RED HERRING PROSPECTUS
Please read Section 60B of the Companies Act, 1956
Dated April 28, 2006
100% Book Building Issue

AIR DECCAN

Deccan Aviation Limited

(Our Company was incorporated as Deccan Aviation Private Limited on June 15, 1995 and was converted to a public limited company by a resolution of the members passed at the extra ordinary general meeting held on January 31, 2005. The fresh certificate of incorporation consequent on change of name was granted to our Company on March 14, 2005, by the Registrar of Companies, Karnataka)

Registered Office: 35/2, Cunningham Road, Bangalore 560 052, Karnataka, India
For changes in the registered office, please see the section entitled "History and Corporate Structure" on page 20
Tel: + 91 80 4114 8190-99; Fax: + 91 80 4114 8849; Website: www.airdeccan.net
Corporate Office: 35/2, Cunningham Road, Bangalore 560 052, Karnataka, India. Contact Person/Compliance Officer: Radhika Venkatesh
Tel: + 91 80 4114 8190-99 Fax: + 91 80 4114 8849 Email: investors@airdeccan.net

PUBLIC ISSUE OF 24,546,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE AGGREGATING RS. [●] MILLION (THE "ISSUE"). THE ISSUE WOULD CONSTITUTE 25% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.

PRICE BAND: RS. 150 TO RS. 175 PER EQUITY SHARE OF FACE VALUE RS. 10.

THE FACE VALUE OF THE EQUITY SHARES IS RS. 10 AND THE FLOOR PRICE IS 15.0 TIMES OF THE FACE VALUE AND THE CAP PRICE IS 17.5 TIMES OF THE FACE VALUE

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

The Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price.

We have not opted for any IPO grading for the Issue.

RISK IN RELATION TO THE FIRST ISSUE

This being the first public issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs.10 per Equity Share 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, on the basis of assessment of market demand for the Equity Shares offered 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 Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("**SEBI**"), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the section entitled "Risk Factors" beginning on page j.

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING ARRANGEMENT

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited. We have received in-principle approval from these Stock Exchanges for the listing of our Equity Shares pursuant to letters dated February 22, 2006 and February 21, 2006, respectively. For purposes of this Issue, the Designated Stock Exchange is the Bombay Stock Exchange Limited.

BOOK RUNNING LEAD MANAGERS		REGISTRAR TO THE ISSUE
ENAM **Enam Financial Consultants Private Limited** 801, Dalamal Tower, Nariman Point Mumbai 400 021 Tel: + 91 22 5638 1800 Fax: + 91 22 2284 6824 Email: airdeccan.ipo@enam.com Website: www.enam.com Contact Person: Kinjal Palan	ICICI Securities **ICICI Securities Limited** ICICI Centre, H.T. Parekh Marg Churchgate, Mumbai 400 020 Tel: + 91 22 2288 2460 Fax: + 91 22 2282 6580 Email:airdeccan_ipo@isecltd.com Website: www.icicisecurities.com Contact Person: Saurabh Vijayvergia/ Venkatesh Saha	KARVY **Karvy Computershare Private Limited** "Karvy House", 46, Avenue 4, Street No.1 Banjara Hills, Hyderabad -500 034. Tel: + 91 40 2331 2454 Fax: + 91 40 2331 1968 Email: deccan.ipo@karvy.com Website: www.karvy.com Contact Person: Murali Krishna

ISSUE PROGRAM	
BID/ISSUE OPENS ON : THURSDAY, MAY 18, 2006	**BID/ISSUE CLOSES ON : TUESDAY, MAY 23, 2006**

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SECTION I : GENERAL

DEFINITIONS AND ABBREVIATIONS

Term	Description
"We", "us", "our", "the Company" and "our Company"	Unless the context otherwise indicates or implies, refers to Deccan Aviation Limited

Company related terms

Term	Description
Air Deccan	The scheduled airline operations of our Company
Articles	Articles of Association of our Company
Auditors	The statutory auditors of our Company, S.R. Batliboi & Co., Chartered Accountants. The Auditors commenced their engagement on December 27, 2004
Board/Board of Directors	Board of Directors of our Company
DALPL	Deccan Aviation Lanka (Private) Limited
Deccan Aviation	The charter service of our Company
Favourite Investments	Favourite Investments (Private) Limited
IAE	International Aero Engines AG
InterGlobe	IGT Solutions Private Limited
Lanka JVA	The joint venture agreement dated October 22, 2003 between our Company, Favourite Investments and Navamaga Investments
Lanka SHA	The shareholders agreement dated October 22, 2003 between our Company, Favourite Investments, Navamaga Investments and DALPL, as amended by 'Amendment No. 1' dated August 10, 2005, between our Company, Favourite Investments, Navamaga Investments, Punyakanthi Tikiri Kumari Navaratne, Srimega S. Wijerathne, Dayanthi Lakshmi Panabokke and DALPL
Navamaga Investments	Navamaga Investments (Private) Limited
Registered Office of our Company	No. 35/2, Cunningham Road, Bangalore 560 052, Karnataka, India

Issue related terms

Term	Description
Allotment	Unless the context otherwise requires, the issue and allotment of Equity Shares, pursuant to the Issue
Allottee	The successful Bidder to whom the Equity Shares are/have been issued
Banker(s) to the Issue	State Bank of India, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank, Kotak Mahindra Bank Limited, UTI Bank Limited, United Bank of India, IndusInd Bank Limited, Punjab National Bank, ICICI Bank Limited
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto

Term	Description
Bid/Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English and Hindi national newspapers and a Kannada newspaper with wide circulation
Bid/Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English and Hindi national newspapers and a Kannada newspaper with wide circulation
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares of our Company in terms of this Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of this 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
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is being made
BRLMs	Book Running Lead Managers to the Issue, in this case being Enam Financial Consultants Private Limited and ICICI Securities Limited
CAN/Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Cut-off Price	The Issue Price finalised by our Company in consultation with the BRLMs
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account and the Refund 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 Bombay Stock Exchange Limited
Draft Red Herring Prospectus	The Draft Red Herring Prospectus issued in accordance with the Section 60B of the Companies Act, which does not contain complete particulars on the price at which the Equity Shares are issued and the size (in terms of value) of the Issue
ECS	Electronic Clearing Services
Enam	Enam Financial Consultants Private Limited, a company incorporated under the Act and having its registered office at 113, Stock Exchange Towers, Dalal Street, Fort, Mumbai 400 001
Equity Shares	Equity shares of our Company of Rs. 10 each unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid and the Allocation Amount paid thereafter

Term	Description
Escrow Agreement	Agreement to be entered into by our Company, the Registrar, BRLMs, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable refunds of the amounts collected to the Bidders
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account will be opened
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
IPO Committee	A committee of the Board of Directors of our Company appointed for the purpose of carrying out various actions in relation to the Issue
I-Sec	ICICI Securities Limited, a company incorporated under the Act and having its registered office at ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai 400 020
Issue	The fresh issue of 24,546,000 Equity Shares of Rs. 10 each at the Issue Price by our Company under this Red Herring Prospectus
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus. The Issue Price will be decided by our Company in consultation with the BRLMs on the Pricing Date
Issue Size	24,546,000 Equity Shares of Rs. 10 each to be issued to the Investors at the Issue Price
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Mutual Fund Portion	5% of the QIB Portion or 613,650 Equity Shares (assuming the QIB Portion is for 50% of the Issue Size) available for allocation to Mutual Funds only, out of the QIB Portion
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Non Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000
Non Institutional Portion	The portion of the Issue being 3,681,900 Equity Shares of Rs. 10 each available for allocation to Non Institutional Bidders
Pay-in Date	With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the Bid/Issue Closing Date, and with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the last date specified in the CAN sent to the Bidders
Price Band	Price band of a minimum price (floor of the price band) of Rs. 150 and the maximum price (cap of the price band) of Rs. 175 and includes revisions thereof
Pricing Date	The date on which Company in consultation with the BRLMs finalises the Issue Price
Promoters	Capt. G.R. Gopinath, Capt. K.J. Samuel and Vishnu Singh Rawal

Term	Description
Prospectus	The Prospectus to be filed with the RoC in terms of Section 60 of the Companies Act, containing, *inter alia*, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account on the Designated Date
QIB Margin Amount	An amount representing at least 10% of the Bid Amount
QIB Portion	The portion of the Issue being 12,273,000 Equity Shares of Rs. 10 each to be allotted to QIBs
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 (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million
Red Herring Prospectus	This Red Herring Prospectus issued in accordance with the Section 60B of the Companies Act, which does not contain complete particulars on the price at which the Equity Shares are issued and the size (in terms of value) of the Issue
Registrar to the Issue	Registrar to the Issue, in this case being Karvy Computershare Private Limited, having its registered office at "Karvy House", 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034.
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. 100,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being 8,591,100 Equity Shares of Rs. 10 each available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
RHP or Red Herring Prospectus	The Red Herring Prospectus which will be filed with the RoC in terms of Section 60B of the Companies Act, at least 3 days before the Bid/Issue Opening Date
Stock Exchanges	BSE and NSE
Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	Agreement between the Syndicate and our Company in relation to the collection of Bids in this Issue
Syndicate Members	To be appointed
TRS/Transaction Registration Slip	The slip or document issued by the Syndicate to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	The Agreement between the members of the Syndicate and our Company to be entered into on or after the Pricing Date

Conventional and General Terms

Term	Description
A/c	Account
Act or Companies Act	The Companies Act, 1956 and amendments thereto
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BSE	The Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996 as amended from time to time
Director(s)	Director(s) of our Company unless otherwise specified
DP/Depository Participant	A depository participant as defined under the Depositories Act, 1996
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EGM	Extraordinary General Meeting
EPS	Earnings Per Share (as calculated in accordance with AS-20)
ESOP	Employee Stock Option Schemes of our Company
EUR	Euro
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto
FII(s)	Foreign Institutional Investors (as defined under FEMA (Transfer or Offer of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
Financial Year/Fiscal/FY	Period of twelve months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board
GDP	Gross Domestic Product
GoI	Government of India
HNI	High Net worth Individual
HUF	Hindu Undivided Family
I.T. Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offering

Term	Description
Memorandum	Memorandum of Association of our Company
Mn/mn	Million
NA	Not Applicable
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit & Loss account, divided by weighted average number of issued equity shares
NOC	No Objection Certificate
NR	Non-resident
NRE Account	Non Resident External Account
NRI	Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
QIB	Qualified Institutional Buyer
RBI	The Reserve Bank of India
RONW	Return on Net Worth
Rs.	Indian Rupees
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time
Sec.	Section
SIA	Secretariat for Industrial Assistance
Stock Exchange(s)	BSE and/or NSE as the context may refer to
US/USA	United States of America
USD or $ or US $	United States Dollar

Industry related terms

Term	Description
AAI	Airports Authority of India
AIC	Aeronautical Information Circular
AIC No. 09	Aeronautical Information Circular No. 09/2005 dated July 27, 2005, issued by the DGCA, as amended, modified, replaced or supplemented from time to time
Aircraft Act	Aircraft Act, 1934
Aircraft Rules	Aircraft Rules, 1937
ARMS	Airline Resource Management System
ASKM	Available Seat Kilometre
ATAC	Air Transport Advisory Circular
ATR	Avions de Transport Régionale
BCAS	Bureau of Civil Aviation Security
CAR	Civil Aviation Requirement
CMIE	Centre for Monitoring Indian Economy
CRS	Centralised Reservation System
CSF	Customer Service Facility
CSO	Central Statistical Organisation
DGCA	Directorate General of Civil Aviation
GPRS	General Packet Radio Service
HPCL	Hindustan Petroleum Corporation Limited
IATA	International Air Transport Association
ICAO	International Civil Aviation Organisation
KLM	KLM Royal Dutch Airlines
MoCA	Ministry of Civil Aviation, GoI
SAS	Scandinavian Airlines
SMS	Short Messaging Service

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our unconsolidated financial statements, as restated, under Indian GAAP included in this Red Herring Prospectus. Our fiscal year commences on April 01 and ends on March 31 of the next year, and all references to a particular fiscal year are to the twelve-month period ending March 31 of that year. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

There are significant differences between Indian GAAP and US GAAP. We have not attempted to quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on our financial data. Accordingly, the degree to which the financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited.

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

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

Unless stated otherwise, throughout this Red Herring Prospectus, all figures have been expressed in millions, except in the section entitled "Industry" in this Red Herring Prospectus, where certain figures have been expressed in billions.

For additional definitions, please refer to the section entitled "Definitions and Abbreviations" on page a. In the section entitled "Main Provisions of Articles of Association of Deccan Aviation Limited", defined terms have the meaning given to such terms in the Articles of Association of our Company.

Market and industry data used throughout this Red Herring Prospectus has been obtained from publications available in the public domain. These publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry data used in this 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 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 connotation. 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, but are not limited to, the following: our ability to successfully implement our strategy, our growth and expansion plans, exposure to market risks, technological changes, increasing competition in the domestic aviation sector, general political, force majeure and economic conditions which have an impact on our business and investments, unanticipated fluctuations in foreign exchange rates, interest rates, equity prices, inflation, deflation, monetary and interest policies of India, availability and price escalation of real estate, fluctuation in consumer spending levels, changes in laws, regulations and taxation that will affect our business.

For further discussion of factors that could cause our actual results to differ, please see “Risk Factors” beginning on page j. By their nature, certain risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that 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.

SECTION II : RISK FACTORS

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

Internal risk factors

There are certain qualifications in Auditors' Report

Based on the auditors' examination of the Summary Statements made in accordance with SEBI guidelines, the impact of qualifications made in the audit reports for the year ended March 31, 2005 and for the eight months ended November 30, 2005 have been appropriately adjusted in the Summary Statements, except for the matters below, which are further detailed in paras (a), (c) and (e) of Note E.1 in Annexure 4 starting on page 126, in respect of which the amounts of adjustments, if any, are currently not ascertainable/determinable:

(i) Adjustments, if any, to be made to the financial statements for the year ended March 31, 2005, arising from the reconciliation of the stock ledger of rotables, stores, spares and components and the financial records which was pending as at March 31, 2005;

(ii) Adjustments, if any, to be made to the financial statements for the year ended March 31, 2005 pending receipt of confirmation of balance from lessor in respect of a claim made by the Company for reimbursement of maintenance expenses amounting to Rs. 21.46 million; and

(iii) Adjustments, if any, to be made to the financial statements for the year ended March 31, 2005, pending receipt of confirmation of balance in respect of income of Rs. 11.89 million recognized from a barter transaction by the Company during the year ended March 31, 2005.

We have made losses for the last two fiscal years and the eight-month period ended November 30, 2005. There can be no assurance as to how long we will continue to incur losses or be able to finance them on acceptable commercial terms

We have not made profits during our last two fiscal years and the eight months ended November 30, 2005. We believe that our prospects for achieving future profits depend in large part on Air Deccan successfully growing as planned and stimulating sufficient demand in India for low-cost, no-frills flights. In order to achieve this growth, we will have to invest heavily in aircraft acquisitions and other operational expansion. As a result, we cannot give any assurance on when we expect to achieve profits.

As setforth in our unconsolidated financial statements, as restated, under Indian GAAP in Fiscal 2004 and 2005 and in the eight-month period ended November 30, 2005, our losses on a restated basis were Rs. 117.70 million, Rs. 352.32 million and Rs. 1,179.36 million, respectively. As a result of those losses, our net worth as at November 30, 2005 was negative at Rs. 1,141.48 million which does not include an amount of Rs. 1,653.00 million (in the form of fully convertible debentures). These debentures were subsequently converted into Equity Shares at a premium on December 21, 2005.

Further, for the eight months ended November 30, 2005, our net cash flows were negative at Rs. 402.99 million. For details, please refer to Annexure 3 of the auditors' report dated April 25, 2006 on page 123 of this Red Herring Prospectus.

Our losses will require ongoing financing. There can be no assurance as to when our cash flows may be adequate to fully fund these losses. We may need additional external financing to help finance these losses. However, there can be no assurance that we will be able to arrange any such financing on acceptable commercial terms.

If we fail to comply adequately with airworthiness requirements, one, some or all of our aircraft may be grounded by the DGCA or our licence to operate may be suspended, which would adversely affect our revenues and operations

In the past, we have received certain show cause notices and letters from the office of Director of Airworthiness, Civil Aviation, stating that Air Deccan has in many instances not complied with certain operations, engineering and safety requirements. Our failures to comply are generally technical in nature. If we do not address these notices, or if we receive such notices in the future and they are not addressed, one, some or all of our aircraft may be grounded or we may have penalties levied against us for the failure to comply with safety standards. Although we respond to these notices and letters in due course and have taken steps to correct matters identified to us and to comply with safety requirements in the future, we cannot assure you that we will not be found to be in non-compliance of any of the regulations prescribed by the DGCA or that any such non-compliance will not result in the levying of penalties against us, the grounding of one, some or all of our aircraft or the suspension of our licence.

Our aircraft and engine operating lease agreements and hire purchase agreements contain certain restrictive and other covenants. We are not in compliance with certain covenants in certain of these agreements, which could have a negative impact on our fleet

We have entered into aircraft and engine operating lease agreements and hire purchase agreements with various lessors such as Singapore Aircraft Leasing Enterprise Pte Limited ("SALE"), ATR, Atriam Capital Limited, Investec Bank (Mauritius) Ltd, Wells Fargo Bank Northwest, National Association and Oman Aviation Services Co. (SAOG). These agreements contain restrictive covenants and also require us to comply with certain additional covenants during the term of the agreement. Certain of these agreements also contain cross default clauses, as a result of which defaults under one agreement may be treated as defaults under other agreements entered into with the same lessors. Furthermore, certain events such as the repossession of aircraft under one agreement may be treated as an event of termination under other agreements entered into with other lessors.

These agreements also contain clauses that require us to *inter alia:*

(i) ensure subscription of additional Equity Shares by new or existing shareholders to certain specified extents before a prescribed date;

(ii) during the term of the agreement, have cash or cash access amounting to a prescribed amount; and

(iii) provide confirmation from certain banks of the availability to us of credit lines with such banks.

A default of the terms and conditions stated in these agreements, including those stated above, may constitute a termination event under the respective agreements.

In addition to the above, the agreements specify several other termination events which, when triggered, will entitle the lessors to terminate and seek redelivery of the aircraft. These events include (i) failure to make payments; (ii) non-maintenance of prescribed insurance coverage; (iii) breach of obligations, failure of warranties, or the falsity of a representation under the agreement; (iv) suspension of debt payments; (v) insolvency; (vi) a materially adverse decree against us; (vii) entering into negotiations with creditors for general rescheduling of indebtedness; (viii) an increase in accelerated liability of instruments in excess of certain values; (ix) a holder of more than 30% of the voting stock of our Company disposes such shareholding without prior notice to the lessor; (x) transfer or disposal of a substantial part of our business or property; (xi) repossession of any aircraft in our fleet; (xii) a substantial change in the nature or scope of our business; and (xiii) any failure to maintain certain financial ratios, including to maintain at all times the ratio of EBITDAR to the aggregate of debt service and finance charges at or above a specified level, and total debt to tangible net worth at not more than a prescribed ratio.

We are currently in default of our hire purchase arrangements in respect of three ATR 72s because we have not met certain financial ratio requirements under such arrangements as at March 31, 2006. The ratios are tested quarterly. We cannot assure you that we will meet such requirements in subsequent periods. Although the security trustee (Barclays Bank PLC) and the seller (Investec Bank (Mauritius) Limited) under the hire purchase agreement have waived the requirement for our compliance with these financial undertakings for the period from December 31, 2005 until March 30, 2006, we cannot assure you that any future waivers will be granted to us. Consequences of default under these agreements may include some or all of the following: termination of the hire purchase arrangements, acceleration of all amounts required to be paid under the hire purchase arrangements and a demand for immediate payment thereof, repossession of the relevant aircraft and cross-default of some or all of our operating leases for other aircraft and engines. In addition, the Export Credit Agencies that have guaranteed our obligations under the hire purchase arrangements may be unwilling to guarantee our obligations for future deliveries of ATR 72s under our purchase agreements with ATR and we may be unable to obtain funding for such deliveries without such guarantees. In all events, concerned parties under our aircraft and engine operating lease agreements and hire purchase agreements may continue to be able to invoke their rights against us under such agreements and seek remedies for past and current defaults. These remedies may extend to termination of the relevant agreements and repossession of the relevant aircraft or engines. Furthermore, we cannot assure you that a termination, default or other action taken in respect of such default or the cumulative termination of many agreements and repossession from us of many aircraft and engines will not occur. We also cannot assure you that any lessor that perceives that a default has occurred with respect to an existing agreement will continue to be willing to enter into new agreements with us in regard to aircraft or engines, on acceptable commercial terms or at all.

We were not in compliance with certain conditions of our operating lease agreements with SALE which required us to increase our paid up capital to USD 10 million before a certain date though we are compliant with this requirement as of the end of 2005. In addition due to certain outstanding commercial issues we are currently not in compliance with certain payment obligations under our agreements with ATR. See "Management's Discussion and Analysis of Financial Condition and Results of Operation as Reflected in the Financial Statements – Results of Operations — Auditors' qualifications – Items not adjusted, paragraph (v)" beginning on page 158. We have not received any notice of default, termination or repossession under any of the relevant SALE or ATR agreements nor have any of the concerned parties exercised their remedies under the agreements. In addition, the concerned parties have continued to enter into new, similar agreements with us and have also continued to deliver aircraft under the existing agreements.

Concerned parties may continue to be able to invoke their rights against us under such agreements and seek remedies for past and current defaults. These remedies may extend to termination of the relevant agreements and repossession of the relevant aircraft or engines. Furthermore, we cannot assure you that a termination, default or act of seeking remedies under one agreement may not lead to cross defaults or events of termination under other agreements, and the cumulative termination of many agreements and repossession from us of many aircraft and engines. We also cannot assure you that any lessor that perceives that a default has occurred with respect to an existing agreement will continue to be willing to enter into new agreements with us in regard to aircraft or engines, on acceptable commercial terms or at all.

The MoCA approval is yet to be received for two of our Directors

Pursuant to applicable regulations, our Directors are required to obtain the clearance of the Ministry of Civil Aviation at the time of applying for our Air Operator's Permit. We are also required to obtain a security clearance prior to appointing additional Directors to our Board. We are yet to receive these clearances for Anil Kumar Ganguly and P.N. Thirunarayana. We cannot assure you when MoCA will grant the required clearances for Anil Kumar Ganguly and P.N. Thirunarayana. In the event that this clearance is not granted, we may be required to reconstitute our Board.

Our Company is involved in certain legal proceedings in India

Our Company is involved in certain legal proceedings and claims in India in relation to certain civil matters including consumer disputes. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. We cannot assure you that these legal proceedings will be decided in our favour. Any adverse decision may have a significant effect on our business and results of operations.

- There are two civil suits initiated by us;
- There are three appeals preferred by us in respect of consumer disputes;
- There is an arbitration proceeding initiated by us;
- There is one civil suit initiated against us;
- There are thirty–one consumer disputes initiated against us for an amount aggregating around Rs. 12.89 million;
- There are five criminal cases and one civil suit pending against our Directors;
- There is one complaint pending before the Court of the Chief Commissioner for Persons with Disabilities, New Delhi; and
- There are also two criminal cases filed against our Company.

For more information regarding these legal proceedings, please refer to the section entitled "Outstanding Litigation and Material Developments" beginning on page 196.

We operate in competitive markets. Our business, operations and financial performance will depend on how effectively we compete

The airline industry in India is going through an intensely competitive phase. We expect competition to intensify further as new entrants emerge in the industry, and as existing competitors seek to extend their operations/ frequency over the routes Air Deccan operates. Certain of Air Deccan's competitors, including Government-owned entities, may have significantly greater resources than those available to us. Consolidation among some of our competitors may also leave us at a competitive disadvantage. Please see the section entitled "Our Business-Air Deccan-Competition" on page 77 for details.

Air Deccan's position among competitors will depend upon effective marketing initiatives and our ability to anticipate and respond to various competitive factors affecting the industry, including pricing strategies by competitors and the emergence and growth of other low-fare carriers. Air Deccan's ability to develop new profitable routes and profitably increase route frequencies will play an important role in its competitiveness. In addition, the ability of Air Deccan to compete, including in terms of operations, safety, security, services quality, could have a material effect on our business, financial condition and operations. In particular, it is to be expected that as competition in the Indian market increases and airlines compete head-to-head more often, competing airlines may engage in significant fare reductions and discounting, or "price wars". It is difficult to predict how long or how aggressive any such price wars might be, or how Air Deccan could sustain its business, financial condition and operations during any such price wars. Certain competitors have in the past and continue to undercut some of our fares during occasional promotional periods.

Further, Deccan Aviation's market position will depend upon effective business development initiatives and its ability to anticipate and respond to various factors affecting its industry, including product and service innovations and particular issues important to competition for longer-term charter contracts. Certain of Deccan Aviation's competitors, such as government-owned charter companies, may have significantly greater resources than those available to us.

The extent to which we are able to achieve our growth plans will depend on how successfully we position and sell the low-cost, no-frills airline concept to our target customers

The low-cost, no-frills air carrier concept is relatively new to India. Market acceptance in India of the low-cost, no-frills carrier model, and of Air Deccan's low-cost, no-frills services, cannot be assured. We may find it difficult to attract sufficient numbers of customers away from other airlines or from other, established forms of travel in India, such as air-conditioned rail services. We may find it difficult to stimulate new demand for air travel in markets where people would otherwise not travel at all. Moreover, some competitors may position themselves as cheaper than full-service airlines but having more "frills" than Air Deccan, which might be a viable business model with which we would find it hard to compete for certain customers.

