DRAFT RED HERRING PROSPECTUS Dated [●]
Please read Section 60B of the Companies Act, 1956
(Draft Red Herring Prospectus will be updated upon RoC filing)
100% Book Building Issue

shringar

Shringar Cinemas Limited

Registered Office: B/103, Kailash, Juhu Church Road, Juhu, Mumbai – 400 049, India
Tel: +91 22 2625 5900; Fax: +91 22 2625 5272; Website: www.shringar.co.in
Email: shringaripo@shringar.co.in
Corporate Office: Fame Adlabs, 2nd Floor, Andheri Link Road, Oshiwara, Andheri (W), Mumbai 400 053 (India) Tel: +91-22-5640 3640

(Our Company was incorporated on October 26, 1999 as "Shringar Cinemas Private Limited" and converted into a public company "Shringar Cinemas Limited" on December 19, 2004 under the Companies Act 1956.)

PUBLIC ISSUE OF EQUITY SHARES COMPRISING OF 81,50,000 EQUITY SHARES OF FACE VALUE RS.10/- EACH AT A PRICE OF RS. [•] FOR CASH AT A PREMIUM AGGREGATING RS. [•] LACS (HERE IN AFTER REFERRED TO AS THE "ISSUE"), INCLUDING EMPLOYEE RESERVATION OF 250,000 EQUITY SHARES OF FACE VALUE RS.10/- EACH AT A PRICE OF RS. [•] FOR CASH AGGREGATING RS. [•] LACS AND NET ISSUE TO THE PUBLIC OF 79,00,000 EQUITY SHARES OF FACE VALUE RS.10/- EACH AT A PRICE OF RS. [•] FOR CASH AGGREGATING RS. [•] LACS (HERE IN AFTER REFERRED TO AS THE "NET ISSUE TO THE PUBLIC") AND THE ISSUE WOULD CONSTITUTE 25.82% OF THE POST ISSUE PAID-UP CAPITAL OF SHRINGAR CINEMAS LIMITED.

PRICE BAND: Rs. [•] TO Rs. [•] PER EQUITY SHARE OF FACE VALUE Rs.10

ISSUE PRICE [•] IS TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND [•] TIMES OF THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND

The Issue is being made through the 100% book building process where 50% atleast of the Net Issue to the Public shall be issued on a discretionary basis to qualified institutional buyers. Further, not less than 25% of the Net Issue to the Public shall be available for allocation on a proportionate basis to Non- Institutional bidders and not less than 25% of the Net Issue to the Public shall be available for allocation on a proportionate basis to retail bidders, subject to valid bids being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first 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 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 Book Running Lead Managers ("BRLMs"), on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing

GENERAL RISKS

Investments in equity and equity related securities involve a degree of risk and investors should not invest any funds in 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 Offering. 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 Draft Red Herring Prospectus. Specific attention of the investors is invited to the summarized and detailed statements in Risk Factors beginning on page VIII.

COMPANY'S ABSOLUTE RESPONSIBILITY

Shringar Cinemas Limited, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to Shringar Cinemas Limited and the Issue, which is material in the context of the Issue, that the information contained in this Draft 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 Draft 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 issued through this Draft Red Herring Prospectus are proposed to be listed on The Stock Exchange, Mumbai ("BSE") (also the Designated Stock Exchange) and the National Stock Exchange of India Limited ("NSE"). We have received in-principle approvals from these Stock Exchanges for the listing of our Equity Shares pursuant to letters dated ——— and ————, respectively.

BOOK RUNNING LEAD MANAGERS		REGISTRAR TO THE ISSUE
ENAM **ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED** 801/ 802, Dalamal Towers Nariman Point Mumbai, India 400 021 Tel. : +91- 22- 5638 1800 Fax. : +91- 22- 2284 6824 Email: shringaripo@enam.com	JM MORGAN STANLEY **JM MORGAN STANLEY PRIVATE LIMITED** 141, Maker Chambers III, Nariman Point, Mumbai-400 021. (India) Tel.: +91-22-5504 0404 Fax:+91- 22-5630 1694 E-Mail: shringaripo@jmmorganstanley.com	**INTIME SPECTRUM REGISTRY LIMITED** C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (West) Mumbai, India 400 078 Tel: +91-22-5555 5454 Fax: +91-22-5555 5353 Email: ipo@intimespectrum.com

ISSUE PROGRAM	
BID/ISSUE OPENS ON	**BID/ISSUE CLOSES ON**

TABLE OF CONTENTS

DEFINITIONS AND ABBREVIATIONS

Definitions

Term	Description
"Shringar Cinemas Limited" , "our Company" , "we", "us", and "our"	Unless the context otherwise requires, refers to, Shringar Cinemas Limited, a public limited company incorporated under the Companies Act and its consolidated subsidiaries Shringar Films Private Limited (SFPL) or Swanston Multiplex Cinemas Private Limited (SMCPL).

Issue Related Terms and Abbreviations

Term	Description
Allotment	Issue or transfer of Equity Shares as the context requires, pursuant to this Issue
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
Articles/ Articles of Association	Articles of Association of our Company, Shringar Cinemas Limited
Auditors	The statutory auditors of our Company, M/s. BSR & Co, Chartered Accountants.
Banker(s) to the Issue	The banks in which the Public Issue Account will be opened and which will act as such, in terms of this Draft Red Herring Prospectus.
Bid	An indication to make an offer during the Bidding Period by a prospective investor to acquire the Equity Shares of the Company at a price at or above the Floor Price, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid for the Issue
Bid / Issue Closing Date	The date after which the Members of the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper and Hindi national newspaper with wide circulation and a Marathi newspaper with a wide circulation at the place of the registered office of the Company
Bid cum Application Form	The form in terms of which the Bidder shall make an Issue to subscribe to Equity Shares of our Company and which will be considered as the application for transfer of the Equity Shares in terms of this Draft Red Herring Prospectus
Bid / Issue Opening Date	The date on which the Members of the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper with wide circulation and a Marathi newspaper with a wide circulation at the place of the registered office of the Company
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this Draft Red Herring Prospectus
Bidding Period/ Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Board of Directors/ Board/ Directors	The Board of Directors of Shringar Cinemas Limited or a committee thereof
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is made
BRLMs	Book Running Lead Managers to the Issue, in this case being Enam Financial Consultants Private Limited (ENAM) and JM Morgan Stanley Private Limited (JMMS)
Brokers to the Issue	Brokers registered with any recognized stock exchange, appointed by the members of the Syndicate
BSE	The Stock Exchange, Mumbai
CAGR	Compounded Annual Growth Rate
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares in the Book Building Process
CDSL	Central Depository Services Limited
Companies Act	The Companies Act, 1956, as amended from time to time
Cut-off Price	The Issue price finalized by the Company in consultation with the BRLMs.

Term	Description
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful bidders
Designated Stock Exchange	The Stock Exchange, Mumbai
EPS	Earnings per equity share
Employee/Employees	All or any of the following: (a) a permanent employee of the Company; (b) Director of the Company except for the directors who are part of the Promoter group © An employee as defined in (a) or (b) above of our Subsidiaries.
Employee Reservation Portion	The portion of the Issue being a maximum of 2,50,000 Equity Shares available for allocation to Employees.
Equity Shares	Equity shares of the Company of Rs.10/- each unless otherwise specified in the context thereof
Escrow Account	Account opened with Escrow Collection Bank(s) and in whose favor the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement entered into by the Company, BRLMs, Registrar, Escrow Collection Banks and the members of the Syndicate for collection of the Bid Amounts and refunds of the amounts collected to the Bidders.
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account for the Issue will be opened
Fame Adlabs	Multiplex at Versova Mumbai, operated by our subsidiary Swanston Multiplex Cinemas Private Limited
Fame Kandivali	Multiplex at Raghuleela Mall, Kandivali Mumbai, operated by us
Fame Malad	Multiplex at InOrbit Mall, Malad Mumbai operated by us
Fame Nasik	Multiplex at Nasik operated by us
Fame Pimpri	Multiplex at Pimpri, Pune operated by us
Fame Surat	Multiplex at Surat for which we have entered into a conducting agreement
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed there under
FII/ Foreign Institutional Investor	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI and under applicable laws in India
Financial year/fiscal/FY	The twelve months ended March 31 of a particular year
FIPB	Foreign Investment Promotion Board
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the price band below which the issue price will not be finalized and below which no bids will be accppted
GIR Number	General Index Registry Number
G W Capital	Investment manager for India Value Fund, a SEBI registered venture capital fund
HUF	Hindu Undivided Family
Issue / Fresh Issue	The issue of 81,50,000 Equity Shares at the Issue Price by the Company in terms of this Draft Red Herring Prospectus
Issue Period	The Issue period shall be [•], the Issue opening date, to [•], the Issue closing date [•]
Issue Price	The final price at which Equity Shares will be issued in terms of this Draft Red Herring Prospectus. The Issue Price will be decided by the Company in consultation with the BRLMs on the Pricing Date
I.T. Act	The Income-Tax Act, 1961, as amended from time to time, except as stated otherwise
I.T. Rules	The Income-Tax Rules, 1962, as amended from time to time, except as stated otherwise
IVFT	India Value Fund Trustee Company Private Limited being the sole trustee company of India Value Fund managed by G W Capital
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being

Term	Description
	0% to 100% of the Bid Amount
Memorandum/ Memorandum of Association	The Memorandum of Association of Shringar Cinemas Limited
NAV	Net Asset Value
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs.50,000
Non Institutional Portion	The portion of the Issue being minimum 25% of the Net Issue to the Public i.e. 19,75,000 Equity Shares of Rs.10 each available for allocation to Non Institutional Bidders
Non Residents	All Bidders who are not NRIs or FIIs and are not persons resident in India
NRE Account	Non Resident External Account
NRI/ Non Resident Indian	Non-resident Indian, is a person resident outside India, as defined in FEMA and who is a citizen of India or a Person of Indian Origin, and as defined under FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
PAN	Permanent Account Number
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% margin money at the time of bidding, as applicable
Pay-in-Period	This term means (i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date
Price Band	Price band of a minimum price (floor of the price band) of Rs.[●] and the maximum price (cap of the price band) of Rs.[●] and includes revisions thereof
Pricing Date	The date on which Company in consultation with the BRLMs finalize the Issue Price
Promoters	South Yarra Holdings, a partnership firm, comprising of Mr. Shyam Shroff, Mr. Balkrishna Shroff, Mr. Shravan Shroff and Mr. Aditya Shroff
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
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs.250 mn and pension funds with minimum corpus of Rs.250 mn
QIB Portion	The portion of the Net Issue to the Public being at least 50% of the issue i.e. 39,50,000 Equity Shares of Rs. 10 each available for allocation to QIBs
RBI	Reserve Bank of India
Red Herring Prospectus	Red Herring Prospectus is 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 issued and the size of the Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with RoC at least three days before the Bid/ Issue Opening Date. It will become a Prospectus after filing with Registrar of Companies after the pricing
Registered Office of our Company	B/103, Kailash, Juhu Church Road, Juhu, Mumbai – 400 049, India
Registrar to the Issue	Registrar to the Issue, in this case being Intime Spectrum Registry Limited having its registered office as indicated on the cover page of this Draft Red Herring Prospectus

Term	Description
Retail Individual Bidder(s)	Individual Bidders (including HUFs and NRIs) who have not Bid for Equity Shares for an amount more than or equal to Rs.50,000, in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being minimum 25% of the Net Issue to the Public i.e. 19,75,000 Equity Shares of Rs. 10 each available for allocation to Retail Individual Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
RoC	Registrar of Companies, Mumbai, Maharashtra
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Guidelines for Disclosure and Investor Protection) 2000 issued by SEBI effective from January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SYH	South Yarra Holdings through its partners Mr. Shyam Shroff, Mr. Balkrishna Shroff, Mr. Shravan Shroff and Mr. Aditya Shroff
Swanston or SMCPL	Swanston Multiplex Cinemas Private Limited
Stock Exchanges	BSE and NSE
Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	The agreement to be entered into among the Company and the members of the Syndicate, in relation to the collection of the Bids in the Issue
Syndicate Members	Intermediaries registered with SEBI and eligible to act as Underwriters, Syndicate Members are appointed by the BRLMs.
TRS/ Transaction Registration Slip	The slip or document issued by the members of the Syndicate to the Bidder as proof of registration of the Bid
UIN	Unique Identification Number issued in terms of the SEBI (Central Database of Market Participants) Regulations 2003.
Underwriters	The BRLM and Syndicate Members
Underwriting Agreement	The Agreement between the members of the Syndicate and our Company, on its own behalf to be entered into on or before the Pricing Date

Glossary of Technical and Industry Terms

Term	Description
ATP	ATP : Average Ticket Price Total ticketing revenues generated over a period divided by the total number of tickets issued in that period.
F&B	F&B : Food and Beverages
SPH	SPH: Spend per head It is the ratio of the total collection of F&B and related products sold at the concessions counter over a period of time to the total number of tickets issued in that period.
Occupancy	It is ratio of number of seats sold to the number of seats available for a particular show.
No. of Shows	It is total numbers of runs of movies in a day across all screens
Patron	Any person attending a movie for a show is a patron.
Fit – Out	The various physical components and accessories required to deliver a quality cinema audio and video theater experience to the patron. This would include Audio and Video Equipment, Chairs, Carpeting, Acoustics etc.,
Civic Shell	It is the bare-bone civil structure which is handed-over by the Developer to the Multiplex Operator to carry out their fit-out.
Refurbishment	Refurbishment is renovating, renewing, and smartening existing run-down theaters to deliver a better quality family movie destination.
Retrofit	In a Retrofit project, new fit-outs are added to an existing theater to comply with good quality of cinemas viewing. In many projects, a single screen or two single screens are converted into three or more screens to comply with various state multiplex policies.
Content	Content is matter that is exhibited for the patron to view.
Print	The physical celluloid tape which contains the movie for exposure at the theater is called a print.
Programming	Programming looks into interacting with distributors, negotiating terms with them, making the schedule of the movies and pricing of tickets.
Admissions/Foot falls	The number of patrons visiting the multiplex.

SECTION I: RISK FACTORS

Certain Conventions; Use of Market Data

In this Draft Red Herring Prospectus, the terms "we", "us", "our", the "Company", "our Company", "Shringar Cinemas Limited" (SCL), Shringar Films Private Limited (SFPL) or Swanston, unless the context otherwise indicates or implies, refers to Shringar Cinemas Limited.

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

Throughout this Draft Red Herring Prospectus, all figures have been expressed in lacs, except in the industry section of this Draft Red Herring Prospectus, where the same has been expressed in "millions" and "billions".

For additional definitions used in this Draft Red Herring Prospectus, see the section Definitions and Abbreviations on page I of this Draft Red Herring Prospectus. In the section entitled "Main Provisions of Articles of Association of Shringar Cinemas Limited", defined terms have the meaning given to such terms in the Articles of Association of the Company.

Market data used throughout this Draft 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 Draft 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.

Forward-Looking Statements

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

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

- Our ability to successfully implement our strategy, our growth and expansion plans and technological changes;
- Increasing competition in; and the conditions of the global and Indian film exhibition industry;
- General economic and business conditions in India;
- Changes in the value of the Rupee and other currencies; and
- Changes in laws and regulations that apply to the Indian and global film exhibition industry.

For further discussion of factors that could cause our actual results to differ, see "Risk Factors" beginning on page VIII of this Draft 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 our Company, BRLMs, any member of the Syndicate nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and BRLMs will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

Risk Factors

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

Note: Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any risks mentioned herein under:

Internal to the Company

1. **There are two criminal litigations pending against one of our Non - Executive Directors.**

   The following criminal outstanding litigations are pending against Mr. Amit Jatia, one of the directors of our Company.

   - **Criminal complaint under Section 420 of the Indian Penal Code filed against Mr. Amit Jatia amongst others, by M/s. Nimit Realtors Private Limited, through its Joint Managing Director Mr. Abbas Abdulla Igatpuriwala ("Complainant") seeking issue of stringent process and for committing fraud and cheating the Complainant and causing him a total loss of Rs. 75 Lacs by avoiding the payment of the same to the Complainant.**

   - **Criminal case against Mr. Amit Jatia, amongst others, filed by the Food and Drug Regulation Department, Government of Gujarat, Ahmedabad, for selling food items (i.e. strawberry milk shake) without complying with the standards set by law**.

   For more information please see the section titled "Outstanding Litigation" on page 165 of this Draft Red Herring Prospectus.

2. **Currently we do not have any registered trademarks.**

   We have a total of 50 trademark applications pending for registration under the Trade Marks Act, 1999 before the Trade Mark Registry, Mumbai. These include applications for the trademarks "Fame" and the "Star" logo which are crucial to our business. As on date we do not have any registered trademarks. Further our application for the registration of the "Star" logo has been opposed. For more details please see the section titled "Outstanding Litigation" on page 165 of this Draft Red Herring Prospectus.

3. **Fluctuations in convertibility rates may adversely affect the cost of our projects.**

   We intend to use the proceeds of the Issue for the capital expenditures described in section "Objects of the Issue" beginning on page 27 of this Draft Red Herring Prospectus. Some of the equipments we intend to deploy is expected to be imported and must be paid for in foreign currency. Changes in foreign exchange rates affecting the value of the Rupee adversely may affect the cost of the project.

4. **The objects of the Issue for which funds are being raised have not been appraised by any bank or financial institution. We have not entered into any definitive agreement or placed orders for construction, refurbishment, renovation, machinery and equipments required to operate our proposed multiplexes.**

   The deployment of funds as stated in the "Objects of the Issue" is entirely at our discretion and is not subject to monitoring by any independent agency. All the figures included under the "Objects of the Issue" are based on our own estimates. There has been no independent appraisal of the project. We have not entered into any definitive agreements or place orders for the construction, refurbishment, renovation, machinery and equipments required to operate our proposed multiplexes. The estimated expenditure towards these objects is estimated to be Rs. 3,621 Lacs will be financed out of the proceeds of this Issue.

   For more information regarding approvals involving us and our subsidiaries see "Objects of the Issue" on Page 27 of this Draft Red Herring Prospectus.

5. **The implementation of our proposed projects may be subject to certain delays.**

   In the event that there is a delay in the schedule of implementation of the proposed projects for various reasons including but not limited to, construction delays, delay in receipt of government approvals, delay in delivery of equipment by suppliers etc our business may be adversely affected. Although we will make all efforts to implement the projects on time, we cannot assure that the projects will be implemented on a timely basis.

6. **We are dependent on our management team for our success.**

   The success of our business is dependent on our management team. Our ability to maintain a leading position in the film exhibition and distribution industry through a chain of multiplexes and retrofits substantially depends on our ability to attract, train, motivate and retain highly skilled personnel. Loss of our senior management and key managerial personnel could adversely affect our business. Failure to attract and retain skilled manpower could also adversely affect our business, financial condition and results of operations. Further, any increase in our attrition rates, would adversely affect our growth plans.

7. **We may fail to realize the anticipated benefits of future acquisitions and we may incur costs that could adversely impact our profitability.**

We may subsequently acquire other businesses, technologies and products that we believe are a strategic fit with our business. In such an event, we may not be able to successfully integrate any businesses, products, technologies or personnel that we might acquire without a significant expenditure of operating, financial and management resources. Further, we may fail to realize the anticipated benefits of certain acquisitions. Future acquisitions could dilute our shareholders' interest in us and could cause us to incur substantial debt, expose us to contingent liabilities and negatively impact our profitability.

8. **We are subject to restrictive covenants in certain short-term and long-term debt facilities provided to us by our lenders.**

There are restrictive covenants in agreements we have entered into with certain banks and financial institutions for short-term loans and long-term borrowings. These restrictive covenants require us to seek the prior permission of the said banks / financial institutions for various activities, including amongst others, alteration of the capital structure, raising of fresh capital, incurring expenditure on new projects, entering into any merger/amalgamation/restructuring, change in management etc. However, these restrictive covenants may affect some or all of the rights of our shareholders, including those mentioned on Page 206 of this Draft Red Herring Prospectus.

9. **We may not be entitled to entertainment tax benefits in the state of Gujarat.**

We have entered into a conducting agreement to manage a Multiplex in Surat where we are entitled to receive a certain percentage of the PBDIT of that Multiplex. The Government of Gujarat had vide its New Package Scheme of Incentives for Tourism Projects 1995-2000, ("Gujarat Policy") granted 100% tax exemption for entertainment complexes for specified initial time period. "Entertainment complex" includes multiplex cinema complex(es). One of the conditions for granting exemption under the Gujarat Policy was that the Multiplex should have commenced commercial activities on or before July 31, 2000. Fourteen Multiplex theaters, including the Multiplex where we propose to commence operations, in the state did not commence the operations before July 31, 2000. To these fourteen Multiplex theaters the Government of Gujarat did not issue the eligibility certificate for entertainment tax benefit and further issued show cause notices to the same for payment of entertainment tax.The aforesaid multiplexes, through the Multiplex Association of Gujarat filed a writ petition being Special Civil Application No. 5574 of 2004 before the High Court of Gujarat to extend the stipulated period of completion to avail of the said entertainment tax benefits. The High Court of Gujarat, vide its interim order directed the Government of Gujarat not to recover entertainment tax from seven multiplexes that have since commenced operations, solely on the ground that they had not completed the project within the stipulated time limit. Further the High Court also directed the Government of Gujarat to consider the representation of the owners of the Multiplex for an extension of the stipulated time limit. The said Multiplex has not yet commenced operations in the state of Gujarat. Upon commencement of operations an application before the High Court of Gujarat will be filed to include the said Multiplex within the ambit of its interim order. However, there cannot be any assurance that the said application will be considered favorably by the High Court of Gujarat.

Further, in terms of our agreement with the owner of the multiplex, we would receive a lower percentage of the PBDIT in the event that the entertainment tax benefit is not extended to the multiplex where we propose to commence operations. Therefore, in the event that the final order of the High Court of Gujarat is in favour of the Government of Gujarat, our financials would be adversely affected.

10. **Contingent Liabilities, Guarantees and Capital Commitments**

In terms of the audited financial statements as on September 30, 2004, the estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) aggregated to Rs. 941.45 Lacs. Claims raised by parties not acknowledged as debts aggregated to Rs.192.76 Lacs. The fixed and current assets of the Company have been placed with a bank as collateral security and a second charge has been created on these assets in respect of a cash credit facility availed by SFPL. The maximum sanctioned limit is Rs. 400 Lacs and the outstanding balance as on September 30, 2004 is Rs.193.96 Lacs.

11. **Our Promoters and IVFT have a significant shareholding in our Company. They have the ability to exercise significant control over us, including pursuant to the terms of our Articles of Association. Their interests may conflict with your interests as a shareholder.**

Our Promoters, Mr. Shyam Shroff, Mr. Balkrishna Shroff, Mr. Shravan Shroff and Mr. Aditya Shroff, and South Yarra Holdings, will collectively own 47.70% of our outstanding Equity Shares upon completion of the Issue. In addition, IVFT will own 24.66% of our issued Equity Shares upon completion of the Issue. Our Articles of Association confer certain rights on our Promoters and IVFT relating to the governance of our Company, including representation on our board of directors. Article 115 of the Articles of Association provides that IVFT shall be entitled to nominate one non-executive director who shall not be liable to retire by rotation as long as IVFT continues to hold at least 5% of the total issued and paid up equity share capital. Also the Promoters shall be entitled to nominate for appointment of majority of the directors on the Board of the Company for as long as they continue to hold at least 26% of the total paid up equity capital of our Company. Article 116 of the Articles of Association provides that the directors appointed by the Promoters shall appoint the Chairman as long as Promoters continue to hold at least 26% of the total paid up equity capital of the Company. For further details please refer to the section titled Main Provisions of Articles of Association on page 206 of this Draft Red Herring Prospectus.

12. **We are defendants in certain legal proceedings, incidental to our business and operations, which if determined against us, could have a material adverse impact on our results of operations and financial condition.**

    A brief of the outstanding litigations against our Company, our Directors and our subsidiary are as follows:

    Claim against our Company

    - Our application for the trade mark "STAR" been opposed by Eureka Forbes Limited through a Notice of Opposition before the Registrar of Trade Mark, Mumbai.

    Litigation against SFPL:

    - Metalight Productions Private Limited has made a claim of Rs. 1,300,000.

    For more information regarding litigation involving our Company and its subsidiaries see “Outstanding Litigation” on page 165 of this Draft Red Herring Prospectus.

13. **Our subsidiary has incurred losses in FY 2003 and FY 2004.**

    Our subsidiary, SFPL, has incurred a loss of Rs 119.88 Lacs for the six months period ended September 30, 2004, Rs.293.89 Lacs for FY 2004 and Rs.50.25 Lacs for FY2003. In the event that SFPL continues to incur losses, our consolidated results of operations and financial condition will continue to be adversely affected.

14. **Some of our Promoter Group Companies are loss-making.**

    Some of our Promoter Group companies are loss making companies. Details of the losses incurred by them for FY 2002, FY 2003 and FY 2004 are as given below:

(Rs. Lacs)

Particulars	**FY 2002**	**FY 2003**	**FY 2004**
Shringar Films	0. 7	(0.07)	1.1
Food Galore	(0. 1)	(0. 4)	0. 0
Adlabs Shringar Multiplex Cinemas Private Limited	(0. 2)	(9.2)	7.6

For more details, please refer to the Section “Group Companies” on page 75 of this Draft Red Herring Prospectus.

15. **We may not be able to sustain effective implementation of our business and growth strategy.**

    The success of our business will depend greatly on our ability to effectively implement our business and growth strategy. Whilst we have successfully executed our business strategy in the past, there can be no assurance that we will be able to execute our strategy on time and within the estimated budget, or that we will meet the expectations of targeted customers. We commenced operations in our multiplex Fame Adlabs in 2002 and at our multiplexes Fame Malad and Fame Nasik in 2004. We propose to open a chain of multiplexes and retrofits as described in the section “Objects of Issue” on page 27 of this Draft Red Herring Prospectus, as part of our business strategy. We expect our growth strategy to place significant demands on our management and other resources and require us to continue developing and improving our operational, financial and other internal controls.

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

16. **Some of our licenses have expired.**

    Our Business depends upon receipt of various approvals/ consents and licenses from the Government. These approvals/ consents and licenses are required to be renewed from time to time. The operating licenses typically are valid till December 31 of every year, irrespective of the date of its issuance. Accordingly, certain licenses have expired on December 31, 2004. Our Company has made applications for their renewals which are pending with the concerned authority. The following are the list of approvals/licenses for which we have made applications and are pending for renewal:

(i) Fame Adlabs:

(a) Premises License under Rule 109 of Rules for Licensing and Controlling Places of Public Amusement (other than Cinemas) and Performance for Public Amusement, including Cabaret Performances, Discotheques, Games, Melas and Tamashas, in Greater Bombay. The Company has vide its letter dated December 10, 2004, applied for the renewal of the license.

(b) License for Games under Rule 200 of Rules for Licensing and Controlling Places of Public Amusement (other than Cinemas) and Performance for Public Amusement, including Cabaret Performances, Discotheques, Games, Melas and Tamashas, in Greater Bombay. The Company has vide its letter dated December 10, 2004, applied for the renewal of the license.

(c) License under Section 3 and Rule 101 of the Bombay Cinema (Regulation) Act, 1953 and Rule 108 of the Maharashtra Cinema (Regulation) Rules, 1966. The Company has vide its letter dated December 10, 2004, applied for the renewal of the licence.

(d) License from Executive Engineer, North Mumbai Division, Public Works Department, Government of Maharashtra under the Maharashtra Cinema Rules, 1996, stating that the theaters are fit for public amusement to exhibit cinema shows. The Company has vide its letter dated November 30, 2004 applied for the renewal of the license.

(e) Permission under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923, to pay entertainment duty and surcharge due in respect of cinematograph. The Company has vide its letter dated November 30, 2004 applied for the renewal of the license.

(ii) Fame Malad

(a) License for Games under Rule 200 of Rules for Licensing and Controlling Places of Public Amusement (other than Cinemas) and Performance for Public Amusement, including Cabaret Performances, Discotheques, Games, Melas and Tamashas, in Greater Bombay. The Company has vide its letter dated May 5, 2004, applied for the license.

(b) Licences under Section 3 and Rule 101 of the Bombay Cinema (Regulation) Act, 1953 and Rule 108 of the Maharashtra Cinema (Regulation) Rules, 1966. The Company has vide its letter dated December 10, 2004, applied for the renewal of the license.

(c) Permission under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 to pay entertainment duty and surcharge due in respect of cinematograph. The Company has vide its letter dated November 30, 2004, applied for the renewal of the license.

(iii) Fame Nasik

(a) License under Section 3 and Rule 101 of the Bombay Cinema (Regulation) Act, 1953 and Rule 108 of the Maharashtra Cinema (Regulation) Rules, 1966. The Company has vide its letter dated December 20, 2004, applied for the renewal of the license.

(b) Permission under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 to pay entertainment duty and surcharge due in respect of cinematograph. The Company has vide its letter dated December 20, 2004, applied for the renewal of the license.

For more information regarding approvals involving our Company and its subsidiaries see “Government Approvals” on page 168 of this Draft Red Herring Prospectus.

Although in the past we have had no problem in obtaining these approvals, we cannot assure you that these approvals will be available to us in time and/or on favourable terms and conditions, which may result in time delays and cost overruns, which could adversely affect our business.

17. **We have not obtained approvals for our proposed projects /exemption from entertainment tax for some of our existing and proposed projects.**

For our proposed multiplex in Thane, we have not applied for/obtained all licenses. For our proposed multiplexes in Aurangabad, Hyderabad and West Bengal as stated in the “Objects of the Issue”, we have not obtained the required approvals for operating the multiplex. Further, we have not applied for /received all approvals for commencement of operations at Fame Surat, Fame Kandivali and Fame Pimpri, Pune.

In the event we are not granted the entertainment tax exemption for any of our projects, our profitability may be adversely impacted. The following are the projects for which we have applied for /are awaiting entertainment tax exemption:

(a) Fame Malad - We have applied for the final eligibility certificate for entertainment tax exemption. We have received a Letter of Intent from the Government.

(b) Fame Nasik- We have applied for the final eligibility certificate for entertainment tax exemption. We have received a Letter of Intent from the Government.

(c) Fame Pune - We have received a Letter of Intent from the Government. However, we can apply for the final eligibility certificate for entertainment tax exemption only upon commencement of operations.

(d) Fame Kandivali - We have received a Letter of Intent from the Government. However, we can apply for the final eligibility certificate for entertainment tax exemption only upon commencement of operations.

18. **Our ability to consolidate our total revenues may be affected if our shareholding in Swanston Multiplex Cinemas Private Limited is reduced.**
We have entered into a Shareholders Agreement on June 14, 2002 with Vasanji Mamania Group ("VM Group") who held the balance 49.99% in SMCPL. Recently the said 49.99% equity shares of SMCPL have been transferred to Adlabs Films Limited a permitted nominee of V M Group, under a Deed of Adherence dated December 27, 2004. Accordingly, Adlabs Films Limited is deemed to be a party to the Shareholders' Agreement and is now entitled to the rights and privileges under the same, including right to appoint board members etc. Our Company has also placed our 156 equity shares with an Escrow Agent in order to ensure due compliance of the provisions of the Shareholders' Agreement. Further we have also agreed that in future on a mutually agreed date we would issue instructions to transfer not less than 78 equity shares in favour of Adlabs Films Limited so that the shareholding of our Company and Adlabs Films Limited is atleast 50% each in SMCPL. Currently our Company under the Shareholders' Agreement holds majority equity shares of SMCPL and has therefore prepared its consolidated financial statement of accounts taking into account the financial statements of SMCPL. Should our shareholding in SMCPL be reduced to 50%, our Company would take into account SMCPL's financial statements to the extent of 50% for the purpose of consolidation.

19**. We operate on leased premises**

All the multiplexes/retrofits through which we operate our business are taken by us on long-term leases, sub-leases, leave and license agreements or in terms of a conducting agreement and /or other contractual arrangements with third parties. We may in future also enter into such transactions with third parties. Any adverse impact on the title /ownership rights/development rights of our landlords (including our Promoters or the Group) from whose real estate premises we operate our multiplexes/retrofits or breach of the contractual terms may impede our Company's effective operations. Further, in the event, these leases are not renewed, our operations and in turn profitability will be adversely impacted.

20. **Our business is seasonal**

Our business is seasonal in nature. Our revenues are higher during the April-June and October-December quarters. Any substantial decrease in our sales in these quarters can have a material adverse impact on our financial performance. Our revenues increase in the third quarter of our financial year (October-December quarter) due to the occurrence of festivals like Durga Puja, Diwali, Christmas, etc, as well as during the summer vacation season (April-June quarter)., in which historically we have reported higher sales. As a result of this, the quarter to quarter comparison of historical results may not be accurate or meaningful indicator of our future performance.

21. **Success of the distribution business depends upon the commercial success of various films.**

Success of the distribution business depends upon the commercial success of various films. In cases where a film is distributed on a minimum guarantee basis, we may incur a substantial loss, if the said film is not a box office success. Further, lack of quality content in a film will be reflected in the box office performance and will in turn impact our profitability. The profitability of the distribution business will also depend on the purchase price of the film. There is no guarantee that the box office performance will be commensurate with the price paid.

22. **Film rights are granted to us for a specified period only.**

Most of the film rights, including theatrical exhibition rights and satellite/Television rights, procured by us are limited to a specific period and may not be available to us on a continuous basis.

23. **Our programming revenues are declining.**

Our programming revenues were Rs.440.36 Lacs, Rs.290.49 Lacs and Rs.55.42 Lacs for fiscal year 2003, 2004 and six months ending September 30, 2004 respectively. Our programming contracts with the theaters are for a specific period of time. Some of our contracts have expired and may not be renewed.

24. **Increase in the prices of content**

Some of the major producers are venturing into the distribution business. As a result, there is scarcity of content due to which prices of content are rising. Our profitability in the distribution business may be adversely affected due to rising prices of content.

External to the Company

1. The entertainment industry is prone to unforeseen shifts in tastes and preferences of audiences, which could have an impact on the operations of the Company. Our success will depend on our ability to understand the business environment and change our business strategy accordingly.
2. Competition from existing single cinema theaters and multiplexes and future entrants in the film exhibition multiplex business in which the Company operates and proposes to operate. The concentration of multiplexes in a particular area will impact the footfalls and in turn adversely impact the profitability.
3. Changes in technology may render our current technologies obsolete or require us to make substantial capital investments.
4. Public places such as multiplexes could be likely targets for unforeseen acts of violence (including terrorist acts and rioting), which may impact the exhibition business. Any violence in public places such as multiplexes could cause damage to life and property, and also impact customer sentiment and their willingness to visit public places.
5. After this Issue, the price of our Equity Shares may be highly volatile, or an active trading market for our Equity Shares may not develop. The prices of our Equity Shares on the Stock Exchanges may fluctuate as a result of several factors, including:
   - Volatility in the Indian and global securities market;
   - Our results of operations and performance, in terms of market share;
   - Performance of our competitors, the Indian film exhibition industry and the perception in the market about investments in the exhibition sector;
   - Performance of the Indian economy;
   - Changes in Government policies;
   - Changes in the estimates of our performance or recommendations by financial analysts;
   - Significant developments in India’s economic liberalization and deregulation policies; and
   - Significant developments in India’s fiscal and environmental regulations.
6. Stability of policies and political situation in India can determine the fortunes of the film exhibition and distribution industry. The Indian Central and State Governments play an important role for the sector by regulating policies and regulations governing businesses. We cannot assure that the current policies will continue in future. The rate of economic liberalization could change and specific laws and policies affecting our industries and other policies affecting investment in our securities could change as well. A significant change in India’s economic liberalization and deregulation policies could disrupt business and economic conditions in India and thereby affect our business.

   Unstable internal & international political environment could impact the economic performance in both short term & long term.
7. There has been no public market for the Equity Shares of our Company and the prices of the Equity Shares may fluctuate. There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this Issue or that the prices at which the Equity Shares are sold in this Issue will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

Notes to risk factors

1. Net worth of the Company as on September 30, 2004 is Rs. 2313.35 Lacs.
2. Public Issue of 81,50,000 Equity Shares of Rs.10 each at a price of Rs [•] per share for cash aggregating Rs. [•] (herein after referred to as the “Issue”).

3. The average cost of acquisition of the Equity Shares of Rs. 10/- by our Promoters are given below:

Promoter	**Average cost of acquisition of shares (Rs)**
South Yarra Holdings	4.49
Shyam Shroff	100.00
Balkrishna Shroff	100.00
Shravan Shroff	100.00
Aditya Shroff	100.00

4. Book value of the Equity Shares of the Company as on September 30, 2004 is Rs.9.92/- per Equity Share.
5. Investors are advised to refer the paragraph on "Basis of Issue Price" on page 199 of this Red Herring Prospectus before making an investment in the Issue.
6. In the event of the Issue being oversubscribed, the allocation shall be on a proportionate basis to Retail Individual Bidders and Non-Institutional Bidders (Refer to the paragraph entitled "Basis of Allotment" on page 201 of this Red Herring Prospectus).
7. Investors are free to contact any of the BRLMs for any clarification or information pertaining to the Issue.
8. All information shall be made available by the BRLMs and the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.
9. Please refer to page no. 85 of this Draft Red Herring Prospectus for details on Related Party Transactions.
10. Please refer to page no. 135 of this Draft Red Herring Prospectus for details on Loans and Advances.

SECTION II: INTRODUCTION

SUMMARY

You should read the following summary together with the risk factors and the more detailed information about us and our financial data included elsewhere in this Draft Red Herring Prospectus.

COMPANY OVERVIEW

We are an integrated film exhibition and distribution company operating a chain of multiplexes which offers a world class viewing experience to the consumer.

BACKGROUND:

In the late 1990s, we saw an opportunity in providing good quality movie viewing experience to the Indian audience. Combined with the boom in high quality retail space in India, the avid movie going habits of Indians and the paucity of good quality theaters in the country, we felt this was a viable opportunity for a successful business. We, therefore, reoriented our business model to increase our focus on the nascent Film Exhibition business, by leveraging on our strong Film Distribution experience.

Our foray into Film Exhibition was led by Mr. Shravan Shroff. Our Film Distribution business continued to be spearheaded by Mr. Shyam Shroff and Mr. Balkrishna Shroff, who are respected names in the Indian Film Industry.

After studying market dynamics and national movie trends and comparing them with the developed markets, we realized that the exhibition business in India will soon move away from the traditional standalone, poorly maintained theaters to high quality multi-screen set-ups, which are aimed at providing quality viewing experience to movie viewing audience. We realized that good content, high service standards and modern cinema halls will bring in the required competitive edge over other formats and thus increase footfalls in theaters. We therefore decided to expand our operations into the film exhibition business, by capitalizing on the vast untapped potential of the Indian multiplex business.

In the value chain of film making, Production, Distribution and Exhibition are the three key segments, of which, the distributor is the key stake holder. We carry out distribution business through our subsidiary, Shringar Films Private Limited, one of the leading film distributors in India. SFPL was founded in 1999 and it took over the business of Shringar Films a partnership firm of the Promoters which was founded inl 1975, with the objective of bringing in the highest quality of entertainment to Indian movie audience. Hence in a span of 29 years, we have established ourselves as one of the leading film distribution entities in Western India.

EVOLUTION:

We were incorporated in 1999 and commenced operations in the same year. We were formed with the core objective of providing cinema goers a unique movie viewing experience. The film exhibition industry has traditionally been a very capital intensive business. We wanted to make a capital efficient, main-stream exhibition business model. We leveraged our relationships as Distributors with various Exhibitors to initiate our foray into Film Exhibition using the Theater Management / Programming Model.

In the Theater Management / Programming model we offered our content selection and programming skills to the theater owner for a fee and/or a share of profits. We were able to work with a wide range of Exhibitors including existing single screen theaters like Maratha Mandir (Matinee), Gemini as well as new multiplexes like Imax Adlabs.

Apart from the above, we also leased existing theaters and operated them with our own processes and employees. We managed theaters like Cinestar and Cinemax in the western suburbs of Mumbai. As a result, over the last 9-10 years we have built up a good experience in programming and managing a wide variety of single screen and multiplexes at multiple locations.

In 2001 in order to encourage investment in the sector, the Maharashtra government announced significant tax benefits for multiplex operators, which made investment in this sector more attractive. Sensing this opportunity, we decided to invest further capital into the Multiplex business. We raised fresh equity capital from GW Capital (one of the leading venture capital funds) and commenced investments in a capital-efficient manner.

Our first investment was made as a joint venture investment in Swanston along with Vasanji Mamania and others (now transferred to Adlabs Films Limited). Swanston operates Fame Adlabs, a 5-screen multiplex located at Citi Mall in Versova, Mumbai. Thereafter, we have set up a 6-screen multiplex at InOrbit Mall in Malad, Mumbai, a 3-screen retrofit at Nasik and a 4-screen multiplex at Raghuleela Mall in Kandivali, Mumbai. The Versova multiplex commenced operations in April 2002, the Malad multiplex commence operations in September 2004 and the Nasik multiplex commenced operations in November 2004. We are awaiting final approvals for commencing operations of the Kandivali multiplex.

OUR COMPETITIVE STRENGTHS

We are strategically positioned to leverage our strength in the domestic market, due to our competitive strengths that include the following:

a) **Market Reputation:**
The Shringar brand over the last several decades has been identified with professionalism and transparency in business practices. This is the core strength on which all our businesses are built.

b) **Ability to identify locations:**
One of the key factors for the success of any multiplex is the location. We believe that our skill in identifying locations is one of our key strengths. We have a professional team with many years of experience in evaluating various locations in terms of catchments area, competing alternatives, expenditure patterns, etc. this process has resulted in selecting locations like Versova, Malad, Pimpri (Pune) and Nasik.

c) **Proven project management skills:**
We have an in-house professional team for project implementation supported by project management consultants. This model of implementing projects has enabled us to complete properties within budgets and time.

d) **Capital-efficient project design and execution**
Our projects are planned and conceived in a manner that each property is profitable on a stand alone basis. We use our internal skills to assess the location and demographics and decide on capital expenditure accordingly. The properties on which we operate are not owned by us. We manage these properties pursuant to agreements entered into with the respective owners of the properties. Apart from stand-alone profitability of each site, it also ensures an efficient use of capital.

e) **Selection of content:**
Due to our experience in content selection and programming for many theaters and a deep understanding of different film genres (developed in our distribution business), we are well-placed to exploit each film available in the market.

f) **Marketing strength:**
We believe Fame has been established in the consumers mind due to marketing through newspaper ads, radio spots, direct mailers, internet mailers, the purple privilege club and the use of promotions like paid previews, contests, movies merchandise, DJ in the lobby over the weekend etc. Premieres of films are also used as an important marketing tool.

g) **Customer Orientation**
Fame has built a clear focus on customer orientation, by providing services such as internet bookings, home delivery of tickets, tele-bookings, and a customer loyalty programme.

h) **Long-standing experience in Film Distribution:**
Apart from the experience in areas of exhibition i.e. programming, theater management and running multiplexes, our Promoters have experience of over 25 years in film distribution. This distribution experience is particularly useful for the exhibition business in the following way:

- Ability to identify under serviced areas and/or untapped locations, where unmet demand for a movie theater exists. This helps us in selecting locations.
- Relationship with producers/distributors in getting access to content.
- Relationship with theater-owners enables us to have access to locations for retrofits properties
- Understanding of different film genres and their box-office potential. This is important for content selection.

i) **Integrated Technology Backbone**:
We have laid a lot of emphasis on a technology and systems. We use different softwares, which provide us a regularly updated MIS. This assists us in our day to day operations.

OUR STRATEGY

a. Build a strong customer preference for the 'Fame' brand:

We want the brand 'Fame' to be associated with a world class movie viewing experience. We intend to do this through a three step approach.

In step 1, we intend to attract customers to sample the Fame experience. This is being done by endeavoring to be a first-mover in a lot of locations, localized high-decibel advertising and an attractive entry-pricing strategy.

In step 2, we intend to lock in the customer by providing a host of value added services and a good customer loyalty programme.

In step 3, over a period of time, we intend to build the 'Fame Experience' to signify a world-class movie viewing experience and guaranteed quality of service across all locations.

b. To build a pan India presence is a cost effective manner:

We aim to be a national film exhibition chain with a mix of multiplexes, retrofits and some standalone properties. We also intend to program and manage on contract properties owned by others. In line with our capital efficient model we prefer to take properties on a long term lease, instead of owning the property. We source world wide to get the cost effective fit-outs (seats, projectors, acoustics etc) without compromising on quality. We expect this strategy to result in our having an all India presence in a very cost effective and capital efficient manner.

c. Stand-alone profitability

Our objective is to focus on a profitable growth by ensuring that our projects are planned and conceived in a manner that each property is profitable on a stand alone basis. We use our internal skills to assess the location and demographics and decide on capital expenditure accordingly.

d. Focus on a profitable growth

We have always laid a thrust on increasing number of patrons, along with an increase in spend per head and average ticket price.

We aim to achieve this by increasing number of patrons, innovative programming, block bookings, increase SPH, advertising revenues, controlling our costs and setting new standards in customer service.

OUR DISTRIBUTION STRATEGY

Going forward we propose to strengthen our position in distribution by:

- Continue acquiring quality film product rights at reasonable prices for theatrical distribution
- Follow the portfolio approach to mitigate the risk of possible product failure at the box office

SUMMARY FINANCIAL DATA

The statutory financial statements of the Company prepared in accordance with Indian GAAP for the Years ended March 31, 2002, 2003, 2004 and six months ended September 30, 2004 were audited by M/s BSR & Co., Chartered Accountants.

Summary of unconsolidated Financial Data under Indian GAAP.

The following table sets forth selected historical unconsolidated financial information of the Shringar Cinemas Limited derived from its restated and audited unconsolidated financial statements as of March 31, 2002, 2003 and 2004, and six months ended September 30, 2004, all prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, and restated as described in the auditors' report of BSR & Co. dated December 24, 2004, included in the section titled "Financial Statements" starting on page 121 of this Draft Red Herring Prospectus and should be read in conjunction with those financial statements and the notes thereto.

Summary of Profits & Losses as restated, unconsolidated

(Rs. Lacs)

Particulars	**Year ended 31 March 2002**	**Year ended 31 March 2003**	**Year ended 31 March 2004**	**6 months ended 30 September 2004**
Income				
Programming	290.23	440.36	290.49	55.42
Theatrical revenues	-	-	-	53.55
Other income	13.03	13.74	220.13	115.40
Total (A)	**303.26**	**454.10**	**510.62**	**224.37**
Expenditure				
Direct cost	260.71	402.81	257.47	64.11
Personnel cost	10.03	19.52	34.28	56.12
Operating cost	25.97	62.41	96.30	133.54
Depreciation	1.87	3.92	8.69	17.41
Interest	-	-	2.31	25.01
Preliminary and share issue expenses written off	-	-	-	-
Total (B)	**298.58**	**488.66**	**399.05**	**296.19**
Adjusted profit/(loss) before tax and extra-ordinary items (A) –(B)	**4.68**	**(34.56)**	**111.57**	**(71.82)**
Provision for tax				
- Current tax	0.32	-	-	-
- Deferred tax charge/(release)	0.11	0.14	(3.73)	32.73
Adjusted profit/(loss) before extra-ordinary items	**4.25**	**(34.70)**	**115.30**	**(104.55)**
Extra-ordinary items (net of tax)	-	-	-	-
Net profit/(loss) after adjustment and extra-ordinary items	**4.25**	**(34.70)**	**115.30**	**(104.55)**
Profit/(Loss) brought forward from previous year	(0.42)	3.83	(30.87)	84.33

Profit/(loss) balance available for appropriation	**3.83**	**(30.87)**	**84.43**	**(20.22)**
Appropriations				
Transfer to Capital redemption reserve	-	-	0.10	-
Balance carried forward to Balance Sheet	3.83	(30.87)	84.33	(20.22)

Summary of Assets & Liabilities as restated, unconsolidated

(Rs. Lacs)

Particulars	**As at 31 March 2002**	**As at 31 March 2003**	**As at 31 March 2004**	**As at 30 September 2004**
Fixed assets				
(i) Gross block	11.26	36.21	50.71	1,286.23
Less : Accumulated depreciation	2.96	6.75	15.44	32.85
Net block	8.30	29.46	35.27	1,253.38
Less : Revaluation reserve	-	-	-	-
Net block after adjustment for Revaluation reserve	8.30	29.46	35.27	1,253.38
(ii) Capital work in progress/ advances	-	72.47	312.02	733.53
Net block	**8.30**	**101.93**	**347.29**	**1,986.91**
Investments	**301.24**	**414.51**	**2,312.89**	**2,324.39**
Deferred tax asset – net	-	-	3.58	
Current assets, loans and advances				
(i) Inventories	-	-	-	2.33
(ii) Sundry debtors	42.66	25.88	17.76	31.03
(iii) Cash and bank balances	6.55	3.66	184.81	129.40
(iv) Loans and advances	131.73	138.13	794.63	990.98
(v) Other current assets	-	6.30	19.43	6.05
	180.94	**173.97**	**1,016.63**	**1,159.79**
A+B+C+D	**490.48**	**690.41**	**3,680.39**	**5,471.09**
Liabilities and provisions				
Secured loans	-	7.39	203.30	787.37
Unsecured loans	-	-	1,008.09	1,554.00
Current liabilities and provisions	36.65	118.75	86.69	787.22
Deferred tax liability – net	0.00	0.14	-	29.15
	36.65	126.28	1,298.08	3,157.74
Net worth (A+B+C+D-E)	**453.83**	**564.13**	**2,382.31**	**2,313.35**
Represented by				
(i) Share Capital				
- Equity share capital	10.00	10.00	438.91	2,333.30
- Share application money	-	145.00	-	-
- Preference share capital	-	-	0.10	0.10
	10.00	**155.00**	**439.01**	**2,333.40**
(ii) Reserves and surplus				
- Securities premium	440.00	440.00	1,858.87	0.07
- Capital redemption reserve	-	-	0.10	0.10
- Profit and loss account	3.83	(30.87)	84.33	(20.22)
	443.83	409.13	1,943.30	(20.05)
Less: Revaluation Reserve	-	-	-	-
Reserves (Net of Revaluation Reserves)	443.83	409.13	1,943.30	(20.05)
Net worth	**453.83**	**564.13**	**2,382.31**	**2,313.35**

Summary of consolidated Financial Data under Indian GAAP.

The following table sets forth selected historical consolidated financial information of the Shringar Cinemas Limited derived from its restated and consolidated financial statements as of March 31, 2003 and 2004, and six months ended September 30, 2004, all prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, and restated as described in the auditors' report of BSR & Co. dated December 24, 2004, included in the section titled "Financial Statements" starting on page 121 of this Draft Red Herring Prospectus and should be read in conjunction with those financial statements and the notes thereto.

Summary of Profits & Losses as restated, consolidated

(Rs. Lacs)

Particulars	**Year ended 31 March 2003**	**Year ended 31 March 2004**	**6 months ended 30 September 2004**
Income			
Programming	440.36	290.50	55.42
Theaterical revenues	1,435.80	1,916.94	1,093.62
Distribution revenue	-	10.69	267.06
Other income	56.30	81.72	31.60
Total	**1,932.46**	**2,299.85**	**1,447.70**
Expenditure			
Direct cost	832.14	832.65	589.87
Personnel cost	75.86	149.01	160.80
Operating cost	442.55	666.97	537.01
Depreciation	92.49	110.76	77.84
Interest	80.23	63.46	52.36
Total	**1,523.27**	**1,822.85**	**1,417.88**
Adjusted profit/(loss) before tax and extra-ordinary items	**409.19**	**477.00**	**29.82**
Provision for Tax			
- Current tax	130.60	182.20	117.57
- Deferred tax charge/(release)	35.14	12.00	38.43
Adjusted profit/(loss) before extra-ordinary items	**243.45**	**282.80**	**(126.18)**
Minority share of profit	**121.16**	**161.61**	**100.12**
Extra-ordinary items (net of tax)	-	-	-
Net profit/(loss) after adjustment and extra-ordinary items	**122.29**	**121.19**	**(226.30)**
Profit/ (Loss) brought forward from previous year	**3.83**	**69.16**	**117.39**
Profit/(loss) balance available for appropriation	**126.12**	**190.35**	**(108.91)**
Appropriations			
Transferred to general reserves	28.64	36.10	20.87
Tax on dividend	28.32	36.76	10.13
Transfer to Capital redemption reserve	-	0.10	-
	56.96	72.96	31.00
Balance carried forward to Balance Sheet	**69.16**	**117.39**	**(139.91)**

Summary of Assets & Liabilities as restated, consolidated

(Rs. Lacs)

		Particulars	As at 31 March 2003	As at 31 March 2004	As at 30 September 2004
A	**Fixed assets :**				
	(i)	Gross block	929.92	3,393.36	4,625.64
		Less : Accumulated depreciation	105.32	2,482.78	2,556.14
		Net block	824.60	910.58	2,069.50
		Less : Revaluation reserve	-	-	-
		Net block after adjustment for Revaluation reserve	824.60	910.58	2,069.50
	(ii)	Capital work in progress/ advances	72.47	429.59	736.44
	Net block		**897.07**	**1,340.17**	2,805.94
B	**Goodwill on consolidation**		**-**	**466.13**	**466.13**
C	**Investments**		**498.29**	**250.01**	**262.01**
D	**Current assets, loans and advances**				
	(i)	Inventories	0.64	2.16	4.29
	(ii)	Sundry debtors	30.19	148.79	105.00
	(iii)	Cash and bank balances	136.60	325.81	212.23
	(iv)	Loans and advances	297.10	2,226.36	2,384.46
	(v)	Interest accrued	6.30	19.43	6.04
	(vi)	Other current assets	-	-	-
			470.83	**2,722.55**	**2,712.02**
	A+B+C+D		**1,866.19**	**4,778.86**	**6,246.10**
E	**Liabilities and provisions**				
	Secured loans		417.53	752.08	1,246.29
	Unsecured loans		-	317.09	883.00
	Current liabilities and provisions		435.65	927.29	1,497.67
	Deferred tax liability - net		36.08	48.10	86.54
			889.26	2,044.56	3,713.50
F	**Minority interest**		284.13	254.29	253.43
	E+F		**1,173.39**	**2,298.85**	**3,966.93**
	Networth (A+B+C+D-E-F)		**692.80**	**2,480.01**	**2,279.17**
G	**Represented by**				
	(i)	**Share Capital**			
		- Equity share capital	**10.00**	**438.91**	**2,333.30**
		- Share application money	**145.00**	**-**	**-**
		- Preference share capital	**-**	**-**	**-**
			155.00	**438.91**	**2,333.30**
	(ii)	**Reserves and surplus**			
		- General reserve	**28.64**	**64.74**	**85.61**
		- Capital reserve on consolidation	*****	*****	*****
		- Capital redemption reserve	**-**	**0.10**	**0.10**
		- Securities premium	**440.00**	**1,858.87**	**0.07**
		- Profit and loss account	**69.16**	**117.39**	**(139.91)**
			537.80	**2,041.10**	**(54.13)**
	Less: Revaluation reserve		**-**	**-**	**-**
	Reserves (Net of revaluation reserves)		**537.80**	**2,041.10**	**(54.13)**
	Networth		**692.80**	**2,480.01**	**2,279.17**

STATEMENT OF UNAUDITED PRO-FORMA INFORMATION

Set out below is the the unaudited combined statement of profit and loss ('pro-forma information') of Shringar Cinemas Limited ('SCL' or 'the Parent Company') and its subsidiaries and joint ventures. The pro-forma information has been presented so as to reflect the performance of the group as a whole by including the results of Shringar Films Private Limited even for the period when it was not a subsidiary of SCL.

(Rs. Lacs)

Particulars	Year ended 31 March 2003	Year ended 31 March 2004	Six months ended 30 September 2004
Income			
Theatrical distribution & TV/sattelite rights	2,248.86	2,691.56	267.06
Programming	440.36	290.50	55.42
Theatrical exhibition			
- Theatrical exhibition	1,054.07	1,406.94	780.32
- Concession F & B	323.33	392.24	234.40
- Advertisement	58.40	106.44	72.85
- Pouring rights	9.90	11.32	6.05
Other income	85.62	117.65	31.60
Total	**4,220.54**	**5,016.65**	**1,447.70**
Expenditure			
Direct cost			
- Theatrical distribution	1,785.98	1,514.78	248.18
- Programming	294.72	190.95	45.52
- Theatrical exhibition	358.11	482.83	296.17
Personnel cost	135.01	226.05	160.80
Operating cost	648.93	876.77	537.01
Depreciation	566.05	1,478.08	77.84
Interest	80.23	63.47	52.36
Total	**3,869.03**	**4,832.93**	**1,417.88**
Adjusted profit/(loss) before tax and extra-ordinary items	**351.51**	**183.72**	**29.82**
Provision for Tax			
- Current tax	130.60	182.20	117.57
- Deferred tax charge/(release)	27.71	10.55	38.43
Adjusted profit/(loss) before extra-ordinary items	**193.20**	**(9.03)**	**(126.18)**
Extra-ordinary items (net of tax)	-	-	-
Net profit/(loss) before minority interest and appropriation	**193.20**	**(9.03)**	**(126.18)**

THE ISSUE

Equity Shares offered: Fresh Issue by the Company	81,50,000 Equity Shares of face value of Rs.10/- each
Of Which 1) Employees Reservation Portion	2,50,000 Equity Shares of face value of Rs.10/- each ***(Allocation on a proportionate basis)***
Therefore, NET ISSUE TO THE PUBLIC	79,00,000 Equity Shares of face value of Rs.10/- each
Of which A) Qualified Institutional Buyers portion (QIBs)	At least 39,50,000 Equity Shares of face value of Rs. 10/- each constituting at least 50% of the Net Issue to the Public ***(Allocation on a discretionary basis)***
B) Non-Institutional Portion	19,75,000 Equity Shares of face value of Rs 10/-, constituting 25% of the Net Issue to the Public ***(Allocation on a proportionate basis)***
C) Retail Portion	At least 19,75,000 Equity Shares of face value of Rs 10/-, constituting 25% of the Net Issue to the Public ***(Allocation on a proportionate basis)***
Notes*:* 1) Under-subscription, if any, in category B and C would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of the Company and BRLMs. 2) Under-subscription, if any, in the Employee Reservation Portion will be added back to the Non-Institutional and Retail Portion in the ratio of 50:50.	
Equity Shares outstanding prior to the Issue	**2,34,16,333 Equity Shares of face value of Rs.10/- each**
Equity Shares outstanding after the Issue	**3,15,66,333 Equity Shares of face value of Rs.10/- each**
Use of Issue proceeds	Please see section titled "Objects of the Issue" on page 27 of this Draft Red Herring Prospectus for additional information.

GENERAL INFORMATION

Authority for the Issue

"The Issue has been authorized a Special Resolution passed by the members of the Company at extra-ordinary general meeting of the shareholders of the Company held on December 23, 2004 pursuant to Section 81(1A) of the Companies Act, 1956 and a resolution passed by the Board of Directors their meeting held on December 24, 2004."

Prohibition by SEBI

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

Eligibility for the Issue

As per Clause 2.2.1 of SEBI Guidelines, an unlisted company may make an initial public offering of equity shares, only if it meets the following conditions; with eligibility criteria calculated in accordance with unconsolidated financial statements under Indian GAAP:

a) The Company has net tangible assets of at least Rs.30 million in each of the preceding three full years (of 12 months each) of which not more than 50% are held in monetary assets.

b) The Company has a track record of distributable profits as per Section 205 of Companies Act, for at least three out of immediately preceding five years.

For calculating distributable profits in terms of Section 205 of the Companies Act extra-ordinary items shall not be considered;

c) The Company has a net worth of at least Rs.10 million in each of the preceding three full years of 12 months each;

d) In case the Company has changed its name within the last one year, at least 50% of the revenues for the preceding one full year is earned by the Company from the activity suggested by the new name; and

e) The aggregate of the proposed Issue and all previous issues made in the same financial year in terms of size (i.e. offer through offer Document + firm allotment + promoters contribution through offer document) does not exceed five (5) times its pre-issue net worth as per the audited balance sheet of the last financial year.

Since we do not meet the requirements specified under Clause 2.2.1 mentioned above, we are offering Equity Shares through the book building route in accordance with Clauses 2.2.2 and 2.2.2A of the SEBI Guidelines, wherein:

- The issue is made through book-building process, with at least 50% of the issue size being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded
- The minimum post-issue face value capital of the Company shall be Rs. 10 crore

We undertake that the number of allottees in the proposed Issue shall be at least 1,000; otherwise, we shall forthwith refund the entire subscription amount received. In case of delay, if any, in refund, we shall pay interest on the application money at the rate of 15% per annum for the period of delay.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED AND JM MORGAN STANLEY PRIVATE LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI 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 DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, BOOK RUNNING LEAD MANAGERS, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED AND JM MORGAN STANLEY PRIVATE LIMITED, HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED JANUARY 14, 2005 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

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

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

WE CONFIRM THAT:

(A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;

(C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;

WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND

WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE NET WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS."

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

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

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

Caution

The Company, the Directors, BRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our website, www.shringar.co.in, would be doing so at his or her own risk.

The BRLMs accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLMs and us and the Underwriting Agreement to be entered into between the Underwriters and us.

All information shall be made available by our Company, BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centers etc.

Disclaimer in Respect of Jurisdiction

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

No action has been or will be taken to permit a public issuing in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares represented thereby may not be issued or sold, directly or indirectly, and this Draft 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 Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

Disclaimer Clause of the NSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter dated ---------------, permission to the Company to use the NSE's name in this Draft Red Herring Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. The NSE has scrutinized this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this Draft 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 Draft Red Herring Prospectus; nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its Promoters, its management or any scheme or project of this Company.

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

Disclaimer Clause of BSE

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

The BSE does not in any manner:

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

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

Filing

A copy of the Red Herring Prospectus, along with the documents required to be filed under 60B of the Companies Act, will be delivered for registration to the Registrar of Companies Maharashtra, Mumbai ("RoC") and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC. A copy of this Draft Red Herring Prospectus has been filed with the Corporation Finance Department of SEBI at Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

Listing

Applications have been made to the BSE and the NSE for permission to deal in and for an official quotation of our Equity Shares. The Stock Exchange, Mumbai shall be the Designated Stock Exchange with which the basis of allocation will be finalized for non-institutional portion and retail portion.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within eight days after our Company become liable to repay it from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company 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 7 working days of finalization and adoption of the Basis of Allotment for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

Shall be punishable with imprisonment for a term which may extend to five years."

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue amount, including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days, the Company and every director of the Company who is an officer in default, becomes liable to repay the amount with interest as per Section 73 of the Companies Act.

Withdrawal of the Issue

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

Letters of Allotment or Refund Orders

The Company shall give credit to the Beneficiary Account with Depository Participants within two working days of finalization of the basis of allotment of Equity Shares. The Company shall dispatch refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and will dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or first bidder's sole risk.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertakes that:

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

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

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by the Company, as an escrow collection bank(s) and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the bidders.

Issue Program

BID/ISSUE OPENS ON:	
BID/ISSUE CLOSES ON:	

Bids and any revision in bids shall be accepted **only between 10 a.m. and 5 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 5 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.

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

Book Running Lead Managers

Enam Financial Consultants Private Limited
801/802, Dalamal Towers
Nariman Point
Mumbai 400 021 (India)
Tel. : +91-22- 5638 1800
Fax. : +91-22- 2284 6824
E-mail: shringaripo@enam.com

JM Morgan Stanley Private Limited,
141, Maker Chambers III,
Nariman Point,
Mumbai-400 021. (India)
Tel.: +91-22-5504 0404
Fax: +91- 22-2202 8224
E-Mail: shringaripo@jmmorganstanley.com

Syndicate Members

Enam Securities Private Limited,
84B, Khatau Bldg, 2nd Floor,
44B Bank Street,
Off Shaheed Bhagat Singh Road,
Fort,
Mumbai - 400 023. (India)
Tel. : +91 22 2267 7901
Fax. No. +91 22 2266 5613

JM Morgan Stanley Retail Services Private Limited,
Apeejay Business Centre,
Apeejay House,
3, Dinshaw Waccha Road,
Churchgate,
Mumbai- 400 021. (India)
Tel.: +91-22-5504 0404
Fax:+91- 22-5630 1694
E-Mail: shringaripo@jmmorganstanley.com

Statement of Inter-Se Allocation of Responsibility

The responsibilities and co-ordination for various activities in this Issue are as under:

Activities	Responsibility	Co-ordinator
Capital structuring with the relative components and formalities such as type of instruments, etc.	Enam, JMMS	Enam
Due diligence of the Company's operations / management / business plans/legal etc. Drafting & Design of Offer Document and of statutory advertisement including memorandum containing salient features of the Prospectus. The designated Lead Manager shall ensure compliance with stipulated requirements and completion of prescribed formalities with Stock Exchange, Registrar of Companies and SEBI	Enam, JMMS	Enam
Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc.	Enam, JMMS	Enam
Appointment of Registrar, Bankers	Enam, JMMS	JMMS
Appointment of Printer and Ad agency	Enam, JMMS	Enam
Marketing of the Offer, which will cover inter alia, ▪ Formulating marketing strategies, preparation of publicity budget ▪ Finalize Media & PR strategy ▪ Finalizing centers for holding conferences for brokers, etc. ▪ Finalize collection centers ▪ Follow-up on distribution of publicity and Offer material including form, prospectus and deciding on the quantum of the Offer material	Enam, JMMS	Enam
Finalizing the list of QIBs. Divisions of QIBs for one to one meetings, road show related activities, order procurement, managing the Book, finalising of Pricing and Allocation	Enam, JMMS	JMMS
Post bidding activities including management of Escrow Accounts, co-ordination with Registrar and Banks, Refund to Bidders, etc. The post Offer activities of the Offer will involve essential follow up steps, which must include finalisation of listing of instruments and despatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Offer, Bankers to the Offer and the bank handling refund business. Lead Manager shall be responsible for ensuring that these agencies fulfill their functions and enable him to discharge this responsibility through suitable agreements with the issuer Company.	Enam, JMMS	JMMS

The selection of various agencies like the Bankers to the Issue, Escrow Collection Bank(s), Brokers, Advertising agencies, Public Relations agencies etc. will be finalized by the Company.

Even if many of these activities will be handled by other intermediaries, the designated BRLMs shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company.

