pacific Pte Ltd – Operating Expenses			-	2.24	-

Annexure 7: Details of other income

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Interest received on deposits	1.18	0.20	1.17	1.58	2.40
Dividend Income	-	-	-	-	2.40
Profit on sale of investments	-	-	0.17	-	-
Rental income	-	-	-	-	1.52
Profit on sale of fixed assets	0.10	-	-	-	-
Exchange gain	-	-	0.99	8.90	-
Miscellaneous income	0.82	0.40	0.01	0.67	0.04
Total	**2.10**	**0.60**	**2.34**	**11.15**	**6.36**

Annexure 8: Accounting ratios

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Earnings per share (Rs.)					
- Basic	11.06	10.78	16.93	38.50	51.52
- Diluted	11.06	10.78	16.93	38.50	51.52\
Net asset value per share (Rs.)	33.77	40.76	59.99	86.62	196.11
Return on net worth (%)	32.75	26.45	28.23	44.45	26.27
Weighted average number of Equity Shares in the period (in nos.)	8,375,580	10,421,420	10,421,420	10,421,420	10,616,283
Total number of shares outstanding	5,210,710	10,421,420	10,421,420	10,421,420	128,464,282

Formula:

1. Earnings per share(Rs.) $\dfrac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the period}}$

2. Net Asset Value per share (Rs.) $\dfrac{\text{Net Worth excluding revaluation reserve at the end of the period}}{\text{Weighted average number of equity shares outstanding during the period}}$

3. Return on Net Worth (%) $\dfrac{\text{Net profit attributable to equity shareholders}}{\text{Net Worth excluding revaluation reserve at the end of the period}}$

Annexure 9: Details of investments

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
1. Investments – Quoted					
Satyam Computer Services Limited	0.07	0.07	-	-	-
(500 Equity Shares of Rs. 2 each)	-	-	-		
Silver Line Industries Limited	0.01	0.01	-	-	-
(200 Equity Shares of Rs. 10 each)	-	-	-		
Wipro Limited	0.05	0.05	-	-	-
(35 Equity Shares of Rs. 10 each)					
	0.13	0.13	-	-	-
Less: Provision for diminution	-	0.01	-	-	-
Total	0.13	0.12	-	-	-
Long term, Non trade, Quoted at cost	-	-	-	0.23	0.23
Union Bank of India					
(2018 Equity Shares of Rs. 10 each)					
	-	-	-	0.23	0.23
2. Investments in Subsidiaries - Unquoted					
a. Vishwa Vikas Services Limited					
50,000 equity shares of Rs. 10 each fully pad up	-	0.50	-	-	-
Total	-	0.50	-	-	-
3. Current investments - Non-Trade, Unquoted at cost					
Sun F & C Mutual Fund	3.00				
SBI Debt Fund Series 60 Days Mar 07 Dividend					150.00
Standard Chartered FMP - Quarterly Series 7 - Dividend					50.00
	-	-	-	-	200.00
Total	**3.13**	**0.62**	**-**	**0.23**	**200.23**

Annexure 10: Details of loans & advances

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Advances recoverable in cash or kind					
or for value to be received (unsecured considered good)	8.34	9.03	4.05	8.66	112.68
Unbilled revenue	-	25.43	82.48	99.39	253.67
Advance for taxes	-	1.27	0.41	2.63	25.84
IPO Expenses	-	-	-	-	27.53
Income tax refund receivable	-	0.15	-	-	-
Interest receivables	0.01	0.05	-	0.13	1.73
VAT receivable	-	-	-	0.10	0.09
TDS receivable	0.37	0.06	0.17	0.20	0.14

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Deposits	0.26	0.30	1.39	3.20	2.37
Preoperative expenses	-	-	-	-	-
Advance for business acquisition	-	-	45.92	-	-
Interest Suspense - Hire purchase	-	0.41	0.22	0.09	0.02
Amounts due from subsidiary companies	-	-	-	-	-
Zylog Systems Asia Pacific Pte Ltd	-	-	-	2.24	-
Zylog Systems (India) Limited	-	-	-	-	-
Zylog systems UK Ltd	-	-	-	-	-
Vishwa Vikas Services Ltd	-	-	-	-	-
	8.98	**36.70**	**134.64**	**116.64**	**424.07**

Annexure 11: Details of secured loans

Rupees in millions

	As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
	Secured loans					
A.	From Banks - working capital	-	-	-	-	-
1.	Packing Credit Facility (Secured by hypothecation of current assets, movable properties, specified immovable assets and personal guarantees of the Chairman and the Managing Director)	21.80	105.52	148.01	321.38	463.44
2.	Short term loans (Secured by hypothecation of current assets, movable properties, specified immovable assets and personal guarantees of the Chairman and the Managing Director)	0.90	0.65	5.50	-	-
B.	From Banks - term loans	-	-	-	55.89	129.47
	Secured by specific receivables and respective assets acquired and personal guarantees of the Chairman and the Managing Director)					
C	For motor vehicles	-	4.84	3.49	2.23	0.87
	(Secured by hypothecation of underlying motor vehicles)					
		22.70	**111.01**	**157.00**	**379.50**	**593.78**

Notes:

1. Interest on packing credit facility as of 31-Mar-07 is at Libor + 2.5% (approximately working out to 8%)
2. Interest on short term loan was at 10.75%
3. Interest on term loan as of 31-Mar-07 is at Libor + 2.5% (approximately working out to 8%)
4. Interest on HP loan is in the range of 4.65% to 5.00%

FINANCIAL STATEMENTS

AUDITOR'S REPORT

To

The Board of Directors,
Zylog Systems Limited,
No 82/40, I Main Road,
CIT Nagar, Nandanam,
Chennai – 600035.

Dear Sirs,

Re: Public issue of Equity Shares of Zylog Systems Limited

We have examined the financial information of Zylog Systems Limited ('ZSL' or 'the Company'), annexed to this report and initialed by us for identification. The financial information has been prepared in accordance with the requirements of Part II of Schedule II to the Companies Act, 1956 ('the Act'), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') as amended to date and related clarifications thereto issued by the Securities and Exchange Board of India (SEBI) under section 11 of the Securities and Exchange Board of India Act, 1992.

Financial information as per the audited financial statements

1. The financial information referred to above, relating to profits and losses, assets and liabilities and cash flows of ZSL is contained in the following Annexures to this report:

   a. Annexure 1 contains the Summary Statement of Profits and Losses, as restated for the years ended March 31, 2003; March 31, 2004; March 31, 2005; March 31, 2006 and March 31, 2007.

   b. Annexure 2 contains the Summary Statement of Assets and Liabilities, as restated as at March 31, 2003; March 31, 2004; March 31, 2005; March 31, 2006 and March 31, 2007.

   c. Annexure 3 contains the Summary Statement of Cash Flows, as restated as on March 31, 2003; March 31, 2004; March 31, 2005; March 31, 2006 and March 31, 2007.

   d. Annexure 4 contains the Notes on adjustments made in the Summary Statements.

   e. Annexure 5 contains Schedules forming part of Profits and Losses and Assets and Liabilities.

   f. Annexure 6 contains Summary of Significant Accounting Policies and Notes on Accounts.

Other financial information

2. Other financial information prepared by the Company is attached in Annexure 7 to 15 to this report:

   a. Annexure 7 contains details of other income.

   b. Annexure 8 contains accounting ratios.

   c. Annexure 9 contains details of investments.

   d. Annexure 10 contains details of loans and advances.

   e. Annexure 11 contains the statement of capitalization.

   f. Annexure 12 contains details of secured loans.

   g. Annexure 13 contains the tax shelter statement.

   h. Annexure 14 contains details of dividend paid.

3. We have examined the attached restated summary statement of assets and liabilities of the Company as at March 31, 2003; March 31, 2004; March 31, 2005; March 31, 2006 and March 31, 2007 and the attached restated summary statement of profits and losses for each of the aforesaid years and the attached restated summary of cash flows (See Annexure 1,2 and 3) as prepared by the Company and approved by the Board of Directors. The restated profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and as more fully described in the notes on adjustments made in the summary statements in the Annexure 4 to this report and Significant Accounting Policies and Notes on Accounts in the Annexure 6 to this report.

4. The statement of assets and liabilities and profits and losses as restated for the years ended March 31, 2003; March 31, 2004; March 31, 2005; March 31, 2006; March 31, 2007 including the adjustments and regroupings have been extracted from the audited financial statements of ZSL.

5. Audit of the accounts of ZSL for the financial years ended March 31, 2003; March 31, 2004; March 31, 2005, were conducted by the previous auditors, M/s VENKAT & SUJATHA ASSOCIATES, Chennai and accordingly reliance has been placed on the financial information examined by them for the said period.

6. Audit of the accounts of ZSL's branch offices in U.S.A with head quarters at No. 85 Lincoln High, Edison, NJ 08820 for the financial years ended March 31, 2003; March 31, 2004; March 31, 2005 and March 31, 2006 were conducted by M/s Ketan Pathak LLC, Certified Public Accountants, Clifton, VA 20124, U.S.A and accordingly reliance has been placed on the financial information examined by them for the said period.

7. Based on the above and also as per the reliance placed on the reports of the other auditors for the respective years and/ or periods, we confirm that:

   a. The prior period items have been adjusted in the Summary Statements in the years to which they relate.

   b. There are no extraordinary items which need to be disclosed separately in the Restated Summary Statements and

   c. There are no qualifications in the auditors' reports, which require any adjustments to the Restated Summary Statements.

8. The sufficiency of the procedures, as set forth in the above paragraphs of this report, is the sole responsibility of the Company. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purposes for which this report has been requested or for any other purpose.

9. This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by us or other auditors as above. Further this report should not be construed as a new opinion on any of the financial statements referred to herein.

10. In our opinion, the financial information of the Company as attached to this report, read with the significant accounting policies and notes on accounts and other notes contained in the aforesaid Annexures, has been prepared in accordance with Part II of Schedule II to the Companies Act, 1956 and the Guidelines issued by SEBI.

11. This report is intended solely for your information and for inclusion in the Red Herring Prospectus in connection with the Public Issue of Equity Shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For BRAHMAYYA & CO
Chartered Accountants

P S KUMAR
Partner

Chennai

21-May-07

Standalone

Annexure 1: Statement of profit and losses of Zylog Systems Limited, as restated

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Income					
Software development services and products	646.27	964.91	1,464.75	2,664.72	4,034.30
Other Income	2.10	0.61	2.44	11.54	6.34
Total Income	648.37	965.52	1,467.19	2,676.26	4,040.64
Expenditure					
Software development expenses	336.88	632.65	878.34	1,722.11	2,692.75
Operating & Other Expenses	116.38	131.86	314.02	461.26	655.54
Interest	2.79	3.65	10.13	22.03	40.39
Depreciation	53.76	72.49	67.87	81.18	94.19
Total Expenditure	509.81	840.65	1,270.36	2,286.58	3,482.87
Profit Before Tax	138.56	124.87	196.83	389.68	557.77
Taxation					
- Current Tax	43.08	8.68	13.47	14.44	17.31
- Deferred Tax	0.02	(0.05)	0.17	0.39	(0.36)
- Fringe Benefit Tax	-	-	-	0.21	0.37
Profit After Tax	95.46	116.24	183.19	374.64	540.45
(Short)/Excess Provision in respect of Income Tax for earlier years	-	-	-	(3.36)	-
Net Profit as per audited financial statements (A)	**95.46**	**116.24**	**183.19**	**371.28**	**540.45**
Adjustments on account of restatements					
- Depreciation	2.75	1.29	5.26	(13.50)	-
- Expenses written back	0.08	0.31	0.06	-	-
- Deferred Tax impact on the above	-	-	-	-	-
- Short/(Excess) provision in respect of income tax for earlier years	-	2.27	1.10	(3.36)	-
Total of adjustments (B)	**2.83**	**3.87**	**6.42**	**(16.86)**	**-**
Net Profit as restated (A) - (B)	**92.63**	**112.37**	**176.77**	**388.14**	**540.45**
Balances brought forward from the previous year as restated	62.32	87.93	116.61	204.09	499.41
Profit available for appropriation as restated	154.95	200.30	293.36	592.23	1,039.86
Apporiations	-	-	-	-	-
- Dividend	6.22	7.69	12.51	15.63	25.29
- Dividend Tax	0.80	1.00	1.76	2.19	4.29
- Transfer to General Reserve	60.00	75.00	75.00	75.00	75.00
Total Appropriations	**67.02**	**83.69**	**89.27**	**92.82**	**104.58**
Balance carried forward as restated	**87.93**	**116.61**	**204.09**	**499.41**	**935.28**

Annexure 2: Statement of assets & liabilities of Zylog Systems Limited, as restated

Rupees in millions

As at			March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
A	Fixed Assets						
	Gross block		343.30	390.83	412.42	742.19	829.46
	Less : Depreciation		136.31	210.00	283.12	364.31	458.49
	Net block		206.99	180.83	129.30	377.88	370.97
	Capital Work in Progress		-	-	-	-	68.69
	Total	A	206.99	180.83	129.30	377.88	439.66
B	Investments	B	3.12	0.61	4.35	5.57	208.50
C	Deferred Tax Asset/(Liability) (Net)	C	0.12	0.17	-	(0.39)	(0.03)
D	Current Assets, Loans & Advances						
	Sundry debtors		186.62	279.41	432.30	762.47	1,056.08
	Cash and bank balances		67.94	139.12	163.16	299.06	806.21
	Loans and advances		8.99	36.70	139.90	128.97	449.51
	Total	D	263.55	455.23	735.36	1,190.50	2,311.80
E	Liabilities & Provisions						
	Secured Loan		22.70	111.00	157.00	379.49	593.78
	Other Liabilities & Provision		52.82	23.91	47.60	159.34	201.80
	Total	E	75.52	134.91	204.60	538.83	795.58
F	**Networth**	A+B+C+D-E	**398.26**	**501.93**	**664.41**	**1,034.73**	**2,164.35**
G	Represented by						
	1. Share Capital		52.11	104.21	104.21	104.21	128.46
	2. Reserves & Surplus		346.15	397.72	560.20	930.52	2,035.89
	3. Share Application money		-	-	-	-	-
Networth			**398.26**	**501.93**	**664.41**	**1,034.73**	**2,164.35**

Annexure 3: Summary statement of cash flows of Zylog Systems Limited, as restated

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Cash From Operating Activities:					
Net Profit Before Tax	138.56	124.87	196.83	389.68	557.77
Adjustments for:					
Depreciation	53.76	72.50	67.87	81.18	94.19
Prior Period Depreciation	-	-	-	13.50	-
Interest received	(1.18)	(0.20)	(1.16)	(1.56)	
Text books written off	-	-	-	-	0.00
Interest expenses	2.79	3.65	10.13	22.03	40.38
Deferred Revenue expenditure W/O	-	-	-	-	-
(Profit) / Loss of sale of Investments	-	-	(0.17)	-	-
(Profit) / Loss of sale of Fixed Assets	(0.10)	0.07	-	-	-
Miscellaneous Expenses written off	-	-	-	-	-
Provsion for Investments	-	-	-	-	-
Provisions Gratuity, Leave Encashments etc	-	-	-	-	-
Unrealised Forex (Gain) / Loss	-	-	-	-	-
Amortisation of Business Aqcuisition	-	-	-	-	-
Amortisation of Product Development expenses	-	-	-	-	-
Operating Profit before working capital changes:	193.83	200.89	273.50	504.83	689.96
Adjustments for changes in working capital:	-	-	-	-	-
(Increase)/Decrease in Sundry Debtors	(40.76)	(92.79)	(152.92)	(330.16)	(293.59)
(Increase)/Decrease in other Receivables	(3.77)	(27.72)	(57.28)	10.93	(320.55)
Deferred Tax	0.02	-	-	-	-
Increase/(Decrease) in trade and other payables	11.19	(31.49)	22.53	115.11	42.46
Cash generated from operations	160.51	48.89	85.83	300.71	118.28
Direct Taxes	(43.11)	(8.68)	(13.47)	(18.02)	(17.68)
Net Cash From Operating Activities (A)	**117.40**	**40.21**	**72.36**	**282.69**	**100.60**
Cash Flow from Investing Activities					
Purchase of Fixed assets	(152.77)	(47.77)	(21.59)	(329.75)	(87.27)
Purchase of Software Licenses	-	-	-	-	-
Capital Work in Progress	-	-	-	-	(68.69)
Disposal of Fixed Assets	0.17	0.06	0.17	-	-
Disposal of Investments	(3.00)	2.51	-	-	-
Investments in Subsidiaries / Others	-	-	(3.74)	(1.22)	(202.93)
Advance paid for business acquisitions	-	-	(45.92)	-	-
Net cash flow from investing activities (B)	**(155.60)**	**(45.20)**	**(71.08)**	**(330.97)**	**(358.89)**

Annexure 3: Summary statement of cash flows of Zylog Systems Limited, as restated (contd.....)

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Cash Flow form Financing Activites					
Issue of Share Capital (Incl. Premium)	99.99	-	-	-	618.75
Share Application Money	(100.03)	-	-	-	-
Proceeds from Long term borrowings	(12.08)	-	-	-	-
Proceeds from Short term borrowings	0.90	(0.25)	4.85	(5.50)	-
Proceeds from cash credits	21.80	83.72	42.49	173.37	140.71
Dividends paid (Incl.Dividend Tax)	(7.02)	(8.68)	(14.41)	(18.99)	(29.59)
Interest paid	(2.79)	(3.65)	(10.13)	(22.03)	(40.38)
Interest Received	1.18	0.20	1.16	1.56	2.38
Other Loans	-	4.83	(1.34)	54.62	72.23
Net cash flow from financing activiteis (C)	**1.95**	**76.17**	**22.62**	**183.03**	**764.10**
Net increase/(decrease) in cash & cash equivalent (A+B+C)	(36.25)	71.18	23.90	134.75	505.81
Opening Cash and cash equivalent	104.19	67.94	139.12	163.15	299.06
	67.94	**139.12**	**163.02**	**297.90**	**804.87**

Annexure 4: Notes on adjustments made in the statements of Zylog Systems Limited, as restated

1. Depreciation has been charged under written down value method at the rates and in the manner specified in schedule XIV of the Companies Act, 1956. Depreciation on assets sold / disposed during the year has been charged up to the date of sale / disposal. Depreciation upto 2004-05 was provided under the accelerated rate method by the branch office in USA. The change in the depreciation method has resulted in additional depreciation provision of Rs. 13.51 Million pertaining to the previous years' and has been charged to profit and loss account under prior period items during the year 2005-06. Such charge has been adjusted to the profits of the respective years.