Air Deccan is embarking on a substantial growth plan. If we cannot manage Air Deccan's growth successfully, our business, operations and financial condition will suffer

Air Deccan is expanding its operations rapidly and expects to continue to do so in the future, including by regularly adding new aircraft, new routes, new flights and new employees. At the same time, it continues to seek to refine its operations in order to reduce costs while maintaining and improving its services. Managing such growth and change is likely to pose complex challenges, as it would for any company. Management resources and operational, financial and other management information systems could possibly be strained, perhaps on a regular basis, resulting in disruptions. The complexities of managing Air Deccan's growth could be exacerbated by the fact that Air Deccan is young in its operation.

Our competitiveness and growth plan will depend on Air Deccan's ability to successfully identify new profitable routes and develop them before competitors do

Our growth strategy for Air Deccan includes identifying new profitable routes which are not yet serviced by other airlines or inadequately serviced, increasing the number of routes served and increasing the frequency of flights. Selecting advantageous routes and flight frequencies and developing routes before competitors win strong positions on such routes. Our ability to identify and exploit such profitable routes and frequency depends on a number of factors, including our ability to obtain accurate data for evaluation, availability of aircraft in time and the availability of suitable access to sufficiently functioning airports. Any difficulties we may encounter in selecting good routes and flight frequencies, flying those routes and frequencies, competing effectively on those routes and handling aircraft and passengers efficiently at the airports on those routes could harm our business.

Our business and growth plans will depend on how effectively Air Deccan applies the low-cost air carrier model to the Indian market

In order for Air Deccan successfully to apply the low-cost air carrier model to the Indian market, it must achieve, on a regular basis, high utilisation of its aircraft; low levels of operating and other costs; the careful management of passenger load factors and revenue yields; acceptable service levels and a high degree of safety, such that Air Deccan secures high levels of revenue and maintains and increases its market share.

As some of the factors affecting these requirements are not totally under Air Deccan's control, there can be no assurance that Air Deccan will be able to achieve any one or more of these aims to a sufficient degree for our business and growth plans to succeed. For example, high utilisation may be difficult to achieve as a result of internal factors such as operational problems or procedures or external factors such as delays caused by inadequate airport facilities or air traffic control services. In addition, low costs may be difficult to achieve due to Air Deccan's current fast growth rate, the addition of new aircraft to the Air Deccan fleet, oil price increases or other internal or external factors. Furthermore, it may be difficult for Air Deccan to deliver high revenues and healthy market share, in particular if Air Deccan faces prolonged or intense price competition. In these and other ways, should we be unable successfully to apply the low-cost air carrier model to the Indian market through Air Deccan, our business, operations and financial condition will be adversely affected.

Our success depends in part on Air Deccan's achievement of high daily aircraft utilisation, on a consistent basis. High aircraft utilisation also makes Air Deccan more vulnerable to delays

One of the key elements of our business strategy is for Air Deccan to maintain high daily aircraft utilisation. High daily aircraft utilisation gives us the capacity to generate more revenue from our aircraft. It is achieved in part by reducing turnaround time at airports so that we can fly more hours each day. Aircraft utilisation can be reduced by delays resulting from many factors, most of which are not fully in our control such as security requirements; air traffic and airport congestion; adverse weather conditions; defects or mechanical problems with our aircraft; unavailability of cockpit and in-flight crew; strikes or work stoppages and acts of third parties upon whom we rely for requirements.

The planned expansion of Air Deccan's business to include new destinations and more frequent flights on existing routes could increase the risk of delays, to the extent that expansion increases our exposure to congested airports or airports with less established infrastructure or facilities, longer flight durations or air traffic congestion. Higher utilisation could also put pressure on internal systems to achieve a quick enough turnaround between flights. Delays could damage our reputation as well as reduce our daily aircraft utilisation and, for each of these reasons limit our ability to achieve and maintain profitability. Furthermore, high aircraft utilisation increases the risk that once an aircraft falls behind schedule during the day; it could remain behind schedule during the remainder of the day, causing delays to our subsequent flights.

The success of our low-cost airline model depends on our ability to maintain our costs at sufficiently low levels, and generate sufficient passenger loads at sufficient yields, to achieve acceptable profit margins or avoid losses

The airline industry is characterised by low profit margins and high fixed costs, principally for lease and other aircraft acquisition charges, engineering and maintenance charges, aircraft fuel and landing and airport charges. As a result of high fixed costs, the expenses of an aircraft flight do not vary significantly with variations in the number of passengers carried, and a relatively small change in the number of passengers carried or the price paid per ticket can have a great effect on operating and financial results. Air Deccan seeks to maximize revenue from ticket sales by attempting to achieve the best possible ticket price while filling as many seats as possible. However, difficulties with our price management or other internal or external adverse influences could lead to shortfalls in revenue of sufficient size to harm our business. As a result, the success of our business depends on our ability to successfully control and reduce costs in addition to optimising loads and revenues. If we are unable to succeed sufficiently at any of these tasks, we may not be able to cover the fixed costs of our operations or achieve acceptable operating or net profit margins, and our business, operations and financial condition could be adversely affected.

We will incur significant additional costs acquiring additional aircraft

In order to help satisfy anticipated demand from existing routes as well as to add new routes and grow flight frequencies across the Air Deccan route network, and to help reduce average aircraft age, we have placed orders for new aircraft for Air Deccan, and expect to place further aircraft orders in the future. As of March 31, 2006, we had orders in place for the future delivery of 96 aircraft. Please see "Our Business-Air Deccan-Fleet-Future Fleet Growth" on page 60.

We are required to make payments for the aircraft we have ordered for Air Deccan, including pre-payments and security deposits for leased aircraft and spare engines, and advance or pre-delivery payments for aircraft. For a further discussion of our future fleet growth see "Management's Discussion and Analysis".

An inability to lease, acquire or access airport infrastructure, facilities, slots or services could have an adverse impact on our operations and harm our business

Air Deccan competes with other airlines for access to airport facilities, parking bays for aircraft and prime time departure slots. Mumbai and Delhi airports are particularly congested and short of slots. Some other airports that

Air Deccan serves or intends to serve may lack adequate infrastructure. An inability to lease, acquire or access airport infrastructure, facilities, slots or services on reasonable terms or at preferred times could have an adverse impact on our operations.

As of March 31, 2006, Air Deccan's operational bases are in Mumbai, Delhi, Bangalore, Chennai, Hyderabad and, Kolkata. Any interruptions, disruptions, shortages of slots or services or problems with infrastructure at these airports could adversely affect our business.

We rely heavily on automated systems to operate our business, and any disruptions of these systems would adversely affect our operations and financial condition.

We depend on automated systems to operate Air Deccan, including its Internet-based CRS, telecommunications systems, websites, electronic payment gateways, and other automated systems. Air Deccan's reservation and website systems must be able to accommodate a high volume of traffic and deliver important flight information. Unavailability of our reservation, website or telecommunications systems could reduce the attractiveness. Any disruption in these systems could result in the loss of important data, increasing our expenses and generally harming our business. The servers we use for the CRS are located off-site at the premises of a third-party vendor, InterGlobe. Although we have made efforts to guard against disruptions to these systems through the use of redundancies and other means, we cannot assure you that such measures will be adequate to guard against disruptions to our business.

We understand that an associate company of InterGlobe intends to start a low-cost scheduled airline that may compete with Air Deccan. While we have a contract with InterGlobe, we cannot assure you that, if an associate company of InterGlobe sets up an airline, our relationship with InterGlobe will not disrupt our CRS and our rights in the CRS will not be compromised.

We have only a limited number of suppliers for our aircraft and engines. Any problems with this equipment or these suppliers, whether real or perceived, could harm our business

One of the key elements of our low-cost business strategy for Air Deccan is to operate only a few types of aircraft, with aircraft within each type having similar equipment. Air Deccan's fleet consists principally of ATR 42s and Airbus 320s, with a growing number of ATR 72s. All of Air Deccan's Airbus A320 aircraft are equipped with V2527 engines manufactured by IAE. The ATR 42s and 72s are equipped with engines manufactured by Pratt & Whitney Canada Corp.

While commonality provides us with many operational and cost benefits, Air Deccan's dependence on these types of aircraft and engines makes it vulnerable to any design defects or mechanical failures that might arise with such aircraft or engines. Such problems could lead to the loss of use of aircraft or engines and other significant disruptions or costs, apart from causing customers to avoid airlines operating with such aircraft or equipment.

Our operations could also be harmed by the failure or inability of Airbus, IAE, ATR or Pratt & Whitney Canada Corp. or any of our other main suppliers to provide equipment or sufficient parts or related support services on a timely basis.

We rely on third parties to provide us with facilities and services that are integral to our business

We have entered into agreements with third-party contractors to provide certain facilities and services required for our operations, such as aircraft maintenance. We expect to enter into similar agreements to outsource many of activities we currently undertake in-house. The loss or expiration of these contracts or any inability to renew them or negotiate contracts with existing or other providers at comparable rates could harm our business. Our reliance on others to provide essential services for us also gives us less control over costs, efficiency, timeliness and quality of contract services.

We may be subject to industrial unrest, slowdowns and increased wage costs, which could adversely impact our operations and financial condition.

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes certain financial obligations on employers during employment and upon retrenchment. Under Indian law, workers also have a right to establish trade unions. Although our employees are not currently unionised, we cannot assure that they will not unionise in the future. If some or all of our employees unionise or if we experience unrest or slowdowns, it may become difficult for us to maintain flexible labour policies and we may experience increased wage costs and employee numbers. We also depend on third party contractors for the provisions of various services associated with our business. Such third party contractors and their employees/workmen may also be subject to these labour legislations. Any industrial unrest, slowdowns which our third party contractors may experience could disrupt the provision of services to us and may adversely impact our operations and financial condition.

We have not received approval from the Department of Telecommunications for operation of the Air Deccan call centre at Bangalore

We are required to be registered as an "Other Service Provider" with the Department of Telecommunications before carrying out call-centre activities in India. Although we have made an application for such registration, we cannot assure you that such registration will be granted to us at all or on acceptable terms. Further, if this registration is refused, we may be forced to procure call-centre services from third parties, which we may be unable to do in a cost-effective and timely manner. As a result, our business may be adversely affected.

We require certain approvals or licences in the ordinary course of business, and the failure to obtain them in a timely manner or at all may adversely affect our operations

We require certain approvals, licences, registrations and permissions for operating our businesses, some of which may have expired and for which we may have either made or are in the process of making an application for obtaining the approval or its renewal. For more information, please see the section entitled "Government Approvals" beginning on page 203. If we fail to obtain any of these approvals or licences, or renewals thereof, in a timely manner, or at all, our business could be adversely affected.

We have not entered into any definitive agreements to use a substantial portion of the net proceeds of the Issue

The deployment of funds as stated in the section entitled "Objects of the Issue" beginning on page 30 is at the discretion of our Board, though subject to monitoring by an independent agency. The objects of the Issue have not been appraised by any bank or financial institution. Except as provided under the "Objects of the Issue", we have not entered into any definitive agreements to utilise the net proceeds for the "Objects of the Issue". Some of the figures included under the "Objects of the Issue" are based on internal estimates.

Further, although we have entered into letters of intent and have placed orders for procuring some of the capital equipment required for the "Objects of the Issue", our cost estimation may be required to be revised upwards in case of any price escalation. This may be further aggravated because of the fact that a portion of the capital equipment is required to be imported and therefore, the equivalent amount of cost estimate is exposed to adverse foreign exchange fluctuations.

Our reputation, operations and financial condition could be harmed in the event of an accident or sufficiently disruptive or dangerous incident involving any of our aircraft

An accident or incident involving one of our aircraft could significantly tarnish our reputation and perception and involve repair or replacement of a damaged aircraft and its consequential temporary or permanent loss from service, and significant potential claims if any passengers or others are injured or killed. Air Deccan has, in the past, experienced technical snags and damages to its aircraft, but has not been subject to claims of injury. In three separate instances in the past, aircraft belonging to Deccan Aviation were involved in accidents that resulted in loss of the aircraft, and in one instance resulted in the death of the pilot and the passenger. In each of these cases we have recovered a portion of the damages suffered by us from insurance companies. Please refer to the section entitled “Our Business–Deccan Aviation–Insurance” on page 80.

We have relied, and will continue to rely, on our insurance coverage to mitigate these and other risks. We believe that we currently maintain liability insurance in amounts and of the type generally consistent with industry practice. However, the amount of such coverage may not be adequate and we may be forced to bear substantial losses if we suffer an accident or safety incident. Substantial claims resulting from an accident could expose us to civil, tort or criminal liabilities that would harm our business and operating results.

Moreover, accidents or safety incidents in the airline industry could have a harmful effect on Air Deccan’s business.

If we cannot make effective commercial use of the new aircraft we have ordered, our business, operations and financial condition will suffer

If growth in passenger numbers, revenues and operating results do not keep up with the planned expansion of our fleet, we could face difficulties meeting our aircraft payment obligations and could suffer substantial adverse effects to our operations and financial condition. Failure to make timely payments in respect of any aircraft order could result in cancellation of the order, forfeiture of the payments previously made and additional penalties.

Under our agreements to acquire additional aircraft, we are required to take delivery of the aircraft pursuant to the terms and conditions of such agreements, whether or not we are able to obtain financing arrangements for such aircraft and whether or not we are able to use such aircraft in operations at the time of delivery. Although in some such circumstances, we may propose an alternative purchaser or enter into sub-lease arrangements in respect of such aircraft, there can be no assurances that we will be able to locate such a purchaser or sub-lessor or that such arrangements will be consummated. If we are required to take delivery of aircraft in respect of which we cannot obtain financing or which we are unable to use, our financial condition could be substantially adversely affected.

Furthermore, in respect of some aircraft that we hold pursuant to operational leases, we have not been granted any option to terminate the lease, purchase the aircraft or renew the lease upon expiry of the term. The absence of such provisions could restrict our ability to operate our business successfully.

Failure to meet our commitments and contingent liabilities and future contractual and other liabilities relating to aircraft could adversely affect our financial condition

Our commitments and contingent liabilities as disclosed in our audited financial statements were Rs. 55,044.73 million as of November 30, 2005. These liabilities consisted principally of Rs. 53,847.43 million to be paid over time in respect of contracts remaining to be executed on capital account and not provided for (net of advances). These are the amounts that we will owe if we acquire, on an ownership basis, all the aircraft/engines we had on order as of that date and for which we have not entered into lease arrangements. In addition, as of November 30, 2005 we owed in respect of aircraft, spare engines and office facilities on operating lease Rs. 1,749.12 million to be paid in not later than one year, Rs. 5,561.10 million to be paid in one to five years and Rs. 1,863.19 million to be paid in later than five years. Finally, as of November 30, 2005 we owed in respect of future hire purchase payments for aircraft Rs. 251.17 million to be paid in not later than one year, Rs. 1,058.57 million to be paid in one to five years and Rs. 1,536.04 million to be paid in later than five years. If we are unable to meet these obligations when they fall due or finance their payment on acceptable commercial terms or if other contingent or future liabilities materialize which we cannot pay or finance when they fall due, our financial condition may be adversely affected.

The issue of Equity Shares pursuant to our Employee Stock Purchase Scheme or any grant of stock options under our proposed Employee Stock Option Scheme will result in a charge to our profit and loss account and

will to that extent reduce our profits

We have adopted an ESOP, under which eligible employees and directors of the Company and any other person permitted under applicable law or regulation can participate, subject to such approvals as may be necessary. As per the ESOP, we are permitted to grant options up to a maximum of 10% of our pre-Issue paid-up equity capital including the Equity Shares to be issued upon exercise of the options.

The ESOP scheme results in a charge to our profit and loss account. We account for stock option compensation expense based on the intrinsic value of the options granted which is the difference between the fair value of the share underlying the option and the exercise price of the option determined at the grant date. Compensation expense is amortised over the period of vesting on a straight line basis.

Any further Issue of Equity Shares by us or the issue of Equity Shares pursuant to our ESOP may dilute your shareholding and affect the trading price of the Equity Shares

Any future equity offerings by us, or the issue of Equity Shares pursuant to exercise of stock options under the employee stock option plan may lead to dilution of investor shareholding in our Company or affect the market price of the Equity Shares and could impact our ability to raise capital through an offering of our securities.

In addition, any perception by investors that such issuances might occur could also affect the market price of our Equity Shares.

Certain investors have rights under our Articles of Association and a securityholders agreement that enable them to exercise rights additional to those available to other shareholders

Under our Articles of Association and a securityholders agreement, Capital International and ICICI Ventures have various rights including the right to appoint directors and information rights. The two investors also have affirmative rights with respect to certain important board actions, including the issue of equity shares, mergers and acquisitions and sales or dispositions of material assets. Our Articles of Association and the securityholders agreement also contain certain transfer restrictions on the sale of shares by the Promoters. See “History and Corporate Structure – Securityholders Agreement” and “Main Provisions of the Articles of Association” on page 89 and page 240.

There can be no assurance that the interests of Capital International and ICICI Ventures will not conflict with the interests of the Promoters, the investors in the Issue in critical matters affecting us. Any such disagreements may adversely affect our ability to execute our business strategy or to operate our business. This may also result in a delay or prevention of significant corporate actions that could be beneficial for our shareholders or us.

We may not have sufficient insurance to mitigate our business risks

Operating scheduled and non-scheduled air transport services involves many risks and hazards that may adversely affect our operations, and the availability of insurance is therefore fundamental to our operations. However, insurance cover is generally not available, or is prohibitively expensive, for certain risks, such as mechanical breakdowns. Further, we have in the past and may in the future elect not to obtain insurance for certain risks facing our business. We believe that our insurance coverage is generally consistent with industry practice. To the extent that any uninsured risks materialise, our operations and financial condition could be adversely affected.

Following the September 11, 2001 terrorist attacks, aviation insurers dramatically increased airline insurance premiums and significantly reduced the maximum amount of insurance coverage available to airlines. Aviation insurers could further increase their premiums in the event of additional terrorist attacks, hijackings, airline crashes or other events adversely affecting the airline industry. Significant increases in insurance premiums could adversely affect our financial condition and operations.

In the past 12 months, we have issued Equity Shares, and may have done so at prices less than the lower end of the price band for the Equity Shares being offered in the Issue

On December 21, 2005, we issued 27,379,337 Equity Shares of Rs. 10 each at Rs. 60.37 per Equity Share pursuant to conversion of fully convertible debentures. Further, in the past 12 months, under our ESOP, we have granted 3,621,900 options to our employees at an exercise price of Rs. 65 per option. The exercise of each option entitles its holder to one Equity Share. The price at which Equity Shares have been issued in the last 12 months is not indicative of the price at which Equity Shares may be offered in the Issue or at the price at which they will trade upon listing.

Our success depends in large part upon our senior management, directors and key personnel and our ability to retain them and attract new key personnel when necessary

We are highly dependent on our senior management, our directors and our other key personnel. Our future performance will depend upon the continued services of these persons. For example, we depend to a significant extent on our managing director, Captain Gopinath, who commands a high degree of respect as an entrepreneur. We also benefit from his recognition and connections. We also have employees who bring us valuable experience from other low-cost airlines. We do not maintain key man life insurance for any of the senior members of our management team, our directors or our other key personnel.

Competition for senior management in our industry is intense, and we may not be able to retain all our senior management personnel or attract and retain new senior management personnel in the future. The loss of any of the members of our senior management, our directors or other key personnel may adversely affect our operations and financial conditions.

If Air Deccan is unable to recruit and retain skilled employees, including pilots and others, our operations and expansion plans may be adversely affected, and accordingly impact our revenue and business

Air Deccan competes with other airlines for labour in skilled airline personnel positions. Air Deccan's competitors may offer wage and benefit packages that are more attractive than our wage and benefit packages. In addition, from time to time, the airline industry in India has experienced a shortage of skilled personnel, especially pilots, qualified engineers, quality control personnel, mechanics and technicians.The compensation paid for such skilled personnel has also witnessed significant upward movement. The recent past has witnessed poaching of pilots by competing airlines. The GoI accordingly imposed a minimum six months notice period for resigning pilots. Any relaxation of their directions in the future could worsen the shortage.

Our expansion plans will require Air Deccan to hire, train and retain a significant number of new employees in the future, and to do so on an ongoing basis as we take delivery of additional aircraft. However, as new competitors enter the market and as we acquire additional aircraft, we may have increasing difficulty recruiting and retaining sufficient numbers of pilots to meet our current and future requirements.

If Air Deccan is unable to attract and retain skilled employees, including pilots and others, we may have to reduce our operations, which could harm our revenues, or we may not be able to develop our business in accordance with our business and expansion plans.

We may not be able to protect our proprietary intellectual property rights, resulting in someone else being able to use or possibly challenge our use of such intellectual property

We have applied for registration in India of the trade names *Air Deccan* and *Simplifly*, as well as related trade dress and colours, including the *Air Deccan* open hands logo. Registration has not yet been granted, and we cannot assure you when such registration will be granted, if at all. We also own a portfolio of web domain names around the world similar to our domain names, including the domain name *www.airdeccan.com*. We cannot assure you that any of our intellectual property, including the items discussed above can be effectively protected. If we are unable to protect any of these intellectual property rights, our business may be adversely affected.

The trading price of our Equity Shares may be affected by variations in our operations, and financial conditions

We expect our quarterly operating results to fluctuate in the future based on a variety of factors, including:

- the timing and success of our growth plans as we lease or purchase additional aircraft, increase flights on existing routes and start new routes;
- changes in passenger fares, fuel, aircraft rentals, the interest component of hire purchase rentals, maintenance costs and other key income, expense and investment drivers;
- increases in personnel, marketing and other operating expenses to support our anticipated growth; and
- changes in our competitive environment.

In addition, seasonal variations in traffic, weather conditions such as fog and poor visibility, and certain expenditures affect our operating results from quarter to quarter. Given our high proportion of fixed costs, this seasonality affects our profitability from quarter to quarter. Many of our areas of operations experience bad weather conditions depending on seasons such as North India experiencing poor visibility conditions during the winter period, causing reduction or suspensions of service, increased costs associated with delayed and cancelled flights.

In addition, it is possible that in any future quarter our operating results could be below the expectations of investors and any published reports or analysis regarding the Company. In that event, the price of our Equity Shares could decline, perhaps substantially.

Certain agreements with our lenders contain certain restrictive covenants

Agreements with our lenders contain certain restrictive covenants relating to our rights, including the right to effect a change in capital structure, alter the constitution of the Board, raising additional finance, prohibition on the disposition of assets, expansion of the Company's business and change in certain financial measures and ratios including our debt–equity ratio.

We have entered into related party transactions with our Promoters and/or Directors

We have entered into certain related party transactions with our Promoters and/or Directors. For details of our related party transactions, please refer to the section entitled "Related Party Transactions" on page 113.

The Draft Red Herring Prospectus was filed on January 27, 2006 with five BRLMs namely Enam Financial Consultants Pvt. Ltd., J P Morgan India Private Limited, ABN AMRO Securities (India) Private Limited, ICICI Securities Limited and SBI Capital Markets Limited. Subsequently, J P Morgan India Private Limited, ABN AMRO Securities (India) Private Limited and SBI Capital Markets Limited withdrew due to the scheduling of the Issue. The other two BRLMs namely Enam Financial Consultants Pvt. Ltd and ICICI Securities Limited continue to be associated with the Issue as BRLMs .

External risk factors

Fluctuations in the price and availability of fuel could adversely affect our business operations

A substantial portion of our total expenditure comprises fuel expenditure. In Fiscal 2004, Fiscal 2005 and the eight months ended November 30, 2005, aircraft fuel expenditure constituted 13.90%, 27.48% and 33.67%, respectively, of our total expenses for such periods. There have in the past been wide price fluctuations in the price of ATF, which is based primarily on the international price of crude oil. The price of ATF in India is dependent on many factors including (i) periodic variations in the ex-refinery prices, charged for ATF by IOC, BPCL and HPCL; the only suppliers of ATF; (ii) fluctuations in the exchange rates between the U.S. Dollar and the Rupee, since a substantial percentage of crude oil is imported; (iii) changes in excise duty, which is currently 8% (in addition, applicable education cess is also required to be paid); and sales tax on ATF; sales tax on ATF is levied at all the stations we currently service in India and is currently between 4% and 34%; and (iv) our inability to enter into price hedging arrangements for fuel supply due to Government regulations, which do not permit domestic airlines such as us to hedge the price of ATF on the basis that we do not import ATF. In the event of a fuel supply shortage or higher fuel prices, we may be required to curtail some of our scheduled services. Also, some of our competitors may have more leverage than us in obtaining fuel. We cannot assure you that future increases in prices of fuel can be offset, in part or at all, by increases in our fares. Any significant increases in fuel costs would harm our financial condition and results of operations.

The aviation industry maybe adversely affected by many factors beyond their control, including traffic congestion at airports, weather conditions, bird hits, increased security measures and epidemics, any of which could harm our operating results and financial condition

Air Deccan like other airlines, is subject to delays caused by factors beyond our control, including air traffic congestion at airports, adverse weather conditions such as were faced in Mumbai, Chennai, Vishakapatnam and Surat earlier this year, bird hits and increased security measures. Delays frustrate passengers, reduce aircraft utilisation and increase costs, all of which in turn affect profitability. During periods of fog, rain, storms or other adverse weather conditions, flights may be cancelled or significantly delayed. Cancellations or delays due to weather conditions, traffic control problems, bird hits could harm our financial condition and operations. In addition, any epidemics or infectious outbreaks or other health-related concerns that impact customers' willingness to travel could adversely affect our business and operations.

The airline industry tends to experience adverse financial results during general economic downturns

A substantial portion of airline travel, for both business and leisure, is discretionary. As a consequence, the airline industry tends to experience adverse financial results during general economic downturns. Although the Indian Economy has sustained growth in the last few years, soft economic conditions would put pressure on the profitability of the industry and us. Any general stagnation or reduction in airline passenger traffic will harm our business, operations and financial conditions.