Registered Office of the Company
Shringar Cinemas Limited
B/103, Kailash,
Juhu Church Road,
Juhu,
Mumbai 400 049 (India)
Tel: +91-22-2625 5900
Fax +91-22-2625 5272

Corporate Office of the Company
Shringar Cinemas Ltd,
Fame Adlabs,
2nd Floor, Andheri Link Road,
Oshiwara, Andheri (W),
Mumbai 400 053 (India)
Tel: +91-22-5640 3640

Company Secretary and Compliance Officer
Mr. Bhavesh Desai
Company Secretary
Shringar Cinemas Ltd,
Fame Adlabs,
2nd Floor, Andheri Link Road,
Oshiwara, Andheri (W),
Mumbai 400 053 (India)
Tel: +91-22-5640 3640
Fax +91-22-5640 3655
e-mail: -shringaripo@shringar.co.in

Registrar to the Issue
Intime Spectrum Registry Limited
C-13 Pannalal Silk Mills Compound,
LBS Marg, Bhandup West,
Mumbai 400 078,
Tel: +91-22-5555 5454
Fax: +91-22-5555 5353
Email: ipo@intimespectrum.com

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

Legal Advisors to the Issue
Amarchand & Mangaldas & Suresh A. Shroff & Co.
Peninsula Chambers,
Peninsula Corporate Park,
Ganpatrao Kadam Marg,
Lower Parel,
Mumbai 400013.
Tel: +91-22-2496 4455
Fax: +91-22-2496 3666

Auditors to the Company
BSR & Co.
KPMG House
Kamala Mills Compound
448, Senapati Bapat Marg
Mumbai 400 013
Tel: +91-22-2491 3131
Fax: +91-22-2491 3132

Escrow Collection Banks
[.]

Bankers to the Issue
[.]

Bankers to the Company

UTI Bank Limited
Goregaon Link road,
Building “M”,
Palm Court Complex,
New Link Road,
Malad (W),
Mumbai 400064

HDFC Bank Limited
Amaltas Co-Op. Soc. Ltd.,
Juhu Versova Link Road,
Andheri (W),
Mumbai 400049.

Vijaya Bank
Gamdevi,
Dharam Palace,
N.S.Patkar Marg,
Gamdevi, Mumbai – 400 007

Credit Rating

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

Trustees

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

Book Building Process

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

1. The Company
2. Book Running Lead Manager

SEBI, through its guidelines, has permitted an Issue of securities to the public through the 100% Book Building Process, wherein at least 50% of the Issue shall be allocated on a discretionary basis to Qualified Institutional Buyers (QIBs). Further, not less than 25% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 25% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. The Company will comply with these guidelines for this Issue. In this regard, the Company has appointed the BRLM to procure subscriptions to the Issue.

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

Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date. See page 180 for the section titled “Terms of the Issue” in this Draft Red Herring Prospectus.

Steps to be taken by the Bidders for bidding:

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

Illustration of Book Building and Price Discovery Process *(Investors should note that the following is solely for the purpose of illustration and is not specific to the Offer)*

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

Number of equity shares Bid for	Bid Price (Rs.)	Cumulative equity shares Bid for	Subscription
500	24	500	16.67%
1000	23	1500	50.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

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

Underwriting Agreement

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

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

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with RoC)

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in mn)
Enam Financial Consultants Private Limited 801/ 802, Dalamal Towers, Nariman Point, Mumbai 400 021	[•]	[•]
JM Morgan Stanley Private Limited, 141, Maker Chambers III, Nariman Point, Mumbai-400 021.	[•]	[•]
Enam Securities Private Limited 2nd Floor, Khatau Building, 44, Bank Street, Off S B Road, Fort, Mumbai 400 023	[•]	[•]
JM Morgan Stanley Retail Services Private Limited, 141, Maker Chambers III, Nariman Point, Mumbai-400 021.	[•]	[•]

The above Underwriting Agreements are dated [•].

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

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

Capital Structure

(Share Capital as on the date of filing of this Draft Red Herring Prospectus with SEBI)		**(Rs. Lacs)** *Value*	*Aggregate value*
A. Authorised Capital			
3,49,90,000 10,000	Equity Shares of Rs. 10 each Preference Shares of Rs. 10 each	3499 1	
B. Issued Subscribed And Paid-Up Capital			
2,34,16,333 1,000	Equity Shares of Rs. 10 each fully paid-up Preference Shares of Rs. 10 each fully paid-up	2341.6 0.1	
C. Present Offer to the public in terms of this Draft Red Herring Prospectus			
	81,50,000 Equity Shares of Rs. 10 each	815	□
Out of Which			
	2,50,000 Equity Shares of Rs. 10 each are reserved for Employees	25	□
	79,00,000 Equity Shares of Rs. 10 each as Net Issue to the Public	790	□
D. Issued, Subscribed and Paid-up Equity Capital after the Issue			
	3,15,66,333 Equity Shares of Rs. 10 each	3156.6	□
E. Share Premium Account			
	Before the Issue	-	29.24
	After the Issue	-	□

The Company was incorporated with an Authorised share capital of Rs. 10, 00,000 divided into 50,000 Equity Shares of Rs. 10 each and 50,000 Preference Shares of Rs. 10 each. The authorized share capital was increased and reclassified to Rs. 50, 00,000 divided into 5, 00,000 Equity Shares of Rs. 10 each vide a Special Resolution passed at Extra-ordinary General Meeting held on March 8, 2001. This was further increased and reclassified to Rs. 25,00,00,000 divided into 24,990,000 Equity Shares of Rs. 10 each and 10,000 Preference Shares of Rs. 10 each vide a Special Resolution passed at Extra-ordinary General Meeting held on March 20, 2004. This was further increased to Rs.35,00,00,000 divided into 3,49,90,000 Equity Shares of Rs. 10 each and 10,000 Preference Shares of Rs. 10 each vide a Special Resolution passed at Extra-ordinary General Meeting held on November 11, 2004.

Notes to the Capital Structure:

1) **Share Capital History of our Company:**

Date on which Equity Shares were allotted and made fully paid-up	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment of Consideration	Reasons for Allotment (bonus, swap etc.)	Cumulative Number of Equity Shares	Cumulative Share Premium (Rs. in Lacs)
October 26, 1999	2000	10	10	Cash	Subscriber to the Memorandum & Articles of Association	2000	-
March 30, 2001	12,280	10	226.38	Cash	Further allotment of Shares	14,280	26.6
June 16, 2001	49,000	10	714.28	Cash	Further allotment of Shares	63,280	371.7
March 27, 2002	36,720	10	196.08	Cash	Further allotment of Shares	1,00,000	440.0
March 30, 2004	28,53,039	10	19.85	Cash	Further allotment of Shares	29,53,039	721.0
March 30, 2004	14,36,041	10	90.61	Cash	Further allotment of Shares to India Value Fund Trustee Company	43,89,080	1,878.6
June 25, 2004	1,10,920	10	32.09	Cash	Further allotment of Shares to India Value Fund (Mauritius) PCC	45,00,000	1,883.4*
July 10, 2004	1,88,33,000	10	Nil	Bonus (out of share premium account)	In the ratio of 4.1851 Shares as bonus for every one Share held	2,33,33,000	0.07
December 24, 2004	83,333	10	45	Cash	Further allotment of Shares to India Value Fund Trustee Company	2,34,16,333	29.24

*Preliminary expenses amounting to Rs. 19,72,143 incurred on account of increase of Authorised Capital from Rs. 50,00,000 to Rs. 25,00,00,000 has been set-off against share premium account as at March 31, 2004.

On July 10, 2004 our Company allotted 1,88,33,000 Bonus Shares having an aggregate value of Rs. 18,83,30,000 by utilizing the share premium account.

2) **Promoter Contribution and Lock-in**

Name of the Promoter	Date on which Equity Shares were allotted/transferred and made fully paid-up	Nature of Payment of Consideration	Number of Equity Shares	Par Value (Rs.)	Issue/Transfer Prices (Rs.)	% of paid-up capital		Lock-in Period# (In years)
						Pre-Offer %	Post Offer %	
South Yarra Holdings	July 10, 2004	Bonus (out of share premium account)	63,13,267	10	-	26.96	20	3

#Lock-in period shall start from the date of allotment of Equity Shares in terms of this Draft Red Herring Prospectus.

Other than the above shares which are locked in for three years, our entire pre-issue Equity Share capital of the Company comprising 2,34,16,333 shall be locked in for a period of one year from date of allotment of this issue except for the 77,83,436 Equity Shares held by India Value Fund Trustee Company Private Limited which is a venture capital fund registered with SEBI under the provisions of SEBI (Venture Capital Funds) Regulations, 1996 and would be locked in as per the provisions of the SEBI (Venture Capital Funds) Regulations, 1996 and amendments thereto.

Our Promoters / Promoter Group, their relatives and associates, and our Directors have purchased / sold during the period of six months i.e. June 2004 preceding the date on which Draft Red Herring prospectus filed with SEBI.

South Yarra Holding (Partnership firm)

Sr. no.	Transaction	Name of Party	No of Equity Shares	Price per Equity Share of f. v. Rs.10/ each
1	October 16, 2004 (purchased)	Rupinder Singh Arora Jointly. with Mr. Shyam Shroff Mr. Dilawar Singh Arora	05	10
2	November 8, 2004 (sale/transferred to partner)	Shyam Shroff	01	100
3	November 8, 2004 (sale/transferred to partner)	Balkrishna Shroff	01	100
4	November 8, 2004 (sale/transferred to partner)	Shravan Shroff	01	100
5	November 8, 2004 (sale/transferred to partner)	Aditya Shroff	01	100
6	November 8, 2004 (sale)	Rita Shroff / Dipi Arora	01	100

SHYAM SHROFF

Sr. no.	Transaction	Name of Party	No of Equity Shares	Price per Equity Share of f. v. Rs.10/ each
1.	November 8, 2004 (Purchased)	South Yarra	01	100

BALKRISHNA SHROFF

Sr. no.	Transaction	Name of Party	No of Equity Shares	Price per Equity Share of f. v. Rs.10/ each
1.	November 8, 2004 (Purchased)	South Yarra	01	100

ADITYA SHROFF

Sr. no.	Transaction	Name of Party	No of Equity Shares	Price per Equity Share of f. v. Rs.10/ each
1.	November 8, 2004 (Purchased)	South Yarra	01	100

SHRAVAN SHROFF

Sr. no.	Transaction	Name of Party	No of Equity Shares	Price per Equity Share of f. v. Rs.10/ each
1.	November 8, 2004 (Purchased)	South Yarra	01	100

3) Details of the Capitalization of Reserves by the Company in the past

Date of Allotment of Bonus Shares	**Date of approval to the Bonus Issue**	**Ratio of Bonus Issue**	**Number of Equity Shares of Rs. 10 each Issued as Bonus**	**Amount of Reserves Capitalized (Rs.)**
July 10, 2004	July 10, 2004	4.1851 Bonus Shares for every 1 Equity Share held	1,88,33,000	18,83,30,000

4) Shareholding Pattern

Shareholding pattern of the Company before and after the Issue:

Category	**Pre-Issue**		**Post-Issue**	
	No. of Equity Shares	**%**	**No. of Equity Shares**	**%**
Promoters Group				
Promoters				
South Yarra Holdings – (through its partners) – Mr. Shyam Shroff Mr. Balkrishna Shroff Mr. Shravan Shroff Mr. Aditya Shroff	1,50,57,760	64.30	1,50,57,760	47.70
Mr. Shyam Shroff	1	0.00	1	0.00
Mr. Balkrishna Shroff	1	0.00	1	0.00
Mr. Shravan Shroff	1	0.00	1	0.00
Mr. Aditya Shroff	1	0.00	1	0.00
Investors/Other Shareholders				
India Value Fund Trustee Co Pvt. Ltd	77,83,436	33.24	77,83,436	24.66
IVF (Mauritius) PCC	5,75,132	2.46	5,75,132	1.82
Mrs. Rita Shroff jointly with Ms. Dipi Arora	1	0.00	1	0.00
Public & Others	0	0	8,150,000	25.82%
Total	**2,34,16,333**	**100.00%**	**3,15,66,333**	**100.00%**

5) Equity Shares held by the top ten shareholders

The list of top 10 shareholders of the Company and the number of Equity Shares held by them is as follows:

a) Top ten shareholders as on the date of filing this Draft Red Herring Prospectus with SEBI is as follows:

Sr. No.	**Name of the Shareholders**	**Number of Equity Shares**
1	South Yarra Holdings	1,50,57,760
2	India Value Fund Trustee Company Private Limited	77,83,436
3	IVF (Mauritius) PCC	5,75,132

4	Mr. Shyam Shroff	1
5	Mr. Balkrishna Shroff	1
6	Mr. Shravan Shroff	1
7	Mr. Aditya Shroff	1
8	Mrs. Rita Shroff jointly with Ms. Dipi Arora	1

b) Top ten shareholders ten days prior to filing this Draft Red Herring Prospectus with SEBI is as follows:

Sr. No.	Name of the Shareholders	Number of Equity Shares
1	South Yarra Holdings	1,50,57,760
2	India Value Fund Trustee Company Private Limited	77,83,436
3	IVF (Mauritius) PCC	5,75,132
4	Mr. Shyam Shroff	1
5	Mr. Balkrishna Shroff	1
6	Mr. Shravan Shroff	1
7	Mr. Aditya Shroff	1
8	Mrs. Rita Shroff jointly with Ms. Dipi Arora	1

c) Top ten shareholders two years prior to filing this Draft Red Herring Prospectus with SEBI is as follows (as on):

Sr. No.	Name of the Shareholders	Number of Equity Shares
1	Shringar Films Pvt. Ltd	51,000
2	India Value Fund Trustee Co Pvt. Ltd	49,000

6) As of the date of this Draft Red Herring Prospectus, there are no outstanding warrants, options or rights to convert debentures, loans or other financial instruments into our Equity Shares, except for the options under the ESOP scheme. The shares locked in by the Promoter are not pledged to any party. The Promoter may pledge the Equity Shares with banks or FIs as additional security for loan whenever availed by him from banks/FIs.

7) The Company, its Directors, the BRLMs have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of the Company from any person.

8) The Company has not raised any bridge loan against the proceeds of the Issue.

9) In this Issue, in case of over-subscription in all categories, at least 50% of the Net Issue to the Public shall be allocated on a discretionary basis to Qualified Institutional Buyers. Further, not less than 25% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 25% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in any categories would be allowed to be met with spill over from any other category at the sole discretion of the Company and the BRLMs.

10) A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, i.e., 81,50,000 Equity Shares, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

11) An oversubscription to the extent of 10% of the Issue size can be retained for the purpose of rounding off to the nearer multiple of while finalising the allotment.

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

13) We presently do not intend or propose to alter our capital structure for a period of six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, or, if we

enter into acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

14) At any given point of time, there shall be only one denomination for the Equity Shares of the Company and the Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

15) On June 25, 2004, we allotted 110,920 Equity Shares to India Value Fund (Mauritius) PCC. For further details please refer to Note 1 of this Capital Structure.

16) On July 10, 2004, we allotted Bonus Shares in the ratio of 4.1851 Equity Shares for every 1 Equity Share held to the existing shareholders. For further details please refer to Note 1 of this Capital Structure.

17) On December 24, 2004, we allotted 83,333 Equity Shares to India Value Fund Trustee Co. Pvt. Ltd. For further details please refer to Note 1 of this Capital Structure.

18) The Company had 8 members as of December 31, 2004.

Employee Stock Option Plan, 2004 ("ESOP")

The Employee Stock Option Plan ("ESOP") is in pursuance of a resolution passed by the Compensation Committee of the Board of Directors of the Company at its meeting held on December 24, 2004, and the Shareholders of our Company at an Extra - ordinary. General Meeting of the Company held on December 23, 2004.. This ESOP scheme applies only to such permanent employees who are in whole time employment of the Company and its subsidiaries, including Directors whether in employment or not and at the discretion of the Compensation Committee. Pursuant to the above resolutions, the Compensation Committee of the Board of Directors, at its meeting held on December 24, 2004 approved the grant of 65,900 options to the employees and directors of the Company. Pursuant to this resolution, we have issued the following options:

Particulars	
a. Options Granted on December 31, 2004	65,900
b. Exercise price	Rs. 30 per option
c. Options vested	NIL
d. Options exercised	NIL
e. The total number of Equity Shares arising as a result of exercise of options	65,900.
f. Options lapsed	NIL
g. Variation of terms of options	Not Applicable
h. Money realized by exercise of options	Not Applicable
i. Total number of options in force	65,900
j. Person-wise details of options granted to;	
i. Directors and senior managerial personnel	51,600
ii. Any other employee who received a grant in any one year of options amounting to 5% or more of options granted during that year	NIL
iii. identified employees who are granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL
k. Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of options	Not Applicable
l. Vesting Schedule	33.33%, 33.33% and 33.33% on the completion of 1,2 and 3 years, respectively, from the date of grant of the option
m. Lock-in	Not Applicable

Details regarding grant of stock options to key managerial employees of the Company and its subsidiaries companies is set out below:

Name of Key managerial employees of the Company

NAME	No. of Options Granted
Shriram Krishnan	14200
Mukesh Gupta	7200
Satyendra Dasondi	6800
Abhijit Kanvinde	5800
Prasanna Manjrekar	4600
Arshad Kazi	4500
Neeraj Goswamy	4500
Sundaresan Kumar	4000
Rahul Merchant	1600
Sunil Punjabi	1500
Avisha Wadhera	1500
Giridhar Duseja	1300
Deepak Shinde	1100
Sameer Tawade	1100
Rakesh Tripathi	1100
Virendra Sharma	900
Rupesh Salian	900
Sushama Kadam	800
Mangesh Nerurkar	700
Clyde Monteiro	700
N. B. Prasad	700
Chandrakala	400
Total	**65,900**

OBJECTS OF THE ISSUE

The net proceeds of this issue after deducting underwriting and management fees, selling fees and all other issue related expenses payable by us is estimated at Rs. **[●]** Lacs. We intend to utilize net proceeds of this Issue to primarily create infrastructure for our growth to enable us to consolidate our position in the existing markets and to make in-roads into new markets.

We intend to use the net proceeds of the present Issue for the following purposes:

	(Rs. Lacs)
Funding Exhibition Growth...	3621.6
Funding distribution growth through Subsidiary	1000.0
Total	[●]

Funding Exhibition Growth

We have emerged as a significant multiplex chain in the city of Mumbai. We are currently operating multiplex in Versova (Mumbai), Malad (Mumbai), and Vijay (Nasik). We expect our multiplex at Kandivali (Mumbai) to start operations before March 05 while multiplexes at Surat and Pimpri (Pune) will become operational by June 05. Currently we are operating 3 multiplexes with 12 Screens. By the end of FY 2005 and FY 2006 we propose to operate 18 and 42 screens respectively. We intend to have a Pan India presence with approximately 150 screens by the end of FY 2010.

As a part of our above stated objective, in FY 2005-06, we intend to start operating multiplexes at Thane, Aurangabad, Hyderabad and Kolkata. These multiplexes would be financed through the proceeds of this Issue.

The total fund requirement plan for these multiplexes is as given:

Number of screens...	**15**
Capex Requirement	*(Rs. Lacs)*
Interior Furnishings & Fixtures	**2,019.2**
Deposit and Consultancy Charges	**512.4**
Projection & Sound Equipments	**520.0**
Others (including IT Hardware & Software, Pre-Operative exp. And Contingencies	**570.0**
Total	**3,621.6**

Details of proposed multiplexes

Thane

We propose to open a multiplex at Kapurbawdi in Thane, which is an adjacent district to Mumbai and over the years has emerged as a preferred destination for middle class citizens. The proposed multiplex will be part of one of the largest malls in Thane with about 6,00,000 sq. ft. area. The mall is expected to house some of the prominent brands and establishments, thus ensuring adequate visibility for the multiplex. The multiplex will comprise of 5 screens.

We have entered into Memorandum of Understanding (MOU) with the developer of the property on October 18, 2004 in terms of which the developer will lease the multiplex for a period of 10 years, further extendable on mutual agreement. We have paid Rs. 11 Lacs to the developer being part of interest free, refundable security deposit. As per the terms of the MOU, the developer shall own the building. On receiving the possession of the site, we shall furnish the theater and install equipments required for operating the multiplex. All the approvals for operating the multiplex shall be obtained by the developer on the completion of the construction of the site. The cost towards furnishing of multiplex and installation of equipments shall be borne by us. The approximate cost for this multiplex is estimated at Rs. 1,241 Lacs. The developer has vide its application dated August 16, 2002 applied for grant of entertainment tax exemption for the proposed multiplex under the provisions of Government of Maharashtra Notification dated August 18, 2001. We are also negotiating with various vendors/suppliers of instruments and machinery to be purchased for the proposed multiplex.

We expect to commence the operation at the proposed multiplex by Oct-05.

Hyderabad

Hyderabad, the capital of state of Andhra Pradesh has a large number of professionals working in the IT industry. We propose to open a multiplex at Himayatnagar in Hyderabad. The site for the proposed multiplex is at significant distance from the existing multiplexes clustered in the heart of the city. The proposed multiplex will comprise of 3 screens.

We have entered into MOU with the developer of the property on October 18, 2004 wherein the developer will lease the multiplex to us for a period of 27 years for monthly lease rentals. We have paid Rs. 15 Lacs to the developer being part of interest free, refundable security deposit. As per the terms of the MOU, the developer shall own the building. On receiving the possession of the site, we shall furnish the theater and install equipments required for operating the multiplex. All the approvals for operating the multiplex shall be obtained by the developer on the completion of the construction of the site. The cost towards furnishing of multiplex and installation of equipments shall be borne by us. The approximate total cost of the multiplex is estimated at Rs. 799.4 Lacs. We are also negotiating with various vendors/suppliers of instruments and machinery to be purchased for the proposed multiplex.

We expect to commence the operation at the proposed multiplex by Mar-06.

Aurangabad

Aurangabad is an industrial hub in the state of Maharashtra with an approximate population of 12 Lacs. The site for the multiplex is located in the central locality of town centre on the Jalgaon road. The said location is in the upmarket locality of the CIDCO area. The proposed site is an existing twin cinemas which will be retrofitted to a 3 screen multiplex.

We have entered into MOU with the developer of the property on December 30, 2004, wherein the developer will lease the multiplex to us for a period of 10 years which can be further extended by mutual agreement. We have paid Rs. 5 Lacs to the developer being part of interest free, refundable security deposit. As per the terms of the MOU, the developer shall own the building. On receiving the possession of the site, we shall furnish the theater and install equipments required for operating the multiplex. All the approvals for operating the multiplex shall be obtained by the developer. The cost towards furnishing of multiplex and installation of equipments shall be borne by us. The approximate total cost of the multiplex is estimated at Rs. 704.9 Lacs The developer vide its application dated July 29,,2002 has applied for grant of entertainment tax exemption for the proposed multiplex under the provisions of Government of Maharashtra Notification dated August 18. 2001. We are also negotiating with various vendors/suppliers of instruments and machinery to be purchased for the proposed multiplex.

We expect to commence the operation at the proposed multiplex by Feb-06

Kolkata

Kolkata has enjoyed a reputation of rich tradition of enjoying quality cinema. Consumer demographics and favorable regulatory regime are conducive to the growth of the Multiplex business in Kolkata. We have signed a Letter of Intent with Calcutta Metropolitan Group Ltd (CMG Ltd) to operate for a period of 8 years, a multiplex in an entertainment complex constructed by CMG Ltd. The entertainment complex will house prominent brands in the categories of retail, food, leisure and entertainment.

We have filed a suit for specific performance for contractual obligations agreed to under the said Letter of Intent against CMG Ltd. For more details please refer to the section titled 'Outstanding Litigations' on page 165 of this Draft Red Herring Prospectus.

The total cost of the proposed multiplex comprising of 4 screens is estimated at Rs. 876.4 lacs.

Subject to obtaining judgment in the aforesaid suit, we expect to commence the operation at the proposed multiplex in third second quarter of FY 2006.

Equipment

We are currently negotiating with various suppliers for supply of various fixtures, furniture, equipments, hardware and software required to operate a multiplex. The details of the equipment with the respective suppliers and consultants, we are in dialogue is as given.

Sr. No.	Equipment	Suppliers
1	Projectors, console and platters	Christie Digital Systems USA Inc.
2	Main and surround speakers	JBL Professional
3	Amplifiers	QSC thro' MRH Digital Systems Private Limited
4	Screen	Harkness Hall Limited.
5	Processors	Dolby Digital thro' MRH Digital Systems Private Limited
6	Popcorn Machines and warmers	Banaco Overseas
7	Cold and hot displays	Williams Refrigeration , Meera Refrigerator
8	Ice cube machines	Mittal International
9	Interiors	Archdeep Interiors Private Limited
10	Acoustics	Shama Enterprises , Systems A.D.Solutions (I) Pvt. Ltd.
11	Wood wool boards	Anutone
12	Fabric	Rajasthan Spinning Weaving Mills
13	Carpet	Symphony International, Wall Tracts India Private Limited
14	Air conditioning	Voltas Limited, Blue Star Limited., Vigneshwar Air-Conditioning Pvt. Ltd.
15	Electrical fittings	Antelec Ltd., Pravin Electricals Private Limited
16	Fire fighting	Nagarwalla Engineering Company Private Limited, Shree Padmavati Engineers (India) Private Limited
17	Signages	Universal Signages, Tharumal & Sons, Glowtech Signs & Display
Consultants		
1	Acoustics	Neville N Daruwala, Gherzi Eastern Limited
2	Architectural work	Atul Desai, Gherzi Eastern Limited
3	Conceptual Architect	760i Architect Consultant Co. Ltd., Mesbur & Smith
4	HVAC Consulting	Rumi H. Bharucha Consultants Pvt. Ltd.
5	Project Management Consultancy	Gherzi Eastern Limited, Feedback Strategic Consultancy Services, Dalal Mott MacDonald

Repayment of Loan and Investments in SFPL

We have taken an Inter Corporate Deposit (ICD) of Rs. 671 Lacs from our subsidiary SFPL. The ICD is unsecured and simple interest is payable at the rate of 4% p.a. The ICD is repayable within 7 days of demand by SFPL and can be prepaid by us at our option. We intend to repay this ICD from the proceeds of this Issue and also make further investment of Rs. 339 Lacs in SFPL either in the form of equity or debt. Hence the total funds available to SFPL including the repayment of ICD will be Rs. 1000 Lacs. We propose to strengthen our position in the distribution business by acquiring quality film rights at reasonable prices for theatrical distribution and follow the portfolio approach to mitigate the risk of possible product failure at the box office. This amount is proposed to be utilized to provide permanent capital to fund the distribution business. SFPL has evolved as a premier distribution house. In FY 2003-04 SFPL distributed 20 feature films in Bombay territory, 22 films in Tamil Nadu territory and 11 films in Delhi territory. For nine months ended December 31, 2004 we distributed 4 feature films in Mumbai territory. Of the unreleased feature films SFPL has distribution rights for 3 feature films including Elaan (directed by Vikram Bhatt), Garam Masala (directed by Priyadarshan), Kaya Taran.

Of the total Issue proceeds of Rs. [●] Lacs, after applying the funds towards the above mentioned object, if there is any surplus fund available, the same shall be utilized towards general corporate purposes, including repayment of loans. However in case of any deficit, we shall reduce the investment in SFPL we have provided for distribution business to that extent. Our repayment of ICD to SFPL shall also reduce in the event of any further deficit.

Issue expenses

The expenses for the Issue include among others, underwriting and management fees, selling commissions, printing and distribution expenses, legal fees, statutory advertising expenses and listing fees payable to the stock exchanges. The estimated Issue expenses are as follows.

Activity	(Rs. in Lacs)
Lead Management, underwriting and selling commission and Others (Registrars fee, legal fee, listing fee, Auditors, Book Building fees, etc.)	175.00
Advertising and Marketing expenses	50.00
Printing and stationery	125.00
Total	350.00

Funds deployed on the objects of the Issue

The total amount spent towards the proposed sites at Thane, Aurangabad, Hyderabad and Kolkata include advances for deposit to developer, travelling expenses, conveyance, entertainment and professional fees until **December 31, 2004** is Rs. 49.02 Lacs, as certified by M/s. R. Prasad Rao, Chartered Accountants vide its report dated **January 7, 2005**. The text of the report is as under:

"This is to confirm and certify that the total project cost (CWIP) expenses incurred by M/s. Shringar Cinemas Limited, B-103 Kailash Apartment, Juhu Church Road, Juhu, Mumbai 400 049, on the following projects as on 31st December, 2004 are as follows :

Sr. No.	Particulars	Hyderabad Project	Thane Project	Aurangabad Project	Kolkata Project
1	Deposit Paid	1,500,000.00	1,100,000.00	500,000.00	-
2	Travelling	8,800.00			166,016.70
3	Conveyance	150.00			-
4	Travelling & Entertainment	855.00			-
5	Professional Fees	45,000.00	80,490.00		1,496,534.70
6	Bank Charges	-	1,510.00		2,053.00
7	Misc. Expenses	-	-	-	953.00
	Total	**1,554,805.00**	**1,182,000.00**	**500,000.00**	**1,665,557.40**

The above is certified on the basis of information and explanation given to me and the books and records produced before me for my verification."

Interim Use of Proceeds

Pending any use as described above, we intend to invest the proceeds of this Issue in high quality, interest/dividend bearing short term/long term liquid instruments including deposits with banks for the necessary duration. These investments would be authorised by our Board or a duly authorised committee thereof.

The above fund requirement is based on our current business plan. In view of the highly competitive and dynamic nature of the industry in which we operate, we may have to revise our business plan from time to time and consequently our funds requirement may also change. This may include rescheduling of capital expenditure programmes, changing the location of the multiplex, initiating new projects, terminating the projects currently planned, reallocating the capital expenditure amongst various businesses of exhibition and distribution vis-à-vis current plans at the sole and absolute discretion of the management as it may deem fit.

In case the suit filed for specific performance for contractual obligations agreed to under the said Letter of Intent against CMG Ltd. Is not decided in our favour, we will use the funds earmarked for the Kolkata multiplex will utilized for implementing our long term business plan for our exhibition business.

Our long term plans will be financed through an appropriate combination of Debt, Equity and Internal accruals.

SECTION III: ABOUT US

INDUSTRY

In India, Movies have always been a very important source of entertainment. Movies directly contributed Rs. 4,500 crores out of the Rs. 19,200 crores entertainment business in India in 2003 *(Source: The Indian Entertainment Industry: Emerging Trends & Opportunities – FICCI – E&Y Report, 2004)*[1]*;* besides being an important source of content for the Television, Cable and Music businesses. The large interest in Movies, dating back to almost 100 years, resulted in a number of cinema halls / theaters being set up all over the country. A lot of such cinema halls / theaters were set up over 30-50 years back, largely by local entrepreneurs and businessmen.

A combination of highly fragmented ownership, high entertainment tax rates, large cost of setting up new theaters, and unavailability of organized funding has resulted in many such theaters not being able to continuously upgrade or renovate their facilities, thus resulting in a decline in the quality of such theaters. This has been detrimental to the entire Film Industry, as viewers started staying away from theaters and started using alternative viewing options including video and cable TV.

Over the last 5-7 years, factors such as strong economic growth, falling interest rates, increased interest in real estate development, increased consumption levels, etc. have resulted in a large boom in the Organized Retail sector in India. A number of large organized retail outlets have been trying to attract large footfalls by building in attractive properties such as branded food & apparel outlets as well as theater chains. In fact, movie theaters – especially the new format multiplexes which provide high quality viewing experience – are fast emerging as one of the key drivers of footfalls in a number of organized retail outlets, resulting in a renewed interest in investment in and growth of the movie exhibition business in India.

In light of the above, we have structured this Industry section to cover the Organized Retail business in India, followed by a description of the Movie Exhibition, Movie Distribution and the Movie Production businesses.

<u>1. ORGANISED RETAIL IN INDIA</u>

The Indian retail industry, which recorded turnover of Rs. 10,700 Bn in FY2004 *(Source: KSA Technopak India),* contributed approximately 30% to India's GDP. In the last 5-7 years we have witnessed a significant growth in organized retail in India. Favorable demographics, rising consumer incomes, real estate developments especially with emergence of new shopping malls, availability of better sourcing options both from within India and overseas, and changing lifestyles that bring the Indian consumer closer to the consumers in more developed markets are driving the growth of organized retailing.

A. INCREASED CONSUMPTION LEVELS OF INDIAN CONSUMERS

Over the last few years, there has been a rise in the overall consumption levels of Indian consumers. The key reasons for this growth in Consumption are a) Rising Income Levels b) Falling Interest Rates c) Changing Demographic Profile and d) Changing Lifestyles.

a) Rising income levels

A larger number of households in urban India are getting added to the consuming class with growth in income levels. The number of households with income of over Rs 45,000 per annum is expected to grow from 17.4 mn in 1999-2000 to 44.8 mn by 2005-06 *(source: The Marketing Whitebook 2003-04, brought out by Businessworld)*. As disposable incomes go up, the demand for entertainment is likely to go up.

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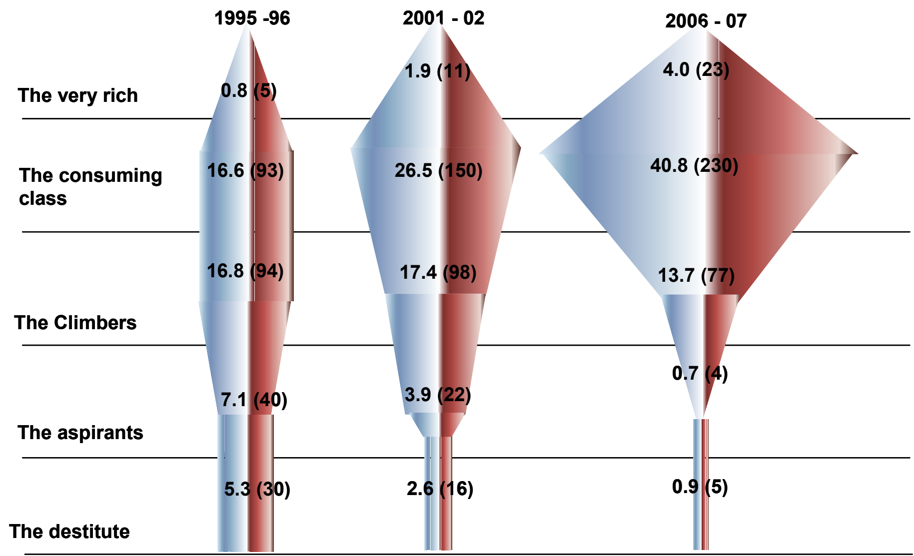
[1] **Disclaimer of FICCI with respect to 'FICCI E&Y The Indian Entertainment Sector Report 2004' and Source: The Indian Entertaiment Industry – FICCI- 2001 , used as source in this section and elsewhere of this Draft Red Herring Prospectus:**

"These Reports have been prepared on the basis of information obtained from Industry players and discussion with them. While due care has been taken to ensure the accuracy of the information contained in these Reports, no warranty, expressed or implied, is being made, by FICCI as regards the accuracy or adequacy of the information contained in these reports. No responsibility is being accepted, or will be accepted by, FICCI for any consequences, including loss of profits, that may arise as a result of errors or omissions in these Reports. These Reports are only intended to be a general guide and professional advice should be sought before taking any action on any matter".

Urban India – Distribution of households by annual income

Figures in mn: Households (population)



The Very Rich (Above Rs 215000) Consuming (Rs 45000-215000)

Climbers (Rs 22000-45000) Aspirants (Rs 16000-22000)

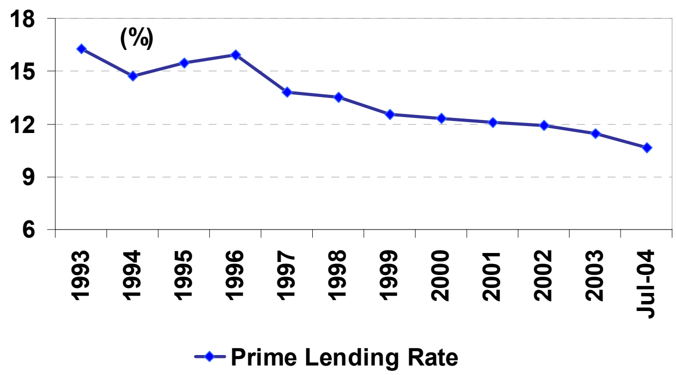
Destitutes (Less than Rs 16000)

Source: The Marketing Whitebook 2003-04, brought out by Businessworld

As is evident from the graph above, there is a consistent increase in the number of people in the rich and consuming class, and this trend is expected to continue in future. The increased spends are partly being channelised into a number of lifestyle and entertainment products including cars, consumer durables, cable TV and cellular phones.

b) Falling Interest Rates

The Interest rates (Prime Lending Rate) in India have dropped quite significantly over the years. From a high of 16% in 1993 the PLR has come down to approximately 10%. Falling interest rates has helped in increasing consumption levels of the consumer.

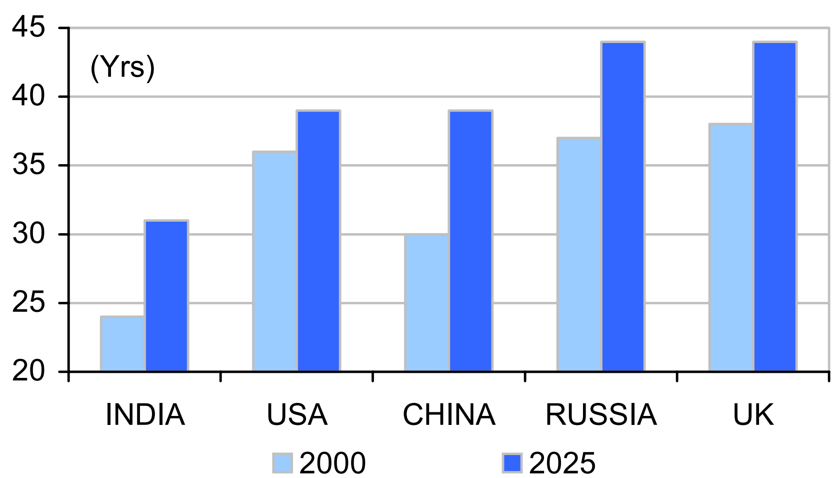


Source: RBI

c) Changing Demographic profile

India is witnessing a significant change in the age profile of its' over 1bn population, which is likely to lead to accelerated consumption over the next few years. India has a median age of 24 years for its population against 36 years for the USA and 30 years for China *(source: KSA Technopak India)*. A younger population tends to have higher aspirations, and will spend more as it enters the earning phase.

Median age in years



Source: KSA Technopak India

The low median age of the population means a higher current consumption spend vs. savings as a younger population has both, the ability and willingness to spend. Higher consumption is a direct booster for the retailing industry.

d) Changing lifestyles

The traditional large, joint-family set up in India, is slowly giving way to a nuclear family set up. This is more pronounced in urban India. This has resulted in a larger number of households, pushing up demand for consumer goods. With rising education levels, especially among women, there is an increase in the number of employed women, thus further increasing the consumer class and adding to disposable incomes of families. These have a direct impact on the overall consumption patterns and fuels further growth of organized retail.

B. DEVELOPMENT OF ORGANISED RETAIL OUTLETS

The increase in Consumption levels has also been accompanied by a significant and sustained fall in interest rates over the last 3-5 years. Strong equity markets and low interest rate regimes have ensured availability of funds for development of retail outlets. As a result, significant investment has been channelised into development of organized retail outlets.

a) Availability of Quality real estate

Availability of quality retail space has been one of the main constraints for development of organized retail outlets in India. In the past, negative yield on leased property, lack of bank funding due to unorganized property market resulted in a dearth of quality retail space in the country.

The spread between yield on property and its financing cost has turned positive with the fall in interest rates. Attractive yields on investments have resulted in sharp increase in property development.

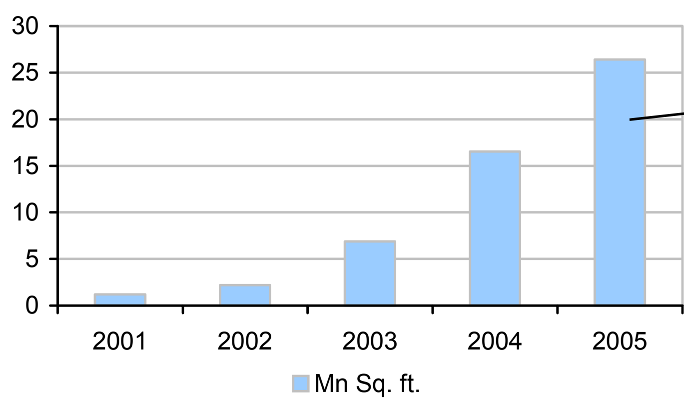
In addition, the various State governments have taken proactive steps to release large tracts of land such as Mill lands in Mumbai, auctions by Delhi Development Authority (DDA) in Delhi. Availability of retail space is expected to increase further whenever property funds and investment trusts (REITs) are permitted, which will help create a secondary market for real estate in the country. Such measures are likely to result in an increase in availability of quality real estate.

b) Growth of malls

From 25 operational malls in 2003, India is expecting to have over 220 malls by 2006 with a cumulative estimated space of 40 mn sq. ft. *(source: Images Retail)* and over 600 malls by 2010 giving a cumulative estimated retail space of as much as 100 Million sq. ft. *(source: KSA Technopak, India).*

KSA Technopak, India estimates that the increase in availability of quality, modern retail space is likely to lead to a reduction in overall occupancy costs for tenants over the next 3-5 years and will also facilitate their rapid expansion. The malls are also likely to see consumer traffic moving to them from existing high streets and thereby assist in more customers for the stores operating in these malls.

The Indian Mall Scene in 2005



City	Area (mn sq ft)
NCR	10.62
Mumbai	4.80
Bangalore	2.12
Hyderabad	1.26
Calcutta	1.15
Chennai	1.22
Pune	2.03
Ahmedabad	1.95
Lucknow	1.07
Ludhiana	0.20
Chandigarh	0.12
Jaipur	0.67
Indore	0.06

Source: Images Retail

As is evident from the graph above, the growth in malls is not restricted only to the metros, but is also spreading to the Tier-II towns which represent a very large base of consumers.

c) Growth of organized retail in India

A growth in consumption levels, changing lifestyle, availability of quality real estate and significant investments in Malls are resulting in an increase in the organized retail business in India

Rs Bn	2002	2010
Estimated size of retail in India	10700	14000
Share of organized retail in India (%)	2	12-13
Size of organized retail in India	225	1700-1800

Source: KSA Technopak - India

KSA Technopak, India estimates organized retail in India to reach 12% to 13% of the total retail market by 2010 with sales of Rs 1700 – 1800 Bn, aided by improved retail real estate infrastructure and easier access to capital.

This could get a further boost, if there is any relaxation of the current guidelines which prevent any foreign direct investment (FDI) in the Retail sector.

C. CONSUMER SPENDING IN MALLS

It has been observed that the consumer spend in malls has been mainly in categories such as Apparels, Home Décor & Furnishing, Food items, Books & Music, and Movies.

a) Urban consumer's shopping basket is changing

Within the overall private final consumption expenditure there are category shifts happening in urban consumption pattern. A study by *KSA Technopak, India* shows that urban consumers have increased their expenditure on leisure & entertainment. Spends on eating out, movies and theater, and books and music has increased the most. At the same time urban consumers' saving and investment has reduced from 14% to 5.2 %.

Urban consumers spend (%)

Categories	**1999**	**2002**
Saving & Investment	14.0	5.2
Consumption		
-Shopping	22.0	24.3
-Leisure& Entertainment	21.0	29.1
-Grocery	43.0	41.4
Sub Total of Consumption	86.0	94.8
Total	**100**	**100**

Source: KSA Technopak, India

Increasingly, a number of mall developers are considering Movies/Theaters and Entertainment outlets as the key elements attracting footfalls to the malls. This is being reflected in the attractive rental rates offered to such outlets, in comparison to other categories of outlets in malls. As a result, Multiplexes are fast emerging as one of the key anchor tenants for most organized retail outlets in India.

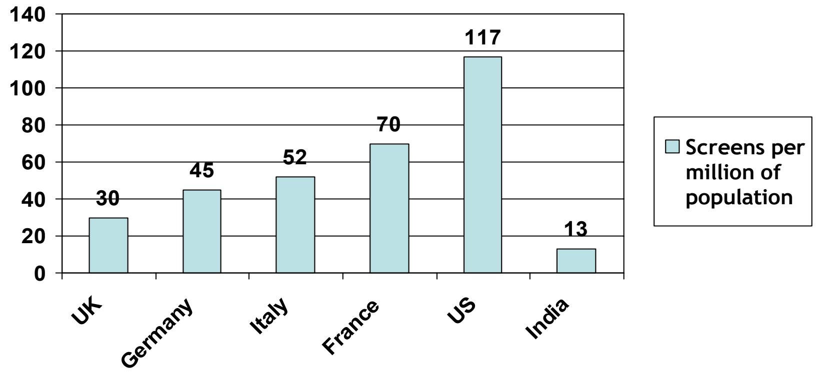
2. THE INDIAN EXHIBITION INDUSTRY

Film exhibition is key interface between the Film Audience and the Movie content. World over, the box office collections (i.e. ticket sales by Movie Exhibitors) continue to be the prime barometer for the commercial success or failure of a movie.

Exhibition centers in India range from the open air to air-conditioned cinema halls and multiplexes. For a nation with 2870 million admissions every year (roughly a weekly entry of about 55 million), there are only around 12,900 theaters spread over the country, which includes quite a few which may not be completely operational. *(Source: CII – DSK Legal Media and Entertainment Industry Legal Report, 2003)*

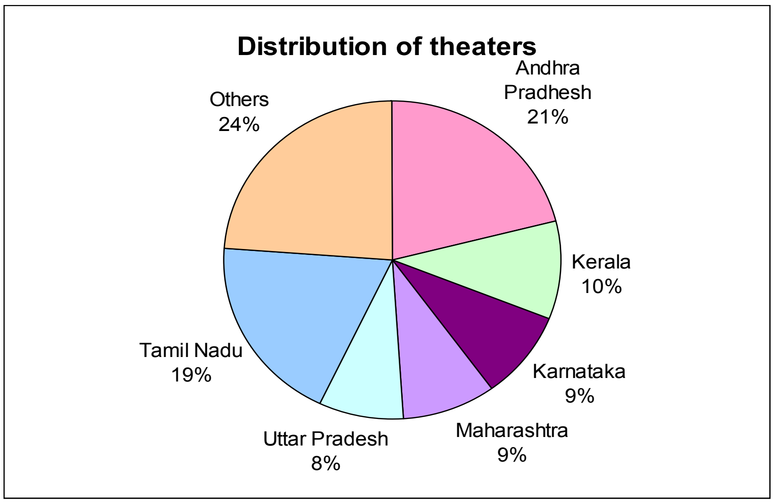
A. OVERVIEW OF THE EXHIBITION INDUSTRY IN INDIA

An average of merely 12.9 theaters per million people indicates the extreme paucity of exhibition outlets in India as compared to the US which has 116.6 screens per million. A UNESCO study estimates that while India currently has 12,900 cinemas, around 20,000 more cinemas are required to meet the increasing demand for film entertainment. *(Source: CII – DSK Legal Media and Entertainment Industry Legal Report, 2003)*



Source: The Indian Entertaiment Industry – FICCI- 2001

a) Geographic distribution of theaters across India

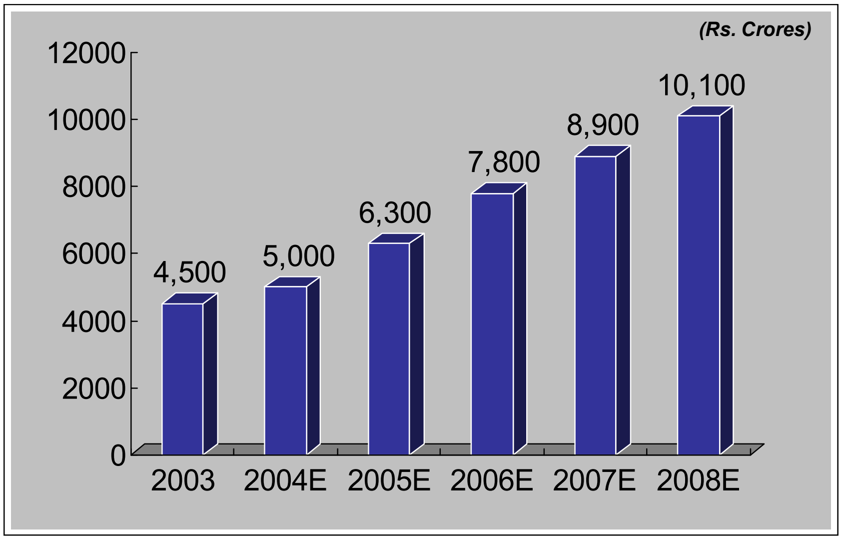


Source: The Indian Entertainment Industry: Emerging Trends & Opportunities – FICCI – E&Y Report, 2004

The Southern Indian states of Tamil Nadu, Karnataka, Kerala and Andhra Pradesh account for 59% of the number of theaters in India, while servicing 22% of the Indian population. As a result, the rest of India is significantly under-screened as compared to the national average.

b) Box office Revenue:

The total revenues of the Indian Film Industry in 2003 are an estimated Rs. 4500 crores (USD 1bn). Going forward, with improvement in distribution, exhibition infrastructure, advent of digital cinema and better exploitation of films, the Indian Film Industry is likely to grow at a CAGR of 18% to gross Rs. 10,100 cores (USD 2.2 Bn) by 2008.



Source: The Indian Entertainment Industry: Emerging Trends & Opportunities – FICCI – E&Y Report, 2004

B. SINGLE SCREEN THEATERS

Historically, most movie theaters in India have been set up as single screen theaters with large seating capacities. A typical single screen theater has a capacity of 800-1200 seats. The upkeep and maintenance of many single screen theaters in India is very poor. The reason for it is that most owners have not made investments in their theaters due to the adverse economics of running the theaters including high entertainment taxes and capacity utilization problems in the large single-screen format.

Such large single screen theaters find it uneconomical to continue exhibiting a film, when occupancy falls below 30-35%. Hence, such theaters have to discontinue exhibiting a movie, even though it may have a demand of about 300 people per show. As a result, many movies experience a short run in single screen theaters, which means that the full revenue potential of a film is not exploited in the single screen format.

C. EVOLUTION OF MULTIPLEXES:

A multiplex is a theater complex with multiple screens. One of the advantages of a multiplex is that a patron, has multiple movie options at any given point in time. This allows a movie patron to watch another movie, if the tickets for the movie of his choice are not immediately available. It also allows the movie patron to revisit the theater complex at a greater frequency as compared to a single screen theater, Multiplexes generally offer international quality audio and video equipment apart from quality seating and ambience, thus providing a patron with a high quality viewer ship experience.

The key factors for growth of multiplexes are as follows:

a) Organized Retail boom
There has been a boom in the organized retail market in India. There are malls coming in many cities and towns. One of the key elements driving the success of a mall is its ability to drive footfalls consistently. Hence each mall design looks at a mix of tenants – large and small. Multiplexes are one of the anchor tenants to large format malls. This gives a mall assured footfalls as movies have a higher frequency of consumption.

b) Quality Theater Complexes
Films are a key destination for entertainment. Exhibition is the last mile in the film value chain where the patron interacts with the film. The poor condition of most single screens has turned away family audiences. Multiplexes offer the quality ambience and service levels. Although multiplex tickets are usually priced at a premium to the ticket prices of single screens, they continue to attract patrons (both individuals and families) on account of the better quality of service and ambience that they provide.

c) Entertainment Tax Benefits
The existing rate of Entertainment tax in various states is high. This has resulted in a pressure on profitability for a number of players in the exhibition business. As a result, exhibitors (especially the

single screen owners) have not been able to channelise investments for maintaining and/or upgrading their theaters. A worsening quality of theaters has resulted in a lower audience turnout, which put a further strain on profitability.

The entertainment tax percentage in various states is as under:

STATES	ENTERTAINMENT TAX LEVELS
Delhi	30%
Gujarat	100%
Maharashtra	45%
Mumbai	45%
Kalyan, Thane, Dombivali, Navi Mumbai, Nasik, Aurangabad, Nagpur.	40%
Vasai, Virar, Nallasopara	34%
Karnataka	70%
UP	60%
Tamil Nadu	15%
West Bengal	30%

Source: Various State Multiplex Policies

In order to encourage investment in this sector, many state governments have announced policies offering entertainment tax benefits to the Exhibition sector. This has encouraged the growth of multiplexes and also encouraged single screen theaters to convert into multiplexes.

The quantum of entertainment tax benefit in each state is different. A synopsis of the key elements of the entertainment tax policies, in the states where they are in practice, is given below:

	Entertainment Tax Benefit						Minimum Number of Screens
	Year 1	Year 2	Year 3	Year 4	Year 5	Minimum Seating	
Mumbai	100%	100%	100%	75%	75%	1250	4
Rest of Maharashtra	100%	100%	100%	75%	75%	1000	3
Punjab	100%	100%	100%	100%	100%	1000	3
Kolkata	100%	100%	100%	100%	N.A.	1000	3
Rajasthan	100%	100%	90%	80%	70%	N.A.	N.A.
Uttar Pradesh	100%	75%	75%	50%	50%	N.A.	N.A.
Bhopal/Indore/ Jabalpur/Gwalior	100%	100%	100%	75%	50%	1000	3

Source: Various State Multiplex Policies

As a result, in a short span of time, there has been a significant increase in the number of multiplexes in India. The more prominent multiplex brands in India include PVR, INOX, Fame, Adlabs, Fun Republic, etc.

D. ECONOMIC LOGIC OF MULTIPLEXES

Multiplexes offer significant economic advantages over similar size single screen theaters. The key economic advantages are as follows:

- **Better Occupancy:** Multiplexes have multiple screens, with different seating capacities. The multiplex operator can choose to show a movie in a larger or a smaller theater, based on its expected potential. This enables the Multiplex operator to maintain higher capacity utilization, as compared to a single screen.

- **Greater number of shows:** Each film has a different screening duration. Since multiple films are available for screening, the multiplex operator has the flexibility to decide on the screening schedule so as to maximize the number of shows in the multiplex, thus enabling it to generate higher number of patrons.

- **Better exploitation of a Film:** Typically, a Film has a large audience in the first week of release. A multiplex operator could therefore commence screening by showing the film on multiple screens in the first week, then gradually reduce it to one screen and finally moving it to the smallest seating hall within the complex. This enables better exploitation of the revenue potential of the film.

- **Better Cost Management:** A multiplex complex will benefit from a set of shared facilities, such as the Box Office, F&B Facilities, Utilities and Common Manpower, resulting in better cost management.

E. OPPORTUNITIES FOR MULTIPLEXES:

a) Highly fragmented industry

The Exhibition business is currently highly fragmented, with no single entity having control over a large number of theaters. This offers an opportunity for a multiplex player to set up a chain of multiplexes and thus build control over a large number of screens. With increasing control on screens the bargaining power increases with distributors, vendors and other suppliers

b) Growing corporatization:

Over the last 5 years, the Film Industry is gradually getting corporatized. Several production houses have also raised capital from the equity markets. This is resulting in a growth in the number of films produced by top quality producers / directors. A lot of niche / innovative films are also being produced by such production houses. All this is directly beneficial to Multiplexes.

c) Alternate sources of content

Internationally there has been experimentation in the content that a multiplex screens. The kind of software content that has been experimented is live sporting events- Football, Cricket, Formula 1 - grand prix, music concerts, beauty pageants‘ etc. These are new windows of opportunities in addition to existing film based content.

d) Easier availability of capital

Growing corporatization in the Film Industry and retail sector has had a positive impact on the availability of capital. This has led to easier availability of capital.

F. OPERATING MODELS FOR MULTIPLEXES

In order to set up and operate a multiplex theater, several forms of business arrangements may be looked at. The choice of one form of business arrangement over another would largely be based on business, legal; tax and other regulatory considerations. The main operating models for setting up and operating a multiplex are as given below:

a) Ownership Model

In this model, the operator has the option of purchasing the land and constructing and fitting out the multiplex. Alternatively the operator may purchase the civic shell of a multiplex from a developer and completes the fit-outs of the multiplex.

This model is suitable where the lease rentals are very high and where capital is available at a very low cost. It is easier to finance this model as there is a tangible security available.

However this model is constrained by requirements of large amounts of capital. Hence the return on investment is lower. Further since development of property is not the core competence of an operator this model has a long gestation period.

b) Lease Model

There are three ways of entering into a lease model which are as follows.

- Fixed Rental Model – In this model the operator leases out the civic shell from the developer and invests in the fit-outs of the multiplex. Since the Multiplex Operator invests only in the fit-outs, as against the entire properly, this model is more capital efficient.

- Fixed Rental plus variable as a percentage of sales - This model is very similar to the Fixed Rental Model, except that the fixed rental paid in this case is lower than the rental paid in the “Fixed Rental Model.” This is compensated for by the Multiplex Operator by sharing a part of the revenues generated by the Multiplex. This model is followed at locations where it is difficult to get a fix on the revenue potential of the Multiplex. Thus, this model is essentially a risk mitigation variant of the Fixed Rental model.

- Lease of existing theaters and conversion into a multiplex (Retrofit) – The Multiplex Operator leases an existing theater, refurbishes it and converts it into a multiplex. The lease rentals in this model are generally lower. This model is more prevalent in locations, where mall development is comparatively slower, or the locational advantage of the property is exceptionally good.

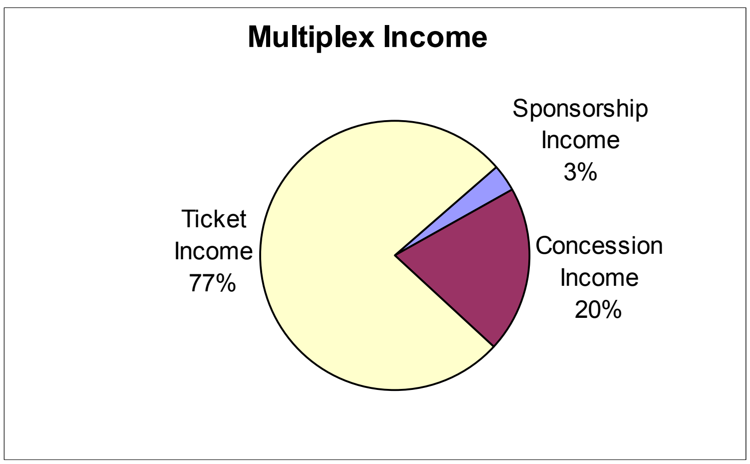
c) Theater Management Model

In this model, a Developer constructs the necessary infrastructure of the multiplex and outsources the operations to a Multiplex Operator for a fixed period of time. The Multiplex Operator charges a Fixed Fee or a share of the revenue/profits from the Multiplex. The Operator may also build in a performance-linked incentive in the Fee structure. The depreciation benefit from the Multiplex accrues to the Developer.

This model is the most risk efficient model for a Multiplex Operator. However, the Multiplex Operator may not always be able to lock-in the Multiplex for a large period of time.

G. THE MULTIPLEX MODEL

a) Revenue Streams



Source: The Indian Entertainment Industry: Emerging Trends & Opportunities – FICCI – E&Y Report, 2004

Ticket income, Concession [(Food & Beverage (F&B] income and Sponsorship (Advertising) income are the three streams of revenues for a multiplex. Ticket income is the largest contributor to the of multiplex income pie. Over the last few years, there has been a lot of importance given to concession income by theater owners. This is because the margins are generally high. Advertising revenue is another source of income for the theater owners.

b) Negative working capital

In the theater business, the entire collections from Customers are collected in cash. The Multiplex gets credit from its various suppliers, including most of the Film Distributors and Vendors. Hence, usually multiplexes operate with negative working capital.

c) Cost

The main cost components of a multiplex are Entertainment Tax, Distributor Share, F&B cost Personnel Cost, Property Rentals, Utilities, Marketing Cost and Others.

- Entertainment Tax
  This is one of the largest costs of a theater, except in cases where the Entertainment Tax rebate is available. This exemption is available in certain states subject to the fulfillment of certain conditions. In case the rebate is available the entire rebate adds to the profits of the Multiplex Operator.

- Distributor Share
  Distributors are film content suppliers to Exhibitors. Distributor share is paid as a percentage of the remainder of the total box office collection after netting off all taxes.

- F&B
  This is the cost incurred in sourcing various food and beverages from the vendors.

- Personnel Cost
  Personnel cost includes salaries and other cost associated with employees and other workers at each theater. This also includes the cost of training required to deliver the high levels of service.

- Rentals
  Typically these are monthly rental on long term leases which are paid out to the property owner. This expense would not be seen in cases where the entire property has been bought out.

- Utilities
  Utilities include electricity, water, security charges, etc required for running the multiplex.

- Marketing Cost
  This includes spends on newspaper advertising, hoardings, posters, and the related creative cost.

- Other Cost
  This includes other expenses like maintenance, telecommunication expenses, IT etc.

3. FILM DISTRIBUTION

Film Distributors are an important link in the film value chain. Film Distributors buy theatrical distribution rights from Film Producers for exhibiting the films in a defined territory. Film Distributors play various roles including:

- part-financing of films (in case of minimum guarantee / advance based purchase of movie rights)
- localized marketing of the film
- selection of exhibition halls, and
- managing the logistics of physical prints distribution

The key skills of the Film Distributor include

- understanding of audience tastes
- understanding revenue potential for various films
- relationships with producers & exhibitors, and
- extensive knowledge of past performance of theaters for various genres of films
- logistics & supply chain management

The Distributors' business models include two parts viz. the Revenue Model (Exhibitor - Distributor) and the Cost Model (Distributor – Producer). These models are explained below:

A. REVENUE SHARING MODEL (EXHIBITOR – DISTRIBUTOR)

The distributor sells the theatrical right of the films to the exhibitor. One of the following four models is normally adopted:

a) **Theater Hire Model:** The Exhibitor collects the entire box office collections, net of entertainment tax. The Exhibitor retains a fixed amount and hands the balance net collection to the distributor. . The entire risk of box office performance of the film is borne by the Distributor.

b) **Fixed Hire Model:** The Distributor receives a fixed amount, per week, from the Exhibitor, irrespective of the Film's performance at the box office. The entire risk of box office performance of the Film is borne by the Exhibitor.

c) **Minimum Guarantee plus Royalty Model:** The Distributor receives a minimum guaranteed amount, per week, from the Exhibitor. Any box office collections, net of entertainment tax, in excess of the minimum guaranteed amounts are shared between the Distributor and Exhibitor in a pre-agreed ratio. The entire risk of box office performance of the Film is borne by the Exhibitor.

d) Revenue Share Model: The box office collections, net of entertainment tax, are shared between the Distributor and Exhibitor in a pre-agreed ratio. The risk of box office performance of the Film is shared between the two.

In recent past, especially with the advent of multiplexes, the Revenue Share Model is being followed more often.

B. COST MODEL (DISTRIBUTOR – PRODUCER)

The key cost elements for a Distributor include cost of acquiring distribution rights, film print (positives / reels used for screening) costs and publicity costs.

The Distributor procures domestic theatrical distribution rights and overseas theatrical distribution & DVD rights of a Film from a Producer for distributing in a specified distribution Territory. In the Indian Film Industry, the distribution territories are divided as follows:

Name of Territory	Major Areas Covered
DOMESTIC	
Bombay, Goa	Bombay city and suburbs, Thane district, Gujarat, Saurashtra and parts of Maharashtra and Karnataka
Delhi-UP	Delhi city and suburbs and Uttar Pradesh
East Punjab	Punjab, Haryana, Himachal Pradesh and Jammu and Kashmir
Eastern circuit	West Bengal, Bihar, Nepal, Assam and Orissa
Central Province, Central India & Rajasthan	Rajasthan and parts of Madhya Pradesh and Maharashtra
South	Andhra Pradesh, Tamil Nadu, Kerela and parts of Maharashtra and Karnataka
INTERNATIONAL	
USA, UK and the rest of the world	

There are three types of Distributor – Producer revenue sharing models, which are summarized below:

a) Minimum Guarantee plus Royalty Model: The Distributor acquires the right to distribute a film in a particular territory, for a limited period, by paying a minimum guarantee to the Producer. The excess of Distributor revenues over the minimum guarantee, print & publicity costs and distributor's commission is called Overflow. The Distributor shares the Overflow with the Producer in a pre-agreed ratio.

b) Commission Model: The Distributor retains a Commission on the total amount collected from the Exhibitor, and remits the rest to the Producer. The Distributor may pay a recoverable advance to the Producer, while acquiring the distribution rights. Such advance is usually adjusted against the remittances to be made to the Producer. The Distributor does not bear any risk of the box office collections.

c) Outright Sale Model: The Distributor purchases the entire rights for the territory from the Producer.
In the recent past, the Minimum Guarantee model is more prevalent for movies from reputed producers both in domestic theatrical territories and in the overseas market.

C. BUSINESS CHARACTERISTICS AND TRENDS

- Corporatization of film production entities is resulting in timely and better quality film productions
- In the recent past, some of the larger Producers have forward integrated into Distribution, especially into Overseas markets
- A number of new entrants have entered the Distribution business, resulting in an increase in acquisition cost for Distributors
- Distributors are trying to lock-in the content at a very early stage by financing film Producers.
- Distributors are playing an increasing role in marketing of Films
- New films are being released in satellite/video formats within a shorter period after theatrical release, thereby reducing the window for theatrical exploitation
- New films are being released across a larger number of theaters with a larger number of prints in order to maximize theatrical revenues in the shortest time period

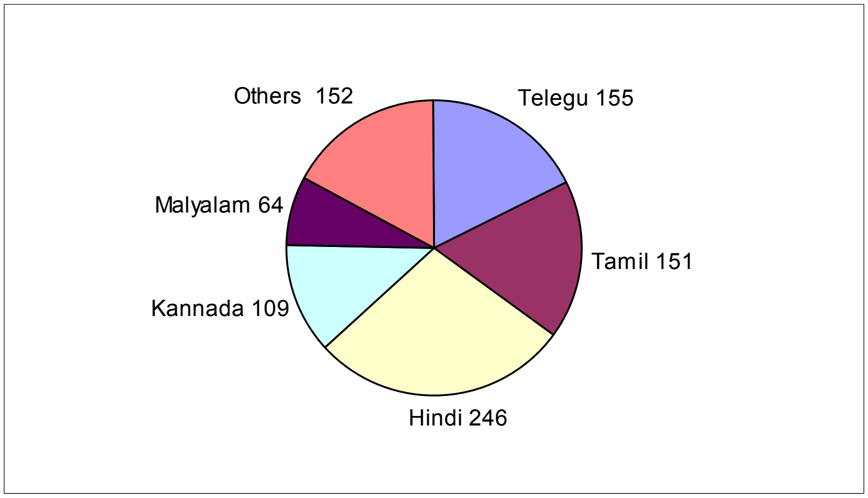
- New distribution formats, like digital distribution – through DVD/Satellite – are being actively explored

D. COMPETITION
The major players in distribution are VIP Enterprises, Yashraj Films, Shri Ashtavinayak Films, Shringar Films Private Limited, Rajshri, UTV, Gini Art, G V Mehta, Mukta Movies, Gunjan Films, PVR Pictures, Piyali Films etc

4. FILM PRODUCTION

One of the key drivers for success of the Film Exhibition and Film Distribution businesses is the availability of movie content. In India, movie content is available in Hindi, Regional and English languages. The quantity and quality of movie content has an important bearing on the success of the Film Exhibition and Distribution businesses.