2. Self-assessment tax to the tune of Rs. 3.37 Million was paid in the year 2005-06 pertaining to the earlier years and the same was shown as prior period items during 2005-06. This charge has been adjusted top the profits of the respective years

3. Summary of adjustments stated above

Rupees in millions

Year Ended	**March 31, 2003**	**March 31, 2004**	**March 31, 2005**	**March 31, 2006**	**March 31, 2007**
Net Profit after tax as per audited financial statements	95.46	116.24	183.19	371.28	540.45
Add:					
Adjustments on account of depreciation	(2.75)	(1.29)	(5.26)	13.50	-
Adjustments on account of reversal of expenses	(0.08)	(0.31)	(0.06)	-	-
Adjustments on account of short provision of income taxes	-	(2.27)	(1.10)	3.36	-
Net Profit after tax, as restated	**92.63**	**112.37**	**176.77**	**388.14**	**540.45**

Annexure 5: Schedules forming part of balance sheet and profit and loss account of Zylog Systems Limited, as restated

Schedule (I) Details of share capital

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Authorised:					
70,00,000 equity shares of Rs. 10 each					
1,20,00,000 equity shares of Rs. 10 each	120.00				
1,50,00,000 equity shares of Rs. 10 each		150.00	150.00	150.00	
2,00,00,000 equity shares of Rs. 10 each					200.00
Total	**120.00**	**150.00**	**150.00**	**150.00**	**200.00**
Issued Subscribed & Paid up :					
41,46,990 equity shares of Rs. 10 each					
52,10,710 equity shares of Rs. 10 each	52.11				
1,04,21,420 equity shares of Rs. 10 each		104.21	104.21	104.21	
1,28,46,420 equity shares of Rs. 10 each					128.46
Total	**52.11**	**104.21**	**104.21**	**104.21**	**128.46**

Annexure 5: Schedules forming part of balance sheet and profit and loss account of Zylog Systems Limited, as Restated

Schedule (ii) Details of reserves & surplus, as restated

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
General Reserve:					
As per last Balance Sheet	61.80	121.94	196.94	271.94	346.94
Add: Transfer from Profit and Loss Account	60.14	75.00	75.00	75.00	75.00
	121.94	**196.94**	**271.94**	**346.94**	**421.94**
Securities Premium:					
As per last Balance Sheet	46.93	136.28	84.17	84.17	84.17
Add: Received/(Capitalised) during the year	89.35	(52.11)	-	-	594.50
	136.28	**84.17**	**84.17**	**84.17**	**678.67**
Profit & Loss Account	87.93	116.61	204.09	499.41	935.28
Total	**346.15**	**397.72**	**560.20**	**930.52**	**2,035.89**

Annexure 5: Schedules forming part of balance sheet and profit and loss account of Zylog Systems Limited, as restated

Schedule (iii) Details of tangible and intangible assets, as restated

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Tangible Assets:					
Land					
Freehold	-	-	5.10	28.97	29.15
Leasehold	-	-	-	3.48	3.48
Building	-	-	-	77.94	101.27
Plant and machinery	33.47	47.10	47.16	47.88	48.47
Computer equipment	109.77	138.23	154.49	238.26	300.70
Furniture and fittings	4.83	4.82	4.83	5.49	5.82
Interior decoration	16.08	16.08	16.08	16.08	16.08
Electrical fittings	1.08	1.08	1.08	1.37	1.37
Office equipments	2.34	2.16	2.32	2.70	3.11
Text Books	0.26	0.26	0.26	0.26	0.25
Vehicles	1.17	6.81	6.81	6.81	6.81
Total	169.00	216.54	238.13	429.24	516.51
Less: Total Accumulated Depreciation	77.45	112.91	147.80	195.82	245.33
Tangible Assets Net Block	**91.55**	**103.63**	**90.33**	**233.42**	**271.18**
Intangible assets:					
Business acquisitions	84.72	84.71	84.71	223.37	223.37
Licence fee	13.85	13.85	13.85	13.85	13.85
Product development cost	75.73	75.73	75.73	75.73	75.73
Total	174.30	174.29	174.29	312.95	312.95
Less: Total Accumulated Amortisation	58.86	97.09	135.32	168.49	213.16
Intangible Assets Net Block	**115.44**	**77.20**	**38.97**	**144.46**	**99.79**
Total Fixed Assets Net Block	**206.99**	**180.83**	**129.30**	**377.88**	**370.97**

Annexure 5: Schedules forming part of balance sheet and profit and loss account of Zylog Systems Limited, as restated

Schedule (iv) Details of cash and bank

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Cash balance	0.06	0.00	0.03	0.02	0.05
Bank balance					
Balances with scheduled banks					
In current accounts	3.63	0.82	2.24	4.16	10.97
In fixed deposit accounts	4.25	12.20	17.44	15.21	388.62
Total	7.88	13.02	19.68	19.37	399.59
Balances with non scheduled banks	60.00	126.10	143.45	279.67	406.57
Total	**67.88**	**139.12**	**163.13**	**299.04**	**806.16**
Total cash & bank balance	**67.94**	**139.12**	**163.16**	**299.06**	**806.21**

Annexure 5: Schedules forming part of balance sheet and profit and loss account of Zylog Systems Limited, as restated

Schedule (v) Details of current liabilities & provisions, as restated

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Current liabilities					
Creditor for supplies					
Due to small scale industries					
Others	2.12	2.88	-	-	-
Creditor for expenses	-	-	7.61	120.26	143.34
Unclaimed dividend	0.02	0.04	0.15	1.16	1.34
Other current liabilities	0.58	0.04	7.62	0.87	4.72
Total	2.72	2.96	15.38	122.29	149.40
Provisions					
Provision for taxation	43.08	12.27	16.83	18.07	20.93
Proposed dividend	6.22	7.69	12.51	15.63	25.29
Tax on proposed dividend	0.80	0.99	1.75	2.19	4.30
Provision for gratuity	-	-	1.13	1.16	1.88
Total	50.10	20.95	32.22	37.05	52.40
Total	**52.82**	**23.91**	**47.60**	**159.34**	**201.80**

Annexure 5: Schedules forming part of balance sheet and profit and loss account of Zylog Systems Limited, as restated

Schedule (vi) Details of software development expense

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Salaries including overseas staff expenses	301.77	531.55	632.85	1,256.85	2,108.82
Technical consultants - on contract	-	64.27	159.10	294.64	376.48
Staff welfare	0.89	2.59	4.20	2.08	7.40
Project expenses	34.22	34.24	82.19	168.54	200.05
Total	**336.88**	**632.65**	**878.34**	**1,722.11**	**2,692.75**

Annexure 5: Schedules forming part of balance sheet and profit and loss account of Zylog Systems Limited, as restated

Schedule (vii) Details of administrative, selling & interest expense

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Administrative Expenses					
Administrative salary	-	-	28.16	28.84	30.13
Director's remuneration	0.24	0.60	4.43	7.38	7.25
Gratuity	-	-	-	0.04	0.72
Recruitment expenses	-	2.07	2.76	19.20	34.17
Rates & taxes	0.99	0.30	0.37	0.46	3.59
Office rent	17.07	24.79	26.97	23.72	20.31
Electricity	4.51	0.82	1.37	1.74	3.28
Insurance	1.90	0.94	0.90	0.95	0.19
Repairs and maintenance	26.46	13.67	5.54	2.22	7.40
Forex loss	1.32	12.54	-	-	41.66
Printing and stationery	0.35	0.32	0.47	0.61	1.44
Visa processing related expenses	5.85	3.16	7.61	27.43	48.93
Professional charges	7.00	5.31	3.97	2.90	8.32
Audit fee	0.11	0.14	0.82	2.41	3.16
Communication expenses	6.13	3.77	4.85	11.67	14.68
Books & periodicals	0.58	0.04	0.22	-	-
Bad debts, loans & advances written off	-	-	-	2.21	1.16
Bank charges	0.51	1.32	1.04	-	-
Travelling expenses (General)	0.92	0.96	1.83	1.74	2.35
Donation paid	0.17	0.08	0.17	0.09	0.56
Miscellaneous expenses	0.26	0.64	0.10	2.07	2.95
Total	**74.37**	**71.47**	**91.58**	**135.66**	**232.24**
Selling & Marketing Expenses					
Marketing: Salary	-	-	62.08	63.59	80.64
Marketing and business consultancy	3.77	19.84	68.26	74.85	85.90
Marketing and Sales commission	33.99	37.12	85.40	160.61	234.80
Trade show, seminar and conference expenses	1.84	2.04	4.24	4.30	7.45
Travel expenses	1.54	1.09	1.67	4.75	6.13
Advertisement	1.32	0.67	0.85	1.62	3.38
Entertainment	-	-	-	2.37	5.00
Total	**42.46**	**60.76**	**222.50**	**312.09**	**423.30**
Prior period adjustments	(0.45)	(0.37)	(0.06)	13.50	-
Total	**116.38**	**131.86**	**314.02**	**461.26**	**655.54**
Interest Expenses					
Term loan	1.24	-	0.29	1.24	5.88
Finance charges	-	0.68	1.43	1.94	31.38
Working capital	1.47	2.94	8.22	18.72	3.05
Others	0.08	0.03	0.19	0.13	0.08
Total	**2.79**	**3.65**	**10.13**	**22.03**	**40.39**

Annexure 5: Schedules forming part of balance sheet and profit and loss account of Zylog Systems Limited, as restated

Schedule (viii) Details of sundry debtors

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Debts considered good which company holds no security other than the debtors' personal security					
Outstanding for over 6 months	1.61	1.86	3.74	4.74	61.33
Others	185.01	277.55	428.56	757.73	994.75
Total	**186.62**	**279.41**	**432.30**	**762.47**	**1,056.08**

Annexure: 6 - Summary of significant accounting policies and Notes on accounts of Zylog Systems Limited, as restated

1. Significant Accounting Policies:

a) *Basis of preparation*

The financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles applicable in India (GAAP) and comply with the mandatory accounting standards issued by The Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956.

b) *Revenue recognition*

The company derives its revenues primarily from software development services / consulting & projects. Revenue from software services and projects comprise income from time-and-material contracts, fixed price/fixed time contracts, technical services and annual maintenance contacts. Revenue from time-and-material contracts is recognized on the basis of man hours spent and materials utilized for the development of software and billable in accordance with the terms of the contracts with clients. Revenue from fixed price/fixed time contracts is recognized as per the proportionate completion method. Revenue from technical service for software application is recognized on completion of the service. Interest on deployment of surplus funds is recognized on the accrual basis, based on underlying interest rates. Cost incurred on ongoing projects not yet billed and earnings in excess of billings is classified as unbilled revenue.

c) *Fixed assets*

Fixed assets are stated at cost, less accumulated depreciation. Cost includes cost of acquisition including material cost, freight, installation cost, duties and taxes, and other incidental expenses, incurred up to the installation stage, related to such acquisition. Fixed assets purchased in foreign currency are recorded in rupees, converted at the then prevailing exchange rates.

d) *Depreciation & Amortisation*

Depreciation is provided on fixed assets on written down value method, as per the rates and in the manner specified by schedule XIV of the Companies Act, 1956. Depreciation on assets sold during the year has been charged up to the date of sale.

The cost and the accumulated depreciation of fixed assets sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the profit and loss account.

Leasehold land is amortised over the lease period excluding any refundable deposit.

Intangible assets are amortised over their respective individual estimated useful lives, not exceeding five years, on a straight-line basis, commencing from the date the asset is available to the company for its use.

e) Investments

Investments are either classified as current or long term, based on the management's intention at the time of purchase. Current investments are carried at the lower of cost and market value. Cost for overseas investment comprises the Indian rupee value of the consideration paid for the investment. Long-term investments are carried at cost and provisions recorded to recognize any decline other than temporary, in the carrying value of each investment.

f) Use of estimates

The preparation of the financial statements in conformity with GAAP requires the Management to make estimates and assumptions that affect the reported balances of assets and liabilities as at the date of the financial statements and the reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

g) Impairment of Assets

The Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. An impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the assets and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above.

h) Foreign currency transactions

Revenues from overseas clients and collections are recorded at the exchange rate as of the date of respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Exchange differences are recorded when the amount actually received on sales or actually paid when expenditure is incurred is converted into Indian rupees. The exchange differences arising on foreign currency transactions are recognized as income or expense in the period in which they arise. US branch operations and subsidiary companies are an integral foreign operation. The financials of US operations and the subsidiary companies are translated in accordance with the Accounting Standard 11 – "The effects of change in foreign exchange rates" issued by ICAI. Monetary items denominated in foreign currency are translated at the exchange rate prevalent at the date of balance sheet and the resulting difference is also recorded in the profit & loss account.

i) Branch transactions

Revenues from clients and collections are recorded at the exchange rate as of the date of respective transactions. Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure incurred. Depreciation is reported at the rate used for translation of values of the assets on which depreciation is calculated. Monetary assets and liabilities are translated at the rate prevailing on the balance sheet date. Non monetary assets and liabilities are translated at the rate prevailing on the date of the transactions and the balance in 'head office account' whether debit or credit, is reported at the amount of the balance in the 'branch account' in the books of the head office. Net gain/loss on foreign currency translation is recognized in the profit and loss account.

j) Retirement benefits

a. Provident Fund:

Eligible employees receive benefit from provident fund covered under the provident fund act. Both the employee and the company make monthly contributions

b. Gratuity:

The company provides for a non-funded gratuity, based on the actuarial valuation.

c. Leave encashment:

The leave encashment liability upon retirement would not arise as the accumulated leave is reimbursed every year and accounted at actual.

k) Income Taxes

Tax expense comprises current tax, deferred tax and fringe benefit tax. Current tax is measured at the amount expected to be paid to/recovered from the tax authorities, using the applicable tax rates. Deferred tax assets and liabilities are recognized for future tax consequences attributable to timing differences between taxable income and accounting income that are capable of reversal in one or more subsequent years and are measured using relevant enacted tax rates. Fringe benefits tax is recognized in accordance with the relevant provisions of the Income-tax Act, 1961 and the Guidance Note on Fringe Benefits Tax issued by the ICAI. Tax on distributed profits payable by Indian Companies in accordance with the provisions of the Income-tax Act, 1961 is disclosed in accordance with the Guidance Note on Accounting for Corporate Dividend Tax issued by the ICAI.

l) Contingent Liabilities

These, if any, are disclosed in the notes and accounts. Provision is made in the accounts if it becomes probable that any outflow of resources embodying economic benefits will be required to settle the obligation.

m) Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to equity share holders for the period by weighted average number of equity shares outstanding during the period. The company does not have any dilutive potential equity shares.

2. The estimated amount of contracts remaining to be executed on capital account and not provided for:

As at	**March 31, 2003**	**March 31, 2004**	**March 31, 2005**	**March 31, 2006**	**March 31, 2007**
Offshore Delivery Centre at Sholinganallur					172.81

3. Contingent Liabilities

a. Claims not acknowledged as debt - Rs. Nil

b. Letter of credit outstanding - Rs. Nil

c. Taxes

Rupees in millions

As at	**March 31, 2003**	**March 31, 2004**	**March 31, 2005**	**March 31, 2006**	**March 31, 2007**
Income Tax demands disputed in appeal	-	-	3.15	12.61	19.03
Sales Tax demands disputed	-	-	-	-	3.48

4. Details of auditors remuneration including branch auditors

Rupees in millions

As at	**March 31, 2003**	**March 31, 2004**	**March 31, 2005**	**March 31, 2006**	**March 31, 2007**
Statutory Audit	0.08	0.10	0.11	0.30	0.50
Tax Audit	0.03	0.03	0.29	0.44	0.10
Branch Audit	-	-	0.41	1.63	2.13
Others	0.01	0.01	0.02	0.04	0.03

5. As required under Accounting Standard 18 (AS-18), the following are details of transactions during the year with the related parties of ZSL as defined in AS-18:

a. List of Related Parties and Relationships

Name of Related Party	**Relation**				
	March 31, 2003	**March 31, 2004**	**March 31, 2005**	**March 31, 2006**	**March 31, 2007**
Key Management Personnel					
Mr. Sudarshan Venkatraman	Chairman & Chief Executive Officer	Chairman & Chief Executive Officer	Chairman & Chief Executive Officer	Chairman & Chief Executive Officer	Chairman & Chief Executive Officer
Mr. Ramanujam Sesharathnam	Managing Director & Chief Operating Officer	Managing Director & Chief Operating Officer	Managing Director & Chief Operating Officer	Managing Director & Chief Operating Officer	Managing Director & Chief Operating Officer
Mr. Chandramouly Venkatraman	Director	Director	Director	Director	Director

Group Companies					
Zylog Systems (UK) Limited			100% Subsidiary Company	100% Subsidiary Company	100% Subsidiary Company
Vishwa Vikas Services Limited			100% Subsidiary Company	100% Subsidiary Company	100% Subsidiary Company
Zylog Systems (India) Limited				100% Subsidiary Company	100% Subsidiary Company
Zylog Systems Asia Pacific Pte Ltd					100% Subsidiary Company

b. Transaction with Related Parties

Rupees in millions

Transactions with Related Parties	**March 31, 2003**	**March 31, 2004**	**March 31, 2005**	**March 31, 2006**	**March 31, 2007**
Mr. Sudarshan Venkatraman – Remuneration		-	1.75	3.91	3.85
Mr. Ramanujam Sesharathnam – Remuneration		0.60	2.68	3.46	3.40
Mr. Chandramouly Venkatraman – Remuneration		-	0.75	3.05	4.64
Mr. Suresh Parthasarathy - Remuneration		-	-	-	1.80

Transactions with Related Parties	**March 31, 2003**	**March 31, 2004**	**March 31, 2005**	**March 31, 2006**	**March 31, 2007**
Zylog Systems (UK) Limited – Operating Expenses			2.62	6.10	1.63
Vishwa Vikas Services Limited– Operating Expenses			4.00	9.16	16.26
Zylog Systems (India) Limited– Operating Expenses			-	0.02	9.73
Zylog Systems Asia Pacific Pte Ltd– Operating Expenses			-	2.24	-

Annexure 7: Details of other income

Rupees in millions

As at	**March 31, 2003**	**March 31, 2004**	**March 31, 2005**	**March 31, 2006**	**March 31, 2007**
Interest received on deposits	1.18	0.20	1.16	1.56	2.38
Dividend Income	-	-	-	-	2.40
Rental income	-	-	-	-	1.52
Profit on sale of investments	-	-	0.17	-	-
Profit on sale of fixed assets	0.10	-	-	-	-
Exchange gain	-	-	1.10	9.35	-
Miscellaneous income	0.82	0.41	0.01	0.63	0.04
Total	**2.10**	**0.61**	**2.44**	**11.54**	**6.34**

Annexure 8: Accounting Ratios

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Net profit attributable to Equity Share holders	92,632,882	112,356,540	176,745,122	388,132,209	540,470,037
Earnings per share (Rs.)					
- Basic	11.06	10.78	16.96	37.24	50.91
- Diluted	11.06	10.78	16.96	37.24	50.91
Net Asset value per share (Rs.)	33.77	40.76	60.02	85.43	194.47
Return on Net Worth (%)	32.75	26.45	28.26	43.60	26.18
Weighted average number of Equity Shares in the period (in Nos.)	8,375,580	10,421,420	10,421,420	10,421,420	10,616,283
Total number of shares outstanding	5,210,710	10,421,420	10,421,420	10,421,420	128,464,200

Formula:

1. Earnings per share (Rs.)
$$\frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the period}}$$

2. Net Asset Value per share (Rs.)
$$\frac{\text{Net Worth excluding revaluation reserve at the end of the period}}{\text{Weighted average number of equity shares outstanding during the period}}$$

3. Return on Net Worth (%)
$$\frac{\text{Net profit attributable to equity shareholders}}{\text{Net Worth excluding revaluation reserve at the end of the period}}$$

Annexure 9: Details of investments

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Long Term, Non-Trade, Quoted, at Cost					
Satyam Computer Services Limited	0.06	0.06	-	-	-
(500 equity shares of Rs. 2 each)					
Silver Line Industries Limited	0.01	0.01	-	-	-
(200 equity shares of Rs. 10 each)					
Wipro Limited	0.05	0.05	-	-	-
(35 equity shares of Rs. 10 each)					
Union Bank of India	-	-	-	0.22	0.22
(2018 equity shares of Rs. 10 each)					
	0.12	0.12	-	0.22	0.22
Less: Provision for Dimuinition		0.01			
Total	**0.12**	**0.11**	**-**	**0.22**	**0.22**

Annexure 9: Details of investments (contd....)