Inadequate or untimely improvement and expansion of air transport infrastructure and facilities could adversely affect our business

The lack of adequate air transport infrastructure in many places in India can have a direct impact on our business operations, including our future expansion plans. We are in the process of expanding Air Deccan's fleet and require additional ground and maintenance facilities, including gates and hangars. These and other required facilities and equipment may be unavailable in a timely or economic manner in India. Air Deccan's inability to lease, acquire or access airport facilities on reasonable terms or at preferred times to support our growth could have a material adverse effect on its operations. The GoI in conjunction with various state governments is in the process of modernising old and constructing new airports, including in Mumbai, Delhi, Bangalore and Hyderabad. These developments may lead to increases in the costs of using airport infrastructure and facilities and may also result in an increase in related costs such as landing charges. Such increases may adversely affect our operating results.

We are in the process of expanding Air Deccan's operations. As part of our business model, we expect that Air Deccan will continue to seek to fly to airports that do not currently have any commercial scheduled airline service. Airports such as these may lack adequate infrastructure, such as runways in good repair and night landing facilities, which may make it difficult for Air Deccan to expand its operations and may adversely affect our business plans and operating results.

Indian laws limit our ability to raise capital outside India and to enter into acquisition transactions with non-Indian companies

Indian laws constrain our ability to raise capital outside India through the issuance of equity or convertible debt securities and restrict the ability of non-Indian companies to acquire us. Generally, any foreign investment in, or an acquisition of, an Indian company requires approval from the relevant government authorities in India, including the RBI. Under the current foreign investment policy, FDI in the "Air Transport Services (Domestic Airlines)" sector (including scheduled and non-scheduled operators) is permitted up to 49% and up to 100% by NRIs (both under the automatic route, i.e., without the prior approval of the FIPB). The Industrial Policy further prohibits foreign airlines from making any direct or indirect equity investment in a domestic airline. In addition, our permission to operate scheduled services granted by the DGCA and the guidelines issued by the DGCA from time to time, including AIC No. 09, specifies certain restrictions including that a (i) foreign investing institution or other entity that proposes to hold equity in the domestic air transport sector must not be a subsidiary of a foreign airline; (ii) a foreign financial institution or other entity that proposes to hold equity in the domestic air transport sector must not have foreign airlines as its shareholder; (iii) the substantial ownership and effective control of companies operating scheduled services must be vested in Indian nationals; and (iv) a foreign investing institution or other entity that proposes to hold equity in the domestic air transport sector may have representation on the board of directors of a domestic airline company, but such representation shall not exceed one-third of the total strength of such board. We already have a foreign holding of 25.06% of our pre-Issue capital. However, if the GoI does not approve any additional investment or acquisition, equity ownership in the Company beyond the ceiling mentioned above, our ability to obtain investments, and/or enter into acquisitions with, foreign investors will be limited. In addition, making investments in and/or the strategic acquisition of a foreign company by us requires various approvals from the GoI and the relevant foreign jurisdiction, and we may not be able to obtain such approvals. For more details on the restrictions applicable to the aviation sector please refer to section entitled "Regulations and Policies" on page 82.

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

The prices of the Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including; volatility in the Indian and global securities market; our operations and performance; performance of the Company's competitors, the Indian aviation industry, and the perception in the market about investments in the aviation sector; adverse media reports on the Company or the Indian aviation industry; changes in the estimates of the Company's performance or recommendations by financial analysts; significant developments in India's economic liberalisation and deregulation policies; and significant developments in India's Fiscal regulations. There has been no public market for the Equity Shares and the prices of the Equity Shares may fluctuate after this Issue. 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 initially traded will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

Our operations and financial condition may be adversely affected by regulatory and political uncertainties and developments in India

In the early 1990s, India experienced significant inflation, low growth in gross domestic product and shortages of foreign currency reserves. Since 1991, the GoI has pursued policies of economic liberalisation and has relaxed certain regulatory restrictions in order to encourage foreign investment in specified sectors of the economy, including the aviation sector. We cannot assure you that liberalisation policies will continue.

Various other factors, including a collapse of the present coalition government due to the withdrawal of support of coalition members, could trigger significant changes in India's economic liberalisation and deregulation policies, and disrupt business and economic conditions in India generally and our business in particular. Our financial performance and the market price of the Equity Shares may be adversely affected by changes in inflation, exchange rates and controls, interest rates, GoI policies (including taxation policies) or social stability or other political, economic or diplomatic developments affecting India.

The Indian airline industry is subject to extensive regulation

As in other countries, the Indian airline industry is subject to extensive regulation. Changes in government regulation imposing additional restrictions on our operations could increase our operating costs and result in service delays and disruptions. For details on regulations and policies, please refer to page 82.

Exchange rate fluctuations may adversely affect our results of operations

We report our financial results in Rupees, but a significant portion of our expenses such as fuel, aircraft and engine maintenance services, interest and principal obligations under the terms of our foreign debt and aircraft lease payments are denominated in, or linked to, U.S. dollars. The exchange rate between the Rupee and the US dollar has changed substantially in recent years and may fluctuate substantially in future. In Fiscal 2005, 35.96% of our expenses, comprising salaries and allowances, travelling & conveyance, lease rentals, aircraft and other maintenance expenses, professional & consultancy charges, training and others, were incurred in currencies other than Indian rupees. In addition, we expect that we will continue to incur substantial expenses in U.S. dollars, including in respect of our aircraft leases and our agreements to purchase additional aircraft in the future. See "Our Business—Our Scheduled Airline Operations—Fleet—Future Fleet Growth" on page 60. We cannot assure you that we will be able to effectively mitigate any adverse impact of currency fluctuations on our business and financial condition.

Force majeure events, terrorist attacks and other acts of violence or war involving India, or other countries could adversely affect the financial markets, result in a loss of customer confidence and adversely affect our business, operations and financial condition

Certain events that are beyond our control, including the recent floods in Mumbai, Chennai and Bangalore, tsunami, including the ones which affected several parts of Southeast Asia, including India and Sri Lanka, on December 26, 2004, terrorist attacks such as the ones that occurred in New Delhi on October 29, 2005, London on July 7, 2005 and New York and Washington, D.C., on September 11, 2001, and other acts of violence or war (including civil unrest, military activity and hostilities among neighbouring countries, such as between India and Pakistan) or natural calamity (including epidemics and other events), which may involve India, or other countries, could adversely affect worldwide financial markets and could lead to economic disruptions.

In the past there have been military confrontations along the India-Pakistan border. The potential for hostilities between the two countries is higher due to ongoing terrorist incidents in India, troop mobilisations along the border and the aggravated geopolitical situation in the region. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult. Such political tensions could create a greater perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have an adverse effect on the market for the Company's scheduled and non-scheduled airline services and on the market for securities of Indian companies, including the Equity Shares.

These or similar events or acts could also result in a loss of business and consumer confidence and have other consequences that could adversely affect our business, operations and financial condition. More generally, any of these events could lower confidence in India. Any such event could adversely affect our financial performance or the market price of the Equity Shares.

Any downgrading of India's debt rating by an independent agency may harm our ability to raise debt financing

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

Notes to risk factors

- The net asset value per Equity Share of Rs. 10 each is Rs. (9.36) as at March 31, 2005 and Rs. (25.15) as on November 30, 2005 as per our financial statements, as restated, under Indian GAAP. This was based on the net worth of the Company of Rs. (123.73) million as on March 31, 2005 and Rs. (1,141.48) million as on November 30, 2005 as per our financial statements, as restated, under Indian GAAP. For the purpose of calculation of the above , net worth excludes Rs 1,217.60 million and Rs. 1,653.00 million (in the form of fully convertible debentures) outstanding as at March 31, 2005 and November 30, 2005 respectively. On December 21, 2005 the debentures outstanding as at November 30, 2005 have been converted into 27,379,337 equity shares of Rs. 10 each at a premium of Rs. 50.37 per share by the Board of Directors. Net worth as restated is computed after reducing the unamortised amount of Share/Debenture issue expenses and preliminary expenses.

- Public Issue of 24,546,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [•] per Equity Share including a share premium of Rs. [•] per Equity Share aggregating Rs. [•] million. The Issue would constitute 25% of the post Issue paid-up capital of the Company.
- The Issue is being made through the 100% book building process wherein at least 50% of the Issue shall be allotted to qualified institutional buyers on a proportionate basis including 5% of the QIB portion that would be specifically reserved for Mutual Funds. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be allocated to non-institutional investors and not less than 35% of the Issue would be allocated to retail individual investors on a proportionate basis, subject to valid bids being received from them at or above the Issue Price.
- We have not issued any Equity Shares for consideration other than cash.
- The average price at which our Equity Shares were issued to our Promoters, Capt. Gopinath, Capt. K.J. Samuel,Vishnu Singh Rawal is Rs. 3.66, Rs. 3.97 and Rs. 4.03 respectively. The average price has been calculated by taking the average of the amount paid by them to the Company for issuance of Equity Shares to them including the issue of bonus shares to them. For details please see the section entitled "Capital Structure" on page 20.
- The Company was incorporated with its registered office at 53, Infantry Road, Bangalore 560 001, which was subsequently shifted to Jakkur Aerodrome, Bellary Road, Bangalore 560 064 consequent to the approval of the shareholders on September 30, 2002. Pursuant to the approval of our shareholders on October 22, 2005, the registered office of the Company was subsequently shifted from Jakkur Aerodrome, Bellary Road, Bangalore 560 064 to 35/2, Cunningham Road, Bangalore 560 052.
- The ESOP committee, on June 09, 2005, authorised the grant of 675,000 options (representing 675,000 Equity Shares of Rs. 10 each); on June 16, 2005 authorised the grant of 798,000 options (representing 798,000 Equity Shares of Rs. 10 each) and on December 21, 2005 authorised the grant of 2,148,900 options (representing 2,148,900 Equity Shares of Rs. 10 each) to eligible employees at a price of Rs. 65 each, which would vest in a graded manner over four years from the date of grant. Upon exercise, the holder of each stock option is entitled to one Equity Share.
- Our Promoters and Directors are interested in our Company by virtue of their shareholding in our Company. See "Capital Structure" and "Our Management" on page 20 and 93.
- Trading in Equity Shares of our Company for all the investors shall be in dematerialised form only.
- Any clarification or information relating to the Issue shall be made available by the BRLMs and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever.
- Investors may contact the BRLMs and the Syndicate Members for any complaints pertaining to the Issue.
- For details of our related party transactions, please refer to the section entitled "Related Party Transactions" on page 113.
- Investors may note that in case of over-subscription in the Issue, allotment to QIBs, Non-Institutional Bidders and Retail Bidders shall be on a proportionate basis. For more information, please refer to "Basis of Allotment" on page 232.
- Investors are advised to refer to "Basis for Issue Price" on page 38.

SECTION III : INTRODUCTION

SUMMARY

Business Overview

We, Deccan Aviation Limited, operate Air Deccan, a no-frills, low-cost, scheduled commercial passenger airline in India, and Deccan Aviation, a private helicopter and airplane chartering service in India. These operations/services are managed substantially separately from one another as a part of the single legal entity that is issuing the Equity Shares.

Our Scheduled Airline Operations

Air Deccan began scheduled operations in August 2003, with a single ATR turboprop aircraft flying a single route between Bangalore and Hubli. Since inception, Air Deccan has:

- carried approximately 4.1 million passengers, till March 31, 2006;
- expanded its fleet to 29 aircraft as on March 31, 2006;
- grown its schedule to 226 flights daily, as on March 31, 2006;
- increased its route network to 52 airports as on March 31, 2006;
- achieved a market share of 14.2% for February 2006 (Source: Centre for Asia Pacific Aviation); making it the second largest privately owned airline in India; and
- hired and mobilised a workforce of 2,410 people as of March 31, 2006.

Based on these factors and data in respect of various competitors set out in the table below (as of April 15, 2006 except for Air Deccan which is as of March 31, 2006), we believe that Air Deccan is one of the fastest-growing scheduled commercial passenger airlines today.

	Air Deccan*	Jet Airways[1]	Air Sahara[2]	Indian Airlines[3]	Spice Jet[4]	Kingfisher[5]	GoAir[6]	Paramount[7]
Description	**Private low-cost carrier, operates principally on domestic routes**	**Private full service carrier, operates on domestic and select international routes**	**Private full service carrier, operates on domestic and select international routes**	**Government owned full service carrier, operates both on domestic & international routes**	**Private low cost carrier, operates on domestic routes**	**Private carrier, operates on domestic routes**	**Private low-cost - carrier, operates on domestic routes**	**Private - carrier, operates on domestic routes**
Year of issue of operator's permit	2003	1995	1996	1953[9]	2005	2005	2005	2005
Fleet size[8]	29	53	27	70	5	9	2	1
Fleet type	ATR 42, ATR 72 and Airbus A320	Airbus A340, Boeing 737 and ATR 72	Boeing 737 and CL -600	Airbus A300, A320 Dornier D-228	Boeing 737	Airbus A320	Airbus A320	Embraer
No. of domestic destinations served	52	43	23	58	11	15	15	6
No. of domestic flights	226	306	134	294	67	88	28	17

* *Information relating to Air Deccan is as of March 31, 2006.*

(1) *Derived from information provided at www.jetairways.com.*

(2) *Derived from information provided at www.airsahara.net.*

(3) *Derived from information provided at www.indian-airlines.com.*

(4) *Derived from information provided at www.spicejet.com.*

(5) *Derived from information provided at www.flykingfisher.com.*

(6) *Derived from information provided at www.goair.com.*

(7) *Derived from information provided at www. paramountairways.com*

(8) *As at March 28, 2006; derived from information provided by the DGCA at www.dgca.nic.in.*

(9) *Date of commencement of operations.*

Air Deccan is India's first airline to follow a no-frills, low-cost scheduled passenger airline business model. Its business model draws heavily from the examples provided by successful no frills, low-cost airlines in other parts of the world, while adapting itself to the special circumstances of the Indian market. As with successful US and European low-cost airlines, Air Deccan operates a point-to-point route system only, offers a no-frills service only and drives its ticket sales through the Internet using conventional and unconventional sales points.

In addition, in order better to serve the specific needs of the Indian market, Air Deccan follows a two-aircraft-type fleet strategy. As of March 31, 2006, Air Deccan uses eleven Airbus A320 jet aircraft principally to fly on its main, or "trunk", routes connecting India's six largest cities and 18 ATR turboprop aircraft principally to serve regional airports. Air Deccan's regional routes are intended to connect smaller – but often heavily populated – cities and towns with India's main urban centres, in order to take advantage of existing demand for air travel to and from such locations and to stimulate new demand for air travel. According to the DGCA, there are roughly 450 airports throughout India, but only a much smaller number of which can be used by most larger commercial jet aircraft. Air Deccan believes that turboprop aircraft are its best means of extending no-frills, low-cost air travel to India's emerging cities and regions, while larger jet aircraft remain best suited to its trunk routes.

Air Deccan seeks customers among those who travel by train or other ground transport, as well as those who already travel by air. It seeks to turn non-fliers into fliers, and occasional fliers into more frequent fliers. As India's population, economy and services sector continue to develop, we believe that more potential customers:

- will be able to afford air travel,
- will seek connectivity across India, and
- will find no-frills, low-cost air travel to be a preferred alternative to rail and road travel.

We believe that Air Deccan is well positioned to take advantage of these developments, and to help Indian middle-class consumers and cost-conscious businesses take to the air. Air Deccan has grown rapidly over the last two years. We intend for it to enhance and accelerate this growth and do so successfully by following our existing business model and taking advantage of our competitive strengths.

Business Model of Airline Operation

The elements of Air Deccan's "no-frills, low-cost" air carrier business model include:

- **Offering low fares to stimulate demand.** We believe low fares will help Air Deccan generate new business throughout India – not only in new and under-served markets, but also in established markets that have so far failed to offer Indian middle-class consumers and cost-conscious businesses a choice of sufficiently cost-effective fares. Air Deccan targets leisure, small business and corporate customers, and seeks passengers from the Indian middle class as well as from the cost-conscious segments of more well off classes.
- **Selecting routes to stimulate demand.** As of March 31, 2006, Air Deccan offers passengers a choice of 85 routes and 52 destinations. As at March 31, 2006, it is the only carrier providing service to 12 of its destinations and one of only two carriers providing service to 7 of its destinations. We believe that Air Deccan's route strategy will help it grow new markets for air travel in India, as well as help it serve major urban centres with cost-effective fares. As it grows, we expect Air Deccan to increase the frequencies of its flights on certain existing routes, connect new city pairs among destinations it already serves and initiate service to new destinations, including some already served by other airlines and some currently not served by airlines at all.
- **Reducing costs, increasing utilisation.** To help make its low-fare strategy as profitable as possible, Air Deccan strives to:
  - ***(i) reduce the costs of its operations.*** It does so in part by seeking to simplify its operations, minimise the aircraft types in its fleet consistent with its route strategy, use technology when such use can reduce costs and rejecting it when such use can complicate operations, such as in passenger check-in, and outsource non-core business processes.
  - ***(ii) provide a no-frills service.*** Air Deccan seeks to provide a simple service in exchange for its low fares. Product and service extras that are not reasonably necessary to the core task of flying passengers safely and efficiently are eliminated. Practices that many other airlines engage in regularly, such as providing help to passengers during layovers or offering frequent flier programmes, are not offered. Air Deccan passengers get the basic transportation service they require, which is a pared-down version of flying compared to what many other airlines offer.

*(iii) **seek high aircraft utilisation.*** Air Deccan employs dense, single-class seating arrangements in its aircraft and follows scheduling, ground handling and operational strategies designed to keep its planes in the air as long as practical every day. These measures help Air Deccan to increase its available seats flown. Air Deccan then uses load factor and yield management techniques in order to help maximise the revenues earned from, and help minimise the operating costs associated with, those available seats flown.

- **Providing a safe and on-time service.** We consider the provision of safe travel to be of essential importance to our service. We believe that customers also demand on-time service and expect a minimum of delays, flight cancellations, baggage-handling errors and other inconveniences. We strive to provide these requirements while delivering a safe, no-frills service.
- **Increasing ancillary revenues.** In addition to charging for tickets, Air Deccan earns revenues from charging for in-flight food and drink, selling advertising space on the interior and exterior of its aircraft and in a number of other ways. The airline regularly seeks to earn ancillary revenues where opportunities exist and the simplicity of its operations will not be compromised.

We are a member of a Sri Lankan joint venture which hopes to operate flights between Sri Lanka and India. See "History and Corporate Matters—Our Joint Ventures—DALPL" on page 90 for further details in this regard. We may, in future, consider other opportunities to expand internationally, whether through investment, agreement, joint venture or organic growth, although we have no present plans in respect of any such opportunity.

We are not actively considering acquisitions at this time. We will consider appropriate opportunities as they are presented.

Competitive Strengths of Airline Operation

Air Deccan's competitive strengths include:

- **First mover advantage.** Air Deccan is the first no-frills, low-cost, scheduled commercial passenger airline in India. As a number of existing and new competitors seek to adopt a no-frills or low-cost approach to one or more parts of their operations, Air Deccan retains the advantage of being known the longest as a no-frills, low-cost carrier and having had the longest time to adopt and refine its low cost carrier strategies. By moving earlier, Air Deccan has also had an easier time getting desirable flight slots and building its operations in other ways.
- **Simplifly!** Air Deccan follows a strategy of simplifying its operations to help keeps its costs down, its fares as affordable as possible and its services as easy for customers to evaluate, purchase and use as possible. Air Deccan seeks to embody and project this strategy to its employees and customers through the advertising slogan, "*Simplifly*". Simplification steps include such strategies as flying only point-to-point routes without seeking to facilitate onward connections, outsourcing services such as in-flight food and drink and moving to a manual, rather than computerised, flight check-in system.
- **Strong management team, with leading low-cost carrier expertise.** We believe that Air Deccan's management team has the necessary depth and capability to expand the airline's operations, refine its service delivery and implement its business model. The Air Deccan team is bolstered by a Chief Operating Officer who worked as Head of UK and Europe Operations at Ryanair and by others with extensive experience at Ryanair and JetBlue Airways. In addition, the relative youth of the Air Deccan organisation helps to provide new perspectives on Air Deccan's operations.
- **Load factor and yield management through dynamic pricing.** Many airlines vary ticket prices in the run-up to a flight in order to balance load factor (the level of filled seats) against yield (revenue earned per ticket). Air Deccan seeks to maximise revenue from ticket sales by attempting to achieve the best possible ticket price by filling as many seats as possible. Air Deccan uses dynamic pricing to help optimise its load factors and yields. Optimising load factors and yields allows an airline to better approach a maximum level of revenues consistent with the preservation and increase of market share. Using dynamic pricing, Air Deccan can vary its ticket prices for a given flight over a wide range of possible prices, for many weeks prior to that flight, in order to capture more revenue while also seeking to extend its market. Air Deccan is in the process negotiating an agreement for implementing Navitaire software, for conducting its dynamic load factor and yield management, which is used by many leading no-frills, low-cost airlines around the globe for their revenue management.

Our Charter Service

Deccan Aviation commenced operations in 1997 as a chartered aircraft service provider. Initially, it chartered helicopters only, but in 2001 it added its first fixed-wing aircraft. As of March 31, 2006, it operates a fleet of ten helicopters and two fixed wing aircraft and provides a variety of charter services throughout India (and in Sri Lanka, through our participation in the joint venture DALPL), including:

- heli-tourism,
- adventure sports flying,
- VIP and corporate executive travel,
- medical evacuation,
- aerial surveys,
- media, advertising and entertainment-related services,
- services for oil-extraction companies,
- religious pilgrimage, and
- customised services.

We believe that Deccan Aviation is currently the only service provider in India that provides chartered low-level, long line, geo-physical heli-borne services and banner-towing by helicopter.

Deccan Aviation is not a low-cost or no-frills service provider, but instead caters largely but not exclusively to higher-income individuals and corporations.

Incomes

The following table sets forth our incomes from operations, as of the dates and for the time periods indicated:

	Revenues		Fleet size as of March 31, 2006 [1]
	Year ended March 31, 2005 (Rs. million)	Eight months ended November 30, 2005 (Rs. million)	
Sale of airline tickets and related income	2,669.46	4,458.98	29
Helicopter charter and other services	386.08	324.45	12
Other income	147.29	399.42	N.A.
Total	**3,202.83**	**5,182.85**	41

(1) Unaudited.

Industry overview

Evolution of the Industry

Around the world during the last two-and-a-half decades, the air transport industry has substantially moved away from government control and ownership towards deregulation and private ownership. The origins of this trend are generally attributed to the deregulation of the U.S. airline industry in the late 1970s, which led to lower fares and improved productivity of assets and capital. Spurred by the emergence of these benefits, several countries have pursued the path of liberalisation and privatisation.

Before 1990, the Indian aviation sector was also characterised by a high degree of Government control. The GoI nationalised the airline industry in 1953 through enactment of the Air Corporations Act. Pursuant to this Act, the assets of nine existing air companies were transferred to two entities in the Indian aviation sector, both of which were owned and controlled by the Government: (a) Indian Airlines, primarily serving domestic sectors, with operations to select international destinations, and (b) Air India International, primarily serving international sectors.

The liberalisation in the Indian civil aviation industry began in 1986 with private sector players being permitted to operate as air taxi operators, but not being permitted to operate scheduled services. A number of private companies commenced domestic operations as air taxi operators including Jet Airways, Air Sahara, Modiluft, Damania Airways, NEPC Airlines and East West Airlines. In 1994, with the repeal of the Air Corporations Act, private carriers were permitted to operate scheduled services. Six private air taxi operators were granted scheduled carrier status in February 1995, upon fulfillment of certain applicable criteria. However, some of these operators could not continue with their businesses and, by 1997, had closed their operations. Among the many private airlines that started operations following the deregulation of the Indian civil aviation sector, only two continue to have operations in the country: Jet Airways and Air Sahara. Jet Airways India Limited and Sahara Airlines Limited have recently executed a share purchase agreement on January 18, 2006 for acquisition by Jet Airways India Limited of the entire share capital of Sahara Airlines Limited, subject to regulatory approvals.

In August 2003, Air Deccan commenced scheduled airline operations, taking the total number of private carriers providing scheduled services to three. Since then, four other airlines, SpiceJet, Kingfisher, Paramount and GoAir, have begun operations in the domestic Indian market. According to published reports, at least two further enterprises have announced plans to enter the Indian domestic aviation market.

Industry Growth

Compared to other countries, the growth of the domestic aviation sector in India (fuelled by a fast-growing economy and rising consumerism) has been relatively resilient in the face of regular international disruptions, such as terrorist attacks in various countries, health hazards and natural disasters. Based on statistics compiled by the DGCA, the sector maintained a CAGR of 15.67% from fiscal 2002 to fiscal 2005 in terms of domestic passengers. The table below indicates the year-on-year growth in number of passengers on all domestic scheduled services of Indian airlines:

Year ended March 31,	Domestic Sector Passengers (millions)(1)	Year-on-Year Growth
1996	10.4	
1997	11.2	7.7%
1998	11.55	-1.3%
1999	12.0	4.3%
2000	12.7	5.8%
2001	13.7	7.9%
2002	12.8	-6.6%
2003	13.9	8.6%
2004	15.7	12.9%
2005	19.9	26.8%

Source: DGCA, CMIE Monthly Economic Indicator, November 2005

(1) Information does not include air taxi operators.

According to the DGCA, Indian domestic air traffic increased 27% for the year ended March 31, 2005 compared to the previous year. According to the airports authority of India, for the ten-month period of April, 2005 to January, 2006 the total number of passengers carried by all scheduled domestic airlines in India stood at 20.48 million, an increase of 23.7% over the corresponding period in the previous year.