In 2003, the Indian Film Industry produced 877 films. While the majority of films were made in the South Indian languages of Telugu (155 films) Tamil (151 films) Kannada (109 films) and Malayalam (64 films) compared to 246 in Hindi, Hindi-language films took the largest box office share.



Source: The Indian Entertainment Industry: Emerging Trends & Opportunities – FICCI – E&Y Report, 2004

The year 2002 was a landmark year in the history of Indian films with the industry moving towards corporatization. Corporatization is not only limited to the structural changes involving emergence of corporate and studios to replace individuals for movie production but also it implies a fundamental shift in the way different elements of the Film Industry value chain including pre-production, financing, production, post-production and distribution are managed and run. This is likely to result in a scenario where movie making is governed by transparent and enforceable contracts and is carried out in accordance with global best practices. This will convert the Indian Film Industry from an aggregation of creative endeavor to a volume driven business.

Currently the Film Industry is witnessing a trend where the films are being increasing segmented. The producer clearly has in mind his target audience and makes the films accordingly. There are movies like Dil Chaahta Hai which cater to the younger generation and movies like Mr. and Mrs. Iyer which cater to a very mature audience.

During 2003, the Hindi Film Industry produced 16 films with gross domestic theatrical collections exceeding Rs. 10 crores each, as compared to 13 films in the prior year. In addition, a large number of medium to low budget films were also produced which had a high return on investments. *(Source: The Indian Entertainment Industry: Emerging Trends & Opportunities – FICCI – E&Y Report, 2004)*

In addition the overseas market (theatrical, video and television) is becoming increasingly lucrative for Indian film productions because of a large and fast growing Indian Diaspora which is estimated at 20 million. (*Source: The Indian Entertainment Industry: Emerging Trends & Opportunities – FICCI – E&Y Report, 2004)*

The major players in production are Mukta Arts, Yashraj Films, K Sera Sera, Pritish Nandy Communications, etc

BUSINESS

OUR EXHIBITION BUSINESS

We are an integrated film exhibition and distribution company operating a chain of multiplexes which offers a world class viewing experience to the consumer.

BACKGROUND:
In the late 1990s, we saw an opportunity in providing good quality movie viewing experience to the Indian audience. Combined with the boom in high quality retail space in India, the avid movie going habits of Indians and the paucity of good quality theaters in the country, we felt this was a viable opportunity for a successful business. We, therefore, reoriented our business model to increase our focus on the nascent Film Exhibition business, by leveraging on our strong Film Distribution experience.

Our foray into Film Exhibition was led by Mr. Shravan Shroff. Our Film Distribution business continued to be spearheaded by Mr. Shyam Shroff and Mr. Balkrishna Shroff, who are respected names in the Indian Film Industry.

After studying market dynamics and national movie trends and comparing them with the developed markets, we realized that the exhibition business in India will soon move away from the traditional standalone, poorly maintained theaters to high quality multi-screen set-ups, which are aimed at providing quality viewing experience to movie viewing audience. We realized that good content, high service standards and modern cinema halls will bring in the required competitive edge over other formats and thus increase footfalls in theaters. We therefore decided to expand our operations into the film exhibition business, by capitalizing on the vast untapped potential of the Indian multiplex business.

EVOLUTION:
We were incorporated in 1999 and commenced operations in the same year. We were formed with the core objective of providing cinema goers a unique movie viewing experience. The film exhibition industry has traditionally been a very capital intensive business. We wanted to build a capital efficient, main-stream exhibition business model. We leveraged our relationships as Distributors with various Exhibitors to initiate our foray into Film Exhibition using the Theater Management / Programming Model.

In the Theater Management / Programming model we offered our content selection and programming skills to the theater owner for a fee and/or a share of profits. We were able to work with a wide range of Exhibitors including existing single screen theaters like Maratha Mandir (Matinee), Gemini, Globus as well as new multiplexes like Imax Adlabs. Till date, we (either directly or through our group companies / firms) have used this model for the following theaters.

Sr.No,	Cinema Name	Location	Start Date	End Date
THEATER MANAGEMENT / PROGRAMMING MODEL				
1.	Maratha Mandir (Matinee)	Mumbai	Apr 95	Till date
2.	Gossip	Bandra	Oct 99	Till Date
3.	Mehul	Mulund	Dec 01	Till Date
4.	Globus	Bandra	Feb 02	Till date
5.	Prabhat	Sholapur	Oct 99	May 04
6.	Velocity	Indore	Apr 03	Mar 04
7.	Imax Adlabs	Wadala	Oct 01	Oct 03
8.	Diamond	Borivali	Jan 99	May 03
9.	Starcity	Matunga	Nov 99	Nov 01
10.	Gemini	Bandra	Apr 95	Aug 01
11.	Premiere	Parel	Jan 00	Jan 01

Apart from the above, we also leased existing theaters and operated them with our own processes and employees. We managed theaters like Cinestar and Cinemax in the western suburbs of Mumbai.

LEASE MODEL				
1	Cinestar	Kandivali	Feb 98	Dec 00
2	Cinemax	Goregaon	Dec 97	Dec 00

As a result, over the last 9-10 years we have built up a good experience in programming and managing a wide variety of single screen and multiplexes at multiple locations.

In 2001 in order to encourage investment in the sector, the Maharashtra government announced significant tax benefits for multiplex operators, which made investment in this sector attractive. Sensing this opportunity, we decided to invest further capital into the Multiplex business. We raised fresh equity capital from GW Capital (a SEBI registered venture capital fund) and commenced investments in a capital-efficient manner.

Our first investment was made as a joint venture investment in Swanston along with Mr. Vasanji Mamania and others (now transferred to Adlabs Films Limited). Swanston operates 'Fame Adlabs', a 5-screen multiplex located at Citi Mall in Versova, Mumbai. Thereafter, we have set up a 6-screen multiplex at InOrbit Mall in Malad, Mumbai, a 3-screen multiplex at Nasik and a 4-screen multiplex at Raghuleela Mall in Kandivali, Mumbai. The Versova multiplex commenced operations in April 2002, the Malad multiplex commence operations in September 2004 and the Nasik multiplex (one screen out of three) commenced operations in November 2004. We are awaiting final approvals for commencing operations of the Kandivali multiplex.

All our Multiplexes have been and will be set up under the brand name 'Fame'.

Year wise stages of evolution (Milestones) for the Shringar Group

1950's	-	Started of as Movie Financiers
1960's	-	Started acquiring and releasing films. Formed Maya & Co and released movies like Dilli ka Thug, Sazaa etc.
1975	-	Shyam Shroff and Balkrishna Shroff launched 'Shringar Films' and focused on release of earlier released films; and released them in untapped markets with a focused marketing strategy.
Upto 1990's	- - - -	Established itself as a leading distributor Pre-dominantly western India centric Released an average of 10-12 movies per annum. Also established a reputation of niche products. Distributed movies for leading actors like Amitabh Bachchan, Shah Rukh Khan etc
1995	-	Ventured into Exhibition business by signing contracts for program management for theaters such as Gemini, Maratha Mandir (Matinee)
1997	-	Signed contract for program management of Cinemax theater at Goregaon, Mumbai, under the lease model
Upto 2000	-	Provided management of programming services for many theaters in Mumbai on a contract basis.
2001	-	Investment by India Value Fund Trustee Company Private Ltd to fund expansion
2002	-	Launched Fame Adlabs Multiplex at Versova Mumbai.
2004	-	Launched Fame Malad and Fame Nasik

Our distribution and exhibition businesses are carried out through two entities namely Shringar Films Private Limited (SFPL) and Shringar Cinemas Limited (SCL) respectively. Prior to March 27, 2004, SFPL was holding 51% in our company SCL. However thereafter SCL is the holding company for SFPL. For further details on our group structure please refer to 'Our History' on page 62 of this DRHP.

Our restated consolidated total income has grown from Rs.1932.46 Lacs in FY 2003 to Rs. 2299.85 Lacs in FY 2004. For the FY 2004 we reported an Adjusted Profit after Tax (before adjustment for Minority interest) of Rs. 282.80 Lacs over Rs. 243.45 Lacs in FY 2003.

In the line with the overall strategy of building a pan-India presence, we have signed up at various locations across the country. The details of our existing properties and those under implementation are given below:

Property name	Location	Nature of contract	Year of launch	Tenure of contract	No. of seats	No. of screens
Existing						
Fame Adlabs	Versova, Mumbai	Business conducting agreement	Apr 2002	10 years	1607	5
Fame Malad	InOrbit Mall Pvt. Ltd, Mumbai	Leave & license	Sept 2004	10 years	1580	6
Fame Nasik	Nasik	Lease deed + theater management agreement	Nov 2004	10 years	1400	3
Under Implementation						
Fame Kandivali	Kandivali, Mumbai	LOI	-	10 years	-	4
Fame Pimpri, Pune	Pimpri, Pune	MOU		10 years	-	3
Fame Surat	Raj Theaters, Surat	Conducting agreement	-	10 years	-	6
Fame Thane	Thane	MOU	-	10 years	-	5
Fame Hyderabad	Himayatnagar	MOU	-	27 years	-	3
Fame Aurangabad	CIDCO, Aurangabad	MOU	-	10 years	-	3
Fame Kolkata	Kolkata	LOI	-	8 years	-	4

<u>Fame Adlabs</u>

Fame Adlabs is located in Citimall, on Andheri Link Road in Versova. This is part of a large up-market residential area and shopping area. The 5-screen multiplex has state-of-the-art audio-video equipment and projectors. In the last two and half years of its operations, it has emerged as a preferred location for film previews and premieres. It was the first multiplex in the area, and among the first in Mumbai. It currently faces competition from Fun Republic.

<u>Fame Malad</u>

Fame Malad is located in InOrbit Mall at Malad. InOrbit Mall is one of the largest retail malls in Mumbai, spread over an area of approximately 5.5 Lacs square feet. This mall houses a range of strong organized retail outlets like Shoppers Stop, Giant, Lifestyle and Marks & Spencer. This mall is also very close to Mindspace, one of India's largest ITES (Information Technology Enabled Services) / BPO (Business Process Outsourcing) hub. The 6-screen multiplex has state-of-the-art audio equipment and projectors, including 'Jubilee' – a premier class theater.

<u>Fame Nasik</u>

Fame Nasik is located on the Nasik-Shirdi Highway. This multiplex is a retrofit, which has been converted from a 2-screen theater to a 3-screen multiplex. The 3-screen multiplex has state-of-the-art audio equipment and projectors and also caters to a large catchments area consisting of Nasik Road and Deolali; an army cantonment region.

The following properties are going to be launched shortly:-

<u>Fame Kandivali</u>

Fame Kandivali is located in Raghuleela Mall, which is a 4 Lacs square feet mall. It is located adjacent to Poiser Bus Depot. This is part of a large up-market residential area. This is the only Multiplex in this area and has a large catchments area of Borivali and Kandivali. It is expected to be launched shortly.

Fame Pimpri

This proposed 3 screen Multiplex is a part of 3 Lacs square feet shopping area development. It is off the old Mumbai-Pune highway and is in close proximity to the up market catchments area of Pradikaran. Many major industries like Bajaj Auto, Telco, Thermax etc have their principal manufacturing and residential units within a radii of 2 -5 kilometers of this property.

Fame Surat

The proposed 6 screen Multiplex is located on Bhatar Road, off Ghoddod Road which is a prime residential and retail location. It is very close to the commercial/ trading area of Ring-Road area. The Multiplex is a part of 1,20,000 square feet development.

For more details on our future properties please refer to the section titled Objects of the Issue on page no 27 of this Draft Red Herring Prospectus.

OUR STRENGTHS

a) Market Reputation:

The Shringar brand over the last several decades has been identified with professionalism and transparency in business practices. This is the core strength on which all our businesses are built.

b) Ability to identify locations:

One of the key factors for the success of any multiplex is the location. We believe that our skill in identifying locations is one of our key strengths. We have a professional team with many years of experience in evaluating various locations in terms of catchments area, competing alternatives, expenditure patterns, etc. this process has resulted in selecting locations like Versova (Mumbai), Malad (Mumbai), Pimpri (Pune) and Nasik.

c) Proven project management skills:

We have an in-house professional team for project implementation supported by project management consultants. This model of implementing projects has enabled us to complete properties within budgets and time.

d) Capital-efficient project design and execution

Our projects are planned and conceived in a manner that each property is profitable on a stand alone basis. We use our internal skills to assess the location and demographics and decide on capital expenditure accordingly. The properties on which we operate are not owned by us. We manage these properties pursuant to agreements entered into with the respective owners of the properties. Apart from stand-alone profitability of each site, it also ensures an efficient use of capital.

e) Selection of content:

Due to our experience in content selection and programming for many theaters and a deep understanding of different film genres (developed in our distribution business), we are well-placed to exploit each film available in the market.

f) Marketing strength:

We believe, the brand 'Fame' has been established in the consumers mind due to marketing through newspaper ads, radio spots, direct mailers, internet mailers, the purple privilege club and the use of promotions like paid previews, contests, movies merchandise, DJ in the lobby over the weekend etc. Premieres of films are also used as an important marketing tool.

g) Customer Orientation

'Fame' has built a clear focus on customer orientation, by providing services such as, tele-bookings, home delivery of tickets, internet bookings and a customer loyalty programme.

h) Long-standing experience in Film Distribution:

Apart from the experience in areas of exhibition i.e. programming, theater management and running multiplexes, our Promoters have over 25 years of experience in film distribution. This distribution experience is particularly useful for the exhibition business in the following way:

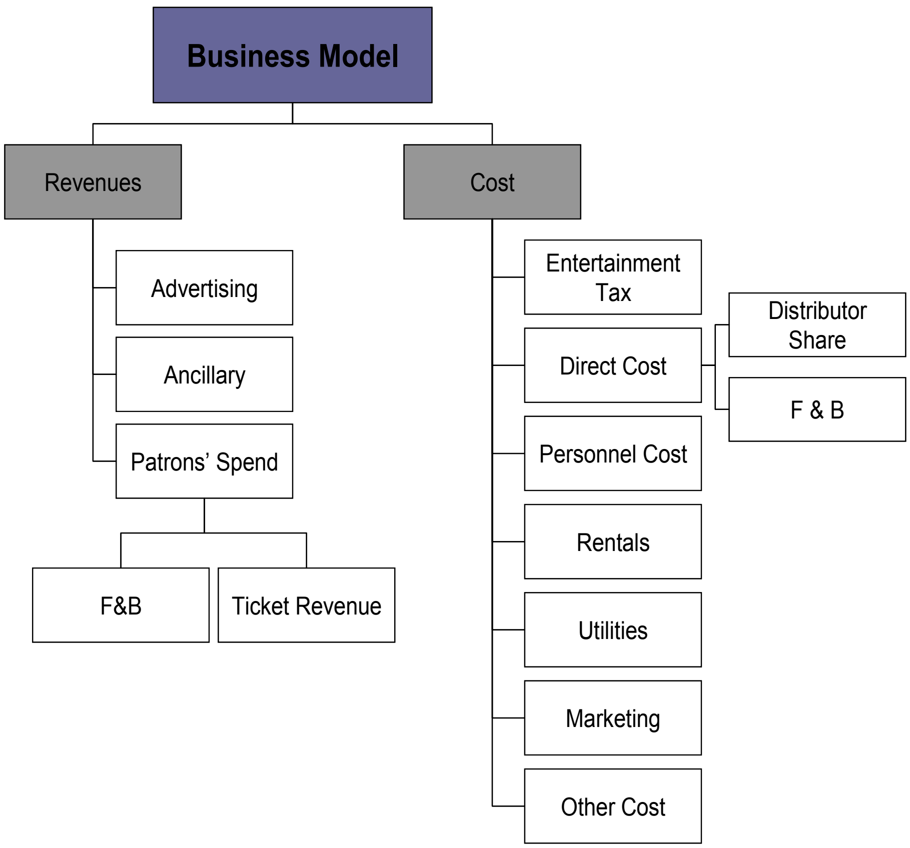
- Ability to identify under serviced areas and/or untapped locations, where unmet demand for a movie theater exists. This helps us in selecting locations.
- Relationship with producers/distributors in getting access to content.
- Relationship with theater-owners enables us to have access to locations for retrofit properties
- Understanding of different film genres and their box-office potential. This is important for content selection.

i) Integrated Technology Backbone:
We have laid a lot of emphasis on a technology and systems. We use different softwares, which provide us a regularly updated MIS. This assists us in our day to day operations.

- <u>Vista</u>
  Vista is ERP software made by a developer in New Zealand and used internationally; which covers all aspects of managing and operating cinemas. The product line is scalable so as to be suitable to exhibitors who run from one cinema to hundreds of cinemas. Apart from Box Office and F& B sales, the Vista suite is used for web ticketing, kiosks, employee scheduling etc.

- <u>Boss</u>
  The Back Office Software System (BOSS) is a specialized Accounting System for the hospitality Industry / Service Oriented Companies. This software is integrated completely with Vista, thus enabling accounting to remain online on a daily basis. This helps in closure of books every month and preparation of MIS reports within 5 days of the month end.

OUR BUSINESS MODEL



Our business is modular in nature. Every multiplex that we set up has / will have the same key heads of Revenues and Costs, which have been depicted above. In order to facilitate a proper explanation of these heads, we have used actual data of Fame Adlabs, which has been operational for over 2 years. The actual performance numbers at each location will vary, depending upon the location, the quality of the property, its operating efficiency, etc.

A. REVENUE

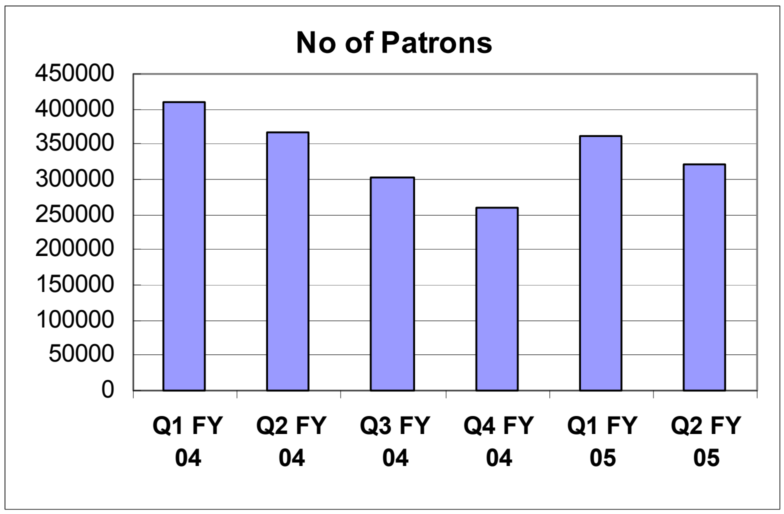
A multiplex derives its revenues from three main sources viz. Patrons' Spends, Advertising Income and Ancillary Income.

a. Patrons' Spends:

A patron is a customer who visits the theater. A patron spends on tickets (ATP) and F&B (consolidated under average SPH). Our revenue from patrons is a direct function of number of patrons, Spend per head, Occupancy, Average Ticket Price and Number of shows.

- **<u>Number of patrons</u>**

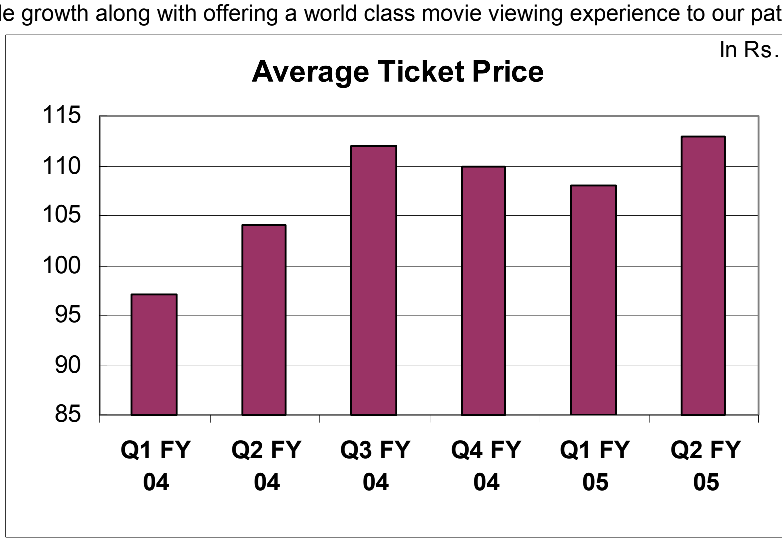
It is the number of patrons coming to the theater. It's a product of occupancy, number of seats available and number of shows. The number of patrons have dropped for the quarter ended September 30, 2004 primarily because there have not been few good films that have released during this period. However the average SPH during the same period has shown an increase.



Quarters	Q1-FY04	Q2-FY04	Q3-FY04	Q4-FY04	Q1-FY05	Q2-FY05
No. of Patrons	4,09,093	3,68,030	3,02,960	2,60,218	3,61,523	3,20,471

- **<u>Average Ticket Price (ATP)</u>**

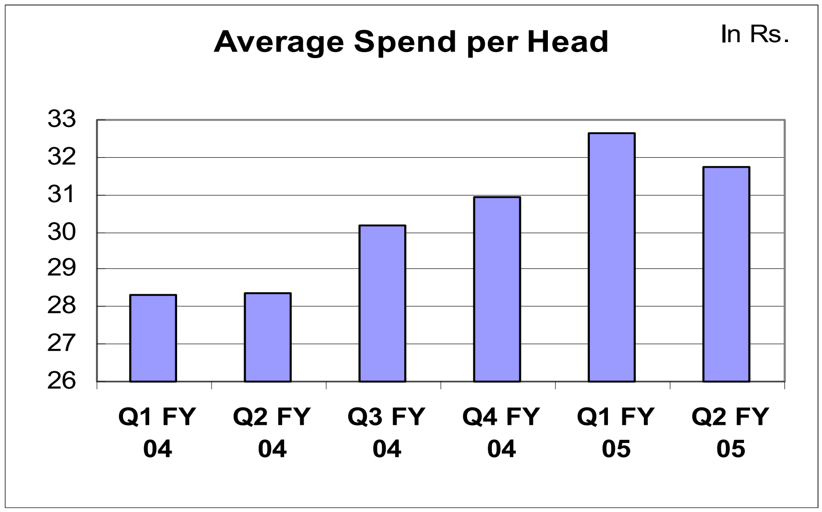
ATP is defined as the gross ticket sales divided by the total tickets sold in a day. Over a period of time we have steadily increased the ticket prices in line with our strategy on focusing on a profitable growth along with offering a world class movie viewing experience to our patrons.



Quarters	Q1-FY04	Q2-FY04	Q3-FY04	Q4-FY04	Q1-FY05	Q2-FY05
ATP (Rs.)	97	104	112	110	108	113

- **<u>Spend per Head (SPH)</u>**

  SPH is the ratio of the total F&B sales to the total tickets sold for that day. The average SPH has steadily increased over a period of time as we have increased our F&B offering.



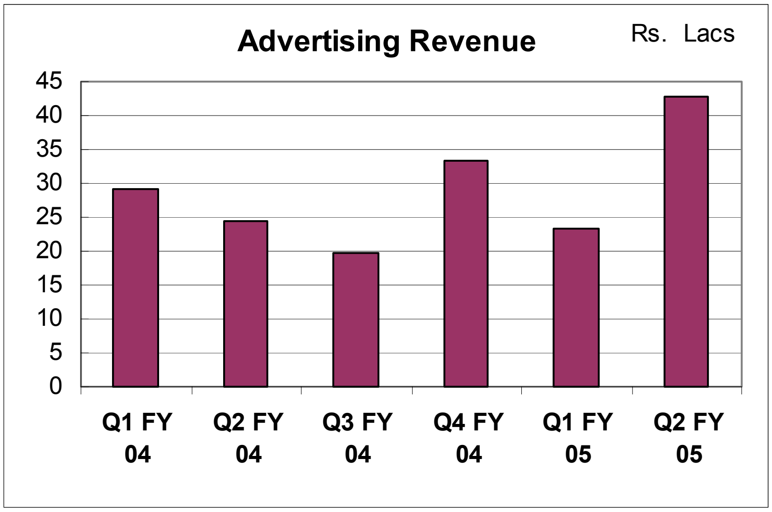
Quarters	Q1-FY04	Q2-FY04	Q3-FY04	Q4-FY04	Q1-FY05	Q2-FY05
SPH (Rs.)	28.30	28.39	30.19	30.94	32.66	31.73

- **<u>Occupancy</u>**

  Occupancy is percentage of patrons that occupy a show to the total number of seats available in that show. The occupancy percentage has dropped over a period of time mainly due to the fact that we have increased our number of shows. Some of our shows start as early as 10 in the morning and start as late as 11.55 in the night. Although this leads to an overall drop in occupancy percentage, it increases our gross collections. Our focus is to increase footfalls rather than look at holding occupancy % higher.

- **<u>Number of shows</u>**
  No of shows are the total shows that were played in a day across all screens. On an average we screen 5.5 shows a day on one screen.

b) Advertising:
A multiplex offers Advertisers an opportunity to interact with the Patron. Various advertising opportunities available include on-screen advertising, posters inside the theater, promotional stalls. Some of the key Advertisers who have used these facilities in Fame include LG, Hyundai, Citibank, Samsung, Reliance Infocomm, Airtel, etc. Our advertising revenues have increased significantly in the September quarter. This is primarily because we held a lot of contests, promotions etc. These were sponsored by the advertisers. We have also rented out space within our premises for the advertisers.

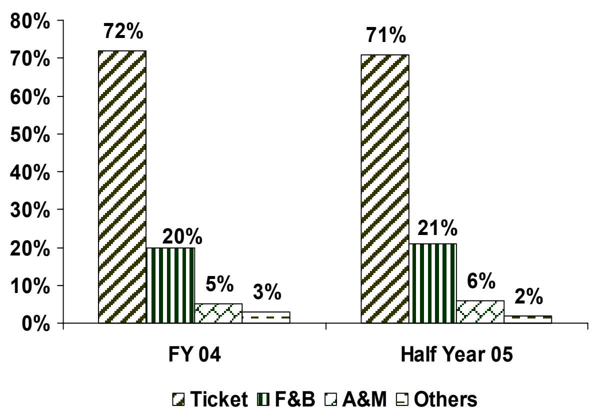


Quarters	Q1-FY04	Q2-FY04	Q3-FY04	Q4-FY04	Q1-FY05	Q2-FY05
Advertising Revenue	29.03	24.34	19.81	33.26	23.40	42.74

c) Ancillary:
To give the customer a "movies plus" experience, we have let out retail space to various entities. The services provided by these partners to a Patron include sales of movie based merchandise and other eating options. Such Partners pay us a fixed sum every month and/or a certain percentage of their sales. Some of the Partners who have worked with us in Fame include BIBA, Café Coffee Day, Candy Treat and Donut Co.

The major contributor to our total revenues is ticket sales and the SPH, which are dependent on the number of patrons.

The break-up for the various revenue streams at Fame Adlabs for the last one and half years, is as under:



The overall industry ratio of ticket sales to concession income is 77% to 20% (*Source: The Indian Entertainment Industry: Emerging Trends & Opportunities – FICCI – E&Y Report , 2004)*

Our dependency on ticket sales has reduced over a period of time. Currently it contributes 72% to our income. This compares favorably against the industry average.

B. COST:
The main operating cost heads at a multiplex are Direct Cost (Distributor Share, F&B Cost), Personnel Cost, Property Rentals, Utilities, Marketing Cost and Others.

a) Direct Cost
This is further divided into Distributor Share and F&B Cost

- <u>Distributors Share</u>
  Distributors are content suppliers to us. Distributor share signifies the share of box office collection of a film paid to the distributor. We follow various models with our distributors. For further details please refer to the "Industry" section on page 31 of this Draft Red Herring prospectus.

  We work with a wide range of Distributors. The revenue breakup of top 5 distributors and their contribution to our total distribution revenues are as given below:

(Rs. Lacs)

March 31, 2003-04			6 months ending Sept.30, 2004		
Name of the distributor	Distributors Share Cost	Distributors Share %	Name of the distributor	Distributors Share Cost	Distributors Share %
Shringar Films Limited	83.76	21.43%	Yashraj Film Distributors	32.06	15.84%
Yashraj Film Distributors	40.90	10.46%	Shree Ashtavinayak Cine Vision	32.04	15.83%
Raksha Distributors	32.07	8.20%	Columbia Tristar	16.41	8.11%
Warner Brothers	27.28	6.98%	Raksha Distributors	15.75	7.78%
Devgan Software	21.09	5.39%	Warner Brothers	13.34	6.59%

- <u>F&B Cost</u>
  This is the cost that we incur in sourcing various food and beverages from our vendors.

b) Entertainment Tax
This is one of the largest costs of a theater, except in cases where the Entertainment Tax rebate is available. This exemption is available in certain states subject to the fulfillment of certain conditions. In case the rebate is available the entire rebate adds to our profits.

c) Personnel Cost
Personnel cost includes salaries and other cost associated with employees and other workers at each theater. This also includes the cost of training required to deliver the high levels of service.

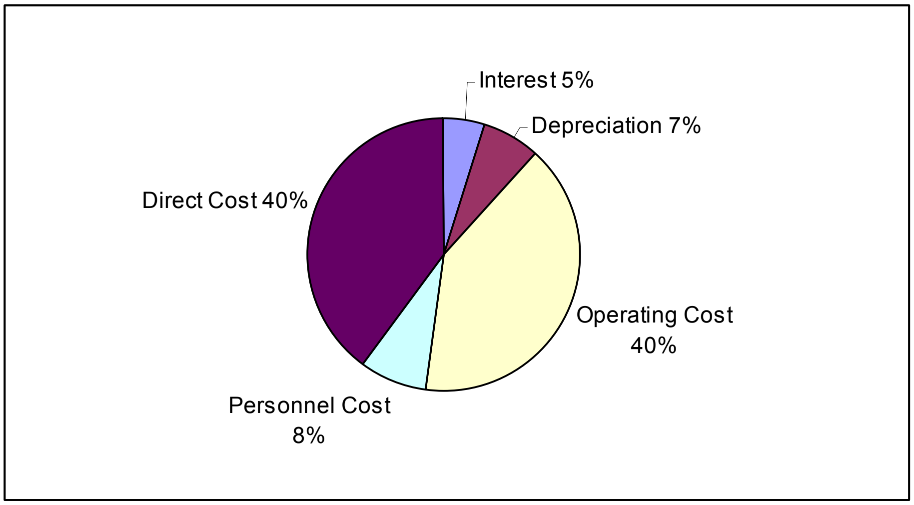
d) Property Rentals
Property Rentals are a key element of cost, which impacts the profitability of the Multiplex in the long run. Such rentals are typically negotiated with the Property Developer at a fairly early stage of the property development. Typically, these are structured as long term leases, where we pay a monthly rental to the Property Developer.

e) Utilities
The major cost here is the electricity cost used for running air-conditioning, lighting etc at the theater. This also includes municipal charges for water.

f) Marketing Cost
This includes spends on newspaper advertising, hoardings, posters, and the related creative cost.

g) Other Cost
This includes other expenses like maintenance, telecommunication expenses, IT etc.

Following is the break up of cost for Swanston for the year ended March 2004.



OUR STRATEGY

a. Build a strong customer preference for the 'Fame' brand:

We want the brand 'Fame' to be associated with a world class movie viewing experience. We intend to do this through a three step approach.

In step 1, we intend to attract customers to sample the Fame experience. This is being done by endeavoring to be a first-mover in a lot of locations, localized high-decibel advertising and an attractive entry-pricing strategy.

In step 2, we intend to lock in the customer by providing a host of value added services and a good customer loyalty programme.

In step 3, over a period of time, we intend to build the 'Fame Experience' to signify a world-class movie viewing experience and guaranteed quality of service across all locations.

b. To build a pan India presence is a cost effective manner:

We aim to be a national film exhibition chain with a mix of multiplexes, retrofits and some standalone properties. We also intend to program and manage on contract properties owned by others. In line with our capital efficient model we prefer to take properties on a long term lease, instead of owning the property. We source capital equipment from around the world to get cost effective fit-outs (seats, projectors, acoustics etc) without compromising on quality. We expect this strategy to result in our having an all India presence in a very cost effective and capital efficient manner.

c. Stand-alone profitability

Our objective is to focus on a profitable growth by ensuring that our projects are planned and conceived in a manner that each property is profitable on a stand alone basis. We use our internal skills to assess the location and demographics and decide on capital expenditure accordingly.

d. Focus on a profitable growth

We have always laid a thrust on increasing number of patrons along with an increase in spend per head and average ticket price.

<u>Increasing number of patrons</u>:
The thrust on the increasing number of patrons is through a 'pull' – innovative programming and 'push' e.g. block booking.

<u>Innovative Programming</u>:
In addition to the traditional 12-3-6-9 format we have introduced various innovative programming slots.

- Good Morning Show –.
- Late night shows – We have shows starting as late as 11.55 PM in the night.
- Children Films on Sunday Mornings

- Multiple Shows – e.g. for big movies like Spiderman 2, we had a movie show every 75 minutes

Block Bookings
We do block bookings (at least 50 tickets) at all Fame properties. There is no ticket discounting for Block Bookings at any of the Fame Properties. Instead the discount is passed on F&B packages that are customized for the patron. These packages help is two ways, projecting to the bulk booker a discount, plus it gives us assured F&B revenues for the entire capacity.

Increasing SPH
To increase our spend per head, some of the strategies we have adopted are:

- New Product offerings – e.g. Sugar cane juice, Chaat, Gola, Pasta, etc.
- Combos – Discounts on combinations of items purchased
- Order Taking
- Cross Selling

Advertising
Normal advertising revenues come from advertising displays, product displays etc. In order to further increase our Advertising sales we have undertaken the following measures:

- Floor graphics – We advertise through stickers placed on the floor. This increases the visibility of the product being advertised.
- Ticket jackets – These are pouches in which we give tickets to our patrons.

Controlling Cost
We control our cost by doing Monthly Review of all Major Cost and optimization is done through Economies of Scale. Periodic reviews of cost help in understanding any variations. As we expand and become a pan-India company, we will be able to increase our ability to negotiate better rates with all our vendors.

e. Set new standards in customer service:

- High focus on basic hygiene
- Quality of food & beverage and packaging.
- Service focus on trained staff

f. Increasing Customer Loyalty:

We are in the business of retail, and customer retention is a very important factor. Loyalty brings in repeat consumption of the patron. At Fame we follow 'push' through Value Added Service and 'pull' through our Purple Privilege Club.

- Value Added Services

We provide a host of value added services, which include various modes of ticket bookings, access to movie schedules and a full-fledged call centre to handle enquiries. A Fame Patron can book tickets at the box office, on telephone, through internet, through booking kiosks at petrol pumps, and can avail of free home delivery.

- Purple Privilege Club

We have a Purple Privilege Club (PPC) which is a loyalty programme for regular patrons visiting Fame group of Multiplexes. PPC members are eligible for several benefits such as free screenings of films, special counters for booking tickets, redeemable reward points against spends in the theater, etc. Apart from this, a PPC member can also look forward to periodic promotional activities aimed at providing customer delight for the valued patrons of Fame. As on November 2004, we had over 6700 PPC members.

We believe that all these measures have increased customer convenience in booking a ticket and have resulted in an increase in our ticket sales through these channels.

COMPETITION

Any multiplex of theater attracts patrons within a short radius. This could be 2-3 km in a densely populated city like Mumbai, or could be over 5 km in a tier-II town. We face competition from multiplexes and single screen theaters located in the same catchments area:

As the business matures, we, as a pan-India exhibition company, are likely to face competition from other emerging pan-India exhibition companies such as PVR, Fun Republic, Adlabs, Inox Leisure, etc.

OUR DISTRIBUTION BUSINESS

BACKGROUND

In the value chain of film making, Production, Distribution and Exhibition are the three key segments, of which, the distributor is the key stake holder. We carry out distribution business through our subsidiary, Shringar Films Private Limited, one of the leading film distributors in India. SFPL was founded in 1999 and it took over the business of Shringar Films a partnership firm of the Promoters which was founded in 1975, with the objective of bringing in the highest quality of entertainment to Indian movie audience. Hence in a span of 29 years, we have established ourselves as a leading film distribution company in Western India.

In the past, we have distributed a number of successful movies such as Qayamat Se Qayamat Tak, Raja Hindustani, Jo Jeeta Wohi Sikander, Baazigar, Rangeela, Lagaan, Chalte Chalte and many more. We have also been a pioneer in creating national success out of niche movies - a strategy which has redefined conventional distribution practices., Hyderabad Blues, Leela, Chachi 420, Bandit Queen, Chandni Bar, Chhota Chetan, are some of the appreciated films distributed by Shringar Films. Some of the foreign films distributed by us are Life is Beautiful and Baran (the Iranian film).

The success of our distribution business can be attributed to its sound business strategy and transparency in business dealings.

OUR PAST TRACK RECORD

We have distributed the following movies in the past 3-4 years period:

Movie	Leading Star cast	Territory	Year of the movie
Lagaan	Aamir Khan, Gracy Singh	Bombay	Jun-01
Aks	Amitabh Bachchan, Nandita Das, Manoj Bajpai	Bombay	Jul-01
Yeh raaste hain pyar ke	Ajay Devgan, Madhuri Dixit, Preity Zinta	Bombay	Aug-01
Chandni bar	Atul Kulkarni, Tabu	Bombay	Sep-01
Asoka	Shahrukh Khan, Kareena Kapoor	Bombay	Oct-01
Yeh teraa ghar yeh meraa ghar	Sunil Shetty, Mahima Choudhiri	Bombay	Oct-01
Abhay	Kamal Hasan	Bombay	Nov-01
Aankhen	Amitabh Bachchan, Akshay Aumar, Arjun Rampal	Bombay	Apr-02
Humraaz	Akshay Khanna, Bobby Deol, Amisha Patel	Bombay	Jul-02
Road	Vivek Oberoi, Antara Mali	Bombay	Sep-02
Kaante	Amitabh Bachchan, Sanjay Dutt	Bombay	Dec-02
Pitaah	Sanjay Dutt, Nandita Das	Bombay	Jan-03
Chhota Jadugar	-	All India except South	April -03
Haasil	Jimmy Shergill	All India	May-03
Chalte Chalte	Shah Rukh Khan, Rani Mukherjee	Mumbai	June-03
Munna bhai MBBS	Sanjay Dutt, Arshad Warsi	(Delhi/UP & Uttaranchal	Dec-03
Chokker Bali	Aishwarya Rai	Delhi & Mumbai	Feb-04
Khamosh Pani	Kiron Kher	Mumbai	Dec-04
Ab Tumhare Hawale Watan Saathiyon	Amitabh Bachchan, Akshay Kumar, Bobby Deol	Mumbai	Dec-04

Titles in our Library

In addition to the movies distributed by us, we also have various distribution and exploitation rights for several movies which include a combination of television rights, both satellite and terrestrial, Cable TV rights, Home video rights in India and abroad. For most of these movies, our rights are perpetual as we own the entire negatives of these films. A partial mix of these movies is listed below:

Name of the Film	Star cast	Language
Asha (B/W)	Kishore Kumar, Vyjayantimala	Hindi
Bandy(B/W)	Ashok Kumar, Kishore Kumar, Beena Rai	Hindi
Chalti Ka Naam Gaadi (B/W)	Ashok Kumar, Kishore Kumar, Madhubala	Hindi
Yahudi	Dilip Kumar, Meena Kumari	Hindi
Sanam Teri Kasam	Kamal Hassan, Reena Roy	Hindi
Halo	(Children's movie directed by Santosh Sivan)	Hindi
Solvaa Saal	Dev Anand, Waheeda Rehman	Hindi
Masoom	Nasiruddin Shah, Shabana Azmi,Jugal	Hindi
All Bimal Roy Films	For Satellite Television	Hindi
Ramayan	Animated	
Khamosh Pani	Kiran Kher, Aamir Malik	Punjabi
Hyderabad Blues	Nagesh Kukunoor	English

OUR DISTRIBUTION STRATEGY

Recent Trends

- Distribution has evolved from mass-movies of the past to more segmented products targeted for specific markets (e.g. Urban /Overseas/Youth etc). Increasing importance of multiplexes with many screens has encouraged this trend of segment-specific and niche products. We expect this trend to continue.

- Another trend observed in the past few years is that, there has been an unrealistic increase in acquisition prices of film products for distribution. This situation is expected to correct itself in the near future.

- Apart from this there are attempts to consolidate the film value-chain to include two or more elements of the value chain i.e. Production, distribution, and exhibition.

- The company is uniquely positioned to be a part of this consolidation process because of its strong position in distribution and exhibition.

Distribution Strategy

Going forward we propose to strengthen our position in distribution by:

- Continue acquiring quality film product rights at reasonable prices for theatrical distribution
- Follow the portfolio approach to mitigate the risk of possible product failure at the box office.

In future, we believe that maximum value will be created for entities who "own the customer" (through Exhibition) or "own the content" (through Rights Ownership). Our Exhibition business is the vehicle for the "own the customer" strategy. Similarly we propose to make the distribution business a vehicle for its "own the content" strategy.

Presently the minimum guarantees or advances paid for distribution rights by our Company to producers are important source of production finance for producers. However content rights so acquired are limited typically to 5 years.

Marketing Strategy

Movie marketing requires a good understanding of audience profiles and tastes. Marketing strategies need to be tailored, depending on the target audience and profile. They also differ depending on the exhibition format – whether single screen or multiplex. Finally, innovative marketing strategies and good quality distribution make a huge difference to the commercial success of a movie.

There are three broad categories of movies, depending on the targeted distribution space:

- One size fits all
  These are movies that have mass appeal. Big budget films and family based films fit into this category. E.g. Lagaan, Munnabhai MBBS. The marketing plan needs to incorporate mass marketing vehicles.
- Metros
  These are movies that have an up-market appeal. Such movies typically have small or medium budgets and have metro-centric themes .e.g. Chalte Chalte, Mr. & Mrs. Iyer, Hyderabad Blues, Such movies require localized marketing vehicles, with strong advertising and promotional push.
- Interiors
  These are movies that appeal to non-metro audiences. Such movies have medium budgets and mass-appeal star cast such as Govinda, Mithun Chakraworthy.

Our marketing strategy works on a template of processes, which are customized depending on the above categorization.

The Marketing process involves the following key steps:

1. Identify target audience for the Film
2. Position the Film
3. Build marketing / media mix
4. Construct marketing budget
5. Innovate and Differentiate

Our marketing strategy varies from film to film and centers around getting the relevant audience into the theaters. We use a mix of media vehicles, including Promotions, Contests, Sneak Previews and Launch Parties, in order to achieve this objective.

COMPETITION

Our competitors in the distribution business include Yashraj Distributors, VIP, Rajshri, UTV etc.

OUR HUMAN RESOURCES

Our human resource policies are targeted at creating an engaged and motivated work force. We have a fairly young team. As on December 31, 2004 we had 53 full time employees including our subsidiaries SFPL and Swanston.

Recruitment and Selection Policy
We have a fair and transparent recruitment policy. We want to ensure that every employee of our company fits into the “Shringar culture”. We therefore conduct extensive interviews, psychometric tests and also conduct handwriting analysis.

Training
In order to train our front end staff, we offer them a diploma called FILM – Fame Institute of Leadership Management. The objective of this programme is to help participants develop their managerial capabilities so that they are able to build, lead, inspire and energize their teams.

Measures taken to increase Employee Motivation

In order to maintain employee motivation, we have introduced certain innovative methods. We call these methods "On the Platter" and offer dating allowance, birthday allowance, engagement allowance etc to all our employees.

Compensation Policy

Our compensation policy reflects our continuing efforts to build a world class performance driven culture. We have introduced the concept of variable pay for all employees of our Company including the support staff. We also have Employee Stock Option Plans (ESOPs). 22 employees held stock options under our ESOPs as on December 31, 2004.

REGULATIONS AND POLICIES

The Government of India has over the years formulated various regulations and policies for the regulation of our industry in India.

The Cinematograph Act, 1952

The Cinematograph Act, 1952 (the "**Act**") has been enacted to make provisions for the certification of cinematograph films for exhibition and for regulating exhibition of films by means of cinematographs. The Act has authorised the Central Government to constitute a Board of Film Certification (the "**Board**") in accordance with the Cinematograph (Certification) Rules, 1983 for the purpose of sanctioning films for public exhibition in India. The Board may certify films for either restricted or unrestricted exhibition, or in the alternative, may prohibit the exhibition of the film. This certificate is valid for a period of 10 (ten) years. In terms of the Act, an establishment that exhibits films would have to obtain a license for such exhibition to confirm that the establishment has complied with the provisions of the Act and that the safety standards of the establishment are adequate. Non-compliance with the provisions of the Act would attract penalties in the form of imprisonment and/or monetary fines.

The Cinematograph Film Rules, 1948

In terms of the Cinematograph Film Rules, 1948 ("Rules"), a license must be obtained prior to storing of any film unless specifically exempted. Any person transporting, storing or handling films would have to ensure compliance with the provisions of the Rules pertaining to precautions against fire, restriction of access to films by unauthorized personnel, supervision of operations, minimum space between workers, storage of any loose films, minimum specifications for aisle space and exits in storage rooms, electrical installations in the storage rooms etc. The Rules also specify the form and the procedure for applying for licenses, renewal of licenses, transfer of licenses, procedure for transport of film, refusal of licenses and cancellation of licenses.

The Maharashtra Cinemas (Regulation) Act, 1966

The Maharashtra Cinemas (Regulation) Act, 1966 ("Maharashtra Act") and the rules made thereunder are applicable to all cinemas, drive in cinemas and video cinemas operating in Maharashtra. Under the Maharashtra Act, any establishment seeking to construct a cinema or convert existing premises into a cinema must obtain a 'No Objection Certificate' from the licensing authority constituted under the Maharashtra Act. Prior to commencement of operations of a cinema, the operating entity would have to obtain a license from the licensing authority stating that the minimum structural requirements under the Act have been complied with. In terms of the Maharashtra Act, the operating entity would have to take various safety precautions against fire. Further, a license for the sale of any tickets, admission or pass or any evidence of the right of admission would also have to be obtained from the licensing authority.

The Bombay Entertainments Duty Act, 1923

The Bombay Entertainments Duty Act, 1923 ("**Entertainment Act**") imposes duty in respect of admission to entertainment in the State of Maharashtra. In terms of the Entertainment Act, "entertainment" includes any exhibition, performance, amusement game or sport to which persons are admitted for a consideration, or in the case of television, exhibition with the aid of any type of antenna or with a cable attached to it or a cable television or a Direct-to-home payment by way of contribution or subscription or installation and connection charges or any charges collected in any manner whatsoever but does not include magic show and temporary amusement including games and rides. The rate at which the entertainment tax is levied varies depending on the type of entertainment and the area within which the entertainment establishment operates within the State of Maharashtra and is as per the table below:

S. No.	Area	Rate of Entertainment Duty on Payment for Admission Fixed by the Proprietor
1.	Within the limits of Brihan Mumbai Municipal Corporation	45%
2.	Within the limits of all other Municipal Corporations and Cantonments	40%
3.	Within the limits of 'A' Class Municipal Councils	34%
4.	Within the limits of 'B' Class Municipal Councils	28%
5.	Within the limits of 'C' Class Municipal Councils	22%
6.	Any other area not covered by entries 1-5	15%

Entertainment tax at the rate of 45% is payable for our Andheri, Malad and Kandivali multiplexes and 40% for our Nasik, Pimpri, Pune and Thane multiplexes.

The Entertainment Act stipulates the method of levy of the duty and the manner in which the State Government assesses the entertainment duty. Non-compliance with the provisions of the Entertainment Act would attract penalties in the form of imprisonment and/or monetary fines. The State Government has the power to make rules for securing the payment of the entertainments duty and for carrying out the provisions of the Entertainment Act.

Entertainment Tax Benefits

Entertainment Tax benefits for the business of owning and operating multiplex theaters varies from state to state. Currently we operate only in the state of Maharashtra and we will commence operations in Gujarat and Andhra Pradesh within the next 2 years. In the event that we commence operations in other states, the regulations pertaining to multiplexes in that state shall be applicable to us to the extent as applicable.

<u>Maharashtra</u>

For our business of owning and operating multiplex cinemas, we are entitled to concessions in entertainment tax for 100% for the initial 3 years of operations and for 75 % for two years thereafter. The criteria for a Multiplex Cinema Complex to be eligible to the entertainment tax concessions are as follows:

- The Multiplex theater owners are not to charge service charges till the period of concession expires;
- The proprietor must charge nothing less than the maximum entry charges imposed by other theaters in the concerned district of operation;
- The multiplex theater complex must be run consecutively for a period of 10 years from the date of commencement of operations;
- One theater in the complex shall be reserved exclusively for Marathi cinema for a total period of one month in a year;
- A multiplex complex operating within the limits of the Municipal Corporation of Brihan Mumbai shall have a minimum of four theaters within the complex and total seating capacity of not less than 1250. A multiplex complex operating outside the limits of the Municipal Corporation of Brihan Mumbai shall have to have a minimum of three theaters within the complex and total seating capacity of not less than 1000.

<u>Gujarat</u>

The Government of Gujarat had vide its New Package Scheme of Incentives for Tourism Projects 1995-2000, ("**Gujarat Policy**") granted 100% tax exemption for entertainment complexes. "Entertainment complex" includes multiplex cinema complex(es).

The Government of Gujarat had vide its New Package Scheme of Incentives for Tourism Projects 1995-2000, ("**Gujarat Policy**") granted 100% tax exemption for entertainment complexes for specified initial time period. "Entertainment complex" includes multiplex cinema complex(es). One of the conditions for granting exemption under the Gujarat Policy was that the Multiplex should have commenced commercial activities on or before July 31, 2000. Fourteen Multiplex theaters, including the Multiplex where we propose to commence operations, in the state did not commence the operations before July 31, 2000. To these fourteen Multiplex theaters the Government of Gujarat did not issue the eligibility certificate for entertainment tax benefit and further issued show cause notices to the same for payment of entertainment tax. The aforesaid multiplexes, through the Multiplex Association of Gujarat filed a writ petition being Special Civil Application No. 5574 of 2004 before the High Court of Gujarat to extend the stipulated period of completion to avail of the said entertainment tax benefits. The High Court of Gujarat, vide its interim order directed the Government of Gujarat not to recover entertainment tax from seven multiplexes that have since commenced operations, solely on the ground that they had not completed the project within the stipulated time limit. Further the High Court also directed the Government of Gujarat to consider the representation of the owners of the Multiplex for an extension of the stipulated time limit. We have not yet commenced operations in the state of Gujarat. Upon commencement of operations we will file an application before the High Court of Gujarat to include our multiplex within the ambit of its interim order.

Andhra Pradesh

There is currently no umbrella entertainment tax exemption for multiplexes in the state of Andhra Pradesh. Such exemptions are granted on a case by case basis. Currently, there is only one Multiplex theater in the state that has been granted an entertainment tax exemption. There is no assurance that we would be granted an exemption if and when we commence operations in Andhra Pradesh.

OUR HISTORY

We were incorporated on October 26, 1999 as a private limited company. Pursuant to a resolution passed by our shareholders at an EGM held on December 19, 2004 we became a public limited company on the same date in accordance with the provisions of Section 44 of the Companies Act, 1956.

Shringar Group started of in the early 50's when Mr. Gobindram Naoomal Shroff and Mr. Vasudev Naoomal Shroff formed a partnership firm by the name of "Issardas Naoomal", with the main objective of financing Bollywood films. Some of their best known films financed are Dusham, Kafila, Chalti Ka Naam Gaadi, Jhumroo, Basant Bahar, Post Box 999, Howrah Bridge, Do Raaste, Guide, Evening in Paris, Aradhana, Night in London, Dharma etc.

By the mid 60's the firm formed Maya & Co. and began acquiring film distribution rights and distributed them to theaters through M/s Chhabra Film Exchange. Holi aayee re, Mera Gaon Mera Desh, Dilli ka thug, Sazaa were films that Maya & Co. distributed during this period. The success of the films at the box office prompted the Shroff brothers to venture into the distribution trade. In early 70's Mr. Shyam Shroff and Mr. Balkrishna Shroff (sons of Mr. Gobindram N. Shroff launched a partnership firm Shyamlal Balkrishna & Co. and exported various films like Prem Nagar, Julie, Chhaila Babu, and Kinara to various overseas countries. Success of such films made the Shroff family launch a firm by the name of "Shringar Films" in 1975.

By mid 90's Shringar Films had achieved success in the distribution business with the launch of films like Qayamat se Qayamat Tak, Rangeela, Raja Hindustani, Bombay, Bandit Queen etc. In 1997, under Mr. Shravan Shroff's leadership Shringar Films ventured into the exhibition business with programming of theaters as our Company's forte.

Till recently Bollywood faced a genuine need for alternative sources of funding, including debt and equity different from the funding received from typical private lenders. The Reserve Bank of India took the first such step by allowing financing of Indian films by banks. The Central Government also conferred industry status to the "Entertainment Industry including Films" and approved the same as an eligible activity for film financing under the Industrial Development Board of India, Act, 1964 and the National Film Development Corporation. There were several reasons for organized investors to stay away from financing film companies, which included amongst others, lack of transparency, poor professional management, clear corporate structure and an exit route.

To respond to the defects and deficiencies as aforesaid, the Shroff Family decided to corporatise their business. Hence decision was taken in October 1999, to incorporate Shringar Cinemas Pvt. Ltd with the objective of venturing into the multiplex business and Shringar Films Private Limited ("SFPL") for film distribution. Our Company was then a wholly owned subsidiary of Shringar Films Private Limited.

Shroff Family (the Promoters) also began discussions with India Value Fund Trustee Company ("IVF or Investors") a SEBI registered venture capital fund to evaluate possibility of funding both these companies. Some time in early 2001, the Investors infused equity capital in our Company as well as SFPL, pursuant to two Share Subscription and Shareholders Agreements both dated April 2, 2001, namely SHA-1 and SHA-2 for the purpose of recording the terms on which the Investors had invested in SFPL and our Company respectively. These agreements also recorded certain rights and obligations in connection with the shareholding of both SYH and the Investors in SFPL and our Company. To capture the combined beneficial interest of both the Investors and SYH in SFPL and our Company, a separate Valuation Agreement dated April 5, 2001 was executed between the Parties and modified on March 15, 2004, described else where in this chapter.

SFPL primarily engaged in the business of distribution and our Company was to carry on the exhibition business. Under both the SHA-1 and SHA-2, our Company, the Promoters and the Investors also had agreed that before making an IPO, it shall restructure the share capital of our Company to correctly reflect the beneficial interest of the Investors and the Promoters on the basis of valuation then agreed between them under the Valuation Agreement.

At that time it was envisaged that SFPL would be the main flagship company and our Company would be the subsidiary of SFPL. However, some time in early 2004, since the exhibition business progressed well, it was decided to focus and promote our Company as main flagship company and SFPL as our subsidiary. In view thereof, as contemplated under SHA-1 and SHA-2, an exercise to restructure the capital structure was undertaken, which resulted in our Company being the holding or parent company of SFPL. However, whilst doing this it was all along agreed and understood that the rights of both the SYH and the Investors as shareholders as agreed under the SHA-1 and SHA-2 has to be maintained, in the respective companies. In order to keep documentation simple instead of re-executing fresh shareholders agreements to reflect the change in the capital structure, the Promoters, SYH, IVF, our Company and SFPL executed a combined Supplementary Agreement on December 2, 2004 to record the changes to SHA-1 and SHA-2.

The Supplementary Agreement confirms that all references to “SFPL” or “Company” in SHA-1, would now mean only to our Company, since our Company is the parent company and the entire SHA-1 would be construed and interpreted accordingly. All rights given to the Promoters/ SYH and the Investors for SFPL would now be available for our Company as modified by the Articles of Association. Similarly, certain rights, which were given to the Investors under SHA-2 for our Company, would now be available to the Investors in SFPL, since SFPL is now the subsidiary of our Company.

In order to give effect to the restructuring, following steps were taken

- As per SHA-2, Shringar Films Private Limited and India Value Fund Trustee Company Private Limited held 51% and 49% stake respectively in our Company. . They held 51,000 and 49,000 Equity Shares respectively.

- And as per SHA-1, South Yarra Holdings and India Value Fund Trustee Company Private Limited held 70% and 30% respectively in SFPL. They held 699,900 and 300,000 Equity Shares respectively.

- On March 25, 2004, South Yarra Holdings, a partnership firm bought the stake of Shringar Films Private Limited (51,000 Equity Shares) in Shringar Cinemas Private Limited. Accordingly Shringar Films Private Limited ceased to be the holding company of Shringar Cinemas Private Limited.

- On March 27, 2004, we bought out the entire stake of South Yarra Holdings and India Value Fund Trustee Company Private Limited in Shringar Films Private Limited. Hence, Shringar Films Private Limited became a 100% subsidiary of Shringar Cinemas Private Limited.

- On March 30, 2004, we allotted a further 2,853,039 Equity Shares to SYH and 1,436,041 Equity Shares to India Value Fund Trustee Company Private Limited. Hence the holding of South Yarra Holdings and India Value Fund Trustee Company Private Limited in Shringar Cinemas Private Limited stood at 66.17% and 33.83% respectively reflecting the combined beneficial interest in both SFPL and our Company, in accordance with the provisions of the Valuation Agreement of April 5, 2001 read with the SHA-1 and SHA-2.

Prior to the execution of SHA-1 and SHA-2, the Promoters and Mr. Vasanji Mamania and others (“VM Group”) had already formed a company in the name of Adlabs Shringar Multiplex Cinemas Private Limited (ASMCPL) as a Joint Venture, which owned the Andheri Multiplex property in Mumbai. ASCMPL has entered into a business conducting agreement with Swanston Multiplex Cinemas Private Limited (“Swanston”) for licensing to use and occupy the premises for running of Andheri Multiplex for an agreed amount of royalty. In furtherance to the objectives outlined in SHA-1 and SHA-2, Swanston became our subsidiary in June 2002 along with VM Group holding 49.99%, which shares have now been transferred to Adlabs Films Limited.

Main Objects of the Company

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

1. To carry on the business of Proprietors, Agents, Managers, Lessees, Hirers, Licensees, Partners of Multiplexes, Studios, Theaters, places of amusements or entertainments, Music Halls, Cinemas, Picture Places and Concert halls, Play Pools and Game Parlors, Shopping Arcades etc. and for these purposes construct and/or acquire theaters, sound and recording equipments and all other Plant and machinery required for purpose of attaining the above object

2. To carry on the Business of Proprietors, Agents, Managers, Lessors, Hirers, Licensors, Partners of Organizing and conducting shows, concerts, Stage Shows and Plays, Mega Events, Events of Glamour, Pomp and Show, Events of World Importance and in general show Business and Import and Export of Talent and to act as Motion Pictures, T.V., Video Software Manufacturers, Producers, Distributors, Exhibitors, Exploiters and Importers and Exporters in

India and abroad of all types and formats of Indian/Foreign Films, Serials and Software and to own and conduct Film, T.V., Video and Software Studios and franchises thereof.

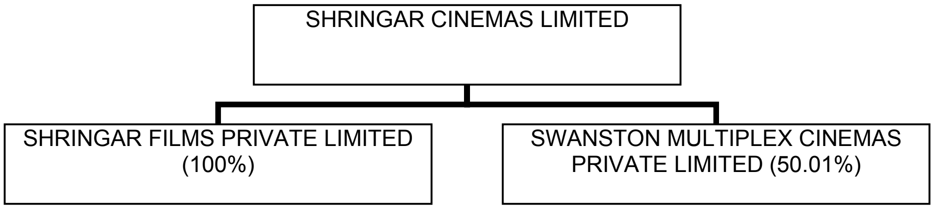
The present business of our Company is as per the main objects of our company

Changes in Memorandum of Association

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

Date of shareholder approval	**Changes**
June 15, 2000	Alteration of Clause III (B) of the Memorandum of Association by insertion of the following clause after clause 25 as sub clause 25A- “To Guarantee the payment of money unsecured or secured by or payable under or in respect of promissory notes, bonds, debentures, debenture-stock, contracts, mortgages, charges, obligations, instruments and securities or any company or of any authority, supreme, municipal, local, or otherwise or of any persons whomsoever whether incorporated or not incorporated, and generally to guarantee or become sureties for the performance of any contract or obligation.”
March 8, 2001	Increase in the authorized share capital from Rs. 10,00,000 divided into 50,000 Equity Shares of Rs. 10 each and 50,000 Preference Shares of Rs. 10 each to Rs. 50,00,000 divided into 5,00,000 Equity Shares of Rs. 10 each.
March 20, 2004	Increase in the authorized share capital from Rs. 50,00,000 divided into 5,00,000 Equity shares of Rs. 10 each to Rs. 25,00,00,000 divided into 2,49,90,000 Equity shares of Rs 10 each and 10,000 Preference shares of Rs 10 each.
November 11, 2004	Increase in the authorized share capital from Rs. 25,00,00,000 divided into 2,49,90,000 Equity shares of Rs 10 each and 10,000 Preference shares of Rs 10 each to 3,49,90,000 Equity shares of Rs. 10 each and 10,000 Preference shares of Rs 10 each.

Our Existing Corporate Structure



Key Events of the Shringar Group

1950's	-	Started of as Movie Financiers
1960's	-	Started acquiring and releasing films. Formed Maya & Co and released movies like Dilli ka Thug, Sazaa etc.
1975	-	Shyam Shroff and Balkrishna Shroff launched 'Shringar Films' and focused on release of earlier released films; and released them in untapped markets with a focused marketing strategy.
Upto 1990's	- - - -	Established itself as a leading distributor Pre-dominantly western India centric Released an average of 10-12 movies per annum. Also established a reputation of niche products. Distributed movies for leading actors like Amitabh Bachchan, Shah Rukh Khan etc
1995	-	Ventured into Exhibition business by signing contracts for program management for theaters such as Gemini, Maratha Mandir (Matinee)
1997	-	Signed contract for program management of Cinemax theater at Goregaon, Mumbai, under the lease model
Upto 2000	-	Provided management of programming services for many theaters in Mumbai on a contract basis.
2001	-	Investment by India Value Fund Trustee Company Private Ltd to fund expansion
2002	-	Launched Fame Adlabs Multiplex at Versova Mumbai.
2004	-	Launched Fame Malad and Fame Nasik

INVESTMENT AND SHARE PURCHASE AGREEMENTS

Two Share Subscription and Shareholders Agreement both dated April 2, 2001 between the Company, Promoters, SFPL and India Value Fund Trustee Company Pvt. Ltd.

Following are important provisions from SHA-1 as applicable to us now:-

BUSINESS

- Our Company and our subsidiary, SFPL shall primarily carry on the business of film production, distribution, exhibition and media and entertainment activities (Business) and the total amount invested by our Promoters and our Investors in our Company shall be utilized only for the Business.

DEBT-EQUITY RATIO AND FUNDING

- The Debt: Equity ratio of our Company shall not exceed 1:1 at any time. In the event that our Company proposes to raise debt from any person, the Investors shall not provide any guarantees for the same.

TRANSFER PROVISIONS

- The Promoters shall not be allowed to transfer any shares held by them for a period of six months from the date of listing of our Equity Shares. After the aforementioned six-month period, the Promoters shall, subject to their holding a minimum of 26% of our Equity Shares, be entitled to sell upto 9% shares in 24 months in tranches of 3%.

- During the initial specified 4 year period, the Investors can transfer their shares only with the prior consent of our Promoters. Thereafter, the Investors shares are freely transferable. If the Investor wishes to transfer its shares otherwise than by way of an IPO after the aforesaid 4-year period, our Promoters have a right of first refusal in a manner specified under the SHA.

- The Investors shall not be named as "Promoters" of our Company.

PROMOTERS AND INVESTORS' RIGHTS

- So long as our Promoters hold 26% of the paid up equity capital of our Company, our Promoters shall be entitled to appoint the majority of the Board of directors and the Chairman of our Company.

- For as long as the Investors continue to hold 5% of the paid up equity capital in our Company, the Investors shall be entitled to appoint 1 non-executive non-retiring Director who shall not be named as an officer in default. Our Company has agreed to indemnify the Investor Director against any loss or damage suffered in his/her capacity as Director of our Company.

- The affirmative vote of the Investor Director is required on matters specified in the SHA-1, which include but are not limited to mergers, demergers or consolidations, divestment of or sale, lease or pledge of any asset of our Company, acquisition of other businesses, alteration in the authorized or issued or paid up capital of our Company, split of shares of our Company, affiliated party transactions, amendments to the Memorandum or Articles of Association of our Company, approval of the annual accounts/business plan, settlement of litigation of any matter concerning an amount of over Rs. 15,00,000, borrowings and lendings of our Company etc.

- The Investors have the right to appoint its Director on any committee or sub-committee of our Company.

- The senior managerial personnel shall be appointed with the consent of the Investors.

- Our Company shall not disclose any of the confidential information of the Investors/compete with the business of the Investors for a period of 2 years from the date of listing/5 years from the date specified in the SHA, whichever is later.

Chairman

- Mr. Shyam Shroff shall be the Chairman of our Company. In his absence, as long as the Promoters continue to hold not less than 26% of the total paid-up equity capital of our Company, the Directors appointed by the Promoters shall appoint the Chairman.

INVESTORS' RIGHTS IN OUR SUBSIDIARY SFPL

- For as long as the Investors continue to hold 5% of the beneficial interest in our Company (calculated in terms of the Valuation Agreement described below), they also have certain rights in SFPL, our subsidiary including but not limited to the right to appoint 1 non-executive, non-retiring Director on the Board of SFPL.

CERTAIN OTHER COVENANTS

SYH and the Promoters have entered into an another Supplementary Agreement dated March 15, 2004 with the Investors Group to modify the Agreement for Valuation, wherein it is agreed that at the time of complete exit by the Investor Group, the total proceeds from the sale and/or proposed sale of the Investor Shares realizes proceeds less than a minimum IRR of 30% on its base amount ("Minimum IRR") as stated in the Supplementary Agreement, SYH shall transfer such number of shares to the Investor Group at a total consideration of Rs. 1/- such that the Investor Group receives a Minimum IRR, subject to the shareholding of the Investor Group not exceeding 45%. However, if the Investor Group on such sale receives more than the Minimum IRR, the Investor Group has agreed to share such excess equally with SYH by transferring such number of shares as would be equivalent to at a total consideration of Rs. 1/- such that excess IRR is distributed equally between the Investor Group and SYH.