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Investment in subsidiary Companies - Long Term, Trade, Unquoted, at Cost					
a. Vishwa Vikas Services Limited					
50,000 equity shares of Rs. 10 each fully pad up	-	0.50	-	-	-
2,50,000 equity shares of Rs. 10 each fully paid up	-	-	2.50	2.50	2.50
	-	0.50	2.50	2.50	2.50
b. Zylog Systems (India) Limited					
1,00,000 equity shares of Rs. 10 each fully paid up	-	-	-	1.00	1.00
c. Zylog Systems (UK) Limited					
22,001 equity shares of GBP 1 each fully paid up	-	-	1.85	1.85	1.85
d. Zylog Systems Asia Pacific Pte Ltd					
1,00,000 equity shares of Sing $ 1 each fully paid up					2.93
Total	**-**	**0.50**	**4.35**	**5.35**	**8.28**
Current investments - Nontrade, Unquoted at lower of cost and net realisable value					
a. Sun F & C Mutual Fund	3.00	-	-	-	-
SBI Debt Fund Series - Fixed Maturity Plan - Dividend	-	-	-	-	150.00
(Net asset value - Rs. 1509.66 lakhs)					
Standard Chartered Quarterly Series 7 - Fixed Maturity Plan - Dividend	-	-	-	-	50.00
(Net asset value - Rs. 500.00 lakhs)					
	3.00	**-**	**-**	**-**	**200.00**
Total	**3.12**	**0.61**	**4.35**	**5.57**	**208.50**

Annexure 10: Details of Loans & Advances

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Advances Recoverable in cash or kind or for value to be received (unsecured considered good)	8.35	9.03	3.51	7.15	110.74
Unbilled Revenue	-	25.43	81.66	97.94	253.67
Proposed initial public issue	-	-	-	-	27.53
Advance for taxes	-	1.27	0.41	2.60	25.81
Income Tax Refund receivable	-	0.15	0.17	-	-
Interest receivables	0.01	0.05	-	0.13	1.73
TDS receivable	0.37	0.06	1.39	0.20	0.13
Deposits	0.26	0.30	-	3.20	2.26
Advance for business acquisition	-	-	45.92	-	-
Interest Suspense - Hire Purchase	-	0.41	0.22	0.09	0.02
Amounts due from subsidiary Companies	-	-	-	-	-
Zylog Systems (Singapore) Ltd	-	-	-	2.24	-
Zylog Systems (India) Limited	-	-	-	0.16	9.73
Zylog systems UK Ltd	-	-	2.62	6.10	1.63
Vishwa Vikas Services Ltd	-	-	4.00	9.16	16.26
Total	**8.99**	**36.70**	**139.90**	**128.97**	**449.51**

Annexure 11: Capitalisation Statement of Zylog Systems Limited

Rupees in million

PARTICULARS	Pre-Issue as at 31-Mar-07	Post Issue*
Borrowings :		
Short-term Debt**		
Long-term Debt	593.78	
Total Debt	**593.78**	
Shareholders' funds:		
Share Capital	128.46	
Reserves	2,035.83	
Total Shareholders' Funds	**2,164.29**	
Total Capitalization		
Long-term Debt/Equity ratio	0.27 : 1	
Total Debt/Equity ratio	**0.27 : 1**	

** Share Capital and reserves and total shareholders' Funds would be calculated on conclusion of the Book Building process.*

*** Short-term Debts are debts maturing within the next one year from the date of above statement.*

Annexure 12: Details of Secured Loans

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
A. From Banks - Working Capital					
1. Packing Credit Facility	21.80	105.52	148.01	321.38	463.44
(Secured by hypothecation of Current Assets, movable properties, specified immovable assets and personal gurantees of the Chairman and the Managing Director)					
2. Short Term Loans	0.90	0.65	5.50	-	-
(Secured by hypothecation of Current Assets, movable properties, specified immovable assets and personal gurantees of the Chairman and the Managing Director)					
B. From Banks - Term Loans	-	-	-	55.89	129.47
(Secured by specific receivables and respective assets acquired and personal gurantees of the Chairman and the Managing Director)					
C For Motor Vehicles	-	4.83	3.49	2.22	0.87
(Secured by hypothecation of underlying motor vehicles)					
	22.70	**111.00**	**157.00**	**379.49**	**593.78**

Notes:

1. Interest on packing credit facility as of 31-Oct-06 is at Libor + 2.5% (approximately working out to 8%)
2. Interest on short term loan was at 10.75%
3. Interest on term loan as of 31-Oct-06 is at Libor + 2.5% (approximately working out to 8%)
4. Interest on HP loan is in the range of 4.65% to 5.00%

Annexure 13: Tax Shelter Statement of Zylog Systems Limited, as restated

Rupees in millions

As at		March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Profit before current and deferred taxes, restated		135.74	120.98	190.39	406.54	523.15
Income Taxes (%)	A	36.75	35.88	36.59	33.66	33.66
Tax Expense	**B**	**49.88**	**43.41**	**69.66**	**136.84**	**176.09**
Adjustments on Account of						
a) Permenant Differences						
Deductions under section 10B of the Act		(137.07)	(119.17)	(186.48)	(404.42)	(521.87)
Bad Loans written off		-	-	-	1.07	-
Interest paid on belated payment of Tax Deducted at Source		0.02	0.01	0.00	-	-
Donation		0.02	0.03	0.03	0.03	0.56
Total	C	(137.03)	(119.13)	(186.45)	(403.32)	(521.31)
b) Temporary Differences						
Differences between book depreciation & tax depreciation		2.51	(1.55)	(1.21)	1.07	0.10
Preliminary expenses		0.00	0.00	-	-	-
Profit/(Loss) on sale of fixed assets		0.10	(0.07)	-	-	-
Provision for retirement benefits		0.25	0.25	0.13	0.04	0.72
Total	D	2.86	(1.37)	(1.08)	1.11	0.82
Net Adjustment	E = C + D	(134.17)	(120.50)	(187.53)	(402.21)	(520.49)
Tax saving thereon	F = E * A	(49.31)	(43.24)	(68.62)	(135.38)	(175.20)
Total taxation charge	G = F + B	0.57	0.17	1.04	1.46	0.89
Overseas Taxes	H	42.53	8.45	12.60	13.38	16.42
Total tax as per books of accounts	I = G + H	43.10	8.62	13.64	14.84	17.31

Annexure 14: Dividend paid

Rupees in millions

As at	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006	March 31, 2007
Number of Equity Shares at the end of the year of Rs. 10/- each fully paid up	5.21	10.42	10.42	10.42	10.62
Dividend %	15.00%	10.00%	12.00%	15.00%	25.00%
Dividend amount	6.22	7.69	12.51	15.63	25.29

FINANCIAL INDEBTEDNESS

Statement of principal terms and conditions of term loan outstanding as at March 31, 2007

Name of Lender	Amount (Rs. Mn.)		Interest Rate %	Repayment Terms	Security
	Sanctioned Amount	Disbursement till date			
Union Bank of India	190.8	129.5	Libor + 2.5%	To be repaid in 60 monthly installments with a moratorium of 6 months from the date of first disbursement i.e. November 03, 2006.	Secured by specific receivables and respective assets acquired and personal guarantees of the Chairman and the Managing Director)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion of our financial condition and results of operations should be read in conjunction with our standalone financial statements, restated in accordance with SEBI Guidelines, including the notes thereto, in this Red Herring Prospectus. Our standalone restated financial statements were prepared in accordance with Indian GAAP and the accounting standards referred to in Section 211(3C) of the Companies Act, 1956. Unless otherwise indicated, references in this discussion and analysis to our results of operations or financial condition for a specified year are to our Fiscal ended March 31 of such year.

Overview

We are a global services provider delivering technology-driven business solutions that meet the strategic objectives of our clients. ZSL delivers business value to customers through a combination of process excellence, quality frameworks and service delivery innovation. The Global Delivery Model of our Company leverages talent and infrastructure in order to provide high quality, rapid time-to-market solutions and services.

We have achieved substantial growth in revenues during recent years. Our revenues grew at a compounded annual growth rate of 58% from Rs. 648.37 million in Fiscal 2003 to Rs. 4040.64 million in Fiscal 2007. Our net profit grew at an annual compounded growth rate of 55% from Rs. 92.63 million in Fiscal 2003 to Rs. 540.45 million in Fiscal 2007. For Fiscal 2007, our top five customers accounted for approximately 15.4% of our total revenues and our top ten customers accounted for approximately 25.7% of our total revenues. Our top client contributed 3.8% of our total revenues all these indicating the strong de-risked business model followed by us. We depend largely on our customer base in the U.S. which accounted for approximately 98% of our total revenues for Fiscal 2007.

We have been increasing our geographical footprint and have established our presence in most of the large IT Services and technology markets of the world with offices in the U.S. in six locations, as well as in the U.K., India and Singapore. We have also been growing our development centers in India as well as abroad. We currently have two development centers in Chennai and one in New Jersey. We are in the process of constructing our own development center at IT Expressway in Chennai which would be fully operational from August 2007 and are planning to develop another development center in SIPCOT IT Park, Chennai which is expected to be completed by November 2007.

Principal Factors Affecting Our Results of Operations

Global Demand for technology services

The future demand for our services is dependent upon acceptance of our service offerings in the domestic and international markets, our ability to keep pace with technological changes and provide innovative services, pricing pressures for our services, due to continued competition from other technology services companies and continued demand for offshoring of IT requirements by national and international corporations. Any slowdown in demand for our services could cause us to experience lower IT professional utilization rates, which would have a negative impact on our revenues and, consequently gross margins.

Cost of people

The principal component of our cost of revenues is the wage cost of our technical people such as software development engineers. Wage costs in India, including in the technology services industry, have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals. However, if wages in India continue to increase at a faster rate than in the United States and other target European markets due to competitive pressures, we may experience a greater increase in our costs of people, particularly project managers and other mid-level professionals, thereby eroding one of our principal cost advantages over US and other providers in developed countries. Our gross margin, among others, depends on the offshore and onsite utilization rates of our technical people. We define utilization as the proportion of total billed headcount to total available headcount, for our technical people. We manage utilization by monitoring project requirements and timetables and matching these with the available talent pool. The number of technical people assigned to a project will vary according to size, complexity, duration, and demands of the project.

Proportion of work performed at client site

The proportion of work performed at our facilities and at client sites varies from quarter to quarter. We charge higher rates and incur higher compensation and other expenses for work performed at client sites. Services performed at a client site located outside India typically generate higher revenues per-capita at a lower gross margin than the same services performed at our facilities in India. As a result, our total revenues, cost of revenues and gross margins in absolute terms and as a percentage of revenues fluctuate from quarter to quarter based on the proportion of work performed outside India. Accordingly, any increase in work performed at client sites located outside India can decrease our gross margins due to higher costs in providing such services, such as travel and accommodation costs.

Foreign Exchange rates and regulations

Our financial statements under Indian GAAP are reported in Rupees. A substantial portion of our revenues is generated in US dollars while part of our expenses is incurred in Rupees. Consequently, our results from operations are affected to the extent the value of the rupee fluctuates against the US dollar. In particular, a significant appreciation of the rupee against the US dollar has the effect of reducing the rupee value of our foreign currency denominated revenues, thereby adversely affecting our results of operations. Also, under the Foreign Exchange Management Act, 1999 ("FEMA"), as amended, an Indian Company is required to take all reasonable steps to realise and repatriate into India all foreign exchange earned by our Company outside India, in accordance with the rules specified by the Reserve Bank of India ("RBI"). These rules apply to our branch office located in New Jersey. FEMA also imposes certain restrictions on capital account transactions by Indian companies. Although these regulations do not significantly impact our operations at present, there can be no assurance that this will be the case in future periods.

Tax holidays

Presently, we benefit from the tax holidays given by the Government for the export of IT Services from specially designated software technology parks and special economic zones in India. As a result of these incentives, which include a 10-year tax holiday from Indian corporate income taxes for the operation of most of our Indian facilities our operations have been subject to relatively low tax liabilities. The Finance Act, 2000, phases out the 10-year tax holiday over a 10 year period from March 31, 2000 through March 31, 2009. When our tax benefits expire or terminate, our tax expense is likely to materially increase, reducing our profitability. See "Statement of Tax benefits" on page 30 in this Red Herring Prospectus for further details.

Immigration Policy

The ability of our IT professionals to work in the United States, Europe and in other countries depends on our ability to obtain the necessary visas and work permits for them. We believe that the demand for work visas in these jurisdictions will continue to be high. Immigration laws in the United States and in other countries are subject to legislative change, as well as to variations in standards of application and enforcement due to political forces and economic conditions. Our reliance on work visas for IT professionals makes us vulnerable to such changes and variations as it affects our ability to staff projects with IT professionals who are not citizens of the country where the work is to be performed. Any inability to obtain such visas in the future would restrict our ability to provide services to our international clients and hence negatively impact our business.

Overview of our Results of Operations for Fiscal 2003, 2004, 2005, 2006 and 2007

The following table sets forth certain information with respect to our revenues, expenditures and profits for the periods indicated.

Rupees in millions

Particulars	**Fiscal 2003**	**Fiscal 2004**	**Fiscal 2005**	**Fiscal 2006**	**Fiscal 2007**
Revenue					
- Overseas	638.05	954.74	1456.73	2660.68	4034.31
- Domestic	8.22	10.17	8.02	4.04	-
- Others	2.10	0.61	2.44	11.54	6.34
Total Revenue	**648.37**	**965.52**	**1467.19**	**2676.26**	**4040.65**
Software development expenses	336.88	632.65	878.34	1,722.11	2,692.75
Software development expenses as a % of Total Revenue	*51.96%*	*65.52%*	*59.87%*	*64.35%*	*66.64%*
Administrative expenses	74.37	71.47	91.58	135.66	232.24
Administrative expenses as a % of Total Revenue	*11.47%*	*7.40%*	*6.24%*	*5.07%*	*5.75%*
Selling & Marketing expenses	42.46	60.76	222.50	312.09	423.30
Selling & Marketing expenses as a % of Total Revenue	*6.55%*	*6.29%*	*15.17%*	*11.66%*	*10.48%*
Operating profit (EBIDTA)	**194.66**	**200.64**	**274.77**	**506.40**	**692.36**
Operating profit as a % of Total Revenue	*30.02%*	*20.78%*	*18.73%*	*18.92%*	*17.13%*
Interest	2.79	3.65	10.13	22.03	40.39
Depreciation / Amortization	53.76	72.49	67.87	81.18	94.19
Prior period adjustments	-0.45	-0.37	-0.06	13.5	0

Profit before tax (PBT)	**138.56**	**124.87**	**196.83**	**389.68**	**557.77**
Profit before tax as a % of Total Revenue	*21.37%*	*12.93%*	*13.42%*	*14.56%*	*13.80%*
Taxation					
- Current Tax	43.08	8.68	13.47	14.44	17.31
- Deferred Tax	0.02	-0.05	0.17	0.39	-0.36
- Fringe Benefir Tax				0.21	0.37
Short Provision in respect of Income tax for earlier years				3.36	
Profit after tax (PAT)	**95.46**	**116.24**	**183.19**	**371.28**	**540.45**
Adjustments on Restatement	2.83	3.87	6.42	-16.86	0
Net Profit as restated	**92.63**	**112.37**	**176.77**	**388.14**	**540.45**
Net Profit as restated as a % of Total Revenue	*14.29%*	*11.64%*	*12.05%*	*14.50%*	*13.38%*

Discussions on Results of Operations

Income

Our sales revenue has increased from Rs.648.37 million in the Fiscal 2003 to Rs.4,040.64 million in the Fiscal 2007 at a CAGR of 58%. The steady increase in the revenues has been due to a strong business development, sales & marketing team working out of our New Jersey office in the US. The VAR partnership business model has been largely contributing to the additions to the revenue and this model will continue to get focused for the coming years as well as our Company sees a very good potential through this route in the American software market. This has also been possible due to repeat business from the existing client relations of about 259 clients and referral business from the existing clients.

Revenue

Income from software services & products

Rupees in millions

Particulars	Fiscal 2004	% to Total Revenue	Fiscal 2005	% to Total Revenue	Fiscal 2006	% to Total Revenue	Fiscal 2007	% to Total Revenue
Overseas	954.74	98.95	1,456.73	99.45	2,660.68	99.85	4034.30	100.00
Domestic	10.17	1.05	8.03	0.55	4.04	0.15	0.00	0.00
Total Revenues	964.91	100.00	1,464.76	100.00	2,664.72	100.00	4034.30	100.00

Our Company's revenues are generated principally from software services on fixed cost or time and material basis. Revenue from software services on fixed cost contracts is recognized as per the proportionate completion method. On time and material contracts, revenue is recognized as the related services are rendered. Annual technical services revenue and revenue from fixed cost maintenance contracts are recognized on completion of the service. Revenue from domestic is primarily towards sale of its back office software for depository participants.

In the case of fixed cost contracts, we at the time of entering into a contract with the client agree at defined milestones for raising the bills. This milestone may differ from contract to contract and also from client to client. If the year end or the period end falls between two milestones then the revenue is recognized on proportionate accrual basis.

In order to deliver projects in line with our commitments, we monitor the progress of defined milestones and deliverables for all contracts on a regular basis. This includes a focused review of our ability and the client's ability to perform on the contract, a review of extraordinary conditions that may lead to a contract termination, as well as historical client performance considerations. This review aids us in anticipating and managing the risk of early or abrupt contract terminations. Losses on contracts, if any, are provided for in full in the period when determined.

The revenue type has been broadly classified as Fixed Price (includes Support & maintenance contracts) and Time & Material (includes consulting contracts). The segmentation is as follows:

As a % to Total Revenue

Revenue by contract type	**Fiscal 2004**	**Fiscal 2005**	**Fiscal 2006**	**Fiscal 2007**
Fixed price	28.19	24.52	27.60	46.00
Time and material	71.81	75.48	72.40	54.00
Total	**100.00**	**100.00**	**100.00**	**100.00**

We derive revenues from services provided both offshore and onsite. Offshore revenues consist of revenues from software services work conducted in our offshore facilities in Chennai, India. Onsite revenues consist of revenues from software services work conducted at clients' premises or from our premises outside India.

The onsite and offshore revenue break up is as under:

As a % to Total Revenue

Revenue by location	**Fiscal 2004**	**Fiscal 2005**	**Fiscal 2006**	**Fiscal 2007**
Onsite	88.64	88.29	80.73	81.50
Offshore	11.36	11.71	19.27	18.50
Total	**100.00**	**100.00**	**100.00**	**100.00**

In general, the services performed onsite, offsite typically generate higher revenues per capita, but lower gross margins (in %) as compared to the services performed at the offshore facilities. Therefore any increase in the onsite effort impacts the margins of our Company. However this is a generic analysis, it could vary from one project to another.

Industry concentration

We recognize our business units to focus on growing key verticals. Experts with domain-specific skills were aligned across business units to develop specific solutions. Several global cross-functional teams continue to work within the vertical focused business units to identify solutions and design go-to-market strategies.

As a % to Total Revenue

Revenue by Industry	**Fiscal 2004**	**Fiscal 2005**	**Fiscal 2006**	**Fiscal 2007**
BFSI	49.44	46.38	39.94	34.12
Telecom	21.88	18.50	20.96	22.00
Retail	3.77	4.18	5.27	8.20
Manufacturing	4.20	5.87	12.20	7.32
Pharma / Healthcare	2.28	4.42	5.33	7.83
Others	18.43	20.65	16.30	20.53
Total	**100.00**	**100.00**	**100.00**	**100.00**

Service Concentration

As a % to Total Revenue

	Fiscal 2004	**Fiscal 2005**	**Fiscal 2006**	**Fiscal 2007**
Consulting		43.20	36.00	22.65
Development	33.89	22.90	34.60	44.95
Maintenance	12.59	9.40	7.70	6.57
Package Implementation	18.40	13.90	8.80	13.43
Testing	8.85	0.30	5.20	3.60
Application Support	10.22	9.00	4.70	3.78
Network Support	3.79	1.30	1.10	1.00
Others	12.26	0.00	1.90	4.02
Total	**100.00**	**100.00**	**100.00**	**100.00**

Client Concentration

Figures in %

	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007
Top client contribution to revenue	2.24	2.88	2.60	3.84
Top 5 client contribution to revenue	11.52	12.67	10.79	15.44
Top 10 client contribution to revenue	20.97	21.64	18.27	25.67
Mn $ Clients contribution to revenue	0.00	0.00	12.56	34.31
Number of Million dollar Clients	0	0	6	16
Number of active clients	78	142	196	259

The above table signifies that we are not dependent on any single client for our revenues.