The Emergence of Low-cost Carriers in the Indian Aviation Industry

Low-cost carrier airlines in the United States (such as Southwest Airlines and JetBlue) and in Europe (such as Ryanair and easyJet) have created a revolution in the aviation sector. These airlines have sought to provide lower, if not the lowest, fares along with relatively high margins, by providing:

- "no-frills" service,
- careful route selection to optimise passenger loads and yields,
- minimised costs on various aspects of business,
- innovative use of Internet and other communications technology to avoid the high cost of traditional airline reservations and communications systems,
- innovative approaches to attracting customers,
- introducing previously unavailable routes on a commercially feasible basis, and
- lower or lowest initial pricing with careful revenue management.

The concept of low-cost carriers has also generated interest in Asia, and a number of no-frills airlines have emerged. For example, AirAsia is a low-cost carrier based in Malaysia and Thailand with destinations including Malaysia, Thailand, China, Hong Kong, Macau, Indonesia and the Philippines. Air Deccan was the first such airline in the Indian market, commencing operations in August 2003, with SpiceJet and GoAir beginning operations subsequently and plans for more low-cost carriers announced. Air India Express, a subsidiary of Air India, is providing an international low-cost carrier service. Indian low-cost carriers, seeking to take advantage of the growth of disposable income in India and the increasing need for geographic connectivity, have sought to adapt the low-cost carrier model to the Indian aviation climate. Low-cost carriers have been able to overcome many of the barriers to entry into the Indian aviation industry - such as mandatory coverage of certain routes and the lack of adequate airport infrastructure - through cost savings and innovation.

SELECTED FINANCIAL INFORMATION

The following table sets forth the selected historical unconsolidated financial information of the Company derived from its unconsolidated financial statements, as restated, under Indian GAAP for the years ended March 31, 2001, 2002, 2003, 2004 and 2005 and for the eight months ended November 30, 2005 as reported upon by the auditors in their report dated April 25, 2006 on page 117.

Summary Statement of Assets and Liabilities, as Restated

Rs in million

		As at March 31, 2001	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at November 30, 2005
A.	**Fixed Assets**						
	Gross Block	19.98	23.01	111.75	270.98	552.48	3,097.78
	Less: Accumulated Depreciation	1.98	3.04	6.31	16.33	45.22	93.25
	Net Block	**18.00**	**19.97**	**105.44**	**254.65**	**507.26**	**3,004.53**
	Add: Capital Work-in-Progress, including capital advances	-	0.47	1.46	12.17	1,530.93	1,429.32
	Total (A)	**18.00**	**20.44**	**106.90**	**266.82**	**2,038.19**	**4,433.85**
B.	**Investments (B)**	**1.00**	**1.00**	**-**	**-**	**4.48**	**4.13**
C.	**Deferred Tax Asset, net (C)**	**-**	**0.19**	**-**	**-**	**-**	**-**
D.	**Current Assets, Loans and Advances**						
	(a) Inventories	10.44	21.98	38.68	119.57	363.98	485.08
	(b) Sundry Debtors	28.40	31.72	27.80	45.56	82.68	156.85
	(c) Cash and Bank Balances	0.73	4.61	20.10	159.76	829.28	426.29
	(d) Loans and Advances	32.12	46.29	45.43	134.66	340.93	692.84
	(e) Other Current Assets	-	5.07	2.54	21.64	131.92	122.68
	(f) Share/Debenture Issue Expenses and Preliminary Expenses	0.02	0.02	0.01	1.23	27.96	21.98
	Total (D)	**71.71**	**109.69**	**134.56**	**482.42**	**1,776.75**	**1,905.72**
E.	**Liabilities and Provisions**						
	(a) Current Liabilities and Provisions	35.63	43.32	74.24	258.84	1,098.38	2,778.17
	(b) Deferred Tax Liability, net	1.31	-	3.10	-	-	-
	(c) Secured Loans	6.69	19.89	73.05	226.21	1,594.17	3,014.01
	(d) Unsecured Loans	10.02	15.87	38.51	123.00	1,250.60	1,693.00
	Total (E)	**53.65**	**79.08**	**188.90**	**608.05**	**3,943.15**	**7,485.18**
F.	**Net Worth [Refer Note F(2) in Annexure 4] (A+B+C+D-E)**	**37.06**	**52.24**	**52.56**	**141.19**	**(123.73)**	**(1,141.48)**
	Net Worth Represented by						
	Equity Share Capital	20.00	20.00	20.80	155.27	161.99	462.57
	Employee Stock Options Outstanding (Net of Deferred Compensation Cost)	-	-	-	-	-	12.98
	Reserves and Surplus:						
	Securities Premium	-	-	-	79.20	159.88	7.93
	Profit and Loss Account	17.06	32.24	31.76	(93.28)	(445.60)	(1,624.96)
	Miscellaneous expenditure						
	Deferred revenue expenditure						
	Net Worth [Refer Note F(2) in Annexure 4]	**37.06**	**52.24**	**52.56**	**141.19**	**(123.73)**	**(1,141.48)**

The above statement should be read with the significant accounting policies appearing in Annexure 4A and Notes to the Summary Statement of Assets and Liabilities, Profits and Losses and Cash Flows as restated, appearing in Annexure 4.

Summary Statement of Profits and Losses, as Restated

Rs. in million

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Eight months ended November 30, 2005
INCOME						
Sale of airline tickets and related income (Refer note F(1) in Annexure 4)	-	-	-	314.18	2,669.46	4,458.98
Helicopter charter and other services	147.17	195.48	234.15	315.21	386.08	324.45
	147.17	195.48	234.15	629.39	3,055.54	4,783.43
Other income	0.12	0.52	0.77	44.18	147.29	399.42
Total Income	**147.29**	**196.00**	**234.92**	**673.57**	**3,202.83**	**5,182.85**
EXPENDITURE						
Aircraft fuel expenses	4.14	5.60	12.54	92.44	929.85	2,154.55
Aircraft/Engine repairs and maintenance	12.10	11.55	3.10	88.43	492.76	720.68
Aircraft/Engine lease rentals	47.97	54.09	57.22	106.45	451.17	807.12
Other direct operating expenses	36.83	56.61	58.11	167.64	736.54	1,303.83
Employee remuneration and benefits	14.70	20.34	26.40	71.46	317.65	646.56
Administrative and general expenses	13.68	21.95	34.56	75.57	203.06	452.11
Employee stock compensation cost	-	-	-	-	-	12.98
Advertisement and business promotion expenses	3.36	4.48	5.40	3.18	62.95	56.45
Finance and banking charges	2.65	5.24	15.18	38.69	102.14	114.18
Amortisation	2.66	5.36	7.88	9.87	57.25	82.51
Depreciation	0.95	1.07	3.27	11.16	30.59	48.03
Preliminary expenses written off *	-	-	-	-	-	-
Total Expenditure	**139.04**	**186.29**	**223.66**	**664.89**	**3,383.96**	**6,399.00**
Profit/(loss) before taxation and prior period items	**8.25**	**9.71**	**11.26**	**8.68**	**(181.13)**	**(1,216.15)**
Provision for tax						
Current tax	1.08	0.63	0.88	0.64	-	-
Deferred tax expense/(credit)	-	-	4.14	2.07	(13.24)	-

Rs. in million

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Eight months ended November 30, 2005
Fringe benefit tax	-	-	-	-	-	22.49
Profit/(loss) after tax and before prior period items	**7.17**	**9.08**	**6.24**	**5.97**	**(167.89)**	**(1,238.64)**
Prior period income/(expenses)	**-**	**-**	**-**	**(0.37)**	**(27.43)**	-
Net profit/(loss) for the year/ period as per audited accounts (A)	**7.17**	**9.08**	**6.24**	**5.60**	**(195.32)**	**(1,238.64)**
Adjustments - Increase/(decrease) in profits (Refer Annexure 4)						
Deferred revenue expenditure	(2.76)	0.93	(2.16)	(87.45)	(164.41)	59.28
Provision for maintenance expenses	5.13	3.56	(5.45)	(8.21)	(6.78)	-
Prior period income/(expense)	(0.30)	(0.07)	-	(27.06)	27.43	-
Other adjustments	1.18	1.18	1.18	(5.16)	-	-
Total impact of adjustments	**3.25**	**5.60**	**(6.43)**	**(127.88)**	**(143.76)**	**59.28**
Tax adjustments (Refer Annexure 4)						
Deferred tax (expense)/credit	(0.55)	1.50	0.84	5.18	(13.24)	-
Total of adjustments after tax impact (B)	**2.70**	**7.10**	**(5.59)**	**(122.70)**	**(157.00)**	**59.28**
Net profit/(loss), as restated (A+B)	**9.87**	**16.18**	**0.65**	**(117.10)**	**(352.32)**	**(1,179.36)**
Profit and Loss Account at the beginning of the year/ period	**21.42**	**17.06**	**32.24**	**31.76**	**(93.28)**	**(445.60)**
Amount available for appropriation as restated	**31.29**	**33.24**	**32.89**	**(85.34)**	**(445.60)**	**(1,624.96)**
Appropriations						
Deferred tax transitional adjustment						
Proposed Dividend on Equity Share Capital	1.00	1.00	1.00	1.74	-	-
Tax on Dividend	0.10	-	0.13	0.23	-	-
Issue of Bonus Shares	13.13	-	-	5.97	-	-
	14.23	**1.00**	**1.13**	**7.94**	**-**	**-**
BALANCE CARRIED FORWARD, AS RESTATED	**17.06**	**32.24**	**31.76**	**(93.28)**	**(445.60)**	**(1,624.96)**

* *Less than Rs lacs*

The above statement should be read with the significant accounting policies appearing in Annexure 4A and Notes to the Summary Statement of Assets and Liabilities, Profits and Losses and Cash Flows as restated, appearing in Annexure 4.

THE ISSUE

Equity Shares offered:		
Fresh Issue by our Company		24,546,000 Equity Shares of face value of Rs. 10 each
Of which		
A)	Qualified Institutional Buyers portion (QIBs) of which	At least 12,273,000 Equity Shares of face value of Rs. 10 each ***(Allocation on a proportionate basis)***
	Available for allocation to Mutual Funds	At least to 613,650 Equity Shares of face value of Rs. 10 each ***(Allocation on a proportionate basis)***
	Balance for all QIBs including Mutual Funds	At least to 11,659,350 Equity Shares of face value of Rs. 10 each ***(Allocation on a proportionate basis)***
B)	Non-Institutional Portion	Up to 3,681,900 Equity Shares of face value of Rs. 10 each ***(Allocation on a proportionate basis)***
C)	Retail Portion	Up to 8,591,100 Equity Shares of face value of Rs. 10 each ***(Allocation on a proportionate basis)***
Equity Shares outstanding prior to the Issue		73,636,007 Equity Shares of face value of Rs. 10 each
Equity Shares outstanding after the Issue		98,182,007 Equity Shares of face value of Rs. 10 each
Use of Issue Proceeds		Please see section entitled "Objects of the Issue" on page 30 for additional information

GENERAL INFORMATION

Our Company was incorporated on June 15, 1995 as a private limited company and was converted to a public limited company by a resolution of the members passed at the EGM held on January 31, 2005. The fresh certificate of incorporation consequent on change of name of our Company was received on March 14, 2005 from the Registrar of Companies, Karnataka.

Our Company was incorporated with its registered office at 53, Infantry Road, Bangalore 560 001 and was subsequently shifted to Jakkur Aerodrome, Bellary Road, Bangalore 560 064 consequent to the shareholders' approval dated September 30, 2002. Pursuant to the approval of our shareholders dated October 22, 2005, the registered office of our Company was subsequently shifted from Jakkur Aerodrome, Bellary Road, Bangalore 560 064 to 35/2 Cunningham Road, Bangalore 560 052.

Registered Office

Deccan Aviation Limited
No. 35/2, Cunningham Road
Bangalore 560 052
Karnataka, India
Tel: + 91 80 4114 8190-99
Fax: + 91 80 4114 8849

Registration Number

08-18045

Address of Registrar of Companies

IInd Floor, E Wing, Kendriya Sadan
Koramangala, Bangalore 560 034
Tel: + 91 80 2553 7449
Fax: + 91 80 2553 8531
Email: roc@kar.nic.in

Board of Directors of our Company

Name, Designation, Occupation	Age	Address
Lt. Gen. (Retd.) N.S. Narahari Independent Director *Retired Army Officer*	73	No. 28, 6th Cross Hutchins Road Bangalore 560 084
Capt. G.R. Gopinath Managing Director *Business*	54	G-3, Garden Apts Vittal Mallya Road Bangalore 560 001
Capt. K.J. Samuel Executive Director *Business*	54	288, 8th Block Adugodi, Koramangala Bangalore 560 095
S.N. Ladhani Non Executive Director *Business*	65	5/1, 1st Main, Jayamahal Extn. Bangalore 560 046
Vijay Amritraj Independent Director *Business*	52	No. 109, Sterling Road Chennai 600 034
Col. Jayanth K. Poovaiah Executive Director *Company Executive*	54	1/4 Artillery Road Ulsoor Bangalore 560 001

Name, Designation, Occupation	Age	Address
Sudhir Choudhrie Non Executive Director *Business*	57	Leased Office Bldg-1 No. 1G-20, P.O. Box-41641 Hamriyah Free Trade Zone, Sharjah United Arab Emirates
Sumant Kapur Alternate Director for Sudhir Choudhrie *Business*	53	79, Carlisle Mansion Carlisle Place London –SW1P1HX
Vishnu Singh Rawal Alternate Director for S.N. Ladhani *Company Executive*	52	Flat No. 168, Surya Mukhi Apts. Vithal Mallya Road Bangalore 560 001
M.G. Mohan Kumar Director - Finance *Company Executive*	48	Flat No. 415, Sri Ranga Apts. No. 30, Temple Road Malleswaram, Bangalore 560 003
Bala Deshpande Nominee - The Western India Trustee and Executor Company Limited (India Advantage Fund-I) *Service*	39	C/o ICICI Venture Funds Management Company Limited Stanrose House, Ground Floor A.M. Marg, Prabhadevi Mumbai 400 025
Vivek Kalra Nominee - Subria CIPEF Limited and Subria CGPE Limited *Service*	41	327, River Valley Road # 21-01 Young An Pk Singapore 238 359
Anil Kumar Ganguly Independent Director *Chartered Accountant*	71	Flat No. D 25, Diamond District Airport Road Bangalore 560 008
P.N. Thirunarayana Independent Director *Service*	62	578, 5th Block, 11th Main Jayanagar Bangalore 560 041

For further details of our directors, please refer to page 93.

Company Secretary and Compliance Officer

Radhika Venkatesh
Deccan Aviation Limited
35/2, Cunningham Road
Bangalore 560 052
Tel: + 91 80 4114 8190-99
Fax: + 91 80 4114 8849
Email: investors@airdeccan.net
Website: www.airdeccan.net

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

Domestic Legal Advisors to the Company

AZB & Partners
AZB House, 67-4, 4th Cross
Lavelle Road
Bangalore 560 001
Tel: + 91 80 2212 9782
Fax: + 91 80 2221 3947

AZB & Partners
23rd Floor, Express Towers
Nariman Point
Mumbai 400 021
Tel: + 91 22 5639 6880
Fax: + 91 22 5639 6888

International Legal Advisors

Dorsey & Whitney
21 Wilson Street
London EC2M 2TD
England
Tel: + 44 20 7588 0800
Fax: + 44 20 7588 0555

Legal Advisor to the Book Running Lead Managers

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

Book Running Lead Managers

Enam Financial Consultants Private Limited
113, Stock Exchange Towers,
Dalal Street, Fort, Mumbai 400 001
Tel: + 91 22 5638 1800
Fax: + 91 22 2284 6824
Email: airdeccan.ipo@enam.com
Website: www.enam.com
Contact Person: Kinjal Palan

ICICI Securities Limited
ICICI Centre, H.T. Parekh Marg, Churchgate
Mumbai 400 020
Tel: + 91 22 5637 7207
Fax: + 91 22 2282 6580
Email: airdeccan_ipo@isecltd.com
Website: www.icicisecurities.com
Contact Person: Saurabh Vijayvergia/Venkatesh Saha

Syndicate Members

Enam Securities Private Limited
801, Dalamal Towers
Nariman Point, Mumbai 400 021
Tel: +91 22 5638 1800
Fax: +91 22 2284 6824
Contact Person: M. Natarajan
E-mail: airdeccan.ipo@enam.com
Website: www.enam.com

ICICI Brokerage Services Limited
ICICI Centre, H.T. Parekh Marg
Churchgate, Mumbai 400 020
Tel: + 91 22 2288 2460
Fax: + 91 22 2282 6580
Contact Person: Anil Mokashi
Email: airdeccan_ipo@isecltd.com
Website: www.icicisecurities.com

Registrar to the Issue

Karvy Computershare Private Limited
"Karvy House", 46, Avenue 4
Street No. 1, Banjara Hills
Hyderabad 500 034
Tel: + 91 40 2331 2454
Fax: + 91 40 2331 1968
Contact Person: Murali Krishna
Email: deccan.ipo@karvy.com
Website: www.karvycomputershare.com

Bankers to the Issue and Escrow Collection Banks

State Bank of India
New Issues & Securities Services Division,
Mumbai Main Branch,
Mumbai Samachar Marg,
Fort, Mumbai -400 023
Tel: +91 22 2265 1579
Fax: +91 22 2267 0745
Contact Person: Anuradha Kurma
Email: anuradha.karma@sbi.co.in

The Hongkong and Shanghai Banking Corporation Limited
52/60, Mahatma Gandhi Road
Mumbai – 400 001
Tel: +91 22 2268 1673
Fax:+91 22 2273 4388
Contact Person: Dhiraj Bajaj
Email: dhirajbajaj@hsbc.co.in

Standard Chartered Bank
270, D N Road,
Fort, Mumbai – 400 001
Tel: +91 22 2268 3965
Fax:+91 22 2209 6069
Contact Person: Banhid Bhattacharya
Email: Banhid.Bhattacharya@in.standardchartered.com

Kotak Mahindra Bank Limited
Cash Management Services,
4th Floor, Dani Corporate Park,
158, C.S.T. Road, Kalina, Santacruz (E), Mumbai -400 098.
Tel: +91 22 5555 94876/77/850
Fax: +91 22 5648 2710
Contact Person: Ibrahim Sharief
Email: ibrahim.sharief@kotak.com

UTI Bank Limited
Esquire Centre,
9 M.G. Road,
Bangalore – 560 001
Tel: +91 80 2537 0615
Fax: +91 80 2555 9444
Contact Person: Aju P. George
Email: aju.george@utibank.co.in

United Bank of India
40, K G Road
Bangalore Branch
Bangalore – 560 009
Tel: + 91 80 2235 4339
Fax: + 91 80 2225 0412
Contact Person: Rajesh Kumar M.
Email: bmbgl@unitedbank.co.in

IndusInd Bank Limited
West Wing, Du Parc Trinity – 1st Floor,
No. 17, M.G. Road,
Bangalore -560 001
Tel: 080- 2559 2305
Fax: 080 -2559 2309
Contact Person: J. Madhukar Bhat
Email:madhukar@indusind.com

Punjab National Bank
Centenary Building No. 28
M.G. Road
Bangalore - 560 001
Tel:+91 80 2558 1861
Fax:+91 80 2558 2515
Contact Person: P.B. Narayanan (AGM)
Email: agmpnb@yahoo.com

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg,
Mumbai 400 001
Tel : 022- 22655285
Fax : 022-22611138
Contact Person : Sidhartha Sankar Routray
Email : sidhartha.routary@icicibank.com

Bankers to the Company

United Bank of India
40, K G Road
Bangalore Branch
Bangalore 560 009
Tel: + 91 80 2235 4339
Fax: + 91 80 2225 0412
Email: bmbgl@unitedbank.co.in

State Bank of India
Industrial Branch
Residency Plaza,
61, Residency Road
Bangalore 560 025
Tel: + 91 80 2594 3514
Fax: + 91 80 2558 1853
Email: sbiifbng@bgl.vsnl.net.in

Bank of India
11, K.G. Road
Bangalore 560 009
Tel: + 91 80 2238 6013
Fax: + 91 80 2225 4891
Email: boibgl@vsnl.net

ICICI Bank Limited
P.B. No. 5189, 125/1, Dispensary Road
Cantonment, Bangalore 560 001
Tel: + 91 80 2509 8869
Fax: + 91 80 2532 1456
Email: customer.care@icicibank.com

Citibank N.A.
02-104, Prestige Meridian II
30, M.G. Road
Bangalore 560 001
Tel: + 91 80 2229 4653
Fax: + 91 80 2509 5356
Email: indiaservices@citicorp.com

Development Credit Bank Limited
Corporate Finance Group – Bangalore
Prestige Meridian Annexe
128 (31/1), M.G. Road
Bangalore 560 001
Tel: + 91 80 5113 4253
Fax: + 91 80 2555 0115
Email: yuvarajs@dcbl.com

IndusInd Bank Limited
Du Parc Trinity
1st Floor, West Wing
No. 17, M.G. Road
Bangalore 560 001
Tel: + 91 80 2559 2319
Fax: + 91 80 2559 2309
Email: bgmg@indusind.com

Punjab National Bank
Centenary Building No. 28
M. G. Road
Bangalore 560 001
Tel:+91 80 2558 1861
Fax:+91 80 2558 2515
Email:pnbifblr@vsnl.net

Auditors

S.R. Batliboi & Co., Chartered Accountants
'Divyashree Chambers'
A Wing, 2nd Floor, Langford Road
Bangalore 560 025
Tel: + 91 80 2224 5646
Fax: + 91 80 2224 0695

Statement of inter-se allocation of responsibility

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

S. No.	Activities	Responsibility	Co-ordinator
1.	Capital structuring with the relative components and formalities	ENAM, I-Sec	ENAM
2.	Due diligence of the Company's operations/management/ business plans/legal etc.	ENAM, I-Sec	ENAM
3.	Drafting & Design of Issue 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, I-Sec	ENAM
4.	Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertisement, brochure, etc.	ENAM, I-Sec	I-Sec
5.	Appointment of Registrar	I-Sec	I-Sec
6.	Appointment of Bankers	I-Sec	I-Sec
7.	Appointment of Ad agency	ENAM, I-Sec	I-Sec
8.	Appointment of Printer and coordination of Issue stationery	ENAM, I-Sec	ENAM
9.	Marketing the Issue, including ■ Formulating marketing strategy ■ Preparation of Publicity Budget ■ Finalise media and Public Relations ■ Preparation of publicity material and road show presentation	ENAM, I-Sec	I-Sec
10.	Finalise the list and division of Institutional investors	ENAM, I-Sec	ENAM
11.	Institutional Marketing Strategy ■ Preparing necessary publicity and presentation materials ■ Coordinating the international road show	ENAM, I-Sec	I-Sec
12.	Retail/HNI Marketing Strategy ■ Formulate retail/HNI marketing strategy ■ Finalise and coordinate conference centres	ENAM, I-Sec	ENAM
13.	Managing the Book & Co-ordination with Stock Exchanges	ENAM, I-Sec	ENAM
14.	Pricing	ENAM, I-Sec	ENAM
15.	The post bidding activities including management of escrow accounts, allocation & intimation of allocation	ENAM, I-Sec	I-Sec
16.	The post Issue activities of the Issue will involve essential follow up steps, which must include finalisation of listing of instruments and dispatch of certificates and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business. Lead Manager shall be responsible for ensuring that these agencies fulfil their functions and enable him to discharge this responsibility through suitable agreements with the issuer Company.	I-Sec	I-Sec

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

Credit rating

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

IPO Grading

We have not opted for any IPO grading for the Issue.

Trustees

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

Monitoring agency

Karnataka State Financial Corporation
K.S.F.C. Bhavan, No. 1/1, Thimmaiah Road
Bangalore 560 052
Tel: +91 80 2226 3322
Fax: +91 80 2225 0126
Contact Person: Dr. Nethaji S. Ganesan
Email: edo@ksfc.net

Withdrawal of the Issue

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

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 finalised after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

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

We will comply with the SEBI Guidelines for this Issue. In this regard, we have appointed the BRLMs to procure subscriptions to the Issue.

Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. Please refer to the section entitled "Terms of the Issue" on page 211 for more details.

The process of Book Building under SEBI Guidelines is not new. However, investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

Illustration of Book Building and Price Discovery Process *(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)*

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding 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.

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

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off i.e. Rs. 22 in the above example. The Issuer, in consultation with the book running lead managers, 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 the respective categories.

Steps to be taken by the Bidders for bidding:

1. Check eligibility for making a Bid (see section entitled "Issue Procedure - Who Can Bid" on page 216);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form (see section entitled "Issue Procedure - 'PAN' or 'GIR' Number" on page 229); and
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in the Red Herring Prospectus and in the Bid cum Application Form.

Bid/Issue program

Bidding period/Issue period

BID/ISSUE OPENS ON	**:**	**THURSDAY,**	**MAY 18,**	**2006**
BID/ISSUE CLOSES ON	**:**	**TUESDAY,**	**MAY 23,**	**2006**

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

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

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

Underwriting Agreement

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

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

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

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in mn)
Enam Financial Consultants Private Limited 113, Stock Exchange Towers, Dalal Street, Fort, Mumbai 400 001 Tel: + 91 22 5638 1800 Fax: + 91 22 2284 6824	[•]	[•]
Enam Securities Private Limited Ambalal Doshi Marg Fort, Mumbai 400 001 Tel: + 91 22 2267 7901 Fax: + 91 22 2266 5613	[•]	[•]
ICICI Securities Limited ICICI Centre, H.T. Parekh Marg Churchgate Mumbai 400 020 Tel: + 91 22 2288 2460 Fax: + 91 22 2282 6580	[•]	[•]
ICICI Brokerage Services Limited ICICI Centre, H.T. Parekh Marg Churchgate Mumbai 400 020 Tel: + 91 22 2288 2460 Fax: + 91 22 2282 6580 Email: Anil_Mokashi@isecltd.com Website: N.A.	[•]	[•]

The above is indicative underwriting and this would be finalised after the pricing and actual allocation.