MANAGEMENT

Board of Directors

As per our Articles of Association, we cannot have less than 3 or more than 15 directors. We currently have 5 directors.

The following table sets forth certain details regarding the members of our Board as of date of filing this Draft Red Herring Prospectus with SEBI:

Name, Designation, Father's Name, Address, Occupation	Age (in years)	Other Directorships/Partner/Trustee
Mr. Shravan Shroff Managing Director, (S/o Mr. Shyam Gobindram Shroff) Nanik Niwas, Sarojini Road, Sanacruz (W), Mumbai – 400 054	33	• Shringar Films Pvt. Ltd, • Adlabs Shringar Multiplex Cinemas Pvt. Ltd. • Swanston Multiplex Cinemas Pvt. Ltd. • Parkville Multiplex Cinemas Pvt. Ltd. • Oxford Multiplex Cinemas Pvt. Ltd. • Shringar Films • South Yarra Holdings • Shyamlal Balkrishna & Co. • Toorak Holdings
Mr. Shyam Shroff Chairman, (S/o Mr. Gobindram Naoomal Shroff) Nanik Niwas, Sarojini Road, Sanacruz (W), Mumbai – 400 054	58	• Shringar Films Pvt. Ltd, • Swanston Multiplex Cinemas Pvt. Ltd. • Parkville Multiplex Cinemas Pvt. Ltd. • Oxford Multiplex Cinemas Pvt. Ltd. • Shringar Films • South Yarra Holdings
Mr. Vishal Nevetia Director, (S/o Late Mr. Gangadhar Nevetia) 202, Adibaba, 16th Road, Santacruz (W) Mumbai 400054	35	• Shringar Films Pvt. Ltd. • Plaver Marketing Pvt. Ltd.
Ms. Susan Thomas Independent Director, (W/o Mr. Ajay Shah) IGIDR, Goregaon (E), Mumbai – 400 065	38	• Benchmark Asset Management Company Pvt. Ltd.
Mr. Amit Jatia Independent Director, (S/o Banwaii Lal Jatia) Avanti, 67 – A, Bhulabhai Desai Road, Mumbai 400026.	37	• Houghton Hardcastle (India) Ltd. • Horizon Impex Pvt. Ltd. • Saubhagya Impex Pvt. Ltd. • Subh Ashish Exim Pvt. Ltd. • Ananad Veena Twisters Pvt. Ltd. • Achal Exim Pvt. Ltd. • Acacia Impex Pvt. Ltd. • Akshay Ayush Impex Pvt. Ltd. • Vandeep Trade Links Pvt. Ltd. • Triple A Foods Pvt. Ltd. • Soudal Hardcastle Pvt. Ltd. • Vista Processed Foods Private Limited • Crossword Bookstores Limited • Hardcastle Restaurants Private Limited (Managing Director)

Brief Biography of our Directors

For details of Mr. Shyam Shroff, Mr. Balkrishna Shroff, Mr. Shravan Shroff, Mr. Aditya Shroff, please refer to section titled “Our Promoters” on page 73 of this Draft Red Herring Prospectus.

Mr. Vishal Nevatia, 35 years, is the CEO of G W Capital Pvt. Ltd. (the Investment Manager for IVFT), He is a qualified Chartered Accountant with over 15 years of experience. He has worked with Andersen for 11 years, where he was involved in Mergers & Acquisitions and advisory.

Mr. Amit Jatia, 37 years, is the Managing Director of Hardcastle Restaurants Private Limited which operates McDonald’s India’s operations in Western Region). Mr. Jatia holds a degree in Business Administration from the University of Southern California, Los Angeles. He also holds a degree in Hamburgerology from the Hamburger University, Oak Brook (Illinois, USA). Mr. Jatia has been with McDonalds since 1995.

Ms. Susan Thomas, 38 years, is a visiting scholar of the Indian Business School, Hyderabad. She has also been an assistant professor at Indira Gandhi Institute of Development Research since 1996. Mrs. Thomas is a B. Tech from IIT Mumbai and PhD from University of Southern California. She has written various articles, publications and books on various subjects on the Indian Capital Markets.

Composition of our Board of Directors

We currently have 5 directors on our board, of which 1 is executive director designated as Managing Director. Of the total strength of the board, 2 are independent directors.

Compensation of Our Directors

For details of compensation of our whole-time directors, please refer to the section titled ’Statutory and other information’ on page 201 of this Draft Red Herring Prospectus.

Shareholding of Our Directors in our Company

The following table details the shareholding of our Directors, as at the date of this Draft Red Herring Prospectus:

Name of the Director	Number of Equity shares of Rs. 10 each
Mr. Shyam Shroff	1
Mr. Shravan Shroff	1
Total	**2**

Term of Office

As per the Regulation 115 of the Articles of Association of the Company, the director nominated by the IVF and is not liable to retire by rotation. For the details of the terms of office of the above directors, please refer to the section ‘Statutory and other Information**’** on page 201 and the section titled “Main provisions of the Articles of Association of Shringar Cinemas Limited” on page no. 206 of this Draft Red Herring Prospectus.

Changes in Our Board of Directors during the last three years

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

Name	Date of Appointment	Date of Cessation	Reason
Amit Jatia	December 21, 2004	-	Appointed as Director
Susan Thomas	December 21, 2004	-	Appointed as Director

Corporate Governance

The provisions of the listing agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares on the Stock Exchanges. We undertake to adopt the Corporate Governance Code as per Clause 49 of the listing agreement to be entered into with the Stock Exchanges prior to listing. We have constituted an Audit Committee, Remuneration Committee and a Shareholders/Investor Relation Committee at a board meeting held on December 21, 2004. Below are the details of these committees.

Audit Committee
An Audit Committee was approved and constituted by a meeting of the Board of Directors held on December 21, 2004.

The terms of reference of Audit Committee comply with the requirements of Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The Committee consists of 3 members of which all are non executive directors. The Audit Committee currently comprises of Ms. Susan Thomas, Mr. Vishal Nevatia and Mr. Amit Jatia as members, all of whom are non-executive independent directors. Ms. Susan Thomas is the Chairperson of the committee.

<u>The principal functions of the Committee are</u>:

1. Financial Reporting and Control Systems.

    This involves review with the management of any significant financial risk facing our Company and review the managements plan to manage the same. Also to consider and review with internal and external auditors any fraud, illegal acts and deficiencies in the internal control systems.

2. Annual Financial Statements and Other Financial Issues.

    - Reviewing any changes in the accounting policies or financial reporting requirements that may affect current years financial statements
    - Reviewing the annual financial statements and determine that they are complete and consistent with GAAP
    - To review and discuss qualification if any given by the external auditors and provide the Board of directors with a recommendation for approval of the annual financial statements.

3. External Audit

    Appoint the external auditors, determine their remuneration and review their performance with the proposed plan.

4. Internal Audit and Controls.

    To review every quarter the internal auditors report on adequacy and effectiveness of the controls.

5. Related Party Transactions.

    To review and approve all related party transactions and ensure that they are not prejudicial to the interest of the company.

Remuneration Committee

The Remuneration Committee was constituted on December 21, 2004.

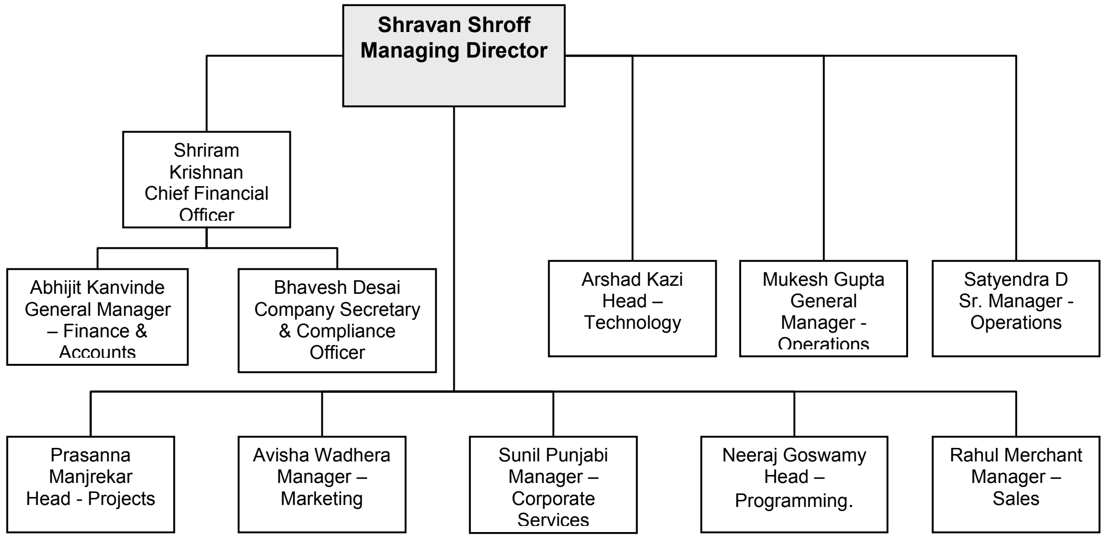
The Remuneration Committee comprises of Ms. Susan Thomas, Mr. Vishal Nevatia and Mr. Amit Jatia as members, all of whom are non-executive independent directors. Ms. Susan Thomas is the Chairperson of the committee.

The Committee performs the functions of the Remuneration Committee as recommended in the Listing Agreements to be entered with the Bombay Stock Exchange (BSE).

Shareholders/ Investor Relation Committee

The Shareholders/Investor Relation Committee was constituted on December 21, 2004. The Committee currently comprises of Mr. Vishal Nevatia, Mr. Amit Jatia and Mr. Shravan Shroff. Mr. Vishal Nevatia is the Chairman of the committee.
The Committee shall have the authority to investigate in to any matter in relation to transfer of securities or referred to it by the Board and for this purpose, shall have full access to information contained in the records of the Company and external professional advice, if necessary.
The Committee also looks into redressal of shareholder and investor complaints, issue of duplicate share certificates and to oversee and review all matters connected with the transfer, transmission and issue of securities.

ORGANIZATION STRUCTURE



Key Managerial Personnel

The details of our Key Managerial Personnel are as follows:

Mr. Shravan Shroff, Managing Director.

(For further details please refer to the section titled "Our Promoters" on page no 73 of this Draft Red Herring Prospectus.

Mr. Shriram Krishnan, 36 years,, is the Chief Financial Officer of our Company. He is a qualified chartered accountant and has 13 years of experience in the field of Finance, Accounts and MIS. He has worked with various companies such as Star India Pvt. Ltd., ITC Classic Finance Ltd., Trikaya Grey Advertising (India) Ltd., etc. Mr. Krishnan has been with us since September 2004 and draws a gross annual salary of Rs. 25,00,000.

Mr. Mukesh Gupta, 41years, is the General Manager – Operations of our Company. He holds a Diploma in Hotel Management, Catering Technology and Applied Nutrition. He has work experience of over 17 years during which he has worked with various hotels and restaurants. His last assignment prior to joining us was with K. Raheja Corp. Mr. Gupta He has been with us since October 2001 and draws a gross annual salary of Rs. 12,65,760.

Mr. Abhijit Kanvinde, 40 years, is the General Manager – Finance & Accounts of our company. He is a commerce graduate and a qualified Chartered Accountant. He has 13 years of experience in the field of Finance, Accounts, Insurance management etc. Mr. Kanvinde has worked with companies like Novartis, Consumer Health India Pvt. Ltd., L'Oreal, Mafatlal Dyes and Chemicals Ltd., etc. Mr. Kanvinde has been with us since June 2002 and draws a gross annual salary of Rs. 10,29,176.

Mr. Prasanna Manjrekar, 32 years, is the Head – Projects of our Company. He is a BE (Construction) and also holds a Masters in Construction Management from National Institute of Construction Management and Research, Pune. Mr. Manjrekar is responsible for the delivery of all multiplex projects of our Company. Prior to joining our Company he has worked with Ghezri Eastern Limited, Charisma builders, INOX Multiplex at Vadodara and Bharat Hotels Ltd. Mr. Manjrekar has been with us since November 2002 and draws a gross annual salary of Rs. 8,03,919.

Mr. Neeraj Goswamy, 33 years, is the Head – Programming of our Company. He is a Chemical Engineer and has an experience of around 9 years in companies like Cineline Cinemas Pvt. Ltd, Mohan Meakin Ltd. and Inertia Industries ltd. He has experience in the field of running and operating multiplexes. Mr. Goswamy has been with us since February 2002 and draws a gross annual salary of Rs. 8,00,000.

Mr. Arshad Kazi, 31 years, is the Head - Technology of our Company. He has a Diploma in Computer technology and a Diploma in Electronics Technology and is also a Microsoft Certified Software Engineer. He has around 9 years of work experience in the field of software development, application and networking, Mr. Kazi has worked with companies like Star India (Pvt.) Ltd., indya.com, Kensoft Infotech Pvt. Ltd. etc. Mr. Kazi has been with us since November 2001 and draws a gross annual salary of Rs. 8,00,000.

Mr. Satyendra Dasondi, 34 years, is the Senior Manager - Operations of our Company. He holds a Degree in Hotel Administration and Post Graduate Degree in Business Administration. Mr. Dasondi has 13 years of experience in the Hotel & Hospitality industry where he has worked with organizations like Hotel Leela Kempinski, Davat Restaurant, Not Just Jazz by the Bay, Essar Group etc. Mr. Dasondi has been with us since September 2002 and draws a gross annual salary of Rs. 11,97,411.

Mr. Bhavesh Desai, 31 years, is the Company Secretary & Compliance Officer of our Company. He is a qualified Company Secretary & Law Graduate from the University of Mumbai. Mr. Desai is responsible for Secretarial & Legal functions of the Group and is also the Compliance Officer of our Company. He has over 8 years of work experience in this field. He has worked with companies like SOGL, Nesco Ltd., Synthetics and Chemicals Ltd., etc., Mr. Desai has joined our Company in November 2004 and draws a gross annual salary of Rs. 4,25,600.

Mr. Rahul Merchant, 29 years, is the Manager - Sales of our Company. He holds a Post graduate Management Diploma in Advertising and Communications Management and Diploma in Computer Science. He has 6 years of experience in the field of marketing, sales, event management etc. and worked with companies like HFCL- Nine Broadcasting India Ltd., Star India Ltd. Mr. Merchant has been with us since September 2001and draws a gross annual salary of Rs. 5,80,000.

Ms. Avisha Wadhera, 27 years, is the Manager - Marketing of our Company. She is a Commerce graduate and holds a Post Graduate Diploma in Business Management (Marketing). She has over 6 years of experience in the field of Sales & Marketing where she has worked with companies like Bigtree Interactive Ticketing Pvt. Ltd., (Indya Tickets), Radhakrishnan Foodland Pvt. Ltd., etc. Ms. Wadhera has been with us since December 2002 and draws a gross annual salary of Rs. 5,40,000.

Mr. Sunil Punjabi, age 31 years, is the Manager Corporate Services of our Company. He has done a BE (Electrical) and a post Graduate in Management studies in Marketing. He has an experience of over 5 years where he has worked with companies like Godrej Telecom Ltd., Zee Telefilms Ltd., Fashion TV India Pvt. Ltd. etc. Mr. Punjabi has been with our Company since July 2003 and draws a gross annual salary of Rs. 5,40,000.

Shareholding of our Key Managerial Personnel

Except as stated elsewhere in this Draft Red Herring Prospectus, none of our key managerial personnel hold any shares in our Company.

Bonus and/or profit sharing plan for key managerial employees

The Compensation Structure incorporates a fixed & variable component. The variable component is termed as Performance Bonus.

Performance Bonus amounts indicated as part of the salary package is payable based on the Performance rating of the incumbent as per the annual appraisal assessment. It is also linked to the Company performance. Hence, based on the profits of the Company for the Financial Year and as part of sharing profits with employees, a part of the salary is linked to the profits earned in that financial year.

Changes in our Key Managerial Employees during the last three years

Following are the changes in our key managerial employees during the last three years:

Name of the Employee	Last Designation	Year of Change	Reason for change
Ramesh Thondapi	Head Sales & Mktg	2003	Resignation
Ratish Jha	Head HR	2003	Resignation
Shrikant Hazare	Head Sales & Mktg	2003	Resignation
Deepak Netram	National Head Sales & Mktg	2004	Resignation
Mr. Shriram Krishnan	VP – Planning - Star India Pvt. Ltd	2004	Appointed at CFO
Mr. Abhijit Kanvinde	Assistant Financial Controller – Novartis India	2002	Appointed as GM Accounts and Finance
Mr. Prasanna Manjrekar	Construction Engineer – Gherzi Eastern Ltd	2002	Appointed as Head of Projects
Mr. Neeraj Goswamy	General Manager – Cineline Cinemas	2002	Appointed as Head of Programming

Mr. Satyendra Dasondi	Manager National Hospitality Services – Essar Hospitality ltd.	2002	Appointed as Senior Manager - Operations
Mr. Bhavesh Desai	Company Secretary & Legal Manager – Sabero Organics Gujarat Ltd.	2004	Appointed as Company Secretary
Ms. Avisha Wadhera	Head Business Development – Bigtree Interactive Ticketing Pvt. Ltd.	2002	Appointed as Manager - Marketing
Mr. Sunil Punjabi,	Manager – Sales and Marketing – Fashion TV Ltd.	2003	Appointed as Manager -Corporate Services

OUR PROMOTERS

The Company was incorporated on October 26, 1999. Our Promoter's shareholding is held through South Yarra Holdings, a partnership firm, controlled by the Shroff family, comprising of Mr. Shyam Shroff, Mr. Balkrishna Shroff, Mr. Shravan Shroff and Mr. Aditya Shroff. Our Promoter group through South Yarra Holdings holds 1,50,57,760 shares in the Company constituting 64.53% of the total paid up equity share capital as on November 30, 2004. Apart from their holdings through SYH, each partner of SYH also holds in their individual capacity one share of the Company. Accordingly, the holding of Promoters Group is 1,50,57,764 (i.e. 64.53%). The remaining shareholders comprise primarily of GW Capital Private Limited, which holds 33.26% of the total paid up equity share capital through India Venture Fund Trust Company Private Limited (IVF) and IVF (PCC) Mauritius holds another 2.46%. Also included in the non-promoter shareholding is one equity share held by Mrs. Rita Shroff jointly with Ms. Dipi Arora

Our Promoters have a wide experience in the Indian Film Industry dating back to 1950, when Gobindram Naoomal Shroff father of Shyam Shroff and Balkrishna Shroff along with his brother Vasudev Naoomal Shroff started the business of film financing. Some of the major films financed by them in that era included Desh, Kafila, Chalti Ka Naam Gaadi, Jhumroo, Howrah Bridge Do Raaste, Aradhana, Guide, Evening in Paris, Dharma, Anhonee etc. In 1975 Shyam Shroff and Balkrishna Shroff decided to venture into film distribution by focusing on re-issue films and releasing them in untapped market with a focused marketing strategy, which proved to be a success.

By 1990, our Promoters established themselves as leading distributor of feature films in Western India. Some of the successful films distributed by the Promoters include Lagaan, Rangeela, Raja Hindustani, Bombay, Dada, Chalte Chalte, Hyderabad Blues, Ardh Satya, Munnabhai MBSS etc. It was in 1997 after the arrival of Shravan Shroff in the business that our Promoters started integrating the film value chain and decided to venture into the exhibition business, which was relatively stable compared to the distribution business. Our Promoters started the exhibition business by managing programming of theatres owned by others. Our Promoters established their first multiplex at Andheri, Mumbai in partnership with the Adlabs group. Our Promoters have since expanded their exhibition presence to Malad (Mumbai), Kandivali (Mumbai) and Nasik.

PROMOTERS AND THEIR BACKGROUND

Mr.Shyam Shroff, 58 has approximately 42 years of experience in the film distribution business with a focus on content acquisition. He is a Bachelor of Commerce graduate from University of Mumbai. In 1962 he started his career in film financing by helping his father in financing films like Dilli Ka Thug, Anmol Moti, Sazaa, Dharma, Night in London, Do Raaste, Aradhana, Anhonee, Apne Rang Hazaar, Heeralaal Pannalaal etc. In 1975 he, along with his younger brother, Balkrishna Shroff, formed Shringar Films. The early focus was on re-issuing films and releasing them in untapped market by way of a focused marketing strategy, which proved to be a success. He has been awarded the Best Distributor by Screen Publication in the year 2003. He is widely respected in the film production fraternity for his ability to identify the right products.

Voter ID No.: NA
Driving License No.: 218016 (Mumbai)

Mr. Balkrishna Shroff, 55 has approximately 40 years of experience in film distribution with a focus on content marketing. He is a Bachelor of Arts graduate from University of Mumbai. He started his career in film distribution by focusing on re-issuing films and releasing them in untapped market by way of a focused marketing strategy, which proved to be a success. He is credited with the marketing of highly successful movies like Lagaan, Ardh Satya, Hyderabad Blues, Munnabhai MBBS amongst others. He has been awarded the Best Distributor from Screen Publication in the year 2003. He is also member of the Indian Motion Picutres Distributors Association (IMPEDA) for the last 28 years.

Voter ID No.: MT/08/036/502763
Driving License No.: 282813 (Mumbai)

Mr. Shravan Shroff, 33 joined the group's business in 1997. He is a graduate from University of Mumbai and has a Masters in Business Administration from Melbourne Business School. He pioneered the concept of outsourced screen programming in 1997. Prior to commencement of group's own multiplex, Fame Adlabs at Versova (Mumbai), he managed the programming of several theatres across Mumbai city including Gemini, Imax, Maratha Mandir (Matinee), Gossip and the Cineline chain of theatres. He is a member of various industry associations such as the Entertainment Committee of FICCI, the Mumbai chapter of the Youth Entrepreneur Organisation (YEO) an US based non-profit organization and the Entertainment Committee of the Uttar Pradesh Film Council. In 2004 he was the Co-chairman of Entertainment Committee of CII. He is also a member of the IDBI film financing committee. He was awarded the McDowell Icon of Success in the year 2004 and was nominated for The Economic Times Entrepreneur of the Year award for the year 2004.

Voter ID No.: NA
Driving License No.: 87/W 42075

Mr. Aditya Shroff, 26 joined the group's business in 2002. He is a graduate from University of Mumbai and has a Masters in Business Administration from University of Leeds. He currently oversees the distribution business and manages relationships with exhibitors.

Voter ID No.: NA
Driving License No.: MH-02-96/21717

The Permanent Account Number ("PAN"), Bank Account Number. and Passport Number of our Promoters has been submitted to the stock exchanges, on which we propose to list our shares at the time of filing this Draft RHP.

Our Promoter's stake in the group is held through their partnership firm M/s. South Yarra Holdings and also in their individual capacity.

South Yarra Holdings (SYH)

The firm was constituted vide a Deed of Partnership dated May 11, 2000, under the Indian Partnership Act, 1932. Its registered address is 2G, Naaz Cinema Building, Lamington Road, Mumbai – 400 004. The firm was constituted with the object of film distribution, exhibition, exploitation of films and rights, and film distribution services. The firm (through its nominees) currently operates as an investment vehicle for Shringar Cinemas Limited ("SCL") for its partners. Besides investment in SCL the firm currently does not pursue any other business activity. The partners in this firm are Shyam Shroff, Balkrishna Shroff, Shravan Shroff and Aditya Shroff.

Partners:

Names of Partner	Partner's Share (%)
Shyam Shroff	25.0
Balkrishna Shroff	25.0
Shravan Shroff	25.0
Aditya Shroff	25.0
Total	**100.0**

Financial Performance

The financial performance of this firm for last three years is as below:

Particulars	Year Ended March 31,		
	2002	2003	2004
		(in Rs. Lacs,)	
Partners' Capital Account	0. 4	0.4	0. 4
Partners' Current Account	499.9	499.9	566.5

Investments	499.9	499.9	676.7
Net Current Assets	0.4	0.4	(109.8)
Profit / (Loss) after Tax	0.0	00	66.3

GROUP COMPANIES

UNLISTED COMPANIES

Adlabs Shringar Multiplex Cinemas Private Limited

Adlabs Shringar Multiplex Cinemas Private Limited (ASMCPL) was originally incorporated as Adlabs Video Private Limited on September 11, 1984. Subsequently, the name of the company was changed to Adlabs Shringar Multiplex Cinemas Private Limited along with the alteration of objects on June 9, 2002. Presently ASMCPL is a Joint Venture with Mr. Vasanji A. Mamania and others. ASMCPL owns the Andheri Multiplex property in Mumbai. ASCMPL has entered into a Business Conducting Agreement with Swanston Multiplex Cinemas Private Limited ("Swanston") granting it the license to run the business of exhibition of movies in the multiplex for a royalty not exceeding 15% of the total turnover of the business.

The Board of Directors comprise of:

Mr. Vasanji Mamania	Chairman
Mr. Shyam Shroff	Director
Mr. Shravan Shroff	Director

The shareholding pattern of the company as on December 31, 2004 is as follows:

Name	***No. of Shares held of Rs 100 each***	***Shareholding (%)***
Toorak Holdings	240,000	50.0
Adlabs Group	240,000	50.0
Total	**480,000**	**100.0**

The financial performance for the last three years is as follows:

	Year ended March 31		
	2002	***2003***	***2004***
	(in Rs. Lac except per share data)		
Sales and other Income	0. 0	256.2	169.7
Profit after tax	(0. 2)	(9.2)	7.6
Equity Capital	350.1	350.1	480.0
Reserves	(0. 8)	(10.0)	(2.4)
Earnings per share (of Rs.100- each)	(0.00)	(2.63)	1.59
Book Value per share (of Rs.100 each)	97.78	95.56	98.64

Parkville Multiplex Cinemas Private Limited

Parkville Multiplex Cinemas Private Limited was incorporated as a Private Limited company on September 9, 2004. The main object of the company is to carry on business and act as producer, distributor, exhibitor, trader, dealer, importer and exporter of films for telecasting in television, theatres or otherwise and to engage in entertainment industry either by owning studios, theatres, multiplexes etc. or by organizing or facilitating sound and recording equipments, machineries and to manage or organize events of shows, concerts and plays. The company has not commenced any activity till December 31, 2004. It was incorporated on September 9, 2004 and its first financial year will end on March 31, 2005.

The Board of Directors comprise of:

Mr. Shyam Shroff	Chairman
Mr. Shravan Shroff	Director

The shareholding pattern of the company as on December 31, 2004 is as follows:

Name	***No. of Shares held of Rs 10 each***	***Shareholding (%)***
Shyam Shroff..	5,000	50

Shravan Shroff	5,000	50
Total	**10,000**	**100**

Oxford Multiplex Cinemas Private Limited

Oxford Multiplex Cinemas Private Limited was incorporated as a private limited company on September 9, 2004. The main object of the company is to carry on business and act as producer, distributor, exhibitor, trader, dealer, importer and exporter of films for telecasting in television, theatres or otherwise and to engage in entertainment industry either by owning studios, theatres, multiplexes etc. or by organizing or facilitating sound and recording equipments, machineries and to manage or organize events of shows, concerts and plays. The company has not commenced any activity till December 31, 2004. It was incorporated on September 9, 2004 and its first financial year will end on March 31, 2005.

The Board of Directors comprise of:

Mr. Shyam Shroff	Chairman
Mr. Shravan Shroff	Director

The shareholding pattern of the company as on December 31, 2004 is as follows:

Name	*No. of Shares held of Rs 10 each*	*Shareholding (%)*
Shyam Shroff	5,000	50.0
Shravan Shroff	5,000	50.0
Total	**10,000**	**100.0**

PARTNERSHIP FIRMS

Shringar Films

Shringar Films was constituted vide a Deed of Partnership dated April 7, 1992, under the Indian Partnership Act, 1932. The registered address of the firm is 2G, Naaz Cinema Building, Lamington Road, Mumbai – 400 004. Shringar Films was incorporated with the object of pursuing business of film distribution, exhibition, exploitation of films and rights, and film distribution services. The firm has to its credit blockbusters like Qyamat Se Qyamat Tak, Raja Hindustani, Sarfarosh, Baazigar, Rangeela and Bombay.

Shringar Films also pioneered the concept of creating national property of niche movies, a strategy, which has redefined conventional distribution practices. Hyderabad Blues, Chachi 420, Bandit Queen, Chota Chetan are some of the widely appreciated properties created by Shringar Films. Some of the foreign films distributed by Shringar Films is Life is Beautiful.

Shringar Films has assigned the film rights owned by it in favour of Shringar Films Private Limited vide Deed of Assignment dated March 15, 2001 and the firm currently pursues no business activity. The partners in this firm are Shyam Shroff, Balkrishna Shroff, Shravan Shroff and Aditya Shroff.

Partners:

Names of Partner	**Partner's Share (%)**
Shyam Shroff	25.0
Balkrishna Shroff	25.0
Shravan Shroff	25.0
Aditya Shroff	25.0
Total	**100.0**

Financial Performance

The financial performance of this firm for last three years is as below:

Particulars	**Year Ended March 31,**		
	2002	**2003**	**2004**

		(in Rs. Lacs)	
Partners' Capital Account	0. 5	0. 5	0. 5
Partners' Current Account	(34.9)	(66.7)	(76.1)
Fixed Assets	43.4	38.5	45.0
Net Current Assets	(41.5)	(68.4)	314.2
Profit / (Loss) after Tax	0. 7	(0.07)	1.1

Toorak Holdings

Toorak Holdings was constituted vide a Deed of Partnership dated June 16, 2001, under the Indian Partnership Act, 1932. The registered address of the firm is 2G, Naaz Cinema Building, Lamington Road, Mumbai – 400 004. Toorak Holdings was incorporated with the object of pursuing business of film distribution, exhibition, exploitation of films and rights, and film distribution services. Currently Toorak Holdings operates as an investment vehicle for Adlabs Shringar Mulriplex Cinemas Private Limited. The partners in Toorak Holdings are Balkrishna Shroff and Shravan Shroff.

Partners:

Names of Partner	Partner's Share (%)
Balkrishna Shroff	50.0
Shravan Shroff	50.0
Total	**100.0**

Financial Performance

The financial performance of this firm for last three years is as below:

Particulars	Year Ended March 31,		
	2002	2003	2004
		(in Rs. Lacs)	
Partners' Capital Account	0. 5	0. 5	0. 5
Partners' Current Account	158.0	158.0	226.1
Investments	240.8	240.8	309.3
Net Current Assets	(82.3)	(82.3)	(82.7)
Profit / (Loss) after Tax	0.0	0.0	0.0

Shyamlal Balkrishna & Co.

Shyamlal Balkrishna & Co was constituted vide a deed of partnership dated April 1, 1970, under the Indian Partnership Act, 1932. The registered address of the firm is 2G, Naaz Cinema Building, Lamington Road, Mumbai – 400 004. Shyamlal Balkrishna & Co was incorporated with the objective of pursuing business of banking, financing, and distribution of motion pictures. Shyamlal Balkrishna & Co has assigned the film rights owned by it in favour of Shringar Films Private Limited vide Deed of Assignment dated March 15, 2001 and currently does not pursue any business activity. The partners in Shyamlal Balkrishna & Co are Balkrishna Shroff, Shravan Shroff and Usha Shroff.

Partners:

Names of Partner	Partner's Share (%)
Balkrishna Shroff	5.0
Shravan Shroff	47.5
Usha Shroff	47.5
Total	**100.0**

Financial Performance

The financial performance of this firm for last three years is as below:

Particulars	Year Ended March 31,		
	2002	**2003**	**2004**
		(in Rs. Lacs)	
Partners' Capital and Current Account	0. 1	0. 1	(1.0)
Investments	0.0	0.0	0.0
Net Current Assets	0. 1	0. 1	(1.0)
Profit / (Loss) after Tax	0. 0	0.0	0.01

Food Galore

Food Galore was constituted vide a Deed of Partnership dated January 12, 1997 under the Indian Partnership Act, 1932. The registered office of Food Galore is 2G, Naaz Cinema Building, Lamington Road, Mumbai – 400 004. Food Galore was incorporated with the object of Caterers & Running of Refreshment Stall/Canteen at the multiplexes managed by Shringar Cinema Private Limited. Food Galore currently does not pursue any business activity. The partners in Food Galore are Usha Shroff, Rita Shroff, Shraddha Negi and Radhika Shroff.

Partners:

Names of Partner	Partner's Share (%)
Usha Shroff	25.0
Rita Shroff	25.0
Shraddha Negi	25.0
Radhika Shroff	25.0
Total	**100.0**

Financial Performance

The financial performance of this firm for last three years is as below:

Particulars	Year Ended March 31,		
	2002	**2003**	**2004**
		(in Rs. Lacs)	
Partners' Capital Account	0. 5	0. 5	0. 5
Partners' Current Account	10. 6	10. 1	(0. 3)
Investments	0. 0	0.0	0.0
Net Current Assets	11.1	10.6	0. 2
Profit / (Loss) after Tax	(0. 1)	(0. 4)	0. 0

SOLE PROPRIETORSHIP UNITS

Isardas Naoomal

Isardas Naoomal, originally incorporated as partnership firm was converted as a proprietorship unit of Gobindram Naoomal (HUF) through its karta Shyam Shroff during the financial year ended March 31, 2003.with the objective of doing business of distribution, exhibition, exploitation of films and rights, and film distribution services. Issardas Naoomal ceased to continue as a partnership firm and was currently Issardas Naoomal does not pursue any business activity.

Financial Performance

The financial performance of this firm since conversion of the firm to the proprietorship concern is as given:

Particulars	Year Ended March 31,		
	2002	2003	2004
		(in Rs. Lacs,)	
Capital	0.1	0. 1	0. 2
Investments	0.0	0.0	0.0
Net Current Assets	0.1	0. 1	0. 2
Profit / (Loss) after Tax	0.1	0. 1	0. 1

Gobindram Naoomal & Sons

Gobindram Naoomal & Sons is a proprietorship concern of Shyam Shroff. The object of Gobindram Naoomal & Sons is carrying on the business of distribution, exhibition, exploitation of films and rights, and film distribution services. Gobindram Naoomal & Sons assigned the film rights owned by it in favour of Shringar Films Private Limited vide Deed of Assignment dated March 15, 2001 and currently does not pursue any business activity.

Financial Performance

The financial performance of this unit for last three years is as below:

Particulars	Year Ended March 31,		
	2002	2003	2004
		(in Rs. Lacs,)	
Capital	(25.2)	(22.7)	(22.7)
Investments	0.0	0.0	0.0
Net Current Assets	(25.2)	(22.7)	(22.7)
Profit / (Loss) after Tax	0.1	2.5	0.0

Bandhu & Co.

This unit is a proprietorship concern of Shyam G. Shroff (HUF) operated through its karta Shyam Shroff. This unit was established with the object of banking, financing and distribution of motion pictures. This unit assigned the film rights owned by it in favour of Shringar Films Private Limited vide Deed of Assignment dated March 15, 2001 and currently does not pursue any business activity.

Financial Performance

The financial performance of this unit for last three years is as below:

Particulars	Year Ended March 31,		
	2002	2003	2004
		(in Rs. Lacs)	
Capital	80.2	81.0	81.9
Investments	0.0	0.0	0.0
Net Current Assets	80.2	81.0	81.9
Profit / (Loss) after Tax	0.4	0. 7	0. 5

OUR SUBSIDIARIES

We have the following subsidiaries.

Shringar Films Private Limited

Shringar Films Private Limited ("SFPL") was incorporated as a private limited company on April 19, 1999. Its principal activity is distribution of films in India. It mainly operates in the Mumbai territory and has an office in Chennai to cater to other territories in India.

Upto March 25, 2004, SFPL owned 51% of our Company. On that date, SFPL sold its investments in our Company to South Yarra Holdings ("SYH"). Consequently, SFPL ceased to be the holding company of our Company. On March 27, 2004, we purchased the entire shareholding in SFPL from its then shareholders, i.e., SYH and Indian Value Fund Trustee Company Private Limited. As at March 31, 2004, SFPL became a 100% subsidiary of our Company.

The Board of Directors of SFPL comprises of:

Mr. Shyam Shroff	Chairman – Executive Director
Mr. Balkrishna Shroff	Executive Director
Mr. Shravan Shroff	Director
Mr. Aditya Shroff	Executive Director
Mr. Sanjay Arte	Director
Mr. Vishal Nevatia	Director

We are in the process of appointing Independent directors on the Board of SFPL to comply with the provisions of Clause 49 of the Listing Agreement with the Stock Exchange(s).

The shareholding pattern of the company as on December 31, 2004 is as follows:

Name	*No. of Shares held of Rs 10 each*	*Shareholding (%)*
Shringar Cinemas Limited (along with its nominee)	9,99,900	100.0
Total		

The financial performance (restated) for the last three years is as follows:

	Year ended March 31		
	2002	*2003*	*2004*
	(in Rs. Lac except per share data)		
Sales and other Income	2121.4	2467.4	2877.6
Profit after tax..	55.5	(50.2)	(293.9)
Equity Capital	99.9	99.9	99.9
Reserves	1683.8	1633.6	1339.7
Earnings per share (of Rs.10- each)	6.7	(5.0)	(29.4)
Book Value per share (of Rs.10 each)	178.4	173.4	144

Swanston

Swanston Multiplex Cinemas Private Limited ("SMCPL") was incorporated as a Private Limited company on October 11, 2001. SMCPL's main activity is exhibition of films, programming and management of multiplexes. SMCPL has entered into Business Conducting agreement with Adlabs Shringar Multiplex Cinemas Private Limited for the programming and management of the multiplex – 'Fame Adlabs' at Versova, Andheri. Fame Adlabs commenced operations on April 5, 2002. Swanston is a subsidiary of our Company, which holds 50.01% of the equity share capital of SMCPL.

We have entered into a Shareholders Agreement on June 14, 2002 with Vasanji Mamania Group ("VM Group") who held the balance 49.99% in SMCPL. Recently the said 49.99% equity shares of SMCPL have been transferred to Adlabs Films Limited a permitted nominee of V M Group, under a Deed of Adherence dated December 27, 2004. Accordingly, Adlabs Films Limited is deemed to be a party to the Shareholders' Agreement and is now entitled to the rights and privileges under the same, including right to appoint board members etc. Our Company has also placed our 156 equity shares with an Escrow Agent in order to ensure due compliance of the provisions of the Shareholders' Agreement. In future on a mutually agreed date we would issue instructions to transfer not less than 78 equity shares in favour of Adlabs Films Limited so that the shareholding of our Company and Adlabs Films Limited is atleast 50% each in SMCPL.

The Board of Directors comprise of:

Mr. Shyam Shroff	Chairman
Mr. Vassanji Mamania	Director
Mr. Shravan Shroff	Director
Ms. Pooja Shetty	Director

We are in the process of appointing Independent directors in the Board of Swanston to comply with the provisions of Clause 49 of the Listing Agreement with the Stock Exchange(s).

The shareholding pattern of Swanston as on December 31, 2004 is as follows:

Name	*No. of Shares held of Rs 10 each*	*Shareholding (%)*
Shringar Cinemas Limited	390,078	50.01
VM Group	389,922	49.99
Total	**780,000**	**100.00**

The financial performance (restated) of Swanston for the last three years is as follows:

	Year ended March 31		
	2002[1]	*2003*	*2004*
	(in Rs. Lac except per share data)		
Sales and other Income	0.0	1602.3	1968.8
Profit after tax	0.0	285.6	360.1
Equity Capital	1.0	1.0	78.0
Share Application Money	120	310	0.0
Reserves	0.0	36.3	303.7
Earnings per share (of Rs.10- each)	0.0	2,856.0	46.2
Book Value per share (of Rs.10 each)	10.0	372.8	48.9

1 – Since Swanston had not commenced commercial operations at March 31, 2002, profit & loss account was not prepared for Fiscal 2002.

Material Notes for Fiscal 2004 in the audit report, *inter-alia,* include:

1. Contingent liabilities not provided for as on March 31, 2004 amounted to Rs.1,219 Lacs including Rs. 315 Lacs towards joint and several liability for loan co-borrowed by the company with Adlabs Shringar Multiplex Cinemas Private Limited from IDBI and Rs. 905 Lacs towards entertainment tax in the event the multiplex at Andheri does not continue operations for a period of 10 years from June 11, 2002.

OTHER INVESTMENTS

Shree Vijayraj Entertainment & Software Limited

Shree Vijayraj Entertainment & Software Limited was incorporated as a Public Limited company on August 18, 2000. Its principal activity is distribution of films, predominantly in the State of Gujarat. We have entered into a Shareholders Agreement with Shree Vijayraj Entertainment and & Software Limited to subscribe in cash a sum of Rs. 1,000 towards the subscription of 100 equity shares of Rs. 10/- each, Rs. 100 Lacs in Convertible Interest Bearing Debentures and Rs. 50 Lacs in Non-Convertible Interest bearing Debentures in tranches. As on September 30, 2004 we have not exercised the option available to us to convert the debentures into equity shares. It has now been agreed that the convertible debentures would be redeemed only if payment of all amount is made as per a letter of agreement dated January 10, 2005.

SEBI or any other regulatory authority has not restrained Our Promoter and the group companies from accessing the capital market for any reason.

Following are the companies from which the Company/Promoters have disassociated themselves in the last three years

SCL/ Promoters have not disassociated itself from any company in the last three years.

None of the companies promoted by our Promoters have been struck off from the records of the Register of Companies

Common Pursuits

There are no other companies in the Group, which are engaged in the business of film exhibition, distribution and production

Interest of Promoters in SCL

Save as stated in this Draft RHP, the Promoters, do not have any interest in the business of SCL, except to the extent of investments made by them and their group / investment companies in SCL and earning returns thereon. For details of the salary & remuneration of the Managing Director, please refer to the section titled “Remuneration of the Managing Director” on page 204 of this Draft RHP.

We have entered into various agreements / transactions with our group companies and other companies on an arms length basis. These agreements / transactions relate to various fields like film distribution, etc. For further details, see Related Party Transactions as mentioned below.

Companies of the Promoter Group referred to BIFR/ under winding up/having negative net worth
None of the companies promoted by our Promoters have been referred to BIFR or are under winding up or have negative networth.

Related Party Transactions
There have been no sales or purchases between companies in the Promoter Group exceeding in value in the aggregate 10% of the total sales or purchases of our Company, except those transactions mentioned under the section titled “Related Party Transactions” on page 85 of this Draft Red Herring Prospectus

Companies under the same management
Except as stated elsewhere in this Draft Red Herring Prospectus, there are no listed companies under the same management within the meaning of section 370(1) (B) of the Companies Act, 1956.

RELATED PARTY TRANSACTIONS

To,
The Board of Directors
Shringar Cinemas Limited
B-103, Kailash Apartments,
Juhu Church Road, Juhu,
Mumbai – 400 049.

Dear Sirs,

1. We have examined the accounts of **Shringar Cinemas Limited** ('the Company') for the five financial years ended March 31, 2000, March 31, 2001 audited by Shri. R. Prasad Rao and March 31, 2002, March 31, 2003 & March 31, 2004 audited by Ms. Bharat S. Raut & Co.

2. In accordance with the requirements of ;

   I. The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 19, 2000 in pursuance of Section 11 of SEBI Act, 1992, "the SEBI Guidelines" and Standard Observations
   II. Request dated 21/12/2004 received from the Company to carry out the work relating to the offer document being issued by **Shringar Cinemas Limited**, in connection with the initial public offer of Equity Shares of the company;

   We report that:

   a) Related Party Transactions as per AS-18 of Accounting Standard, recommended By The Institute of Chartered Accountants of India for the financial year ended March 31, 2000, March 31, 2001, March 31, 2002, March 31, 2003 & March 31, 2004 are as set out in **Annexure I** to this report.

The preparation and presentation of this financial information is the responsibility of the Company's management and is as approved by the Board of Directors. This report is intended solely for your information and for inclusion in the Offer Document of the Company in connection with its proposed initial public issue of 81,50,000 Equity Shares through book building route and is not to be used, referred to or distributed for any other purpose without our written consent.

Sd/-
R. Prasad Rao
Chartered Accountant

Membership No. 40749
Place : Mumbai
Date : 24/12/2004

Annexure I

(Rupees in Lacs)

B. TRANSACTIONS WITH RELATED PARTIES		31.03.2000	31.03.2001	31.03.2002	31.03.2003	31.03.2004
Items	Related Party Relation					
Purchase of Goods & Services	Firm / Proprietor concern in which Directors & their relatives are interested	4.10	33.61	-	21.00	21.00
	Holding Company	-	-	93.39	108.09	66.52
Sale of Goods & Services	Firm / Proprietor concern in which Directors & their relatives are interested	2.00	5.17	-	-	-
Net Revenue from Joint Venture (Profit / (Loss))	Joint Venture Investors	4.89	7.52	(7.61)	(8.21)	(7.96)
Reimbursement of expenses to	Firm / Proprietor concern in which Directors & their relatives are interested	83.87	4.13	0.09	0.63	0.44
	Subsidiary Company	-	-	0.53	12.48	1.52
	Holding Company	-	-	-	1.67	28.97
	Joint Venture	-	-	-	0.35	9.96
	Companies in which Directors & their relatives are interested	-	-	-	-	5.35
Reimbursement of expenses from	Firm / Proprietor concern in which Directors & their relatives are interested	33.68	0.23	-	0.26	7.61
	Subsidiary Company	-	-	-	0.08	2.85
	Holding Company	-	-	-	24.85	31.07

	Joint Venture	-	-	-	31.46	3.36
	Enterprise over which operating control is exercised by reporting enterprise	-	-	-	0.78	1.42
Dividend Received	**Subsidiary Company**	-	-	-	-	190.49
Transfer of Division - Net Current Assets and Current Liabilities	**Firm / Proprietor concern in which Directors & their relatives are interested**	0.98	38.75	-	-	-
Sale of Fixed Assets	**Subsidiary Company**	-	-	-	0.15	-
JV Contribution taken during the year	**Joint Venture Investors**	28.00	-	-	-	8.75
JV Contribution Repaid during the year	**Joint Venture Investors**	-	13.00	-	15.00	-
Deposit under agreement given - during the year	**Firm / Proprietor concern in which Directors & their relatives are interested**	-	-	82.80	-	88.50
Deposit under agreement given - closing balance	**Firm / Proprietor concern in which Directors & their relatives are interested**	-	-	82.80	82.80	171.30
Interest paid on Loans	**Firm / Proprietor concern in which Directors & their relatives are interested**	-	-	-	-	1.52
Loans taken during the year	**Firm / Proprietor concern in which Directors & their relatives are interested**	-	-	-	-	281.50

	Subsidiary Company	-	-	-	-	691.00
Creditors/Payables	**Joint Venture Investors**	3.97	15.03	16.77	9.94	13.41
	Firm / Proprietor concern in which Directors & their relatives are interested	50.04	4.13	-	0.25	1.23
	Holding Company	-	-	0.38	35.52	-
	Key Management Personnel	50.55	-	-	-	-
	Subsidiary Company	-	-	-	-	3.89
Debtors / Receivables	**Joint Venture Investors**	4.68	21.57	6.11	2.97	1.57
	Firm / Proprietor concern in which Directors & their relatives are interested	12.46	62.46	-	-	-
	Subsidiary Company	-	-	3.26	1.91	15.69
	Joint Venture	-	-	-	30.96	30.00
	Enterprise over which operating control is exercised by reporting enterprise				0.45	0.69
	Companies in which Directors & their relatives are interested	-	-	-	-	5.00
Provision for Doubtful Debts	**Joint Venture**	-	-	-	-	7.72
Investment in Equity Shares - During the year	**Subsidiary Company**	-	-	0.50	0.0001	2,061.89
	Joint Venture	-	-	-	0.50	-

Investment in Equity Shares - Closing Balance	**Subsidiary Company**	-	-	0.50	0.5001	2,062.39
	Joint Venture	-	-	-	0.50	0.50
Investment in Debentures - During the year	**Enterprise over which operating control is exercised by reporting enterprise**	-	-	-	150.00	-
Investment in Debentures - Closing Balance	**Enterprise over which operating control is exercised by reporting enterprise**	-	-	-	150.00	150.00
Interest received on Debentures	**Enterprise over which operating control is exercised by reporting enterprise**	-	-	-	10.82	27.07
Issue of Equity Shares	**Key Management Personnel**	0.20	-	-	-	-
	Holding Company	-	27.80	72.00	-	-
	Firm / Proprietor concern in which Directors & their relatives are interested	-	-	-	-	566.26
Issue of Preference Shares	**Holding Company**	-	-	-	-	0.10
Share Application Money Paid	**Companies in which Directors & their relatives are interested**	70.40	-	108.50	-	-
	Subsidiary Company	-	-	120.00	35.00	-
Share Application Money Received back	**Subsidiary Company**	-	-	-	-	0.96

	Companies in which Directors & their relatives are interested	-	-	-	-	108.50
Share Application Money Received	**Holding Company**	-	72.20	-	145.00	-
Share Application Money Refunded	**Holding Company**	-	-	0.20	-	145.00
Director's sitting fees	**Directors :**	0.04	-	-	-	-

For Related Party Transactions for the six month ended September 30, 2004 please refer to the Auditor's report given by M/s BSR & Co. dated December 24, 2004 appearing on page 121 of this Draft Red Herring prospectus.

SECTION IV
MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (AS PER UNCONSOLIDATED INDIAN GAAP)

You should read the following discussion of our financial condition and results of operations together with our audited unconsolidated and consolidated financial statements for the period ended March 31, 2000, 2001, 2002, 2003, 2004 and the six months ended September 30, 2004 under Indian GAAP including the schedules, annexure and notes thereto and the reports thereon, which appear elsewhere in this Draft Red Herring Prospectus beginning on page 121. These financial statements are prepared in accordance with Indian GAAP, the Companies Act, 1956 and the SEBI Guidelines and restated as described in the Auditor's Report of BSR & Co. dated December 24, 2004 in the section with the title "Financial Statements" at page no. 121 of this Draft Red Herring Prospectus. Unless otherwise stated, the financial information used in this section is derived from our audited unconsolidated financial statements under Indian GAAP, as restated.

Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the 12-month period ended March 31 of that year. In this section, references to the Shringar Group, we, us or our refer to Shringar Cinemas Limited, Shringar Film Private Limited and Swanston Multiplex Cinemas Private Limited and references to Shringar or the Company are to Shringar Cinemas Limited on an unconsolidated basis.

OVERVIEW

We are an integrated film exhibition and distribution company operating a chain of multiplexes which offers a world class viewing experience to the customer.

In the late 1990s, we saw an opportunity in providing good quality movie viewing experience to the Indian audience. Combined with the boom in high quality retail space in India, the avid movie going habits of Indians and the paucity of good quality theaters in the country, we felt this was a viable opportunity for a successful business. We, therefore, reoriented our business model to increase our focus on the nascent Film Exhibition business, by leveraging on our strong Film Distribution experience.

Our foray into Film Exhibition was led by Mr. Shravan Shroff. Our Film Distribution business continued to be spearheaded by Mr. Shyam Shroff and Mr. Balkrishna Shroff, who are respected names in the Indian Film Industry.

After studying market dynamics and national movie trends and comparing them with the developed markets, we realized that the exhibition business in India will soon move away from the traditional standalone, poorly maintained theaters to high quality multi-screen set-ups, which are aimed at providing quality viewing experience to movie viewing audience. We realized that good content, high service standards and modern cinema halls will bring in the required competitive edge over other formats and thus increase footfalls in theaters. We therefore decided to expand our operations into the film exhibition business, by capitalizing on the vast untapped potential of the Indian multiplex business.

The film exhibition industry has traditionally been a very capital intensive business. We wanted to make a capital efficient, main-stream exhibition business model. We leveraged our relationships as Distributors with various Exhibitors to initiate our foray into Film Exhibition using the Theater Management / Programming Model.

In the Theater Management / Programming model we offered our content selection and programming skills to the theater owner for a fee and/or a share of profits. We were able to work with a wide range of Exhibitors including existing single screen theaters like Maratha Mandir (Matinee), Gemini as well as new multiplexes like Imax Adlabs.

Apart from the above, we also leased existing theaters and operated them with our own processes and employees. We managed theaters like Cinestar and Cinemax in the western suburbs of Mumbai. As a result, over the last 9-10 years we have built up a good experience in programming and managing a wide variety of single screen and multiplexes at multiple locations.

In 2001 in order to encourage investment in the sector, the Maharashtra government announced significant tax benefits for multiplex operators, which made investment in this sector more attractive. Sensing this opportunity, we decided to invest further capital into the Multiplex business. We raised fresh equity capital from GW Capital (one of the leading venture capital funds) and commenced investments in a capital-efficient manner.

Our first investment was made as a joint venture investment in Swanston Multiplex Cinemas Private Limited ("Swanston") along with the VM Group. Swanston operates Fame Adlabs, a 5-screen multiplex located at Citi Mall in Versova, Mumbai. Thereafter, we have set up a 6-screen multiplex at InOrbit Mall in Malad, Mumbai, a 3-screen retrofit at Nasik and a 4-screen multiplex at Raghuleela Mall in Kandivali, Mumbai. The Versova multiplex commenced operations in April 2002, the Malad multiplex commence operations in September 2004 and the Nasik multiplex commenced operations in November 2004. We are awaiting final approvals for commencing operations of the Kandivali multiplex.

We benchmark ourselves with global retail multiplexes, and strive to enhance our service offering in line with the emerging trends globally. To give the customer a "movies plus" experience we have let out retail space to various entities. These partners provide value services to the patrons in the form of movie based merchandise, eating options, deserts etc. They pay us a fixed sum every month and/or a certain percent of their sales e.g. BIBA, Café Coffee Day, Candy Treat, Donut co. A multiplex offers the brand owner an opportunity to interact with the patron. Various advertising opportunities available are on screen ad shots, posters, stalls etc. LG, Hyundai, Citibank are some of the advertisers.

Our total income has grown from Rs.19.63 Lacs reported in FY 2000 to Rs 510.62 Lacs in FY 2004 and to Rs.224.37 Lacs for the six months period ended September 30, 2004. For the FY 2004 we reported a profit of Rs.115.30 Lacs over a loss of Rs. 34.70 Lacs in the previous year and reported a loss of Rs.104.55 Lacs for the six months ended September 30, 2004.

Several factors have affected our results of operations, financial condition and cash flow significantly over the past five years. These factors include:

- Retail Boom: In the last 5-7 years we have witnessed a significant growth in organized retail in India. Favorable demographics, rising consumer incomes, real estate developments especially with emergence of new shopping malls, availability of better sourcing options both from within India and overseas, and changing lifestyles that bring the Indian consumer closer to the consumers in more developed markets are driving the growth of organized retailing.

- Growing corporatization in film industry. Corporatization of film production entities is resulting in more timely and better quality film productions.

- New films are being released across a larger number of theaters with a larger number of prints in order to maximize theatrical revenues in the shortest time period.

- Overseas market (theatrical, video and television) is becoming increasingly lucrative for Indian film productions because of a large and fast growing Indian Diaspora which is estimated at 20 million.

- Entertainment tax sops for developing and operating multiplexes are being offered by certain states. This has encouraged the growth of multiplexes and also encouraged single screen theaters to convert into multiplexes.

- Growth in multiplexing – catching the retail boom.

These factors and a number of future developments may affect our results of operations, financial condition and cash flow in future periods. We believe that the following future developments may affect our future results of operations, financial condition and cash flow:

- Multiplexes are fast emerging as the one of the key anchor tenants for most organized retail outlets in India.
- Improving regulatory environment.
- Multiplexing – highly fragmented industry with scattered ownership – opportunities exists for nationwide film exhibition chain through chain of multiplexes.
- Easier access to capital due to corporatization of the industry.
- Additional capital expenditures and related financings, if any, including for capacity expansion;
- New strategic partnerships or mergers/acquisitions;

For more information on these and other factors/developments which have or may affect us financially, please refer to the other parts of this "Management's Discussion and Analysis of Financial Condition and Results of Operations" section, as well as the section titled "Risk Factors" on page VIII and the section titled "Business" on page 44 of this Draft Red Herring Prospectus.

OUR SIGNIFICANT ACCOUNTING POLICIES

Preparation of financial statements in accordance with Indian generally accepted accounting principles, the applicable accounting standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956, require our management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of our assets and liabilities, disclosures of contingent liabilities and the reported amounts of revenues and expenses. These judgments, assumptions and estimates are reflected in our accounting policies, which are more fully described in "Financial Statements – Significant Accounting Policies" Section of the auditor's report appearing elsewhere in this prospectus.

Certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations and require the application of significant assumptions and estimates of our management. While we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results, we believe that the following significant accounting policies warrant additional attention:

1. Basis of preparation of financial statements

These financial statements are prepared and presented under the historical cost convention, on the accrual basis of accounting, and in accordance with the provisions of the Companies Act, 1956 and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable. For the six months period ended 30 September 2004 the Company has adopted AS 25 – ' Interim Financial Reporting' ('AS 25') and has presented a complete set of financial statements as stipulated in paragraphs 10, 18 and 44 of the Standard.

The preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) requires that management make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as of the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

2. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the fixed assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

Depreciation on fixed assets relating to the multiplex is provided pro-rata to the period of use, under the straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956, except for those listed below, which, in management's opinion, reflects the estimated useful economic lives of fixed assets.

Useful lives being followed by the Company that is shorter than that prescribed under Schedule XIV to the Companies Act, 1956 are as summarized as below:

Particulars	**Useful life in years**
Leasehold improvements	10 years
Computer software	1 year
Furniture and fixtures	10 years
Plant and machinery and equipment	10 years

Depreciation on other fixed assets is provided pro-rata to the period of use, under the written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956, which in management's opinion reflects the estimated useful economic lives of fixed assets.

Individual assets costing upto Rs 5,000 are depreciated fully in the year of acquisition.

Capital work-progress represents estimates of work certified by management. Assets are capitalised in the books once they are 'ready to be used'. Specific interest and other related costs incurred in relation to the borrowings made by the Company for the multiplex projects have been added to the costs of those assets.

3. Revenue recognition

Multiplex

The Company enters into weekly arrangements with the distributors for exhibition of films at the Multiplex.

Revenue from theatrical exhibition is recognised on the date of exhibition of the films and comprise proceeds from sales of tickets, net of taxes. As the Company is the primary obligor with respect to exhibition activities, the share of distributors in these proceeds is disclosed as programming costs.

Revenues from food and beverage sales are recognised at the point of sale at the counter.

Revenue from advertisements is recognized on the date of the exhibition of the advertisement or over the period of the contract, as applicable.

Programming

The Company enters into contracts with theatre owners for programming the theatres for a contracted period. The Company also enters into weekly arrangements with the distributors for exhibition of films in the theatres contracted.

Revenue from theatrical exhibition is recognised on the date of exhibition of the films and comprise proceeds from sales of tickets, net of taxes and theatre-owners' share. As the Company is the primary obligor with respect to exhibition activities, the share of distributors and joint venture partners (joint control does not exist in any of the joint ventures) in these proceeds is disclosed as programming costs.

Other

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on time proportion basis.

4. Leases

Assets taken on operating lease

Lease rentals in respect of assets acquired on operating lease are charged off to the profit and loss account as incurred.

Assets taken on finance lease

Assets taken on finance lease are recognized as assets in the books and correspondingly liability is created. Such assets are being written off over the period of the lease.

5. Earnings per share

In determining earnings per share, the Company considers the net profit after tax and includes the post tax effect of any extraordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of Equity Shares which have been subsequently allotted against share application money.

6. Contingencies

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

BUSINESS PERFORMANCE

Income:

Our income has three components: Programming Income, Theatrical revenues and other income. Our Theatrical revenue primarily comprises ticket sales, Food & beverage income, Advertisement income and income from pouring rights. The following table sets forth the contribution of the different components of our revenue and of other income towards total income during each of financial years 2002, 2003, 2004 and the six months ended September 30, 2004:

(Rs. Lacs)

Particulars	Financial Year ended			Period ended September 30, 2004
	2002	**2003**	**2004**	
Income				
Programming	**290.23**	**440.36**	**290.49**	**55.42**
Theatrical revenues - Ticket Sales - Food & beverage - Advertisement - Income from pouring rights **Total Theatrical revenue**	-	-	-	32.08 14.61 6.72 0.14 **53.55**
Other income	**13.03**	**13.74**	**220.13**	**115.40**
Total	**303.26**	**454.10**	**510.62**	**224.37**

Our Company's principal activity is exhibition of films in India which includes operating/ managing multiplexes and programming of theaters. The Company has various multiplex projects in pipeline. The Company has programmed 7 theaters in FY 04 in the Bombay territory and 4 theaters for the six month ended September 30, 2004 in Bombay territory. Programming revenues, theatrical revenues and other income contributes to 24.71%, 23.87% and 51.42% of the total income respectively.

Programming revenues: Programming primarily entails into contracts with theater owners for a specified period, sourcing of films to be exhibited at the theaters and remitting the distributors' share of net collections.

Theatrical revenues: The first multiplex in SCL started on September 10, 2004 at the InOrbit Mall, Malad, Mumbai & is called by the name of Fame Malad. Hence theatrical revenues have been recorded in SCL for the first time.

The current theatrical revenues are from our multiplex located at Malad, Mumbai. Our multiplex at Malad opened on September 10, 2004. Theatrical revenues mainly comprise revenues from ticket sales, food & beverage, advertisement and income from pouring rights. Revenue from theatrical exhibition comprises proceeds from sales of tickets, net of taxes. Income from pouring rights relates to the revenues that we derive from giving up our right to sell beverages of other companies.

The theatrical revenue mix for the period ended September 30, 2004 is as follows:

Theatrical exhibition	59.91%
Food & beverage	27.28%
Advertisement	12.55%
Income from pouring rights	0.26%
Total Theatrical revenue	**100.00%**

Other Income: Other income primarily relates to interest on debentures, interest on National Saving Schemes, interest on fixed deposits, interest from facilities within multiplexes and dividend income from non trade investments in Swanston Multiplex Cinemas Pvt. Ltd. (SMCPL). Other income comprised 4.30%, 3.03%, 43.11% and 51.43% of total income for financial years 2002, 2003 and 2004 and the six months ended September 30, 2004, respectively.

Expenditure

The following table sets out SCL's expenses as a percentage of its total income for the fiscal years ended March 31, 2000, 2001, 2002 and 2003 and the six months ended September 30, 2004:

Particulars	Financial Year ended			Period ended September30, 2004
	2002	2003	2004	
Expenditure				
Direct cost	85.97%	88.71%	50.42%	28.57%
Personnel cost	3.31%	4.30%	6.71%	25.01%
Operating cost	8.56%	13.74%	18.86%	59.52%
Depreciation	0.62%	0.86%	1.70%	7.76%
Interest	-	-	0.45%	11.15%
Total Expenditure	**98.46%**	**107.61%**	**78.15%**	**132.01%**

Direct cost: It includes distributors' share, discount allowed, Indian news reel charges, Food and beverages cost, share of joint venture partner, supervision, print and publicity charges and misc. consumables. With our focus on theatre management model, the direct costs are substantially reduced to the percentage of total income.

Personnel cost: It includes salary, wages and bonus, outsourced personnel cost, contribution to welfare and provident fund, gratuity and staff welfare. Being in the service industry, we substantially depend upon our employees to maintain our quality of services offered.

Operating cost: Our operating cost consist primarily rent and charges, professional and consultancy fees, advertisement and marketing, travelling and conveyance, communication expenses, bad debt provision, utilities, administrative expenses, repairs and maintenance, bad debt provision, provision for doubtful advances, property tax and other miscellaneous expenses.

Adjusted Profit/ (Loss) after Tax

The adjusted profit/(loss) after tax consists of the net profit/(loss) after tax as per the audited statement of accounts, adjusted on account of (1) changes in accounting policies and (2) the impact of material adjustments and prior period items.

OUR RESULTS OF OPERATIONS

The table below sets forth various line items from our restated financial statements for FY 2002, FY 2003, FY 2004 and for the period ended September 30, 2004, as a percentage of Total Income.

(Rs. Lacs)

Particulars	Financial Year ended			Period ended September 30, 2004
	2002	2003	2004	
Operating Revenues	290.23	440.36	290.49	108.97
Other Income	13.03	13.74	220.13	115.40
Total Revenue	**303.26**	**454.10**	**510.62**	**224.37**
Direct Cost to Total Revenue	**85.97%**	**88.71%**	**50.42%**	**28.57%**
Direct Cost	260.71	402.81	257.47	64.11
Personnel Cost to Total Revenue	**3.31%**	**4.30%**	**6.71%**	**25.01%**
Personnel Cost	10.03	19.52	34.28	56.12
Operating cost to Total Revenue	**8.56%**	**13.74%**	**18.86%**	**59.52%**
Operating Cost	25.97	62.41	96.30	133.54
Depreciation to Total Revenue	**0.62%**	**0.86%**	**1.70%**	**7.76%**
Depreciation	1.87	3.92	8.69	17.41
Finance charges to Total Revenue	**-**	**-**	**0.45%**	**11.15%**
Finance Charges	-	-	2.31	25.01
Net Profit/(Loss) before Tax to Total Revenue	**1.54%**	**(7.61%)**	**21.85%**	**(32.01%)**
Net Profit/(Loss) before Tax	4.68	(34.56)	111.57	(71.82)
Current Tax	0.32	-	-	-
Deferred Tax Charge/ (Release)	0.11	0.14	(3.73)	32.73
Net Profit/(Loss) after Tax to Total Revenue	**1.40%**	**(7.64%)**	**22.58%**	**(46.60%)**
Net Profit/(Loss) after Tax	4.25	(34.70)	115.30	(104.55)

The six months ended September 30, 2004

The first multiplex in SCL started on September 10, 2004 at the InOrbit Mall, Malad, Mumbai & is called by the name of Fame Malad. Hence theatrical revenues have been recorded in SCL for the first time, Hence, the revenues and expenditure for the six months period ended September 30, 2004 may not be considered representative of the entire year.

Revenue

Programming Revenue
Our Programming revenue in the six months ended September 30, 2004 was Rs.55.42 Lacs.

Theatrical Revenue
Theatrical revenue in the six months ended September 30, 2004 was Rs.32.08 Lacs.

Food and Beverage Revenue
Food and beverage revenue in the six months ended September 30, 2004 was Rs.14.61 Lacs.

Advertisement Revenue
Advertisement revenue in the six months ended September 30, 2004 was Rs.6.72 Lacs.

Income from pouring rights
Income from pouring rights in the six months ended September 30, 2004 was Rs.0.14 Lacs.

Other Income
Other Income in the six months ended September 30, 2004 was Rs.115.40 Lacs.

Total Revenue
Our total revenue in the six months ended September 30, 2004 was Rs.224.37 Lacs.

Direct Cost
Direct Cost in the six months ended September 30, 2004 was Rs.64.11 Lacs. Direct Cost as a percentage of total revenue decreased to 28.57% in the six months ended September 30, 2004 from 50.42% in fiscal 2004 primarily due to discontinuation of programming agreement with Velocity theater Indore and Prabhat - Sholapur and revenues from dividend income from our subsidiary, SMCPL contributing more than 50% of our total revenues. Even when we compare it to the operating revenues, the percentage of cost to revenues has dropped because there is a 50% income coming from theatrical revenues of Malad.