Other income

Our other income was Rs. 6.34 million in fiscal 2007, Rs.11.55 million in Fiscal 2006, Rs. 2.45 in Fiscal 2005 and Rs. 0.61 million in Fiscal 2004. Other income comprises of interest on fixed deposits maintained with scheduled banks in India and un-scheduled banks in the US, rental receipts from our New Jersey office space and foreign exchange fluctuation gain.

Comparison of Financials of Fiscal 2007 with Fiscal 2006

Revenue

Our total revenue of during the Fiscal 2007 was Rs.4,040.64 million as against Rs.2,676.26 million for the Fiscal 2006, registering an increase of about 50.98% over the previous year revenue. The revenue generated from billing was Rs. 4034.31 during the Fiscal 2007 as compared to Rs.2644.72 million for the Fiscal 2006. The increase in total income was on two counts

- Steady growth in our repeat business from the existing clients which stood at 88.9% for Fiscal 2007 and
- Due to 68 new clients added during the year.

Other income of our Company during the Fiscal 2007 was Rs.6.34 million in comparison to Rs. 11.54 million during the Fiscal 2006. 'Other Income' includes gain/loss due to foreign exchange fluctuation and Interest Income. The decrease in other income during the Fiscal 2007 over Fiscal 2006 is due to the notional foreign exchange loss on account of conversion for reporting purposes as per prescribed Accounting Standard.

Cost of Revenue

Software Development Expenses

Our software development expenses comprises of staff cost, cost of technical consultants and project cost. Our software cost as % to total revenue was 66.64% in Fiscal 2007 as compared to 64.35% in Fiscal 2006. This cost has increased to Rs. 2,692.75 million in Fiscal 2007 from Rs. 1722.11 million in Fiscal 2006. This increase of 56% is mainly due to recruitment of 395 employees (gross) and 211 employees (net). This increase is in line with the overall revenue increase.

Administrative expenses

Our administrative expenses include salary to administrative staff, recruitment expenses, visa processing expenses etc. Our administrative expenses increased by 71.19% to Rs. 232.24 million in Fiscal 2007 from Rs. 135.66 million in Fiscal 2006 mainly on account of forex loss incurred due to monetary items denominated in foreign currency are translated at the exchange rate prevalent at the date of balance sheet and the resulting loss is recorded in the profit & loss account. However, administrative expenses as a percentage to total revenue are 5.75% and 5.07% for Fiscal 2007 and Fiscal 2006 respectively.

Selling & marketing expenses

Our selling and marketing expenses increased by 35.63% to Rs. 423.30 million in Fiscal 2007 from Rs. 312.09 million in Fiscal 2006 due to increase in the salary & sales commission paid to the marketing personnel. However as a percentage to total revenue our selling and marketing expenses decreased to 10.48% in Fiscal 2007, as compared to 11.66% during Fiscal 2006.

Operating Profits

We earned an operating profit (EBIDTA) of Rs. 692.36 million representing 17.13% of total revenue for Fiscal 2007 as compared to Rs. 506.40 million, representing 18.92% of total revenue during Fiscal 2006. The decrease in operating profit levels is mainly on account of notional (Reporting conversion) forex loss during 2007.

Interest

Rupees in millions

Particulars	Fiscal 2006	Fiscal 2007
Term Loan	1.24	5.88
Finance Charges	1.94	31.38
Working Capital	18.72	3.05
Others	0.13	0.08
Total	**22.03**	**40.39**

During January 2006 our Company availed Term Loan of Rs. 59.30 million, representing 75% of the acquisition cost from Union Bank of India for acquiring an office premises and a guesthouse in New Jersey, USA. The full year interest outflow was during 2007.

We had enhanced the working capital limit with Union Bank of India to Rs. 475 million during Fiscal 2007 from Rs. 325 million during Fiscal 2006. The interest expense has gone up to that extent during the year.

Depreciation & Amortization

We provided a sum of Rs. 94.19 million towards depreciation for the Fiscal 2007 when compared to Rs. 81.18 million for the Fiscal 2006, representing 2.33% and 3.03% of total revenues respectively. The depreciation for the Fiscal 2007 and Fiscal 2006 includes an amount of Rs. 44.67 million and Rs. 33.16 million respectively towards amortization expenses of intangible assets.

Provision for Tax

We provided for our tax liability both in India and overseas. The present Indian corporate tax rate is 33.66%, comprising base rate, surcharge and cess. The profits attributable to operations under the Software Technology Park (STP) scheme can be deducted from income for a consecutive period of 10 years from the financial year in which the units start producing computer software, or March 31, 2009, whichever is earlier. For the Fiscal 2007 100% of the software revenues have come from units operating under Software Technology Park Scheme. Our tax out flow decreased to Rs. 17.32 million in Fiscal 2007 from Rs. 18.43 million in Fiscal 2006 mainly on account of self assessment tax pertaining to assessment years 2004-05 and 2005-06 paid during Fiscal 2006.

Net Profit as restated

Our net profit as restated amounted to Rs. 540.45 million and Rs. 388.14 million for Fiscal 2007 and Fiscal 2006 respectively which is an increase of 39.24% y-o-y. The restated net profit as a percentage of total revenue was13.38% in Fiscal 2007 to 14.50% in Fiscal 2006.

Comparison of Financials of Fiscal 2006 with Fiscal 2005:

Revenue

Our total revenue during the Fiscal 2006 was Rs.2676.26 million as against Rs.1467.19 million for the Fiscal 2005, registering an increase of 82.41% over the previous year revenue. The revenue generated from billings was Rs. 2664.72 million during the Fiscal 2006 as compared to Rs.1464.75 million for the Fiscal 2005. The increase in total income was on two counts

- Steady growth in our repeat business from the existing clients which stood at 70.70% for Fiscal 2006 and also due to 79 new clients added during the year.
- Business acquisition of two companies during March 2005

Other income of our Company during the Fiscal 2006 was Rs.11.54 million in comparison to Rs. 2.44 million during the Fiscal 2005. ‘Other Income’ includes gain/loss due to foreign exchange fluctuation and Interest Income. The increase in other income during the Fiscal 2006 over Fiscal 2005 is due to the appreciation of dollar against Indian rupee. Also we had earned interest on fixed deposits maintained with scheduled banks in India and un-scheduled banks in the US.

Cost of Revenue

Software Development Expenses

Our software development expenses comprises of staff cost, cost of technical consultants and project cost. Our software cost as % to total revenue was 64.35% in Fiscal 2006 as compared to 59.87% in Fiscal 2005. This cost has increased by 96.06%

to Rs. 1,722.11 million in Fiscal 2006 from Rs. 878.34 million in Fiscal 2005. This increase is mainly due to recruitment of 273 employees (gross) and 166 employees (net) including addition of employees through business acquisition. This increase is in line with the overall revenue increase.

Administrative expenses

Our administrative expenses include salary to administrative staff, recruitment expenses, visa processing expenses etc. Our administrative expenses increased by 48% to Rs. 135.66 million in Fiscal 2006 from Rs. 91.58 million in Fiscal 2005 on account of increase in visa processing related expenses. However, administrative expenses as a percentage to total revenue have decreased to 5.07% in Fiscal 2006 as compared to 6.24% during Fiscal 2005.

Selling & marketing expenses

Our selling and marketing expenses increased by 40% to Rs. 312.09 million in Fiscal 2006 from Rs. 222.50 million in Fiscal 2005 due to increase in the marketing consultants for procuring business for our Company. However as a percentage to total revenue our selling and marketing expenses decreased to 11.66% in Fiscal 2006, as compared to 15.17% during Fiscal 2005.

Operating Profits

We earned an operating profit (EBIDTA) of Rs. 506.40 million representing 18.92% of total revenue for Fiscal 2006 as compared to Rs. 274.77 million, representing 18.73% of total revenue during Fiscal 2005. The increase in operating profit levels is mainly on account of increase in offshore revenue during the Fiscal 2006 where the margins are higher when compared to the onsite/ onshore revenue.

Interest

Rupees in millions

Particulars	**Fiscal 2005**	**Fiscal 2006**
Term Loan	0.29	1.24
Finance Charges	1.43	1.94
Working Capital	8.22	18.71
Others	0.19	0.13
Total	**10.13**	**22.03**

Our Company availed Term Loan of Rs. 59.30 million, representing 75% of the acquisition cost from Union Bank of India for acquiring an office premises and a guesthouse in New Jersey, USA. This acquisition was made in January 2006 and hence there is a corresponding increase in Term loan interest expense for Fiscal 2006 when compared to Fiscal 2005.

We had enhanced the working capital limit with Union Bank of India to Rs. 325 million during Fiscal 2006 from Rs. 150 million during Fiscal 2005. The interest expense has gone up to that extent during the year. Finance charges include cost of inward/ outward transfers between HO & Branch, ECGC premium paid, working capital loan processing charges, etc. Finance charges has increased to Rs. 1.94 million in Fiscal 2006 from Rs. 1.43 million in Fiscal 2005 on account of increased transactions between HO & the branch. Others is mainly Hire purchase interest on vehicle loans which has decreased in Fiscal 2006 as compared to Fiscal 2005 as there was no additions to this loan.

Depreciation & Amortization

We provided a sum of Rs. 81.18 million towards depreciation for the Fiscal 2006 when compared to Rs. 67.87 million for the Fiscal 2005, representing 3.03% and 4.63% of total revenues respectively. The depreciation for the Fiscal 2006 and Fiscal 2005 includes an amount of Rs. 33.16 million and Rs. 38.23 million respectively towards amortization expenses of intangible assets.

Provision for Tax

We provided for our tax liability both in India and overseas. The present Indian corporate tax rate is 33.66%, comprising base rate, surcharge and cess. The profits attributable to operations under the Software Technology Park (STP) scheme can be deducted from income for a consecutive period of 10 years from the financial year in which the units start producing computer software, or March 31, 2009, whichever is earlier. For the Fiscal 2006 100% of the software revenues have come from units operating under Software Technology Park Scheme. Our tax out flow increased to Rs. 18.40 million in Fiscal 2006 from Rs. 13.64 million in Fiscal 2005 mainly on account of the prior period taxes (Self assessment tax) provided during the year pertaining to the earlier years 2003-04 & 2004-05.

Net Profit as restated

Our net profit as restated amounted to Rs. 388.14 million and Rs. 176.77 million for Fiscal 2006 and Fiscal 2005 respectively which is an increase of 119.65% y-o-y. The restated net profit as a percentage of total revenue increased to 14.50% in Fiscal 2006 to 12.05% in Fiscal 2005.

Comparison of Financials of Fiscal 2005 with Fiscal 2004:

Revenue

Our total revenue during the Fiscal 2005 was Rs.1467.19 million as against Rs.965.52 million for the Fiscal 2004, an increase of 51.96% over Fiscal 2004. The revenue generated from billings was Rs.1464.75 million during the Fiscal 2005 as compared to Rs.964.91 million for the Fiscal 2004. The increase in total income was due to the steady growth in our Company's repeat business from the existing clients which stood at 64.19% for 2005 and also due to 64 new clients added during the year.

Other income of our Company during the Fiscal 2005 was Rs.2.44 million in comparison to Rs.0.61 million during the Fiscal 2004. Other income includes gain/loss due to foreign exchange fluctuation and interest income. The increase in other income during the Fiscal 2005 over Fiscal 2004 is due to the appreciation of dollar against Indian rupee. Also we had earned interest on fixed deposits maintained with scheduled banks in India and un-scheduled banks in the US

Cost of Revenue

Software Development Expenses

Software development expenses include staff cost, cost on technical consultants on contract, staff welfare and project cost. The overall software development expenses has increased to Rs. 878.34 million for Fiscal 2005 from Rs. 632.65 million for the Fiscal 2004, an increase of 38.83%. However, the percentage of this cost on the total revenue has come down from 65.53% for Fiscal 2004 to 59.86% for Fiscal 2005 because for the Fiscal 2004 all salary expenses were shown as salary costs under software development expenses but from Fiscal 2005 the salary costs pertaining to the administrative personnel and selling & marketing personnel were reclassified and correctly taken to the respective heads.

Administrative expenses

Our administrative expenses include salary to administrative staff, recruitment expenses, visa processing expenses, director's remuneration etc. The administrative expenses had shown a decline as a percentage of total revenue to 6.24 % in Fiscal 2005 from 7.40% in Fiscal 2004. As explained earlier, the non technical employees' salary were reclassified from software development expenses to the respective indirect costs during Fiscal 2005. As a result Rs. 28.16 million was booked as administrative salary for Fiscal 2005 without any corresponding entry for Fiscal 2004.

Selling & marketing expenses

We incurred selling and marketing expenses at 15.17% of our total revenue for Fiscal 2005 when compared to 6.29% for Fiscal 2004. As explained earlier, the non technical employees' salary were reclassified from software development expenses to the respective indirect costs during the year 2005. As a result Rs. 62.08 million was booked as marketing salary for 2005 without any corresponding entry for 2004. This largely explains the increase in this component.

Selling and marketing cost also increased to Rs.222.50 million in Fiscal 2005 from Rs. 60.76 million in Fiscal 2004 on account of increase in business consultancy expense to Rs. 68.26 million in Fiscal 2005 from Rs. 19.84 million in Fiscal 2004. Business consultancy expense increased on account of increase in consultants / corporates into the marketing network fold, which had greatly helped in increasing the revenue base for 2005.

Operating Profits

We earned an operating profit (EBIDTA) of Rs. 274.77 million representing 18.73% of total revenue for Fiscal 2005 as compared to Rs. 200.64 million representing 20.78% for Fiscal 2004. The decline in operating profit levels is mainly on account of increase in staff costs, administrative and marketing expenses during Fiscal 2005.

Interest

Rupees in millions

Particulars	**Fiscal 2004**	**Fiscal 2005**
Term Loan	-	0.29
Finance Charges	0.68	1.43
Working Capital	2.94	8.22
Others	0.03	0.19
Total	**3.65**	**10.13**

The interest component was at 0.69% of the total revenue for Fiscal 2005 as compared to 0.38% for the Fiscal 2004. This increase was mainly due to the increase in working capital facility with the bankers from Rs. 120 million to Rs. 150 million and fuller utilization of the limits during the Fiscal 2005.

Depreciation & Amortization

We provided a sum of Rs. 67.87 million as depreciation and amortization for the Fiscal 2005 as compared to 72.49 million (including Rs. 38.23 million towards amortization)for the Fiscal 2004.

Provision for Tax

We had made a tax provision of Rs. 13.64 million for the Fiscal 2005 as compared to Rs. 8.63 million for the Fiscal 2004. We have provided for our tax liability both in India (for the domestic revenues) and overseas. Since the revenues attributable to operations of our Company is under the 100% export oriented unit scheme – Software Technology Park (STP)– we are entitled to tax holiday till the Fiscal 2009.

Net Profit as restated

The net profit as restated was at Rs. 176.77 million during Fiscal 2005 as compared to Rs. 112.37 million during Fiscal 2004. The percentage of the restated net profit to total income was 12.04% for Fiscal 2005 as against 11.63% during Fiscal 2004.

Liquidity and Capital Resources

Liquidity

Primarily, our liquidity requirements are to finance our working capital needs. Our working capital requirement is to finance our debtors turnover period which is slightly more than 100 days. To finance these costs we have relied on short-term and long-term borrowings, including working capital financing and term loan and cash flows from operating activities.

As at March 31, 2007 we had cash and cash equivalent of Rs. 804.87 million. Till date we have funded our growth from internal accruals and bank borrowings.

Cash Flows

The following table summarizes our cash flow for the Fiscal ended 2003, 2004, 2005, 2006 and 2007.

Rupees in millions

Particulars	**Fiscal 2003**	**Fiscal 2004**	**Fiscal 2005**	**Fiscal 2006**	**Fiscal 2007**
Net Cash From Operating Activites	**117.41**	**40.19**	**72.47**	**282.68**	**100.60**
Net cash flow from investing activities	-155.61	-45.20	-71.08	-330.98	358.89
Net cash flow from financing activities	1.95	76.18	22.61	184.20	764.10
Net cash flows	**-36.25**	**71.17**	**24.04**	**135.90**	**1223.59**
Closing Cash and cash equivalent	**67.95**	**139.12**	**163.16**	**299.06**	**804.87**

Significant Accounting Policies

For details relating to our significant accounting policies see the section titled "Financial Statements" beginning on page 94 of this Red Herring Prospectus.

Significant Development after March 31, 2007 that may affect the Result of Operations of our Company

In the opinion of the Board of Directors of our Company there have not arisen, since the date of the last audited financial statements disclosed in this Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect our profitability or the value of our assets or our ability to pay our material liabilities within the next twelve months.

Unusual or Infrequent Events or Transactions

During the periods under review there have been no transactions or events, which in our best judgement, would be considered unusual or infrequent.

Significant economic or regulatory changes

There has been no major significant change in the law governing the IT Industry. The risk relating to the changes in the economic or regulatory environment and its impact on our business is discussed separately in the section titled "Risk Factors" on page xii of this Red Herring Prospectus.

Known trends or uncertainties

Other than as described in this Red Herring Prospectus, to our knowledge, there are no known trends or uncertainties that have had or are expected to have a material adverse impact on revenue or income of our Company from continuing operations.

Future relationship between costs and income

Other than as described in this Red Herring Prospectus, to our knowledge, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations and finances of our Company.

The extent to which material increase in net sales or revenue are due to increased sale volumes, introduction of new products or services or increased sales prices

The material increase in our revenues is mainly due to increase in orders from the existing clients and procurement of new clients.

Total turnover of each major industry segment in which the issuer company operated

Our Company has operated only in IT-ITES segment.

Status of any publicly announced new products or business segment

We have not announced and do not expect to announce in the near future any new products or business segments, except in the ordinary course of our business.

The extent to which business is seasonal

There are no material seasonal or cyclical trends in our business

Any significant dependence on a single or few suppliers or customers

We are not dependent on any single or few suppliers or customers for our revenues

Competitive conditions

For details of competitive conditions, please refer to the section titled "Our Business" beginning on page 45 of this Red Herring Prospectus.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND OTHER MATERIAL DEVELOPMENT

Except as described below, there are no outstanding litigations, suits or criminal or civil prosecutions, proceedings initiated for offences (including past cases, economic offences etc) irrespective of whether specified in paragraph (1) of part 1 of Schedule XIII of the Companies Act and proceedings or tax liabilities against our Company, our Promoters and Directors and our Subsidiaries that would have a material adverse effect on our business. There are also no defaults, non-payment or overdue of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities against our Company or Promoters, Directors and its Subsidiaries.

LITIGATION AGAINST OUR COMPANY

Income Tax Cases

1. An Appeal (SR. No. 58366 and 58368) has been filed by Our Company against the Income Tax officer (international Taxation – II). This appeal was filed against the order of the Income Tax Appellate Tribunal dated January 27, 2006.