The above Underwriting Agreements are dated [•], 2006.

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 our Company.

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

CAPITAL STRUCTURE

(Rs., except share data)

			Aggregate value at nominal price	Aggregate Value at Issue Price
A.	**Authorised Capital**			
	125,000,000	Equity Shares of face value of Rs. 10 each	1,250,000,000	
B.	**Issued, Subscribed and Paid-up Capital**			
	73,636,007	Equity Shares of Rs. 10 each fully paid-up before the Issue	736,360,070	
C.	**Present issue in terms of this Red Herring Prospectus**			
	24,546,000	Equity Shares of Rs. 10 each*	245,460,000	[•]
D.	**Equity Capital after the Issue**			
	98,182,007	Equity Shares of face value of Rs. 10 each	981,820,070	
E.	**Securities Premium Account**			
	Before the Issue		1,387,134,830	
	After the Issue		[•]	

* *The present Issue has been authorised by the Board of Directors in their meeting on October 10, 2005, and by the shareholders of our Company at the EGM held on November 04, 2005.*

- The initial authorised capital of Rs. 5,000,000 comprising of 50,000 Equity Shares of Rs. 100 each was increased to Rs. 25,000,000 comprising of 250,000 Equity Shares of Rs. 100 each pursuant to a resolution of the shareholders at the AGM held on September 06, 2000.
- The authorised capital of Rs. 25,000,000 comprising of 250,000 Equity Shares of Rs. 100 each was increased to Rs. 100,000,000 comprising of 1,000,000 Equity Shares of Rs. 100 each pursuant to a resolution of the shareholders at the EGM held on July 17, 2002.
- The authorised capital of Rs. 100,000,000 comprising of 1,000,000 Equity Shares of Rs. 100 each was increased to Rs. 150,000,000 comprising of 1,500,000 Equity Shares of Rs. 100 each pursuant to a resolution of the shareholders at the EGM held on January 28, 2004.
- The authorised capital of Rs. 150,000,000 comprising of 1,500,000 Equity Shares of Rs. 100 each was increased to Rs. 320,000,000 comprising of 3,200,000 Equity Shares of Rs. 100 each pursuant to a resolution of the shareholders at the EGM held on March 01, 2004.
- The authorised capital of Rs. 320,000,000 comprising of 3,200,000 Equity Shares of Rs. 100 each was increased to Rs. 600,000,000 comprising of 6,000,000 Equity Shares of Rs. 100 each pursuant to a resolution of the shareholders at the EGM held on January 31, 2005.
- The Equity Shares with a face value of Rs. 100 each were sub-divided into Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at the EGM held on November 04, 2005. Consequently, the authorised capital was revised from Rs. 600,000,000 comprising of 6,000,000 Equity Shares of Rs. 100 each to Rs. 600,000,000 comprising of 60,000,000 Equity Shares of Rs. 10 each
- The authorised capital of Rs. 600,000,000 comprising of 60,000,000 Equity Shares of Rs. 10 each was increased to Rs. 1,250,000,000 comprising of 125,000,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at the EGM held on November 04, 2005.
- The amount of issued, subscribed and paid-up capital before the Issue is different from Equity Share Capital as on November

30, 2005 mentioned in our unconsolidated financial statements, as restated, under Indian GAAP as reported upon by the Auditors in their report dated April 25, 2006 because of issuance of 27,379,337 Equity Shares of Rs. 10 each on December 21, 2005 pursuant to conversion of fully convertible debentures.

NOTES TO CAPITAL STRUCTURE:

1. Share capital history of our Company:

Date of allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consi-deration	Reasons for Allotment	Cumulative No. of Equity Shares	Cumulative Paid-up share capital (Rs.)	Cumulative Share Premium (Rs.)
June 07, 1995	500	100	100	Cash	Subscription to the Memorandum	500	50,000	-
March 20, 1998	29,500	100	100	Cash	Further allotment	30,000	3,000,000	-
September 11, 2000	170,000	100	-	-	Bonus issue in the ratio of 17:3	200,000	20,000,000	-
September 03, 2002	800,000	100	100	Cash*	Rights issue in the ratio of 4:1	1,000,000	20,800,000	-
January 28, 2004	298,700	100	693	Cash	Further allotment @	1,298,700	50,670,000	177,130,000
March 01, 2004	1,038,960	100	-	-	Bonus issue in the ratio of 4:5	2,337,660	154,566,000	79,200,100
March 09, 2004	701,298	100	100	Cash**	Rights issue in the ratio of 3:10	3,038,958	155,267,298	79,200,100
March 29, 2005	67,230	100	1300	Cash	Preferential allotment #	3,106,188	161,990,298	159,876,100
November 4, 2005	Equity Shares with a face value of Rs. 100 each were sub-divided into Equity Shares with a face value Rs. 10 each					31,061,880	161,990,298	159,876,100
November 17, 2005	1,501,298 Equity Shares with a face value of Rs. 100 each (earlier paid up to Re. 1 per share) were each fully paid up					31,061,880	310,618,800	159,876,100
November 17, 2005	15,194,790	10	-	-	Bonus issue in the ratio of 1:2 to certain shareholders ✘	46,256,670	462,566,700	7,928,200
December 21, 2005	27,379,337	10	60.37	-	Conversion of fully convertible debentures ^	73,636,007	736,360,070	1,387,134,830

* *All 800,000 Equity Shares issued were partly paid-up. These Equity Shares were made fully paid-up prior to the date of filing of this Red Herring Prospectus.*

** *All 701,298 Equity Shares issued were partly paid-up. These Equity Shares were made fully paid-up prior to the date of filing of this Red Herring Prospectus.*

@ *Preferential allotment to Golden Ventures Limited, Lachman Dass Ladhani, Monica Ladhani, Rajesh Ladhani, Shalini Ladhani and Prakash Ladhani.*

Preferential allotment to Western India Trustee and Executor Company Limited (trustee of India Advantage Fund –I), Subria CIPEF Limited and Subria CGPE Limited.

^ *Conversion of fully convertible debentures issued to Western India Trustee and Executor Company Limited, (trustee of India Advantage Fund –I), Subria CIPEF Limited and Subria CGPE Limited.*

✘ *Bonus issue to all shareholders other than Western India Trustee and Executor Company Limited (trustee of India Advantage Fund –I), Subria CIPEF Limited and Subria CGPE Limited.*

2. Promoters contribution and lock-in:

Name of Promoter	Date on which Equity Shares were acquired/ transferred	Date on which Equity Shares were fully paid up	Nature of payment of consid-eration	Par value (Rs.)	Number of Equity Shares	Acquisition price per Equity Share (Rs.)	% of post Issue paid-up capital
Capt. G.R. Gopinath*	September 3, 2002	November 03, 2005	Rights	100	135,192	100 †	
	March 1, 2004	-	Bonus	100	208,000	-	
	March 9, 2004	November 3, 2005	Rights	100	140,400	100 †	
	February 11, 2005	-	Cash	100	121,600#	100	
	Sub Total				**605,192**		
	November 04, 2005	Equity Shares with a face value of Rs. 100 each were sub-divided into Equity Shares with a face value Rs. 10 each					
	Total number of Equity Shares after sub-division			10	**6,051,920**		
	November 17, 2005	-	Bonus	10	3,650,000	-	
	Sub Total				**9,701,920**		9.88
Capt. K.J. Samuel*	September 3, 2002	October 31, 2005	Rights	100	154,838	100 †	
	March 1, 2004	-	Bonus	100	200,000	-	
	March 9, 2004	October 31, 2005	Rights	100	106,600	100 †	
	Sub Total				**461,438**		
	November 04, 2005	Equity Shares with a face value of Rs. 100 each were sub-divided into Equity Shares with a face value Rs. 10 each					
	Total number of Equity Shares after sub-division			10	**4,614,380**		
	November 17, 2005	-	Bonus	10	2,783,000	-	
	Sub Total				**7,397,380**		7.54
Vishnu Singh Rawal	September 3, 2002	October 31, 2005	Rights	100	57,362	100 †	
	March 1, 2004	-	Bonus	100	72,000	-	
	March 9, 2004	October 31, 2005	Rights	100	28,900	100 †	
	Sub Total				**158,262**		
	November 04, 2005	Equity Shares with a face value of Rs. 100 each were sub-divided into Equity Shares with a face value Rs. 10 each					
	Total number of Equity Shares after sub-division			**10**	**1,582,620**		
	November 17, 2005	-	Bonus	10	954,500	-	
	Sub Total				**2,537,120**		2.58
	Total				**19,636,420**		**20.00**

\# *Acquired from Prakash Ladhani.*

† *Partly paid shares. All partly paid shares have been paid up in full as of the date of filing of this Red Herring Prospectus.*

* *As collateral security under the loan agreement between our Company and the State Bank of India dated April 12, 2006, Capt. G.R. Gopinath has pledged 340,450 Equity Shares and Capt. K.J. Samuel has pledged 259,550 Equity Shares with the State Bank of India, pending repayment of the loan.*

In accordance with SEBI Guidelines, 19,636,420 Equity Shares held by the Promoters representing 20% of the post-Issue paid-up share capital of our Company, being the minimum promoters' contribution, will be locked-in for a period of 3 years from the date of allotment of equity shares in this Issue. The entire balance pre-Issue share capital shall be locked in for a period of one year from the date of allotment of Equity Shares in this Issue. However, as per the provisions of the SEBI (Foreign Venture Capital Investor) Regulations, 2000 and the SEBI (Venture Capital Funds) Regulations, 1996 and amendments thereto, share capital held by an FVCI and a venture capital fund registered with the SEBI is not subject to any lock-in requirements and is freely transferable.

The locked in Equity Shares held by the Promoters, as specified above, can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided pledge is one of the terms of sanctions of loan.

In terms of Clause 4.16.1 (a) of the SEBI Guidelines, the pre-Issue Equity Shares held by persons other than Promoters, may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In terms of Clause 4.16.1(b) of the SEBI Guidelines, the pre-Issue Equity Shares held by the Promoter may be transferred to and amongst the Promoter Group or to new promoters or persons in control of our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

3. (a) Our top ten shareholders and the number of Equity Shares of Rs. 10 each held by them as on the date of filing this Red Herring Prospectus with RoC is as follows:

S. No.	Name of Shareholders	No. of Equity Shares	% of issued capital as on the date of filing of the RHP with RoC
1.	The Western India Trustee and Executor Company Limited (India Advantage Fund-I)	14,025,818	19.05%
2.	Subria CIPEF Limited	13,574,356	18.43%
3.	Capt G R Gopinath	10,950,000	14.87%
4.	Capt K J Samuel	8,349,000	11.34%
5.	Brindavan Beverages Ltd.	7,981,148	10.84%
6.	Eureka Venture Fund	5,400,000	7.33%
7.	Golden Ventures Limited	3,716,880	5.05%
8.	Vishnu Raval	2,863,500	3.89%
9.	Lachman Dass Ladhani	1,063,530	1.44%
10.	Bennett Coleman & Co. Ltd.	1,046,512	1.42%

(b) Our top ten shareholders and the number of Equity Shares of Rs. 10 each held by them as on ten days prior to filing of the Red Herring Prospectus with the RoC, is as follows:

S. No.	Name of Shareholders	No. of Equity Shares	% of issued capital as on ten days prior to filing of the RHP with RoC
1.	The Western India Trustee and Executor Company Limited (India Advantage Fund-I)	14,025,818	19.05%
2.	Subria CIPEF Limited	13,574,187	18.43%
3.	Capt G R Gopinath	10,950,000	14.87%
4.	Brindavan Beverages Ltd.	9,027,660	12.26%
5.	Capt K J Samuel	8,349,000	11.34%
6.	Eureka Venture Fund	5,400,000	7.33%
7.	Golden Ventures Limited	3,716,880	5.05%
8.	Vishnu Raval	2,863,500	3.89%
9.	Lachman Dass Ladhani	1,063,530	1.44%
10.	Prakash Ladhani	912,000	1.24%

(c) Our top ten shareholders and the number of equity shares held by them two years prior to date of filing of this Red Herring Prospectus with the RoC, is as follows:

S. No.	Name of Shareholders	No. of Equity Shares (Rs. 100 each	% of issued capital as on two yearsn prior to filing the RHP with RoC
1.	Capt G R Gopinath	608,400	20.02%
2.	Capt K J Samuel	585,000	19.25%
3.	Brindavan Beverages Private Limited	584,123	19.22%
4.	Kenichi Miyagawa	351,000	11.55%
5.	Vishnu Raval	210,600	6.93%
6.	Golden Ventures Limited	607,792	20.00%
7.	Lachman Dass Ladhani	70,902	2.33%
8.	Monica Ladhani	5,066	0.17%
9.	Rajesh Ladhani	10,132	0.33%
10	Shalini Ladhani	5,066	0.17%

4. Shareholding pattern of our Company before and after the Issue:

The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue.✘

	Equity Shares owned before the Issue		Equity Shares owned after the Issue #	
Shareholder Category	**No. of shares**	**%**	**No. of shares**	**%**
Promoter				
Capt. G.R. Gopinath*	10,950,000	14.87	10,950,000	11.15
Capt. K.J. Samuel*	8,349,000	11.34	8,349,000	8.50
Vishnu Singh Rawal*	2,863,500	3.89	2,863,500	2.92
Sub Total (A)	**22,162,500**	**30.01**	**22,162,500**	**22.57**
Other existing shareholders				
Subria CIPEF Limited	13,574,187	18.43	13,574,187	13.83
Subria CGPE Limited	451,632	0.61	451,632	0.46
The Western India Trustee and Executor Company Ltd (India Advantage Fund-I)	14,025,818	19.05	14,025,818	14.29
Eureka Venture Fund	5,400,000	7.33	5,400,000	5.50
Golden Ventures Limited	3,716,880	5.05	3,716,880	3.79
Brindavan Beverages Pvt. Limited	7,981,148	10.84	7,981,148	8.13
Bennett Coleman & Co. Ltd.	1,046,512	1.42	1,046,512	1.07
Lachman Dass Ladhani	1,063,530	1.44	1,063,530	1.08
Prakash Ladhani	912,000	1.24	912,000	0.93
Sumant Kapur	912,000	1.24	912,000	0.93
Kenichi Miyagawa	705,000	0.96	705,000	0.72
Sudhir Choudhrie	456,000	0.62	456,000	0.46
Kaushalya Devi Ladhani	455,850	0.62	455,850	0.46
Naresh Ladhani	455,835	0.62	455,835	0.46
Rajesh Ladhani	151,980	0.21	151,980	0.15
Monica Ladhani	75,990	0.10	75,990	0.08
Shalini Ladhani	75,990	0.10	75,990	0.08
S.N. Ladhani	13,155	0.02	13,155	0.01
Sub Total (B)	**51,473,507**	**69.90**	**51,473,507**	**52.43**
Public (C)			24,546,000	25.00
Total Share Capital (A+B+C)	**73,636,007**	**100.00**	**98,182,007**	**100.00**

✘ *The above shareholding pattern does not take into account the transfer of Equity Shares to the Promoters and other shareholders pursuant to the escrow agreement with the investors. For details see "History and Corporate Structure – Escrow Agreement" on page 90.*

* *Promoter Directors.*

\# *Assuming the existing Shareholders do not participate in the Issue.*

5. The following Directors hold equity shares in our Company:

Director	No. of Equity Shares
Capt. G.R. Gopinath	10,950,000
Capt. K.J. Samuel	8,349,000
Vishnu Singh Rawal	2,863,500
Sumant Kapur	912,000
Sudhir Choudhrie	456,000
S.N. Ladhani	13,155

6. Our Company, our Directors and the BRLMs have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of our Company from any person, other than as disclosed in this Red Herring Prospectus.

7. Our Promoters have not been issued equity shares for consideration other than cash.

8. Employee Stock Option Plan

We have instituted a stock option plan, called ESOP 2005 to attract, retain and reward employees and directors performing services for our Company and to motivate such employees and directors to contribute to the growth and profitability of our Company.

As of the date of filing this Red Herring Prospectus, we have granted the following options under ESOP 2005 (we have discontinued the ESOP 2005 for further issuance of options and have recently adopted ESOP 2006, effective January 1, 2006, under which no options have currently been granted):

Options Granted	3,621,900	
Options Outstanding	3,338,100	
Exercise price	Rs. 65	
Options vested	0	
Options exercised	0	
The total number of Equity Shares arising as a result of exercise of options	0	
Options lapsed	283,800	
Variation of terms of options	Nil	
Money realised by exercise of options	0	
Total number of options in force	3,338,100	
Details of individual grants:		
(i) Directors and key managerial employees	Warwick Brady	798,000
	John Kuruvilla	182,000
	M G Mohan Kumar	496,000
	Devesh Desai	50,000
	Arvind Saxena	45,000
	Jayanth Poovaiah	154,000
	PK Gupta	23,000
	R Krishnaswamy	14,000
	Rajiv Kothiyal	50,000

	Navodit Mehra 23,000 Preetham Phillip 136,000 Brian Bradbury 25,000 Balakrishna Shabaraya K 10,000
(ii) Any other employee who received a grant in any one year of options amounting to 5% or more of option granted during that year	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 our Company at the time of grant	Nil
Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of options (for the restated financial statement of our Company)	**Nil, as no options have been exercised**
Vesting schedule	Options granted under ESOP 2005 are to vest upto five years from the date of grant thereof. Vesting is subject to continued employment with our Company. The Board may specify that the options would vest subject to the lapse of time, or the meeting of certain performance parameters, or a combination of both. The specific vesting schedule and conditions subject to which vesting would take place would be outlined in the document given to the option grantee at the time of grant.
Lock-in of Equity Shares	Options to be exercised within five years of vesting. No lock in specified for any Equity Shares issued pursuant to the exercise of the options.

Further, in terms of Clause 15.3 of the SEBI (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999, the following disclosures are made regarding the ESOP:

(a) we have followed the accounting policies specified in Clause 13 of the SEBI (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999 in respect of options granted. The options were granted during the eight months ended November 30, 2005 and this resulted in a charge of Rs. 12.98 million to our profit and loss account for the same period. The effect of options on weighted average number of Equity Shares for diluted EPS was not considered during that period since the same was anti-dilutive;

(b) none of the options granted under the ESOP have vested;

(c) no directors, senior managerial personnel or employees have been granted options in excess of 1% of our post-Issue paid up capital; and

(d) except as disclosed in the table above, we have not undertaken or granted any options under the ESOP.

9. The Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs including Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. Under-subscription, if any, in the Non-Institutional category and the Retail Individual category would be met with the spill over from any other category at the sole discretion of our Company in consultation with the BRLMs.

10. Except as set out below, none of our Promoters, members of our Promoter Group or our Directors have purchased or sold any Equity Shares, during a period of six months preceding the date on which this Red Herring Prospectus is filed with ROC:

S. No.	Transferor	Transferee	Date of transfer	Number of Equity Shares	Transfer price per Equity Share* (Rs.)
1.	Capt. K.J. Samuel	Brindavan Beverages Private Limited	November 17, 2005	284,000+	271.13
2.	Vishnu Singh Rawal	Brindavan Beverages Private Limited	November 17, 2005	197,000^	271.06
3.	Capt. G.R. Gopinath	Brindavan Beverages Private Limited	August 05, 2005	30,400@*	1703.35
4.	Capt. G.R. Gopinath	Sumant Kapur	August 05, 2005	30,400@*	1703.35

* *Face value of Rs. 100 per Equity Share.*

@ *12,400 fully paid Equity Shares and 18,000 partly paid Equity Shares.*

+ *121,500 fully paid Equity Shares and 162,500 partly paid Equity Shares.*

^ *84,000 fully paid Equity Shares and 113,000 partly paid Equity Shares.*

11. There are no partly paid-up Shares, outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares except options issued under the ESOP.

12. We presently do not intend or propose to alter our capital structure for six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise. However, during such period or at a later date, we may issue Equity Shares pursuant to the ESOP or issue Equity Shares or securities linked to Equity Shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in the interest of our Company.

13. There are restrictive covenants in the agreements that our Company has entered into with certain banks and financial institutions for short-term loans and long term borrowings. Some of these restrictive covenants require the prior consent of the said banks/financial institutions and include, for example, restrictions pertaining to the declaration of dividends, alteration of the capital structure, disposition of assets, entrance into any merger/amalgamation, expenditure in new projects, change in key personnel, change in the constitutional documents and the right to appoint a nominee director on the Board of Directors of our Company upon an event of default. Our Company has in accordance with such agreements obtained consent from the following banks:

Name of bank	Date on which consent obtained	Consent letter reference
Development Credit Bank	November 25, 2005	NIL
Bank of India	November 16, 2005	BGL:ADV:2005-2006:GAA:424
State Bank of India	October 19, 2005	RM/I/NO/1013
United Bank of India	December 01, 2005	BGL/DAL/2005
Indusind Bank Limited	January 10, 2006	NIL
Punjab National Bank	February 28, 2006	NIL

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

15. We have not availed of a bridge loan against the proceeds of the Issue.

16. Except as disclosed herein, there will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Draft Red Herring Prospectus with SEBI until the Equity Shares issued have been listed.
17. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash except for bonus shares out of free reserves.
18. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
19. As on the date of filing this Red Herring Prospectus, the total number of holders of Equity Shares is 20.

OBJECTS OF THE ISSUE

The objects of the Issue are the following:

- Setting up a training centre;
- Setting up a hangar facility for basic and medium-level maintenance checks at Chennai;
- Setting up infrastructure at airports;
- Market development initiatives;
- Debt repayment;
- General corporate purposes; and
- To achieve the benefits of listing.

We intend to utilize the proceeds of the Issue, after deducting underwriting and management fees, selling commissions and other expenses associated with the Issue ("Net Proceeds"), for financing our existing businesses.

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

Funds requirement

The funds requirements for each of the objects mentioned above are given in the following table:

Sr. No.	Description	Estimated Funds Requirement (Rs. million)
1.	Setting up a training centre	656.69
2.	Setting up a hangar facility for basic and medium-level maintenance checks at Chennai	400.20
3.	Setting up infrastructure at airports	170.83
4.	Market development initiatives	452.20
5.	Debt repayment	1327.50
6.	General corporate purposes	[•]
7.	Issue expenses	[•]
	Total	[•]

The fund requirement and deployment are based on internal management estimates and have not been appraised by any bank or financial institution. The management in response to the competitive and dynamic nature of the industry will have the discretion to revise its business plan from time to time and consequently the fund requirement may also change. This may also include rescheduling the proposed expenditure program and increasing or decreasing expenditure for a particular purpose vis-à-vis the proposed expenditure program. The balance amount of the Issue proceeds available after meeting the fund requirements for items (1) to (5) above and the Issue expenses will be deployed for general corporate purposes.

All proposed expenditure is based on internal management estimates unless otherwise specifically stated as based on quotations received. Some of the quotations and estimates received are in currencies other than in Indian Rupees. Any fluctuations in the foreign exchange rate may have an impact on the proposed utilization of the Net Proceeds.

Details of our Objects

Setting up a training centre

We propose to develop a residential training centre at Bangalore. It is proposed that this training centre will have facilities, including aircraft simulators (ATR and Airbus), to train pilots for our expanding fleet, facilities for training engineers, flight dispatchers, cabin crews and security person. The facilities will include a hostel and a recreation and health club for the aforesaid personnel, who will be required to reside for about six to eight weeks while undergoing training. The training centre is proposed to be completed by December 2007. We estimate to incur approximately Rs. 656.69 million towards the setting up of our training centre. The break-up of the expenditure is as set forth below:

S. No.	Item	Funds Requirement	Deployment – January 2006- December 2006	Deployment – January 2007- December 2007
1.	Land acquisition	50.00	50.00	0.00
2.	Land development and security systems	30.00	30.00	0.00
3.	Housing for ATR and Airbus simulators	34.00	34.00	0.00
4.	Electrical equipment	13.40	13.40	0.00
5.	Training centre infrastructure			
	• Water supply, sanitary, effluent treatment and disposal	18.90	18.90	0.00
	• Sports club and recreation	24.11	0.00	24.11
	• Health club	9.09	0.00	9.09
	• Cafeteria and restaurant including equipment, furniture, interiors, etc.	5.32	3.95	1.37
	• Library block including reference books, computer systems, etc.	47.13	0.00	47.13
	• Hostel facilities	73.11	18.50	54.61
	• Housing for key personnel and all other essential staff and employees	80.72	20.72	60.00
6.	Margin towards of cost of 2 simulators – one for ATR and one for Airbus	270.91	0.00	270.91
	Total	**656.69**	**189.47**	**467.22**

Land Acquisition: For the purpose of the training centre we require approximately 15 to 20 acres of land. We have made an application to the Principal Secretary of the Government of Karnataka, Infrastructure Development Department, for allotment of 25 acres of land near the proposed international airport at Devanahalli, Bangalore by a letter dated December 15, 2005. We are yet to receive the final approval. We estimate that on the basis of prevailing market conditions the acquisition of land will cost Rs. 50 million. We are also in the process of identifying other land, in the event that we are not allotted land by the Government of Karnataka.

Land Development and security systems: We propose to develop the land that we acquire for our training centre, by levelling, fencing, lighting, and installation of drainage and water supply systems, landscaping, providing security systems. We estimate to incur approximately Rs. 30 million towards the aforesaid land activities. The aforesaid is based on quotations provided by Arcadia and Sou Me Sou Enterprises.

Housing for ATR and Airbus simulators: Initially it is proposed to operationalise the training centre with two full flight simulators, one for ATR 72 and one for Airbus 320. These simulators are required to be housed in a special pre-fabricated sheet metal structure, which is to be constructed and installed as per the requisite specifications and dimensions for ATR 72 and Airbus 320 simulators. The exact specifications and dimensions will only be known to us prior to the delivery of the ATR 72 and Airbus 320 simulators. We estimate to incur approximately Rs. 34.00 million towards the purchase and installation of the housing for the simulators. The estimates for the housing of ATR and Airbus simulators are based on internal estimates. We intend to seek the assistance of Airbus and ATR in identifying the specifications for housing structure and other utility requirements.