Personnel Cost
Personnel Cost in the six months ended September 30, 2004 was Rs.56.12 Lacs. Personnel Cost as a percentage of total revenue increased to 25.01% in the six months ended September 30, 2004 from 6.71% in fiscal 2004 primarily due to the Malad property commencing operations on September 10, 2004 and remuneration to Directors. The staff of around 70 people including employees on contractual basis got recruited at least 2 months in advance before the scheduled commencement of the property.

Operating Cost
Operating Cost in the six months ended September 30, 2004 was Rs.133.54 Lacs. Operating Cost as a percentage of total revenue increased to 59.52% in the six months ended September 30, 2004 from 18.86% in fiscal 2004. This was primarily due to increase in advertisement, marketing, professional and consultancy charges, rentals and utility expenses. The launch of our Malad property & its related expenses has contributed to the increase in operating expenses.

Financial Expenses
Financial Expenses in the six months ended September 30, 2004 was Rs.25.01 Lacs. Financial Expenses related to higher average indebtedness during the six months ended September 30, 2004 against fiscal 2004. The indebtedness has increased on account of the Malad property commencing operations.

Depreciation and Amortization
Depreciation and amortization in the six months ended September 30, 2004 was Rs.17.41 Lacs. Depreciation and amortization as a percentage of total revenue was 7.76% in the six months ended September 30, 2004.

Profit/ (Loss) Before Tax
Adjusted Loss in the six months ended September 30, 2004 was Rs.71.82 Lacs as against Adjusted Profit before Tax of Rs.111.57 Lacs for the fiscal year ended 2004. This decrease was primarily due to the following factors:

1) The programming stream of revenues has reduced as we chose to focus on setting up of new properties in SCL.
2) The Malad property opened on September 10, 2004. However, expenses relating to the launch & the initial pre-operative expenses have been debited to the profit & loss account.
3) The personnel cost has gone up due to increase in head count.

Deferred tax
There was a deferred tax charge of Rs.32.73 Lacs for the six month ended September 30, 2004 as against the release of Rs. 3.73 Lacs in fiscal 2004 primarily on account of timing differences.

Adjusted Profit/ (Loss) after tax
Adjusted Loss in the six months ended September 30, 2004 was Rs.104.55 Lacs as against the adjusted profit after tax of Rs.115.30 Lacs in fiscal 2004. The loss was mainly on account of the deferred tax charge on account of timing difference on depreciation (Fame Malad capitalization).

Comparison of FY 2004 with FY 2003

Some of the key developments that occurred during 2004 include the following:

- Up to March 25, 2004, Shringar Films Private Limited (SFPL) holds 51% of Shringar Cinema Private Limited. (SCPL) On that date SFPL sold all its investment in SCPL to South Yarra Holdings (SYH, a partnership firm in which majority of directors are partners). Accordingly, SFPL ceased to be the holding company of SCPL. On March 27, 2004, SCPL purchased entire shares in SFPL from its then shareholders i.e. SYH and India Value Trustee Company Private Limited 'IVFT'. Accordingly, as at March 31, 2004, SFPL became a 100% subsidiary of SCPL.

- Decline in the numbers of theaters programmed in the year under review.

Revenue
The revenue was entirely on account of Programming activity and decreased by 34.03% in FY 2004 to Rs. 290.49 Lacs as compared to Rs. 440.36 Lacs in FY 2003.

Other Income
Other income increased by 1502.11% from Rs. 13.74 Lacs in FY 2003 to Rs.220.13 Lacs in FY 2004. The increase was primarily due to increase in dividend income from non trade investments mainly in SMCPL.

Expenditure

Direct Cost
Direct Cost reduced by 36.08% from Rs.402.81 Lacs in fiscal 2003 to Rs.257.47 Lacs in fiscal 2004. This was mainly on account of discontinuation of programming agreement with I-Max, Mumbai. The number of theaters for which programming was being done has come down.

Personnel Cost
Personnel Cost increased by 75.61% from Rs.19.52 Lacs in fiscal 2003 to Rs.34.28 Lacs in fiscal 2004. This was primarily due to heads of departments being appointed for the new projects which were being set up in SCL.

Operating Cost
Operating Cost increased by 54.30% from Rs.62.41 Lacs in fiscal 2003 to Rs.96.30 Lacs in fiscal 2004. This was primarily due to increase in advertisement and marketing, professional and consultancy charges, rentals and utility expenses. The Company had made a provision of Rs.11.94 Lacs for doubtful advances, which the Company had advanced to Odeon Shringar Multiplex Cinemas Pvt. Ltd.

Financial Expenses
Financial Expenses for fiscal 2004 stood at Rs.2.31 Lacs primarily on account of interest paid on un-secured loan from Shringar Films and new term loans taken from UTI Bank. The loan was taken mainly for financing the Malad project

Depreciation and Amortization
Depreciation and amortization increased by 121.68% from Rs.3.92 Lacs in fiscal 2003 to Rs.8.69 Lacs in fiscal 2004.

Profit/ (Loss) Before Tax
Adjusted Profit before tax for fiscal 2004 was Rs.111.57 Lacs as against Adjusted Loss of Rs.34.56 Lacs for the fiscal year ended 2003. This increase was primarily due to dividend income received from SMCPL in FY 2004.

Deferred tax
There was a deferred tax release of Rs. 3.73 Lacs in fiscal 2004 as against the charge of Rs. 0.14 Lacs in fiscal 2003.

Adjusted Profit/ (Loss) after tax
Adjusted Profit after tax for fiscal 2004 was Rs.115.30 Lacs as against Adjusted Loss of Rs.34.70 Lacs for the fiscal year ended 2003.

Comparison of FY 2003 with FY 2002

Some of the key developments that occurred during 2003 include the following:

- The no. of theaters programmed increased in the year under review.

Revenue
The revenue was entirely on account of Programming activity and increased by 51.73% in FY 2003 to Rs. 440.36 Lacs as compared to Rs. 290.23 Lacs in FY 2002. This was mainly on account of addition of Prabhat Theater at Sholapur in programming business and full year operations of Mehul Theater at Mulund and Globus Theater at Bandra.

Other Income
Other income increased marginally from Rs. 13.03 Lacs in FY 2002 to Rs.13.74 Lacs in FY 2003.

Expenditure
Direct Cost
Direct Cost increased by 54.50% from Rs.260.71 Lacs in fiscal 2002 to Rs.402.81 Lacs in fiscal 2003. This was mainly on account of increase in number of theaters in programming business.

Personnel Cost
Personnel Cost increased by 94.61% from Rs.10.03 Lacs in fiscal 2002 to Rs. 19.52 Lacs in fiscal 2003.

Operating Cost
Operating Cost increased by 140.32% from Rs.25.97 Lacs in fiscal 2002 to Rs. 62.41 Lacs in fiscal 2003. This was primarily due to increase in service charges, professional and consultancy charges, conveyance and traveling and bad debts written off.

Depreciation and Amortization
Depreciation and amortization increased by 109.63% from Rs. 1.87 Lacs in fiscal 2002 to Rs. 3.92 Lacs in fiscal 2003.

Profit/ (Loss) Before Tax
Net Profit before tax for fiscal 2002 was Rs.4.68 Lacs as against Net Loss before Tax of Rs.34.56 Lacs for the fiscal year ended 2003. This decrease was primarily due to increase in operational expenses mainly service charges, professional consultancy, traveling and bad debts written off.

Deferred tax
There was a deferred tax charge of Rs. 0.11 Lacs in fiscal 2002 as against the charge of Rs. 0.14 Lacs in fiscal 2003.

Adjusted Profit/ (Loss) after tax
Adjusted Profit after tax for fiscal 2002 was Rs.4.25 Lacs as against Adjusted Loss of Rs.34.70 Lacs for the fiscal year ended 2003.

Liquidity and Capital Resources

Liquidity

Our primary liquidity needs have historically been to finance our capital expenditure and to some extent our working capital needs. To fund these costs, we have relied on cash flows from operations.

Cash Flows

The table below summarizes our cash flows for six month ending September 30, 2004:

(Rs. Lacs)

Particulars	FY 2002	FY 2003	FY 2004	Period ended September 30, 2004
Net Cash Flow from Operations	34.73	48.55	(795.30)	(214.06)
Net Cash Flow from Investing	(377.24)	(203.83)	(1927.33)	(972.47)
Net Cash Flow from Financing	348.75	152.39	2903.79	1131.11
Cash and Cash Equivalents at the end of the period	6.55	3.66	184.81	129.40

Figures in brackets represent cash outflow

Indebtedness

Key terms of our outstanding indebtedness as on September 30, 2004 were as follows:

(Rs. Lacs)

Unsecured loans

Source	Amount	Interest rate	Repayment terms
Inter-corporate deposit from:			
a) Shringar Films Private Limited, a subsidiary	671.00	4%	Repayable on demand
b) Shringar Films, a partnership firm in which majority of directors of the Company are partners	613.00	12.50%	Repayable on demand
c) From Others (includes loan from a shareholder Rs 10,000,000)	270.00	12%-12.50%	Repayment terms of loans varies between 90 to 182 days of the date of drawl
	1554.00		

Secured loans

	Source	Amount	Interest rate (%)	Repayment terms
1	Term loans from bank	617.44	11.50	18 quarterly installments of Rs. 5,606,000 commencing from the quarter ended 30 September 2004
		150.21	10.50	20 quarterly installments of Rs 3,888,900 commencing from the quarter ended 30 September 2004
	Secured against : a) movable fixed and current assets of the Company related to the respective projects b) Escrow of entire cash flows related to the respective projects c) Two of the directors of the Company have given a personal guarantee for the above facilities			
2	Vehicle finance loans from banks	19.71	8.99-12.5	Amount due within one year from the balance sheet date Rs 653,735 Amount due in the period between one year and five years Rs 1,317,966
	Secured against the vehicles purchased from the proceeds of such loans.			
		787.37		

Historical and Planned Capital Expenditures

We made additions to Fixed Assets, including capital work in process amounting to Rs. 8.30 Lacs, Rs.101.93 Lacs, Rs.347.29 Lacs and Rs.1986.91 Lacs for FY 2002, 2003, 2004 and six months ended September 30, 2004.

Our capital expenditure plan as per our objects for the current Issue is as below:

The total fund requirement plan for these multiplexes is as given:

Number of screens	**15**
Capex Requirement	*(Rs. Lacs)*
Interior Furnishings & Fixtures	**2,019.2**
Deposit and Consultancy Charges	**512.4**
Projection & Sound Equipments	**520.0**
Others (including IT Hardware & Software, Pre-Operative exp. And Contingencies	**570.0**
Total	**3,621.6**

We intend financing the above fund requirements through the proceeds of this issue. The additional funds raised through the issue shall be utilized towards general corporate purposes, including repayment of loans. However in case of any deficit, we shall reduce the investment in SFPL we have provided for distribution business to that extent. Our repayment of ICD to SFPL shall also reduce in the event of any further deficit.

In the line with the overall strategy of going Pan-India, we have signed up at various locations in the development stage.

Our Existing and Future Properties

Property name	Location	Nature of contract	Year of launch	Tenure of contract	No. of seats	No. of screens
Existing						
Fame Adlabs	Versova, Mumbai	Business conducting agreement	Apr 2002	10 years	1607	5
Fame Malad	InOrbit Mall Pvt. Ltd, Mumbai	Leave & license	Sept 2004	10 years	1580	6
Fame Nasik	Nasik	Lease deed + theater management agreement	Nov 2004	10 years	1400	3
Under Implementation						
Fame Kandivali	Kandivali, Mumbai	LOI	-	10 years	-	4
Fame Pimpri, Pune	Pimpri, Pune	MOU		10 years	-	3
Fame Surat	Raj Theaters, Surat	Conducting agreement	-	10 years	-	6
Fame Thane	Thane	MOU	-	10 years	-	5
Fame Hyderabad	Himayatnagar	MOU	-	27 years	-	3
Fame Aurangabad	CIDCO, Aurangabad	MOU	-	10 years	-	3
Fame Kolkata	Kolkata	LOI	-	8 years	-	4

Other than the above mentioned Capital Expenditure, we intend to pursue our growth strategy of expanding our national film exhibition chain with a mix of multiplexes, retrofits and some standalone properties. We have emerged as a significant multiplex chain in the city of Mumbai. We are currently operating multiplex in Versova (Mumbai), Malad (Mumbai), and Vijay (Nasik). Our multiplex at Kandivali (Mumbai) will start operations in Jan-05 while multiplexes at Surat and Pimpri (Pune) will become operational by April-05. Our long term objective is to operate 150 screens across the country by FY2010.

Related Party Transactions

For details of related party transactions, please refer to the section entitled “Related Party Transactions” on page no 85 of this Draft Red Herring Prospectus.

Financial Market Risks

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial market risks from changes in interest rates and inflation

Interest rate risk

Our interest rate risk results from changes in interest rates, which may affect our financial expenses. We bear interest rate risk with respect to indebtedness as on March 31, 2004 and for the period ended September 30, 2004 as the interest rate could vary in the near future. Though all our loans are currently linked to respective bank's PLR any rise in interest rates could have our lenders push higher rates of interest on the loans.

Effect of Inflation

In line with changing inflation rates, we alter our margins to absorb the inflationary impact.

Information required as per Clause 6.8 of SEBI Guidelines

1. Unusual or infrequent events or transactions

Except as stated elsewhere or in the Auditor's report in this Draft Red Herring Prospectus, we are not aware of any unusual or infrequent events or transactions.

2. Known trends or Uncertainties

Other than as described elsewhere in this Draft Red Herring Prospectus, to the best of our knowledge, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenue or income of the Company from continuing operations.

3. Future relationship between costs and income

We are continuously working to create efficient processes resulting in cost reduction and have a better control over our supply chain. We expect to continue this effort of improving our technology initiatives and try and realize better margins in the future.

Other than as described elsewhere in this Draft Red Herring Prospectus, to the best of 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 the Company.

4. Total turnover for the industry

Please refer to the discussions in the section titled "Industry" on page 31 of this Draft Red Herring Prospectus.

5. New Products or business segments

The film exhibition industry has traditionally been a very capital intensive business. We wanted to make a capital efficient, main-stream exhibition business model. We leveraged our relationships as Distributors with various Exhibitors to initiate our foray into Film Exhibition using the Theater Management / Programming Model.

In the Theater Management / Programming model we offered our content selection and programming skills to the theater owner for a fee and/or a share of profits. We were able to work with a wide range of Exhibitors including existing single screen theaters like Maratha Mandir (Matinee), Gemini as well as new multiplexes like Imax Adlabs.

Apart from the above, we also leased existing theaters and operated them with our own processes and employees. We managed theaters like Cinestar and Cinemax in the western suburbs of Mumbai.

As a result, over the last 9-10 years we have built up a good experience in programming and managing a wide variety of single screen and multiplexes at multiple locations.

OUR STRATEGY

a. Build a strong customer preference for the 'Fame' brand:
We want the brand 'Fame' to be associated with a world class movie viewing experience. We intend to do this through a three step approach.

In step 1, we intend to attract customers to sample the Fame experience. This is being done by endeavoring to be a first-mover in a lot of locations, localized high-decibel advertising and an attractive entry-pricing strategy.

In step 2, we intend to lock in the customer by providing a host of value added services and a good customer loyalty programme.

In step 3, over a period of time, we intend to build the 'Fame Experience' to signify a world-class movie viewing experience and guaranteed quality of service across all locations.

b. To build a pan India presence is a cost effective manner:
We aim to be a national film exhibition chain with a mix of multiplexes, retrofits and some standalone properties. We also intend to program and manage on contract properties owned by others. In line with our capital efficient model we prefer to take properties on a long term lease, instead of owning the property. We source world wide to get the cost effective fit-outs (seats, projectors, acoustics etc) without compromising on quality. We expect this strategy to result in our having an all India presence in a very cost effective and capital efficient manner.

c. Stand-alone profitability
Our objective is to focus on a profitable growth by ensuring that our projects are planned and conceived in a manner that each property is profitable on a stand alone basis. We use our internal skills to assess the location and demographics and decide on capital expenditure accordingly.

d. Focus on a profitable growth
We have always laid a thrust on increasing number of patrons along with an increase in spend per head and average ticket price.

<u>Increasing number of patrons</u>:
The thrust on the increasing number of patrons is through a 'pull' – innovative programming and 'push' – block booking.

<u>Innovative Programming</u>:
In addition to the traditional 12-3-6-9 format we have introduced various innovative programming slots.

- Good Morning Show –.
- Late night shows – We have shows starting as late as 11.55 PM in the night.
- Children Films on Sunday Mornings
- Multiple Shows – e.g. for big movies like Spiderman 2, we had a movie show every 75 minutes

<u>Block Bookings</u>
We do block bookings (at least 50 tickets) at all Fame properties. There is no ticket discounting for Block Bookings at any of the Fame Properties. Instead the discount is passed on F&B packages that are customized for the patron. These packages help is two ways, projecting to the bulk booker a discount, plus it gives us assured F&B revenues for the entire capacity.

<u>Increasing SPH</u>
To increase our spend per head, some of the strategies we have adopted are:

- Product development – e.g. Sugar cane juice, Chaat, Gola, Pasta, etc.
- Combos – Discounts on combinations of items purchased
- Order Taking
- Cross Selling

<u>Advertising</u>
In order to increase our Advertising sales we have undertaken the following measures:

- Floor graphics – We advertise through stickers placed on the floor. This increases the visibility of the product being advertised.
- Ticket jackets – These are pouches in which we give tickets to our patrons.

<u>Controlling Cost</u>
We control our cost by doing Monthly Review of all Major Cost and optimization is done through Economies of Scale. Periodic reviews of cost help in understanding any variations. As we expand and become a pan-India company, we will be able to increase our ability to negotiate better rates with all our vendors.

e. Set new standards in customer service:

- High focus on basic hygiene
- Quality of food & beverage and packaging.
- Service focus on trained staff

f. Increasing Stickiness of the Customer:

Fame is in the business of retail, and stickiness of the customer is a very important factor. Stickiness brings in repeat consumption of the patron. At Fame we follow 'push' through Value Added Service and 'pull' through our Purple Privilege Club.

- Value Added Services
  We provide a host of value added services, which include various modes of ticket bookings, access to movie schedules and a full-fledged call centre to handle enquiries. A Fame Patron can book tickets at the box office, on telephone, through internet, through booking kiosks at petrol pumps, and can avail of free home delivery.

- Purple Privilege Club
  We have a Purple Privilege Club (PPC) which is a loyalty programme for regular patrons visiting Fame group of Multiplexes. PPC members are eligible for several benefits such as free screenings of films, special counters for booking tickets; redeemable reward points against spends in the theater, etc. Apart from this, a PPC member can also look forward to periodic promotional activities aimed at providing customer delight for the valued patrons of Fame. As on November 2004, we had over 6700 PPC members.

We believe that all these measures have increased customer convenience in booking a ticket and have resulted in an increase in our ticket sales through these channels.

6. Seasonality of business

Other than as described elsewhere in this Draft Red Herring Prospectus, to the best of our knowledge, there are no known factors, which are seasonal in nature and which we feel will have a material impact on the operations and finances of the Company.

7. Dependence on single or few suppliers / customers

Other than as described elsewhere in this Draft Red Herring Prospectus, to the best of our knowledge, we are not dependent on any single or few suppliers/customers.

8. Competitive Conditions

We believe that we are well positioned to enhance our position as an integrated film exhibition and distribution company operating a chain of multiplexes which offers world class viewing experience to the consumer. On account of our competitive strengths we feel we are well positioned to serve our customers.

Such strengths include:

- Market Reputation
- Ability to identify locations
- Proven project management skills
- Capital-efficient project design and execution
- Ability for Selection of content
- Marketing strength
- Customer Orientation
- Long-standing experience in Film Distribution
- Integrated Technology Backbone

OUR DISTRIBUTION BUSINESS:

Film Distributors are an important link in the film value chain. Film Distributors buy theatrical distribution rights from Film Producers for exhibiting the films in a defined territory. Film Distributors play various roles including:

- part-financing of films (in case of minimum guarantee / advance based purchase of movie rights)
- localized marketing of the film
- selection of exhibition halls, and
- managing the logistics of physical prints distribution

The key skills of the Film Distributor include

- understanding of audience tastes
- understanding revenue potential for various films
- relationships with producers & exhibitors, and
- extensive knowledge of past performance of theaters for various genres of films
- logistics & supply chain management

The Distributors' business models include two parts viz. the Revenue Model (Exhibitor - Distributor) and the Cost Model (Distributor – Producer). For details, please refer to the section titled "Industry" on page 31 of this Draft Red Herring Prospectus.

In the late 1990s, we saw an opportunity in providing good quality movie viewing experience to the Indian audience. Combined with the boom in high quality retail space in India, the avid movie going habits of Indians and the paucity of good quality theaters in the country, we felt this was a viable opportunity for a successful business. We, therefore, reoriented our business model to increase our focus on the nascent Film Exhibition business, by leveraging on our strong Film Distribution experience.

Our Film Distribution business continued to be spearheaded by Mr. Shyam Shroff and Mr. Balkrishna Shroff, who are amongst the respected names in the Indian Film Industry. Our distribution and exhibition businesses are carried out through two entities namely Shringar Films Private Limited (SFPL) and Shringar Cinemas Limited (SCL) respectively. Prior to March 27, 2004, SFPL was holding 100% in our company SCL. However thereafter SCL is the holding company for SFPL.

BUSINESS PERFORMANCE

Income:

Our income has two components: Theatrical distribution and TV/Satellite rights revenues and other income. The following table sets forth the contribution of the different components of our revenue and of other income towards total income during each of financial years 2000, 2001, 2002, 2003, 2004 and the six months ended September 30, 2004:

(Rs. Lacs)

Particulars	Financial Year ended					Period ended September 30, 2004
	2000*	2001	2002	2003	2004	
Income						
Theatrical distribution and TV/Satellite rights revenues	-	12.81	2067.90	2428.15	2841.49	274.27
Other income	-	1.36	53.50	39.22	36.11	16.64
Total Income	**-**	**14.17**	**2121.40**	**2467.37**	**2877.60**	**290.91**

* For the period from April 19, 1999 to March 31, 2000.

Revenue from theatrical exploitation of film rights, comprising proceeds from sales of tickets, net of taxes and exhibitor's share, is recognized on the date of exhibition of the film. As the Company is the primary obligor in respect of the distribution activity, the share of producers, joint venture partners (other than those in jointly controlled assets) and sub-agents/sub-distributors is included in revenues from theatrical exploitation, and is correspondingly disclosed as direct cost.

Revenue from non-theatrical exploitation of film rights is recognized on the date of availability of these rights to the licensee.

Expenditure

The following table sets out SFPL's expenses for the fiscal years ended March 31, 2000, 2001, 2002 and 2003 and the six months ended September 30, 2004:

Particulars	Financial Year ended					Period ended September30, 2004
	2000	2001	2002	2003	2004	
Expenditure						
Programming cost	-	11.93	1448.16	1758.98	1514.78	248.18
Personnel cost	-	-	44.12	59.14	78.32	45.10
Operating cost	0.06	1.09	129.98	206.37	212.28	93.91
Depreciation	-	-	425.82	473.55	1367.58	12.14
Interest	-	-	-	-	-	11.46
Misc. expenditure written off	0.12	2.36	-	-	-	-
Total Expenditure	**0.18**	**15.38**	**2048.08**	**2525.04**	**3172.96**	**410.79**

Direct cost: It includes producers' share, share of joint venture partner, Agent's commission, print and publicity charges and other direct costs.

Personnel cost: It includes salary, wages and bonus, contribution to provident and other funds, gratuity, and Secondment charges and staff welfare.

Operating cost: Our operating cost primarily consists of rent and charges, advertisement and marketing, travelling and conveyance, communication expenses, bad debt provision, utilities, administrative expenses, repairs and maintenance, bad debt provision, provision for doubtful advances, property tax and other miscellaneous expenses.

Adjusted Profit/ (Loss) after Tax

The adjusted profit/(loss) after tax consists of the net profit/(loss) after tax as per the audited statement of accounts, adjusted on account of (1) changes in accounting policies and (2) the impact of material adjustments and prior period items. The adjusted net loss was Rs.0.18 Lacs in financial year 2000, adjusted net loss of Rs.1.47 Lacs in financial year 2001, adjusted net profit of Rs.55.51 Lacs in financial year 2002, adjusted net loss was Rs.50.25 Lacs in financial year 2003, adjusted loss of Rs.293.89 Lacs in financial year 2004 and adjusted loss of Rs.119.88 Lacs during the six months ended September 30, 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (AS PER CONSOLIDATED INDIAN GAAP)

You should read the following discussion of our financial condition and results of operations together with our restated consolidated financial statements for the period ended March 31, 2003, 2004 and the six months ended September 30, 2004 under Indian GAAP including the schedules, annexure and notes thereto and the reports thereon, which appear elsewhere in this Draft Red Herring Prospectus beginning on page 121. These financial statements are prepared in accordance with Indian GAAP, the Companies Act, 1956 and the SEBI Guidelines and restated as described in the Auditor's Report of BSR & Co. dated December 24, 2004 in the section with the title "Financial Statements" at page no. 121 of this Draft Red Herring Prospectus. Unless otherwise stated, the financial information used in this section is derived from our consolidated financial statements under Indian GAAP, as restated.

Our fiscal year ends on March 31 of each year, so all references to a particular fiscal year are to the 12-month period ended March 31 of that year. In this section, references to the Shringar Group, we, us or our refer to Shringar Cinemas Limited (SCL), Shringar Film Private Limited (SFPL) and Swanston Multiplex Cinemas Private Limited (Swanston).

OVERVIEW

We are an integrated film exhibition and distribution company operating a chain of multiplexes which offers a world class viewing experience to the consumer.

In the late 1990s, we saw an opportunity in providing good quality movie viewing experience to the Indian audience. Combined with the boom in high quality retail space in India, the avid movie going habits of Indians and the paucity of good quality theaters in the country, we felt this was a viable opportunity for a successful business. We, therefore, reoriented our business model to increase our focus on the nascent Film Exhibition business, by leveraging on our strong Film Distribution experience.

Our foray into Film Exhibition was led by Mr. Shravan Shroff. Our Film Distribution business continued to be spearheaded by Mr. Shyam Shroff and Mr. Balkrishna Shroff, who are respected names in the Indian Film Industry.

After studying market dynamics and national movie trends and comparing them with the developed markets, we realized that the exhibition business in India will soon move away from the traditional standalone, poorly maintained theaters to high quality multi-screen set-ups, which are aimed at providing quality viewing experience to movie viewing audience. We realized that good content, high service standards and modern cinema halls will bring in the required competitive edge over other formats and thus increase footfalls in theaters. We therefore decided to expand our operations into the film exhibition business, by capitalizing on the vast untapped potential of the Indian multiplex business.

The film exhibition industry has traditionally been a very capital intensive business. We wanted to make a capital efficient, main-stream exhibition business model. We leveraged our relationships as Distributors with various Exhibitors to initiate our foray into Film Exhibition using the Theater Management / Programming Model.

In the Theater Management / Programming model we offered our content selection and programming skills to the theater owner for a fee and/or a share of profits. We were able to work with a wide range of Exhibitors including existing single screen theaters like Maratha Mandir (Matinee), Gemini, Globus as well as new multiplexes like Imax Adlabs. Till date, we (either directly or through our group companies / firms) have used this model for the following theaters.

Sr. No,	Cinema Name	Location	Start Date	End Date
Theater Management / Programming Model				
1.	Maratha Mandir (Matinee)	Mumbai	Apr 95	Till date
2.	Gossip	Bandra	Oct 99	Till Date
3.	Mehul	Mulund	Dec 01	Till Date
4.	Globus	Bandra	Feb 02	Till date
5.	Prabhat	Sholapur	Oct 99	May 04
6.	Velocity	Indore	Apr 03	Mar 04
7.	Imax Adlabs	Wadala	Oct 01	Oct 03
8.	Diamond	Borivali	Jan 99	May 03
9.	Starcity	Matunga	Nov 99	Nov 01
10.	Gemini	Bandra	Apr 95	Aug 01
11.	Premiere	Parel	Jan 00	Jan 01

Apart from the above, we also leased existing theaters and operated them with our own processes and employees. We managed theaters like Cinestar and Cinemax in the western suburbs of Mumbai.

Sr. No,	Cinema Name	Location	Start Date	End Date
Lease Model				
1	Cinestar	Kandivali	Feb 98	Dec 00
2	Cinemax	Goregaon	Dec 97	Dec 00

Apart from the above, we also leased existing theaters and operated them with our own processes and employees. We managed theaters like Cinestar and Cinemax in the western suburbs of Mumbai. As a result, over the last 9-10 years we have built up a good experience in programming and managing a wide variety of single screen and multiplexes at multiple locations.

In 2001 in order to encourage investment in the sector, the Maharashtra government announced significant tax benefits for multiplex operators, which made investment in this sector more attractive. Sensing this opportunity, we decided to invest further capital into the Multiplex business. We raised fresh equity capital from GW Capital (one of the leading venture capital funds) and commenced investments in a capital-efficient manner.

We benchmark ourselves with global retail multiplexes, and strive to enhance our service offering in line with the emerging trends globally. To give the customer a “movies plus” experience we have let out retail space to various entities. These partners provide value services to the patrons in the form of movie based merchandise, eating options, deserts etc. They pay us a fixed sum every month and/or a certain percent of their sales. E.g. BIBA, Café Coffee Day, Candy Treat, Donut co. A multiplex offers the brand owner an opportunity to interact with the patron. Various advertising opportunities available are on screen ad shots, posters, stalls etc. LG, Hyundai, Citibank are some of the advertisers.

Our first investment was made as a joint venture investment in Swanston along with VM Group (now transferred to Adlabs Films Limited). Swanston operates Fame Adlabs, a 5-screen multiplex located at Citi Mall in Versova, Mumbai. Thereafter, we have set up a 6-screen multiplex at InOrbit Mall in Malad, Mumbai, a 3-screen multiplex at Nasik and a 4-screen multiplex at Raghuleela Mall in Kandivali, Mumbai. The Versova multiplex commenced operations in April 2002, the Malad multiplex commenced operations in September 2004 and the Nasik multiplex commenced operations in November 2004. We are awaiting final approvals for commencing operations of the Kandivali multiplex.

Several factors have affected our results of operations, financial condition and cash flow significantly over the past five years. These factors include:

- Growing corporatization in film industry. Corporatization of film production entities is resulting in more timely and better quality film productions.
- In the recent past, some of the larger Producers have forward integrated into Distribution, especially into overseas markets.
- A number of new entrants have entered the Distribution business, resulting in an increase in acquisition cost for Distributors.
- Distributors are trying to lock-in the content at a very early stage by financing film Producers.
- Distributors are playing an increasing role in marketing of Films.
- New films are being released in satellite/video formats within a shorter period after theatrical release, thereby reducing the window for theatrical exploitation.
- Some Distributors are embracing new technological developments to enable better reporting of box office collections.
- New distribution formats, like digital distribution – through DVD/Satellite – are being actively explored.
- Overseas market (theatrical, video and television) is becoming increasingly lucrative for Indian film productions because of a large and fast growing Indian Diaspora which is estimated at 20 million.

- Entertainment tax sops for developing and operating multiplexes are being offered by certain states. This has encouraged the growth of multiplexes and also encouraged single screen theaters to convert into multiplexes.

- Growth in multiplexing – catching the retail boom.

- Retail Boom: In the last 5-7 years we have witnessed a significant growth in organized retail in India. Favorable demographics, rising consumer incomes, real estate developments especially with emergence of new shopping malls, availability of better sourcing options both from within India and overseas, and changing lifestyles that bring the Indian consumer closer to the consumers in more developed markets are driving the growth of organized retailing.

These factors and a number of future developments may affect our results of operations, financial condition and cash flow in future periods. We believe that the following future developments may affect our future results of operations, financial condition and cash flow:

- Multiplexes are fast emerging as the one of the key anchor tenants for most organized retail outlets in India.
- Improving regulatory environment.
- Multiplexing – highly fragmented industry with scattered ownership – opportunities exists for nationwide film exhibition chain through chain of multiplexes.
- Easier access to capital due to corporatization of the industry.
- Additional capital expenditures and related financings, if any, including for capacity expansion;
- New strategic partnerships or mergers/acquisitions;

For more information on these and other factors/developments which have or may affect us financially, please refer to the other parts of this "Management's Discussion and Analysis of Financial Condition and Results of Operations" section, as well as the section titled "Risk Factors" on page VIII and the section titled "Business" on page 44 of this Draft Red Herring Prospectus.

NOTES TO CONSOLIDATED RESTATED STATEMENT OF PROFIT AND LOSS AND CONSOLIDATED RESTATED ASSETS AND LIABILITIES

The consolidated restated statement of assets and liabilities and profit and loss ('consolidated summary statements') include the financial statements of Shringar Cinemas Limited (formerly Shringar Cinemas Private Limited) ('SCL' or 'the Parent Company') and its subsidiaries and joint ventures. The subsidiaries considered in the consolidated summary statements are summarised below:

Name of the subsidiary	Country of incorporation	% shareholding	Consolidated from
Shringar Films Private Limited ('SFPL')	India	100.00	27 March 2004
Swanston Multiplex Cinemas Private Limited ('SMCPL')	India	50.01	14 June 2002 (refer Note 1)

The joint ventures considered in the consolidated summary statements are summarised below:

Name of the venture	Country of incorporation	Consolidated from
Swanston Multiplex Cinemas Private Limited ('SMCPL')	India	refer Note 1
Odeon Shringar Multiplex Cinemas Private Limited ('OSMCPL')	India	26 June 2002 to 11 August 2004

The consolidated summary statements have been extracted by management based on the restated financial statements of the Parent Company (refer Annexures I and II) and its subsidiaries (refer Annexures XII, XIII, XVI and XVII) for the respective years, unaudited non-restated financial statements of the joint venture SMCPL and management's identification of intra-group transactions for elimination in full (refer Note 3 below).

The financial statements of the Parent Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and resulting unrealized profits in full. Unrealized losses resulting from intra-group transactions have also been eliminated unless cost cannot be recovered in full. The amounts shown in respect of accumulated reserves comprise the amount of the relevant reserves as per the balance sheet of the Parent Company and its share in the post acquisition increase/decrease in the relevant reserves/accumulated deficit of its subsidiaries.

The financial statements of the Company and its joint ventures have been combined using proportionate consolidation whereby the Parent Company's share of each of the assets, liabilities, income and expenses is included.

Consolidated summary statements are prepared using uniform accounting policies across the Group.

Notes

1. SMCPL was incorporated in October 2001 as a subsidiary of SCL. In February 2002, SCL divested its stake in SMCPL and held 50% of its share capital as at 5 April 2002, the date of commencement of commercial operations of SMCPL. Pursuant to a Shareholders' Agreement ('SHA') dated 14 June 2002, it was agreed that SCL would hold 50.01% of the share capital of SMCPL effective that date. However, due to delays in effecting the above shareholding pattern, the shareholding pattern as envisaged in the SHA was achieved only on 8 March 2003. However, operating control continued to be vested with SCL during this period in line with the SHA. Accordingly, for the purpose of these consolidated summary statements and in line with the SHA, SMCPL has been considered as a subsidiary effective 14 June 2002 and a joint venture upto that date.

2. Accounting Standard -27 'Financial Reporting of Interests in Joint Ventures' issued by ICAI, earlier stated that where an enterprise by a contractual arrangement establishes joint control over an entity which is a subsidiary of that enterprise within the meaning of AS-21, the entity is not consolidated under AS-21, but is treated as a joint venture as per this Statement. The Standard was revised effective accounting periods commencing 1 April 2004 so as to permit consolidation despite any contractual arrangement referred to above. However, for the purpose of uniformity and comparability of summary statements across the various periods, the revision to AS -27 has been given effect to retroactively.

3. Statement of eliminations

(Rs. Lacs)

Eliminations [(income)/ expense]	**Year ended 31 March 2003**	**Year ended 31 March 2004**	**6 months ended 30 September 2004**
Elimination of Income:			
Other income	-	190.49	118.83
Distribution revenue	-	-	7.21
Elimination of Expenditure :			
Direct cost	-	-	7.21
Operating cost	-	-	4.20
Interest	-	-	2.41
Depreciation	-	-	0.04
Appropriations:			
Final dividend	221.00	127.00	-
Interim dividend	-	159.90	75.00
Eliminations [increase/ (decrease)]			
Fixed assets :			
Gross block	-	-	(7.53)
Less: Accumulated depreciation	-	-	(0.04)
Net block	-	-	(7.49)
Capital work in progress/ advances	-	-	(3.66)
Goodwill on consolidation	-	466.13	466.13
Investments	(155.50)	(2,062.48)	(2,062.48)
Current assets, loans and advances			
Sundry debtors	-	(5.14)	(0.14)
Loans and advances	(1.91)	(691.00)	(696.03)
Liabilities and provisions			

Unsecured loans	-	(691.00)	(671.00)
Current liabilities and provisions	(222.91)	(132.14)	(25.17)
Share Capital			
- Equity share capital	(1.00)	(78.00)	(177.99)
- Share application money	(310.00)	-	-
- Preference share capital	-	(0.10)	(0.10)
Reserves and surplus			
- Securities premium	-	(231.00)	(1,860.94)

BUSINESS PERFORMANCE

Income:

Our income has four components: Programming Income, theatrical revenues, Distribution revenues and other income. The following table sets forth the contribution of the different components of our revenue and of other income towards total income during each of financial years 2003, 2004 and the six months ended September 30, 2004:

(Rs. Lacs)

Particulars	Financial Year ended		Period ended September30, 2004
	2003	**2004**	
Income			
• Programming	440.36	290.50	55.42
• Theatrical revenues	1435.80	1916.94	1093.62
• Distribution revenues	-	10.69	267.06
Other income	56.30	81.72	31.60
Total Income	**1932.46**	**2299.85**	**1447.70**

Our Company's principal activity is exhibition of films in India including programming of theaters and owning / managing multiplexes. The Company has various multiplex projects in pipeline. For the six months ended September 30, 2004, Programming revenues, Theatrical revenues, Distribution revenues and other income contributes to 3.83%, 75.54%, 18.45% and 2.18% of our total income respectively.

Programming revenues: Programming primarily entails into contracts with theater owners for a specified period, sourcing of films to be exhibited at the theaters and remitting the distributors' share of net collections. The Company has programmed 7 theaters in FY 04 in the Bombay territory and 4 theaters for the six month ended September 30, 2004 in Bombay territory. Programming revenues to Total Income on percentages basis reduced from 22.79% in fiscal 2003 to 12.63% in fiscal 2004 and to 3.83% for the six month ended September 30, 2004. This was primarily due to discontinuation of programming agreements with I-Max, Velocity and Prabhat theaters.

Theatrical revenues: Theatrical revenues mainly comprise revenues from theatrical exhibition, food & beverage, advertisement and income from pouring rights. Revenue from theatrical exhibition comprises proceeds from sales of tickets, net of taxes. Income from pouring rights relates to the revenues that we derive from the vendors' e.g. Pepsi.

Theatrical revenues contribute to 75.54% of our Total Income for the six month ended September 30, 2004.

Distribution revenues: Distribution revenues mainly comprise revenues from theatrical distribution and TV/Satellite rights. Distribution revenues to Total Income on percentages basis increased from 0.46% in fiscal 2004 to 18.45% for the six month ended September 30, 2004.

Other Income: Other income primarily relates to interest on debentures, interest on National Saving Schemes, interest on fixed deposits, interest from facilities within multiplexes and income from investment in mutual funds. Other income comprised 2.91%, 3.55% and 2.18% of total income for financial years 2003, 2004 and for the six months ended September 30, 2004, respectively.

Our first multiplex, Fame Adlabs, a state-of-the-art audio-video equipment, five screens Multiplex of Mumbai - was launched and in the process catalyzed growth in the multiplex industry across India. Our strategy is not only to open multiplexes in metros but also in the tier 2 cities of the country, where we feel the demographics are favorable. We have used a combination of new properties along with retrofits.

Our Fame Adlabs commenced operations in 2002 and our other two multiplexes namely, Fame Malad and Fame Nasik commenced operations in 2004 and in line of our strategy of going Pan-India, we have signed up at five more properties at various locations mainly Kandivali, Pimpri, Surat, Thane and Hyderabad.

Our business is modular in nature. We believe that the standards set by FAME Adlabs can be replicated at our other multiplexes. The learning of FAME Adlabs is being implemented at other multiplexes e.g. FAME Malad and can significantly improve the operational efficiencies of our multiplexes in future. The performance of Fame Adlabs i.e. Swanston Multiplex Cinemas Private Limited (Swanston) is indicative of our revenues in future from our other existing and proposed multiplexes at various locations which are disclosed in detail in the section titled 'Our Business' Objects of the Issue" sections in this Draft Red Herring Prospectus.

Expenditure

The following table sets out Shringar's expenses as a percentage of its total income for the fiscal years ended March 31, 2003, 2004 and the six months ended September 30, 2004:

Particulars	Financial Year ended		Period ended September30, 2004
	2003	2004	
Expenditure			
• Direct Cost	43.06%	36.20%	40.75%
• Personnel Cost	3.93%	6.48%	11.11%
• Operating Cost	22.90%	29.00%	37.09%
• Depreciation	4.79%	4.82%	5.38%
• Interest	4.15%	2.76%	3.62%
Total Expenditure	**78.83%**	**79.26%**	**97.94%**

***Direct cost**:* It includes programming cost and exhibition cost. The programming cost includes producer's share, distributors' share of joint venture partners, supervision, print and publicity expenses and ticket printing cost. The exhibition cost includes distributor's share, agent's commission, supervision, print and publicity charges, discount allowed, Indian news real charges, Food and beverages cost, and misc. consumables.

***Personnel cost**:* It includes salary, wages and bonus, outsourced personnel cost, contribution to provident and other funds, gratuity, staff welfare and leave encashment. Being in the service industry, we substantially depend upon our employees to maintain our quality of services offered.

***Operating cost**:* Our operating cost consist primarily rent and charges, professional and consultancy fees, advertisement and marketing, travelling and conveyance, communication expenses, bad debt provision, utilities, administrative expenses, repairs and maintenance, bad debt provision, provision for doubtful advances, property tax, call centre, loss on cancellation of contracts, loss on fixed assets and other miscellaneous expenses.

Adjusted Profit/ (Loss) after Tax

The adjusted profit/(loss) after tax consists of the net profit/(loss) after tax as per the restated consolidated statement of accounts, adjusted on account of (1) changes in accounting policies and (2) the impact of material adjustments and prior period items.

OUR RESULTS OF OPERATIONS

The table below sets forth various line items from our restated consolidated financial statements for FY 2003, FY 2004 and for the period ended September 30, 2004, as a percentage of Total Income.

(Rs. Lacs)

Particulars	Financial Year ended		Period ended September30, 2004
	2003	2004	
Operating Revenues	1876.16	2218.13	1416.10

Other Income	56.30	81.72	31.60
Total Revenue	**1932.46**	**2299.85**	**1447.70**
Direct Cost to Total Revenue	**43.06%**	**36.20%**	**40.75%**
Direct Cost	832.14	832.65	589.87
Personnel Cost to Total Revenue	**3.93%**	**6.48%**	**11.11%**
Personnel Cost	75.86	149.01	160.80
Operating cost to Total Revenue	**22.90%**	**29.00%**	**37.09%**
Operating Cost	442.55	666.97	537.01
Depreciation to Total Revenue	**4.79%**	**4.82%**	**5.38%**
Depreciation	92.49	110.76	77.88
Finance charges to Total Revenue	**4.15%**	**2.76%**	**3.62%**
Finance Charges	80.23	63.46	52.36
Adjusted Profit/(Loss) before Tax and extra ordinary items to Total Revenue	**21.17%**	**20.74%**	**2.06%**
Adjusted Profit/(Loss) before Tax and extra ordinary items	409.19	477.00	29.82
Current Tax	130.60	182.20	117.57
Deferred Tax charge/(release)	35.14	12.00	38.43
Adjusted Profit/(Loss) before extra ordinary items to Total Revenue	**12.60%**	**12.30%**	**(8.72%)**
Adjusted Profit/(Loss) before extra ordinary items	243.45	282.80	(126.18)
Minority share of profit	121.16	161.61	100.12
Extra-ordinary items (net of tax)	-	-	-
Net Profit/(Loss) after adjustment and extra-ordinary items to Total Revenue	**6.33%**	**5.27%**	**(15.63%)**
Net Profit/(Loss) after adjustment and extra-ordinary items	122.29	121.19	(226.30)

The six months ended September 30, 2004

The revenues and expenditure for the six months period ended September 30, 2004 may not be considered representative of the entire year.

Revenue

The standalone revenue breakup of Shringar Cinemas Limited (SCL), Shringar Film Private Limited (SFPL), Swanston Multiplex Cinemas Private Limited (Swanston) and the consolidated revenue mix of SCL after restatement and adjustment as on September 30, 2004 is as given below:

(Rs. Lacs)

Particulars	SFPL	SCL	Swanston	Period ended September30, 2004
Income				
• Programming	-	55.42	-	55.42
• Theatrical revenues	-	53.55	1040.07	1093.62
• Distribution revenues	274.24	-	-	267.06
Other income	16.64	115.35	18.39	31.60
Total Income	**290.91**	**224.32**	**1058.46**	**1447.70**

Our business is modular in nature. The performance of Fame Adlabs i.e. Swanston is indicative of our revenues in future from our other existing and proposed multiplexes at various locations which are disclosed in detail in the section titled 'Our Business' and 'Objects of the Issue" sections in this Draft Red Herring Prospectus.

Programming Revenue

Our programming revenue in the six months ended September 30, 2004 was Rs.55.42 Lacs.

Theatrical Revenue

Theatrical revenue in the six months ended September 30, 2004 was Rs.1093.62 Lacs. Our Theatrical revenue primarily comprises Theatrical exhibition income, Food & beverage income, Advertisement income and income from pouring rights.

The Theatrical revenue mix for the period ended September 30, 2004 is as follows:

Theatrical exhibition	71.36%
Food & beverage	21.43%
Advertisement	6.66%
Income from pouring rights	0.55%
Total Theatrical revenue	*100.00%*

Distribution Revenue

Distribution revenue in the six months ended September 30, 2004 was Rs.267.06 Lacs. Distribution revenues mainly comprise revenues from Theatrical distribution and TV/Satellite rights.

The distribution revenue mix for the period ended September 30, 2004 is as follows:

Theatrical distribution	96.01%
TV/Satellite rights	3.99%
Total Distribution revenue	*100.00%*

Other Income

Other Income in the six months ended September 30, 2004 was Rs.31.60 Lacs.

Total Revenue

Our total revenue in the six months ended September 30, 2004 was Rs.1447.70 Lacs.

Expenditure

The standalone expenditure breakup of Shringar Cinemas Limited (SCL), Shringar Film Private Limited (SFPL), Swanston Multiplex Cinemas Private Limited (Swanston) and the consolidated expenditure mix of SCL after restatement and adjustment as on September 30, 2004 is as given below:

(Rs. Lacs)

Particulars	**SFPL**	**SCL**	**Swanston**	**Period ended September30, 2004**
Direct Cost				
Programming Cost	-	49.24	-	45.50
Exhibition Cost	-	14.87	284.80	296.20
Distrbution Cost	248.18	-	-	248.18
Personnel Cost	**45.10**	**56.12**	**59.59**	**160.81**
Operating Cost	**93.91**	**133.54**	**313.75**	**537.01**
Finance Charges	**11.46**	**25.01**	**18.31**	**52.36**
Depreciation	**12.14**	**17.41**	**48.33**	**77.84**
Total Expenditure	**410.79**	**296.19**	**724.56**	**1417.88**

Direct Cost

Direct Cost in the six months ended September 30, 2004 was Rs.589.87 Lacs, accounting to 41.60% of Total Expenditure. The mix of the Direct Cost for the period ended September 30, 2004 is as given below:

Programming Cost	*7.71%*
Exhibition Cost	*50.22%*
Distribution Cost	*42.07%*
Total Direct Cost	*100.00%*

The distributor's share contributes 96.76% of the total Programming Cost for the six months ended September 30, 2004. Direct Cost as a percentage of Total Income increased to 40.75% in the six months ended September 30, 2004 from 36.20% in fiscal 2004.

Personnel Cost

Personnel Cost in the six months ended September 30, 2004 was Rs.160.81 Lacs accounting to 11.34% of Total Expenditure. Personnel Cost as a percentage of total revenue increased to 11.11% in the six months ended September 30, 2004 from 6.48% in fiscal 2004 primarily due to increase in average number of employees during the period.

Operating Cost

Operating Cost in the six months ended September 30, 2004 was Rs.537.01 Lacs accounting to 37.87% of Total Expenditure. Operating Cost as a percentage of total revenue increased to 37.09% in the six months ended September 30, 2004 from 29% in fiscal 2004. This was primarily due to increase in advertisement and marketing and pre-operative promotional expenses of Fame Malad, professional and consultancy charges, rentals and utility expenses.

Financial Expenses

Financial Expenses in the six months ended September 30, 2004 was Rs.52.36 Lacs accounting to 3.69% of Total Expenditure and 3.62% of our Total Revenue. Financial Expenses related to higher average indebtedness during the six months ended September 30, 2004 against fiscal 2004.

Depreciation and Amortization

Depreciation and amortization in the six months ended September 30, 2004 was Rs.77.84 Lacs accounting to 5.49% of Total Expenditure. Depreciation and amortization as a percentage of total revenue was 5.38% in the six months ended September 30, 2004.

Adjusted Profit/ (Loss) before tax and extra ordinary items

Adjusted Profit before tax and extra ordinary items in the six months ended September 30, 2004 was Rs.29.82 Lacs accounting to 2.06% of out Total Income. Adjusted Profit before tax and extra ordinary items was Rs.477 Lacs for the fiscal year ended 2004 accounting 20.74%. This was mainly due to write off of pre-operative promotional expenses of Fame-Malad, increase in financial cost and personal cost.

Deferred tax
There was a deferred tax liability of Rs. 38.43 Lacs the six months ended September 30, 2004 primarily on account of timing differences on account of depreciation.

Adjusted Profit/ (Loss) after tax before extra ordinary items
Adjusted Loss after tax before extra ordinary items in the six months ended September 30, 2004 was Rs.126.18 Lacs as against the adjusted profit after tax before extra ordinary items of Rs.282.80 Lacs in fiscal 2004. The loss was mainly on account of loss in theatrical distribution segment and pre-operative/promotional expenses written off in Theatrical segment.

Net Profit/ (Loss) after tax after adjustment and extra ordinary items
Net Loss after adjustment and extra ordinary items in the six months ended September 30, 2004 was Rs.226.30 Lacs after adjusting for minority share of profit of Rs.100.12 Lacs as against the Net Profit after tax after adjustment and extra ordinary items of Rs.121.19 Lacs in fiscal 2004 after adjusting for minority share of profit of Rs.161.61 Lacs.

Comparison of FY 2004 with FY 2003

Some of the key developments that occurred during 2004 include the following:

- Upto March 25, 2004, Shringar Films Private Limited (SFPL) held 51% of Shringar Cinemas Private Limited. (SCPL) On that date SFPL sold all its investment in SCPL to South Yarra Holdings (SYH, a partnership firm in which majority of directors are partners). Accordingly, SFPL ceased to be the holding company of SCPL. On March 27, 2004, SCPL purchased entire shares in SFPL from its then shareholders i.e. SYH and India Value Trustee Company Private Limited 'IVFT'. Accordingly, SFPL became a 100% subsidiary of SCPL.
- The Company has opened two more multiplexes i.e. Fame Malad and Fame Nasik in fiscal 2004.

Revenue

Programming Revenue
Our programming revenue was reduced by 34.03% from Rs.440.36 Lacs in fiscal 2003 accounting to 22.79% of Total Revenue to Rs.290.50 Lacs in fiscal 2004 accounting to 12.63% of Total Revenue. This was primarily on account of discontinuation of programming agreement with Velocity, Indore and Prabhat, Sholapur theaters.

Theatrical Revenue
Our Theatrical revenue was increased by 33.51% from Rs.1435.80 Lacs in fiscal 2003 accounting to 74.30% of Total Revenue to Rs.1916.94 Lacs in fiscal 2004 accounting to 83.35% of Total Revenue. This was primarily on account of revenue from Fame Malad, which commenced its operations in 2004.

Distribution Revenue
Distribution revenue was Rs.267.06 Lacs for the fiscal year 2004. Distribution revenues mainly comprise revenues from Theatrical distribution and TV/Satellite rights. The SFPL became 100% subsidiary of SCL with effect from March 27, 2004. However, these revenues are only for a period of March 27, 2004 to March 31, 2004 and not covering the entire period of 12 months.

Hence, restated Revenues of SFPL on standalone basis for the fiscal years 2003 and 2004 are mentioned below to give indicative revenues from distribution activity for the full year period of 12 months:

(Rs. Lacs)

Particulars	**Financial Year ended**	
	2003	**2004**
Theatrical distribution and TV/Satellite rights	2428.15	2841.49
Other income	39.22	36.11
Total distribution revenue	**2467.37**	**2877.60**

Other Income
Other Income increased by 45.15% from Rs.56.30 Lacs in fiscal 2003 accounting to 2.91% of Total Revenue to Rs.81.72 Lacs in fiscal 2004 accounting to 3.55% of Total Revenue.

Total Revenue
Our total revenue was increased by 19.01% from Rs.1932.46 Lacs in fiscal 2003 to Rs.2299.85 Lacs in fiscal 2004.

Expenditure

Direct Cost
Direct Cost was Rs.832.65 Lacs for the fiscal year ended 2004 as against Rs.832.14 in fiscal year 2003. However Direct Cost as a percentage to Total Revenue reduced from 43.06% in fiscal year 2003 to 36.20% in fiscal year 2004.

Personnel Cost
Personnel Cost increased by 96.43% from Rs.75.86 Lacs in fiscal year 2003 to Rs.149.01 Lacs in fiscal year 2004. Personnel Cost as a percentage to Total Revenue increased from 3.93% in fiscal year 2003 to 6.48% in fiscal year 2004.

Operating Cost
Operating Cost increased by 50.71% from Rs.442.55 Lacs in fiscal year 2003 to Rs.666.97 Lacs in fiscal year 2004. Operating Cost as a percentage to Total Revenue was at 29% in fiscal year 2004 as against 22.90% in the previous year. This was primarily due to increase in advertisement and marketing, professional and consultancy charges, rentals and utility expenses.

Financial Expenses
Financial Expenses reduced by 20.90% from Rs.80.23 Lacs in fiscal year 2003 to Rs.63.46 Lacs in fiscal year 2004.

Depreciation and Amortization
Depreciation and amortization increased by 19.75% from Rs.92.49 Lacs in fiscal year 2003 to Rs.110.76 Lacs in fiscal 2004. However, percentage of depreciation and amortization to Total Revenue increased from 4.79% to 4.82% in the corresponding fiscal years.

Adjusted Profit/ (Loss) before tax and extra ordinary items
Adjusted Profit before tax and extra ordinary items increased from Rs.409.19 Lacs in fiscal 2003 to Rs.477 Lacs in fiscal 2004. However, as percentage to Total Revenue decreased from 21.17% in fiscal 2003 to 20.74% in fiscal 2004.

Deferred tax
There was a reduction in deferred tax liability to Rs.12 Lacs in fiscal year 2004 from Rs.35.14 Lacs in fiscal year 2003.

Adjusted Profit/ (Loss) after tax before extra ordinary items
Adjusted profit after tax before extra ordinary items was Rs.282.80 Lacs in fiscal 2004 as against the adjusted profit after tax before extra ordinary items of Rs.243.25 Lacs in fiscal 2003.

Net Profit/ (Loss) after tax after adjustment and extra ordinary items
Net profit after tax after adjustment and extra ordinary items was Rs.122.29 Lacs in fiscal year 2003 and reduced to Rs.121.19 Lacs in fiscal 2004.

Liquidity and Capital Resources

Liquidity

Our primary liquidity needs have historically been to finance our capital expenditure and to some extent our working capital needs. To fund these costs, we have relied on cash flows from operations.

Unusual or infrequent events or transactions

Other than as described in this Draft Red Herring Prospectus, there are on no unusual or infrequent events or transactions.

Known trends or Uncertainties

Other than as described elsewhere in this Draft Red Herring Prospectus, to the best of our knowledge, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenue or income of the Company from continuing operations.

Future relationship between costs and income

We are continuously working to create efficient processes resulting in cost reduction and have a better control over our supply chain. We expect to continue this effort of improving our technology initiatives and try and realize better margins in the future.

Other than as described elsewhere in this Draft Red Herring Prospectus, to the best of 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 the Company.

Total turnover for the industry

Please refer to the discussions in the section titled "Industry" in this Draft Red Herring Prospectus on page 31

New Products or business segments

Please refer to the discussions in the section titled "Business" in this Draft Red Herring Prospectus on page 44

Seasonality of business

Other than as described elsewhere in this Draft Red Herring Prospectus, to the best of our knowledge, there are no known factors, which are seasonal in nature and which we feel will have a material impact on the operations and finances of the Company.

Dependence on single or few suppliers / customers

Other than as described elsewhere in this Draft Red Herring Prospectus, to the best of our knowledge, we are not dependent on any single or few suppliers/customers.

MATERIAL DEVELOPMENTS

In the opinion of the Board of Directors of the Company, there have not arisen, since the date of the last financial statements disclosed in this Draft Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect the profitability of the Company and its subsidiary taken as a whole or the value of their consolidated assets or their ability to pay their material liabilities within the next twelve months.

SECTION VI: FINANCIAL STATEMENTS

Auditors' Report
The Board of Directors
Shringar Cinemas Limited

We have examined the accounts of Shringar Cinemas Limited ('SCL' or 'the Company') (formerly Shringar Cinemas Private Limited) for the financial years ended 31 March 2002, 2003 and 2004 being the last date to which the accounts of the Company have been made up and audited by us for presentation to the members of the Company. We have also examined the accounts of the Company for the six months ended 30 September 2004 prepared and approved by the Board of Directors of the Company and audited by us for the purpose of disclosure in the Draft Offer Document being issued by the Company in connection with the public issue of 81,50,000 Equity Shares of face value Rs 10 each. We have relied on the relevant accounts of SCL for the financial years ended 31 March 2000 and 2001, audited and reported by R Prasad Rao, Chartered Accountant.

We have examined the accounts of Shringar Films Private Limited ('SFPL'), a subsidiary of the Company (effective 27 March 2004), for the financial years ended 31 March 2002, 2003 and 2004 and for the six months ended 30 September 2004, being the last date to which the accounts of SFPL have been prepared and approved by its Board of Directors, audited and reported by us. We have relied on the relevant accounts of SFPL for the financial years ended 31 March 2000 and 2001, audited and reported by R Prasad Rao, Chartered Accountant.

We have examined the accounts of Swanston Multiplex Cinemas Private Limited ('SMCPL'), a subsidiary of the Company (effective 8 March 2003), for the financial years ended 31 March 2002, 2003 and 2004 and six months ended 30 September 2004, being the last date to which the accounts of SMCPL have been prepared and approved by its Board of Directors, audited and reported by us.

In accordance with the requirements of Paragraph B (1) 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 ('SEBI Guidelines') and our terms of reference with the Company dated 1 October 2004, requesting us to make this report for the purpose of the Draft Offer Document as aforesaid, we report that:

(a) The restated profits/losses of the Company for the financial years ended 31 March 2000, 2001, 2002, 2003 and 2004 and six months ended 30 September 2004 are as set out in Annexure I to this report. These profits/losses have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure IV to this report.

(b) The restated assets and liabilities of the Company as at 31 March 2000, 2001, 2002, 2003 and 2004 and at 30 September 2004 are as set out in Annexure II to this report, after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure IV to this report.

(c) The Company has not declared any dividend during the financial years ended 31 March 2000, 2001, 2002, 2003 and 2004.

(d) We have examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Draft Offer Document:

    i. Cash flow statement, as restated, for the financial years ended 31 March 2002, 2003, 2004 and six months ended 30 September 2004 as appearing in Annexure V to this report;
    ii. Selective financial information as at 30 September 2004 as appearing in Annexure VI to this report;
    iii. Details of Loans as appearing in Annexure VII to this report;
    iv. Details of Other income as appearing in Annexure VIII to this report;
    v. Accounting ratios as appearing in Annexure IX to this report;
    vi. Capitalisation statement as at 30 September 2004 as appearing in Annexure X to this report; and
    vii. Statement of tax shelters as appearing in Annexure XI to this report.

    In respect of the financial information contained in this report, we have relied upon the audited financial statements of SCL for the financial years ended 31 March 2000 and 2001 which were audited by a firm of chartered accountants other than us, as referred to above.

In our opinion the above financial information of the Company read with significant accounting policies attached in Annexure III to this report, after making adjustments and re-grouping as considered appropriate and as set out in Annexure IV to this report, has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.

(e) In accordance with the requirements of para 6.18.3 of the SEBI Guidelines, we have examined the attached restated summary financial statements of the Company's subsidiaries in Annexures XII, XIII, XVI and XVII, read with significant accounting policies attached in Annexures XIV and XVIII, after making adjustments and re-grouping as considered appropriate and as set out in Annexures XV and XIX, to this report. The restated summary financial statements have been consolidated by the Company's management into the Company's restated summary financial statements as appearing in Annexures XX and XXI, read with Notes to consolidation as appearing in Annexure XXII, to this report.

This report is intended solely for your information and for inclusion in the Draft Offer Document in connection with the Initial Public Offer of the Company and is not to be used, referred to or distributed for any other purpose without our written consent.

For BSR & Co.
(formerly Bharat S Raut & Co.)
Chartered Accountants

Sd/-

Akeel Master
Partner
Membership No: 46768

Mumbai
24 December 2004

Annexure I

Statement of restated profit and loss **(Rupees in Lacs)**

Particulars	For the period from 26 October 1999 to 31 March 2000	Year ended 31 March 2001	Year ended 31 March 2002	Year ended 31 March 2003	Year ended 31 March 2004	6 months ended 30 September 2004
Income						
Programming	19.63	95.37	290.23	440.36	290.49	55.42
Theatrical revenues	-	-	-	-	-	53.55
Other income	-	-	13.03	13.74	220.13	115.40
Total (A)	**19.63**	**95.37**	**303.26**	**454.10**	**510.62**	**224.37**
Expenditure						
Direct cost	18.65	89.09	260.71	402.81	257.47	64.11
Personnel cost	-	-	10.03	19.52	34.28	56.12
Operating cost	1.68	3.18	25.97	62.41	96.30	133.54
Depreciation	0.34	0.75	1.87	3.92	8.69	17.41
Interest	-	-	-	-	2.31	25.01
Preliminary and share issue expenses written off	0.22	0.90	-	-	-	-
Total (B)	**20.89**	**93.92**	**298.58**	**488.66**	**399.05**	**296.19**
Adjusted profit/(loss) before tax and extra-ordinary items (A) –(B)	**(1.26)**	**1.45**	**4.68**	**(34.56)**	**111.57**	**(71.82)**
Provision for tax						
- Current tax	-	0.72	0.32	-	-	-
- Deferred tax charge/(release)	0.04	(0.15)	0.11	0.14	(3.73)	32.73
Adjusted profit/(loss) before extra-ordinary items	**(1.30)**	**0.88**	**4.25**	**(34.70)**	**115.30**	**(104.55)**
Extra-ordinary items (net of tax)	-	-	-	-	-	-
Net profit/(loss) after adjustment and extra-ordinary items	**(1.30)**	**0.88**	**4.25**	**(34.70)**	**115.30**	**(104.55)**
Profit/(Loss) brought forward from previous year	-	(1.30)	(0.42)	3.83	(30.87)	84.33
Profit/(loss) balance available for appropriation	**(1.30)**	**(0.42)**	**3.83**	**(30.87)**	**84.43**	**(20.22)**
Appropriations						
Transfer to Capital redemption reserve	-	-	-	-	0.10	-
Balance carried forward to Balance Sheet	(1.30)	(0.42)	3.83	(30.87)	84.33	(20.22)

Note: To be read together with summary of significant accounting policies (Annexure III) and Notes to statement of restated profit and loss and restated assets and liabilities (Annexure IV).

Annexure II

Statement of restated assets and liabilities (Rupees in Lacs)

	Particulars	As at 31 March 2000	As at 31 March 2001	As at 31 March 2002	As at 31 March 2003	As at 31 March 2004	As at 30 September 2004
A	**Fixed assets**						
	(i) Gross block	5.05	5.05	11.26	36.21	50.71	1,286.23
	Less : Accumulated depreciation	0.34	1.09	2.96	6.75	15.44	32.85
	Net block	4.71	3.96	8.30	29.46	35.27	1,253.38
	Less : Revaluation reserve	-	-	-	-	-	-
	Net block after adjustment for Revaluation reserve	4.71	3.96	8.30	29.46	35.27	1,253.38
	(ii) Capital work in progress/ advances	-	-	-	72.47	312.02	733.53
	Net block	**4.71**	**3.96**	**8.30**	**101.93**	**347.29**	**1,986.91**
B	**Investments**	**70.40**	**-**	**301.24**	**414.51**	**2,312.89**	**2,324.39**
C	**Deferred tax asset – net**	-	0.11	-	-	3.58	
D	**Current assets, loans and advances**						
	(i) Inventories	0.11	-	-	-	-	2.33
	(ii) Sundry debtors	5.32	72.19	42.66	25.88	17.76	31.03
	(iii) Cash and bank balances	2.55	0.32	6.55	3.66	184.81	129.40
	(iv) Loans and advances	75.19	35.77	131.73	138.13	794.63	990.98
	(v) Other current assets	-	-	-	6.30	19.43	6.05
		83.17	**108.28**	**180.94**	**173.97**	**1,016.63**	**1,159.79**
	A+B+C+D	**158.28**	**112.35**	**490.48**	**690.41**	**3,680.39**	**5,471.09**
E	**Liabilities and provisions**						
	Secured loans	-	-	-	7.39	203.30	787.37
	Unsecured loans	-	1.05	-	-	1,008.09	1,554.00
	Current liabilities and provisions	159.34	11.52	36.65	118.75	86.69	787.22
	Deferred tax liability – net	0.04	-	0.00	0.14	-	29.15
		159.38	12.57	36.65	126.28	1,298.08	3,157.74
	Net worth (A+B+C+D-E)	**(1.10)**	**99.78**	**453.83**	**564.13**	**2,382.31**	**2,313.35**
F	**Represented by**						
	(i) Share Capital						
	- Equity share capital	0.20	1.43	10.00	10.00	438.91	2,333.30
	- Share application money	-	72.20	-	145.00	-	-
	- Preference share capital	-	-	-	-	0.10	0.10
		0.20	**73.63**	**10.00**	**155.00**	**439.01**	**2,333.40**
	(ii) Reserves and surplus						
	- Securities premium	-	26.57	440.00	440.00	1,858.87	0.07
	- Capital redemption reserve	-	-	-	-	0.10	0.10
	- Profit and loss account	(1.30)	(0.42)	3.83	(30.87)	84.33	(20.22)
		(1.30)	26.15	443.83	409.13	1,943.30	(20.05)
	Less: Revaluation Reserve	-	-	-	-	-	-
	Reserves (Net of Revaluation Reserves)	(1.30)	26.15	443.83	409.13	1,943.30	(20.05)
	Net worth	**(1.10)**	**99.78**	**453.83**	**564.13**	**2,382.31**	**2,313.35**

Note: To be read together with summary of significant accounting policies (Annexure III) and Notes to statement of restated profit and loss and restated assets and liabilities (Annexure IV).