   Our Company entered into a license agreement with M/s Bluestone Software Inc for getting a license to use Bluestones total e- business and Universal Business Server, Universal Listener Framework, Scheduler, XML Server and Visual XML Development. Our Company had paid a lump sum of USD 3,000,000 which is equivalent to Rs 1,38,57,250 towards license fee. The Income Tax Officer has treated this amount as a royalty and has passed an order dated August 10, 2004 stating that our Company is an assessee in default to the extent of Rs 20,78,588 as per section 201 (1A) of the Income tax Act. Further, a penalty of Rs 10,70,503 was levied under Section 201(1A) of the IT Act, 1961

   Our Company in its appeal has stated that the payment made above is not a royalty for the purpose of Income Tax Act 1961 and the Double Taxation Treaty between India and United states and therefore the Tribunals decision is erroneous in treating it to be one and putting an obligation on our Company to deduct tax at source and imposing an interest under section 201(1A) of the Income Tax Act, 1961.

   However, Our Company has already paid an amount of Rs 37,12,530 (the abovementioned amount of 20,78,588 and Rs 10,70,503 along with interest payable) in six instalments to the Income tax Department. The matter is pending.

2. Our company has received intimation under section 143(1) of the Income Tax Act, 1961 for the assessment year 2003-2004 for an amount of Rs 89,01,005.

   Further, Our Company has paid an amount of Rs 41,01,655 with the Income tax Department by various Challans. The matter is pending.

   Our Company has preferred an appeal in this regard before the Commissioner of Income Tax (Appeals). By an order dated February 9, 2007, the said demand was computed and has been reduced to Rs. 6,816,841 (inclusive of interest) which has since been paid under protest. We have preferred an appeal against the said order

3. Our Company has received a demand notice under Section 156 of the Income- Tax Act, 1961 for the assessment year 2004-05 for an amount of Rs 30,334,444 on December 27, 2006.

   Our Company has preferred an appeal in this regard before the Commissioner of Income Tax (Appeals). The Income Tax Officer by his letter dated April 25, 2007 has directed to pay the demand for a sum of Rs. 8,532,800 and stayed the balance demand till disposal of the appeal. The said sum of Rs. 8,532,800 has been paid..

Indirect tax Cases

1. By treating the unlicensed software as goods, the office of the Commercial tax officer, Chennai has issued a issued a notice for the assessment year 2003-04 on May 23, 2006 proposing to assess to tax as a dealer in 'unlicensed software'

   a. Sales tax of 12.6% on the turnover of Rs 1,01,68,421 under section 8(2) (b) of the CST Act for interstate sales of un-licensed software without 'C' Forms

   b. A penalty under Section 9 (2-A) read with Section 16(2) f the TNGST Act, 1959 amounting to 1,921,832.

      Our Company has replied to this notice vide letter dated June 2, 2006. The same is still pending.

2. By treating the unlicensed software as goods, the office of the Commercial tax officer, Chennai has issued a issued a notice for the assessment 2004-05 on October 22, 2006 proposing to assess to tax as a dealer in 'unlicensed software'

a. Sales tax of 12.6% on the revised turnover of Rs 16,06,97,020 and

b. A penalty @150 % of the tax due under Section 9 (2-A) read with Section 16(2) if the TNGST Act, 1959 amounting to Rs. 1,554,525.

Our Company has replied to this notice vide letter dated October 30, 2006. The same is still pending.

LITIGATION AGAINST OUR SUBSIDIARIES

There is no litigation against any of our Subsidiaries

LITIGATION AGAINST OUR DIRECTORS OTHER THAN PROMOTERS

Our Directors have no outstanding litigation towards tax liabilities, criminal prosecution for any offences (irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act), disputes, defaults, non-payment of statutory dues, proceedings initiated for economic offences, in their individual capacity or in connection with our Company and other companies with which the Directors are associated.

LITIGATION WHERE PROMOTERS ARE INVOLVED

There are no litigations against our Promoters.

LITIGATION INVOLVING GROUP COMPANIES

There are no group companies.

MATERIAL DEVELOPMENTS

Except as stated in the section titled “Management’s Discussion and Analysis of Financial Statements and Results of Operations” on page 132 of this Red Herring Prospectus no material developments have taken place after March 31, 2007, the date of the last financial statements, that would materially adversely affect the performance or prospects of our Company and its Subsidiaries taken as a whole.

GOVERNMENT AND OTHER APPROVALS

We have received all the necessary material licenses, permissions and approvals from the Central and State Governments and other government agencies/certification bodies required for our business and no further approvals are required by us for carrying on the present as well as proposed business activities of our Company. It must, however, be distinctly understood that in granting the above approvals, the Government and other authorities do not take any responsibility for the financial soundness of our Company or for the correctness of any of the statements or any commitments made or opinions expressed.

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any statutory authority are required to continue those activities.

The following statement sets out the details of the material licenses, permissions and approvals taken by our Company under various Central and State Laws for carrying out its business.

A. Approvals for the Issue

1. The Board of Directors has, pursuant to resolution passed at its meeting held on November 20, 2006 and May 21,2007, authorised the Issue subject to the approval by the shareholders of our Company under section 81 (1 A) of the Companies Act.

2 Our shareholders have, pursuant to a special resolution passed at the extra ordinary general meeting of our Company held on January 17, 2007 and at the AGM held on June 21, 2007 in accordance with Section 81(1 A) of the Companies Act, authorised the Issue.

B. Incorporation

5. Certificate of Incorporation bearing no. U30006TN1995PLC031651 dated June 1, 1995 issued by the Registrar of Companies, Tamil Nadu.

C. Industrial/Labour/Tax

6. Permanent Account Number (PAN) of our Company as issued by the Income Tax Department is AAACZ1086G.
7. Tax Deduction Number (TAN) of our Company as issued by the Income Tax Department is CHEZ 03030G.
8. Certificate of Registration as a dealer under Tamil Nadu Value Added Tax Act 2006 with Tax Payer Identification Number (TIN) 33571542078 w.e.f January 01, 2007 issued by the Government of Tamil Nadu, Commercial Taxes Department under the provisions of Value Added Tax Act 2006.
9. Service Tax Code No. AAACZ1086GST001 dated July 10, 2006, issued by the Service Tax Commissionerate under Section 69 of the Finance Act, 1994 for the taxable services of "maintenance or repair services". Further, our Company has been issued a Premises Code number **SF0202/3081/2006** in relation to the premises situated at New Number 82/40, 1st main Road, CIT Nagar, Nandanam, Chennai.
10. Our Company has obtained registration under Employee's Provident Fund and Miscellaneous Provisions Act, 1952 issued by the Office of the Regional Provident Fund Commissioner, Tamil Nadu and Pondicherry vide code no. TN 49094 dated March 1, 2000.
11. Our Company has obtained a Certificate of Importer- Exporter code (IEC number 0497015404) issued on October 14, 1997 by the Ministry of Commerce.
12. PTNAN No. 09 – 137- PE- 0078 issued under Rule 7 of the Tamil Nadu Urban Local Bodies Tax on Professions, Trades, Callings Employment Rules 1998 by the commissioner under this legislation for the period 2006-2007.
13. Our Company is registered as a dealer under the Tamil Nadu Value Added Tax Act 2006, with effect from January 1, 2007. the Tax Payers Identification Number allotted to us is 33571542078

D. Software Technology Parks of India

14. Our Company was granted permission on October 15, 1998 for establishing a 100% EOU under the STP Scheme of the Software Technology Parks of India (STPI) at the premises situated at No 82/40, CIT Nagar, 1st Main Road, Nandanam, Chennai 600 035. this was further renewed *vide* an Agreement dated June 14, 2004.
15. Our Company is granted a License under Section 58 (1) of the Customs Act, 1962 for establishing a Private Bonded Warehouse for the storage of Computers and its accessories, furniture and other electrical and electronic goods. The license number is: E- 010 (AIR) and is valid upto March 4, 2009. The Bonded warehouses have been set up at: -
    - 1st Floor at No 57/1, Thirumalli Pillai Road, T. Nagar, Chennai – 600 017.
    - 1at and 2nd floor at No 40, CIT Nagar, 1Main Road, Nandanam Chennai -600 035
    - 1, West Road, West CIT Nagar, Nandanam, Chennai – 600 035.

E. RBI Approvals/Licenses

16. The RBI has issued an identification number MAWAZ20050114 to the Wholly Owned subsidiary (WOS) of our Company in UK i.e. Zylog Systems (UK) Limited on April 4, 2005.

17. Our Company has obtained permission from the Reserve Bank of India on October 14, 2000 for allotment of shares to OCB/NRI. The following are the OCB/NRI

Sr No	Name of the OCB/NRI	No. of Shares issued	Face Value (Rs)	Total Value Received
1.	Magnus Capital Corporation Mauritius Limited – OCB	1,25,000	10	12,50,000
2.	Nita K.A. Pathak, USA – NRI	18,300	10	1,83,000

F. ISO 9001:2000 Certificate

18. Our Company has obtained an ISO 9001:2000 certificate by Det Norske Veritas Management System for design, development and maintenance of software, enterprise, infrastructure management and software testing for clients. The certificate is valid till November 2, 2008.

G. Trademarks

19. Our Company has made an application for the registration of the Zylog Logo in Class 9 (application No: 971755) and 16 (application No: 16). The same has been registered.

We apply for and / or renew relevant licenses, approvals or permissions as may be required on account of our business from the relevant regulatory or other authorities in India or abroad.

OTHER REGULATORY AND STATUTORY DISCLOSURES

AUTHORITY FOR THE PRESENT ISSUE

Pursuant to Section 81(1A) of the Companies Act, 1956, the present issue of Equity Shares has been authorized vide a resolution passed by the Board of Directors at its meeting held on November 20, 2006 and May 21, 2007 and a Special Resolution passed at the Extra-Ordinary General Meeting of our Company held on January 17, 2007 and at the AGM held on June 21, 2007.

PROHIBITION BY SEBI

Our Company, our Directors, our Promoters, our Subsidiaries, our group companies, any of our Company's or group companies' associates, companies that are promoted by our Promoters, and companies with which our Directors are associated as directors or promoters have not been prohibited from accessing the capital markets under any direction or order passed by SEBI. None of the bodies' corporate / natural persons in control of the corporate bodies forming part of the promoter group have been restrained from accessing capital markets under any direction or order passed by SEBI or any other authorities.

ELIGIBILITY FOR THE ISSUE

We are eligible for this Issue as per clause 2.2.1 of the SEBI Guidelines as we are in compliance with the conditions specified therein.

(a) We have net tangible assets of at least Rs. 30 million in each of the preceding 3 full financial years (of 12 months each), of which not more than 50% is held in monetary assets.

(b) We have a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years.

(c) We have a net worth of not less than Rs.10 million in each of the preceding 3 full years (of 12 months each);

(d) We have not changed our name within the last one year

(e) The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size does not exceed five (5) times of our pre-issue net worth as per the audited balance sheet of the last financial year.

Our Company has received certificate dated June 18, 2007 from L.U. Krishnan & Co, Chartered Accountants certifying that our Company has fulfilled the above mentioned eligibility criterion in the following manner:

Rupees in millions

As at	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007
Net Tangible Assets	358.24	559.49	830.05	1429.51	2,860.18
Monetary Assets	67.95	139.12	163.16	299.06	806.21
Net Profit, as restated	92.61	112.33	176.71	388.1	540.45
Net worth	398.27	509.95	664.43	1034.74	2,164.38

(1) Net tangible assets are defined as the sum of all net assets of our Company excluding intangible assets as defined in AS – 26 issued by the Institute of Chartered Accountants in India.

(2) Monetary assets include cash on hand and bank balance.

Further, the Issue is subject to the fulfillment of the following conditions as required by rule 19(2)(b) of the SCRR:

- A minimum 2,000,000 Equity Shares (excluding reservations, firm Allotments and promoters contribution) are offered to the public;
- The Net Issue size, which is the Issue Price multiplied by the number of Equity Shares offered to the public, is a minimum of Rs. 1,000 million; and
- The Issue is made through the Book Building method with allocation of at least 60% of the Net Issue size to QIBs as specified by SEBI.

Additionally, in accordance with Clause 2.2.2A of the SEBI DIP Guidelines, we shall ensure that the number of prospective allottees to whom the Equity Shares will be allotted will not be less than 1,000 in number.

DISCLAIMER CLAUSE

"AS REQUIRED, A COPY OF THE RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, MOTILAL OSWAL INVESTMENT ADVISORS PRIVATE LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE DIP GUIDELINES FOR DISCLOSURES AND INVESTOR PROTECTION AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, MOTILAL OSWAL INVESTMENT ADVISORS PRIVATE LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 06 2007 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

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

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

    - **THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

    - **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE 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**

    - **THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.**

    - **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.**

    - **WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

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

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WERE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF COMPANIES ACT, ALL LEGAL REQUIREMENTS PERTAINING TO THE OFFER HAVE BEEN COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

THE BOOK RUNNING LEAD MANAGER AND US ACCEPT NO RESPONSIBILITY FOR STATEMENTS MADE OTHERWISE THAN IN THE RED HERRING PROSPECTUS OR IN THE ADVERTISEMENT OR ANY OTHER MATERIAL OFFERD BY OR AT OUR INSTANCE AND ANYONE PLACING RELIANCE ON ANY OTHER SOURCE OF INFORMATION WOULD BE DOING SO AT HIS OWN RISK.

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

GENERAL DISCLAIMER

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to our Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares. Our Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of our Company.

Investors may note that our Company and BRLM accepts no responsibility for statements made otherwise in this Red Herring Prospectus or in the advertisements or any other material issued by or at the instance of our Company or the Book Running Lead Manager and that anyone placing reliance on any other source of information would be doing so at his / her own risk.

The BRLM accept no responsibility, save to the limited extent as provided in the Underwriting Agreement to be entered into between the Underwriters and our Company and the Memorandum of Understanding between the BRLM and our Company.

Our Company and the BRLM shall make all information available to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres etc.

Neither our Company nor the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

DISCLAIMER IN RESPECT OF JURISDICTION

This issue is made in India to persons resident in India (including Indian nationals resident in India who are majors, Hindu Undivided Families, Companies, Corporate Bodies and Societies registered under the applicable laws in India and authorized to invest in shares, Indian Mutual Funds registered with the SEBI, Indian financial institutions, commercial banks and regional rural banks, co-operative banks (subject to RBI permission), Trusts (registered under Societies Registration Act, 1860, or any other Trust law and are authorized under their constitution to hold and invest in shares) and to NRIs and FIIs as defined under the Indian Laws. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to shares issued hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself about and to observe any such restrictions. Any disputes arising out of this Issue will be subject to the jurisdiction of courts in Mumbai, India only.

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

A copy of the Red Herring Prospectus, along with documents required to be filed under Section 60B of the Act, would be delivered for registration to the Registrar of Companies, Tamil Nadu and a copy of the Prospectus to be filed under Section 60 of the Act would be delivered for registration with the Registrar of Companies.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the

account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold only outside the United States in compliance with Regulation S and the applicable laws of the jurisdiction where the offer and sales occur.

DISCLAIMER CLAUSE OF BOMBAY STOCK EXCHANGE LIMITED (BSE)

"Bombay Stock Exchange Limited ("the Exchange") has given vide its letter dated March 19, 2007, permission to this Company to use the Exchange's name in this Red Herring Prospectus as one of the Stock Exchange on which this Company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

i. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or

ii. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or

iii. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

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

DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED (NSE)

"As required, a copy of this Red Herring Prospectus has been submitted to National Stock Exchange of India Limited (hereinafter referred to as "NSE"). NSE has given vide its letter ref.: NSE / LIST/47466-R dated May 29, 2007 permission to the Issuer to use the Exchange's name in this Red Herring Prospectus as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinized this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that this Issuer'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 Issuer, its promoters, its management or any scheme or project of this Issuer".

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

FILING

A copy of this Red Herring Prospectus, has been filed with the Corporate Finance Department of SEBI, SEBI Bhavan, Block G plot No C-4A Bandra Kurla Complex, Bandra East Mumbai - 400 051.

A copy of the Red Herring Prospectus along with documents to be filed under Section 60B of the Act, would be delivered for registration to the Registrar of Companies, Chennai Tamil Nadu and a copy of the Prospectus required to be filed under section 60 of the Act will delivered for registration to the RoC.

LISTING

Initial listing applications have been made to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited for permission to list the Equity Shares and for an official quotation of the equity shares of our Company. BSE will be the Designated Stock Exchange for the purposes of this Issue.

In case, the permission for listing of the Equity Shares is not granted by any of the above mentioned Stock Exchanges, our Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within 8 days after the day from which the Issuer becomes liable to repay it, then our Company and every director of our Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay that money with interest as prescribed under Section 73 of the Companies Act, 1956.

Our Company with the assistance of the Book Running Lead Manager shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges mentioned above are taken within seven working days of finalisation of basis of allotment for the Issue.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of Sub-Section (1) of Section 68A of the Companies Act, 1956 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."

CONSENTS

The written consents of Promoters, Directors, Company Secretary, Auditor, Legal Advisor, Book Running Lead Manager to the Issue, Syndicate Member to the Issue, Registrar to the Issue, Underwriter to the Issue, Bankers to our Company and Bankers to the Issue to act in their respective capacities, have been obtained and will be filed along with a copy of the Red Herring Prospectus with the Registrar of Companies, Tamil Nadu is as required under Section 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration.

M/s. Brahmayya & Co, Chartered Accountants, 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 Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration to the Registrar of Companies, Tamil Nadu.

M/s. Brahmayya & Co, 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 Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Red Herring Prospectus for registration with the Registrar of Companies, Tamil Nadu.

EXPERT OPINION

Our Company has not obtained any expert opinion apart from whatever is already mentioned in this Red Herring Prospectus.

EXPENSES OF THE ISSUE

The expenses of the Issue payable by our Company inclusive of fees payable to the Book Running Lead Manager to the Issue, Registrar to the Issue, Legal Advisor, stamp duty, printing, publication, advertising and distribution expenses, bank charges, listing fees and other miscellaneous expenses are estimated as follows:

DETAILS OF FEES PAYABLE

Rupees in millions

Particulars	Expenses	As a % of theIssue size	As a % of the total issue expenses
Lead Management fees, underwriting & Selling commission	[●]	[●]	[●]
Marketing and advertisement expenses	[●]	[●]	[●]
Stationery, printing and registrar expenses	[●]	[●]	[●]
Others	[●]	[●]	[●]
Total	**[●]**	**[●]**	**[●]**

However an advance amount of Rs.27.53 Millions has been spent toward issue expenses

FEES PAYABLE TO BRLM

The total fees payable to the BRLM and Syndicate Members (including underwriting commission and selling commission) will be as stated in the Engagement Letter with the BRLM, a copy of which is available for inspection at the Registered Office of our Company.

FEES PAYABLE TO REGISTRAR TO THE ISSUE

The total fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding signed with between our Company and the Registrar to the Issue, a copy of which is available for inspection at our Registered Office.

The Registrar to the Issue will also be reimbursed with all relevant out-of-pocket expenses such as cost of stationery, postage, stamp duty, communication expenses, etc. Adequate funds will be provided to the Registrar to the Issue to enable them to make refunds to unsuccessful applicants.

OTHERS

The total fees payable to the Legal Advisor, Auditor and Tax Auditor will be as per the terms of their respective engagement letters.

UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

The underwriting commission and selling commission for the Issue is as set out in the Syndicate Agreement entered between our Company, the BRLM and Syndicate Members. The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue Price and amount underwritten in the manner mentioned in the Red Herring Prospectus.

PREVIOUS PUBLIC OR RIGHTS ISSUES

Our Company has not made any public or rights issue since its inception.

PREVIOUS ISSUE OF SHARES OTHERWISE THAN FOR CASH

Please refer to the section titled 'Capital Structure' beginning on page no. 14 of this Red Herring Prospectus for details of shares issued otherwise than for cash.