Electrical equipment: To operationalize the training centre, we require electrical equipment such as electrical power, back-up DG sets, UPS systems, transformers, etc. We estimate to incur approximately Rs. 13.40 million towards purchase of electrical equipment. The estimates are based on quotations from Su Me Sou Enterprises dated January 1, 2006.

Training centre infrastructure: For operationalizing of the training centre we will be required to install electrical power, back-up DG sets, UPS systems, transformers, water supply systems and sanitary, effluent treatment and disposal plants; build sports club, recreation facilities and health club facilities; build a cafeteria and a restaurant including equipment, furniture, interiors, etc.; construct a library block including reference books, computer systems and set up hostel facilities and housing for key personnel and all other essential staff and employees. We estimate to incur approximately Rs. 258.38 million towards the construction, installation and operationalizing of other infrastructure. The estimates are based on estimates dated December 12, 2005 from Arcadia (Landscape Architecture and Design).

Margin towards the cost of two simulators: Initially it is proposed to operationalise the training centre with two full flight simulators, one for ATR 72 and one for Airbus 320. In this regard we have executed a letter of intent with CAE Inc. dated November 18, 2005. The estimated cost of acquiring these full flight simulators is USD 24.08 million. It is proposed that the purchase of the full flight simulators will be funded by availing of a loan from a financial institution or a bank. We propose to fund Rs. 270.91 million of this amount from the Net Proceeds of the Issue towards margin for availing of the loan. The simulators are expected to be delivered in December 2007, upon installation of the necessary infrastructure.

We intend to seek the support of ATR and Airbus in appointing the necessary faculty as well as designing the training course. However, we are yet to sign any formal agreement with either Airbus or ATR.

Setting up a hangar facility for basic and medium-level maintenance checks at Chennai

By the end of fiscal 2007, on the basis of orders we have placed, we expect to have a fleet of 18 A320 and 27 ATR aircraft. At least ten days per aircraft per year are required for scheduled and non-scheduled checks and maintenance. Currently, the ATR checks and maintenance are carried out at a leased hangar in Hosur, and major checks and maintenance on our Airbus are carried out at overseas facilities. Therefore, we intend to construct our own hangar space, which is intended to result in a reduction of maintenance expenses and to help ensure timely availability of hangar space. The hangar is proposed to be completed by December 2007. We estimate to incur approximately Rs. 375.20 million towards the setting up of our hangar. The break-up of the expenditure is as set forth below:

(In Rs Million)

S. No.	Item	Funds Requirement	Deployment – January 2006-December 2006	Deployment – January 2007-December 2007
1.	Deposit for land allotment	2.50	2.50	0.00
2.	Land development including fencing, levelling	2.70	2.70	0.00
3	■ Construction of hangar space for two aircraft	40.00	40.00	0.00
	■ Construction of cabins, stores, mezzanine floor, utilities section, paint booth, machine shop., etc.	20.00	20.00	0.00
4.	Material handling equipment	15.00	15.00	0.00
5.	Electrical equipment	32.50	32.50	0.00
6.	Hangar facilities			
	■ Water storage and supply	2.50	2.50	0.00
	■ Toilet block, sanitary, rest rooms	2.50	2.50	0.00

(In Rs Million)

S. No.	Item	Funds Requirement	Deployment – January 2006-December 2006	Deployment – January 2007-December 2007
	■ Special flooring and connecting taxi track	12.50	12.50	0.00
7.	Specially designed platform both fixed and movable, staging and ladders	25.00	25.00	0.00
8.	Machine shop tools	15.00	15.00	0.00
9.	Special aircraft tools, special purpose machines and other equipment	225.00	200.00	25.00
10.	Miscellaneous items	5.00	4.50	0.50
	Total	**400.20**	**374.70**	**25.50**

Land allotment:

We have been allotted land measuring 6120 sq mt by the AAI, International Airports Division at Chennai Airport for a period of ten years beginning January 31, 2006. The said land has been granted to us for the purposes of construction of a hangar and the construction is required to be made after the plans for the said construction are approved by the AAI. We are permitted to use the hangar only for the parking and maintenance of our aircraft.

We are required to make a payment of an annual license fee in addition to electricity and water charges for the said land. In addition to the above recurrent payments, we are also required to provide an advance license fee payment and a security deposit. We are also required to execute a formal agreement for the alloted land pursuant to the terms under which it has been granted to us.

We intend to build a hangar facility to house one Airbus A320 and one ATR aircraft. We estimate that on the basis of prevailing market conditions the acquisition of land will cost Rs. 2.50 million.

Land development including fencing, levelling : We propose to develop the land that we acquire for our hangar, by levelling, fencing, lighting, and installation of drainage and water supply systems, landscaping, providing security systems. We estimate to incur approximately Rs. 2.70 million towards the aforesaid activities. The aforesaid is based on estimates dated December 12, 2005 from Arcadia and Sou Me Sou Enterprises.

Construction of hangar space for two aircraft and construction of cabins, stores, mezzanine floor, utilities section, paint booth, and machine shop : As per initial cost estimates provided by Pithavadian and Partners, architects, dated December 26, 2005, the total fund requirement for construction of the hangar facility is estimated to be approximately Rs. 60.00 million.

Material handling equipment: In order to operationalise our hangar and effectively perform checks and maintenance on our aircraft, we will require material handling equipment such as gantry beam, chain and pulley block, hoist, elevators and railings. We estimate to incur approximately Rs. 15.00 million. The aforesaid estimates are based on the quotations dated January 01, 2006 received from Design Technologies.

Electrical equipment: Electrical equipment such as compressors and pneumatic lines, electrical transformers, back-up DG sets, control panels, lighting, etc. will also be required to operationalize our hangar. We estimate to incur approximately Rs. 32.50 million towards purchase of electrical equipment. The above is based on quotations from Su Me Sou Enterprises dated January 01, 2006.

Hangar facilities: We intend to install necessary facilities such as water storage and supply facilities, toilet block, sanitary and rest rooms, pave special flooring and taxi track connecting the hangar to the runway; to operationalize our hangar. We estimate to incur approximately Rs. 17.50 million towards the construction, installation and operationalizing of the hangar facilities. The above is based on estimates dated December 12, 2005 from Arcadia (Landscape Architecture and Design).

Specially designed platform both fixed and movable, staging and ladders: We intend to specially design and fabricate fixed and moveable platforms, stagings and ladders that will enable easy access to various parts of aircraft in the hangar. We estimate to incur approximately Rs. 25.00 million towards the design and fabrication of the fixed and moveable platforms, stagings and ladders. The above is based on internal estimates.

Machine shop tools: We intend to order machine shop equipment including tools such as lathe, drilling machine, tresses, grinding machine, shearing machine, etc. for aircraft maintenance to be undertaken in the hangar. We estimate to incur approximately Rs. 15.00 million towards purchase of this equipment. The above is based on internal estimates.

Special aircraft tools, special purpose machines and other equipment: We also require special aircraft tools and special purpose machines which are required to effectively carry out checks and maintenance on our aircraft. Expenses toward special aircraft tools, and other equipment aggregating approximately USD 5.00 million is proposed to be paid in USD, aggregating to approximately Rs. 225.00 million, based on current exchange rates, towards purchase of this equipment. The above is based on internal estimates and prevailing international prices for such tools.

Miscellaneous items: We have, based on internal estimates, budgeted approximately Rs. 5.00 million for miscellaneous expenditure.

All orders for equipment are based on estimates and quotations, other than where specifically stated, in which case the same are based on internal estimates. In all these cases the orders for equipment will be placed only upon possession of the land and progressively on the basis of construction. Machine shop tools, special aircraft tools and compressors could be ordered nearer to completion.

Setting up infrastructure at airports

To strengthen our existing airport infrastructure, we intend to purchase the following ground support equipment. Based on previous purchases and their respective invoices, we have made and prevailing market prices, the total funds requirement for strengthening airport infrastructure is estimated to be approximately Rs. 170.83 million, which includes taxes, freight charges and other levies to be paid. The break-up of the proposed expenditure is as follows:

(In Rs. Million)

Item	No.	Amount	Deployment – January 2006-December 2006	Deployment – January 2007-December 2007
Push back tractors	18 units	90.00	50.00	40.00
90 KVA ground power unit	14 units	42.00	18.00	24.00
28.5 V DC ground power unit	14 units	20.83	8.94	11.89
Step ladders	30 units	9.00	5.00	4.00
Baggage conveyor	30 units	9.00	5.00	4.00
Total		**170.83**	**86.94**	**83.89**

In addition we also propose to strengthen and enhance our existing infrastructure at six base airports of Delhi, Mumbai, Kolkata, Chennai, Bangalore and Hyderabad. The infrastructure will be focused on operations office, engineering and stores, petroleum oil and lubricant stores, engine stores and training centre. All of these offices and stores will require interior works and installation of electrical and communication equipment, including specialized equipment such as in petroleum oil and lubricant stores. We estimate to incur approximately Rs. 720.00 million towards installation of these offices and stores. The above is based on estimates dated December 07, 2005 from Arcadia (Landscape Architecture and Design).

Market development initiatives

Our growth strategy contemplates an extensive market development and promotional activities. As a part of our market development programme, we propose to set up 50 ticketing offices in major Indian cities by December 2006. We intend to set up about 50 ticketing offices at a budgeted cost of Rs. 1.5 million per office, totalling Rs. 75 million.

We have earmarked an amount of Rs. 377.20 million as the advertisement budget for the next three years for brand building, marketing and developing new routes.

Debt repayment

We intend use Rs. 1327.50 million out of the proceeds of this Issue for retiring debt to reduce our aircraft financing costs. Details of the debt to be repaid are provided below

(In Rs. millions)

Bank	Amount to be repaid
United Bank of India (Aircraft Pre delivery Payment Loan)	392.00
United Bank of India (Helicopter Loan)	58.50
IndusInd Bank Limited (Short term Loan)	100.00
Development Credit Bank Limited (Call Centre Corp Office Fixed Assets)	40.00
Bank of India (Working Capital Term Loan)	17.70
Bank of India (Term Loan -2)	46.40
Bank of India (Helicopter Loan)	20.00
State Bank of India (Corporate Loan)	52.90
State Bank of India* (Aircraft pre-delivery payment loan of Rs. 750 million)	600.00
Total	**1327.50**

* *Amount yet to be drawn for aircraft pre-delivery payments.*

The salient details of the loan agreements entered into with the above mentioned banks are as follows:

Bank	Date of Loan Agreement	Amount of Loan (Rs.)	Terms of Repayment	Security
United Bank of India	October 22, 2003	100,000,000	59 instalments of Rs. 16,67, 000 each with first instalment commencing on or before March 31, 2004 and one final instalm ent of Rs. 16, 47, 000	4 Helicopters
United Bank of India	16.12.2005	392,000,000	Lumpsum repayment on Delivery of aircraft but before October 2006	Assignment of Purchase rights relating to aircraft purchase.
Indus Ind Bank Ltd	December 22, 2005	100,000,000	Lumpsum repayment after 6 months from the date of disbursement	All current assets (both present and future) including stocks, stores, spares, consumable etc.

Development Credit Bank	March 18, 2005	40,000,000	Lumpsum repayment in March 2006	All tangible moveable machinery and plant viz New Furniture, Fixtures, Computers and other Office accessories in the Corporate Office & Call Centre
Bank of India	September 22, 2003	29,700,000	19 Qtly instalments of Rs. 14.88 Lakhs and 1 Qtly instalment of 14.28 Lakhs	All plant and machinery including tools, equipment, etc. in moveable shed, stores, DG Sets, furniture & fixtures
Bank of India (Term Loan - 2)	August 18, 2004	81,900,000	30 EMI of Rs. 27.30 Lakhs from February 2005	Present and future goods, book debts and all other moveable assets
Bank of India (Helicopter Loan)	September 20, 2002	50,000,000	20 Qtly instalments of Rs. 25 Lakhs each	2 Euro copter model Helicopters
State Bank of India (Corporate Loan)	December 21, 2004	80,000,000	11 Qtly instalments of Rs. 67 Lakhs each and 1 instalment of Rs. 63 Lakhs	Present and future goods, book debts and all other moveable assets
*State Bank of India (aircraft pre- delivery payment loan)	April 12, 2006	750,000,000	11 unequal instalments from July 2007 to November 2010	Assignment of purchase agreements with Airbus SAS; pledge of the guarantee agreement favouring the Company given by Airbus through Societe General, Paris, maintenance of specified levels of DSRA; pledge of Promoters' shares to the extent of Rs. 150 million@; personal guarantee of Capt. G.R. Gopinath and Capt. K.J. Samuel

* *Rs. 600 million is yet to be drawn for aircraft pre-delivery payments.*

@ *For details of the pledge of shares, please refer to "Capital Structure" on page 20.*

General corporate purposes

We, in accordance with the policies set up by our Board, will have flexibility in applying the balance net proceeds of this Issue, for general corporate purposes including for expansion of the operations of our airline and charter businesses and strategic initiatives and acquisitions in the Indian aircraft industry. As at the date of this Red Herring Prospectus, we have not entered into any letter of intent or any other commitment for any such acquisition/investments/joint ventures or definitive commitment for any such strategic initiatives and acquisitions. The Board of Directors typically reviews various opportunities periodically.

Meeting Issue expenses

The expenses of this Issue include, among others, underwriting and management fees, printing and distribution expenses, legal fees, advertisement expenses and listing fees. The estimated Issue expenses are as follows:

*(Rs. in million)**

Activity	Expenses
Lead management fee and underwriting commissions	[•]
Advertising and Marketing expenses	[•]
Printing and stationery	[•]
Others (monitoring agency fees, registrar's fee, legal fee, etc.)	[•]
TOTAL	[•]

* *will be incorporated after finalisation of Issue Price*

Expenses already incurred on the objects of the Issue

As on the date of this Red Herring Prospectus, we have not incurred any expenditure on the Objects.

Interim use of funds

The management, in accordance with the policies established by our Board of Directors from time to time, will have flexibility in deploying the Net Proceeds of the Issue. Pending utilization for the purposes described above, we intend to invest the funds in high quality interest bearing liquid instruments, including money market mutual funds, deposits with banks, for the necessary duration or for reducing overdraft.

Monitoring of Utilisation of Issue Proceeds

We have appointed Karnataka State Financial Corporation as the monitoring agency for utilisation of the proceeds of the Issue.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by us in consultation with the BRLMs on the basis of demand from the investors and based on the following qualitative and quantitative factors.

Qualitative factors

The domestic aviation sector in India has been growing at a CAGR of 15.67% between FY 2002 and FY 2005 in terms of domestic passengers as per DGCA complied statistics. According to DGCA, Indian domestic air traffic increased by 27% for the year ended March 31, 2005 compared to the previous year. In the ten months ended January 31, 2006, the total number of passengers carried by all scheduled domestic airlines in India stood at 20.48 million, an increase of 23.7% over the corresponding period in the previous years.

According to the CMIE domestic air traffic in the year ended March 31, 2005 reached 20 million. This amounts to an average Indian making 0.02 trips per annum which is one of the lowest in the world compared to an average of 2.02 trips per person per year in the United States. This under penetration and high growth rate coupled with consumerism and increasing disposable income, driving desire to upgrade lifestyle, has lead to growth opportunities in the airlines sector especially in the no frills “low cost” segment.

Air Deccan seeks customers among those who travel by train or other ground transport, as well as those who already travel by air. It seeks to turn non-fliers into fliers, and occasional fliers into more frequent fliers. As India’s population, economy and services sector continue to develop, we believe that more potential customers:

- will be able to afford air travel,
- will seek connectivity across India, and
- will find no-frills, low-cost air travel to be a preferred alternative to rail and road travel.

Air Deccan’s competitive strengths include:

- **First mover advantage.** Air Deccan is the first no-frills, low-cost, scheduled commercial passenger airline in India. As a number of existing and new competitors seek to adopt a no-frills or low-cost approach to one or more parts of their operations, Air Deccan retains the advantage of being known the longest as a no-frills, low-cost carrier and having had the longest time to adopt and refine its low cost carrier strategies. By moving earlier, Air Deccan has also had an easier time getting desirable flight slots and building its operations in other ways.
- **Simplifly!** Air Deccan follows a strategy of simplifying its operations to help keep its costs down, its fares as affordable as possible and its services as easy for customers to evaluate, purchase and use as possible. Air Deccan seeks to embody and project this strategy to its employees and customers through the advertising slogan, “Simplifly!”. Simplification steps include such strategies as flying only point-to-point routes without seeking to facilitate onward connections, outsourcing services such as in-flight food and drink and moving to a manual, rather than computerised, flight check-in system.
- **Strong management team, with leading low-cost carrier expertise.** We believe that Air Deccan’s management team has the necessary depth and capability to expand the airline’s operations, refine its service delivery and implement its business model. The Air Deccan team is bolstered by a Chief Operating Officer who worked as Head of UK and Europe Operations at Ryanair and by others with extensive experience at Ryanair and JetBlue Airways. In addition, the relative youth of the Air Deccan organisation helps to provide new perspectives on Air Deccan’s operations.
- **Load factor and yield management through dynamic pricing.** Many airlines vary ticket prices in the run-up to a flight in order to balance load factor (the level of filled seats) against yield (revenue earned per ticket). Air Deccan seeks to maximise revenue from ticket sales by attempting to achieve the best possible ticket price by filling as many seats as possible. Air Deccan uses dynamic pricing to help optimise its load factors and yields. Optimising load factors and yields allows an airline to better approach a maximum level of revenues consistent with the preservation and increase of market share. Using dynamic pricing, Air Deccan can vary its ticket prices for a given flight over a wide range of possible prices, for many weeks prior to that flight, in order to capture more revenue while also seeking to extend its market. Air Deccan is in the process of negotiating an agreement for implementing Navitaire software, for conducting its dynamic load factor and yield management, which is used by many leading no-frills, low-cost airlines around the globe for their revenue management.

Quantitative factors

Information presented in this section is derived from our unconsolidated financial statements, as restated, under Indian GAAP and reported upon by the Auditors in their report dated April 25, 2006.

1. Earnings /(Loss) Per Share (EPS) (as adjusted for changes in capital)

	Face value per share (Rs. 10 per share)	
	Rupees	**Weights**
Year ended March 31, 2003	0.06	1
Year ended March 31, 2004	(7.08)	2
Year ended March 31, 2005	(15.12)	3
Period ended November 30, 2005 *	(61.80)	4
Weighted average	**(30.67)**	

* *Annualised*

Note:

(i) Net Profit/(Loss), as restated as appearing in the summary statements of profits and losses, has been considered for computing the above ratios.

(ii) Earnings/(Loss) per share calculations have been done in accordance with Accounting Standard 20 – "Earnings per share" issued by the Institute of Chartered Accountants of India.

(iii) The calculation of earnings/(loss) per share has been adjusted for all periods presented for bonus equity shares issued and for the share split of Rs. 100 par value to Rs. 10 par value.

2. Price/Earnings (P/E) ratio

- Based on the year ended March 31, 2005, EPS is Rs. (15.12).
- P/E based on profits after taxes, as restated, for the year ended March 31, 2005 is [•].
- Industry P/E *: 24.2

* *Source: "Capital Market" Vol. XXI/03, dated April 10 – April 23, 2006.*

3. **Return on Net Worth as per unconsolidated financial statements, as restated, under Indian GAAP which have been reported upon by the Auditors in their report dated April 25, 2006**:

Year	RONW %	Weight
Year ended March 31, 2003	1.24	1
Year ended March 31, 2004	-*	2
Year ended March 31, 2005	-*	3
Eight months ended November 30, 2005	-*	4
Weighted average	-*	-*

* *Not applicable as the return/ net worth is negative for the year/period as at the balance sheet date.*

Note:

For the purpose of calculation of the above ratios, net worth excludes Rs. 1,217.60 million and Rs. 1,653.00 million (in the form of fully convertible) outstanding as at March 31, 2005 and November 30, 2005 respectively. On December 21, 2005 the debentures outstanding as at November 30, 2005 have been converted into 27,379,337 equity shares of Rs. 10 each at a premium of Rs. 50.37 per share by the Board of Directors. As a result, the net worth increased by Rs. 1,653.00 million as on December 21, 2005. Net worth as restated is computed after reducing the unamortised amount of share/debenture issue expenses and preliminary expenses.

4. Minimum return on increased net worth required to be maintained pre-issue EPS is [•]%.
5. Net asset value per Equity Share of Rs. 10 each
   - As at March 31, 2005, Rs. (9.36) and as at November 30, 2005 Rs. (25.15)
   - After the Issue: [•]
   - Issue Price: Rs. [•]

   Note:

   (i) In computing Net Asset Value per Share, partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share.

   (ii) For the purpose of calculation of the above ratios, net worth excludes Rs. 1,217.60 million and Rs. 1,653.00 million (in the form of fully convertible debentures) outstanding as at March 31, 2005 and November 30, 2005 respectively. On December 21, 2005 the debentures outstanding as at November 30, 2005 have been converted into 27,379,337 equity shares of Rs. 10 each at a premium of Rs 50.37 per share by the Board of Directors. Net worth as restated is computed after reducing the unamortised amount of Share/Debenture issue expenses and preliminary expenses. As a result, the net worth stands increased by Rs. 1,653.00 million as on December 21, 2005. Net worth as restated is computed after reducing the unamortised amount of Share/Debenture issue expenses and preliminary expenses.

   (iii) On November 4, 2005, the shareholders approved the split of Equity Share of Rs. 100 each into 10 Equity Shares of Rs. 10 each. Accordingly, the EPS is calculated after adjusting the number of Equity Shares for the effect of the share split for all periods presented. Similarly NAV per Equity Share is reflected at a par value of Rs. 10 per Equity Share for all periods presented.

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

6. **Comparison of accounting ratios**

Rs .million

Company Name	Country	Financial year ended	Sales	EBITDAR	PAT	P/E	Adj EV	EV/ EBITDAR	Mkt. Cap/ Sales	EPS	RONW	NAV
Jet Airways India Ltd	INDIA	Mar-05	43380	14,309	3920	22.9	105788.74	7.4	2.1	45.4039	22%	202.8
SpiceJet	INDIA	Mar-05	20	na	-287	-40.1	14204	na	650.9	-1.9	-78%	-2.4
easyJet plc @	BRITAIN	Sep-05	105924	16,496	3364	36.6	154,327.47	9.4	1.2	8.42	5%	165.9
Ryanair Holdings plc #	IRELAND	Mar-05	72597	24,960	14488	21.9	321,860.44	12.9	4.4	19.01	15%	123.1
JetBlue Airways Corp *	UNITED STATES	Dec-04	55972	11,521	2099	43.1	169,321.06	14.7	1.8	13.56	6%	213.8
Gol Linhas Aereas Inteligentes ^	BRAZIL	Dec-04	38290	15,487	7512	27.9	241,602.99	15.6	6.0	42.03	38%	104.5
AirAsia BHD **	MALAYSIA	Jun-05	7856	2,602	1316	30.7	45,945.10	17.7	5.7	0.62	12%	4.8
Southwest Airlines Co	UNITED STATES	Dec-05	335308	63,489	24228	23.3	594,882.75	9.4	1.7	30.71	8%	374.0

Source: Based on financials from Bloomberg and C line

Note: Enterprise Value includes Market value of equity as of Jan 23, 2006 (Jan 22, 2006 for US companies) adj for Net Debt and Capitalised lease rental

Lease rentals for the year have been capitalised by seven to calculate the capitalised lease rental as per industry practice

All currency conversions are as on January 23, 2006

@ currency conversion considered: 1 Great Britain Pound = 78.96 Indian Rupees

 # currency conversion considered: 1 Euro = 54.31 Indian Rupees

** currency conversion considered: 1 USD Dollar = 44.21 Indian Rupees*

^ currency conversion considered: 1 Brazilian Rigget = 19.52 Indian Rupees

*** currency conversion considered: 1 Malaysian Real = 11.79 Indian Rupees*

7. The final Issue price has been determined by us in consultation with the BRLMs, on the basis of assessment of market demand for the offered securities by way of Book-building. The Issue Price is [•] times of the face value of the Equity Shares.

STATEMENT OF TAX BENEFITS

Please refer to Annexure 14 of the unconsolidated financial statements, as restated, under Indian GAAP on page 144.

SECTION IV : ABOUT OUR COMPANY

INDUSTRY OVERVIEW

The information in this section is derived from various government and other public sources. Neither we nor any other person connected with the Issue has verified this information. Prospective investors are advised not to rely on it unduly when making their investment decisions.

THE INDIAN ECONOMY

India is the world's largest democracy in terms of population, with India's Central Statistical Organisation estimating a population of 1,091 million people as at March 31, 2005. According to the World Bank, India was the tenth largest economy in the world in the year ended December 31, 2004, with a GDP in nominal terms estimated to be US$692 billion. (*Source: www.worldbank.org*)

In 1991, the GoI initiated a series of major macroeconomic and structural reforms to promote economic stability and growth. The key reforms were focused on implementing fundamental economic reforms, deregulating industry, accelerating foreign investment and pushing forward a privatisation program for disinvestment in various public sector operations. In part as a result of the reform program, India's economy has recently registered significant growth, with average real GDP (at factor cost) growth of 6.9% over the year ended March 31, 2005 and growth of 120% from the year ended March 31, 1991, as illustrated in the following table:

	As of, and for the year ended March 31,					
	1991	**1995**	**2000**	**2003**	**2004**	**2005**
Real GDP at factor cost (Rs. millions)	6,928,710	8,380,310	11,483,670	13,183,620	14,305,480	15,294,080
Real GDP (per capita, Rs.)	8,258	8,209	11,369	12,496	13,332	14,018

Source: CSO

The following table sets forth the annual percentage change in certain key economic indicators since 1991. In particular, it shows certain significant changes in recent years.