(formerly Shringar Cinemas Private Limited)

Summary of significant accounting policies
Annexure III

1. Basis of preparation of financial statements

These financial statements are prepared and presented under the historical cost convention, on the accrual basis of accounting, and in accordance with the provisions of the Companies Act, 1956 and comply with the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable. For the six months period ended 30 September 2004 the Company has adopted AS 25 – 'Interim Financial Reporting' ('AS 25') and has presented a complete set of financial statements as stipulated in paragraphs 10, 18 and 44 of the Standard.

The preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) requires that management make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as of the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

2. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the fixed assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

Depreciation on fixed assets relating to the multiplex is provided pro-rata to the period of use, under the straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956, except for those listed below, which, in management's opinion, reflects the estimated useful economic lives of fixed assets.

Useful lives being followed by the Company that is shorter than that prescribed under Schedule XIV to the Companies Act, 1956 are as summarized as below:

Particulars	**Useful life in years**
Leasehold improvements	10 years
Computer software	1 year
Furniture and fixtures	10 years
Plant and machinery and equipment	10 years

Depreciation on other fixed assets is provided pro-rata to the period of use, under the written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956, which in management's opinion reflects the estimated useful economic lives of fixed assets.

Individual assets costing upto Rs 5,000 are depreciated fully in the year of acquisition.

Capital work-progress represents estimates of work certified by management. Assets are capitalised in the books once they are 'ready to be used'. Specific interest and other related costs incurred in relation to the borrowings made by the Company for the multiplex projects have been added to the costs of those assets.

3. Investments

Long-term investments are carried at cost. Provision is made when in management's opinion there is a decline, other than temporary, in the carrying value of such investments.

Current investments are carried at lower of cost and fair value.

Where dividends are reinvested in units of mutual funds, the reinvestment is treated as purchase and added to the investment cost.

4. Revenue recognition

Multiplex

The Company enters into weekly arrangements with the distributors for exhibition of films at the Multiplex.

Revenue from theatrical exhibition is recognised on the date of exhibition of the films and comprise proceeds from sales of tickets, net of taxes. As the Company is the primary obligor with respect to exhibition activities, the share of distributors in these proceeds is disclosed as programming costs.

Revenues from food and beverage sales are recognised at the point of sale at the counter.

Revenue from advertisements is recognized on the date of the exhibition of the advertisement or over the period of the contract, as applicable.

Programming

The Company enters into contracts with theatre owners for programming the theatres for a contracted period. The Company also enters into weekly arrangements with the distributors for exhibition of films in the theatres contracted.

Revenue from theatrical exhibition is recognised on the date of exhibition of the films and comprise proceeds from sales of tickets, net of taxes and theatre-owners' share. As the Company is the primary obligor with respect to exhibition activities, the share of distributors and joint venture partners (joint control does not exist in any of the joint ventures) in these proceeds is disclosed as programming costs.

Other

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on time proportion basis.

5. Retirement benefits

Eligible employees receive benefits from a provident fund, which is a defined contribution scheme. Both, the employees and the Company make monthly contributions to this scheme equal to a specified percentage of the covered employee's salary. Contributions to provident fund are made to the Government administered provident fund schemes and charged to the Profit and loss account. The Company has no further obligations under the provident fund plan beyond its monthly contributions.

Gratuity benefits, which are defined benefits, provide a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's last drawn salary and the tenure of employment. Liabilities with regard to gratuity benefits are determined by actuarial valuation carried out by an independent actuary at the Balance sheet date.

The liability for leave encashment is based on an actuarial valuation carried out by an independent actuary at the Balance sheet date.

6. Foreign currency transactions

Foreign currency transactions are recorded at exchange rates prevailing on the date of the transaction. The difference between the actual rate of settlement and the rate on the date of transaction, in the case of:

- revenue transactions, is charged or credited to Profit and loss account; and
- import of fixed assets, is adjusted in the carrying value of the fixed assets.

Current assets and liabilities at the Balance sheet date, other than those incurred for acquisition of fixed assets, are translated at the exchange rates prevailing on the Balance sheet date and the overall net gain or loss on such conversion if any, is charged/credited to the Profit and loss account. In respect of liabilities incurred for acquisition of fixed assets, the net gain or loss on such conversion is adjusted in the carrying value of the related assets.

7. Taxation

Income-tax expense comprises current tax expense and deferred tax expense or credit.

Current tax provision, as per the Income Tax Act, 1961, is made based on the tax liability computed after considering tax allowances and exemptions at the Balance sheet date. Deferred tax liability or asset is recognized for timing differences between the profits/losses offered for income taxes and profits / losses as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the Balance sheet date.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realized.

8. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the First-in; First-out basis.

9. Leases

Assets taken on operating lease
Lease rentals in respect of assets acquired on operating lease are charged off to the profit and loss account as incurred.

Assets taken on finance lease
Assets taken on finance lease are recognized as assets in the books and correspondingly liability is created. Such assets are being written off over the period of the lease.

10. Barter transactions

Revenues from barter transactions involving exchange of advertisement time/space for tickets are recognized at fair values.

11. Earnings per share

In determining earnings per share, the Company considers the net profit after tax and includes the post tax effect of any extraordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of Equity Shares which have been subsequently allotted against share application money.

12. Contingencies

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

(formerly Shringar Cinemas Private Limited)

Annexure IV

Notes to statements of restated profit and loss (Annexure I) and restated assets and liabilities (Annexure II)

(Rs in Lacs)

	Adjustments [(income)/expense] in Statement of Profit and Loss arising out of:	For the period from 26 October 1999 to 31 March 2000	Year ended 31 March 2001	Year ended 31 March 2002	Year ended 31 March 2003	Year ended 31 March 2004	6 months ended 30 September 2004
A	**Changes in accounting policies**						
	(a) Accounting for preliminary and share issue expenses (refer Note 1)	0.20	0.68	(0.88)	-	-	-
	(b) Deferred tax charge/ (release) (refer Note 2)	0.11	0.12	(0.23)	-	-	-
	Effect of adjustments on tax						
	(a) Provision for tax	-	-	-	-	-	-
	(b) Deferred tax charge/ (release)	(0.07)	(0.27)	0.34	-	-	-
B	**Regroupings (refer Note 3)**						
	(a) Theatrical revenue	(18.64)	-	-	-	-	-
	(b) Direct costs	18.64	-	-	-	-	-

(formerly Shringar Cinemas Private Limited)

Annexure IV

Notes to statements of restated profit and loss (Annexure I) and restated assets and liabilities (AnnexureII) (Continued)

(Rs in Lacs)

	Cumulative effect of above [increase/ (decrease)] in Statement of Assets and Liabilities:	As at 31 March 2000	As at 31 March 2001	As at 31 March 2002	As at 31 March 2003	As at 31 March 2004	As at 30 September 2004
A	**Changes in accounting policies**						
i	Reserves and surplus	(0.24)	(0.53)	-	-	-	-
ii	Deferred tax liability (refer Note 2)	0.04	(0.11)	-	-	-	-
iii	Current liabilities and provision	-	0.11	-	-	-	-
iv	Deferred tax asset (refer Note 2)						
v	Miscellaneous expenditure to the extent not written-off (refer Note 1)	(0.20)	(0.88)	-	-	-	-
B	**Regroupings (refer Note 3)**						
	Share application money received	-	72.20	-	-	-	-
	Unsecured loans	-	1.05	-	-	-	-
	Investments	70.40	-	-	-	-	-
	Current assets	(126.46)	(15.00)	-	-	-	-
	Current liabilities	(56.06)	(88.25)	-	-	-	-

Notes:

1) Upto the year ended 31 March 2001, Preliminary and Share issue expenses were being amortised over a period of 5 years and the unamortised balance was carried forward under the head 'Miscellaneous expenditure to the extent not written off'. During the year ended 31 March 2002, the Company changed its accounting policy and wrote off the entire unamortised balance of preliminary and share issue expenses.

2) Accounting Standard 22 - "Taxes on Income" issued by The Institute of Chartered Accountants of India (‘ICAI’) was applicable to the Company effective year ended 31 March 2002. Accordingly, net deferred tax liability/ asset at 31 March 2001 was adjusted in opening reserves at 1 April 2001. However, for the purposes of statement of restated profit and loss and restated assets and liabilities, the Standard has been applied retrospectively.

3) Figures have been regrouped for consistency of presentation.

(formerly Shringar Cinemas Private Limited)

Annexure IV

Notes to statements of restated profit and loss (Annexure I) and restated assets and liabilities (Annexure II) (Continued)

Other Significant notes (based on audited financial statements) and changes in the business of the Company during the last five financial years.

1. YEAR ENDED 31 MARCH 2002

a) Shringar Cinemas Limited ('SCL' or 'the Company') (formerly Shringar Cinemas Private Limited) was incorporated as a private limited company on 26 October, 1999. The Company's main activity is exhibition of films in Mumbai including programming of theatres. The Company intends to expand its exhibition business to other locations in the 'Bombay' territory that primarily includes Mumbai, Gujarat, Goa and Karnataka.

During the year 2000-01, the Company had taken over the exhibition activities of Shringar Films, a partnership firm, for Rs 1,421,000 being cash consideration for take over of related assets and liabilities at their respective book values. The Company operated only for 15 days during that year.

The Company is a subsidiary of Shringar Films Private Limited ('SFPL' or 'the holding company'), holding 51% of the equity share capital. SFPL is mainly engaged in distribution of films.

b) 51,000 (31 March 2001: 14,280) equity shares [51% holding (31 March 2001:99.9% holding)] of the Company are held by Shringar Films Private Limited ('SFPL'), the holding company and 49,000 (31 March 2001:Nil) equity shares [49% holding (31 March 2001: Nil holding)]are held by India Value Fund Trustee Company Private Limited ('IVFT').

c) The Company's investments include 5,000 (31 March 2001: Nil) equity shares of Rs 10 each fully paid-up of Swanston Multiplex Cinemas Private Limited ('SMCPL') - 50% holding. SMCPL is primarily engaged in management of a multiplex.

2. YEAR ENDED 31 MARCH 2003

a) The Company's investments include 5,001 (31 March 2002: 5,000) equity shares of Rs 10 each fully paid-up of SMCPL – 50.01% holding – also refer Note 1 to Annexure XXII.

3. YEAR ENDED 31 MARCH 2004

a) The Company has various multiplex projects in the pipeline.

b) On 25 March 2004, SFPL, sold its shareholding in the Company to South Yarra Holdings (('SYH', a partnership firm in which majority of directors are partners). Accordingly, the Company ceased to be a subsidiary of SFPL effective that date. As at 31 March 2004, 2,904,039 (31 March 2003: Nil) equity shares [66.17% holding (31 March 2003: Nil)] of the Company are held by SYH and 1,485,041 (31 March 2003:49,000) equity shares [33.83 % holding (31 March 2003: 49% holding)] are held by IVFT.

c) On 27 March 2004, the Company purchased 999,900 equity shares (i.e. 100%) of SFPL from its erstwhile shareholders (i.e. SYH and IVFT). Consequently, SFPL became a 100% subsidiary of the Company.

d) The Company issued 1,000, 10% Non-Cumulative Redeemable Preference Shares of Rs. 10 each to SFPL during the year. These preference shares can be redeemed at par on demand. The Company subscribed to additional 385,077 shares of Rs 10 each at a premium of Rs 30 per share of SMCPL. However, the Company's shareholding in SMCPL continues to be at 50.01%.

Notes to statements of restated profit and loss (Annexure I) and restated assets and liabilities (Annexure II) (Continued)

Other Significant notes (based on audited financial statements) and changes in the business of the Company during the last five financial years *(Continued)*

Annexure IV

4. SIX MONTHS ENDED 30 SEPTEMBER 2004 ('THE PERIOD')

a) During the period, the Company commenced operations at its first multiplex project effective 10 September 2004. The consequential impact in the profit and loss statement of the Company subsequent to commencement of operations is given in (b) below.

b) Impact on Profit and loss of the Company of items referred to in 3(a) above:

(Rupees in lacs)

	6 months ended 30 September 2004
Sales	*54.38*
(Loss) before interest, common/unallocated items and tax	*(132.01)*

c) During the period, the Company issued 110,920 Equity Shares of Rs 10 each at a premium of Rs 22.09 per share to IVF Mauritius (PCC.)

d) During the period, the Company issued bonus shares in the ratio of 1:4.1851 by utilisation of securities premium.

e) The Company is required to pledge its investments in SMCPL with SMCPL's bankers in relation to loan taken by that company for its multiplex. The Company is in the process of completing necessary formalities in this regard.

f) Post 30 September 2004, vide resolution dated 11 November 2004, the Company has increased its authorized share capital to Rs. 350,000,000 divided into 34,990,000 Equity Shares of Rs. 10 each and 10,000 preference shares of Rs. 10 each.

g) Subsequent to 30 September 2004, the Compensation committee of the Board of Directors, at its meeting held on 24 December 2004, approved the grant of 65,900 options to the employees and directors of the Company at an exercise price of Rs 30 per option.

h) Subsequent to 30 September 2004, and pursuant to terms of the loan agreement dated 9 December 2004, the Company has issued 83,333 Equity Shares of face value Rs. 10 each at a premium of Rs 35 per share to IVFT as consideration towards prepayment of interest on monies borrowed.

5. CONTINGENT LIABILITIES AS AT 30 SEPTEMBER 2004

a) The estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) - Rs 94,145,098.

b) Claims raised by parties not acknowledged as debts - Rs 19,276,000.

c) The fixed and current assets of the Company have been placed with a bank as collateral security and a second charge has been created on these assets in respect of a cash credit facility availed by SFPL. The maximum sanctioned limit is Rs 40,000,000 and the outstanding balance as on 30 September 2004 is Rs 19,396,991.

Annexure IV

Other Significant notes (based on audited financial statements) and changes in the business of the Company during the last five financial years *(Continued)*

6. LEASES

Operating lease

The Company is obligated under non-cancelable leases for multiplex projects which are renewable on a periodic basis at the option of both, the lessor and lessee. Rental expenses under non-cancelable operating leases would commence once the projects are ready to use, as agreed with respective leasehold owners.

The future minimum lease payment in respect of non-cancelable operating leases as at 30 September 2004, for agreements entered into are as follows:

	30 September 2004	31 March 2004
Amount due within one year from the balance sheet date	**39,942,025**	**26,195,575**
Amount due in the period between one year and five years	**129,282,079**	**134,190,490**
	169,224,105	**160,386,065**

SHRINGAR CINEMAS LIMITED

(formerly Shringar Cinemas Private Limited)

Annexure V

Statement of Cash flows, restated

(Rupees in lacs)

	30 September 2004	31 March 2004	31 March 2003	31 March 2002
Cash Flow from Operating Activities				
Profit/ (Loss) before tax	(71.82)	111.57	(34.56)	3.81
Adjustments for:				
Depreciation	17.41	8.69	3.91	1.87
Provision for doubtful debts/advances	-	11.94	0.73	-
Advances written off	4.97	-	-	-
Interest Cost	25.01	2.31	-	-
Dividend received	(101.02)	(191.25)	(1.09)	(7.91)
Interest on fixed deposits	(0.35)	-	-	(5.10)
Interest - Others	(0.05)	-	-	-
Interest on debentures	(13.50)	(27.07)	(10.82)	-
Loss/(profit) on sale of Investments (net)	-	0.05	(1.38)	0.01
Preliminary Expenses written off	-	-	-	0.87
Interest on securities (NSC)	(0.28)	(0.69)	-	-
Operating (loss)/ profit before changes in working capital	**(139.63)**	**(84.44)**	**(43.20)**	**(6.45)**
Adjustments for (Increase)/decrease in working capital				
Sundry Debtors	(13.27)	8.12	16.05	29.53
Loans and advances	(197.19)	(661.75)	(1.10)	(4.07)
Inventories	(2.33)	-	-	-
Current Liabilities	137.04	(55.56)	80.13	23.09
Provisions	5.39	6.06	1.97	1.71
Net changes in working capital	(70.35)	(703.13)	97.06	50.27
Direct Taxes paid	(4.08)	(7.73)	(5.30)	(9.09)
Cash generated from/ (used in) operations	**(214.06)**	**(795.30)**	**48.55**	**34.73**
Cash flow from investing activities				
Purchase of fixed assets	(1,093.41)	(234.78)	(97.70)	(6.21)
Proceeds from sale of fixed assets	-	-	**0.15**	-
Purchase of Investments (includes share application money)	(12.00)	(2,097.64)	(211.43)	(701.75)
Proceeds from sale of investments/refund	0.50	199.21	99.53	400.50
Dividend received	101.02	191.25	1.09	7.91
Interest on deposit account	0.35	-	-	5.10
Interest on debentures	31.07	14.63	4.52	-
Deposit to Toorak Holdings	-	-	-	(82.80)
Net cash (used in) /generated from investing activities	**(972.47)**	**(1,927.33)**	**(203.83)**	**(377.24)**
Cash flow from financing activities				
Proceeds from issue of Share Capital	11.09	429.01	-	8.57
Share Premium received	24.50	1,418.87	-	413.43
Share Application Money received	-	(145.00)	145.00	(72.20)
Interest Paid	(34.45)	(3.10)	-	-
Vehicle Loan (net of repayment)	10.53	1.80	7.39	-
Term Loans from Banks	573.53	194.12	-	-
Unsecured Loans taken (net of repayments)	545.91	1,008.09	-	(1.05)
Net cash (used in)/ generated from financing activities	**1,131.11**	**2,903.79**	**152.39**	**348.75**
Net increase/(decrease) in cash & cash equivalents	**(55.41)**	**181.15**	**(2.90)**	**6.23**
Cash and cash equivalents at the beginning of the year	184.81	3.66	6.55	0.32
Cash and cash equivalents at the end of the year	**129.40**	**184.81**	**3.66**	**6.55**
Cash and cash equivalents at the year end comprise:				
Cash and cash equivalents at the year end comprise:				
- Cash on hand	**22.79**	**10.47**	**0.37**	**0.29**
- Cheques on hand	**-**	**79.97**	**2.06**	**-**
Balances with Scheduled banks in				
- Deposit accounts	**39.39**	**-**	**-**	**-**
- Current accounts	**67.22**	**94.38**	**1.23**	**6.26**
	129.40	**184.81**	**3.66**	**6.55**

Note : (1) To be read together with summary of significant accounting policies (Annexure III) and Notes to statement of restated profit and loss and restated assets and liabilities (Annexure IV).
(2) Figures have been regrouped for consistency of presentation.

(formerly Shringar Cinemas Private Limited)

Annexure VI

Selective financial information as at 30 September 2004 **Rupees**

Investments	30 September 2004	31 March 2004
Non trade, unquoted		
Long term - at cost		
390,078 (31 March 2004: 390,078) Equity Shares of Rs 10 each fully paid-up of Swanston Multiplex Cinemas Private Limited, a subsidiary of the Company. [Pledged (charge yet to be created) with bankers in respect loan taken by Swanston Multiplex Cinemas Private Limited]. Of these, 2 shares are held under escrow as per the agreement between the shareholders of SMCPL.	15,453,090	15,453,090
[50.01 % holding; (31 March 2004 50.01% holding)]		
100 (31 March 2004: 100) equity shares of Rs 10 each fully paid-up of Shree Vijayraj Entertainment & Software Limited	1,000	1,000
Nil (31 March 2004: 5000) equity shares of Rs 10 each fully paid-up of Odeon Shringar Multiplex Cinemas Private Limited	-	50,000
999,900 (31 March 2004:999,900) equity shares of Rs 10 each fully paid-up of Shringar Films Private Limited, a subsidiary of the Company	190,785,336	190,785,336
20 (31 March 2004: 20) 18% optionally convertible/redeemable debentures of Rs 500,000 each of Shree Vijayraj Entertainment & Software Limited. Debentures are convertible at the option of the Company 18 months from the date of allotment ie at 18 April 2004. Vide letter dated 15/04/04, the parties mutually agreed that the debentures would be redeemed within a period of nine months from that date.	10,000,000	10,000,000
10 (31 March 2004: 10) 18% non convertible debentures of Rs 500,000 each of Shree Vijayraj Entertainment & Software Limited. Debentures are redeemable at the option of the Company or 18 months from the date of issue of the same. Vide letter dated 15/04/04, the parties mutually agreed that the debentures would be redeemed within a period of nine months from that date.	5,000,000	5,000,000
1,120 (31 March 2004: 1,000) units of National Saving Scheme (‘NSC’) of Rs 10,000 each	11,200,000	10,000,000
The NSC investments made are held in the name of one of the Company’s director, in trust for the Company and are pledged with Collector of Mumbai as required by the State Government Multiplex policy.		
	232,439,426	231,289,426
Additions during the year	*Face value*	*Cost*
120 units of NSC	1,200,000	1,200,000
Sales during the year		
5,000 equity shares Odeon Shringar Multiplex Cinemas Private Limited	50,000	50,000

(formerly Shringar Cinemas Private Limited)

Annexure VI

Selective financial information as at 30 September 2004 *(Continued)* ***Rupees***

Sundry debtors	30 September 2004	31 March 2004
(Unsecured and considered good)		
Debts outstanding for a period exceeding six months		
-Due from joint venture partners	148,257	104,622
-Net due from theatre owners	133,681	-
	281,938	104,622
Other debts		
- Net due from theatre owners	2,146,563	1,671,393
- Others	674,694	-
	2,821,257	1,776,015
	3,103,195	1,776,015

Loans and advances	30 September 2004	31 March 2004
(Unsecured)		
- Considered good		
Advances to distributors	1,769,182	594,930
Deposits		
- with theatre owners [net of share of joint venture partners Rs Nil (31 March 2004: Rs 675,067)]	358,000	1,009,833
- with Toorak Holdings (where one director of the Company is a partner)	8,280,000	8,280,000
[Maximum amount due during the period: Rs 8,280,000 (31 March 2004: Rs 8,280,000)]		
- others	81,749,568	61,563,899
Advances recoverable in cash or in kind or for value to be received	4,113,332	5,594,868
Advance tax and tax deducted at source	2,826,773	2,418,932
	99,096,855	79,462,462
- Considered doubtful		
Advances recoverable in cash or in kind or for value to be received	-	1,194,196
	99,096,855	80,656,658
Less Provision for doubtful advances	-	1,194,196
	99,096,855	79,462,462
Deposit - Others includes :		
- Deposit with Shringar Films, a partnership firm where a majority of directors of the Company are partners	2,000,000	2,000,000
Maximum amount due during the period	2,000,000	2,000,000
- Deposit with Gobindram Naoomal HUF where a majority of directors of the Company are co-parceners	6,850,000	6,850,000
Maximum amount due during the period	6,850,000	6,850,000

(formerly Shringar Cinemas Private Limited)

Annexure VI

Selective financial information as at 30 September 2004 *(Continued)*

Advances recoverable in cash or in kind or for value to be received include :		
- due from Swanston Multiplex Cinemas Private Limited (SMCPL), a subsidiary company	741,042	1,568,952
Maximum amount due during the period	1,580,168	1,624,069
- due from a share holder Mr.Dilawar Singh Arora	63,287	-
Maximum amount due during the period	63,287	-
- due from a share holder Mr.Rupinder Singh Arora	73,974	-
Maximum amount due during the period	73,974	-
- due from Adlabs Shringar Multiplex Cinemas Pvt. Ltd.	-	500,000
Maximum amount due during the period	500,000	500,000
- due from Shunali Shroff, relative of director	259,038	-
Maximum amount due during the period	259,038	-

Related Party transactions for the six months ended 30 September, 2004

Parties where control exists

Name of the Party	Nature of Relationship
South Yarra Holdings	**Enterprise holding 64.54% of the equity share capital as at 30 September 2004**

- **Subsidiary Companies**

1 Shringar Films Private Limited

2 Swanston Multiplex Cinemas Private Limited

Other related parties where transactions have taken place during the period

- **Key Managerial Personnel and their relatives**

1 Shravan Shroff – Managing Director

2 Shyam Shroff – Whole Time Director

3 Shunali Shroff – Relative (wife) of Managing Director

- **Enterprises over which Whole Time Directors have significant influence**

1 M/s Shringar Films

2 M/s Toorak Holdings

3 Gobindram Naoomal (HUF)

4 Adlabs Shringar Multiplex Cinemas Private Limited

- **Joint Venture**

1 Odeon Shringar Multiplex Cinemas Private Limited

- **Joint Venturer**

1 M/s Odeon Exhibitors

(formerly Shringar Cinemas Private Limited)

Annexure VI

- **Joint Venture Investors (where joint control does not exist)**

1 M/s Pragati Films
2 Chunilal D Shah
3 M/s Neelam Enterprises
4 M/s Rajul Films
5 M/s Roystone Enterprise
6 M/s Imran Films
7 M/s R R Films

(formerly Shringar Cinemas Private Limited)

Annexure VI

Rupees

Nature of transactions	**Holding Enterprise**	**Subsidiary Companies**	**Joint Venture and Joint Venturers**	**Joint Venture Investors**	**Whole Time Directors and their relatives**	**Enterprises in which Whole Time Directors can exercise significant influence**
Transactions						
Interest income	-	-	1,350,000	-	4,990	-
Dividend received	-	10,102,020	-	-	-	-
Programming costs	-	372,532	-	87,888	-	-
Interest expense	-	1,360,800	-	-	-	2,797,826
Director's remuneration	-	-	-	-	1,452,339	-
Lease rent paid	-	420,000	-	-	-	111,960
Bad debts written off	-	-	415,000	-	-	-
Advance given	-	-	-	1,215,000	-	-
Advance refunded	-	-	-	3,800,000	-	-
Advance receivable, received	-	-	-	-	-	500,000
Advance received, repaid	-	-	-	1,045,158	-	-
Reimbursement of expenses (received)						
- Salaries, wages and bonus	-	1,247,035	93,241	-	-	-
- Communication	-	22,059	-	-	-	-
- Advertising and marketing	-	1,772,544	-	-	-	-
- Vehicle expenses	-	83,607	-	-	-	-
- Traveling and conveyance	-	19,001	-	-	-	-
- Professional and consultancy charges	-	6,120	-	-	-	2,245
- Miscellaneous expenses	-	-	-	-	-	-
- Contribution to provident fund	-	32,101	-	-	-	-
- Subscription and membership fees	-	27,500	-	-	-	-
Reimbursement of expenses (paid)						
- Salaries, wages and bonus	-	4,127,630	-	-	-	-
- Communication	-	48,785	-	-	-	30,837
- Advertising and marketing	-	453,729	-	-	-	139,386
- Vehicle expenses	-	82,055	-	-	-	7,868
- Traveling and conveyance	-	8,717	-	-	-	54,275
- Computer expenses	-	39,000	-	-	-	
- Professional and consultancy charges	-	58,197	-	-	-	-
- Miscellaneous expenses	-	2,470	-	-	-	-
- Printing and stationery	-	12,656	-	-	-	-
- Subscription and membership fees	-	188	-	-	-	-
- Insurance	-	62,387	-	-	-	-
- Service charges	-	300,000	-	-	-	-
Investment in shares and debentures	-	206,238,426	15,001,000	-	-	-
Issue of equity shares (bonus issue)	121,548,140	-	-	-	-	-
Issue of preference shares	-	10,000	-	-	-	-
Loan taken	-	-	-	-	-	33,150,000
Loan repaid	-	2,000,000	-	-	-	-
Balances						

SHRINGAR CINEMAS LIMITED

(formerly Shringar Cinemas Private Limited)

Annexure VI

Nature of transactions	Holding Enterprise	Subsidiary Companies	Joint Venture and Joint Venturers	Joint Venture Investors	Whole Time Directors and their relatives	Enterprises in which Whole Time Directors can exercise significant influence
Deposits	-	-	-	-	-	17,130,000
Loans (credit balance)	-	67,100,000	-	-	-	61,300,000
Debtor balances	-	741,042	279,155	227,225	-	-
Loans and advances (debit balance)	-	-	-	-	259,038	-
Creditor balances	-	1,663,198	-	418,899	-	2,738,285

Shringar Cinemas Limited
(formerly Shringar Cinemas Private Limited)
Annexure VII

Details of loans as at 30 September 2004

Unsecured loans

Source	Amount (Rs)	Interest rate (%)	Repayment terms
Inter-corporate deposit from:			
a) Shringar Films Private Limited, a subsidiary	67,100,000	4	Repayable on demand
b) Shringar Films, a partnership firm in which majority of directors of the Company are partners	61,300,000	12.50	Repayable on demand
c) From Others (includes loan from a shareholder Rs 10,000,000)	27,000,000	12-12.50	Repayment terms of loans varies between 90 to 182 days of the date of drawl
	155,400,000		

Secured loans

	Source	Amount (Rs)	Interest rate (%)	Repayment terms
1	Term loans from bank	61,744,088	11.50	18 quarterly installments of Rs. 5,606,000 each commencing from the quarter ended 30 September 2004
		15,020,887	10.50	20 quarterly installments of Rs 3,888,900 each commencing from the quarter ending 31 December 2004
	Secured against : a) movable fixed and current assets of the Company related to the respective projects b) Escrow of entire cash flows related to the respective projects c) Two of the directors of the Company have given a personal guarantee for the above facilities			
2	Vehicle finance loans from banks	1,971,701	8.99-12.5	Amount due within one year from the balance sheet date Rs 653,735 Amount due between one year and five years Rs 1,317,966
	Secured against the vehicles purchased from the proceeds of such loans.			
		78,736, 676		

Shringar Cinemas Limited

(formerly Shringar Cinemas Private Limited)

Annexure VIII

Other Income (**Rupees**)

	Year ended 31 March 2002	Year ended 31 March 2003	6 months ended 30 September 2004
Recurring			
Interest on National Saving Certificates ('NSC')	-	-	**28,169**
Miscellaneous income	1,847	44,922	10,018
Income from facilities within the multiplex	-	-	10,000
Non recurring			
Interest on debentures	-	1,082,368	1,350,000
Dividend from non-trade investments	791,157	108,799	10,102,020
Interest on fixed deposits	510,238	-	35,256
Interest – others	-	-	4,990
Profit on sale of investments	-	138,268	-
	1,303,242	**1,374,357**	**11,540,453**

Notes:

1) Other income considered above is as per the statement of the restated Profit and loss.

2) The classification of other income by the management into recurring and non-recurring is based on the current operations and business activities of the Company.

3) 'Other Income' is related/incidental to the business activities of the Company.

4) Details of 'Other Income' for the years ended 31 March 2000, 31 March 2001 and 31 March 2004 have not been given as it does not exceed 20% of the net profit before tax for these years, as per the statement of restated profit and loss.

5) Profit on sale of investments for the year ended 31 March 2002 aggregated to Rs 11,346 (netted of against loss on sale of investments).

Shringar Cinemas Limited

(formerly Shringar Cinemas Private Limited)

Annexure IX

Accounting Ratios

Particulars	**31 March 2000**	**31 March 2001**	**31 March 2002**	**31 March 2003**	**31 March 2004**	**30 September 2004**
Net Profit before extraordinary items but after adjusted tax (Rs lacs) **(A)**	(1.30)	0.88	4.25	(34.70)	115.30	(104.55)
Net worth excluding share application and revaluation reserve at the end of the year/period (Rs lacs) **(B)**	(1.10)	27.58	453.83	419.13	2,382.31	2,313.35
Net worth excluding share application, revaluation reserve and preference share capital at the end of the year / period (Rs lacs) **(C)**	(1.10)	27.58	453.83	419.13	2,382.21	2,313.25
Weighted average number of equity shares outstanding during the year / period **(D)**	10,370	10,546	276,081	518,510	640,370	23,065,862
Total number of equity shares outstanding at the end of the year / period **(E)**	2,000	14,280	100,000	100,000	4,389,080	23,333,000
Earnings per equity share						
- Basic **(A/D)**	(12.54)	8.34	1.54	(6.69)	18.01	(0.45)
- Diluted	(12.54)	6.97	1.35	(6.69)	18.01	(0.45)
Return on Net worth (%) **(A/B)**	*-	3.19	0.94	(8.28)	4.84	(4.52)
Net asset value per share (Rs) **(C/E)**	(55.00)	193.14	453.83	419.13	54.28	9.92

Annexure IX

Accounting Ratios *(Continued)*

Notes:

*** Net worth being negative, Return on net worth has not been computed.**

Earnings per equity share (*not annualized*) = *Net profit attributable to equity shareholders* / *Weighted average number of equity shares outstanding during the year/period*

Return on Net worth = *Net Profit before extraordinary items but after adjusted tax* / *Net Worth excluding share application and revaluation reserve at the end of the year/period*

Net asset value per equity share = *Net worth excluding revaluation reserve and preference share capital at the end of the year/period* / *Number of equity shares outstanding at the end of the year/period*

2. Restated net profit, as appearing in the restated Statement of profits and losses and net worth as appearing in the statement of restated assets and liabilities, has been considered for the purpose of computing the above ratios. These ratios are computed on the basis of the standalone (unconsolidated) restated financial statements of the issuer company.

3. Earnings per share calculations are done in accordance with Accounting Standard 20 “Earnings Per Share” issued by the Institute of Chartered Accountants of India.

4. During the six months ended 30 September 2004, the Company allotted bonus shares in the ratio of 1:4.1851. The number of shares considered in the calculation of earnings per share has been adjusted to include the above bonus issue proportionately for all periods presented.

5. Earnings per equity share for the six months ended 30 September 2004 is not comparable with that of other financial years presented above.

6. Calculation of ratios post issue has not been considered.

Shringar Cinemas Limited

(formerly Shringar Cinemas Private Limited)

Annexure X

Statement of capitalization **Rupees. In Lacs**

Particulars	**Pre-issue as at 30 September 2004**
Borrowings	
Short term debts (refer Note 1)	1,901.44
Long term debts	439.93
TOTAL DEBTS	**2,341.37**
SHAREHOLDERS' FUNDS :	
Share Capital	2,333.40
Reserves (Net of Revaluation Reserve)	0.17
Profit and loss account	(20.22)
TOTAL SHAREHOLDERS' FUNDS	**2,313.35**
LONG TERM DEBT/ EQUITY RATIO	1 : 5.26

Notes:

(1) Debts maturing within the next one year from 30 September 2004 are considered as short-term debts.

(2) The post-issue debt equity ratio will be computed on the conclusion of the book building process.

(3) The figures included above are as per the restated statements of assets and liabilities and profits and losses.

(4) (a) Post 30 September 2004, vide resolution dated 11 November 2004, the Company has increased its authorized share capital to Rs. 350,000,000 divided into 34,990,000 equity shares of Rs. 10 each and 10,000 preference shares of Rs. 10 each.

(b) Subsequent to 30 September 2004, the Compensation committee of the Board of Directors, at its meeting held on 24 December 2004, approved the grant of 65,900 options to the employees and directors of the Company at an exercise price of Rs 30 per option

(c) Subsequent to 30 September 2004, and pursuant to terms of the loan agreement dated 9 December 2004, the Company has issued 83,333 equity shares of face value Rs. 10 each at a premium of Rs 35 per share to IVFT as consideration towards repayment of interest on monies borrowed.

Shringar Cinemas Limited

(formerly Shringar Cinemas Private Limited)

Annexure XI

Statement of Tax Shelters

(Rupees in lacs, except for tax rates)

Particulars	**For the Financial Year Ended on**					**6 months ended**
	31 March 2000	**31 March 2001**	**31 March 2002**	**31 March 2003**	**31 March 2004**	**30 September 2004**
Profit before current and deferred taxes, as restated **(A)**	(1.26)	1.45	4.68	(34.56)	111.57	(71.82)
Tax Rate - Normal **(B)**	38.50%	39.55%	35.70%	36.75%	35.88%	36.59%
Tax Rate - MAT **(C)**	11.55%	8.48%	7.65%	7.88%	7.69%	7.84%
Tax expense at applicable tax rate on restated profits **(D)**	-	0.57	0.36	-	40.03	-
ADJUSTMENTS						
Permanent Differences						
Preliminary expenses written off	-	0.66	-	-	-	-
Exempt dividend income	-	-	(7.91)	-	(191.25)	(101.02)
Interest on tax payments	-	-	-	0.06	-	-
General disallowances	0.05	-	0.10	0.16	0.52	-
Prior period item	-	-	0.05	-	-	-
Share Issue expenses	-	-	-	-	-	1.88
Total (E)	0.05	0.66	(7.76)	0.22	(190.72)	(99.14)
Temporary Differences					-	
Difference between tax depreciation and book depreciation	(0.28)	(0.30)	(0.71)	(1.68)	(0.63)	(111.65)
Provision for leave encashment	-	-	0.48	1.01	3.87	2.00
Provision for gratuity	-	-	0.36	1.06	1.93	1.50
Loss on sale of investment	-	-	0.01	-	0.05	-
Provision for doubtful advances	-	-	-	-	11.94	0.81
Deduction under section 35D of the Act	0.18	(0.04)	(0.04)	(0.04)	(0.04)	-
Set off of capital loss carried forward	-	-	-	(0.01)	-	-
Provision for Bonus	-	-	0.28	-	-	-
Bonus paid	-	-	-	(0.15)	-	-
Sub Brokerage received	-	-	0.16	-	-	-
Set off of brokerage received	-	-	-	(0.16)	-	-
Total (F)	(0.10)	(0.35)	0.54	0.02	17.12	(107.34)
Net Adjustments (G) = (E) + (F)	(0.05)	0.31	(7.22)	0.24	(173.60)	(206.48)
Tax savings thereon **(H) = (G) * (B)/(C)**	(0.02)	0.12	(0.55)	0.09	(62.28)	(75.55)
Net impact (I) = (H) – (D)	(0.02)	0.45	(0.19)	(0.09)	(22.25)	(75.55)
Tax Provision	-	0.72	0.32	-	-	-

Notes:

1. The weighted average of tax is the normal rate of tax/MAT tax rate as may be applicable in the respective financial years.
2. The tax shelter for the year ended 31 March 2001 is computed by applying MAT tax rate.

Shringar Films Private Limited

Annexure XII

Statement of restated profit and loss (Rupees in lacs)

Particulars	For the period from 19 April 1999 to 31 March 2000	Year ended 31 March 2001	Year ended 31 March 2002	Year ended 31 March 2003	Year ended 31 March 2004	6 months ended 30 September 2004
Income						
Theatrical distribution and TV/Satellite rights	-	12.81	2,067.90	2,428.15	2,841.49	274.27
Other income	-	1.36	53.50	39.22	36.11	16.64
Total	-	**14.17**	**2,121.40**	**2,467.37**	**2,877.60**	**290.91**
Expenditure						
Direct cost	-	11.93	1,448.16	1,785.98	1,514.78	248.18
Personnel cost	-	-	44.12	59.14	78.32	45.10
Operating cost	0.06	1.09	129.98	206.37	212.28	93.91
Depreciation	-	-	425.82	473.55	1,367.58	12.14
Interest	-	-	-	-	-	11.46
Miscellaneous expenditure written-off	0.12	2.36	-	-	-	-
Total	**0.18**	**15.38**	**2,048.08**	**2,525.04**	**3,172.96**	**410.79**
Adjusted profit/(loss) before tax and extra-ordinary items	**(0.18)**	**(1.21)**	**73.32**	**(57.67)**	**(295.36)**	**(119.88)**
Provision for Tax						
- Current tax	-	0.26	8.91	-	-	-
- Deferred tax charge/(release)	-	-	8.90	(7.43)	(1.47)	-
Adjusted profit/(loss) before extra-ordinary items	**(0.18)**	**(1.47)**	**55.51**	**(50.25)**	**(293.89)**	**(119.88)**
Extra-ordinary items (net of tax)	-	-	-	-	-	-
Net profit/(loss) after adjustment and extra-ordinary items	**(0.18)**	**(1.47)**	**55.51**	**(50.25)**	**(293.89)**	**(119.88)**
Profit/ (loss) brought forward from previous year	**-**	(0.18)	(1.65)	53.86	3.62	(290.27)
Balance carried forward to Balance Sheet	**(0.18)**	**(1.65)**	**53.86**	**3.62**	**(290.27)**	**(410.15)**

Note: To be read together with summary of significant accounting policies (Annexure XIV) and Notes to statement of restated profit and loss and restated assets and liabilities (Annexure XV).

Shringar Films Private Limited
Annexures XIII

Statement of restated assets and liabilities (Rupees in lacs)

	Particulars	As at 31 March 2000	As at 31 March 2001	As at 31 March 2002	As at 31 March 2003	As at 31 March 2004	As at 30 September 2004
A	**Fixed Assets :**						
	(i) Gross block	-	-	503.87	991.78	2,414.69	2,402.00
	Less: Accumulated depreciation	-	-	425.82	899.38	2,266.95	2,274.62
	Net block	-	-	78.05	92.40	147.74	127.38
	Less :Revaluation reserve	-	-	-	-	-	-
	Net block after adjustment for Revaluation reserve	-	-	78.05	92.40	147.74	127.38
	(ii) Capital work-in-progress/advances	-	391.83	403.17	573.16	117.58	6.57
	Net block	**-**	**391.83**	**481.22**	**665.56**	**265.32**	**133.95**
B	**Investments**	**-**	**28.00**	**529.55**	**710.56**	**0.10**	**0.10**
C	**Current assets, Loans and advances**						
	(i) Sundry debtors		84.77	216.42	93.22	116.09	43.15
	(ii) Cash and bank balances	0.08	430.55	90.07	93.64	32.28	4.11
	(iii)Loans and advances	-	434.57	1,093.27	636.97	1,569.23	1,474.19
	(iv)Other current assets	-	-	-	-	-	-
		0.08	**949.89**	**1,399.76**	**823.83**	**1,717.60**	**1,521.45**
	A+B+C	**0.08**	**1,369.72**	**2,410.53**	**2,199.95**	**1,983.02**	**1,655.50**
D	**Liabilities and Provisions**						
	Secured loans	-	-	-	5.89	235.81	196.25
	Current liabilities and provisions	0.06	371.16	617.84	459.04	307.55	139.47
	Deferred tax liability – net	-	-	8.90	1.47	-	-
		0.06	371.16	626.74	466.40	543.36	335.72
	Net worth (A+B+C-D)	**0.02**	**998.56**	**1,783.79**	**1,733.55**	**1,439.66**	**1,319.78**
E	**Represented by**						
	(i) Share capital						
	- Equity share capital	0.20	59.92	99.99	99.99	99.99	99.99
	- Share application money	-	572.20	-	-	-	-
		0.20	632.12	99.99	99.99	99.99	99.99
	(ii) Reserves and surplus						
	- Securities premium	-	368.09	1,629.94	1,629.94	1,629.94	1,629.94
	- Profit and loss account	(0.18)	(1.65)	53.86	3.62	(290.27)	(410.15)
		(0.18)	366.44	1,683.80	1,633.56	1,339.67	1,219.79
	Less: Revaluation reserve	-	-	-	-	-	-
	Reserves (Net of Revaluation Reserves)	(0.18)	366.44	1,683.80	1,633.56	1,339.67	1,219.79
	Net worth	**0.02**	**998.56**	**1,783.79**	**1,733.55**	**1,439.66**	**1,319.78**

Note: To be read together with summary of significant accounting policies (Annexure XIV) and Notes to statement of restated profit and loss and restated assets and liabilities (Annexure XV).

Shringar Films Private Limited

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Annexure XIV

1. Basis of preparation of financial statements

The financial statements are prepared and presented under the historical cost convention, on the accrual basis of accounting, and in accordance with the provisions of the Companies Act, 1956 and comply with the Accounting Standards issued by The Institute of Chartered Accountants of India, to the extent applicable. For the six months ended 30 September 2004, the Company has adopted AS 25 – 'Interim Financial Reporting' ('AS 25') and has presented a complete set of financial statements as stipulated in paragraphs 10, 18 and 44 of the Standard.

The preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) requires that management makes estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as of the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

2. Fixed assets

Intangible assets

Film rights comprise negative rights and distribution rights.
Negative rights are generally exploited through media such as theatrical exhibition, television/ satellite, cable, etc. The cost of negative rights comprises its purchase price.

Distribution rights in films are for a contractually specified mode of exploitation, period and territory and are stated at cost less accumulated amortisation. Cost is ascertained on specific identification basis where possible. In case multiple films/ rights are acquired for a consolidated amount, cost is allocated to each film/ right based on managements' best estimates.

Cost of distribution rights comprises original purchase price / minimum guarantee, net of contributions by joint venture partners. In respect of unreleased films, payments towards films rights are classified under capital advances and contributions of joint venture partners are classified under current liabilities, as the amounts are refundable in the event of non-release of the film. Cost of film rights (net of advances) in respect of unreleased films is disclosed as capital commitments.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the fixed assets.

3. Depreciation and amortisation

Intangible assets

Cost of film rights is amortised in the ratio that current gross revenues bear to the total estimated gross revenues. Total estimated gross revenues represent useful life of the film rights and are determined by the management based on the expected pattern of income flow. If estimates of total revenues and other events or changes in circumstances indicate that a right has a fair value that is less than its unamortised cost, a loss is recognised for the excess of unamortised cost over the film right's fair value.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Annexure XIV

Tangible fixed assets

Depreciation on tangible fixed assets is provided pro-rata to the period of use, under the written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956, which in management's opinion reflects the estimated useful economic lives of fixed assets.

Individual assets costing upto Rs 5,000 are depreciated fully in the year of acquisition.

4. Investments

Long-term investments are carried at cost. Provision is made where necessary for any decline, other than temporary, in the carrying value of such investments.

Current investments are carried at the lower of cost and fair value.

Where the dividends are reinvested in units of mutual funds, the reinvestment is treated as purchase and added to the cost of the investment.

5. Revenue recognition

Revenue from theatrical exploitation of film rights, comprising proceeds from sales of tickets, net of taxes and exhibitor's share, is recognised on the date of exhibition of the film. As the Company is the primary obligor in respect of the distribution activity, the share of producers, joint venture partners (other than those in jointly controlled assets) and sub-agents/sub-distributors is included in revenues from theatrical exploitation, and is correspondingly disclosed as direct cost.

Revenue from non-theatrical exploitation of film rights is recognised on the date of availability of these rights to the licensee.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis.

6. Jointly controlled assets

Jointly controlled assets comprise film rights in respect of which both financial and operating control is exercised jointly with another venturer. The Company recognises its share of jointly controlled assets, any liability that it incurs and receivables that accrue, and only its share of income and expenses related to the venture.

7. Retirement benefits

Eligible employees receive benefits from a provident fund, which is a defined contribution scheme. Both, the employees and the Company make monthly contributions to this scheme equal to a specified percentage of the covered employee's salary. Contributions to provident fund are made to the Government administered provident fund schemes and charged to the profit and loss account. The company has no further obligations under the provident fund plan beyond its monthly contributions.

Gratuity benefits, which are defined benefits, provide a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's last drawn salary and the tenure of employment. Liabilities with regard to gratuity benefits are determined by actuarial valuation carried out by an independent actuary at the balance sheet date.

The liability for leave encashment is based on an actuarial valuation carried out by an independent actuary at the balance sheet date.

8. Leases

Assets taken on operating leases
Lease rentals in respect of assets acquired on operating lease are charged-off to the profit and loss account as incurred.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Annexure XIV

9. Foreign currency transactions

Foreign currency transactions are recorded at exchange rates prevailing on the date of the transaction. The difference between the actual rate of settlement and the rate on the date of transaction, in the case of:

- revenue transactions, is charged or credited to profit and loss account ; and
- import of fixed assets, is adjusted in the carrying value of the fixed assets.

Current assets and liabilities at the balance sheet date other than those incurred for acquisition of fixed assets, are translated at the exchange rates prevailing on the balance sheet date and the overall net gain or loss if any, is credited/charged to profit and loss account. In respect of liabilities incurred for acquisition of fixed assets, the net gain or loss on such conversion is adjusted in the carrying value of the related assets.

10. Taxation

Income-tax expense comprises current tax expense and deferred tax expense or credit.
Current tax provision, as per the Income Tax Act, 1961, is made based on the tax liability computed after considering tax allowances and exemptions at the balance sheet date. Deferred tax liability or asset is recognized for timing differences between the profits / losses offered for income taxes and profits / losses as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain are be realized.

11. Earnings per share

In determining earnings per share, the Company considers the net profit after tax and includes the post tax effect of any extraordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which have been subsequently allotted against share application money.

12. Contingencies

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

Annexure XV

Notes to statements of restated profit and loss (Annexure XII) and restated assets and liabilities (Annexure XIII)(Rs in Lacs)

	Adjustments [(income) / expense] in Statement of Profit and Loss arising out of:	For the period from 19 April 1999 to 31 March 2000	Year ended 31 March 2001	Year ended 31 March 2002	Year ended 31 March 2003	Year ended 31 March 2004	6 months ended 30 September 2004
A	**Changes in accounting policies**						
	(a) Accounting for preliminary and share issue expenses (refer Note 1)	0.11	1.86	(1.97)	-	-	-
	Effect of adjustments on tax						
	(a) Provision for tax	-	-	-	-	-	-
	(b) Deferred tax	-	-	-	-	-	-
B	**Regroupings (refer Note 2)**						
	(a) Theatrical distribution and TV/Sattelite rights	-	(0.18)	-	-	-	-
	(b) Programming costs	-	0.18	-	-	-	-

(Rs in Lacs)

	Cumulative effect of above [increase/ (decrease)] in Statement of Assets and Liabilities:	As at 31 March 2000	As at 31 March 2001	As at 31 March 2002	As at 31 March 2003	As at 31 March 2004	As at 30 September 2004
A	**Changes in accounting policies**						
	i Reserves and surplus	(0.11)	(1.97)	-	-	-	-
	ii Miscellaneous expenditure to the extent not written-off (refer Note 1)	(0.11)	(1.97)	-	-	-	-
B	**Regroupings (refer Note 2)**						
	Share application money received	-	572.20	-	-	-	-
	Capital work in progress/ advances	-	391.83	-	-	-	-
	Current Assets, Loans and advances	-	(391.83)	-	-	-	-
	Current liabilities and provisions	-	(572.20)	-	-	-	-

Notes:

1) Upto the year ended 31 March 2001, preliminary and share issue expenses were being amortised over a period of 5 years and the unamortised balance was carried forward under the head 'Miscellaneous expenditure to the extent not written off'. During the year ended 31 March 2002, the Company changed its accounting policy and wrote off the entire unamortised balance of preliminary and share issue expenses.
2) Figures have been regrouped for consistency of presentation.

Swanston Multiplex Cinemas Private Limited

Annexure XVI

Statement of restated profit and loss (Rupees in lacs)

Particulars	For the period from 11 October 2001 to 31 March 2002	Year ended 31 March 2003	Year ended 31 March 2004	6 months ended 30 September 2004
Income				
Theatrical revenues	-	1,567.53	1,916.94	1,040.07
Other income	-	34.81	51.90	18.39
Total	**-**	**1,602.34**	**1,968.84**	**1,058.46**
Expenditure				
Direct cost	-	467.19	566.22	284.80
Personnel cost	-	62.70	113.44	59.59
Operating cost	-	415.59	565.88	313.76
Depreciation	-	98.57	101.81	48.33
Interest	-	89.28	63.47	18.31
Miscellaneous expenditure written-off	-	13.36	-	-
Total	**-**	**1,146.69**	**1,410.83**	**724.78**
Adjusted profit/(loss) before tax and extra-ordinary items	**-**	**455.65**	**558.01**	**333.68**
Provision for tax				
- Current tax	-	(134.10)	(182.20)	(117.57)
- Deferred tax (charge)/release	-	(35.95)	(15.74)	(5.71)
Adjusted profit/(loss) before extra-ordinary items	**-**	**285.60**	**360.07**	**210.40**
Extra-ordinary items	-	-	-	-
Net profit/(loss) after adjustment and extra-ordinary items	**-**	**285.60**	**360.07**	**210.40**
Profit/(loss) balance brought forward	-	-	7.64	7.95
Profit/(loss) balance available for appropriation	**-**	**285.60**	**367.71**	**218.35**
Appropriations				
Transfer to General reserve	-	28.64	36.10	20.87
Interim dividend	-	221.00	159.90	75.00
Final dividend	-	-	127.00	-
Tax on dividend	-	28.32	36.76	10.13
Balance carried forward to Balance sheet	**-**	**7.64**	**7.95**	**112.36**

Note: To be read together with summary of significant accounting policies (Annexure XVIII) and Notes to statement of restated profit and loss and restated assets and liabilities (Annexure XIX).

Swanston Multiplex Cinemas Private Limited

Annexure XVII

Statement of restated assets and liabilities (Rupees in lacs)

	Particulars	As at 31 March 2002	As at 31 March 2003	As at 31 March 2004	As at 30 September 2004
A	**Fixed Assets**				
	(i) Gross block	-	893.71	927.96	944.94
	Less: Accumulated depreciation	-	98.57	200.38	248.71
	Net block	-	795.14	727.58	696.23
	Less: Revaluation reserve	-	-	-	-
	Net block after adjustment for Revaluation reserve	-	795.14	727.58	696.23
	(ii) Capital work-in-progress/advances	685.70	-	-	-
	Net block	**685.70**	**795.14**	**727.58**	**696.23**
B	**Investments**	**-**	**239.78**	**-**	**-**
C	**Current assets, Loans and advances**				
	(i) Inventories	-	0.64	2.16	1.96
	(ii) Sundry debtors	-	4.31	20.07	30.96
	(iii)Cash and bank balances	37.78	132.44	123.91	78.71
	(iv)Loans and advances	2.09	160.88	553.51	615.34
	(v) Other current assets	-	-	-	-
	(vi)Miscellaneous expenditure to the extent not written-off	13.36	-	-	-
		53.23	**298.26**	**699.65**	**726.96**
	A+B+C	**738.93**	**1,333.18**	**1,427.23**	**1,423.19**
D	**Liabilities and Provisions**				
	Secured loans	514.49	410.14	312.97	262.67
	Current liabilities and provisions	103.44	539.82	680.89	596.16
	Deferred tax liability - net	-	35.94	51.68	57.39
		617.93	**985.90**	**1,045.54**	**916.23**
	Net worth (A+B+C-D)	**121.00**	**347.28**	**381.69**	**506.97**
E	**Represented by**				
	(i) Share capital				
	- Equity share capital	1.00	1.00	78.00	78.00
	- Share application money	120.00	310.00	-	-
		121.00	311.00	78.00	78.00
	(ii) Reserves and surplus				
	- Securities premium	-	-	231.00	231.00
	- General reserve	-	28.64	64.74	85.61
	- Profit and loss account	-	7.64	7.95	112.36
		-	36.28	303.69	428.97
	Less: Revaluation reserve	-	-	-	-
	Reserves (Net of Revaluation reserve)	-	36.28	303.69	428.97
	Net worth	**121.00**	**347.28**	**381.69**	**506.97**

Note: To be read together with summary of significant accounting policies (Annexure XVIII) and Notes to statement of restated profit and loss and restated assets and liabilities (Annexure XIX).

Summary of significant accounting policies
Annexure XVIII

1 Basis of preparation of financial statements

The financial statements are prepared and presented under the historical cost convention, on the accrual basis of accounting, and in accordance with the provisions of the Companies Act, 1956 and comply with the Accounting Standards issued by The Institute of Chartered Accountants of India, to the extent applicable. For the six months period ended 30 September 2004 the Company has adopted AS 25 – 'Interim Financial Reporting' ('AS 25') and has presented a complete set of financial statements as stipulated in paragraphs 10, 18 and 44.

The preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) requires that management makes estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

2 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the fixed assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

Depreciation on fixed assets relating to the multiplex is provided pro-rata to the period of use, under the straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956, except for those listed below, which, in management's opinion, reflects the estimated useful economic lives of fixed assets.

Useful lives being followed by the Company that is shorter than that prescribed under Schedule XIV to the Companies Act, 1956 are as summarized as below:

Particulars	**Useful life in years**
Leasehold improvements	10 years
Computer software	1 year
Furniture and fixtures	10 years
Plant and machinery and equipment	10 years

Depreciation on other fixed assets is provided pro-rata to the period of use, under the written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956, which in management's opinion reflects the estimated useful economic lives of fixed assets.

Individual assets costing upto Rs 5,000 are depreciated fully in the year of acquisition.

Annexure XVIII

3 Investments

Long-term investments are carried at cost. Provision is made when in management's opinion there is a decline, other than temporary, in the carrying value of the investments.

Current investments are carried at lower of cost and fair value.

Where the dividends are reinvested in units of mutual funds, the reinvestment is treated as purchase and added to the investment cost.

4 Revenue recognition

The Company enters into weekly arrangements with the distributors for exhibition of films at the Multiplex.

Revenue from theatrical exhibition is recognised on the date of exhibition of the films and comprise proceeds from sales of tickets, net of taxes. As the Company is the primary obligor with respect to exhibition activities, the share of distributors in these proceeds is disclosed as programming costs.

Revenues from food and beverage sales are recognised at the point of sale at the counter.

Revenue from advertisements is recognized on the date of the exhibition of the advertisement or over the period of the contract, as applicable.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on time proportion basis.

5 Retirement benefits

Liabilities with regard to gratuity benefits and leave encashment are determined by actuarial valuation carried out by an independent actuary at the balance sheet date.

6 Foreign currency transactions

Foreign currency transactions are recorded at exchange rates prevailing on the date of the transaction. The difference between the actual rate of settlement and the rate on the date of the transaction, in the case of:

- revenue transactions, is charged or credited to profit and loss account; and
- import of fixed assets, is adjusted in the carrying value of related fixed assets.

Current assets and liabilities at the balance sheet date other than those incurred for acquisition of fixed assets, are translated at the exchange rates prevailing on the balance sheet date and the overall net gain or loss if any, is credited/charged to profit and loss account. In respect of liabilities incurred for acquisition of fixed assets, the net gain or loss on such conversion is adjusted in the carrying value of the related assets.

7 Preliminary expenses

Preliminary expenses incurred in connection with formation of the Company and issue of shares are written off in the year of commencement of operations.

8 Taxation

Income-tax expense comprises current tax expense and deferred tax expense or credit.

Current tax provision, as per the Income Tax Act, 1961, is made based on the tax liability computed after considering tax allowances and exemptions at the Balance sheet date. Deferred tax liability or asset is recognized for timing differences between the profits / losses offered for income taxes and profits / losses as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted at the Balance sheet date.

Annexure XVIII

Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each Balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain to be realized.

9 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the First-in; First-out basis.

10 Leases

Assets taken on operating lease
Lease rentals in respect of assets acquired on operating lease are charged off to the profit and loss account as incurred.

Assets taken on finance lease
Assets taken on finance lease are recognized as assets in the books and correspondingly liability is created. Such assets are being written off over the period of the lease.

11 Barter transactions

Revenues from barter transactions involving exchange of advertisement time/space for tickets are recognized at fair values.

12 Earnings per share

Basic and diluted earnings per share, is computed by dividing the net profit / loss, after tax and the post tax effect of any extraordinary items, by the number of shares outstanding during the year. The number of shares comprises weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares which have been subsequently allotted against share application money.

13 Contingencies

Loss contingencies arising from claims, litigation, assessment, fines, penalties, etc are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

Annexure XIX

Notes to statements of restated profit and loss (Annexure XVI) and restated assets and liabilities (Annexure XVII)

(Rupees in Lacs)

	Adjustments [(income)/expense] in Statement of Profit and Loss arising out of:	For the period from 11 October 2001 to 31 March 2002	Year ended 31 March 2003	Year ended 31 March 2004	6 months ended 30 September 2004
A	**Changes in accounting policies**				
	(a) Depreciation (refer Note 1)	-	1.20	1.49	(2.69)
	Effect of adjustments on tax				
	(a) Deferred tax	-	(0.44)	(0.52)	0.96
B	**Regroupings (refer Note 2)**				
	(a) Theatrical revenues	-	(9.90)	-	-
	(b) Other income	-	9.90	-	-

(Rupees in Lacs)

	Cumulative effect of above [increase/ (decrease)] in Statement of Assets and Liabilities:	As at 31 March 2002	As at 31 March 2003	As at 31 March 2004	As at 30 September 2004
A	**Changes in accounting policies**				
	i Reserves and surplus	-	(0.76)	(1.73)	-
	ii Deferred tax liability	-	(0.44)	(0.96)	-
	iii Fixed assets - net block	-	(1.20)	(2.69)	-

Note:

1) Upto the previous year ended 31 March 2004, depreciation on assets not relating to the multiplex was charged pro-rata to the period of use under the straight line method at the rates prescribed in Schedule XIV to the Companies Act, 1956. During the six months ended 30 September 2004, in order to align the Company's depreciation policy with that of the parent/group, the Company changed the method of depreciation in respect of assets not relating to the multiplex to written down value basis with retrospective effect.
2) Figures have been regrouped for consistency of presentation.

Shringar Cinemas Limited

(formerly Shringar Cinemas Private Limited)

Annexure XX

Statement of consolidated restated profit and loss (Rupees in Lacs)

Particulars	**Year ended 31 March 2003**	**Year ended 31 March 2004**	**6 months ended 30 September 2004**
Income			
Programming	440.36	290.50	55.42
Theatrerical revenues	1,435.80	1,916.94	1,093.62
Distribution revenue	-	10.69	267.06
Other income	56.30	81.72	31.60
Total	**1,932.46**	**2,299.85**	**1,447.70**
Expenditure			
Direct cost	832.14	832.65	589.87
Personnel cost	75.86	149.01	160.80
Operating cost	442.55	666.97	537.01
Depreciation	92.49	110.76	77.84
Interest	80.23	63.46	52.36
Total	**1,523.27**	**1,822.85**	**1,417.88**
Adjusted profit/(loss) before tax and extra-ordinary items	**409.19**	**477.00**	**29.82**
Provision for Tax			
- Current tax	130.60	182.20	117.57
- Deferred tax charge/(release)	35.14	12.00	38.43
Adjusted profit/(loss) before extra-ordinary items	**243.45**	**282.80**	**(126.18)**
Minority share of profit	**121.16**	**161.61**	**100.12**
Extra-ordinary items (net of tax)	-	-	-
Net profit/(loss) after adjustment and extra-ordinary items	**122.29**	**121.19**	**(226.30)**
Profit/ (Loss) brought forward from previous year	**3.83**	**69.16**	**117.39**
Profit/(loss) balance available for appropriation	**126.12**	**190.35**	**(108.91)**
Appropriations			
Transferred to general reserves	28.64	36.10	20.87
Tax on dividend	28.32	36.76	10.13
Transfer to Capital redemption reserve	-	0.10	-
	56.96	72.96	31.00
Balance carried forward to Balance Sheet	**69.16**	**117.39**	**(139.91)**

Note:
To be read together with notes to consolidated restated profit and loss and consolidated restated assets and liabilities.

Shringar Cinemas Limited
(formerly Shringar Cinemas Private Limited)

Annexure XXI

Statement Of Consolidated Restated Assets And Liabilities **(Rupees in Lacs)**

		Particulars	As at 31 March 2003	As at 31 March 2004	As at 30 September 2004
A	**Fixed assets :**				
	(i)	Gross block	929.92	3,393.36	4,625.64
		Less : Accumulated depreciation	105.32	2,482.78	2,556.14
		Net block	824.60	910.58	2,069.50
		Less : Revaluation reserve	-	-	-
		Net block after adjustment for Revaluation reserve	824.60	910.58	2,069.50
	(ii)	Capital work in progress/ advances	72.47	429.59	736.44
	Net block		**897.07**	**1,340.17**	2,805.94
B	**Goodwill on consolidation**		**-**	**466.13**	**466.13**
C	**Investments**		**498.29**	**250.01**	**262.01**
D	**Current assets, loans and advances**				
	(i)	Inventories	0.64	2.16	4.29
	(ii)	Sundry debtors	30.19	148.79	105.00
	(iii)	Cash and bank balances	136.60	325.81	212.23
	(iv)	Loans and advances	297.10	2,226.36	2,384.46
	(v)	Interest accrued	6.30	19.43	6.04
	(vi)	Other current assets	-	-	-
			470.83	**2,722.55**	**2,712.02**
	A+B+C+D		**1,866.19**	**4,778.86**	**6,246.10**
E	**Liabilities and provisions**				
	Secured loans		417.53	752.08	1,246.29
	Unsecured loans		-	317.09	883.00
	Current liabilities and provisions		435.65	927.29	1,497.67
	Deferred tax liability - net		36.08	48.10	86.54
			889.26	2,044.56	3,713.50
F	**Minority interest**		284.13	254.29	253.43
	E+F		**1,173.39**	**2,298.85**	**3,966.93**
	Networth (A+B+C+D-E-F)		**692.80**	**2,480.01**	**2,279.17**

Shringar Cinemas Limited

(formerly Shringar Cinemas Private Limited)

Annexure XXI

Statement Of Consolidated Restated Assets And Liabilities *(Continued)* **(Rupees in Lacs)**

G	**Represented by**				
	(i)	Share Capital			
		- Equity share capital	10.00	438.91	2,333.30
		- Share application money	145.00	-	-
		- Preference share capital	-	-	-
			155.00	**438.91**	**2,333.30**
	(ii)	Reserves and surplus			
		- General reserve	28.64	64.74	85.61
		- Capital reserve on consolidation	*	*	*
		- Capital redemption reserve	-	0.10	0.10
		- Securities premium	440.00	1,858.87	0.07
		- Profit and loss account	69.16	117.39	(139.91)
			537.80	2,041.10	(54.13)
	Less: Revaluation reserve		-	-	-
	Reserves (Net of revaluation reserves)		537.80	2,041.10	(54.13)
	Networth		**692.80**	**2,480.01**	**2,279.17**

Note:

To be read together with notes to consolidated restated profit and loss and consolidated restated assets and liabilities.