COMMISSION OR BROKERAGE ON PREVIOUS ISSUES

There has been no public issue in the past of our Company's Equity Shares. Thus, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity shares since our Company's inception.

OUTSTANDING DEBENTURES OR BOND ISSUES

As on the date of filing this Red Herring Prospectus, our Company does not have any outstanding debentures or bond issues.

OUTSTANDING PREFERENCE SHARES

As on the date of filing this Red Herring Prospectus, our Company does not have any outstanding preference shares.

PARTICULARS IN REGARD TO OUR COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370(1)(B) OF THE COMPANIES ACT, 1956, WHICH MADE ANY CAPITAL ISSUE DURING THE LAST THREE YEARS

There are no listed companies under the same management within the meaning of section 370 (1)(B) of the Companies Act, 1956 that made any capital issue during the last three years.

PROMISES Vs PERFORMANCE

Our Company has not made any public issue since its inception. None of our group companies have made any public issue since their respective dates of inception.

OPTION TO SUBSCRIBE

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

STOCK MARKET DATA

This being the first public issue by our Company, no stock market data is available.

DISCLOSURE ON INVESTOR GRIEVANCES AND REDRESSAL SYSTEM

The agreement between the Registrar to this Issue and our Company will provide for retention of records with the Registrar to this Issue for a period of at least one year from the last date of dispatch of the letters of allotment, demat credit and making refunds as per the modes disclosed to enable the investors to approach the Registrar to this Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to this 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 center where the application was submitted.

We estimate that the average time required by us or the Registrar to this Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

Our Company has appointed Mr. Jitendra Kumar Pal, Company Secretary as the Compliance Officer and he may be contacted at No 82/40, First Main Road, CIT Nagar, Nandanam, Chennai - 600 035; Tel No: 044 42867000; Fax No. 044 24326420; Email: secretarial@zylog.co.in, for redressal of any complaints.

CHANGES IN THE AUDITORS DURING LAST THREE YEARS AND REASONS THEREOF

Our Company has changed its auditors in Fiscal 2006 from M/s Venkat & Sujatha Associates to Brahmayya & Co. The need for a change was imminent as the previous auditor wanted to resign quoting personal reasons.

CAPITALISATION OF RESERVES OR PROFITS DURING THE LAST FIVE YEARS

At the Extra-ordinary General Meeting of our Company held on October 09, 2003, our shareholders approved the issue of bonus Equity Shares in the ratio of one Equity Share for every one Equity Shares held of our Company. Accordingly, 5,210,710 Equity Shares of Rs. 10 each were issued by our Company as bonus by way of capitalisation of our share premium account.

REVALUATION OF ASSETS DURING THE LAST FIVE YEARS

Our Company has not revalued its assets during the last five years.

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and Articles of Association of our Company, conditions of RBI approval, the terms of this Red Herring Prospectus, Bid-cum-Application Form, the Revision Form, the Confirmation of Allocation Note ("CAN") and other terms and conditions as may be incorporated in the Allotment Advice, and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, ROC and / or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

The Issue of equity shares has been authorized by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, 1956 at the Extra-Ordinary General meeting of the shareholders held on January 17, 2007 and at AGM held on June 21, 2007.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of the Memorandum and Articles of Association and shall rank pari passu in all respects with the other existing shares of our Company including in respect of the rights to receive dividends.

Mode of payment of dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act, 1956.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being offered in terms of this Red Herring Prospectus at a price of Rs. [●] per share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws. The issue price is [●] times the face value of the Equity Shares.

Compliance with SEBI Guidelines

Our Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time. In this regards we have appointed Mr. Jitendra Kumar Pal, Company Secretary as the Compliance Officer.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and Articles of Association of our Company.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and / or consolidation / splitting, please refer to the section titled 'Main provision of the Articles of Association of our Company' beginning on page no. 179 of this Red Herring Prospectus.

Market Lot

The Equity Shares of our Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of our Company shall only be in dematerialized form for all investors. Since trading of our Equity Shares is in dematerialized mode, the tradable lot is one Equity Share. Allocation and allotment of Equity Shares through this Issue will be done only in electronic form, in multiple of one Equity Share, subject to a minimum allotment of 20 Equity Shares. For details of allocation and allotment, please refer to the section titled 'Issue Procedure' beginning on page no. 158 of this Red Herring Prospectus.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidder, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person 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 our Registered / Corporate Office or to our Registrar and Transfer Agents.

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

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

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If we do not receive the minimum subscription of 90% of the net issue to public including devolvement of Underwriters within 60 days from the date of closure of the issue, 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, our Company shall pay interest as prescribed under Section 73 of the Companies Act.

Arrangement for disposal of odd lot

Our shares will be traded in dematerialized form only and therefore the marketable lot is one (1) Equity Share. Hence, there is no possibility of any odd lots.

Subscription by NRIs/ FIIs/Foreign Venture Capital Funds registered with SEBI

As per the exchange policy of the Government of India, OCBs cannot participate in this Issue

As per the current provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, there exists a general permission for the NRIs, FIIs and foreign venture capital investors registered with SEBI to invest in shares of Indian companies by way of subscription in an IPO. However, such investments would be subject to other investment restrictions under the RBI and/or SEBI regulations as may be applicable to such investors. Based on the above provisions, it will not be necessary for the investors to seek separate permission from the FIPB/ RBI for this specific purpose. However, it is to be distinctly understood that there is no reservation for NRIs, FIIs and foreign venture capital funds registered with SEBI and all NRI, FII and foreign venture capital funds registered with SEBI applicants will be treated on the same basis with other categories for the purpose of allocation.

The allotment of the Equity Shares to Non-Residents shall be subject to the conditions as may be prescribed by the Government of India/RBI while granting such approvals.

ISSUE STRUCTURE

The present issue is of 3,600,000 Equity Shares of face value of Rs. 10 each for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million (hereinafter referred to as the "Issue"). The Issue comprises of a reservation for Eligible Employees of 100,000 Equity Shares of Rs. 10 each and a Net Issue to the public of 3,500,000 Equity Shares of Rs. 10 each (hereinafter referred to as the "Net Issue"). The Net Issue will constitute 21.28% of the total post issue paid-up equity capital of Our Company. The Issue is being made through the 100% Book Building Process:

THE ISSUE STRUCTURE IS AS FOLLOWS –

	Eligible Employees	**QIBs Bidders**	**Non-Institutional Retail Individual**	**Bidders**
Number of Equity Shares*	Upto 100,000 Equity Shares	Atleast 2,100,000 Equity Shares aggregating Rs. [●] million must be allotted to QIBs.	Upto 350,000 Equity Shares aggregating Rs. [●] million shall be available for allocation.	Upto 1,050,000 Equity Shares aggregating Rs. [●] million shall be available for allocation.
Percentage of Issue Size available for allocation	Upto 2.9 % of the Net Issue	Atleast 60 % of the Net Issue (of which 5% shall be reserved for Mutual Funds) or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders* Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs.	Upto 10% of the Net Issue or Net Issue less allocation to QIBs and Retail Portion*	Upto 30% of the Net Issue or Net Issue less allocation to QIBs and Non-Institutional Portion*
Basis of allocation if respective category is oversubscribed	Proportionate	Proportionate(a) 105,000 Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds; and(b) 1,995,000 Equity Shares shall be allotted on a proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	20 Equity Shares and in multiples of 20 Equity Shares thereafter	Such number of Equity Shares in the multiples of 20 Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 20 Equity Shares thereafter.	Such number of Equity Shares in the multiples of 20 Equity Shares such that the Bid Amount exceed Rs. 1,00,000.	20 Equity Shares and in multiples of 20 Equity Share thereafter so that the Bid Amount does not exceed Rs. 1,00,000.
Maximum Bid	100,000 Equity Shares	Not exceeding the size of the Net Issue subject to regulations as applicable to the Bidder	Not exceeding the Net Issue subject to regulations as applicable to the Bidder	Such number of Equity Shares in multiples of 20 Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 1,00,000
Mode of Allotment	Compulsorily in dematerialized form	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share

	Eligible Employees	QIBs Bidders	Non-Institutional Retail Individual	Bidders
Who can Apply **	Permanent employees and irectors of our Company, whether a whole time director, part time director or other-wise excluding the Promoter Directors who are Indian nationals based in India and are present in India on the date of sub ission of Bid Cum Application form. In addition, such person should be an employee or director during the period commencing from the date of filing of the Red Herring Prospectus with the ROC upto the Bid/Issue Closing Date	Public financial institutions as specified in Section 4A of the Companies Act, FII's, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.	Resident Indian individuals, HUFs (in the name of karta), companies, NRI's, corporate bodies, societies and trusts.	Individuals (including HUFs in the name of karta and eligible NRI's) applying for Equity Shares such that the Bid Amount per Retail Individual Bidder does not exceed Rs. 1,00,000 in value.
Terms of Payment	Margin Amount applicable to Eligible Employees at the time of submis-sion of Bid cum Application Form to the Member of Syndicate	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to Non-institutional Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to Retail Individual Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate.
Margin Amount	Full Bid Amount on bidding	Atleast 10% of the Bid Amount in respect of bids placed by QIB Bidder on Bidding.	Full Bid Amount on Bidding.	Full Bid Amount on Bidding.

***** Subject to valid Bids being received at or above the Issue Price, in terms of Rule 19 (2) (b) of the SCRR, this is an Issue for less than 25% of the post–Issue capital, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder QIB portion shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM.

The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Eligible Employees of our Company will be added back to the net issue to any other category, at the discretion of our Company and the BRLM.

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

If the aggregate demand by Mutual Funds is less than 105,000 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund reservation will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.

Withdrawal of this Issue

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

Bidding Period / Issue Period

BID / ISSUE OPENS ON	**July 20, 2007**
BID / ISSUE CLOSES ON	**July 25, 2007**

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 centers mentioned on the Bid-cum-Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) or uploaded till such time as may be permitted by the BSE and NSE on the Bid/Issue Closing Date.

The Price Band will be decided by our Company in consultation with the BRLM.

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

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

ISSUE PROCEDURE

BOOK BUILDING PROCEDURE

In terms of Rule 19(2) (b) of the SCRR, this is an Issue for less than 25% of the post–Issue capital, therefore, the Net Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further, upto 100,000 Equity Shares shall be available for allocation on a proportional basis Eligible Employees, subject to valid bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. We, in consultation with the BRLM reserve the right to reject any Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the bidder at the time of rejection of bid in writing. In case of Non Institutional Bidders, Retail Bidders and Eligible Employee we would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Bid-cum-Application Form

Bidders shall only use the Bid-cum-Application Form bearing the stamp of a Syndicate member for making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, despatch 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 Syndicate member, the Bidder is deemed to have authorized us to make the necessary changes in this Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the ROC and as would be required by the ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories, is as follows:

Category	Colour of Bid-cum- Application Form
Indian Public or NRIs applying on a non-repatriation basis	White
Non-residents including NRIs, FIIs, Foreign Venture Capital Fund applying on repatriation basis	Blue
Eligible Employees	Pink

Who Can Bid?

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. 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. Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in Equity Shares;
4. Indian mutual funds registered with SEBI;
5. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and SEBI regulations, as applicable);
6. Venture capital funds registered with SEBI;
7. Foreign venture capital investors registered with SEBI subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;

8. FIIs registered with SEBI subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
9. State Industrial Development Corporations;
10. Insurance companies registered with the Insurance Regulatory and Development Authority;
11. Provident funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in Equity Shares;
12. Pension funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in Equity Shares;
13. Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts and who are authorized 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 local laws;
15. Scientific and/or industrial research organizations authorized under their constitution to invest in Equity Shares;
16. Eligible Employees of our Company as on the date of submission of the Bid-cum-Application form.; and
17. Any other QIBs permitted to invest, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;

Pursuant to the existing regulations, OCB are not eligible to participate in the Issue.

Note: The BRLM and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation. However associates and affiliates of the BRLM and Syndicate member may subscribe for Equity Shares in the issue, either in the QIB portion or Non Institutional portion as the case may be.

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 the relevant regulations or statutory guidelines.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 105,000 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under its scheme should own more than 10% of any company's paid-up capital carrying voting rights. Further, bidders may bid as per the limits prescribed above. The applications made by the asset management companies or custodians of a Mutual Fund should clearly indicate the name of the concerned scheme for which the application is being made.

As per current regulations, the following restrictions are applicable for investment by FIIs:

The Issue of Equity Shares to a single FII should not exceed 10% of the post-Issue paid-up capital of our Company. In respect of an FII investing in Equity Shares of our Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of our Company or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in our Company cannot exceed 24 % of the total paid-up capital of our Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of this date, no such resolution has been recommended for adoption.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

As per the current regulations, the following restrictions are applicable for investments by SEBI registered Venture Capital Funds:

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, whilst the holding by any individual venture capital fund registered with SEBI in one company should not exceed 25% of the corpus of the venture capital fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture Capital Investors can invest only upto 33.33% of the investible funds by way of subscription to an initial public offer

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

a. For Retail Individual Bidders: The Bid must be for a minimum of 20 Equity Shares and in multiples of 20 Equity Shares thereafter, subject to maximum Bid amount of Rs. 100,000. In case the maximum Bid amount is more than Rs.100,000 then the same would be considered for allocation under the Non-Institutional Bidders category. The Cut-off option is given only to the Retail Individual Bidders indicating their agreement to bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

b. For Non-Institutional Bidders and QIBs Bidders: The Bid must be for a minimum of such Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 20 Equity Shares thereafter. A Bid cannot be submitted for more than the size of the Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them by the regulatory or statutory authorities governing them. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision of bids, the Non Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non- Institutional portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, the same would be considered for allocation under the Retail portion. Non Institutional Bidders and QIB Bidders are not allowed to Bid at ‘cut-off’.

c. For Bidders in the Employee Reservation Portion: The Bid must be for a minimum of 20 Equity Shares and in multiples of 20 Equity Shares thereafter subject to a maximum Bid for 100,000 Equity Shares.

Information for the Bidders

- Our Company will file the Red Herring Prospectus with the ROC atleast three days before the bid issue opening date.
- The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.
- 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 corporate office or from any of the BRLM / Syndicate Members.
- Investors who are interested in subscribing for our Company’s Equity Shares should approach any of the BRLM or Syndicate Member or their authorized agent(s) to register their Bid.
- 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.

Bidding Process

a. Our Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with ROC, and also publish the same in one English national daily, one Hindi national daily and Tamil daily newspaper. This advertisement shall contain the disclosures as prescribed under SEBI Guidelines. The BRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period. 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.

b. The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) and a tamil newspaper also by indicating on the websites of the BRLM and at the terminals of the members of the Syndicate the Bidding Period may be extended, if required, by an additional three working days, subject to the total Bidding Period not exceeding 10 working days.

c. 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 entitled "Bids at Different Price Levels" below) 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.

d. The Bidder cannot bid on another Bid-cum-Application Form after his or her 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' beginning on page no. 163 of this Red Herring Prospectus.

e. During the Bidding Period, Bidders may approach the Syndicate Member to submit their Bid. Every Syndicate Member shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.

f. Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph titled 'Terms of Payment' beginning on page no. 162 of this Red Herring Prospectus.

g. The BRLM and Syndicate Member 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. It is the responsibility of the Bidder to obtain the TRS from the members of the Syndicate.

Bids at Different Price Levels

a. The Price Band has been fixed at Rs. 330.0 to Rs. 350.0 per Equity Share of Rs. 10 each, Rs. 330.0 being the Floor Price and Rs. 350.0 being the Cap Price. The Bidders can bid at any price with in the Price Band, in multiples of Re 1. In accordance with SEBI Guidelines, our Company in consultation with the BRLM can revise the Price Band by informing the stock exchanges, releasing a press release, disclosure on the website of the members of the Syndicate, if any and notification on the terminal of the members of the Syndicate. In case of a revision in the Price Band, the Issue will be kept open for a period of three working days after the revision of the Price Band, subject to the total Bidding Period not exceeding ten working days. We, in consultation with BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

b. The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Eligible Employees may bid at "Cut-off". **However, bidding at "Cut-off" is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected**.

c. Retail Individual Bidders/Eligible Employees, who bid at the Cut-Off agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders/ Eligible Employees bidding at Cut-Off shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders/ Eligible Employees (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders and Eligible Employees shall receive the refund of the excess amounts from the Escrow Account.

d. The Price Band can be revised during the Bidding Period in which case the maximum revisions on either side of the Price Band shall not exceed 20% fixed initially.

e. Any revision in the Price Band shall be widely disseminated including by informing the Stock Exchanges, issuing Press Release and making available this information on the Bidding terminals.

f. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall be revised in order to ensure that the Bid Amount payable on such minimum application is in the range of Rs. 5,000 to Rs. 7,000.

g. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees, who had bid at Cut Off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the Revised Price Band, with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will be considered for allocation under the Non Institutional category in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut off.

h. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees who have bid at Cut Off price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

Escrow Mechanism

Escrow Account

We shall open Escrow Accounts with one or more Escrow Collection Banks in whose favor the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the bid. Cheques or demand drafts received for the full Bid amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of this Red Herring Prospectus and an Escrow Agreement to be entered into amongst our Company, the BRLM, Escrow Bankers and Registrar to the Issue. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement. Payments of refunds to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and this Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Escrow Collection Bank(s), our Company, Registrar to the Issue and BRLM to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Account

Each Bidder shall, with the submission of the Bid cum Application Form draw a cheque or demand draft in favour of the Escrow Account of the Escrow Collection Bank (for details refer to the paragraph titled ‘Payment Instructions’ beginning on page no. 169 of this Red Herring Prospectus) and submit the same to the member of the Syndicate with whom the Bid is being deposited. 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. The Escrow Collection Bank will hold all monies collected for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank shall transfer the funds in respect of those Bidders whose Bids have been accepted from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account. The balance amounts after the transfer to the Public Issue Account, lying credited with the Escrow Collection Banks shall be held for the benefit of the Bidders who are entitled to a refund. 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 adjustment for allocation, to the Bidders.

Each category of Bidders (i.e., QIBs, Non Institutional Bidders and Retail Bidders) would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The details of the Margin Amount payable is mentioned under the section titled ‘Issue Structure’ beginning on page no. 155 of this Red Herring Prospectus and will be available with the Syndicate and will be as per the Syndicate Agreement. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 days from the date of communication of the allocation list to the Syndicate Members by the BRLM. 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 applicable Margin Rate for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid Form. 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 we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

a. The members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity to each city where a stock exchange is located in India and where the Bids are accepted.

b. BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Member and their authorized agents during the Bidding Period. Syndicate Member can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchanges.

c. BSE and NSE will aggregate demand and price for bids registered on their electronic facilities on a regular basis and display graphically the consolidated demand at various price levels. This information can be accessed on BSE's website at www.bseindia.com or on NSE's website at www.nseindia.com

d. At the time of registering each Bid, the Syndicate Member shall enter the following details of the investor in the on- line system:

  - Name of the investor
  - Investor Category such as Individual, Corporate, NRI, FII or Mutual Fund, etc.
  - Numbers of Equity Shares bid for
  - Bid price
  - Bid-cum-Application Form number
  - Whether payment is made upon submission of Bid-cum-Application Form
  - Depository Participant Identification No. and Client Identification No. of the Demat Account of the Bidder

e. A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to request and obtain the TRS from the members of the Syndicate.** The registration of the Bid by the Syndicate Member does not guarantee that the Equity Shares shall be allocated either by the Syndicate Member or our Company.

f. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

g. We, in consultation with the BRLM reserve the right to reject any QIB Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the bidder at the time of rejection of bid in writing. In case of Non Institutional Bidders, Retail Bidders and Eligible Employees we would have a right to reject the Bids only on technical grounds listed on page no. 171 of this Red Herring Prospectus.

h. It is to be distinctly understood that the permission given by BSE and NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and BRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.

i. It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

Build Up of the Book and Revision of Bids

a. Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.

b. The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.

c. During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.

d. Revisions can be made in both the desired number of Equity Shares and the bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

e. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) of the Bid, the Bidders will have to use the services of the same members of the Syndicate through whom he or he had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

f. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

g. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the Syndicate Member. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

h. In case of discrepancy of data between BSE or NSE and the Syndicate Member, the decision of the BRLM based on physical records of Bid cum Application Forms shall be final and binding to all concerned.