	As of, and for the year ended March 31, (annual percentage change, except for imports, exports and foreign exchange assets)					
	2000 %	**2001** %	**2002** %	**2003** %	**2004** %	**2005** %
Industrial Production	6.6	5.1	2.6	5.8	7.0	8.4
Inflation Rate based on Wholesale Price Index (average)	3.3	7.1	3.7	3.4	5.4	6.4
Imports (% of GDP)	11.1	10.9	10.8	12.1	13.0	15.5
Exports (% of GDP)	8.2	9.6	9.2	10.4	10.6	11.5
Foreign Exchange Reserves (in U.S.$ billions)	35.1	39.5	51.0	71.9	107.5	135.8

Source: CMIE; Monthly Economic Indicators, November 2005.

With this growth, and the prospect of further growth in the Indian economy, transportation and information connectivity across the country and the development of a supporting, scalable infrastructure have become increasingly important. Moreover, as the economy and business centres continue to develop in urban centres (particularly smaller urban centres), we expect India's overall population to become more urbanised, and the importance of transportation connectivity is expected to magnify.

Moreover, as the Indian economy continues its growth, its middle class is also growing, with increased disposable income. The table below indicates that over time a high proportion of the population has been moving, and is expected to continue to move, into higher income brackets.

Classification	Income class		No. of households in '000				Annual growth rate (%)		
	INR '000 p.a.	USD p.a.	1995-96	2001-02	2005-06*	2009-10*	1995-96 to 2001-02	2001-02 to 2005-06*	2005-06 to 2009-10*
Deprived	<90	<2,070	131,176	135,378	132,249	114,394	0.5	-0.6	-3.6
Aspirers	90-200	2,070-4,600	28,901	41,262	53,276	75,304	6.1	6.6	9.0
Seekers	200-500	4,600-11,500	3,881	9,034	13,813	22,268	15.1	11.2	12.7
Strivers	500-1,000	11,500-22,990	651	1,712	3,212	6,173	17.5	17.0	17.7
Near rich	1,000-2,000	22,990-45,980	189	546	1,122	2,373	19.4	19.7	20.6
Clear rich	2,000-5,000	45,980-114,940	63	201	454	1,037	21.3	22.6	22.9
Sheer rich	5,000-10,000	114,940-229,890	11	40	103	255	23.4	26.8	25.4
Super rich	>10,000	>229,890	5	20	53	141	25.8	27.9	28.1
Total			**165,877**	**188,193**	**204,282**	**221,945**	**N.A.**	**N.A.**	**N.A.**

Source: NCAER's report - "The Great Indian Middle Class" 2004-05

(1) Forecast data

In particular, the higher income groups have grown at a greater rate in urban centres than in rural areas. The following tables show the development of the Indian middle and upper classes in both urban and rural areas.

Classification	Income class		No. of households in '000				Annual	Growth
			1995-96		2001-02		1995-01	(%)
	INR '000 p.a.	USD p.a.	Urban	Rural	Urban	Rural	Urban	Rural
Deprived	<90	<2,070	29,295	101,881	24,632	110,746	-2.8	1.4
Aspirers	90-200	2,070-4,600	14,541	14,359	21,267	19,995	6.5	5.7
Seekers	200-500	4,600-11,500	2,239	1,642	5,762	3,272	17.1	12.2
Strivers	500-1,000	11,500-22,990	428	223	1,204	507	18.8	14.7
Near rich	1,000-2,000	22,990-45,980	135	53	410	136	20.3	16.8
Clear rich	2,000-5,000	45,980-114,940	49	14	161	41	21.9	19.1
Sheer rich	5,000-10,000	114,940-229,890	9	2	34	6	23.7	21.8
Super rich	>10,000	>229,890	4	1	17	2	26.0	24.7
Total			**46,701**	**118,175**	**53,486**	**134,705**		

Source: NCAER's report - "The Great Indian Middle Class" 2004-05

Classification	Income class		No. of households in '000				Annual Growth (%) [1]	
			2005-06 [1]		2009-10[1]		2005-06 to 2009-10	
	INR '000 p.a.	USD p.a.	Urban	Rural	Urban	Rural	Urban	Rural
Deprived	<90	<2070	23,156	109,093	18,019	96,345	-6.0	-3.0
Aspirers	90-200	2,070-4,600	25,158	28,118	29,249	46,055	3.8	13.1
Seekers	200-500	4,600-11,500	8,889	4,923	14,313	7,955	12.6	12.7
Strivers	500-1,000	11,500-22,990	2,301	911	4,629	1,544	19.1	14.1
Near rich	1,000-2,000	22,990-45,980	842	280	1,793	581	20.8	19.9
Clear rich	2,000-5,000	45,980-114,940	360	94	825	212	23.0	22.5
Sheer rich	5,000-10,000	114,940-229,890	87	16	219	37	25.7	23.7
Super rich	>10,000	>229,890	46	6	126	16	28.2	27.4
Total			**60,839**	**143,441**	**69,173**	**152,745**		

Source: NCAER's report - "The Great Indian Middle Class" 2004-05

(1) Forecast data

The growth of the Indian economy and the growth of the Indian middle class has contributed to increased consumerism. The following table highlights the growth in mobile telephone subscriptions, a major component of which we believe to be consumer consumption. The table also highlights the growth in production of certain goods which we believe are in large part purchased by consumers in India.

Consumer Articles	Year ended March 31,						Nine Months Ended December 30, 2004
	1999	2000	2001	2002	2003	2004	
Mobile Telephone Subscribers as at End of Period							
Number of Subscribers (millions)	NA	NA	3.57	6.43	12.69	26.15	37.37
% change from previous period	-	-	-	80.1%	97.4%	106.1%	42.9%
Consumer Electronics							
Production (in Rs. millions)	92,000	112,000	119,500	127,000	138,000	152,000	NA
% change from previous period	-	21.7%	6.3%	5.9%	8.7%	10.1%	-

Sources: Government of India, Economic Survey 2004-2005; Cellular Operators Association of India

As the economy and consumerism have grown, the service sectors have become increasingly important factors in the Indian economy, outpacing the growth of the overall Indian economy. In particular, trade, hotels, restaurants, transport, storage and communication have increased in their importance in the Indian economy. The following table illustrates the growth of these various sectors of the Indian economy:

	Years ended March 31, 1994 to 2003 (average)	Year Ended March 31,	
	Growth Rate (%)	2004	2005
Average Real GDP (at factor cost)	6.0	8.5	6.9
Agriculture	2.1	9.6	1.1
Industry	6.6	6.5	8.3
Services	7.8	8.9	8.6
Trade, Hotels, Restaurants, Transport, Storage and Communication	8.8	11.8	11.4
Finance, Insurance, Real Estate and Business Services	8.0	7.1	7.1
Community, Social and Personal Services	6.9	5.8	5.9
Construction	5.7	7.0	5.2

(Source: RBI, Mid-Term Review 2005-06; derived from CSO statistics)

We believe the recent growth in importance in the services sectors, particularly in the trade, hotels, restaurants, transport, storage and communication and finance, insurance, real estate and business services sectors, highlights the growth of an increasingly service-based area of the economy that will require increasing inter-connection throughout India.

THE INDIAN AVIATION INDUSTRY

Evolution of the Industry

Around the world during the last two-and-a-half decades, the air transport industry has substantially moved away from government control and ownership towards deregulation and private ownership. The origins of this trend are generally attributed to the deregulation of the U.S. airline industry in the late 1970s, which led to lower fares and improved productivity of assets and capital. Spurred by the emergence of these benefits, several countries have pursued the path of liberalisation and privatisation.

Before 1990, the Indian aviation sector was also characterised by a high degree of Government control. The GoI nationalised the airline industry in 1953 through enactment of the Air Corporations Act. Pursuant to this Act, the assets of nine existing air companies were transferred to two entities in the Indian aviation sector, both of which were owned and controlled by the Government: (a) Indian Airlines, primarily serving domestic sectors, with operations to select international destinations, and (b) Air India International, primarily serving international sectors.

The liberalisation in the Indian civil aviation industry began in 1986 with private sector players being permitted to operate as air taxi operators, but not being permitted to operate scheduled services. A number of private companies commenced domestic operations as air taxi operators including Jet Airways, Air Sahara, Modiluft, Damania Airways, NEPC Airlines and East West Airlines. In 1994, with the repeal of the Air Corporations Act, private carriers were permitted to operate scheduled services. Six private air taxi operators were granted scheduled carrier status in February 1995, upon fulfillment of certain applicable criteria. However, some of these operators could not continue with their businesses and, by 1997, had closed their operations. Among the many private airlines that started operations following the deregulation of the Indian civil aviation sector, only two continue to have operations in the country: Jet Airways and Air Sahara.

In August 2003, Air Deccan commenced scheduled airline operations, taking the total number of private carriers providing scheduled services to three. Since then, four other airlines, SpiceJet, Kingfisher, Paramount and GoAir, have begun operations in the domestic Indian market. According to published reports, at least two further enterprises have announced plans to enter the Indian domestic aviation market.

Industry Growth

Compared to other countries, the growth of the domestic aviation sector in India (fuelled by a fast-growing economy and rising consumerism) has been relatively resilient in the face of regular international disruptions, such as terrorist attacks in various countries, health hazards and natural disasters. Based on statistics compiled by the DGCA, the sector maintained a CAGR of 15.67% from fiscal 2002 to fiscal 2005 in terms of domestic passengers. The table below indicates the year-on-year growth in number of passengers on all domestic scheduled services of Indian airlines:

Year ended March 31,	Domestic Sector Passengers (millions)(1)	Year-on-Year Growth
1996	10.4	
1997	11.2	7.7%
1998	11.55	-1.3%
1999	12.0	4.3%
2000	12.7	5.8%
2001	13.7	7.9%
2002	12.8	-6.6%
2003	13.9	8.6%
2004	15.7	12.9%
2005	19.9	26.8%

Source: DGCA, CMIE Monthly Economic Indicator, November 2005

(1) Information does not include air taxi operators.

According to the DGCA, Indian domestic air traffic increased 27% for the year ended March 31, 2005 compared to the previous year. According to the airports authority of India, for the ten month period of April 2005 to January 2006, the total number of passengers carried by all scheduled domestic airlines in India stood at 20.48 million, an increase of 23.7% over the corresponding period in the previous year.

Airline industry infrastructure

The scheduled airline industry requires infrastructure, particularly airports. According to the information currently available on the website of the MoCA, there are approximately 450 airports in India managed by the AAI, Defence Services, state governments or private parties. Presently, the AAI manages 126 airports in India, of which 89 are civil domestic airports, 11 are international airports and 26 are civil enclaves in defence airports (*Source: www.http://civilaviation.nic.in*).

The following map shows India's airports according to the information currently available on the website of the AAI.

Source: AAI (http://www.airportsindia.org.in)

This map does not purport to be a political representation of India.

Formed in 1995, the AAI is responsible for creating, upgrading, maintaining and managing civil aviation infrastructure both on the ground and in India's air space. It has been tasked with the integrated development, expansion and modernisation of operational, terminal and cargo facilities at the international and domestic airports, as well as at the civil enclaves of defence airports.

The only privately owned airport is located at Cochin. Two privately owned international airports are currently under construction at Bangalore and Hyderabad. In addition, the Government is seeking to modernise and restructure the Mumbai and Delhi airports.

Competitive landscape

The Indian aviation sector is broadly divisible into four main categories:

- domestic airlines, which operate scheduled flights within India and to select international destinations,
- international airlines, which operate scheduled flights to and from India,
- charter air operators, which include charter operators and air taxi operators and
- air cargo services, which includes air transportation of cargo and mail.

Scheduled domestic airlines can also be divided into two categories: full-service carriers and low-cost carriers. Currently in India, low-cost carriers operate predominantly as domestic carriers.

The table below provides certain information regarding certain airlines operating scheduled domestic flights as of April 15, 2006 except for Air Deccan which is as of March 31, 2006.

	Air Deccan*	**Jet Airways(1)**	**Air Sahara(2)**	**Indian Airlines(3)**	**Spice Jet(4)**	**Kingfisher(5)**	**GoAir(6)**	**Paramount(7)**
Description	**Private low-cost carrier, operates principally on domestic routes**	**Private full service carrier, operates on domestic and select international routes**	**Private full service carrier, operates on domestic and select international routes**	**Government owned full service carrier, operates both on domestic & international routes**	**Private low cost carrier, operates on domestic routes**	**Private - carrier, operates on domestic routes**	**Private low-cost - carrier, operates on domestic routes**	**Private - carrier, operates on domestic routes**
Year of issue of operator's permit	2003	1995	1996	1953(9)	2005	2005	2005	2005
Fleet size(8)	29	53	27	70	5	9	2	1
Fleet type	ATR 42, ATR 72 and Airbus A320	Airbus A340, Boeing 737 and ATR 72	Boeing 737 and CL -600	Airbus A300, A320 Dornier D-228	Boeing 737	Airbus A320	Airbus A320	Embraer
No. of domestic destinations served)	52	43	24	58	11	15	15	6
No. of domestic flights	226	306	134	294	67	88	28	17

(1) Derived from information provided at www.jetairways.com.

(2) Derived from information provided at www.airsahara.net.

(3) Derived from information provided at www.indian-airlines.com.

(4) Derived from information provided at www.spicejet.com.

(5) Derived from information provided at www.flykingfisher.com.

(6) Derived from information provided at www.goair.com.

(7) Derived from information provided at www. paramountairways.com

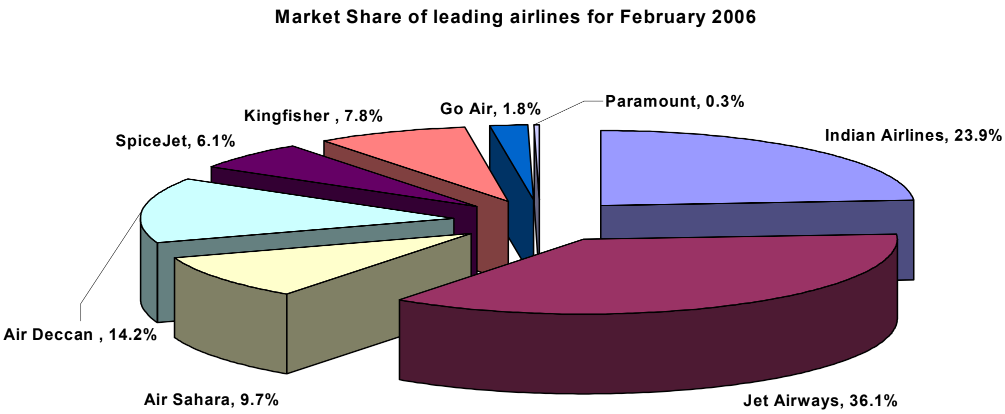
(8) As at March 28, 2006; derived from information provided by the DGCA at www.dgca.nic.in.

(9) Date of commencement of operations.

** Information relating to Air Deccan is as of March 31, 2006.*

Further, Jet Airways India Limited and Sahara Airlines Limited have executed a share purchase agreement on January 18, 2006 for acquisition by Jet Airways India Limited of the entire share capital of Sahara Airlines Limited, subject to regulatory approvals.

The following chart shows the market share figures for leading scheduled domestic airlines for February, 2006:



Source: Centre for Asia Pacific Aviation

In addition to the eight airlines shown in the preceeding chart, other businesses have also announced their intention to launch low-cost carrier or other domestic services in India. Air India also carries domestic passengers on domestic legs of its international flights, offering both full and discounted fares. Air India launched Air India Express, an international low-cost carrier, in April 2005.

Charter air operators have, in the past, principally included large industrial houses that maintain aircraft fleets primarily for their own use and hire out their spare aircraft capacities to others. However in recent times, the Indian charter business has also seen the emergence of charter companies for whom this business is not for captive use but is the business itself. Competition in the charter sector of the Indian aviation industry has increased. As at March 28, 2006, there were 44 non-scheduled operators registered with the DGCA, with an aggregate of 61 fixed-wing aircraft and 85 helicopters available for charter services. Pawan Hans, a GoI undertaking, is a dominant player.

The table below sets out certain information regarding certain major charter air operators, based on fleet size, as at March 28, 2006.

	Deccan Aviation*	**Pawan Hans**	**Global Vectra Helicorp Private Limited**	**United Helicharters Private Limited**	**Transbharat Aviation Private Limited**
Year of Issue	1997	1998	1999	2003	1991
Number of Aircraft Fixed wing Helicopters	 2 10	 30	 10	 0 8	 1 3
Aircraft Type	Bell, Ecureil, Eurocopter, Pilatus	Daupin, Bell, Robinson, MI	Bell	Bell, Sikorsky	Beech, Bell, Piper Seneca

Source: DGCA

* *Information relating to Deccan Aviation is based on Company information.*

Recent developments in the industry

Naresh Chandra Committee Report – a road map for the civil aviation sector

In July 2003, the MoCA set up a five-member committee under the chairmanship of Mr. Naresh Chandra, a retired senior government official, to prepare a comprehensive roadmap for the promotion of the Indian civil aviation sector that it is hoped will provide the basis for a new National Civil Aviation Policy.

The Committee held detailed consultations with airlines, chambers of commerce, the travel and tourism industries and the public, and studied submissions received. The Committee presented its report to the Government in two parts—the first in December 2003 and the second in October 2004. It recommended certain structural changes to strengthen the aviation sector and make air travel more affordable. It also made recommendations relating to training, aviation security, safety regulations and steps required to be taken with respect to airport management and infrastructure.

Based on the Naresh Chandra Committee Report submitted in July 2003 and October 2004, the following developments have taken place in the Indian aviation sector:

- The Government permitted private domestic airlines to fly to and from certain international destinations in the SAARC region with effect from December 2003.
- The Government abolished IATT and FTT from January 9, 2004.
- The Government reduced excise duty on ATF from 16% to 8% from January 9, 2004.
- Landing charges for aircraft with less than 80 seats were abolished and landing charges for larger aircraft have been reduced by 15% with effect from February 11, 2004. Navigation charges for aircraft weighing less than 20 tonnes were substantially reduced with effect from February 11, 2004. For other aircraft, the method of calculating charges had been rationalised to reflect both the weight of the aircraft and the distance flown.
- The Government issued a notification dated November 10, 2004 increasing the permitted foreign investment limit from 40% to 49% and bringing such investments under the "automatic" route, while maintaining its earlier position of not allowing foreign airlines to invest in domestic airlines.
- The Government has permitted domestic airlines to fly to and from certain additional international destinations.

In addition, the GoI has recently proposed several measures in respect of the airline industry, including in principle approval for construction of seven new airports in Goa, Mumbai, Pune, Punjab, Kerala, Sikkim and Nagaland. It is not known if such proposals will be adopted, or if adopted, what form they will take or when they will take effect.

For details regarding current regulatory environment prevailing in the aviation sector, please refer to sub-section entitled "Regulations and Policies" on page 82.

Key industry characteristics

Under-penetrated markets

Despite recent growth in air passenger traffic, India continues to have relatively high under-penetration of air services. According to the CMIE, domestic air traffic in the year ended March 31, 2005 reached 20 million. For a country with a billion plus population, this amounts to an average Indian making 0.02 trips per annum which is one of the lowest in the world, compared to an average of 2.02 trips per person per year in the United States for the same period. Consequently, there is a high level of potential demand which may be generated as the Indian economy grows and air travel becomes more affordable for a larger population. (*Source: Derived from data released by the World Development Report 2005, the Bureau of Transportation Statistics, Department of Transportation, U.S.A. and the DGCA.*)

High fixed cost operating environment

Despite recent reforms, the domestic aviation sector in India continues to experience high input costs in terms of government charges levied on fuel and airport related charges. These fixed costs often represent a substantial portion of the operating costs of most airlines. Domestic airlines generally have to pay higher charges than those paid by international airlines procuring fuel within India, as such international airlines are exempt from paying excise duty and sales tax. (*Source: Naresh Chandra Committee Report – I.*)

Regulatory constraints

The domestic aviation sector in India continues to be highly regulated. The Route Dispersal Guidelines issued by the DGCA require all scheduled airlines operating in India to provide a minimum number of ASKMs on routes that service certain rural or smaller urban destinations that are classified as Category II and Category IIA, which results in lower average passenger load factors and yield for many airlines. For details, please see "Regulations and Policies " on page 82.

Infrastructure constraints

With the entry of four new players in the short span of a year and with more having announced their intentions for the same, the continued growth of the domestic aviation sector may be hampered by shortage of enabling infrastructure, such as airport facilities, parking bays, air traffic control facilities and takeoff and landing slots.

Relatively limited reach across the country

Historically, many areas of the country have not been served by scheduled airlines. Although the Route Dispersal Guidelines have helped to ensure that certain areas of the country are serviced, airport infrastructure and economic feasibility have meant that many airports do not have scheduled airline service. Of the approximately 450 airports in India less than 100 airports have a daily flight. (*Source: Ministry of Civil Aviation (www.civilaviation.nic.in).*)

Demand Drivers

High economic growth

Growth in air transport (both passengers and cargo) is closely associated with growth in GDP. According to the IATA (International Air Transport Association) air transport can be projected to grow at roughly twice the rate of GDP growth. With Indian GDP expected to expand at a rate of 7.5% for 2005-2007, the IATA expects air traffic in India to grow approximately 15% for the same period. (*Source: RBI, Mid-Term Review 2005-06; IATA.*)

Increasing consumerism and affordability

The aviation market in India consists of leisure travellers, business-related travellers and corporate travellers. Leisure and business related traffic tends to be more price-elastic. Corporate travellers, who fly at the expense of their employer or client, have historically formed the majority of the domestic air travel market in India. However, with increasing income levels and the emergence of flexible fare schemes and low-cost carriers, we expect that middle- to high-income leisure travellers and business travellers paying their own travel costs are likely to shift more from premium class travel in trains to air travel. In contrast to the 15.25 million passengers carried by domestic Indian airlines in fiscal 2004, the Indian railways carried approximately 52 million passengers in its premium class products, i.e., air conditioned and first class coaches during the same period. (*Source: CMIE.*)

Growth in tourism

The Indian tourism market has been growing at a significant pace over the last few years, with the Government giving impetus to the industry through various schemes and organised events. According to the World Travel & Tourism Council India 2004 report, domestic tourists visits in India grew by 19% from 309.0m to 367.6m in fiscal 2004. During the same fiscal domestic air travel has grown by 13% while in fiscal 2005 domestic air traffic registered a growth of approximately 27%. The same source has predicted that travel and tourism expenditure in India is expected to achieve an annualised real growth rate of 8.8% over the 10-year period from fiscal 2004 to fiscal 2014.

The emergence of low-cost carriers

Low-cost carrier airlines in the United States (such as Southwest Airlines and JetBlue) and in Europe (such as Ryanair and easyJet) have created a revolution in the aviation sector. These airlines have sought to provide lower, if not the lowest, fares along with relatively high margins, by providing:

- "no-frills" service;
- careful route selection to optimise passenger loads and yields;
- minimised costs on various aspects of business;
- innovative use of Internet and other communications technology to avoid the high cost of traditional airline reservations and communications systems;

- innovative approaches to attracting customers;
- introducing previously unavailable routes on a commercially feasible basis; and
- lower or lowest initial pricing with careful revenue management.

The concept of low-cost carriers has also generated interest in Asia, and a number of no-frills airlines have emerged. For example, AirAsia is a low-cost carrier based in Malaysia and Thailand with destinations including Malaysia, Thailand, China, Hong Kong, Macau, Indonesia and the Philippines. Air Deccan was the first such airline in the Indian market, commencing operations in August 2003, with SpiceJet and GoAir beginning operations subsequently and plans for more low-cost carriers announced. Air India Express, a subsidiary of Air India, is providing an international low-cost carrier service. Indian low-cost carriers, seeking to take advantage of the growth of disposable income in India and the increasing need for geographic connectivity, have sought to adapt the low-cost carrier model to the Indian aviation climate.

OUR BUSINESS

OVERVIEW

We, Deccan Aviation Limited, operate Air Deccan, a no-frills, low-cost, scheduled commercial passenger airline in India, and Deccan Aviation, a private helicopter and airplane chartering service in India. These operations/services are managed substantially separately from one another as a part of the single legal entity that is issuing the Equity Shares.

Our scheduled airline operations

Air Deccan began scheduled operations in August, 2003, with a single ATR turboprop aircraft flying a single route between Bangalore and Hubli. Since inception, Air Deccan has:

- carried approximately 4.1 million passengers, through March 31, 2006;
- expanded its fleet to 29 aircraft as on March 31, 2006;
- grown its schedule to 226 flights daily, as on March 31, 2006;
- increased its route network to 52 airports (including airports to be served by flights for which bookings are open), as on March 31, 2006;
- achieved a market share of 14.2% for February 2006 (Source:Centre for Asia Pacific Aviation), making it the second largest privately owned airline in India; and
- hired and mobilised a workforce of 2,410 people as of March 31, 2006.

Based on these factors and the competitive data set out in the table below (as of April 15, 2006 except for Air Deccan which is as of March 31, 2006), we believe that Air Deccan is one of the fastest-growing scheduled commercial passenger airlines today.