* indicates balance less than Rs 500

Annexure XXII

Notes to consolidated restated statement of profit and loss and consolidated restated assets and liabilities

The consolidated restated statement of assets and liabilities and profit and loss ('consolidated summary statements') include the financial statements of Shringar Cinemas Limited (formerly Shringar Cinemas Private Limited) ('SCL' or 'the Parent Company') and its subsidiaries and joint ventures. The subsidiaries considered in the consolidated summary statements are summarised below:

Name of the subsidiary	Country of incorporation	% shareholding	Consolidated from
Shringar Films Private Limited ('SFPL')	India	100.00	27 March 2004
Swanston Multiplex Cinemas Private Limited ('SMCPL')	India	50.01	14 June 2002 (refer Note 1)

The joint ventures considered in the consolidated summary statements are summarised below:

Name of the venture	Country of incorporation	Consolidated from
Swanston Multiplex Cinemas Private Limited ('SMCPL')	India	refer Note 1
Odeon Shringar Multiplex Cinemas Private Limited ('OSMCPL')	India	26 June 2002 to 11 August 2004

These consolidated summary statements are prepared solely for the purpose of their inclusion in the draft offer document, in accordance with the principles and procedures prescribed by Accounting Standard 21- "Consolidated Financial Statements" ('AS-21') issued by the Institute of Chartered Accountants of India ('ICAI') for the purpose of preparation and presentation of consolidated financial statements.

The consolidated summary statements have been extracted by management based on the restated financial statements of the Parent Company (refer Annexures I and II) and its subsidiaries (refer Annexures XII, XIII, XVI and XVII) for the respective years, unaudited non-restated financial statements of the joint venture OSMCPL and management's identification of intra-group transactions for elimination in full (refer Note 4 below).

The financial statements of the Parent Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and resulting unrealized profits in full. Unrealized losses resulting from intra-group transactions have also been eliminated unless cost cannot be recovered in full. The amounts shown in respect of accumulated reserves comprise the amount of the relevant reserves as per the balance sheet of the Parent Company and its share in the post acquisition increase/decrease in the relevant reserves/accumulated deficit of its subsidiaries.

The financial statements of the Company and its joint ventures have been combined using proportionate consolidation whereby the Parent Company's share of each of the assets, liabilities, income and expenses is included.

Consolidated summary statements are prepared using uniform accounting policies across the Group.

Notes

1 SMCPL was incorporated in October 2001 as a subsidiary of SCL. In February 2002, SCL divested its stake in SMCPL and held 50% of its share capital as at 5 April 2002, the date of commencement of commercial operations of SMCPL. Pursuant to a Shareholders' Agreement ('SHA') dated 14 June 2002, it was agreed that SCL would hold 50.01% of the share capital of SMCPL effective that date. However, due to delays in effecting the above shareholding pattern, the shareholding pattern as envisaged in the

Annexure XXII

Notes to consolidated restated statement of profit and loss and consolidated restated assets and liabilities ***(Continued)***

SHA was achieved only on 8 March 2003. However, operating control continued to vested with SCL during this period in line with the SHA. Accordingly, for the purpose of these consolidated summary statements and in line with the SHA, SMCPL has been considered as a subsidiary effective 14 June 2002 and a joint venture upto that date.

2 Accounting Standard -27 'Financial Reporting of Interests in Joint Ventures' issued by ICAI, earlier stated that where an enterprise by a contractual arrangement establishes joint control over an entity which is a subsidiary of that enterprise within the meaning of AS-21, the entity is not consolidated under AS - 21, but is treated as a joint venture as per this Statement. The Standard was revised effective accounting periods commencing 1 April 2004 so as to permit consolidation despite any contractual arrangement referred to above. However, for the purpose of uniformity and comparability of summary statements across the various periods, the revision to AS -27 has been given effect to retroactively.

3 Statement of eliminations

(Rupees in Lacs)

Eliminations [(income)/ expense]	**Year ended 31 March 2003**	**Year ended 31 March 2004**	**6 months ended 30 September 2004**
Elimination of Income:			
Other income	-	190.49	118.83
Distribution revenue	-	-	7.21
Elimination of Expenditure :			
Direct cost	-	-	7.21
Operating cost	-	-	4.20
Interest	-	-	2.41
Depreciation	-	-	0.04
Appropriations:			
Final dividend	221.00	127.00	-
Interim dividend	-	159.90	75.00
Eliminations [increase/ (decrease)]			
Fixed assets :			
Gross block	-	-	(7.53)
Less: Accumulated depreciation	-	-	(0.04)
Net block	-	-	(7.49)
Capital work in progress/ advances	-	-	(3.66)
Goodwill on consolidation	-	466.13	466.13
Investments	(155.50)	(2,062.48)	(2,062.48)
Current assets, loans and advances			
Sundry debtors	-	(5.14)	(0.14)
Loans and advances	(1.91)	(691.00)	(696.03)
Liabilities and provisions			
Unsecured loans	-	(691.00)	(671.00)
Current liabilities and provisions	(222.91)	(132.14)	(25.17)
Share Capital			
- Equity share capital	(1.00)	(78.00)	(177.99)
- Share application money	(310.00)	-	-
- Preference share capital	-	(0.10)	(0.10)
Reserves and surplus			
- Securities premium	-	(231.00)	(1,860.94)

Statement of unaudited pro-forma information

Set out below is the the unaudited combined statement of profit and loss ('pro-forma information') of Shringar Cinemas Limited ('SCL' or 'the Parent Company') and its subsidiaries and joint ventures. The pro-forma information has been presented so as to reflect the performance of the group as a whole by including the distribution results of Shringar Films Private Limited even for the period when it was not a subsidiary of SCL (refer Note 4 below).

(Rupees in Lacs)

Particulars	**Year ended 31 March 2001**	**Year ended 31 March 2002**	**Year ended 31 March 2003**	**Year ended 31 March 2004**	**Six months ended 30 September 2004**
Income					
Theatrical distribution & TV/sattelite rights	12.81	1,974.51	2,248.86	2,691.56	267.06
Programming	95.37	290.23	440.36	290.50	55.42
Theatrical exhibition					
- Theatrical exhibition	-	-	1,054.07	1,406.94	780.32
- Concession F & B	-	-	323.33	392.24	234.40
- Advertisement	-	-	58.40	106.44	72.85
- Pouring rights	-	-	9.90	11.32	6.05
Other income	1.36	66.54	85.62	117.65	31.60
Total	**109.54**	**2,331.28**	**4,220.54**	**5,016.65**	**1,447.70**
Expenditure					
Direct cost					
- Theatrical distribution	11.93	1,448.16	1,785.98	1,514.78	248.18
- Programming	89.09	167.32	294.72	190.95	45.52
- Theatrical exhibition	-	-	358.11	482.83	296.17
Personnel cost	-	54.16	135.01	226.05	160.80
Operating cost	7.52	155.94	648.93	876.77	537.01
Depreciation	0.75	427.69	566.05	1,478.08	77.84
Interest	-	-	80.23	63.47	52.36
Total	**109.29**	**2,253.27**	**3,869.03**	**4,832.93**	**1,417.88**
Adjusted profit/(loss) before tax and extra-ordinary items	**0.25**	**78.01**	**351.51**	**183.72**	**29.82**
Provision for Tax					
- Current tax	0.98	9.23	130.60	182.20	117.57
- Deferred tax charge/(release)	(0.15)	9.01	27.71	10.55	38.43
Adjusted profit/(loss) before extra-ordinary items	**(0.58)**	**59.77**	**193.20**	**(9.03)**	**(126.18)**
Extra-ordinary items (net of tax)	-	-	-	-	-
Net profit/(loss) before minority interest and appropriation	**(0.58)**	**59.77**	**193.20**	**(9.03)**	**(126.18)**

Notes

1. The subsidiaries and joint ventures considered in the pro-forma information are:

Name of the subsidiary	% shareholding	Combined from
Shringar Films Private Limited ('SFPL')	100.00	1 April 2002 (refer Note 1)
Swanston Multiplex Cinemas Private Limited ('SMCPL')	50.01	14 June 2002 (refer Note 2)

Name of the venture	Combined from
Swanston Multiplex Cinemas Private Limited ('SMCPL')	refer Note 2
Odeon Shringar Multiplex Cinemas Private Limited ('OSMCPL')	26 June 2002 to 11 August 2004

2. The restated statements of profit and loss of the Parent Company and its subsidiaries have been combined after eliminating intra-group transactions and resulting unrealized profits in full. Unrealized losses resulting from intra-group transactions have also been eliminated unless cost cannot be recovered in full.

3. The financial statements of joint ventures have been combined on a proportionate basis to the extent of the Parent Company's share in the income and expenses.

4. By virtue of restructuring of the group, SFPL (the erstwhile holding company of SCPL) became a subsidiary of SCPL effective 27 March 2004. However, for the purpose of this pro-forma information, it has been considered as a subsidiary effective 1 April 2002 so as to reflect the performance of the group as a whole by including the distribution results for the respective years.

5. SMCPL was incorporated in October 2001 as a subsidiary of SCPL. In February 2002, SCPL divested its stake in SMCPL and held 50% of its share capital as at 5 April 2002, the date of commencement of commercial operations of SMCPL. Pursuant to a Shareholders' Agreement ('SHA') dated 14 June 2002, it was agreed that SCPL would hold 50.01% of the share capital of SMCPL effective that date. However, due to delays in effecting the above shareholding pattern, the shareholding pattern as envisaged in the SHA was achieved only on 8 March 2003. However, operating control continued to vested with SCPL during this period in line with the SHA. Accordingly, for the purpose of this pro-forma information and in line with the SHA, SMCPL has been considered as a subsidiary effective 14 June 2002 and a joint venture upto that date.

SECTION VI: LEGAL AND REGULATORY INFORMATION

OUTSTANDING LITIGATION

There are no outstanding litigations against our Company, our subsidiaries, our Directors, our Promoters and our Promoter group disputes, tax liabilities, non payment of statutory dues, overdues to banks/ financial institutions, defaults against banks/ financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits and arrears on cumulative preference shares issued by our Company, defaults in creation of full security as per terms of issue/ other liabilities, proceedings initiated for economic/ civil/ any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956) against our Company, our subsidiaries, our Directors and our Promoters, except the following:-

A. CASES FILED AGAINST OUR COMPANY

Civil Cases

Opposition to our application for registration of "Star" logo under the Trade Marks Act, 1999.

Our Company filed an Application bearing No. 1103725 on May 10, 2002 in class 16 in respect of "Paper, cardboard and goods made from these materials (not included in other classes)." The said mark was advertised in the Trade Mark Journal No. 1306 (S) II dated November 2003 at page 552. The Company has been continuously, extensively and uninterruptedly being using the said mark since April 30, 2002. In response to the advertisement, one M/s. Eureka Forbes Limited ("Eureka") has filed a Notice of Opposition under section 21 (1) Rule 47 (2) of the Trade Marks Act, 1999, to oppose the grant of registration to the said mark in favour of the Company. The grounds of opposition amongst others are that the mark "Star" is identical to the logo used by Eureka and that our mark is neither distinctive nor capable of distinguishing the goods of our Company and hence the registration if granted will be contrary to the provisions of Section 9(1) (a) and 9 (2) (a) of the Trade Marks Act, 1999. Our Company has filed a Counter Statement dated May 15, 2004 in reply to the Notice of Opposition filed by Eureka. Both parties will have to lead evidence in support of their claims. The hearing of our Application and the Notice of Opposition would be taken up some in April/ May 2005.

B. CASES FILED BY OUR COMPANY

Civil Cases

Suit for specific performance of contractual obligations

Our Company has filed suit No. 160/2004 before the 5th Court of Civil Judge (Senior Division), Alipore, Kolkata against Calcutta Metropolitan Group Limited ("**CMG Limited**") seeking specific performance of the obligations agreed to under a Letter of Intent or alternatively for damages amounting to Rs. 17,10,34,047. In terms of the Letter of Intent, our Company was to operate a multiplex in an entertainment complex constructed by CMG Limited.

Our Company has obtained an ex-parte interim injunction from the Civil Judge (Senior Division) on September 29, 2004, restraining CMG Limited from alienating, transferring or encumbering the aforesaid property pending final decision of the Court. An appeal was preferred by CMG Limited against the order of the Civil Judge (Senior Division) before the Calcutta High Court. The Calcutta High Court by its order dated October 14, 2004, whilst disposing the appeal restrained CMG Group from appointing any operator without the leave of the Trial Court. However at the same time the Court has allowed CMG Group to negotiate with operators but no operator can be appointed without the leave of the Trial Court. The High Court had peremptorily fixed hearing of the interim application before the Trial on 16th November 2004 and the same is being heard from time to time. In the mean time the interim injunction granted by the Civil Judge (Senior Division) on September 29, 2004 continues till date, subject to the order of the High Court.

C. LITIGATION AGAINST OUR DIRECTORS

Criminal Cases

1. M/s. Nimit Realtors Private Limited ("NRPL"), through its Joint Managing Director Mr. Abbas Abdulla Igatpuriwala ("complainant"), has filed Criminal Case No. 65 of 2003 before the Additional Chief Metropolitan Magistrate's Court No. 23rd, Esplanade Court, Bombay against Hardcastle Restaurants Private Limited ("HRPL") and Mr. Amit Jatia, by virtue of being its Managing Director, and Mr. Behrooz Khosnvi, owner of "New Empire Restaurant" at 18, D.N.Road, 'Empire Building', Fort, Mumbai-400001. The case relates to a complaint under Section 420 of the Indian Penal Code,

whereby complainant has alleged that he had introduced HRPL, and Mr. Khosnvi, along with other co-owners of "New Empire Restaurant" for the purpose of opening a restaurant on Mr. Khosnvi's premises through either lease/outright sale/franchise basis and further alleges that the accused took no steps towards payment of brokerage charges. The complainant has prayed that a non-bailable warrant be issued against all the accused and that the Court issue a stringent process against all accused for causing a total loss of Rs. 75 Lacs by avoiding payment of the same to the complainant.

2. Criminal Case No. 9294 of 2004 filed by Food and Drug Regulation Department, Government of Gujarat, Ahmedabad, before the Chief Judicial Magistrate's Court, Navrangpura, Ahmedabad, on December 17, 2004, against Hardcastle Restaurants Private Limited ("HRPL") and Mr. Amit Jatia, by virtue of being Managing Director of HRPL. The accused have been informed vide letter dated December 20, 2004 from the Assistant Commissioner's Office, Food and Drug Regulation Department, Government of Gujarat, Ahmedabad, that on December 18, 2004, Mr. K.R. Patel, Food Inspector, collected a sample of strawberry shake from M/s. McDonald Restaurant Hardcastle Restaurant Private Limited, Rudra Point, Bopal-Satellite Cross Road, Mehmudpura, Ahmedabad, which was sent for testing to Public Analyst, Rajkot. The sample was found to be not as per the standard set by law. The accused have also been informed vide the letter that the next date of hearing for the case is on March 16, 2005 and if they want the sample to be re-checked, they may apply to the Chief Judicial Magistrate's Court, Navrangpura, within 10 days of receiving the letter.

D. CASES FILED AGAINST SFPL

Civil Cases

Suit filed by Metalight Productions Private Limited against SFPL

Metalight Productions Private Limited ("**Metalight**") has filed Suit No. 63/ 2003 before the High Court of Bombay against Indian Motion Pictures Distribution Association ("**IMPDA**") and Shringar Films Private Limited ("**SFPL**") and Ripples Pictures Entertainment Private Limited ("**RPEPL**"), for recovery of a sum of Rs. 13,00,000/- (jointly or severally) and for declaration that the award made by IMPDA in the settlement of a dispute between RPEPL and SFPL is illegal and not binding on the Metalight. Metalight sought a declaration that it is not liable to pay SFPL for the debts that RPEPL owes SFPL and sought a permanent mandatory injunction directing IMPDA to register the picture "Satta".

IMPDA's award stated that failure by RPEPL to pay SFPL the settlement amount of Rs. 48,32,807,23 along with interest of 24% p.a. and in the event of failure to pay the dues and till such time the entire claim is settled IMPDA shall not register in favour of any distributor exploitation rights in the picture "ROSHNI" or any other Picture in which RPEPL is connected directly or indirectly including picture being produced by Metalilght.

Metalight filed a Notice of Motion No. 87 of 2003 in Suit No. 63 of 2003 before the High Court of Bombay. The Court, by its order dated January 16, 2003 dismissed the notice of motion and held that IMPDA was correct in refusing registration of the film. Aggrieved by the order passed by the single Judge, Metalight preferred an appealed vide Appeal (Lodging) No. 62 of 2003 before the Division Bench of the same High Court. The Division Bench, comprising of Justice H.L.Gokhale and S.L.Vazifdar, by their order dated January 24, 2003, set aside the order of the learned Single Judge and directed that the Notice of Motion No. 87 of 2003 heard afresh by the Single Judge. The Division Bench further directed Metalight to furnish a Bank Guarantee of a Nationalised /Scheduled Bank in the sum of Rs. 30,00,000/- (Rupees 30 Lacs Only) within a period of 2 weeks from the Order. On Metalight furnishing the Bank Guarantee the IMPDA will not refuse to register the films produced by Metalight. Once the bank guarantee is furnished, SFPL shall give the No Objection to IMPDA for the registration of the films that are produced by Metalight. The Bank Guarantee will be held by the IMPDA till the further direction of the Trial Court (Single Judge) as may be given in the order of the Trial Court (Single Judge) to be passed on the final disposal of the said Notice of Motion 87 of 2003. After the furnishing of the guarantee the parties are free to move before the Single Judge to apply for the expeditious hearing of the Notice of Motion No. 87 of 2003. In the event of encashment of the Bank Guarantee and the payment of the amount thereunder to SFPL, IMPDA shall not register the films that are produced by RPEPL and/ or any of its directors till RPEPL pays to Metalight the amount that has been paid over to SFPL via the Bank Guarantee as also the balance decretal amount to SFPL.

Metalight has since furnished a Bank Guarantee dated Feburary 4, 2003 through Global Trust Bank of Rs. 30 Lacs as directed by the High Court of Bombay and requested the IMPDA to call for an urgent meeting of the picture registration committee for registering their picture "Satta". The Bank Guarantee has been renewed on April 30, 2004 with the last date of claim being November 3, 2004.

D. CASES FILED BY SFPL

Civil Cases

SFPL v. M/s. Sughand Productions Private Limited

SFPL has filed Execution Application No. 253 of 2004 dated May 5, 2004 for execution of an award against Sughand Productions Private Limited ("SPPL") in the High Court of Bombay.

The award dated December 19, 2003 is in favour of SFPL and the amount due under the said award is Rs. 47,94,622.56 (Rs.500 being the amount of cost awarded) along with further interest on Rs. 47,94,122.56 @24% p.a. from June 27, 2003 till the date of final payment.

The application for execution seeks the assistance of the Court by praying for issue of a warrant of attachment under Order 21, Rule 54 of Code of Civil Procedure ("CPC") for attaching right, title and interest of premises situated at 3/C, Rajpipla, 352 Linking Road, Santacruz (West), Mumbai-400054, and by issuing warrant of attachment under Order 21, Rule 43 of CPC for attaching furnitures, fixtures, fittings and all other attachable moveables, articles and things belonging to and in possession of SPPL at premises situated at 3/C, Rajpipla, 352 Linking Road, Santacruz (West), Mumbai-400054, and thereafter issuing warrant of sale for moveable and immoveable properties under Order 21, Rule 64 of CPC. The High Court has issued a warrant of attachment of immovable property under Order 21, Rule 54 of the CPC dated August 3, 2004.

F. LITIGATION AGAINST OUR PROMOTER/PROMOTER GROUP

There is no pending dispute/outstanding litigations against our Promoters or the Promoter group for any criminal offence, economic offence or otherwise and no other defaults to financial institutions and no other cases of non-payment of statutory dues, violation of statutory regulations or disputed tax liabilities.

GOVERNMENT APPROVALS

In view of the approvals listed below, we can undertake this Issue and current business activities and no further material approvals are required from any government authority for us to continue our activities.

Approvals for our business

At present we operate only in the state of Maharashtra. The approvals that we require to operate each Multiplex in the state of Maharashtra are the following:

(i) Registrations under the Bombay Shops & Establishments Act, 1948 for each theater and the shops located therein.

(ii) Licence for a cinema, from the Police Commissioner/District Magistrate under Section 3/ Rule 101 of the Bombay Cinema (Regulation) Act, 1953 for each screen in a Multiplex.

(iii) Licence from the Police Commissioner/District Magistrate, under Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966 for each screen of the Multiplex.

(iv) Certificate from the Executive Engineer, Public Works Department, Government of Maharashtra, under the Maharashtra Cinema Rules and Regulations, 1966, stating that the theater has been found fit for Public Amusement to exhibit cinema shows.

(v) No Objection Certificate from the Chief Fire Officer.

(vi) 'Licence to Work the Lift' under Rule 4 of Bombay Lift Rules, 1958 from the Office of the Chief Engineer (Electrical), Bombay Lift Department, Government of Maharashtra, Industries, Energy & Labour Department.

(vii) Licence for manufacture/sale/storage/distribution of "eatables" under Rule 5(3) of the Maharashtra Prevention of Food Adulteration Rules, 1962.

(viii) Premises Licence under Rule 109 of Rules for Licensing and Controlling Places of Public Amusement (other than Cinemas) and Performance for Public Amusement, including Cabaret Performances, Discotheques, Games, Melas and Tamashas, in Greater Bombay from the Mumbai Police Commissioner.

(ix) Licence for Games under Rule 200 of Rules for Licensing and Controlling Places of Public Amusement (other than Cinemas) and Performance for Public Amusement, including Cabaret Performances, Discotheques, Games, Melas and Tamashas, in Greater Bombay from the Mumbai Police Commissioner.

(x) Permission under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 to pay entertainment duty and surcharge due in respect of cinematograph for the given year.

(xi) Licence for putting up advertising hoardings under Rules 328 and 328A of the Bombay Municipal Corporation Act ("**BMC Act**").

(xii) Licence for Sale of Eatables, under Rules 394 and 412 of the BMC Act.

(xiii) Licence from Electric Inspector, Industry, Energy and Labour Department, Government of Maharashtra, stating that all electrical equipment is kept as required.

(xiv) Licence for storing cinematographic films issued under Rules 394 and 412 of the BMC Act.

(xv) No Objection Certificate from Health Officer, Brihan Mumbai Municipal Corporation, so far as public health is concerned with respect to theater.

In addition, we require the following registrations in the state of Maharashtra:

(i) Certificate under Rule 8 of the Bombay Sales Tax Rules, 1959.

(ii) Certificate of registration under Section 7(1)/7(2) of the Central Sales Tax Act, 1956.

The licenses required to conduct our business may vary from state to state. As and when we commence our operations in any other state, we would apply and obtain the relevant licenses for that state.

For some Multiplex projects, depending upon the agreement that we enter into with the builder/developer, the builder/developer is required to obtain all/some licences for the operation of the Multiplex.

The Licenses typically are valid till December 31 of every year, irrespective of the date of its issuance. Accordingly, certain licenses have expired on December 31, 2004. Our Company has made applications for their renewals which are pending with the concerned authority.

Status of the Approvals required for undertaking this Issue and current business

(a) We have obtained approvals for construction of our property at Thane. We have not applied for any other approvals nor received any other approvals for our proposed projects as mentioned under Objects of the Issue.

(b) We have obtained the following approvals in the state of Maharashtra:

1. **"Fame Adlabs", Oshiwara, Andheri Link Road, Andheri (West), Mumbai**

(i) Licences under Section 3 and Rule 101 of the Bombay Cinema (Regulation) Act, 1953 and Rule 108 of the Maharashtra Cinema (Regulation) Rules, 1966 dated April 1, 2002, valid till December 31, 2004. The Company has vide its letter dated December 10, 2004, applied for the renewal of the license.

(ii) Registration of the 5 screens as "theaters" under the Bombay Shops & Establishments Act, 1948, valid till December 31, 2007.

(iii) Registration of the 2 canteens as "shops" under the Bombay Shops & Establishments Act, 1948, valid till December 31, 2007.

(iv) Premises Licence dated May 27, 2002, valid till December 31, 2004 under Rule 109 of Rules for Licensing and Controlling Places of Public Amusement (other than Cinemas) and Performance for Public Amusement, including Cabaret Performances, Discotheques, Games, Melas and Tamashas, in Greater Bombay. The Company has vide its letter dated December 10, 2004, applied for the renewal of the license.

(v) Licence for Games dated May 27, 2002, valid till December 31, 2004 under Rule 200 of Rules for Licensing and Controlling Places of Public Amusement (other than Cinemas) and Performance for Public Amusement, including Cabaret Performances, Discotheques, Games, Melas and Tamashas, in Greater Bombay. The Company has vide its letter dated December 10, 2004, applied for the renewal of the license.

(vi) Certificate dated December 31, 2003 from Executive Engineer, North Mumbai Division, Public Works Department, Government of Maharashtra under the Maharashtra Cinema Rules, 1996, valid till December 31, 2004 stating that the theaters are fit for public amusement to exhibit cinema shows. The Company has vide its letter dated November 30, 2004 applied for the renewal of the license.

(vii) No Objection Certificate for renewal of licence for the year 2005, vide letter dated November 20, 2004, by the Chief Fire Officer, Mumbai Fire Brigade.

(viii) Licence to Work the Lift under Rule 4 of Bombay Lift Rules, 1958 for operation of 2 lifts at Fame Adlabs.

(ix) Licence dated August 8, 2002 under Rule 5(3) of the Maharashtra Prevention of Food Adulteration Rules, 1962 valid till December 31, 2006.

(x) Permission under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923, vide letter dated May 30, 2002, to pay entertainment duty and surcharge due in respect of cinematograph valid upto December 31, 2004. The Company has vide its letter dated November 30, 2004 applied for the renewal of the license.

(xi) Licence from Electric Inspector, Santacruz Inspection Division, Industry, Energy and Labour Department, Government of Maharashtra, vide letter dated December 9, 2004, stating that all electrical equipment is kept as required.

(xii) Licence for putting up advertising board for cinema posters, under Rules 328 and 328A of the BMC Act, vide letter dated August 19, 2003, valid upto July 31, 2005.

(xiii) Licence for putting up advertising board for cinema posters, under Rules 328 and 328A of the BMC Act, vide letter dated August 19, 2003, valid upto March 31, 2005.

(xiv) Licence for putting up neon sign board, under Rules 328 and 328A of the BMC Act, vide letter dated May 7, 2003, valid upto April 30, 2005.

(xv) Licence for Sale of Eatables, under Rules 394 and 412 of the BMC Act, vide letter dated December 17, 2004, valid upto December 31, 2005.

(xvi) No Objection Certificate from District Health Officer, Public Health Department, Brihanmumbai Municipal Corporation, vide letter dated December 24, 2004, so far as public health is concerned with respect to theater (valid till December 31, 2005).

(xvii) Eligibility Certificate for entertainment tax exemption, vide letter dated May 28, 2002, from Additional Collector, Mumbai Suburban District.

2. **"Fame Malad", CTS No.1406 A/28A, Relief Road, Goregaon (W), Mumbai**

(i) Licences under Section 3/ Rule 101 of the Bombay Cinema (Regulation) Act, 1953 and Rule 108 of the Maharashtra Cinema (Regulation) Rules, 1966 dated September 7, 2004, valid till December 31, 2004. The Company has vide its letter dated December 10, 2004, applied for the renewal of the license.

(ii) No Objection Certificate for renewal of license valid till December 31, 2005, vide letter dated November 20, 2004, from the Chief Fire Officer, Mumbai Fire Brigade.

(iii) Certificate dated December 23, 2004 from Executive Engineer, North Mumbai Division, Public Works Department, Government of Maharashtra under the Maharashtra Cinema Rules, 1996, valid till December 31, 2005 stating that the theaters are fit for public amusement to exhibit cinema shows.

(iv) Registration of the 5 screens as "theaters" under the Bombay Shops & Establishments Act, 1948, valid from October 30, 2004 to December 31, 2006.

(v) Registration of 1 screen as "theaters" under the Bombay Shops & Establishments Act, 1948, valid from November 2, 2004 to December 31, 2006.

(vi) Registration of the 2 canteens as "shops" under the Bombay Shops & Establishments Act, 1948, valid from October 30, 2004 to December 31, 2006.

(vii) Licence to Work the Lift is not required since we have not installed any Lift in the Mall or the Multiplex.

(viii) Licence dated December 4, 2004 under Rule 5(3) of the Maharashtra Prevention of Food Adulteration Rules, 1962 valid till December 31, 2008.

(ix) Application dated May 5, 2004 for Video games License under Rules for Licensing and Controlling Places of Public Amusement (other than Cinemas) and Performance for Public Amusement, including Cabaret Performances, Discotheques, Games, Melas and Tamashas, in Greater Bombay.

(x) Permission under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923 to pay entertainment duty and surcharge due in respect of cinematograph for the period September 10, 2004 to December 31, 2004 in the case of Fame Malad-1, 2, 3, 4 and 5 from November 12, 2004 to December 31, 2004. The Company has vide its letter dated November 30, 2004, applied for the renewal of the license.

(xi) Licence for storing cinematographic films issued under Rules 394 and 412 of the Bombay Municipal Corporation (BMC) Act, vide letter dated September 10, 2004, valid from May 10, 2004 upto June 30, 2005.

(xii) Licence from Electric Inspector, Industry, Energy and Labour Department, Government of Maharashtra, vide letter dated July 26, 2004, that all electrical equipment is kept as required.

(xiii) No Objection Certificate from Deputy Health Officer, R South Ward, Brihanmumbai Municipal Corporation, Kandivali, so far as public health is concerned with respect to theater (valid till March 31, 2006).

(xiv) Licence for putting up hoardings and signboards (outside theater) under Rules 328 and 328A of the BMC Act, vide letter dated September 28, 2004, valid upto July 31, 2005.

(xv) Licence for putting up hoardings and signboards (inside theater) under Rules 328 and 328A of the BMC Act, vide letter dated October 14, 2004, valid upto September 30, 2005.

(xvi) Conditional Letter of Intent, dated March 31, 2004, for eligibility certificate for entertainment tax exemption, from Additional Collector, Mumbai Suburban District.

(xvii) Application for issue of eligibility certificate for entertainment tax exemption, addressed to Additional Collector, Mumbai Suburban District, Maharashtra, vide letter dated September 14, 2004. The certificate has not yet been received.

(xviii) Licence for Sale of Eatables, under Rules 394 and 412 of the BMC Act, vide letter dated December 4, 2004, valid upto December 31, 2005.

3. **"Vijay Mamta", Vijay Theater Building, Pune Nasik Road, Nasik, Maharashtra**

(i) License under Section 3/ Rule 101 of the Bombay Cinema (Regulation) Act, 1953 and Rule 108 of the Maharashtra Cinemas (Regulation) Rules, 1966, valid till December 31, 2004. The Company has vide its letter dated December 20, 2004 applied for the renewal of the license.

(ii) Permission under Section 4(2)(b) of the Bombay Entertainments Duty Act, 1923, vide letter November 6, 2004, to pay entertainment duty and surcharge due in respect of cinematograph for the period November 12, 2004 to December 31, 2004. The Company has vide its letter dated December 20, 2004 applied for the renewal of the license.

(iii) Certificate dated December 18, 2004 from Executive Engineer, Nasik Division, Public Works Department, Government of Maharashtra under the Maharashtra Cinema Rules, 1996, valid till December 31, 2005 stating that the theaters are fit for public amusement to exhibit cinema shows.

(iv) No Objection Certificate vide letter dated November 10, 2004 from the Chief Fire Officer, Nasik Municipality.

(v) Licence from Electric Inspector, Nasik, Industry, Energy and Labour Department, Government of Maharashtra, vide letter dated December 10, 2004 valid till December 31, 2005, that all electrical equipment is kept as required.

(vi) No Objection Certificate from District Health Officer, Zilla Parishad, Nasik, vide letter dated December 3, 2004, so far as public health is concerned with respect to theater.

(vii) No Objection Certificate from Executive Engineer, Nasik Municipal Corporation, vide letter dated December 7, 2004, for retrofit conversion of single screen theater to Multiplex.

(viii) Conditional Letter of Intent, dated August 24, 2004, for eligibility certificate for entertainment tax exemption, from Branch Officer, Revenue and Forest Department, Government of Maharashtra, addressed to Additional Collector, Nasik District

4. **SCL**

(i) Certificate of registration as a dealer dated July 7, 2004, effective from April 5, 2004 under Section 22/22A, of the Bombay Sales Tax Act, 1959.

(ii) Certificate of registration as a dealer dated July 7, 2004, effective from April 5, 2004 under Section 7(1)/7(2) of the Central Sales Tax Act, 1956.

5. **Swanston Multiplex Cinemas Private Limited**

(i) Certificate of registration as a dealer dated October 16, 2002 effective from October 4, 2002 under Section 22/22A of the Bombay Sales Tax Act, 1959.

(ii) Certificate of registration as a dealer dated October 16, 2002, effective from October 4, 2002 under Section 7(1)/7(2) of the Central Sales Tax Act, 1956.

6. "**Fame Surat", Sub Plot-1, F.P.No.12, TP Scheme-6, GSFC Tower, Bhatar Road, Surat**

(i) No Objection Certificate of Fire Brigade Department for commercial high rise building ("Fame Surat" shall be part of this building) vide letter dated December 22, 2004 signed by the Chief Fire Officer, Surat Fire Brigade.

(ii) No Objection Certificate from Police Commissioner, Surat City, given as per the provision of Rule 6 of Mumbai Cinema Act 1954, dated December 18, 2001.

(iii) The project of which "Fame Surat" shall be a part of, has been given a temporary registration certificate (valid for 2 years), by the Commissionerate of Tourism, Government of Gujarat, vide letter dated July 31, 2004, signed by the Joint Commissioner of Tourism, Government of Gujarat.

(iv) Letter from Surat Municipality, Gujarat dated March 1, 2001, permitting construction of the multiplex.

7. **"Fame Thane"**, **Lake City Mall, Kapurbawadi Nake, Thane-Bhiwani Road, Thane (West).**

(i) No Objection Letter from the Health Department, Jilla Parishad, Thane, dated August 27, 2003 for construction of the proposed Multiplex.

(ii) Certificate to commence construction of the proposed multiplex dated April 1, 2003 from Thane Municipal Corporation.

8. **Fame Pimpri, Pune, Pimpri-Chinchwad, Pune**

(i) No objection certificate dated August 21, 2004 from the City Engineer, Pimpri-Chinchwad Municipal Corporation to commence construction of the proposed multiplex.

(ii) No objection certificate dated September 1, 2004 from the Environment Section, Chief and Health Officer, Pimpri-Chinchwad Municipal Corporation to construct the proposed multiplex.

(iii) No objection certificate dated October 26, 2004 from the Assistant Commissioner (Fire), Pimpri-Chinchwad Municipal Corporation for completion of construction of the proposed multiplex.

(iv) No objection certificate dated August 31, 2004 from the Executive Engineer, Public Works Department, Pune for construction of the proposed multiplex.

9. **Fame Kandivali, S.V. Road, Kandivali West, Mumbai**

(i) No objection certificate dated December 17, 2004 from the Mumbai Police Commissioner for construction of the multiplex situated at Poisar Village, S.V. Road, Kandivali West, Mumbai.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements and overall financial condition. The Company had not paid any dividends in the last five fiscal years.

STATEMENT OF TAX BENEFITS

Auditors' Report on Statement of Possible Tax Benefits

We hereby report that we have received the enclosed Annexure 'A' states the possible tax benefits available to Shringar Cinemas Limited (formerly Shringar Cinemas Private Limited) ('the Company') and it's shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives that the Company faces in future, the Company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws and the fact that the Company will not distinguish between the shares offered for subscription and the shares offered for sale by the selling shareholders, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

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

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

For BSR & Co.
(formerly Bharat S Raut & Co.)
SD/-
Akeel Master
Partner
Membership No 46768

Mumbai
24 December 2004

ANNEXURE A

1 BENEFITS AVAILABLE TO THE COMPANY

1.1 Direct Tax – The Income-tax Act 1961 ('the Act')

a) **Set-off of losses and its carry forward:** The Company is entitled to carry forward and set-off business loss pertaining to Assessment Year 2004-2005 amounting to Rs. 5,271,261 and unabsorbed depreciation of Rs. 1,802,164. Due to change in the shareholding pattern, the Company will not be entitled to carry forward its accumulated business losses of the prior assessment years for set-off against income of subsequent years in accordance with the provisions of section 79 of the Act. However, the Company is entitled to carry forward its unabsorbed depreciation and capital loss computed in accordance with and subject to the various provisions of the Act.

b) **Dividend income:** Dividend income, if any, received by the Company from its investment in shares of another Domestic Company will be tax-exempt under Section 10(34) read with Section 115O of the Act. Income received on units of a Mutual Funds specified under Section 10(23D) of the Act will be tax-exempt under Section 10(35) of the Act.

c) **Capital gains:** Capital assets are to be categorized into short term capital assets and long term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of UTI or Mutual Fund units) are considered to be long-term capital assets if they are held for a period in excess of 36 months. Shares held in a Company or any other listed securities or units of UTI and Mutual Fund units are considered as long term capital assets if these are held for a period exceeding 12 months.

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

Under the provisions of Section 112 of the Act, long-term gains are subject to tax at a rate of 20.91 percent (basic rate of 20% to be increased by a surcharge of 2.50 per cent and the total to be increased by an additional surcharge by way of education cess at the rate of 2 per cent).
Under the proviso to Section 112(1), the long term capital gains arising on transfer of listed securities or units is restricted to 10.45 per cent (basic rate of 10% to be increased by a surcharge of 2.50 per cent and the total to be increased by an additional surcharge by way of education cess at the rate of 2 per cent) of gains without indexation benefit.

From 1 October 2004, long-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under Section 10(23D) on a recognized stock exchange are exempt from tax under Section 10(38) of the Act on being subject to Securities Transaction Tax levied under Chapter VII of the Finance (No. 2) Act of 2004.

From 1 October 2004, under the provisions of section 111A of the Act, short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under Section 10(23D) on recognized stock exchange are subject to tax at the rate of 10.45 per cent (basic rate of 10% to be increased by a surcharge of 2.50 per cent and the total to be increased by an additional surcharge by way of education cess at the rate of 2 per cent), provided the transfer is chargeable to Securities Transaction Tax being levied under Chapter VII of the Finance (No. 2) Act of 2004.

d) **Exemption of capital gains from income tax:** As per Section 54EC of the Act and subject to conditions specified therein, taxable long-term capital gains are not chargeable to tax to the extent they are invested in certain notified bonds within six months from the date of transfer. If the Company transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of gain exempted earlier would become chargeable in such year. The bonds specified for this Section are bonds issued by National Bank for Agriculture and Rural Development (NABARD), the National Highway Authority of India (NHAI), the National Housing bank (NHB), the Rural Electrification Corporation Ltd. (REC) and Small Industrial Development Bank of India (SIDBI).

As per Section 54ED of the Act and conditions specified therein, long term capital gains arising on listed securities or units are not be chargeable to tax to the extent such gains are invested in acquiring equity shares forming part of an “eligible issue of share capital”. The investment needs to be within six months from the relevant date of transfer. ‘Eligible issue of capital’ means an issue of equity shares that satisfied the following conditions:

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

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. At this stage, it may be relevant to note that under Section 10(36) of the Act, the Central Board of Direct Taxes (‘CBDT’) has clarified vide Circular no.7/2003 dated 5 September 2003, that ‘public issue’ shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS

a) **Dividend income:** As outlined in item b) of paragraph 1.1 above.

b) **Capital gains:** As outlined in item c) of paragraph 1.1 above.

c) **Exemption of capital gains from income tax:** As outlined in item d) of paragraph 1.1 above. Further, as per the provisions of Section 54F of the Act and subject to conditions specified therein, any taxable long term capital gains (other than on residential house but including those on shares) arising to an individual or Hindu Undivided Family are exempt from capital gains tax if the net sales consideration is utilized, within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three year from the date of transfer, provided that the individual should not own more than one residential house.
If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house, then the original exemption will be taxed as capital gains in the year in which the additional residential house is required.

BENEFITS AVAILABLE TO NON-RESIDENT SHAREHOLDERS

a) **Dividend income:** As outlined in item (b) of paragraph 1.1 above.

b) **Capital gains:** As outlined in item (c) of paragraph 1.1 above except that under first proviso to Section 48 of the Act, the taxable capital gains arising on transfer of capital assets being shares or debentures of an Indian Company need to be computed by converting the cost of acquisition, expenditure on connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on dates stipulated. In view of this mechanism, in computing such gains, the benefit of indexation is not available to non-resident shareholders. In case of a non-resident individual, the applicable surcharge is 10 per cent if the total income exceeds Rs. 850,000 and needs to be factored in before levy of additional surcharge by way of education cess of 2 per cent. In other cases the applicable surcharge is nil and additional surcharge by way of education cess of 2 per cent.

c) **Exemption of capital gains from income tax:** Benefits outlined in item d) of paragraph 1.1 and benefits available to resident shareholders in item c) of paragraph 2 above are also available to non-resident shareholders.

d) **Tax Treaty Benefits:** As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident. Thus, a non-resident can opt to be governed by the beneficial provisions of an applicable tax treaty.

BENEFITS AVAILABLE TO NON-RESIDENT INDIAN SHAREHOLDERS

a) **Dividends:** As outlined in item (b) of paragraph 1.1 above.

b) **Capital gains:** Under Section 115I of the Act, a Non-resident Indian (NRI) as defined therein has the option to be governed by the normal provisions of the Act as outlined in item c) of paragraph 0and item b) of paragraph 0 or the provisions of Chapter XII-A of the Act through appropriate declaration in the return of income. The said Chapter *inter alia* entitles NRI to the benefits stated hereunder in respect of income from shares of an Indian company acquired, purchased or subscribed in convertible foreign exchange.

As per the provisions of Section 115D read with Section 115E of the Act and subject to the conditions specified therein, taxable long term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the of 10.20 percent (basic rate of 10 per cent to be increased by additional surcharge by way of education cess of 2 per cent) (if the total income exceeds Rs. 850,000 then a surcharge of 10% needs to be factored before levy of additional surcharge).

As per the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long-term capital asset being shares in an Indian Company would not be chargeable to tax. To avail this benefit the entire net consideration received on such transfer needs to be invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act.

If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

The specified asset or savings certificates in which the investment has been made are restricted from being transferred within a period of three years from the date of investment. In the event of such a transfer the amount of capital gains tax exempted earlier would become chargeable to tax as long-term capital gains in the year in which such specified asset or savings certificates are transferred.

As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if:

- Their only source of income is income from investments or long term capital gains earned on transfer of such investments or both; and
- The tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

As per Section 115H of the Act, when a NRI becomes a resident in India, the provisions of the Chapter XII-A can continue to apply in relation to investment made when he was a NRI. Towards this, the NRI needs to furnish a declaration in writing to the Assessing Officer along with his return of income.

c) Tax Treaty Benefits: As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident. Thus, a non-resident (including NRIs) can opt to be governed by the beneficial provisions of an applicable tax treaty.

SPECIAL BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS ('FIIS')

a) **Dividend income:** As outlined in item (b) of paragraph 1.1 above.

b) **Capital gains:** As per the provisions of Section 115AD of the Act, FIIs are taxed on the capital gains income at the following rates:

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

The above tax rates would need to be increased by the applicable surcharge of 2.5 per cent and the total to be increased by an additional surcharge of 2 per cent towards education cess. In case of Non-corporate FIIs (e.g. trusts) the surcharge is 10% if their total income exceeds Rs. 850,000, otherwise it is Nil. This has to be increased by additional surcharge of 2%. The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to a FII.

From 1 October 2004, long-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under Section 10(23D) on the recognized stock exchange are exempt from tax under Section 10(38) of the Act on being subject to Securities Transaction Tax as levied under Chapter VII of the Finance (No. 2) Act of 2004.

From 1 October 2004, Short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined) under Section 10(23D) on the recognized stock exchange to Corporate FIIs are subject to tax at the rate of 10.45 per cent (basic rate of 10% to be increased by a surcharge of 2.50 per cent and the total to be increased by an additional surcharge of 2 per cent by way of education cess) on being subject to Securities Transaction Tax levied under Chapter VII of the Finance (No. 2) Act of 2004. In case of Non-corporate FIIs (e.g. FII), the applicable surcharge is 10% if their total income exceeds Rs. 850,000.

c) Tax Treaty Benefits: As outlined in paragraph 4(c) above.

BENEFITS AVAILABLE TO MUTUAL FUNDS

Dividend income: As outlined in item (b) of paragraph 1.1 above.
As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made thereunder, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India, would be exempt from income tax, subject to the prescribed conditions.

BENEFITS AVAILABLE TO VENTURE CAPITAL COMPANIES / FUNDS

Dividend income: As outlined in item (b) of paragraph 1.1 above.
As per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies/Funds registered with the Securities and Exchange Board of India, would be exempt from income tax, subject to the conditions specified.

BENEFITS AVAILABLE UNDER THE WEALTH-TAX ACT, 1957

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

BENEFITS AVAILABLE UNDER THE GIFT-TAX ACT

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

OTHER REGULATORY DISCLOSURES

Stock Market Data for our Equity Shares
This being an initial public issuing of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Particulars Regarding Public Issues during the Last Five Years
We have not made any public issues during the last five years.

Companies under the Same Management
There are no companies under the same management within the meaning of Section 370 (1B) of the Companies Act 1956, other than the subsidiaries and group Companies, details of which are provided in the section “Group Companies” and “Our Subsidiaries” on page 75 and 82 of this Draft Red Herring Prospectus repectively.

Mechanism for Redressal of Investor Grievances
The agreement between the Registrar to the Issue, Intime Spectrum Registry Limited and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit and refund orders to enable investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection center where the application was submitted.

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. Bhavesh Desai as the Compliance Officer and he may be contacted in case of any pre- Issue or post- Issue related problems. He can be contacted at: Fame Adlabs, 2nd Floor, Andheri Link Road, Oshiwara, Andheri (W), Mumbai - 400 053 (India), Tel: +91-22-5640 3640, Fax +91-22-5640 3655, e-mail: shringaripo@shringar.co.in

Details of borrowings in our Company
Please refer to page 121 in this Draft Red Herring Prospectus under “Financial Statements” for details of borrowings in our Company.

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of the Company, the terms of this Draft 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, Reserve Bank of India, Stock Exchanges, 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 has been authorized a Special Resolution passed by the members of the Company at extra-ordinary general meeting of the shareholders of the Company held on December 23, 2004 pursuant to Section 81(1A) of the Companies Act, 1956 and a resolution passed by the Board of Directors their meeting held on December 24, 2004."

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank *pari passu* in all respects with the other existing shares of the Company including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by the Company after the date of Allotment.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being issued in terms of this Draft Red Herring Prospectus at a total price of Rs. [●] per share. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, subject to applicable laws**.**

Compliance with SEBI Guidelines

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

Rights of the Equity Shareholder

Subject to applicable laws, 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 the Company.

For further details on the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see "Main Provisions of Articles of Association of the Company" on page 206 of this Draft Red Herring Prospectus.

Market Lot

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors.

Since trading of our Equity Shares will be 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 multiples of one Equity Shares to the successful bidders subject to a minimum Allotment of [●] Equity Shares. For details of allocation and allotment, see "Statutory and Other Information" on page 201 of this Draft Red Herring Prospectus.

Jurisdiction

The jurisdiction for the purpose of this Issue is with competent courts/authorities in Mumbai, India.

Nomination Facility to the Investor

In accordance with Section 109A of the Companies Act, the sole or first bidder, along with other joint bidder, may nominate any one person in whom, in the event of the death of sole bidder or in case of joint bidders, death of all the bidders, as the case may be, the Equity Shares transferred, 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.

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:

a. to register himself or herself as the holder of the equity shares; or
b. to make such transfer of the equity shares, as the deceased holder could have made.

Further, 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 to change the nomination, they are requested to inform their respective depository participant**.**

Subscription by Non Residents/NRIs/ FIIs/ Foreign Venture Capital Fund registered with SEBI /Multilateral and Bilateral Development Financial Institutions.

As per the current provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, there exist a general permission for the NRIs/ FIIs/ Foreign Venture Capital Fund registered with SEBI/Multilateral and Bilateral Development Financial Institutions to invest shares of an Indian company by way of subscription in a public issue. However, such investments would be subject to other investment restrictions under 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 non-residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI and Multilateral and Bilateral Development Financial Institutions and all applicants will be treated on the same basis with other categories for the purpose of allocation.

As per the policy of RBI, Overseas Corporate Bodies cannot participate in this Issue.

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

ISSUE STRUCTURE

This Issue is being made through a 100% Book Building Process. The present Issue of 81,50,000 Equity Shares of face value of Rs.10/- each at a price of Rs. [●] comprising of (a) Net Issue to the Public of 79,00,000 Equity Shares (b) Employee Reservation portion of 2,50,000 Equity Shares

	Employees	**QIBs**	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of Equity Shares*	Up to 2,50,000 Equity Shares	Net Issue to the Public less allocation to Non-Institutional Bidders and Retail Individual Bidders, subject to a minimum of 39,50,000 Equity Shares.	Minimum of 19,75,000 Equity Shares.	Minimum of 19,75,000 Equity Shares.
Percentage of Issue Size available for allocation	Up to 3.07% of the Issue Size	At least 50% of Net Issue to the Public*	Minimum 25% of Net Issue to the Public or Net Issue to the Public less allocation to QIB Bidders and Retail Individual Bidders.*	Minimum 25% of Net Issue to the Public or Net Issue to the Public less allocation to QIB Bidders and Non Institutional Bidders.*
Basis of Allocation if respective category is oversubscribed	Proportionate	Discretionary	Proportionate	Proportionate
Minimum Bid	[●] Equity Shares and thereafter in multiple of [●] Equity Shares	Such number of Equity Shares that the Bid Amount exceeds Rs 50,000 and in multiples of [●] Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs 50,000 and in multiples of [●] Equity Shares thereafter.	[•] Equity Shares and in multiples of [●] Equity Share thereafter
Maximum Bid	Not exceeding 2,50,000 Equity Shares	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue	Such number of Equity Shares so as to ensure that the Bid Amount does not exceed Rs. 50,000
Mode of Allotment	Compulsory in dematerialized mode	Compulsorily in dematerialized form	Compulsorily in dematerialized form	Compulsorily in dematerialised form
Trading Lot	One Equity share	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Permanent employees of the Company and its subsidiaries as on 1 (One) day prior to Bid /Issue Opening Date	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, mutual funds, foreign institutional investor 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, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2,500	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, NRIs, societies and trusts	Individuals (including NRIs and HUFs in the name of karta) applying for Equity Shares such that the Bid Amount does not exceed Rs. 50,000 in value.

		Lacs and pension funds with minimum corpus of Rs. 2,500 Lacs in accordance with applicable law.		
Terms of Payment	Full Bid Amount on Bidding unless waived by the Syndicate	Full Bid Amount on bidding unless waived by the Syndicate	Full Bid Amount on bidding unless waived by the Syndicate	Full Bid Amount on bidding unless waived by the Syndicate
Margin Amount	Full Bid Amount on Bidding	Nil	Full Bid Amount on bidding	Full Bid Amount on bidding

* Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in Non-Institutional and Retail Individual categories would be allowed to be met with spillover inter-se from any other categories, at the sole discretion of the Company, BRLMs and subject to applicable provisions of SEBI Guidelines**.**

** 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.

The unsubscribed portion, if any, out of the Equity Shares reserved for allotment to Employees of the Company and its subsidiaries, will be added back to the categories of Non Institutional Bidders and Retail Individual Bidders in the ratio 50:50.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue shall be available for allocation on a discretionary basis to QIBs. Further, not less than 25% shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 25% shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. We, in consultation with the BRLMs, reserve the right to reject any Bid procured by any or all members of the Syndicate without assigning any reason thereof from QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares will be allotted to successful Bidders only in the dematerialized form**.**

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allocation Note, ("CAN"), and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized the Company to make the necessary changes in this Draft Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public or NRI applying on a non-repatriation basis	White
Non-residents including NRIs, FIIs, Foreign Venture Capital Fund/Multilateral and Bilateral Development Financial Institutions applying on repatriation basis	Blue
Permanent Employees of the Company and its subsidiaries	Green

Who can Bid

1. Indian nationals resident in India who are majors, in single or joint names (not more than three);
2. Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies and corporate bodies not having majority ownership and control of persons resident outside India and societies registered under the applicable laws in India and authorized to invest in the Equity Shares;
4. Indian Mutual Funds registered with SEBI;
5. Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations, as applicable);
6. Venture Capital Funds registered with SEBI;
7. State Industrial Development Corporations;
8. Multilateral and bilateral development financial institutions;
9. Insurance companies registered with the Insurance Regulatory and Development Authority;
10. Provident funds with minimum corpus of Rs. 2,500 Lacs and who are authorized under their constitution to hold and invest in Equity Shares;
11. Pension funds with minimum corpus of Rs. 2,500 Lacs and who are authorized under their constitution to hold and invest in Equity Shares;

12. Trust/ society registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/ society and who are authorized under their constitution to hold and invest in Equity Shares; and
13. Eligible NRIs and other Non Residents including FIIs on a repatriation basis or non-repatriation basis subject to applicable laws; and
14. Scientific and/ or Industrial Research Organizations authorized to invest in Equity Shares.

Note: The BRLMs, Syndicate Members and any associate of the BRLMs and Syndicate Members (except asset management companies on behalf of mutual funds, Indian financial institutions and public sector banks) cannot participate in that portion of the Issue where allocation is discretionary. Further, the BRLMs and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under the relevant regulations or statutory guidelines.

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.

As per current regulations, the following restrictions are applicable for investment by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company (i.e. 10% of 3,15,66,333 Equity Shares). In respect of an FII investing in Equity Shares of the Company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of the Company. As of now, the aggregate FII holding in the Company cannot exceed 24 % of the total issued capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of this date, no such resolution has been recommended for adoption.

As per the current regulations, the following restrictions are applicable for investments by SEBI registered

Venture Capital Funds:

The SEBI (Venture Capital Funds) Regulations, 1996 prescribed investments restriction on the venture capital funds registered with SEBI. Accordingly, holding in the Company by any individual venture capital fund registered with SEBI should not exceed 25% of its corpus.

The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Draft 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 [●] Equity Shares and in multiples of [●] Equity Shares thereafter, subject to maximum Bid amount of Rs.50,000. In case the maximum Bid amount is more than Rs.50,000/- 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 and in multiples of [●] Equity Shares such that the Bid Amount exceeds Rs. 50,000. 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. 50,000. In case the Bid Amount reduces to Rs. 50,000 or less due to a revision in Bids, 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 Employees of the Company and its subsidiaries : The Bid must be for a minimum of [●] Equity shares and in multiples of [●] thereafter, subject to a maximum Bid for 250,000 shares.

Bidding Process

(a) Our Company will file this Draft Red Herring Prospectus with the RoC.

(b) The members of the Syndicate will circulate copies of this Draft Red Herring Prospectus along with the Bid-cum-Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain this Draft Red Herring Prospectus and/ or the Bid-cum-Application Form can obtain the same from our corporate office or from any of the BRLMs/Syndicate Members.

(d) Investors who are interested in subscribing for our Company's Equity Shares should approach any of the BRLMs or Syndicate Members or their authorized agent(s) to register their Bid.

(e) The Bids should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the Syndicate members. Bid-cum-Application Forms, which do not bear the stamp of the Syndicate members, will be rejected.

(f) The Bidding Period shall be a minimum of five days and not exceed 10 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 the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 13 days.

Bidding

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 one Marathi daily newspaper. This advertisement shall contain the salient features of this Draft Red Herring Prospectus as specified under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the BRLMs and their bidding centers. The BRLMs and Syndicate Members shall accept Bids from the Bidders during the Issue Period.

b) 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.

c) 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 "Build up of the Book and Revision of Bids" on page 189 of this Draft Red Herring Prospectus.

d) The BRLMs and Syndicate Members will enter each bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form. It is the responsibility of the Bidder to obtain the TRS from the Syndicate Member.

e) During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them.

f) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the paragraph "Terms of Payment" on page 187 of this Draft Red Herring Prospectus.

Bids at Different Price Levels

(a) The Price Band has been fixed at Rs. [●] to Rs. [●] per Equity Share of Rs.10 each, Rs. [●] being the Floor Price and Rs. [●] 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, the Company in consultation with the BRLMs can revise the Price Band by informing the stock exchanges, releasing a press release, disclosure on the website of the members of 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 days after the revision of the Price Band, subject to the total Bidding Period not exceeding thirteen days. The

Company in consultation with BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(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 Bidders in Employee Reservation Portion Bidders applying for maximum Bid in any of the Bidding options not exceeding up to Rs. 50,000 may bid at "Cut-off". However, bidding at "Cut-off" is prohibited for QIB or Non Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.**

(c) Retail Individual Bidders and Employee Reservation Portion Bidder, who bid at the Cut-Off agree that and Employee Reservation Portion Bidder they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders 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 and Employee Reservation Portion Bidder (i.e. the total number of equity shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders and Employee Reservation Portion Bidder 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 remain [●] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs.5,000 to Rs. 7,000.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Employee Reservation Portion Bidder, 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 member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 50,000, the Bid will be considered for allocation under the Non Institutional category in terms of this Draft 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 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

Our Company and members of the Syndicate 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 Draft Red Herring Prospectus and an Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account with the Bankers to the Issue as per the terms of the Escrow Agreement with the Company. Payments of refunds to the Bidders shall also be made from the Escrow Account as per the terms of the Escrow Agreement and this Draft 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, the Registrar to the Issue and BRLMs and Syndicate Members to facilitate collections from the Bidders.

Payment of refund, if any, to the Bidders shall also be made from the respective Escrow Account by the Escrow Collection Banks, as per the terms of the Escrow Agreement and this Draft Red Herring Prospectus.

Terms of Payment and Payment into the Escrow Collection Account

In case of Non-institutional Bidders and Retails Individual Bidders, each Bidder shall, with the submission of the Bid-cum-Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favor of the Escrow Account of the Escrow Collection Bank(s) (For further details, see "Issue Procedure - Payment Instructions") and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid-cum-Application Forms accompanied by cash and stock invest shall not be accepted. The maximum bid price has to be paid at the time of submission of the Bid-cum-Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders until such time as the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and no later than 15 days from the Bid / Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e. QIBs, Non-Institutional Bidders, and Employee Reservation Portion, and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The Margin Amount payable by each category of Bidders is mentioned under the heading "Issue Structure" on page 182 of this Draft Red Herring Prospectus and shall be uniform across all the bidders in the same category. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for equity shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favoring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date.

Electronic Registration of Bids

(a) The members of the Syndicate will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity to each city where the Bids are accepted.
(b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Members and their authorized agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building in a timely manner. On the Bid Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.
(c) BSE and NSE will aggregate demand and price for bids registered on their electronic facilities on a half hourly 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 members of the Syndicate 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 member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Company.
(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
(g) Consequently, the member of the Syndicate also has the right to accept the Bid or reject it without assigning any reason, in case of QIBs. In case of Non-Institutional Bidders, Retail Individual Bidders and Employee Reservation Portion. Bids would not be rejected except on the technical grounds listed on Page 195 in this Draft Red Herring Prospectus.
(h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and BRLMs are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the equity shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids

(a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.
(b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.
(c) During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the price band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
(d) Any revision in the Price Band will be widely disseminated by informing the Stock Exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and one regional newspaper (Marathi) and also indicating the change on the relevant websites and the terminals of the Syndicate members
(e) 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.
(f) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she 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.
(g) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand 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 Draft Red Herring Prospectus. In case of QIBs, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.
(h) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
(i) In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLMs based on 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 BRLMs will analyze the demand generated at various price levels and discuss pricing strategy with us.
(b) The Company and BRLMs shall finalise the "Issue Price", the number of Equity Shares to be allotted and the allocation to successful QIB Bidders. The allocation will be decided based *inter-alia* on the quality of the Bidder determined broadly by the size, price and time of the Bid.
(c) The allocation for QIBs for at least 50% of the Net Issue to the Public Size would be discretionary. The allocation to Non-Institutional Bidders, and Employee Reservation Portion, and Retail Individual Bidders of not less than 25% and 25% of the Net Issue to the Public Size, respectively, would be on proportionate basis, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
(d) Under subscription, if any, in Non-Institutional and Retail categories would be allowed to be met with spill over from any of the other categories at the discretion of the Company and BRLMs.
(e) 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 while granting permission for transfer of Equity Shares to them.
(f) The BRLMs, in consultation with us, shall notify the Syndicate Members of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
(g) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before allotment.
(h) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the closure of Bidding.
(i) The allotment details shall be put on the website of the Registrar to the Issue

Signing of Underwriting Agreement and RoC Filing

(a) The Company, the Selling Shareholders, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation(s) to the Bidders.
(b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size, underwriting arrangements and would be complete in all material respects.

Advertisement regarding Price band and Red Herring Prospectus

A statutory advertisement will be issued by the Company after the filing of the Red Herring Prospectus with the RoC. This advertisement in addition to the information that has to be set out in the statutory advertisement shall indicate the Price band along with a table showing the number of Equity Shares and the amount payable by an investor. Any material updates between the date of Draft Red Herring Prospectus and the Red Herring Prospectus shall be included in the advertisement.

Issuance of Confirmation of Allocation Note

After the determination of Issue Price, the following steps would be taken
(a) The BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.
(b) The BRLMs or Syndicate Members would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
(c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares to be allotted to such Bidder.

Designated Date and Allotment of Equity Shares

(a) 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 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 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 Syndicate Member;
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; and
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.

Don’ts:

a) Do not Bid for lower than the minimum Bid size;
b) Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the price band;
c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the members of the Syndicate;
d) Do not pay the Bid amount in cash;
e) Do not send Bid-cum-Application Forms by post; instead submit the same to Syndicate Member only;
f) Do not Bid at cut off price (for QIBs and non-institutional bidders);
g) Do not fill up the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations; and
h) Do not submit Bid accompanied with Stock invest.

Bids by Permanent Employees of the Company and it subsidiaries
For the purpose of this reservation, Permanent Employee means permanent employees of the Company and its subsidiaries as on 1 (One) day prior to Bid/Issue Opening Date
Bids under Employee Reservation Portion by Permanent Employees shall be

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. Green colour Form).
- Permanent Employees, as defined above, should mention the following at the relevant place in the Bid cum Application Form:
  - Employee Number
- The sole/ first bidder should be Permanent Employees as defined above.
- Only Permanent Employees, as defined above, would be eligible to apply in this Issue under this Reservation Portion.
- Bids by Permanent Employees, as defined above, 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.
- Permanent Employees, as defined above, who apply or bid for securities of or for a value of not more than Rs. 50,000 in any of the bidding options can apply at Cut-Off. This facility is not available to other Permanent Employees whose minimum Bid amount exceeds Rs. 50,000.
- The maximum bid in this category can be for 2,50,000 Equity Shares.
- If the aggregate demand in this category is less than or equal to 2,50,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Permanent Employees, as defined above, to the extent of their demand.
- Under subscription in this category would be added back to the Non-Institutional and Retail Individual Bidders category in the ratio of 50:50.
- If the aggregate demand in this category is greater than 2,50,000 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 para “Basis of Allotment” on page 201 of this Draft Red Herring Prospectus.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and / or Revision Forms from the BRLMs or Syndicate Members.

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, Multilateral and Bilateral Development Financial Institutions applying on repatriation basis)
(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.
(c) The Bids from the Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid amount of Rs.50,000.
(d) For Employee Reservation Portion, the Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter subject to a maximum of 250,000 Equity Shares.
(e) For Non-institutional and QIB Bidders, Bids must be for a minimum Bid Amount of Rs.50,001 and in multiples of [●] Equity Shares. All Individual Bidders whose maximum bid amount exceeds Rs.50,000

would be considered under this category. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(f) In single name or in joint names (not more than three).

(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 printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs nor the 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 printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for 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.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Bank nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary'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, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of 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.
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.

In case of Bids made by provident funds with minimum corpus of Rs.2,500 Lacs and pension funds with minimum corpus of Rs.2,500 Lacs, 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.

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 by NRIs

NRI bidders to comply with the following:

- Individual NRI bidders can obtain the Bid cum Application Forms from the Company's Corporate Office at Fame Adlabs, 2nd Floor, Andheri (W), Mumbai 400 053, India, or the Registrars to the Issue or members of the syndicate.
- NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

Bids by Eligible NRIs and FIIs on a repatriation basis

Bids and revision to Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in 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. By FIIs for a minimum of such number of Equity Shares and in multiples of [•] thereafter that the Bid Amount exceeds Rs. 50,000. For further details see section titled "Issue Procedure - Maximum and Minimum Bid Size" on page 185.
4. Bids by NRIs for a Bid Amount of up to or less than Rs. 50,000 would be considered under the Retail Individual Bidders Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 50,000 would be considered under Non Institutional Bidder Portion for the purposes of allocation; by FIIs or Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions for a minimum of such number of Equity Shares and in multiples of [●] Equity Shares thereafter so that the Bid Amount exceeds Rs. 50,000; for further details see "- Maximum and Minimum Bid Size".
5. In the names of individuals or in the names of FIIs or in the names of Foreign Venture Capital Fund registered with SEBI, Multilateral and Bilateral Development Financial Institutions but not in the names of minors, firms or partnerships, foreign nationals or their nominees or OCB's.
6. 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 payable upon submission of the Bid-cum-Application Form or Revision Form through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post/speed post. We will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Eligible NRIs and FIIs. All Eligible NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation.

Payment Instructions

We, the BRLMs and the Syndicate Members 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 members of the Syndicate by the BRLMs.

(c) The payment instruments for payment into the Escrow Account should be drawn in favor of:

    (i) In case of Resident Bidders: "**Escrow Account- Shringar Public Issue**"

    (ii) In case of Non Resident Bidders: "**Escrow Account- Shringar Public Issue- NR**"

    (iii) In case of Permanent Employees of the Company and its subsidiaries "**Escrow Account-Shringar 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 centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ 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 42/24.47.00/2003-04 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 members of the Syndicate at the time of submission of the Bid. Member of the Syndicate may at its sole discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and Revision Form.

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 members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in 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 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 to accept or reject, all or any multiple Bids in any or all categories.

Bidders in the Employees Reservation category can also bid in the "Net Issue to the Public" and such Bids shall not be treated as multiple Bids.

PAN or GIR Number

Where the maximum Bid for Equity Shares by a Bidder is for the total value of Rs.50,000 or more, i.e. the actual numbers of Equity Shares Bid for multiplied by the Bid Amount is Rs. 50,000 or more, the Bidder or, in the case of a Bid in joint names, each of the Bidders should mention his or her Permanent Account Number (PAN) allotted under the I.T. Act or where the same has not been allotted, the General Index Register (GIR) Number and the Income-Tax Circle, Ward or District. In case neither the PAN nor the GIR number has been allotted, the Bidders must mention "Not allotted" in the appropriate place. Bid-cum-Application Forms without this information will be considered incomplete and are liable to be rejected.