Price Discovery and Allocation

a. After the Bid/Issue Closing Date, the BRLM will analyze the demand generated at various price levels and discuss pricing strategy with us.

b. Our Company, in consultation with BRLM shall finalise the "Issue Price", the number of Equity Shares to be allotted and the allocation to successful Bidders.

c. The allocation to QIBs will be atleast 60% of the Net Issue and allocation to Non-Institutional and Retail Individual Bidders will be up to 10% and 30% of the Net Issue respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and the Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid bids being received at or above the Issue Price.

d. Undersubscription, if any, in the Non – Institutional category and the Retail Individual category would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than 105,000 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLM..

e. Any under subscription in the Employee Reservation portion would be added back to the Net Issue.

f. Allocation to eligible NRIs or FIIs or Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis will be subject to the terms and conditions stipulated by RBI.

g. The BRLM, in consultation with us, shall notify the Syndicate Member of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

h. Our Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before allotment.

i. In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the closure of Bidding.

j. The allotment details shall be put on the website of the Registrar to the Issue.

Notice to QIBs: Allotment Reconciliation

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN

Signing of Underwriting Agreement and RoC Filing

Our Company, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.

After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

Filing of the prospectus with the RoC

We will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Announcement of pre-Issue Advertisement

Subject to Section 66 of the Companies Act, our Company shall after receiving final observations, if any, on this Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI DIP Guidelines in an English national newspaper with wide circulation, one Hindi national newspaper and one Tamil newspaper with wide circulation.

Advertisement Regarding Issue Price and Prospectus

A statutory advertisement will be issued by us 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 this Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note (CAN)

After the determination of Issue Price, the following steps would be taken

(a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, the investor should note that we shall ensure that the date of Allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLM or the members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have paid the Margin Amount into the Escrow Account at the time of bidding shall pay the balance 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 realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed as a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be Allotted to such Bidder.

(d) The Issuance of CAN is subject to "Allotment Reconciliation and Revised CANs" as set forth under the section"Terms of Issue" of this Red Herring Prospectus.

Designated Date and Allotment of Equity Shares

a. After the funds are transferred from the Escrow Account to the Issue Account on the Designated Date, we would ensure allotment of the Equity Shares to the allottees within two days of the finalization and adoption of the basis of allotment.

b. All allottees will receive credit for the Equity Shares directly in their depository account. **Equity Shares will be issued only in the dematerialized form to the allottees**. Allottees will have the option to re-materialize the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.

We would ensure the allotment of Equity Shares within 15 days of Bid/Issue Closing Date and also ensure that credit is given to the allottees' depository accounts within two working days from the date of allotment.

GENERAL INSTRUCTIONS

Do's:

a. Check if you are eligible to apply;

b. Complete the Bid-cum-Application Form after reading all the instructions carefully;

c. Ensure that the details about Depository Participant and Beneficiary Account are correct as Equity Shares will be allotted in the dematerialized form only;

d. Ensure that the Bids are submitted at the bidding centers 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;

g. Ensure that the bid is within price band;

h. 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, investors should ensure that the Depository Account is also held in the same sequence as they appear in the Bid-cum- Application Form;

i. If your Bid is for Rs. 50,000 or more, ensure that you mention your PAN allotted under the I.T. Act and ensure that you have attached a copy of your PAN card with the Bid cum application Form. In case the PAN has not been allotted, mention "Not Allotted" in the appropriate place.

Don'ts:

a. Do not Bid for lower than the minimum Bid size;

b. Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the price band;

c. Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the member of the Syndicate;

d. Do not pay the Bid amount in cash;

e. Do not provide your GIR number instead of your PAN.

f. Do not send Bid-cum-Application Forms by post; instead submit the same to members of the Syndicate only;

g. Do not Bid at cut off price (for QIBs and non-institutional bidders);

h. Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations; and

i. Do not submit Bid accompanied with Stock invest.

Bids by Eligible Employees of our Company

a. For the purpose of this reservation, Eligible Employee shall include all the employees of our Company including the employees of the Subsidiaries of our Company.

b. Bids under Employee Reservation Portion by Eligible Employees shall be made only in the prescribed Bid cum Application Form or Revision Form (i.e. Pink coloured Form).

c. Eligible Employees, should mention the following at the relevant place in the Bid cum Application Form:

d. Department name

e. The sole/ first bidder should be an Eligible Employee as defined above.

f. Only Eligible Employees, would be eligible to apply in this Issue under this Reservation Portion.

g. Bids by Eligible Employees, will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.

h. If the aggregate demand in this category is less than or equal to 100,000 Equity Shares at or above the Issue Price, full Allocation shall be made to the Eligible Employees to the extent of their demand. Under subscription, if any, in the Employees Reservation Portion will be added back to the Net Issue to the public.

i. If the aggregate demand in this category is greater than 100,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to paragraph titled 'Basis of Allotment' beginning on page no. 173 of this Red Herring Prospectus.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLM or Syndicate Member.

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 and blue colour for NRI or FII or Foreign Venture Capital Fund applying on repatriation basis and Pink for Eligible Employees).

b. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum- Application Forms or Revision Forms are liable to be rejected.

c. The Bids from the Retail Individual Bidders must be for a minimum of 20 Equity Shares and in multiples of 20 thereafter subject to a maximum Bid amount of Rs. 100,000.

d. For Non-institutional and QIB Bidders, Bids must be for a minimum Bid Amount of Rs. 100,000 and in multiples of 20 Equity Shares thereafter. All Individual Bidders whose maximum bid amount exceeds Rs. 100,000 would be considered under this category. Bids cannot be made for more than the Net Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.

e. In single name or in joint names (not more than three).

f. For bidders bidding under the Employee Reservation Portion, the bid must be for a minimum of 20 Equity Shares in multiple of 20 Equity Shares thereafter, subject to a maximum of Bid Amount does not exceed 100,000 Equity Shares

g. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, 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 used for making refunds, if any, as per the modes disclosed. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Bank shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN 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 making refunds and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and making refunds as per the modes disclosed and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to authorize the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Allocation Advice/CANs would be mailed at the address of the Bidders as per the Demographic Details received from the Depositories. Bidders may note that delivery of allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a Power of Attorney or by limited companies, corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or Bye Laws must be lodged along with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

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 therefore.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the

Power of Attorney along with the Bid-cum-Application form, subject to such terms that we may deem fit.

Bids made by Insurance Companies

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 therefore.

Bids made by Provident Funds

In case of Bids made by provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid-cum-Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

Bids by Non-Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to the Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non-Resident Bidders for a minimum of such number of Equity Shares and in multiples of 20 thereafter that the Bid Amount exceeds Rs. 100,000. For further details see "Issue Procedure" on page 158 of this Red Herring Prospectus.
4. In the names of individuals, or in the names of FIIs but not in the names of minors, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their Non-Resident External (NRE) accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Our Company does not require approvals from FIPB or RBI for the issue of Equity Shares to eligible NRI's, FII's and Foreign Venture Capital Investors registered with SEBI and multilateral and bilateral development financial institutions.

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Residents, NRI and FII applicants will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

We shall open an Escrow Account with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account:

a. The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid-cum-Application Form draw a payment instrument for the Bid Amount in favor of the Escrow Account and submit the same to the members of the Syndicate.

b. 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 Syndicate Member by the BRLM.

c. The payment instruments for payment into the Escrow Account should be drawn in favour of:

   i. In case of QIBs Bidders: **"Escrow Account – Zylog Public Issue - QIB "**

   ii. In case of non-resident QIB Bidders: "**Escrow Account – Zylog Public Issue - QIB - NR";**

   iii. In case of Resident Retail and Non Institutional Bidders: **"Escrow Account – Zylog Public Issue";**

   iv. In case of Non Resident Retail and Non Institutional Bidders: **"Escrow Account – Zylog Public Issue - NR";**

   v. In case of Eligible Employees of our Company "**Escrow Account – Zylog Public Issue - Employees".**

d. 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 authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance.

Payment will not be accepted out of a Non-Resident Ordinary (NRO) Account of a Non-Resident bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR Account.

e. In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.

f. 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.

g. The monies deposited in the Escrow Account will be held for the benefit of the Bidders until Designated Date.

h. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue.

i. 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.

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 center 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/ stock invest/money orders/ postal orders will not be accepted.

Payment by Stock invest

In terms of Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.001/2003-04 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn.

Submission of Bid-cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the Syndicate Member at the time of submission of the Bid. Member of the Syndicate may at its sole discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and Revision Form.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Form or Revision Form. However, the collection center of the Syndicate Member 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 favor of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ('First Bidder'). All communications will be addressed to the First Bidder and will be dispatched to his or her address.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiple master.
2. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.
3. The Registrar will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
4. The addresses of all the applications in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc.

Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The applications with same name and same address will be treated as multiple applications.

5. The applications will be scrutinised for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
6. Subsequent to the aforesaid procedures, a print out of the multiple master will be taken and the applications physically verified to tally signatures as also father's/ husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number (PAN)

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of 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

Unique Identification Number ("UIN")

Vide its circular MAPIN/Cir-13/2005 dated July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN. However, in a press release PR-182/2005 dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of this Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

Our Right to Reject Bids

We and the BRLM reserve the right to reject any QIB Bid provided the rejection is at the time of receipt of Bid and the reason for rejection of the Bid is communicated to the Bidder at the time of rejection of Bid. In case of Non-Institutional Bidders and Retail Individual Bidders, we and the BRLM have a right to reject bids based on technical grounds. Consequent refunds shall be made as per the modes disclosed.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected among others on the following technical grounds:

a. Amount paid doesn't tally with the highest number of Equity Shares bid for;

b. Age of First Bidder not given;

c. In case of partnership firms, Equity Shares maybe registered in the names of the individual partners and no such partnership firm shall be entitled to apply.

d. Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane persons;

e. PAN not given if Bid is for Rs. 50,000 or more and GIR number given instead of PAN;

f. Bids for lower number of Equity Shares than specified for that category of investors;

g. Bids at a price less than lower end of the Price Band;

h. Bids at a price more than the higher end of the Price Band;

i. Bids at cut-off price by Non-Institutional and QIB Bidders;

j. Bids for number of Equity Shares which are not in multiples of 20;

k. Category not ticked;

l. Multiple bids as defined in this Red Herring Prospectus;

m. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;

n. Bids accompanied by Stock invest/ money order/postal order/cash;

o. Signature of sole and / or joint bidders missing;

p. Bid-cum-Application Form does not have the stamp of the BRLM or Syndicate Member;

q. Bids by QIBs not submitted through members of the syndicate;

r. Bid-cum-Application Form does not have Bidder's depository account details;

s. In case no corresponding record is available with the Depository that matches three parameters: name of Bidder (including sequence of names of joint holders), depository participant identification number and beneficiary account number;

t. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Form, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid-cum-Application Form;

u. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. For further details, please refer to the paragraph titled 'Issue Procedure - Maximum and Minimum Bid Size' beginning on page no. 160 of this Red Herring Prospectus;

v. Bids by Eligible Employees of our Company not eligible to apply in the Employee Reservation Portion;

w. Bids by OCBs; and

x. Bid by U.S. residents or U.S persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the U.S. Securities Act of 1933.

Equity Shares in Dematerialized Form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized 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 us, the respective Depositories and the Registrar to the Issue:

a. Tripartite agreement dated July 2, 2007 with NSDL, us and Registrar to the Issue;

b. Tripartite agreement dated April 25, 2007 with CDSL, us and Registrar to the Issue.

All bidders can seek allotment only in dematerialized mode. Bids from any investor 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. Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d. Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details 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. Non-transferable allotment advice will be directly sent to the Bidder by the Registrar to this Issue. Refunds will be made directly by the Registrar to the Issue as per the modes disclosed.

f. If incomplete or incorrect details are given under the heading 'Request for Equity Shares in electronic form' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

g. The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.

h. It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

i. The trading of the Equity Shares of our Company would be in dematerialized form only for all investors.

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, number of Equity Shares applied for, date, bank and branch where the Bid was submitted and cheque, number and issuing bank thereof.

Pre-issue and post issue related problems

We have appointed Mr. Jitendra Pal, as the Compliance Officer and he may be contacted in case of any pre-issue or post-issue related problems.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

a. makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein; or

b. otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years".

Basis of Allotment or Allocation

For Retail Individual Bidders

a. Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.

b. The Net Issue Size less allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

c. If the aggregate demand in this category is less than or equal to 1,050,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.

d. If the aggregate demand in this category is greater than 1,050,000 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to 1,050,000 Equity Shares. For the method of proportionate basis of allotment, refer below.

For Non-Institutional Bidders

a. 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.

b. 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.

c. If the aggregate demand in this category is less than or equal to 2,100,000 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.

d. In case the aggregate demand in this category is greater than 2,100,000 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a 2,100,000 Equity Shares. For the method of proportionate basis of allotment refer below.

For QIBs

a. Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the QIB Bidders will be made at the Issue Price.

b. The QIB Portion shall be available for allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

c. Allotment shall be undertaken in the following manner:

d. In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

   i. In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

   ii. In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.

   iii. Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for allotment to all QIB Bidders as set out in (e) below;

e. In the second instance allotment to all QIBs shall be determined as follows:

   i. In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

   ii. Mutual Funds, who have received allocation as per (d) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

   iii. Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

The aggregate allotment to QIB Bidders shall not be less than 2,100,000 Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds (MF)

Issue Details

Particulars	**Issue details**
Issue size	100 million Equity Shares
Allocation to QIB (60% of the Net Issue)	60 million Equity Shares
Of which:	
a. Reservation For Mutual Funds, (5%)	3 million Equity Shares
b. Balance for all QIBs including Mutual Funds	57 million Equity Shares
Number of QIB applicants	10
Number of Equity Shares applied for	250 million Equity Shares

Details of QIB Bids

Type of QIB bidders#	No. of Equity Shares bid for (in million)
A1	25
A2	10
A3	65
A4	25
A5	25
MF1	20
MF2	20
MF3	40
MF4	10
MF5	10
TOTAL	**250**

 # A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

Details of Allotment to QIB Bidders/Applicants

(Number of Equity Shares in million)

Type of QIB bidders	Equity Shares bid for	Allocation of 3 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 57 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	25	-	5.77	-
A2	10	-	2.31	-
A3	65	-	15.00	-
A4	25	-	5.77	-
A5	25	-	5.77	-
MF1	20	0.60	4.48	5.08
MF2	20	0.60	4.48	5.08
MF3	40	1.20	8.95	10.15
MF4	10	0.30	2.24	2.54
MF5	10	0.30	2.24	2.54
	250	**3.00**	**57.00**	**25.38**

Please note:

The illustration presumes compliance with the requirements specified in "Issue Structure" beginning on page 155 of this Red Herring Prospectus.

Out of 60 million Equity Shares allocated to QIBs, 3 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 100 million Equity Shares in the QIB Portion.

The balance 57 million Equity Shares (i.e. 60 – 3 (available for Mutual Funds only)) will be allocated on proportionate basis among 10 QIB Bidders who applied for 250 million Equity Shares (including 5 Mutual Fund applicants who applied for 100 million Equity Shares).

The figures in the fourth column titled "Allocation of balance 57 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:

For QIBs other than Mutual Funds (A1 to A5) = Number of Equity Shares Bid for X 57/247

For Mutual Funds (MF1 to MF5) = [(No. of Equity Shares bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 57/247

The denominator for arriving at allocation of the balance 57 million Equity Shares to the 10 QIBs are reduced by 3 million Equity Shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

The numerator for arriving at allocation of balance 57 million Equity Shares to the Mutual Fund applicants is reduced by the respective number of Equity Shares already allotted to each Mutual Fund in the manner specified in column III of the table above.

For Eligible Employees:

a. Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Eligible Employees will be made at the Issue Price.

b. If the aggregate demand in this category is less than or equal to 100,000 Equity Shares at or above the Issue Price, full allotment shall be made to the Eligible Employees to the extent of their demand.

c. In case the aggregate demand in this category is greater than 100,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 20 Equity Shares and in multiples of 20 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

d. Only Eligible Employees may apply under the Employee Reservation Portion.

e. The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Eligible Employees of our Company will be added back to the Net Issue to any other category, at the discretion of our Company and the BRLM.

Method of proportionate basis of allotment in the QIB, Retail and Non-Institutional portions

In the event of the Issue being over-subscribed, we shall finalise the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalised in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

Bidders will be categorised according to the number of Equity Shares applied for.

a. The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

b. Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

In all Bids where the proportionate allotment is less than 20 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 20 Equity Shares; and
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

If the proportionate allotment to a Bidder is a number that is more than 20 but is not a multiple of one (which is the marketable lot), the number in excess of the multiple of one would be rounded off to the higher multiple of one if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity

Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares. The basis of allocation on a proportionate basis shall be furnished in consultation with the Designated Stock Exchange.

PAYMENT OF REFUND

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither our Company the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds

The payment of refund, if any, would be done through various modes as given hereunder:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned fifteen centres, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.

2. Direct Credit – Applicants having bank accounts with the Refund Banker(s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by us.

3. RTGS – Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 5 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by us. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

4. NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Interest in case of delay in dispatch of allotment letters/making refunds

We agree that allotment of securities issued to the public shall be made not later than 15 days from the Bid/Issue Closing Date. We further agree that we shall pay interest at 15% per annum if the allotment letters/refunds orders have not been dispatched to the applicants or if in a case where refund or portion thereof is made in an electronic manner, the refund instructions have not been given to the clearing system in a disclosed manner within 15 days from the Bid/Issue Closing Date.

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

Undertaking by our Company

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalization of the basis of allotment;
- that the funds required for making refunds as per the modes disclosed or dispatch of allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that no further Issue of Equity Shares shall be made till the Equity Shares issued through this Prospectus are listed or until the bid monies are refunded on account of non-listing, under-subscription etc.
- refunds shall be made as per the modes disclosed and allotment advice shall be dispatched to NRIs or FIIs or foreign venture capital investors registered with SEBI within the specified time.

Utilization of Issue proceeds

The Board of Directors of our Company certifies that:

a. All monies received out of the Issue shall be transferred to a separate Bank Account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

b. Details of all monies utilized out of this Issue referred above shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such unutilized monies have been invested; and

c. Details of all unutilized monies out of this Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.

We shall not have recourse to the Issue Proceeds until the approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

The details of all unutilized monies out of the funds received under the reservations shall be disclosed under a separate head in our balance sheet indicating then form in which such unutilized monies have been invested.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Investment by FIIs

Under present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by our shareholders; however, as of the date hereof, no such resolution has been recommended to Board or our shareholders for adoption.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public Issue without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

The transfer of Equity Shares of NRIs, FIIs, foreign venture capital investors registered with SEBI shall be subject to the conditions as may be prescribed by the government of India or RBI while granting such approvals.

Note: The SEBI Guidelines have been recently amended on January 20, 2006. Pursuant to these amendments, certain significant changes have been made to the guidelines with regard to the modes of making refunds. Certain change may be made to the description of the Issue Procedure based on discussions the BRLM may have with SEBI, RBI and the Stock Exchanges

SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Our Company has submitted the AoA to the stock exchanges for their approval and our Company may be required to amend the AoA if s required by the stock exchanges.

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of our Company.