UNIQUE IDENTIFICATION NUMBER - MAPIN

In terms of SEBI (Central Database of Market Participants) Regulations, 2003 as amended from time to time and SEBI Notification dated November 25, 2003 and July 30, 2004, circular dated August 16, 2004 and press release dated December 31, 2004, no specified investor being a body corporate shall subscribe to securities which are proposed to be listed in any recognized stock exchange unless such specified investor, its Promoters and directors have been allotted unique identification numbers (UIN) save and except: (i) those Promoters or directors who are persons resident outside India, who are required to obtain UIN before December 31, 2005; and (ii) where such specified investor being a body corporate has applied for allotment of a UIN before December 31, 2004 and has not yet been allotted the UIN until the disposal of his application or, where he has filed an appeal, till the disposal of the appeal, as the case may be.

In terms of the above it shall be compulsory for specified investor being a body corporate making application in this Issue to give their UIN. In case where a body corporate has made an application for such number before December 31, 2004 but the same has not been allotted, or where an appeal has been filed, but not disposed off, the investor shall indicate the same in the space provided in the Application form.

Application forms from specified investors being body corporate not providing their UIN or UIN application status in cases which have applied for such UIN before December 31, 2004, shall be liable to be rejected

Our Right to Reject Bids

We and the BRLMs reserve the right to reject any Bid without assigning any reason therefore in case of QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, we and the BRLMs have a right to reject bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected among others on the following technical grounds:

1) Amount paid doesn't tally with the highest number of Equity Shares bid for;
2) Age of First Bidder not given;
3) Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane Persons;
4) PAN or GIR Number not given if Bid is for Rs. 50,000 or more;
5) UIN Number not given for Body Corporates;
6) Bids for lower number of Equity Shares than specified for that category of investors;

7) Bids at a price less than lower end of the Price Band;
8) Bids at a price more than the higher end of the Price Band;
9) Bids at cut-off price by Non-Institutional and QIB Bidders;
10) Bids for number of Equity Shares which are not in multiples of [●];
11) Category not ticked;
12) Multiple bids as defined in this Draft Red Herring Prospectus;
13) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
14) Bids accompanied by Stock invest/ money order/postal order/cash;
15) Signature of sole and / or joint bidders missing;
16) Bid-cum-Application Form does not have the stamp of the BRLMs or Syndicate Members;
17) Bid-cum-Application Form does not have Bidder's depository account details;
18) 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;
19) 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 Draft Red Herring Prospectus and as per the instructions in this Draft Red Herring Prospectus and the Bid-cum-Application Form;
20) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same at page 185 of this Draft Red Herring Prospectus;
21) Bids by OCBs; and
22) 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) a tripartite agreement dated [●], 2004 with NSDL, us and Registrar to the Issue;
b) a tripartite agreement dated [●], 2004 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 or refund orders will be directly sent to the Bidder by the Registrar to this Issue.
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 the 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.

Dispatch of Refund Orders

The Company shall ensure dispatch of refund orders of value over Rs.1,500 by registered post or speed post only and adequate funds for the purpose shall be made available to the Registrar to the Issue by us.
Refund orders shall be payable at par at all centers where bidding terminals was set-up to receive bids from bidders.

Undertaking by the Company

The Company 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 dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that 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.
- refund order or allotment advice to NRIs or FIIs or multilateral or bilateral development financial institution, foreign venture capital investors registered with SEBI shall be dispatched within the specified time.

Utilization of Issue proceeds

The Board of Directors of the 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 the 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 the Company indicating the form in which such unutilized monies have been invested.

The Company 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 utilization of monies received under the Reservation Portion shall be disclosed under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized.

The details of all unutilized monies out of the funds received under the reservations shall be disclosed under a separate head in the balance sheet of the Company indicating then form in which such unutilized monies have been invested.

Procedure and Time Schedule for Allotment of Equity Shares

We and the BRLMs reserve the right to reject any Bid without assigning any reason thereof in case of QIBs. In case of Non-Institutional Bidders, Retail Individual Bidders and Bidders in Employee Reservation Portion, we have a right to reject bids based on technical grounds. In case a Bid is rejected in full, the whole of the Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. In case a Bid is rejected in part, the excess Bid Amount will be refunded to the Bidder within 15 days of the Bid/Issue Closing Date. Our Company will ensure allotment of the Equity Shares within 15 days from the Bid/Issue Closing Date, and we shall pay interest at the rate of 15% per annum (for any delay beyond the periods as mentioned above), if Equity Shares are not allotted, refund orders are not dispatched and/ or demat credits are not made to investors within two working days from the date of allotment.

Disposal of Applications and Applications Money

We shall ensure dispatch of allotment advice, transfer advice or refund orders and give benefit to the Beneficiary Account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of date of finalization of allotment of Equity Shares. We shall dispatch refund orders, if any, of value up to Rs. 1,500, “Under Certificate of Posting”, and shall dispatch refund orders above Rs.1,500, if any, by Registered Post or Speed Post at the sole or First Bidder’s sole risk.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for allotment and trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalization of the basis of allotment.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, we further undertake that:

- allot Equity Shares only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- dispatch refund orders within 15 days of the Bid/Issue Closing Date would be ensured; and
- **Interest in Case of Delay in Dispatch of Allotment Letters/ Refund Orders in Case of Public Issues -** we shall pay interest at 15% per annum (for any delay beyond the 15-day time period as mentioned above), if allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15-day time prescribed above.

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

Refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by the us as a refund banker and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

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 members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

Interest on Refund of excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the GoI, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Rectification of Register of Members

The Company, under Section 111A of the Act will have the right to rectify the register of members to comply with the Act.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in shares and convertible debentures of an Indian company is regulated through the foreign direct investment policy of the GoI ("FDI Policy") and by the Reserve Bank of India ("RBI") as per the provisions of the Foreign Exchange Management Act, 1999 ("FEMA") and rules, regulations and guidelines there under. While the FDI Policy lays down the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA, along with rules, regulations and guidelines there under, regulates the precise manner in which such investment may be made. Under the FDI Policy, unless specifically restricted, foreign direct investment is freely permitted in all sectors of Indian economy and without any prior approvals, but person's resident outside India are required to follow prescribed procedures for making such investment. In the event an approval of the GoI is required, the same may be obtained through the Foreign Investment Promotion Board ("FIPB").

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

In the Film Sector (Film production, exhibition and distribution including related services/products) FDI upto 100% is allowed on the automatic route with no entry-level condition.

For details, see "Issue Procedure" on page 184 of this Draft Red Herring Prospectus. The above information is given for the benefit of the bidders and neither the Company nor BRLMs are liable for any modifications that may happen after the date of this Draft Red Herring Prospectus.

BASIS FOR ISSUE PRICE

QUALITATIVE FACTORS

We are strategically positioned to leverage our strength in the domestic market, due to our competitive strengths that include the following:

a) **Market Reputation:**
The Shringar brand over the last several decades has stood for ethical and fair practices and transparent dealings. This is the core strength on which all our businesses are built.

b) **Ability to identify locations:**
One of the key factors for the success of any multiplex is the location. We believe that our skill in identifying locations is one of our key strengths. We have a professional team with many years of experience in evaluating various locations in terms of catchments area, competing alternatives, expenditure patterns, etc. this process has resulted in selecting locations like Versova, Malad, Pimpri (Pune) and Nasik.

c) **Proven project management skills:**
We have an in-house professional team for project implementation supported by project management consultants. This model of implementing projects has enabled us to complete properties within budgets and time.

d) **Capital-efficient project design and execution**
Our projects are planned and conceived in a manner that each property is profitable on a stand alone basis. We use our internal skills to assess the location and demographics and decide on capital expenditure accordingly. Apart from stand-alone profitability of each site, it also ensures an efficient use of capital.

e) **Selection of content:**
Due to our experience in content selection and programming for many theaters and a deep understanding of different film genres (developed in our distribution business), we are well-placed to exploit each film available in the market.

f) **Marketing strength:**
We believe Fame has been established in the consumers mind due to marketing through newspaper ads, radio spots, direct mailers, internet mailers, the purple privilege club and the use of promotions like paid previews, contests, movies merchandise, DJ in the lobby over the weekend etc. Premieres of films are also used as an important marketing tool.

g) **Customer Orientation**
Fame has built a clear focus on customer orientation, by providing services such as internet bookings, home delivery of tickets, tele-bookings, and a customer loyalty programme.

h) **Long-standing experience in Film Distribution:**
Apart from the experience in areas of exhibition i.e. programming, theater management and running multiplexes, Promoters have experience of over 25 years in film distribution. This distribution experience is particularly useful for the exhibition business in the following way:

- Ability to identify under serviced areas and/or untapped locations, where unmet demand for a movie theater exists. This helps us in selecting locations.
- Relationship with producers/distributors in getting access to content.
- Relationship with theater-owners enables us to have access to locations for retrofits properties
- Understanding of different film genres and their box-office potential. This is important for content selection.

QUANTITATIVE FACTORS

Information presented in this section is derived from our audited financial statements.

Adjusted earning per share (EPS)

		Rupees	Weight
1	Year ended March 31, 2002	1.54	1
2	Year ended March 31, 2003	(6.69)	2
3	Year ended March 31, 2004	18.01	3
	Weighted Average	7.03	

A. The earning per share has been computed on the basis of adjusted profits & losses for the respective years/ periods after considering the impact of accounting policy changes and prior period adjustments/ regroupings pertaining to earlier years.

B. The denominator considered for the purpose of calculating earning per share is the weighted average number of Equity Shares outstanding during the period.

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

a. Based on year ended March31, 2004 EPS is Rs.18.01 /-

b. P/E based on year ended March 31, 2004 is [●]

c. Industry P/E(1)

i)	Highest	143.0
ii)	Lowest	1.5
iii)	Industry Composite	33.1

(1) Source: Capital Market Vol.XIX/22, Jan 3-16, 2005 (Entertainment/Electronic Media Software)

3. Average Return on Net Worth

		Rupees	Weight
1	Year ended March 31, 2002	0.94%	1
2	Year ended March 31, 2003	(8.28)%	2
3	Year ended March 31, 2004	4.84%	3
	Weighted Average	(0.18)%	

(a) The average return on net worth has been computed on the basis of adjusted profits & losses for the respective year/ period after considering the impact of accounting policy changes and prior period adjustments/ regroupings pertaining to earlier years.

4. Minimum Return on Increased Net Worth Required to Maintain Pre- Issue EPS.

The minimum return on increased net worth required to maintain pre- Issue EPS is [●]

5. Net Asset Value per Equity Share as at March 31, 2004 – Rs.54.28/-

Net Asset Value per Equity Share (post-split) represents shareholders' equity less miscellaneous expenses as divided by weighted average number of Equity Shares.

6. Net Asset Value per Equity Share after Issue

The net asset value per Equity Share after the Issue is Rs.[●]

Issue Price per Equity Share: Rs.[●]

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

7. Comparison of Accounting Ratios

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

	EPS (Rs.)	P/E	RONW	NAV (Rs.)
Shringar (1)	18.01	[●]	4.84%	54.28
Industry Average				
Peer Group#				
Adlabs Films Limited	8.3	12.4	17.8%	48.80
Pantaloon Retail	10.9	72.8	14.1%	47.70
Trent	10.2	57.8	13.8%	54.50
Peer Group Average	9.80	47.67	15.23%	50.33

Earnings per share, Return on Net Worth and net asset value are based on last audited financial results for the period ending March 31, 2004.

Source: Capital Market Vol.XIX/22, Jan 3-16, 2005 (Entertainment/Electronic Media Software)

#(Data based on trailing twelve months)

SECTION VIII: OTHER INFORMATION

STATUTORY AND OTHER INFORMATION

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to the Issue; and (b) Book Running Lead Managers to the Issue and Syndicate Members, Escrow Collection Bankers, Registrar to the Issue and Legal Advisor to the Company and Underwriters, to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Registrar of Companies, Maharashtra located at Mumbai, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

M/s. BSR & Co., Chartered Accountants, and our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

M/s. BSR & 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 Draft Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue amount including devolvement of the members of the Syndicate, if any, within 60 days from the Bid Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the Company becomes liable to pay the amount, the Company shall pay interest as per Section 73 of the Companies Act.

Expert Opinion

Except as stated elsewhere in this Draft Red Herring Prospectus, we have not obtained any expert opinions.

Changes in Auditors during the last three financial years and reasons thereof

There have been no changes of the auditors in the last three years.

Basis of Allotment

A. For Retail Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allotment to Non Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of [•] Equity Shares. For the method of proportionate basis of allotment, refer below.

B. For Non Institutional Bidders

- Bids received from Non institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non Institutional Bidders will be made at the Issue Price.
- The Issue size less allotment to QIBs and Retail Portion shall be available for allotment to Non Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to Non Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of [•] Equity Shares. For the method of proportionate basis of allotment

refer below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the QIBs will be made at the Issue Price.
- At least 50% of the Net Issue to the public shall be compulsorily available for allotment to QIBs who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allotment would be decided by the Company in consultation with the BRLMs and would be at their sole discretion, based on various factors, such as quality of the Bidder, size, price and date of the Bid.
- The aggregate allotment to QIB Bidders shall not be less than 39,50,000 Equity Shares.

D. For Bidders in Employee Reservation category

- Bids received from the Bidders in Employee Reservation category at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Bidders in Employee Reservation category will be made at the Issue Price.
- The Equity Shares under the Employee Reservation portion shall be available for allotment to Bidders who have bid in this category at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to the Bidders in Employee Reservation category to the extent of their demand.
- If the aggregate demand in this category is greater than 2,50,000 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis subject to minimum allocation being equal to the minimum bid/application size of [•] Equity Shares. For the method of proportionate basis of allotment, refer below.

Method of Proportionate Basis of Allotment

In the event of the Issue being over-subscribed, the basis of allotment to Retail and Non Institutional Bidders shall be finalized by us in consultation with the Designated Stock Exchange. The Executive Director or Managing Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allocation shall be made in multiples of [marketable lot], on a proportionate basis as explained below subject to minimum allocation being equal to the [minimum application size]:

a. Bidders will be categorized according to the number of Equity Shares applied for.

b. The total number of Equity Shares to be allocated to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c. Number of Equity Shares to be allocated 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 subject to allocation being equal to the minimum application size.

d. In all Bids where the proportionate allocation is less than [•] Equity Shares per Bidder:

- The Bid is liable to be rejected;
- However, the successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

e. If the proportionate allotment to a Bidder is a number that is more than [minimum allotment lot] but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5 it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The total expenses of the Issue are estimated to be approximately [•] of the Issue Size. All expenses with respect to the Issue would be met out of the proceeds of the Issue.

The estimated issue expenses are as under:

Activity	(Rs. in Lacs)
Lead Management , underwriting and selling commission and Others (Registrars fee, legal fee, listing fee, Auditors, Book Building fees, etc.)	175.00
Advertising and Marketing expenses	50.00
Printing and stationery	125.00
Total	350.00

Fees Payable to the BRLMs

The total fees payable to the Book Running Lead Manager will be as per the Engagement Letter dated November 1, 2004 and Memorandum of Understanding signed with us dated January 12, 2005 issued by our Company, a copy of which is available for inspection at our registered office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the Agreement dated January 12, 2005, a copy of which is available for inspection at our corporate office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

Underwriting Commission, Brokerage and Selling Commission

The underwriting commission and the selling commission for the Issue are as set out in the Syndicate Agreement amongst us, the BRLMs and the Syndicate Members.

The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue price and the amount underwritten in the manner mentioned elsewhere in this Draft Red Herring Prospectus.

Commission and Brokerage on Previous Issues

Except as stated elsewhere in this Draft Red Herring Prospectus, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Previous Rights and Public Issues

We have not made any previous rights and public issues during the last five years except as stated in the section entitled “Capital Structure” on page 20 of this Draft Red Herring Prospectus.

Outstanding Debentures or Bond Issues or Preference Shares

We have no outstanding debentures or bond issues or preference shares except as stated elsewhere in this Draft Red Herring Prospectus.

Capitalization of Reserves or Profits

We have not capitalized our reserves or profits at any time, except as stated in the section entitled “Capital Structure” on page 20 of this Draft Red Herring Prospectus.

Issues otherwise than for Cash

Except as stated in the section entitled “Capital Structure” on page 20 of this Draft Red Herring Prospectus, we have not issued any Equity Shares for consideration otherwise than for cash.

Option to subscribe

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

Purchase of Property

S. No.	Property	Details of Vendors	Consideration	Nature of Title/Interest	Particulars
1.	Survey Number 119/1/A village Vadala, Nasik-Pune Road, Nasik	Mr.Vijaykumar Madan, Mr. Rohit Madan, Mrs.Kamal Madan, partners of M/s Vijay Enterprises	Lease rentals	Leased	Nil
2.	‘Jai Ganesh Vision’ Akurdi, Akurdi Chinchwad Road, Survey No.171A,171B & 172/2 Taluka Haveli, Akurdi, Chinchwad, Pune.	Siddhivinayak Associates	Rentals specified in Memorandum of Understanding	Leased	Nil

S. No.	Property	Details of Vendors	Consideration	Nature of Title/Interest	Particulars
3.	Raghuleela Complex, Kandivali, off S.V.Road, near Poisar Depot, Mumbai.	Vasudev C.Wadhwa Constructions	Rentals specified in the Letter of Intent	Leased	Nil
4.	"MPM Bonsai", 3-6-552 to 58, Himayatnagar, Abids, Hyderabad-500 0029.	M/s. Maheshwari Megaventures Limited	Rentals specified in Memorandum of Understanding	Leased	Nil
5.	'Lake City Mall' at Kapurbawadi Nake, Thane-Bhiwani Road, Thane (West).	Shree Balaji Builders and Developers, P.L. Multiplex Private Limited, Siddhi Estate	Lease rentals specified in the Memorandum of Understanding	Leased	Nil
6.	CTS No. 1406A/28A, part of Village Malad, off Link Road, Malad (West), Mumbai- 400064	InOrbit Malls (India) Private Limited	License fee specified in the Leave and License Agreement	Leave and license	Nil
7.	Land No. P-1 C, CIDCO, on Jalgaon Road, Aurangabad	Tapadia Cine Market Private Limited	Rentals specified in the Memorandum of Understanding	Leased	Nil
8.	E.M. Bypass land survey no. 1925, Chakgaria, Kolkata 700075	Calcutta Metropolitan Group Limited	Rentals specified in the Letter of Intent	Leased	Nil

Except as elsewhere stated in this Draft Red Herring Prospectus, we have not purchased any property in which any of our Promoters and directors, have any direct or indirect interest in any payment made thereof.

Remuneration of the Managing Director

Mr. Shravan Shroff is entitled to receive compensation for his services as the Managing Director of our Company. The present terms of employment of Mr. Shravan Shroff are with effect from December 19, 2004, for a period of three years. The material terms of remuneration and perquisites payable to Mr. Shravan Shroff are as under:

a) Remuneration:

Rs. 5,00,000 per month on a cost to company basis. This will include salary and valued perquisites as the Board of Directors and Managing Director may mutually agree from time to time.

b) Incentive:

As approved by the Board of Directors of the Company from time to time, on business plan achievement subject to a maximum limit upto Rs.10,00,000 per financial year.

c) Car & Telephone:

Provision of a car including its running expenses with driver for use on Company's business and telephone and other communication facilities for business purposes, not to be considered as compensation to the Managing Director.

Classes of Shares

Except as stated elsewhere in this Draft Red Herring Prospectus there are no other class of shares.

Payment or benefit to Promoters or Officers of the Company

Except as stated otherwise in this Draft Red Herring Prospectus, no amount or benefit has been paid or given within two years or is intended to be paid or given to any of our Promoters or officers except the normal remuneration for services rendered as directors, officers or employees.

MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF SHRINGAR CINEMAS LIMITED

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of Shringar Cinemas Limited relating to capital and increase and reduction of capital, shares and certificates, forfeiture and lien, restrictions on transfer and transmission of shares, voting rights and dividend are detailed below:

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company.

Pursuant to Schedule II of the Companies Act and SEBI Guidelines, the main provisions of the Articles of Association of the Company are set forth below

4. Authorized Share Capital

The Authorized Share Capital of the Company be read as is given in Clause V of the Memorandum of Association of the Company.

5. Further Issue of Shares

(1) Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the un issued capital or out of the increased share capital then:

a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as near as circumstances admit, to the Capital paid up on those shares at the date.

b) Such offer shall be made by a notice specifying the number of shares offered and within not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.

c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favor of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right, provided that the directors may decline, without assigning any reason to allot any shares to any person in whose favor any member may renounce the shares offered to him.

d) After expiry of the time specified in the aforesaid notice or an receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner and to such person(s) as they may think, in their sole discretion, fit.

(2) Notwithstanding anything contained in clause (1) thereof, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of clause (1) hereof) in any manner whatsoever:

a) If a special resolution to that effect is passed by the Company in General Meeting, or

b) Where no such special resolution is passed, if the votes cast (whether on show of hands or on a poll as the case may be) in favor of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors, in this behalf that the proposal is most beneficial to the Company.

(3) Nothing in sub-clause (c) of clause (1) hereof shall be deemed:

a) To extend the time within which the offer should be accepted; or

b) To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favor the renunciation was first made has declined to take the shares comprised in the renunciation.

(4) Nothing in this Article shall apply to the increase of the subscribed Capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:

(a) To convert such debentures or loans into shares in the company; or

(b) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

PROVIDED that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

a) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and

b) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

6. Shares to be under the control of the Directors

Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered which may so be allotted or may be issued as fully paid up shares.

Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

7. Return of Allotments

As regards all allotments made, from time to time, the Directors shall comply with Section 75 of the Act.

8. Installments on Shares to be duly paid

If by the conditions of allotment of any share the whole or part of the amount or issue price there of shall be payable by installments, every such installment shall, when due to be paid to the Company by the person who for the time being shall be the registered holder of the shares or his legal representatives, and shall for the purpose of these Articles be deemed to be payable on the date fixed for payment and in the case of non-payment the provisions of these Articles as to payment of interest and expenses, forfeiture and the like and all other relevant provisions of the Articles shall apply as if such installments were a call duly made and notified as hereby provided.

9. Commission for placing Shares

The Company may, subject to the compliance with the provisions of Section 76 of the Act exercise the power of paying commission.

10. Brokerage

The Company may, subject to limits prescribed by the Act, pay a reasonable sum of brokerage on any issue of shares.

11. Shares at a Discount

With the previous authority of the Company in General Meeting and the sanction of the Company Law Board and upon otherwise complying with the provisions of Section 79 of the Act, the Directors may issue shares at a discount.

12. Liability of joint holders of Shares.

The joint holders of shares shall be severally as well as jointly liable for the payment of all installments and calls due in respect of such share but the person first named in the Register shall as regards notice at meetings, proxy receipt of dividends or bonus, service of voting and all or any other matters connected with the company, except the transfer of shares, be deemed the sole holder thereof.

13. Number of joint holders

Not more than four persons shall be registered as joint-holders of any share.

14. Share Certificates

Subject to the provisions of the Companies (Issue of Shares Certificate) Rules, 1960 or any statutory modification or re-enactment thereof share certificates shall be issued in the manner following (as provided in Article 15):

(1) The Certificates of title to shares and duplicates thereof, when necessary shall be issued under the Seal of the Company which shall be affixed in the presence of (i) one Director or a Director and a person acting on behalf of another Director under a duly registered power-of-attorney or two persons acting as attorneys for two Directors as aforesaid, and (ii) the Secretary or some other person appointed by the Board for the purpose all of the whom shall sign such share certificates provided that, if the composition of the Board permits at least one of the aforesaid two Directors shall be a person other than a Managing or whole time Director or a Director. Every member or allottee of shares shall be entitled, without payment, to receive certificates for the shares of the same class registered in his name. Every share certificate shall specify the name of the person in whose favor it is issued, the share certificate number and the distinctive number(s) of the shares to which it relates and the amount paid up thereon. Such share certificate shall be issued only in pursuance of a resolution passed by the Board or any committee thereof and on surrender to the Company of its letter of allotment or its fractional coupons of requisite value, save in cases of issues against letters of acceptance or of renunciation or in cases of issue of bonus shares provided that if the letter of allotment is lost or destroyed, the Board or any committee thereof may impose such reasonable terms, if any, as it thinks fit, as to evidence and indemnity and the payment of out of pocket expenses incurred by the Company in investigating the evidence.

(2) Printing of blank forms for issue of share certificates and maintenance of books and documents relating to issue of Share Certificate shall be in accordance with the provisions of the Companies (Issue of Share Certificates) Rules, 1960 or any statutory modification or re- enactment thereof for the time being in force.

16. To which of the joint holders certificates to be issued

If any share stands in the name of two or more persons, the person first named in the Register shall, as regards receipt of dividends or bonus or service of notices and all or any other matter connected with the Company except voting at meeting and the transfer of the shares, be deemed the sole holder thereof but the joint holders of a share shall severally as well as jointly be liable for the payment of all installment and calls due in respect of such share and for all incidents thereof according to the Company's regulations.

22. Trust not recognized

Save as herein provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share as the absolute owner thereof, and accordingly shall not (except as ordered by a Court of competent jurisdiction or as by law required) be bound to recognize any benami, trust or equitable, contingent, future or partial claim or claims or right to or interest in such share on the part of any other person whether or not it shall have express or limited notice thereof. The provisions of Section 153 of the Act shall apply.

25. Calls

The Directors may from time to time subject to any terms on which any shares may have been issued make such calls as they think fit upon the members in respect of all money unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to the Company and at the times and places appointed by the Directors. A call money may be made payable by installments. Provided that the Board shall not give the option or right to call on shares to any person except with the sanction of the Company in General Meeting.

26. When call deemed to have been made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorizing such call was passed and due notice thereof has been posted or delivered to the shareholders.

28. Notice of call

Not less than 14 days notice of any call shall be given specifying the time and place of payment and to whom such call shall be paid.

29. When interest on call or installment payable

(1) 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 10 percent per annum from the day appointed for the payment thereof to the time of the actual payment as the Directors may determine.

(2) The Directors shall be at liberty to waive payment of any such interest wholly or in part.

30. Amount payable at fixed time or by installments payable as call.

If by the terms of issue of any share or otherwise any amount is made payable at any fixed time or by installments at fixed times whether on account of the amount of the share or by way of premium every such amount or installment shall be payable as if it were a call duly made by the Directors and of which due notice had been given and all the provisions herein contained in respect of calls shall relate to such amount or installment accordingly.

31. Evidence in action by Company against shareholders

On the trail on hearing of any action or suit for the recovery at any money due for any call it shall be sufficient to prove that the name of the persons sued is or was when the claim arose, on the Register of Members of the Company as a holder or one of the holders of the number of shares in respect of which such claim is made, that the amount claimed is not entered as paid in the books of accounts of the Company that the resolution making the call is duly recorded in the minute book of the Board and that the notice of such call was duly given to the person sued, in pursuance of these presents, and it shall not be necessary to prove the appointment of the Directors who made such call or any other matters whatsoever but the proof of the matter aforesaid shall be conclusive evidence of the debts.

33. If call or installment not paid notice may be given

If any member fails to pay any call or installment on or before the day appointed for the payment of the same the Directors may at any time thereafter during such time as the call or installment remain unpaid serve a notice on such member requiring him to pay the same forthwith within a further stipulated period together with any interest that may have accrued thereon calculated at 10 percent per annum from the date on which the same fell due and all expense that may have been incurred by the Company by reason of such non payment.

34. Form of notice

The notice shall name a day (not being less than fourteen days from the date of notice) and a place or places on and at which such call or installment, and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of nonpayment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is payable will be liable to be forfeited.

35. If notice not complied with, Shares may be forfeited.

If the requisitions of any such notice as aforesaid be not complied with any shares in respect of which such notice has been given may at any time thereafter, before payment of all calls or installment, interest and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

36. Notice after forfeiture

When any shares shall have been so forfeited notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture with the date thereof shall forthwith be made in the Register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.

37. Forfeited Shares become property of Company

Any share so forfeited shall be deemed to be the property of the Company and the Directors may sell, re-allot and otherwise dispose of the same in such a manner as they think fit.

38. Power to annul forfeiture

The Directors may, at any time before any share so forfeited shall have been sold re-allotted or otherwise disposed of; annul the forfeiture thereof upon such conditions as they think fit.

39. Arrears to be paid not withstanding forfeiture

Any member whose shares shall have been forfeited shall, not withstanding, be liable to pay and shall forthwith pay to the Company all calls, installments, interest and expenses, owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of forfeiture until payment at 10 percent per annum, and the Directors may enforce the payment thereof without any deduction or allowance for the value of the shares at the time of forfeiture, which they shall not be under any obligation to do so.

40. Effect of forfeiture

The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of the share and all other rights incident to the share except only such of those rights as by these Articles are expressly saved.

41. Evidence of forfeiture

A duly verified declaration in writing that the declarant is a Director of the Company and that certain shares in the Company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and such declaration and the receipt of the Company for the consideration, if any, given for the shares on the sale or, disposal thereof shall constitute a good title to such shares and the person to whom the shares are sold shall be registered as the holder of such shares who shall not be bound to see the application of the purchase money nor shall his title to such shares be affected by any irregularity of invalidity in the proceedings in reference to such forfeiture, sale or disposal.

42. Company's lien on Shares

The Company shall have a first and paramount lien upon all the shares including fully-paid shares registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for such members debts, liabilities, and engagements solely or jointly with any other person to or with the Company whether the period for the payment, fulfillment or discharge thereof shall have actually arrived or not, and such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any on such shares. The Board may at any time declare any shares to be exempt, wholly or partially from the provision of these Articles.

43. Notice to be given

For the purpose of enforcing such lien the Directors may sell the shares subject thereto in such a manner as they think fit but no sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such member, his executors or, administrators or his committee, or other legal curator, and default shall have been made by him or them in the payment fulfillment, or discharge of such debts, liabilities or engagements until the expiry on seven days after such notice.

44. Application of proceeds of sale

The net proceeds on any such sale after payment of the costs of such sale shall be applied in or towards satisfaction of the debts and liabilities of such members or engagements and the residue (if any) shall be paid to such member, his heirs, executors, administrators, committee or curator.

45. Validity of sale under Article 44

Upon any sale after forfeiture or for enforcing a line in purported exercise of the powers herein before given the Directors may cause the purchase's name to be entered in Register in respect of the shares sold and the purchaser shall not be bound to see to the regularity of the proceeding or to the application of the purchase money and after his name has been entered in the Register in respect of such shares the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

47. Transfer fee not to be charged

No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certification of death or marriage, power of attorney or similar other document.

48. Transmission of Shares

The legal representative of a deceased member shall be entitled to be recognized by the Company as having title to the shares of the deceased member on production of probate or letters of administration or a succession certificate from a competent court of law, provided that the Directors may dispense with the production of such probate letters of administration or succession certificates on the legal representative furnishing such indemnity as the Directors may require.

51. Directors may refuse to register transfer

Subject to the provisions of Section 111 of the Act and any other law in force for the time being, 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.

52. Title to the Share of deceased member

(1) The Executors or administrators of a deceased Member (not being one of several joint-holders) shall be the only persons recognized by the Company, as having any title to the shares registered in the name of such Member and in the case of death of any one or more of the joint-holder of any registered share the survivors shall be the only persons recognized by the Company as having any title to or interest in such shares provided that if the deceased Member was a Member of a joint Hindu family as the Directors, of being satisfied to that effect and on being satisfied that the shares standing in his name in fact belonged to the joint family may recognize the survivor or the Karta thereof as having title to the shares registered in the name of such members. In any case it shall be lawful for the Directors in their absolute discretion to dispense with production of probate or letter of Administration or other legal representation upon such terms as to indemnity or otherwise as the Directors may deem expedient and justified.

(2) In case of the death of any one or more of the persons named in the Register of Members as the joint holders of any share, the survivor or survivors shall be the only persons recognized by the Company, subject to the provisions of the clause on right to nomination, as having any title to or interest in such share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares held by him with any other person.

53. Registration of transmission

Any person, becoming entitled to shares in consequence of the death or bankruptcy of any member upon producing such evidence that he sustains the character in respect of which proposed to act under this clause or his title as the Directors may think sufficient, may with the consent of the Directors (which they shall not be under any obligation to give) be registered as a Member in respect of such shares subject to the regulation as to transfer herein before referred to as the “Transmission Clause”.

54. Directors right to refuse registration of transmission

The Directors shall have the same right to refuse a person entitled by transmission to any share or his nominee, as if he was the transferor named in an ordinary transfer for registration.

55. No transfer to minor etc

The Board shall not issue or register a transfer of any share to a minor (except in case where they are fully paid) or insolvent or person of unsound mind.

62. Power to issue Share Warrant

The Company may issue share warrants subject to and in accordance with the provisions of Section 114 and 115.

66. Increase of capital

The Company may, by a resolution passed in a General Meeting, from time to time increase the share capital by the creation of new shares of such amount as may be deemed expedient and specified in the resolution, subject to compliance with the provision of the Act and of any other laws that may be in force.

71. Consolidation, subdivision and cancellation of Shares

(1) The Company may by an Ordinary Resolution:

(a) Consolidate and divide its shares or any of them into shares of larger amount than its existing shares.

(b) Sub-divide its existing shares or any of them into shares of smaller amount than is fixed originally by the Memorandum of Association, so however that in the subdivision the proportion between the amount paid and the amount, if any unpaid on each reduced share be the same as it was in the case of the share from which the reduced share is derived and other conditions, if any laid down by these Articles.

(c) Cancel any shares which at the date of the passing of the ordinary resolution, have not been taken or agreed to be taken by any person and also may diminish the amount of its share capital by the amount of the shares so cancelled.

(2) The Company shall file with the Registrar Notice of exercise of any power referred to in sub clauses (a), (b) or (c) of Clause (1) of this Article within thirty days from the exercise thereof.

73. Reduction of capital

The Company may, from time to time, by Special Resolution reduce its share capital or any Share Premium account in any manner and with, and subject to any incident authorized and consent required by law.

77. Powers of the Board with regard to borrowing

(1) The Board of Directors may from time to time but with such consent of the Company in General Meeting as may be required under Section 293 raise any money or sums of money for the purpose of the Company provided that the moneys to be borrowed by the Company's apart from temporary loans obtained from the Company's bankers in the ordinary course of business shall not without the sanction of the Company 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 of money for the purpose of the Company, by the issue of debenture 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 to transfer or convey the same absolutely in trust and give the lenders powers of sale and other powers as may be expedient and to purchase redeem or pay off any such securities. Provided that every resolution passed by the Company in General Meeting in relation to the exercise of the power to borrow as stated above shall specify the total amount up to which the Board of Directors may borrow moneys. The Directors may by a resolution at a meeting of the Board delegate the above power to borrow money otherwise than on debentures to a Committee of Directors or the Managing Director, if any, within the limits prescribed.

(2) Subject to the provisions of this Article, the Directors may, from time to time, at their discretion, raise or borrow or secure the repayment of any sum or sums of money for the purpose of the Company, at such time and in such manner and upon such terms and conditions in all respects as they think fit and in particular, by promissory notes or by opening current accounts or by receiving deposits and advances with or without security, or by the issue of bonds, perpetual or redeemable debentures or debenture stock of the Company (both present and future) including its uncalled capital for the time being of the Company.

81. When Annual General Meeting to be held

In addition to any other meeting, general meetings of the Company shall be held within such intervals as are specified in Section 166 (1) of the Act and subject to the provisions of Section 166 (2) of the Act, at such times and places as may be determined by the Board. Each such general meeting shall be called "Annual General Meeting" and shall be specified as such in the notice convening the meeting. Any other meeting of the Company shall be called "Extraordinary General Meeting".

82. When other General Meeting to be called

The Board may, whenever it thinks fit, call extraordinary general meeting, and it shall, on the requisition of such number of members as hold, at the date of the deposit of the requisition, not less than one-tenth of such of the paid up capital of the Company as at that date carried the right of voting in regard to the matter to be considered at the meeting, forthwith proceed to call an Extraordinary General Meeting and in the case of such requisition the following provisions shall apply:

(a) The requisition shall state the matter for the consideration of which the meeting is to be called, shall be signed by the requisitionists and shall be deposited at the office. The requisition may consist of several documents in like form each signed by one or more requisitionists.

(b) Where two or more distinct matters are specified in the requisition, the requisition shall be valid only in respect of those matters in regard to which the requisition has been signed by the member or members herein before specified.

(c) If the Board does not, within twenty-one days from the date of deposit of a valid requisition in regard to any matters, proceed duly to call a meeting for the consideration of these matters on a day not later than forty five days from the date of deposit, the requisitionists or such of them as are entitled so to do by virtue of Section 169 (6) (b) of the Act may themselves call the meeting but any meeting so called shall not be convened after three months from the date of deposit.

(d) Any meeting called under this Article by the requisitionists shall be called in the same manner as nearly as possible as that in which meetings are to be called by the Board but shall be held at the Registered office of the Company.

(e) Where two or more persons hold any shares jointly a requisition or notice calling a meeting signed by one or some only of them shall, for the purposes of this Article, have the same force and effect as if it had been signed by all of them.

(f) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board to call a meeting shall be repaid to the requisitionists by the Company and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration for their services to such of the Directors as were in default.

87. Quorum

Five members entitled to vote and present in person shall be quorum for general meeting and no business shall be transacted at the general meeting unless the quorum requisite be present at the commencement of the meeting. A body corporate being a member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act or its applicable internal procedures.

89. Chairman of General Meeting

The Chairman of the Board shall be entitled to take the Chair at every General Meeting or, if there be no such chairman, or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting or is unwilling to act the member present shall choose another Director as chairman and if no Director be present or if all the Directors present decline to take the chair, then the members present shall choose one amongst themselves to be chairman of the meeting.

91. Chairman's casting vote

The Chairman shall not have a second and casting vote in case of equality of votes in a meeting

98. Votes of members

On a show of hands every member present in General Meeting in person or by proxy or attorney shall has one vote and upon a poll every member present in person or by proxy shall have one vote for every share held by him provided that the holders of preference shares shall not be entitled to vote unless a resolution is proposed affecting rights or privileges of the holders of preference shares. A member is not prohibited from exercising his voting rights on the ground that he had not held his shares or interest in the Company for any specified period preceding the date on which the vote is taken.

101. Joint holders of any Share

Where there are joint registered holders of any share the person first named in the register against the holder vote at any meeting either personally or by proxy in respect of such share as if he were solely entitled thereto. Several executors or administrators of a deceased member in whose name any share stands shall for the purpose of this Article be deemed joint-holders thereof.

107. Restriction on voting

No member shall be entitled to be present or to vote on any question either personally or by proxy or as proxy for another member at any General Meeting or upon a poll or to be reckoned in a quorum whilst any call or other sum payable to the Company in respect of any of the shares of such member shall remain unpaid, and no member shall be entitled to be present or to vote at any meeting in respect of any share that he has acquired by transfer unless his name is entered as the registered holder of the share in respect of which he claims to vote, but this shall not affect shares acquired under a testamentary disposition or by succession to an intestate estate or under an insolvency or liquidation.

111. Time for objection to vote

No objection shall be made to the qualification of any voter or to the validity of a vote except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote, whether given personally or by proxy, not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting.

113. Board's maximum strength

The minimum number of Directors on the Board shall not be less than three and the maximum number of directors shall not be more than fifteen. The maximum number of directors shall not include Alternate Directors appointed.

114. Power of Board to add its number

The Board shall have power at any time and from time to time to appoint any person as a Director as an addition to the Board but so that the total number of Directors shall not at any time exceed the maximum number fixed by these Articles, any Director so appointed shall hold office only until the next Annual General Meeting of the Company and shall then be eligible for re-election.

115. Composition of the Board

(1) Notwithstanding anything contained in these Articles, as long as the Investor Group holds not less than 5% of the total issued and paid up equity share capital of the Company, the Investor will have the right to nominate for appointment one non-executive Director who shall not be liable to retire by rotation (hereinafter "Investor Director") and the Investor shall be entitled to remove the Investor Director so nominated on the Board of the Company and to appoint any other individual in his/her place. The Investor Director shall not be in charge of day to day management or operations of the Company.

(2) As long as the Promoters continue to hold not less than 26% of the total paid up equity capital of the Company, the Promoters shall be entitled to nominate for appointment majority of the Directors on the Board of the Company.

(3) The Board shall appoint such number of independent Directors as it deems fit within the maximum permissible number of Directors specified under the applicable law and these Articles.

116. Chairman of the Board

Mr. Shyam Shroff shall be the Chairman of the Board. In his absence, as long as the Promoters continue to hold not less than 26% of the total paid up capital of the Company, the Directors appointed by the Promoters shall appoint the Chairman.

117. Qualification Shares not required

A director shall not be required to hold any qualification shares.

124. Disclosure of a Director's interest

Every Director who is in any way whether directly or indirectly, concerned or interested in contract or arrangement, entered into or to be entered into by or on behalf of the Company (not being a contract or arrangement entered into or to be entered into between the Company and any other company where any of the Directors of the Company or two or more of them together holds or hold not more than two percent of the paid up share capital in the other company) shall disclose the nature of his concern or interest at a meeting of the Board as required by Section 299 of the Act. A general notice, renewable in the last month of each financial year of the Company, that a Director is a director or a member of any specified body Corporate or is a member of any specified firm and is to be regarded as concerned or interested in any subsequent contract or arrangement with that body corporate or firm shall be sufficient disclosure of concern of interest in relation to any contract or arrangement so made and, after such general notice, it shall not be necessary to give special notice relating to any particular contract or arrangement with such body corporate or firm provided such general notice is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.

125. Which Directors to retire

The Directors to retire by rotation at every Annual General Meeting shall be those who have been longest in office since their last appointment but as between person who became Directors on the same day those to retire shall in default of the subject to any agreement among themselves, be determined by lot.

128. Board may fill up casual vacancies

If any Director appointed by the Company in general meeting vacates office as a Director before his term of office will expire in the normal course the resulting casual vacancy may be filled up by the Board at a meeting of the Board but any person so appointed shall retain his office so long only as the vacating Director would have retained the same if no vacancy had occurred. Provided that the Board may not fill such a vacancy by appointing thereto any person who has been removed from the office of Director.

131. Alternate Directors

The Board of Directors may appoint an alternate Director to act for a Director (hereinafter called the original Director) during the absence of the original Director for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. An alternate Director so appointed shall vacate office if and when the original Director returns to the State in which meetings of the Board are ordinarily held if the term of office of original Director is determined before he so returns to the state aforesaid and any provision for the automatic reappointment of retiring Director in default of another appointment shall apply to the original and not to the alternate Director.

132. Meetings of the Board

(a) Board meetings shall be held at least once in every three months and at least four times every year. The meetings shall ordinarily be held in India. However, Board meetings may be held at any place other than in India as may be agreed in writing by all the Directors. For the avoidance of doubt, subject to compliance with the notice procedures specified in these Articles Board meetings may take place on a Saturday or Sunday;

(b) The date for Board meetings shall normally be fixed at the preceding Board meeting. However, not less than 10 days prior written notice of each meeting (or such shorter period as may be agreed in writing by all the Directors) shall be given to each Director of each meeting setting out the agenda for the meeting in reasonable detail and attaching all reasonably available data and information relating to matters to be discussed at the meeting except as otherwise agreed in writing by all of the Directors whether resident in India or outside India;

(c) Each Director is entitled to cast one (1) vote;

(d) Subject to applicable provisions of the Act, decisions of the Board shall be made on the basis of a majority vote. Provided that where, despite due notice of the meeting being provided to the Investor Director, if the Investor Director is not present at the Board meeting at the appointed time specified in the notice, all decisions shall be valid if passed by a simple majority of the Board provided that no other items may be considered at such meeting which were not on the agenda for such meeting;

(e) When permitted under applicable laws, any Director may participate in and vote at a meeting of the Board by means of a telephone, video conferencing or similar communications equipment which allows all persons participating in the meeting to hear each other and record the deliberations. Where any Director participates in a meeting of the Board by any of the means described hereinabove, the Company shall ensure that that Director is provided with a copy of all documents referred to during such Board meeting before the Board meeting commences;

(f) A circular resolution in writing, signed by all of the Directors, shall, subject to the Act, constitute a valid decision of the Board provided that a draft of such resolution was sent to all of the Directors then in India and to all other Directors at their usual address together with a copy of all supporting papers; and

(g) Directors are not entitled to be paid for acting as Directors, other than sitting fees as prescribed by the Act, but they are entitled to be paid by the Company for all reasonable traveling, hotel and other expenses properly incurred by them in attending meetings and discharging their duties; and

(h) If no quorum is present within thirty (30) minutes from the appointed time for any meeting of the Board, the meeting shall stand adjourned to the same day in the next week (or such other later date as the Chairman may decide) at the same time and place and the Directors present at such adjourned meeting shall constitute a quorum provided that:

  (i) Written notice of the adjournment was given to each Director at his usual address for service of notices of Board meetings not less than five (5) days before the date of the adjourned meeting; and

  (ii) No agenda items may be considered at the adjourned meeting which was not on the agenda for the meeting which was adjourned.

133. Power to appoint Committees and to delegate

Subject to the provisions of the Act, the Board may, from time to time, and at any time delegate any of its powers to a committee consisting of such Director or Directors as it thinks fit, and may from time to revoke such delegation, Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

Provided that the Investor shall have the right to nominate a representative (who shall be the Investor Director or the alternate Director nominated by the Investor) on any such committees of the Board.

134. Proceedings of Committee

The meetings and proceedings of any such committee consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Board so far as the same are applicable thereto and are not superseded by any regulations made by the Board under the last preceding Article.

136. Debenture Directors

Any Trust Deed for securing debentures or debenture stocks, may, if so arranged to provide for the appointment, from time to time by the Trustees thereof or by the holders of debentures or debenture stocks, of some person to be a director of the Company and may empower such trustees or holder of debentures or debenture stocks, from time to time, to remove and reappoint any director so appointed. The Director appointed under this Article is herein referred to as “Debenture Director” and the term “Debenture Director” means the Director for the time being in office under this Article.

140. Senior Management

The appointment of any senior management of the Company shall require the prior approval of the Board. For the purposes of this Article, any person occupying a position in the Company who reports directly to the Managing Director or to the Board shall be deemed to be senior management.

142. Additional powers of the Board

The Board may, if they so decide in the interest of the Company.

(1) To acquire/dispose property: To purchase, take on lease or otherwise acquire for the Company, property, rights or privileges which the Company is authorized to acquire at such price and generally on such terms and conditions as they think fit. To sell, lease or otherwise dispose of the whole, or, substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, the whole or substantially the whole of such undertaking.

(2) Revenue Budgets: To approve revenue and capital budgets of the Company including proposals in regard to the expansion, diversification, modernization, replacement of plant, machinery and equipments, balancing requirements of equipments, investments in joint ventures or associated companies as well as variations in the approval estimates.

(3) To pay for property in debentures etc: To pay for any property, rights or privileges acquired by, or services rendered to the Company either wholly or partially in cash or in Shares, bonds, debentures, or other securities of the Company, and any such Shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon; and any such bonds, debentures or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital or not so charged;

(4) To secure contracts by mortgage: To secure the fulfillment of any contracts or engagements entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such other manner as they may think fit.

(5) To appoint officers, etc: To appoint and at their discretion, remove or suspend such managers, secretaries, officers, clerks, workmen, employees, agents and servants, specialists and consultants for permanent or temporary or special services as they may from time to time, think fit, and to determine their powers and duties and fix their specific scales of pay and allowances of specific jobs.

(6) To appoint trustees: To appoint any person(s) (whether incorporated or not), to accept and hold in trust for the Company any property belonging to the Company or in which it is interested or for any other purposes, and to execute and do all such deeds and things as may be requisite in relation to any such trust and provide for the remuneration of such trustee of trustees;

(7) To bring and defend action, etc: To institute, conduct, defend, compound or abandon any legal proceeding by or against the Company or its officers or otherwise concerning the affairs of the Company and also to compound and allow time for payment or satisfaction of any claims or demands by or against the Company;

(8) To refer to arbitration: To refer any claims or demands by or against the Company to arbitration and observe and perform the awards;

(9) To give receipt: To make and give receipts, release and other discharges for money payable to the Company and for the claims and demands of the Company;

(10) To authorize acceptance, etc: To determine who shall be entitled to sign on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, releases, contracts and documents;

(11) To appoint attorneys: To provide from time to time for the management of the affairs of the Company at different places in such manner as they think fit, and in particular to appoint any person to be the attorneys or agents of the Company with such powers (including power to sub-delegate) and upon such terms as may be thought fit;

(12) To invest moneys: To invest in the Reserve Bank of India or in such securities as may be approved and deal with any of the moneys of the Company upon such investments authorized by the Memorandum of Association of the Company (not being Shares in this Company) and in such manner as they think fit, and from time to time to vary or release such investments;

(13) To give security by way of indemnity: To execute in the name and on behalf of the Company in favor of any Director or other Person who may incur or be about to incur any Personal liability for the benefit of the Company, such mortgages of the Company's property (present and future) as they think fit and any such mortgage may contain a power of sale and such other powers, covenants and provisions as shall be agreed upon;

(14) To give percentage: To give to any Person employed by the Company a commission on the profits of any particular business transaction, or a share in the general profits of the Company, and such commission or shares of profits shall be treated as part of the working expenses of the Company;

(15) To make byelaws: From time to time to make, vary and repeal byelaws and/or rules for the regulation of the business of the Company, and for determination of service conditions of its employees;

(16) To give award or allow any bonus: To give, award or allow any bonus, pension Superannuation, gratuity or compensation to any employee of the Company, or his widow, children, or dependants, that may appear to the Directors just or proper, whether such employee, his widow, children or dependants has or have not a legal claim upon the Company;

(17) To create provident fund: Before declaring any dividend, to set aside such portion of the profits of the Company as they may think fit, to form a fund to provide for such pensions, gratuities of compensation or to create any provident fund or benefit fund in such manner as the Directors may deem fit;

(18) To make contracts etc: To enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts, deeds, and things in the name and on behalf of the Company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company; and

(19) To delegate powers: Subject to the restrictions laid down in Section 292 of the Act, to delegate any of the powers, authorities and discretion for the time being vested in them, subject however, to the ultimate control and authority being retained by them.

(20) Remit or give time for the repayment of any debt due by Director except in the case of renewal or continuance of an advance by a banking company to its Directors in the ordinary course of business.

(21) Invest otherwise than in trust securities of compulsory acquisition of any such undertakings as refer to in clause (a), or of any premises of properties used any such undertakings and without which it cannot be carried on or can be carried on only with difficulty or only after considerable time.

(22) Subject to the provisions of the Companies Act, 1956, to authorize the payment of remuneration/fees to a director for services provided by such director which are of a professional nature.

143. Local Management

Subject to the provisions of the Act, the following regulations shall have effect:

(1) The Board may, from time to time, provide for the management of the affairs of the Company outside India (or in any specified locality in India) in such manner as it shall think fit and the provisions contained in the following next four paragraphs shall be without prejudice to the general powers conferred by this paragraph**.**

Local Directorate delegation

(2) The Board may from time to time and at any time, establish any Local Directorates or agencies for managing any of the affairs of the Company outside India, or in any specified locality in India, and may appoint any persons to be members of such Local Directorate or any managers or agents and may fix their remuneration and save as provided in Section 292 of the Act, the Board may, from time to time and at any time delegate to any person so appointed any of the powers, authorities and description for the time being vested in the Board and may authorize the members for the time being of any such Local Directorate or any of them to fill up any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made on such terms subject to such conditions as the Board may think fit and the Board may, at any time, remove any person so appointed and may annul or vary any such delegation.

Power of Attorney

(3) The Board may, at any time and from time to time, by power of attorney under Seal, appoint any persons to be the Attorneys of the Company for such purposes and with such powers, authorities and description (not exceeding those which may be delegated by the Boards under the Act) and for such period and subject to such conditions as the board may from time to time, think fit, any such appointment may if the Board thinks fit, be made in favor of the members or any of the members of any Local Directorate established as aforesaid or in favor of any company or firm, or in favor of any fluctuating body of persons whether nominated directly or indirectly by the Board, and any such power-of-attorney may contain such provisions for the protection or convenience of persons dealing with such attorneys as the Board thinks fit.

Sub-delegation

(4) Any such delegates or attorneys as aforesaid may be authorized by the Board to sub-delegate all or any of the powers, authorities and description for the time being vested in them.

144. Managing Director

The Directors may appoint any one of themselves to the office of the Managing Director, for such period at such remuneration and on such other terms and conditions as the Board thinks fit. The Managing Director shall not be subjected to retirement by rotation but (subject to the provisions of any contract between him and the Company) he shall be subject to the same provisions as to resignation and removal as the other Directors and he shall ipso facto and immediately cease to be a Managing Director if he ceased to hold the office of Director from any cause whatsoever.

145. Power of the Managing Director

The Managing Director shall subject to the control and supervision of the Board of Directors have generally all powers of managing and supervising the Company's business and shall exercise and have amongst usual powers the following powers and duties:

(a) To manage generally all concerns and affairs of the Company, to order for the supply of goods machinery, labor and all things necessary for the Company on its behalf, to sanction payment of bills to appoint and employ on such terms and conditions as he thinks proper, manager, secretaries, under secretaries, superintendents, inspectors, engineers overseers, contractors, clerks, foremen, mysteries and other officer and labor hands, agents, organizers, brokers, canvassers and other persons for the purpose of the Company or to remove or dismiss them and appoint others in their place and to pay the persons so appointed or employed such salaries allowances, wages, commissions, traveling, expenses, contribution to provident fund or other remuneration as he may deem proper and fit.

(b) To receive all payments on behalf of the Company and to receive and sign all letters money orders registered or insured packets and covers, book-posts, telegrams, consignments, and parcels of all descriptions and the like forwarded to the Company and to carry on and sign all correspondences of the Company.

(c) To pay the costs, charges and expenses, preliminary and incidental for the promotion, formation, establishment, carrying on, running and registration of the Company and for taking licenses from municipality or corporation or from the Government, Central or provincial for the Company, if necessary

(d) To receive all expenses incurred advanced by him for the aforesaid or any other purposes or business from the funds of the Company provided the Directors sanction such reimbursement.

(e) To sign cheques, drafts, certificates, bonds, hundies and other documents and generally to sign for on behalf of the Company.

(f) To give effectual receipts and discharges of all kinds of payments either in the shape of claim interest rent, profit and other payments and dues and for non-payments for any debts, money, rent due or breaches of any covenant, agreement or condition, to take proceedings, civil, criminal or otherwise for recovery or such debts, money, rent, dues damages compensation in respect of such breaches or otherwise.

(g) To settle, start, defend, adjust, compound submit to arbitration and compromise withdraw all actions, accounts, claims, and demands whether arising in any legal proceeding or not.

(h) To appear and conduct cases for the Company in all courts of justice, civil criminal and revenue before any executive, judicial, revenue, forest, police, postal, excise, income-tax, railway, steamer, telegraph, municipal, government or military departments, district board, local board, union board, or other officers in any action or proceedings or matters in which the Company is interested, with a view to promote, benefit, safeguard, or defend its interest or settle or compromise or compound take action or judgment against the Company or to vote in any Municipal, Calcutta Corporation, District Board, Union Board, or Legislative bodies, electric matters on behalf of the Company.

(i) To admit execution of documents before any District Registrar, sub Registrar of Assurances, Registrar of Co-operative Societies and to get basic documents from the offices of the aforesaid officers and to conduct or defend any case before them.

(j) To sign and verify written statements, petitions pleadings, compromises, vakalatnama, warrants of attorneys, muktearnamas, and agents names in all courts civil criminal or revenue and to pay their fees, charges and or other legal expenses and law charges and costs.

(k) With the sanction of the Board to deposit any money in and withdraw money from all treasuries, banks, and any other person or persons for and on behalf of the Company.

(l) To execute and do in the name of the Company all deeds and things for the welfare of the Company.

(m) With the sanction of the Directors to Institute suits including those for libel, defamation, or infringement or any right concerning the Company.

(n) To grant and/or revoke any power of attorney general or special on behalf of the Company to any person or persons as he may think fit and proper in the best interest of the Company.

(o) To execute and do in the name of and for and on behalf of the Company all things and deeds and documents as the directors may authorize him to do.

(p) To keep under his care and safe custody all papers valuable securities and properties of the Company.

(q) Subject to the approval of the Board of directors to borrow or raise by loan or otherwise any sum as is required for the conduct of the business of the Company.

153. Capitalization of reserves

Any general meeting may resolve that any moneys, investments or other assets forming part of the undivided profits of the Company standing to the credit of the Reserves or any Capital Redemption Reserve Account or in the hands of the Company and available for dividends or representing premiums received on the issue of shares and standing to the credit of the share premium account be capitalized and distributed amongst such of the Members as would be entitled to receive the same if distributed by way of dividends and in the same proportion on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund be applied on behalf of such members in paying up in full any un-issued shares, debentures or debenture-stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued shares, and that such distribution, of payment shall be accepted by such members in full satisfaction of their interest in the said capitalized sum. Provided that any sum standing to the credit of the Share premium Account or a Capital Redemption Reserve Account may, for the purpose of this Article only be applied in the paying up of un-issued shares to the issued to members of the Company as fully paid bonus shares.

157. Dividend to be declared in General Meeting

The Company in General Meeting may declare dividends to be paid to the Members according to their respective right and interest in the profits. No dividend shall exceed the amount recommended by the Directors, but the Company may declare a smaller dividend in a General Meeting. The provisions regarding the manner and time of payment of dividend embodied in Sections 205, 206, 207 and 93 of the Act shall apply accordingly.

158. Interim dividends

The Directors may from time to time pay the Members such interim dividends as appear to them to be justified.

161. Debts may be deducted

The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards the satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

162. Capital paid up in advance at interest not to earn dividend

Where the capital is paid in advance of the calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right, to dividend or to participate in profits.

163. Dividends in proportion to amount paid up.

(1) All dividends shall be paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid but if any share is issued on terms, providing that it shall rank for dividends as from a particular date such share shall rank for dividend accordingly.

(2) No member to receive dividend whilst indebted to the Company and the Company's right of reimbursement thereof.

(3) No member shall be entitled to receive payment of any interest or dividend or bonus in respect of his share or shares, whilst any money may be due or owing from him to the Company in respect of such share or shares (or otherwise however either alone or jointly with any other person or persons) and the Board of Directors may deduct from the interest or dividend to any member all such sums of money so due from him to the Company.

168. Dividend to be paid within thirty days

The Company shall pay the dividend or send the warrant in respect thereof to the shareholders entitled to the payment of dividend, within thirty days from the date of the declaration unless:
(i) where the dividend could not be paid by reason of the operation of any law;
(ii) where a shareholder has given directions regarding the payment of the dividend and those directions cannot be complied with;
(iii) where there is a dispute regarding the right to receive the dividend;
(iv) where the dividend has been lawfully adjusted by the Company against any sum due to it from shareholder, or
(v) Where for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the Company.

172. Inspection of Registers

The minutes of all proceeds of general meetings shall be open to inspection and extracts may be taken there from and copies thereof may be required by any member of the Company in the same manner to the same extent and on payment of the same fees as in case of the Register of Members of the Company, provided for in the Act. Copies of entries in the these Registers shall be furnished to the persons entitled to the same on such days and during such business hours as may consistently be determined by the provisions of the Act.

175. Dematerialization of securities

Notwithstanding anything contained in the Articles, the Company shall be entitled to dematerialize its securities, rematerialize its securities held by the depositories and/or to offer its fresh securities in the dematerialized form pursuant to the Depositories Act, 1996 and the rules framed there under, if any.

176. Option given to investors

(1) Every person shall have the option to hold the securities with a depository. Such a person who is a beneficial owner of the securities can at any time opt out of a depository in respect of such security in the manner provided by the Depositories Act and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificate of securities.

(2) If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

177. Securities in Depository to be in fungible form

All securities held by a Depository shall be dematerialized and shall be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187A, 187B, 187C and 372A of the Act shall apply to a depository in respect of securities held by it on behalf of the beneficial owners. No certificate shall be issued for the securities held by the depository.

178. Voting rights of Depository and beneficial owner

(1) The Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of securities on behalf of a beneficial owner.

(2) Save as otherwise provided here in above, the Depository as a registered owner shall not have any voting rights or any other rights in respect of securities held by it.

(3) Every person holding securities and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner shall be entitled to all the rights and benefits and shall be subject to all the liabilities in respect of such of his securities that are held by the Depository.

179. Allotment of securities by the Depository

Notwithstanding anything contained in the Act or the Articles, where the Depository holds the securities, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

180. Register and Index of beneficial owners

The register and index of beneficial owners maintained by the Depository under the Depositories Act shall be deemed to be the Register and Index of Members and security holders for the purpose of these Articles except as is mentioned in the provisions of Section 150, 151 and 152 of the Act.

181. Transfer of securities

Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities affected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.

190. Reconstruction

On any sale of the undertaking of the Company the Board or the Liquidators on a winding up may if authorized by a Special Resolution accept fully paid or partly paid up shares, debentures or securities of any other Company whether incorporated in India or not either then existing or to be formed for the purchase in whole or in part of the property of the Company and the Board (if the profits of the Company permit) or the Liquidators (in a winding up) may distribute such shares or securities, or any other property of the Company amongst the members without realization, or vest the same in trustees for them and any Special Resolution may provide for the distribution or appropriation of the cash, shares or other securities benefit or property otherwise than in accordance with the strict legal rights of the members or contributories of the Company and for the valuation of any such securities or property at such price and in such manner as the meeting may approve and all holders of shares shall be bound to accept and shall be bound by any valuation or distribution so authorized, and waive all rights in relation there to, save only in the case the Company is proposed to be or in the course of being wound up, such statutory rights (if any) under Section 494 of the Act as are incapable of being varied or excluded by these Articles.

198. Name use

The Company has been permitted to use the name “Shringar” in whole, in part or any variations thereof in its corporate name by Shringar Films, the legal registered owner of the copyright in the artistic work “Shringar Films” and the beneficial owner of the registered trademark “Shringar Films” and the legal owner of the universal resource locator “www.shringar.co.in” in terms of the User Agreement dated June 16, 2001.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTIONS

The following Contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, delivered to the Registrar of Companies, Maharashtra located at Mumbai for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of our Company situated at Fame Adlabs, 2nd Floor, Andheri Link Road, Oshiwara, Andheri (W), Mumbai 400 053, India from 10.00 a.m. to 4.00 p.m. from the date of this Draft Red Herring Prospectus until the Bid/ Issue Closing Date.

Material Contracts

1. Letter of appointment to Enam Financial Consultants Private Limited and JM Morgan Stanley private Limited as BRLMs from Shringar Cinemas Limited dated November 1, 2004.
2. Memorandum of Understanding dated January 12, 2005 between Intime Spectrum Registry Limited and Shringar Cinemas Limited.
3. Memorandum of Understanding dated January 12, 2005 amongst Shringar Cinemas Limited, on its own behalf, and the BRLMs.

Material Documents

1) Our Memorandum and Articles of Association as amended from time to time;
2) Certificate of incorporation: April 1, 1999.
3) Resolution passed by the shareholders of the Company at the Extra Ordinary General Meeting held on December 23, 2004.
4) EGM Resolution dated December 23, 2004 and Board resolution dated December 24, 2004 authorizing the Issue.
5) Copies of Annual reports of Shringar Cinemas Limited and its subsidiaries for the years ended March 31, 2000, 2001, 2002, 2003 and 2004 and for audit report fro the period ended September 30, 2004;
6) Annual reports for the last 5 years, as applicable, of the group companies;
7) Copy of the tax benefit report dated December 24, 2004 from our Auditors;
8) Report of the Auditors M/s. BSR & Co. dated December 24, 2004;
9) Report of the Chartered Accountants, M/s. R. Prasad Rao dated December 24, 2004 on Related Party Transactions.
10) Consents of Auditors, Bankers to the Company, BRLMs, Syndicate Members, Domestic legal counsel to Company, Directors, Company Secretary, Registrars, Bankers to the Issue, compliance officer as referred to, in their respective capacities;
11) General Powers of Attorney executed by Mr. Vishal Nevatia, Mr. Amit Jatia, Ms. Susan Thomas, Directors of Shringar Cinemas Limited in favor of Mr. Shravan Shroff for signing and making necessary changes in this Draft Red Herring Prospectus;
12) Listing application filed with BSE and NSE respectively;
13) In principal listing approvals from BSE and NSE respectively;
14) Tripartite agreement between the NSDL, our Company and Intime Spectrum Registry Limited dated [•]
15) Tripartite agreement between the CDSL, our Company and Intime Spectrum Registry Limited dated [•];
16) Due Diligence Certificate dated January 14, 2005 to SEBI from Enam Financial Consultants Private Limited; and JM Morgan Stanley Private Limited.
17) SEBI observation letter No [•] dated [•]
18) Share Subscription and Shareholders Agreement between the Promoters, Messrs South Yarra Holdings, India Value Fund Trustee Company Private Limited, Shringar Films Private Limited and the Company dated April 2, 2001 (“SHA-2”), and User Agreement dated June 16, 2004.
19) Share Subscription and Shareholders Agreement between the Promoters, Messrs South Yarra Holdings, India Value Fund Trustee Company Private Limited and Shringar Films Private Limited dated April 2, 2001 (“SHA-1”).
20) Agreement of Valuation between the Promoters, Messrs South Yarra Holdings, India Value Fund Trustee Company Private Limited, Shringar Films Private Limited and the Company dated April 5, 2001.

21) Supplementary Agreement (to Agreement of Valuation) between the Promoters, Messrs South Yarra Holdings and the India Value Fund Trustee Company Private Limited dated March 15, 2004.

22) Supplementary Agreement to SHA-1 and SHA-2 between the Promoters, Messrs South Yarra Holdings, India Value Fund Trustee Company Private Limited, IVF (Mauritius) PCC, Shringar Films Private Limited and the Company dated December 2, 2004.

23) Shareholders' Agreement dated June 14, 2002 between Vasanji Mamania Group and Shringar Cinemas Limited and Deed of Adherence dated December 27, 2004 with Adlabs Films Limited.

24) Board resolution dated December 24, 2004 authorizing investment in Shringar Film Private Limited.

25) Agreement dated March 27, 2004 between the Company and Shringar Film Private Limited.

26) Syndicate Agreement dated [•], Escrow Agreement dated [•] and Underwriting Agreement dated [•].

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 Draft 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 Draft Red Herring Prospectus are true and fair.

SIGNED BY ALL THE DIRECTORS

Mr. Shyam Shroff, Chairman

Mr. Shravan Shroff, Managing Director

Mr. Vishal Nevatia*

Mr. Amit Jatia*

Ms. Susan Thomas*

(* Through their constituted power of attorney Mr. Shravan Shroff)

SIGNED

CHAIRMAN	**MANAGING DIRECTOR**	**CHIEF FINANCIAL OFFICER**
Mr. Shyam Shroff	Mr. Shravan Shroff	Mr.Shriram Krishnan

Place: Mumbai

Date: January 13, 2005

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