Pursuant to Schedule II of the Companies Act and SEBI Guidelines, the main provisions of the Articles of Association of Zylog Systems Limited are set forth below:

CAPITAL AND INCREASE AND REDUCTION OF CAPITAL

Article 5: Increase in Capital

The Company by an Ordinary Resolution may at any time increase the Share capital by such sum to be divided into Shares of such amount, as the Resolution shall prescribe.

Prohibition of Investment of funds in Company's own Shares

Article 3: Prohibition of Investment of funds in Company's own Shares

Except as provided by Section 77, no part of funds of the Company shall be employed in the purchase of the Shares of the Company, and the Company shall not give directly or indirectly and whether by means of loan, guarantee, the provision of security or otherwise any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person of or for any Shares in the Company.

Article 59: Reduction of Capital

The Company shall have the power to reduce the Share Capital in the manner provided for in Sections 100 to 105 of the Act or any statutory modification thereof.

Article 11: Not to issue Shares with disproportionate rights

The Company shall not issue any Shares (not being Preference Shares) which carry voting rights or rights in the Company as to dividend, and capital or otherwise which are disproportionate to the rights attached to the holders of other Shares not being Preference Shares.

UNDERWRITING AND BROKERAGE

Article 12: Power to pay commission

The Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any Shares, debentures or debenture-stock of the Company or procuring or agreeing to procure subscriptions (whether absolute or conditional) for Shares, debenture or debenture-stock of the Company, but so that if the commission in respect of Share shall be paid or payable out of the capital, the statutory conditions and requirements shall be observed and compiled with and the amount or rate of commission shall not exceed five per cent of the price at which the Shares are issued and in the case of debentures, the rate of commission shall not exceed, two and a half per cent of the price at which the debentures are issued. The commission may be satisfied by the payment of cash or the allotment of fully or partly paid Shares or partly in one way and partly in the other. The Company may also, on any issue of Shares, pay such brokerage as may be lawful.

CALLS

Article 28: Directors may make calls

Subject to the provisions of Section 91 of the Act, the Board of Directors may from time-to-time make such calls as they think fit upon the Members in respect of all moneys unpaid on the Shares held by them respectively and not by the conditions of allotment thereof made payable at fixed times, and the Member shall pay the amount of every call so made on him to the persons and at the time and place appointed by the Board of Directors.

Article 32: When interest on call or Installment payable

If the sum payable in respect of any call or, installment be not paid on or before the day appointed for payment thereof, the holder for the time being of the Share in respect of which the call shall have been made or the installment shall be due, shall pay interest for the same at the rate of 12 percent per annum from the day appointed for the payment thereof to the time of the actual payment or at such lower rate as the Directors may determine. The Board of Directors shall also be at liberty to waive payment of that interest wholly or in part.

FORFEITURE, SURRENDER AND LIEN

Article 37: Shares to be forfeited

The notice shall name a further day (not earlier than the expiration of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made, and shall state that, in the event or non-payment on or before the day appointed, the Shares in respect of which the call was made will be liable to be forfeited.

Article 39: 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 shall not be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.

Article 40: Board's right to disposal of forfeited Shares or cancellation of forfeiture

A forfeited or surrendered Share may be sold or otherwise disposed of on such terms and in such a manner as the Board may think fit, and at any time before such a sale or disposal the forfeiture may be cancelled on such terms as the Board may think fit.

Article 24: Company's lien on Shares/ debentures

The company shall have a first and paramount lien upon all the shares/debentures (other than fully paid-up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/ debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/ debentures, unless otherwise agreed the registration of a transfer of shares/ debentures shall operate as a waiver of the company's lien if any on such shares/ debentures. The directors may at any time declare any shares/ debentures wholly or in part to be exempt from the provisions of this clause.

TRANSFER AND TRANSMISSION OF SHARES

Article 46: Transfer of shares

Shares in the Company shall be transferred by an instrument in writing in such common form as specified in section 108 of the Companies Act.

Article 47: Directors may refuse to register transfer

Subject to the provisions of section 111 of the act and section 22A of the Securities Contracts (Regulation) Act, 1956, the directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the company but in such cases, the directors shall within one month from the date on which the instrument of transfer was lodged with the company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the company on any account whatsoever except when the company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.

Article 49: Rights to Shares on death of a Member for Transmission

In the event of death of any one or more of several joint holders, the survivor or survivors alone shall be entitled to be recognized as having title to the Shares.

In the event of the death of any sole holder or of the death of last surviving holder, the executors or administrators of such holder or other person legally entitled to the shares shall be entitled to be recognized by the Company as having any title to the shares of the deceased.

CONVERSION OF SHARES INTO STOCK

Article 58: Shares may be converted into stock

The Company may from time-to-time in accordance with the provisions of the Act alter the conditions of its memorandum of Association convert all any of its fully paid-up Shares into stock, and reconvert that stock into fully paid up Shares of any denomination;

DIRECTORS

Article 86

Until otherwise determined by a General Meeting, the number of Directors shall not be less than 3 and not more than 12, of which the Investor shall be entitled to nominate and appoint 1 (one) non - retiring Director upon the Board who shall be a Director - Private Equity of UTI Ventures, so along as it holds at least 4% of the total paid - up equity share capital of the company

BORROWING POWER

Article 127: Borrowing Power

The Board may from time-to-time raise any money or any moneys or sums of money for the purpose of the Company; provided that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not without the sanction of the Company at a General Meeting exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose and in particular but subject to the provisions of Section 292 of the Act, the board may from time-to-time at their discretion raise or borrow or secure the payment of any such sum or sums of money for the purpose of the Company, by the issue of debentures to Members, perpetual or otherwise including debentures convertible into Shares of this or any other Company or perpetual annuities and in security of any such money so borrowed raised or received, mortgage, pledge or charge, the whole or any part of the property, assets, or revenue of the Company present or future, including its uncalled capital by special assignment or otherwise or transfer or convey the same absolutely or in trust and give the lenders powers of sale and other powers as may be expedient and purchase redeem or pay off any such Securities.

MANAGING DIRECTOR

Article 131: Appointment of Managing Directors

- Board may from time-to-time with such sanction of the Central Government as may be required by law appoint one or more of their body to the Office of Managing Director or Managing Directors and or Whole time Director or Whole time Directors
- The Directors may from time-to-time resolve that there shall be either one or two Managing Directors and unless otherwise resolved there shall be only one Managing Director
- In the event of any vacancy arising in the Office of a Managing Director or if the Director(s) resolve to increase the number of Managing Directors, the vacancy shall be filled by the Board of Directors and the Managing Director so appointed shall hold the Office for such period as the Board of Directors may fix.

Article 160: Terms of issue of Debenture

Any debentures, 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 and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.

MEETING OF MEMBERS

Article 60: Annual General Meeting

The Company shall, in each year, hold in addition to the other meetings, a general meeting which shall be styled as its annual meeting at intervals and in accordance with the provisions of Section 166 of the Act.

Article 61: Extra Ordinary General Meeting

Extra-ordinary general Meetings may be held either at the Registered Office of the Company or at such other convenient place as the Board or the Managing Director (subject to any directions of the Board) may deem fit.

Article 65: Special business and the Statement to be annexed

All business shall be deemed special that is transacted at an Extra-ordinary Meeting and also that is transacted at an ordinary Meeting with the exception of declaration of the dividend, the consideration of the accounts, Balance Sheets and the reports of the Directors and Auditors, the election of the Directors in the place of those retiring, and the appointment of and the fixing of the remuneration of Auditors. Where any items of business to be transacted at the meeting are deemed to be special as aforesaid, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each such item of business, including in particular the nature of the concern or interest, if any, therein, of every Director, the Managing Director if any. If any item of business consists of the according of approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.

Article 66: Quorum

Five Members personally present shall be a quorum for a General Meeting and no business shall be transacted at any General Meeting unless the requisite quorum is present when the Meeting proceeds to business.

Article 71: Questions at General Meeting how decided

At a General Meeting, a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded in accordance with the provisions of Section 179. Unless a poll is so demanded a declaration by the Chairman that is resolution has, on a show of hands been carried unanimously or by a particular majority or lost and an entry to that effect in the book of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against that resolution.

Article 72: Casting vote

In the case of an equality of votes, the Chairman shall, both on a show of hands and on a poll, have a casting vote in addition to the vote or votes to which he may be entitled as a Member.

VOTE OF MEMBERS

Article 17: Votes

Every Member of the Company holding any Equity Share capital shall have a right to vote in respect of such capital on every resolution placed before the Company. On a show of hands, every such Member present shall have one vote and shall be entitled to vote in person or by proxy and his voting right on a poll shall be in proportion to his Share of the paid-up equity Capital of the Company.

Article 81: No Member entitled to vote while call due to Company

No Member shall be entitled to vote at a General Meeting unless all calls or other sums presently payable by him in respect of Shares in the Company have been paid.

DIRECTORS

Article 86: Number of Directors

Until otherwise determined by a General Meeting, the number of Directors shall not be less than 3 and not more than 12.

Article 96: Nominee Director

Notwithstanding anything to the contrary contained in these Articles, so long as any money remains owing by the Company to Small Industries Development Bank of India (SIDBI), The Industrial Finance Corporation of India Ltd. (IFCI), Industrial Development Bank of India (IDBI). The Industrial Credit & Investment Corporation of India Ltd. (ICICI), Life Insurance Corporation of India (LIC), Unit Trust of India (UTI), Industrial Reconstruction Bank of India (IRBI), General Insurance Corporation of India (GIC) or to any other Bank or Finance Corporation or Credit Corporation or to any other Financing Company / Body, out of any loans granted by them to the Company or so long as SIDBI, IDBI, IFCI, ICICI, LIC, UTI, IRBI, GIC or any other Venture Capital Fund, State Financial Institution Bank or Finance Corporation or Credit Corporation or any other Financing Company or Body hereinafter in this Article referred to as “the Corporation” holds Shares, Debentures or Securities in the Company by direct subscription or private placement, or so long as the Corporation holds Shares or debentures or other Securities in the Company as a result of underwriting or direct subscription or so long as any liability of the Company arising out of any agreement guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time, any person or persons as “Nominee Director(s)” on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place(s).

Article 93: Alternate Director

The Board may appoint an Alternate Director to act for a Director during his absence for a period of not less than 3 months from the State in which the meetings of the Board are ordinarily held.

Article 94: Additional Director

The Directors may, from time to time appoint any person as an Additional Director provided that the number of Directors and additional Directors together shall not exceed the maximum number of directors fixed under Article, 86 above. Any person so appointed as an Additional Director shall hold office only up to the date of the next Annual General Meeting of the Company.

Article 111: 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 in higher; provided that where at any time the number of interested Directors is equal to or exceeds two-thirds of the total strength, the number of the remaining Directors that is to say the number of Directors who are not interested present at the meeting being not less than two shall be the quorum during such time. The total strength of the Board shall mean the number of Directors actually holding office as Directors on the date of the Resolution or meeting that is to say, the total strength of the Board after deduction there from the number of Directors, if any, whose places are vacant at the time.

DIVIDENDS

Article 139**:** Declaration of Dividends

The Company in a General Meeting may declare dividends additional dividends in relation to any year or years but no dividend shall exceed the amount recommended by the Board.

Article 141: Dividends to be paid out of profits only

No dividend shall be payable except out of the profits of the years or any other undistributed profits except as provided by Section 205, of the Act.

Article 143: Method of Payment of Dividend

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.

No amount paid or credited as paid on a Share in advance of calls shall be treated for the purposes of these regulations as paid on the Shares.

All dividends shall be apportioned and paid proportionately to the amount 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 Shares shall rank for dividend accordingly.

Article 145: Adjustment of dividend against call

Any General Meeting declaring a dividend or bonus may make a call on the Members of such amount as the Meeting fixes, but so that the call on each Member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and themselves be set off against the call.

Article 150: Dividends not to bear interest

No dividend shall bear interest against the Company.

Article 151: Unpaid or Unclaimed dividend

Where the dividend has been declared but not paid or the warrant in respect thereof has not been posted within 30 days from the date of the declaration to any shareholder entitled to the payment thereof, the Company shall within 7 days from the date of expiry of the said period of 30 days transfer the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted within the said period of 30 days, to a Special Account to be opened by the Company in that behalf in any Scheduled Bank to be called Unpaid Dividend Account of Zylog Systems Limited and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

any money so transferred to the Unpaid Dividend Account of the Company in pursuance of sub-clause (a) hereof which remains unpaid or unclaimed, for a period of seven years from the date of such transfer, shall be transferred by the Company to the Fund established under sub-section (1) of Section 205C of the Act, viz. “Investor Education and Protection Fund”. No unclaimed Dividend shall be forfeited by the Board.

Article 142: Reserve Funds

The Board may before recommending any dividends set aside out of the profits of the Company such sums as it thinks proper as a reserve or reserves which shall at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied, including provisions for meeting contingencies or for equalising dividends, and pending such application, may at the like discretion either be employed in the business of the Company or be invested in such investments as the Board may, from time-to-time think fit. The Board may also carry forward any profits, which it may think prudent not to divide without setting them aside as Reserve.

INDEMNITY

Article 163: Directors and others right to indemnity

Subject to the provision of Section 201 of the Act every Director, Manager, Secretary and other officer or employee of the Company shall be indemnified by the Company against, and it shall be the duty of the Directors out of the funds of the Company to pay all costs losses and expenses (including travelling expenses) which any such Director, officer or employee may incur or become liable to by reason of any contract entered into or act or deed done by him or in any other way in the discharge of his duties, as such Director, Officer or employee.

Subject as aforesaid every Director, Manager, Secretary, or other Officer or employee of the Company shall be indemnified against any liability incurred by them or him in defending any proceedings whether civil or criminal in which judgment is given in their or his favour or in which he is acquitted or discharged or in connection with any application under section 633 of the Act in which relief is given to him by the Court, and without prejudice to the generality of the foregoing, it is hereby expressly declared that the Company shall pay and bear all fees and other expenses incurred or incurable by or in respect of any Director for filing any return, paper or document with the Registrar of Companies or complying with any of the provisions of the Act in respect of or by reason of his office as a Director or other officer of the Company.

Article 164: Not responsible for acts of others

Subject to the provisions of Section 201 of the Act, no Director or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or officer, or for joining in any receipt or other act for conformity for any loss or expense happening to the Company through insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested, or for any loss or damages arising from the bankruptcy, insolvency or tortuous act of any person, Company or Corporation with whom any moneys, Securities or effects shall be entrusted or deposited or for any loss occasioned by any error of judgment or oversight on his part or for any loss or damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happens through his own act or default.

WINDING UP

Article 161: Winding up

Subject To the provisions of the Act as to preferential payments, the assets of the Company shall, on its winding up, be applied in satisfaction of its liabilities *pari passu* and, subject to such application, shall, unless the Articles otherwise provide be distributed among the Members according to their rights and interests in the Company.

Article 162: Division of assets of the Company in specie among Members

If the Company shall be wound up whether voluntarily or otherwise the liquidators may, with the sanction of a special resolution, divide among the contributories, in specie or kind, any part of the assets of the Company and may with the like sanction vest any part of the assets of the Company, in trustees upon such trusts for the benefit of the contributories or any of them as the liquidators with the like sanction shall think fit. In case any Shares to be divided as aforesaid involve a liability to calls or otherwise any person entitled under such division to any of the said Shares may within ten days after the passing of the Special Resolution by notice in writing, direct the liquidators to sell, his proportion and pay him the net proceeds, and the liquidators, shall, if practicable act accordingly.

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following Contracts which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the ROC for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company situated at No. 82/40, First Main Road, CIT Nagar, Nandanam, Chennai - 600 035, India from 10.00 a.m. to 4.00 p.m. on all working days from the date of this Red Herring Prospectus until the Bid / Issue Closing Date.

MATERIAL CONTRACTS

1. Engagement letter dated November 21, 2006 for appointment of Motilal Oswal Investment Advisors private Limited as the BRLM
2. Memorandum of Understanding dated February 26, 2007 between us and the BRLM
3. Memorandum of Understanding dated March 7, 2007 executed by us with the Registrar to the Issue
4. Syndicate Agreement entered into among us, BRLM and the Syndicate Members dated July 03, 2007
5. Escrow Agreement entered into among us, BRLM and the Escrow Collecting Bankers and the Registrar dated July 03, 2007

MATERIAL DOCUMENTS

1. Our Memorandum and Articles of Association as amended from time to time.
2. Our certificate of incorporation dated June 01, 1995.
3. Fresh Certificate of Incorporation issued on May 11, 2000
4. Resolutions passed by Board of Directors & Shareholders authorising further issue of shares u/s. 81 (1A) of the Companies Act, 1956.
5. Resolutions/ documents relating to the appointment and remuneration of Mr. Sudarshan Venkatraman, Chairman & Chief Executive Officer and Mr. Ramanujam Sesharathnam, Managing Director and Chief Operating Officer of our Company along with Central Government approval.
6. Report of the auditors M/s. Brahmayya & Co, Chartered Accountants dated May 21, 2007 prepared as per Indian GAAP and mentioned in this Red Herring Prospectus.
7. 'Statement of Tax Benefits' dated January 03, 2007 prepared by our auditors M/s. Brahmayya & Co, Chartered Accountants and mentioned in this Red Herring Prospectus.
8. Copies of annual reports of our Company for the years ended March 31, 2003, 2004, 2005, 2006 and 2007 alongwith the subsidiaries from their year of operations..
9. Consent of our auditors M/s. Brahmayya & Co, Chartered Accountants, for inclusion of their report on accounts in the form and context in which they appear in this Red Herring Prospectus.
10. Software Distributorship Agreement dated March 1, 2005 with BCS Information Systems Pte Limited
11. Business Acquisition Agreement of the five acquired companies viz. Silver Spring Technologies Inc, Schmidt Systems Inc, Schumacher Consulting Group Inc, Jdan Systems Inc & ImpekSoft Inc.
12. Shareholders Agreement between Unit Trust Of India Investment Advisory Services Limited A/C Ascent India Fund and our Company, dated February 19, 2007
13. Shareholders Agreement between Argonaut Ventures and our Company, dated February 24, 2007
14. Consents of Promoters of our Company, Directors, Bankers, Book-Running Lead Manager to the Issue, Syndicate Member to the Issue, Bankers to the Issue, Registrar to the Issue, Legal counsel to the Issue, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
15. Sanction letter from Union Bank of India for the term loan of Rs. 131.5 million.
16. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated July 02, 2007

17. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated April 25, 2007
18. Due diligence certificate dated March 06, 2007 to SEBI from the BRLM.
19. Application dated March 08, 2007 submitted to BSE for in-principle listing approval
20. Application dated March 08, 2007 submitted to NSE for in-principle listing approval
21. In-principle listing approval letter no. DCS/IPO/SC/IPO-IP/808/2006-07 from BSE dated March 19, 2007
22. In-principle listing approval letter no NSE/LIST/47466-R from NSE dated May 29, 2007
23. SEBI observation letter no. CFD/DIL/ISSUES/NB/EB/96246/2007 dated June 14, 2007
24. Reply dated June 22, 2007 of the Lead Manager to the observations made by SEBI vide their no. CFD/DIL/ISSUES/NB/EB/96246/2007 dated June 14, 2007

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 our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made there under or guidelines issued, as the case may be. We further certify that all the statements in this Red Herring Prospectus are true and correct.

SIGNED BY ALL THE DIRECTORS

Mr. Sudarshan Venkatraman, Chairman and CEO

Mr. Ramanujam Sesharathnam, Managing Director and COO

Mr. V. Chandramouly

Mr. P. Srikanth

Mr. M. Gajhanathan

Mr. S. Rajagopal

Mr. A.V Rajwade

Mr. Ajay Mittal

Mr. Srihari S. P., Financial Controller

Place: **Chennai**

Date: July 07, 2007