	Air Deccan*	**Jet Airways(1)**	**Air Sahara(2)**	**Indian Airlines(3)**	**Spice Jet(4)**	**Kingfisher(5)**	**GoAir(6)**	**Paramount(7)**
Description	Private low-cost carrier, operates principally on domestic routes	Private full service carrier, operates on domestic and select international routes	Private full service carrier, operates on domestic and select international routes	Government owned full service carrier, operates both on domestic & international routes	Private low cost carrier, operates on domestic routes	Private - carrier, operates on domestic routes	Private low-cost - carrier, operates on domestic routes	Private - carrier, operates on domestic routes
Year of issue of operator's permit	2003	1995	1996	1953(9)	2005	2005	2005	2005
Fleet size(8)	29	53	27	70	5	9	2	1
Fleet type	ATR 42, ATR 72 and Airbus A320	Airbus A340, Boeing 737 and ATR 72	Boeing 737 and CL -600	Airbus A300, A320 Dornier D-228	Boeing 737	Airbus A320	Airbus A320	Embraer
No. of domestic destinations served	52	43	24	58	11	15	15	6
No. of domestic flights	226	306	134	294	67	88	28	17

* *Information relating to Air Deccan is as of March 31, 2006.*

(1) *Derived from information provided at www.jetairways.com.*

(2) *Derived from information provided at www.airsahara.net.*

(3) *Derived from information provided at www.indian-airlines.com.*

(4) *Derived from information provided at www.spicejet.com.*

(5) *Derived from information provided at www.flykingfisher.com.*

(6) *Derived from information provided at www.goair.com.*

(7) *Derived from information provided at www. paramountairways.com*

(8) *As at March 28, 2006; derived from information provided by the DGCA at www.dgca.nic.in.*

(9) *Date of commencement of operations.*

Air Deccan is India's first airline to follow a no-frills, low-cost scheduled passenger airline business model. Its business model draws heavily from the examples provided by successful no frills, low-cost airlines in other parts of the world, while adapting itself to the special circumstances of the Indian market. As with successful US and European low-cost airlines, Air Deccan operates a point-to-point route system only, offers a no-frills service only and drives its ticket sales through the Internet using conventional and unconventional sales points.

In addition, in order better to serve the specific needs of the Indian market, Air Deccan follows a two-aircraft-type fleet strategy. As of March 31, 2006, Air Deccan uses eleven Airbus A320 jet aircraft principally to fly on its main, or “trunk”, routes connecting India’s six largest cities and 18 ATR turboprop aircraft principally to serve regional airports. Air Deccan’s regional routes are intended to connect smaller – but often heavily populated – cities and towns with India’s main urban centres, in order to take advantage of existing demand for air travel to and from such locations and to stimulate new demand for air travel. According to the DGCA, there are roughly 450 airports throughout India, but only a much smaller number of which can be used by most larger commercial jet aircraft. Air Deccan believes that turboprop aircraft are its best means of extending no-frills, low-cost air travel to India’s emerging cities and regions, while larger jet aircraft remain best suited to its trunk routes.

Air Deccan seeks customers among those who travel by train or other ground transport, as well as those who already travel by air. It seeks to turn non-fliers into fliers, and occasional fliers into more frequent fliers. As India’s population, economy and services sector continue to develop, we believe that more potential customers:

- will be able to afford air travel,
- will seek connectivity across India, and
- will find no-frills, low-cost air travel to be a preferred alternative to rail and road travel.

We believe that Air Deccan is well positioned to take advantage of these developments, and to help Indian middle-class consumers and cost-conscious businesses take to the air. Air Deccan has grown rapidly over the last two and a half years. We intend for it to enhance and accelerate this growth and do so successfully by following our existing business model and taking advantage of our competitive strengths.

Our charter service

Deccan Aviation commenced operations in 1997 as a chartered aircraft service provider. Initially, it chartered helicopters only, but in 2001 it added its first fixed-wing aircraft. As of March 31, 2006, it operates a fleet of ten helicopters and two fixed wing aircraft and provides a variety of charter services throughout India (and in Sri Lanka, through our participation in the joint venture DALPL), including:

- Heli-tourism,
- Adventure sports flying,
- VIP and corporate executive travel,
- Medical evacuation,
- Aerial surveys,
- Media, advertising and entertainment-related services,
- Services for oil-extraction companies,
- Religious pilgrimage, and
- Customised services.

We believe that Deccan Aviation is currently the only service provider in India which provides chartered low level, long line, geo-physical heli-borne services and banner towing by helicopter.

Deccan Aviation is not a low-cost or no-frills service provider, but instead caters largely but not exclusively to higher-income individuals and corporations.

Incomes

The following table sets forth our incomes from operations, as of the dates and for the time periods indicated:

	Revenues		Fleet size as of March 31, 2006[(1)]
	Year ended March 31, 2005 (Rs. million)	**Eight months ended November 30, 2005 (Rs. million)**	
Sale of airline tickets and related income	2,669.46	4,458.98	29
Helicopter charter and other services	386.08	324.45	12
Other income	147.29	399.42	-
Total	**3,202.83**	**5,182.85**	**41**

(1) Unaudited.

AIR DECCAN

Vision

Our airline operation, Air Deccan, strives to provide a cost-effective and commercially successful alternative to the traditional means of domestic travel used by the Indian mass consumer market.

It is our aim that Air Deccan

- become the preferred airline of the "common man" of India, by providing a no-frills service that is safe, on-time and low-cost,
- serve the most destinations across India than any airline and
- achieve business success while offering low fares, by increasing aircraft utilisation, seeking to optimise load factors and yields and reducing operating costs.

Business model

The elements of Air Deccan's "no-frills, low-cost" air carrier business model include:

- **Offering low fares to stimulate demand.** We believe low fares will help Air Deccan generate new business throughout India – not only in new and under-served markets, but also in established markets that have so far failed to offer Indian middle-class consumers and cost-conscious businesses a choice of sufficiently cost-effective fares. Air Deccan targets leisure, small business and corporate customers, and seeks passengers from the Indian middle class as well as from the cost-conscious segments of more well off classes.
- **Selecting routes to stimulate demand.** As of March 31, 2006, Air Deccan offers passengers a choice of 85 routes and 52 destinations. As at March 31, 2006, it is the only carrier providing service to 12 of its destinations and one of only two carriers providing service to seven of its destinations. We believe that Air Deccan's route strategy will help it grow new markets for air travel in India, as well as help it serve major urban centres with cost-effective fares. As it grows, we expect Air Deccan to increase the frequencies of its flights on certain existing routes, connect new city pairs among destinations it already serves and initiate service to new destinations, including some already served by other airlines and some currently not served by airlines at all.
- **Reducing costs, increasing utilisation.** To help make its low-fare strategy as profitable as possible, Air Deccan strives to:
  - ***(i) reduce the costs of its operations.*** It does so in part by seeking to simplify its operations, minimise the aircraft types in its fleet consistent with its route strategy, use technology when such use can reduce costs and rejecting it when such use can complicate operations, such as in passenger check-in, and outsource non-core business processes.
  - ***(ii) provide a no-frills service.*** Air Deccan seeks to provide a simple service in exchange for its low fares. Product and service extras that are not reasonably necessary to the core task of flying passengers safely and efficiently are

eliminated. Practices that many other airlines engage in regularly, such as providing help to passengers during layovers or offering frequent flier programmes, are not offered. Air Deccan passengers get the basic transportation service they require, which is a pared-down version of flying compared to what many other airlines offer.

(iii) seek high aircraft utilisation. Air Deccan employs dense, single-class seating arrangements in its aircraft and follows scheduling, ground handling and operational strategies designed to keep its planes in the air as long as practical every day. These measures help Air Deccan to increase its available seats flown. Air Deccan then uses load factor and yield management techniques in order to help maximise the revenues earned from, and help minimise the operating costs associated with, those available seats flown.

- **Providing a safe and on-time service.** We consider the provision of safe travel to be of essential importance to our service. We believe that customers also demand on-time service and expect a minimum of delays, flight cancellations, baggage-handling errors and other inconveniences. We strive to provide these requirements while delivering a safe, no-frills service.
- **Increasing ancillary revenues.** In addition to charging for tickets, Air Deccan earns revenues from charging for in-flight food and drink, selling advertising space on the interior and exterior of its aircraft and in a number of other ways. The airline regularly seeks to earn ancillary revenues where opportunities exist and the simplicity of its operations will not be compromised.

We are a member of a Sri Lankan joint venture which hopes to operate flights between Sri Lanka and India. See "History and Corporate Matters—Our Joint Ventures—DALPL" on page 90 for futher details in this regard. We may, in future, consider other opportunities to expand internationally, whether through investment, agreement, joint venture or organic growth, although we have no present plans in respect of any such opportunity.

We are not actively considering acquisitions at this time. We will consider appropriate opportunities as they are presented.

Competitive strengths

Air Deccan's competitive strengths include:

- **First mover advantage.** Air Deccan is the first no-frills, low-cost, scheduled commercial passenger airline in India. As a number of existing and new competitors seek to adopt a no-frills or low-cost approach to one or more parts of their operations, Air Deccan retains the advantage of being known the longest as a no-frills, low-cost carrier and having had the longest time to adopt and refine its low cost carrier strategies. By moving earlier, Air Deccan has also had an easier time getting desirable flight slots and building its operations in other ways.
- **Simplifly!** Air Deccan follows a strategy of simplifying its operations to help keeps its costs down, its fares as affordable as possible and its services as easy for customers to evaluate, purchase and use as possible. Air Deccan seeks to embody and project this strategy to its employees and customers through the advertising slogan, "Simplifly!". Simplification steps include such strategies as flying only point-to-point routes without seeking to facilitate onward connections, outsourcing services such as in-flight food and drink and moving to a manual, rather than computerised, flight check-in system.
- **Strong management team, with leading low-cost carrier expertise.** We believe that Air Deccan's management team has the necessary depth and capability to expand the airline's operations, refine its service delivery and implement its business model. The Air Deccan team is bolstered by a Chief Operating Officer who worked as Head of UK and Europe Operations at Ryanair and by others with extensive experience at Ryanair and JetBlue Airways. In addition, the relative youth of the Air Deccan organisation helps to provide new perspectives on Air Deccan's operations.
- **Load factor and yield management through dynamic pricing.** Many airlines vary ticket prices in the run-up to a flight in order to balance load factor (the level of filled seats) against yield (revenue earned per ticket). Air Deccan seeks to maximise revenue from ticket sales by attempting to achieve the best possible ticket price by filling as many seats as possible. Air Deccan uses dynamic pricing to help optimise its load factors and yields. Optimising load factors and yields allows an airline to better approach a maximum level of revenues consistent with the preservation and increase of market share. Using dynamic pricing, Air Deccan can vary its ticket prices for a given flight over a wide range of possible prices, for many weeks prior to that flight, in order to capture more revenue while also seeking to extend its market. Air Deccan is in the process negotiating an agreement for implementing Navitaire software, for conducting its dynamic load factor and yield management, which is used by many leading no-frills, low-cost airlines around the globe for their revenue management.

Fleet

Fleet strategy

Air Deccan follows a two-aircraft-type fleet strategy, with the aim of effectively serving both highly travelled trunk routes between major Indian urban centres and routes to and from regional locations. Air Deccan uses ATR turboprop aircraft, in both a 48-seat size and a 72-seat size, for its regional routes, which have lower passenger volumes per sector and involve shorter flights than its trunk routes. On its trunk routes, Air Deccan uses the 180-seat Airbus A320 jet aircraft.

In using smaller aircraft as it does, Air Deccan benefits in a number of ways. For example:

- Many regional airports have runways that are too short for bigger commercial aircraft but are sufficient for turboprops.
- The cost of flying smaller aircraft into new regional airports where routes are still developing is lower than the cost of using bigger aircraft on such routes.
- A turboprop fleet can be staffed by a smaller number of in-flight cabin crew than a larger jet aircraft fleet.
- The extension of service to regional airports, including many that can only be served by turboprops, brings certain regulatory advantages under existing governmental policies, such as
  - (i) lower sales tax on fuel used by turboprops,
  - (ii) lower navigation fees for turboprops, and
  - (iii) no landing fees payable for aircraft with fewer than 80 seats landing at domestic airports controlled by the National Airports Division of the AAI .

At the same time, in using the larger Airbus A320 as it does Air Deccan also achieves certain advantages. For example, Air Deccan can offer greater capacity on its trunk routes. In addition, Airbus A320s are faster and have a longer range than turboprops, and can be operated at a lower cost per passenger than ATRs over longer flights.

Air Deccan limits its fleet to only two types of aircraft in order to help simplify flight operations and increase aircraft and crew scheduling flexibility. High commonality among its aircraft also helps it control costs by allowing it to have common maintenance procedures, fit-outs and spare part inventories. In addition, because both ATRs and Airbuses are generally popular in the commercial aviation market, Air Deccan can acquire spare parts and type-rated flight crew members more easily.

Current fleet

As of March 31, 2006, the Air Deccan fleet consisted of 18 ATR turboprop aircraft and 11 Airbus A320 jet aircraft. All of these aircraft are configured with a single-class passenger seat layout. 14 of the ATRs have 48 passenger seats (in an ATR model known as the ATR 42) and four of the ATRs have 72 passenger seats (in an ATR model known as the ATR 72). Each of the 11 Airbus A320s has 180 passenger seats. The ATR 42s carry Pratt & Whitney PW-121 or PW-127 engines, depending on the specific aircraft model. The ATR 72s carry Pratt & Whitney PW-127F engines. The Airbus A320s carry IAE V2527-A5 engines. Each of the aircraft operating in Air Deccan's fleet has a valid certificate of registration and airworthiness issued by the DGCA. Air Deccan does not have any outstanding notices from the DGCA that its aircraft are not airworthy.

The following table sets out certain information regarding the aircraft that Air Deccan operated as of March 31, 2006:

Aircraft Type	Number of Passenger Seats	Model	Number of Aircraft	Average Age (in years) (1)
ATR	48	42-320	5	12
	48	42-500	9	8.56
	72	72-500	4	3
Airbus	180	A320-200	11	3

(1) Calculated based on year of manufacture.

As the Air Deccan fleet grows, we expect that the average age of its fleet will decline, because in general Air Deccan intends to return older aircraft at the end of their lease terms and replace them with younger aircraft. In addition, the mix of ATR 42s and 72s may change. ATR 42s are appropriate for newer routes and routes with lower passenger densities, but as routes mature Air Deccan switch the aircraft on them from ATR 42s to ATR 72s. See "Future Fleet Growth".

Operating lease and hire purchase terms

When we acquire a new aircraft for Air Deccan's operations, we can do so under a variety of ownership and financing options that are generally available in the air travel industry. Under an operating lease, we lease the aircraft from its owner in exchange for rental payments. Title remains in the hands of the aircraft owner. Under a hire purchase arrangement, we lease the aircraft from its owner, but our rental payments are credited toward the purchase of the aircraft and, after an agreed-upon period of time, we can obtain legal title to the aircraft. In addition, it is possible for us to purchase an aircraft outright, acquiring legal title immediately. Outright purchases may be completed either using available funds or through finance arrangements, often involving the granting of a security interest in the aircraft to the lenders. We may also contract to purchase aircraft and then transfer or assign the purchase rights for such aircraft and possibly enter into lease transactions in regard to such aircraft, so that we ultimately hold such aircraft under operating leases.

As of March 31, 2006, Air Deccan has acquired aircraft predominantly through operating leases. We believe leasing aircraft provides several benefits, including the following:

- lease payments are tax deductible,
- leasing requires a smaller initial capital expenditure than other methods of acquiring an aircraft, and the smaller capital expenditure is reflected in our balance sheet and
- leasing reduces our exposure to the uncertainty of an aircraft's residual value at the time of its disposal (although leasing also eliminates any residual-value benefit on disposal when the market for second-hand aircraft is strong).

The following table summarises the operating leases governing 26 of the 29 aircraft in the Air Deccan fleet as of March 31, 2006:

Aircraft	Management Company	Number of Aircraft Leased	Average Lease Term Remaining (in years)
ATR 42-320 (48 seats)	ATR/Atriam Capital Limited	5	2.80
ATR 42-500 (48 seats)	Wells Fargo Bank Northwest, Oman Aviation Services Co. (SAOG) (operating as Oman Air), Atriam Capital Limited	9	4.10
Airbus A320 (180 seats)	Singapore Aircraft Leasing Enterprise Pte. Limited	5	3.54
Airbus A320 (180 seats)	Investec plc	2	8.50
ATR 72-500 (72 seats)	Atriam Capital Limited	1	4.80
Airbus A320 (180 seats)	Aviation Capital Group	2	5.83
Airbus A320 (180 seats)	GE Capital Aviation Services	2	4.86

The Air Deccan operating leases into which we have entered contain lease periods that range between four and nine years. The leases are generally not capable of cancellation. We do not, under these leases, have a contractual option either to buy the leased aircraft at the end of the lease term or to renew the leases. Rental payments are generally comprised of: (i) fixed base payments and (ii) maintenance reserves determined based on aircraft usage. Under certain of the leases, we receive manufacturer's credits, which we can set off against the costs of maintenance and spares.

The following table sets forth our aggregate lease rental expense for the periods indicated, in rupees.

Aggregate aircraft/engine lease rental expense	Year ended March 31,		Eight months ended November 30,	
	2004 (1)	2005	2004(2)	2005
Rs. (million)	106.45	451.17	226.99	807.12

(1) Air Deccan began operations in August 2003.

(2) Unaudited

To date, we have entered into one hire purchase agreement. This is in respect of three ATR 72 aircraft, all of which have been delivered to Air Deccan as of March 31, 2006. We believe that adding hire purchase arrangements to the mix of acquisition methods for Air Deccan aircraft provides several benefits that are different from those provided by operating leases, including:

- from the time of delivery of an aircraft pursuant to a hire purchase agreement, we are able to recognise the value of the aircraft as an asset on our balance sheet, and we are able to take tax and balance sheet depreciation in respect of such aircraft,
- the portions of the regular payments under hire purchase arrangements that are attributable to interest are tax-deductible and
- we retain the option to acquire outright ownership of the aircraft upon a balloon repayment at the end of the term, which helps us to evaluate the benefits of outright ownership or disposal within the appropriate economic context.

Under the ATR 72 hire purchase agreement, we are required to make hire purchase payments for the duration of a ten-year hire purchase term. At the end of the term, in 2015, we will, under the terms of the agreement, have an option to acquire the aircraft and take full legal title to them at a balloon repayment.

We have entered into aircraft and engine operating lease agreements and hire purchase agreements with various lessors such as Singapore Aircraft Leasing Enterprise Pte Limited ("SALE"), ATR, Atriam Capital Limited, Investec Bank (Mauritius) Ltd, Wells Fargo Bank Northwest, National Association, Oman Aviation Services Co. (SAOG), Aviation Capital Group and GE Capital Aviation Services. These agreements contain restrictive covenants and also require us to comply with certain additional covenants during the term of the agreement. Certain of these agreements also contain cross default clauses, as a result of which defaults under one agreement may be treated as defaults under other agreements entered into with the same lessors. Furthermore, certain events such as the repossession of aircraft under one agreement may be treated as an event of termination under other agreements entered into with other lessors.

These agreements also contain clauses that require us to *inter alia:*

(i) ensure subscription of additional Equity Shares by new or existing shareholders to certain specified extents before a prescribed date;

(ii) during the term of the agreement, have cash or cash access amounting to a prescribed amount; and

(iii) provide confirmation from certain banks of the availability to us of credit lines with such banks.

A default of the terms and conditions stated in these agreements, including those stated above, may constitute a termination event under the respective agreements.

See "Risk Factors — Our aircraft and engine operating lease agreements and hire purchase agreements contain certain restrictive and other covenants. We are not in compliance with certain covenants in certain of these agreements, which could have a negative impact on our fleet" beginning on page k.

Certain of our obligations in respect of our operating lease agreements and hire purchase agreements are guaranteed by Government–sponsored Export Credit Agencies who also impose certain conditions on us.

In addition to the above, the agreements specify several other termination events which, when triggered, will entitle the lessors to terminate and seek redelivery of the aircraft. These events include (i) failure to make payments; (ii) non-maintenance of prescribed insurance coverage; (iii) breach of obligations, failure of warranties, or the falsity of a representation under the agreement; (iv) suspension of debt payments; (v) insolvency; (vi) a materially adverse decree against us; (vii) entering into negotiations with creditors for general rescheduling of indebtedness, (viii) an increase in accelerated liability of instruments in excess of certain values; (ix) disposal of more than 30% of the voting stock of our Company by a shareholder without prior notice; (x) transfer or disposal of a substantial part of our business or property; (xi) repossession of any aircraft in our fleet; (xii) a substantial change in the nature or scope of our business; and (xiii) any failure to maintain certain financial ratios, including to maintain at all times the ratio of EBITDAR to the aggregate of debt service and finance charges at or above a specified level, and total debt to tangible net worth at not more than a prescribed ratio.

Through March 31, 2006, we have made no outright purchases of aircraft for the Air Deccan fleet, although we expect we may do so in the future to take advantage of the benefits we see in such transactions, including:

- from the time of delivery of an aircraft acquired outright, we are able to recognise the value of the aircraft as an asset on its balance sheet, and we are able to take tax and balance sheet depreciation in respect of such aircraft,
- where the aircraft has been acquired through finance arrangements, interest payments are tax deductible and
- pride of ownership, which we believe aids employee morale and adds to our credibility with customers.

We have entered into leases, hire purchase agreements, heads of agreement and other purchase agreements in respect of aircraft that have not yet been delivered. See "—Future Fleet Growth". As the deliveries approach, we will make further determinations about our financing options. See "—Future Fleet Growth".

Aircraft utilisation

As part of its low-cost carrier business model, Air Deccan aims to keep its aircraft utilisation high. The greater the number of hours Air Deccan flies its aircraft, the greater the number of available seats it generates and can seek to sell in the form of tickets. Aircraft selection, flight scheduling, turn-around time between flights, ground handling and other operations practices, the availability of staff, the quality of airport infrastructure, route selection and other factors can all impact utilisation. Air Deccan employs various strategies to help keep its planes in the air as long as practical every day.

The following table shows the average daily utilisation rates, expressed in terms of average block hours flown per day per aircraft, of Air Deccan's aircraft for the periods indicated, for each type of aircraft flown and on an average basis for all aircraft flown (block hours are the number of hours that an aircraft is in actual service, measured from the time that the aircraft leaves the terminal at the departure airport to the time that the aircraft arrives at the terminal at the arrival airport). All figures are unaudited.

Aircraft	**Year ended March 31,**		
	2004 (1)	**2005**	**2006**
ATR 42 (48 seats)	10.44	9.87 (2)	8.94 (2)
ATR 72 (72 seats)	-	-	11.16
Airbus A320 (180 seats)	-	9.25 (2)	11.48 (2)
Average for all aircraft	**10.44**	**9.74** (2)	**9.91** (2)

(1) Air Deccan began operations in August 2003.

(2) Reflects the impact of induction of new aircraft on new routes and the impact of commencement of services from new bases.

For the month of March, 2006, Air Deccan's ATR 42 aircraft flew an average of 9.61 block hours per day per aircraft, its ATR 72 aircraft flew an average of 9.66 block hours per day per aircraft and its Airbus A320 aircraft flew an average of 12.54 block hours per day per aircraft. Overall, Air Deccan's fleet flew an average of 10.74 block hours per day per aircraft during March, 2006.

Future fleet growth

In order to help satisfy anticipated demand from existing routes as well as to add new routes and grow flight frequencies across the Air Deccan route network, and to help reduce average aircraft age, we have placed orders for certain new aircraft, and expect to place further aircraft orders in the future.

As of March 31, 2006, we had orders in place for the future delivery of 96 Air Deccan aircraft which are presently scheduled to be delivered by December, 2012. These orders consist of executed purchase agreements, executed lease agreements, executed heads of terms for lease agreements and letters of intent.

The following table sets out the numbers and types of aircraft on order as of March 31, 2006 and the planned delivery schedule for these aircraft:

Year ended March 31,	Mode of acquisition	Type of aircraft & number			Total Number of aircraft to be acquired
		A 320	ATR 42 – 500	ATR 72 – 500	
2007	Lease	8*	1	1	10
	Hire purchase			4	4
	Yet to be decided	-		5	5
	Sub total	8		8	19
2008	Yet to be decided	6		6	12
	Lease			1	1
	Sub total	6		7	13
2009	Yet to be decided	9		6	15
	Sub total	9		6	15
2010	Yet to be decided	12		6	18
	Sub total	12		6	18
2011	Yet to be decided	12			12
	Sub total	12			12
2012	Yet to be decided	10			10
	Sub total	10			10
2013	Yet to be decided	9			9
	Sub total	9			9
	Grand total	67	1	29	96

** For three aircraft, letters of intent have been signed, and lease agreements shall follow.*

All of the aircraft noted in the table above will be new aircraft acquired from the manufacturer, with the exception of one ATR 42 and two ATR 72s, which will be acquired second-hand. As a result of the future aircraft acquisitions described above, Air Deccan's average fleet age is expected to drop substantially from 2006 onwards.

In each of the years noted in the table above, we expect aircraft deliveries to be spread out roughly evenly over the course of the year.

We are required to make pre-delivery payments for the aircraft we order for Air Deccan, including lease pre-payments and security deposits for leased aircraft and pre-delivery/advance payments for purchased aircraft. For further details in this regard, please refer to the section titled "Management Discussions & Analysis" on page 158.

Of the 96 aircraft for which we have entered into firm orders, we have entered into operating lease agreement for 11 aircraft and hire purchase arrangements in respect of four aircraft. We expect that the proportion of aircraft which we finance through operating leases, outright purchases or otherwise will depend on the status of a number of financial and other factors at the various times various of these aircraft are acquired, including such factors as our overall level of borrowings, our cash flow needs, prevailing conditions in the leasing market, the demand for the type of aircraft being acquired, tax considerations and prevailing interest rates. Under our agreements to acquire additional aircraft, we are required to take delivery of the aircraft pursuant to the terms and conditions of such agreements, whether or not we are able to obtain financing arrangements for such aircraft.

In addition, we must take delivery whether or not Air Deccan is able to use such aircraft in its operations at the time of delivery. The timely addition of newly acquired aircraft into Air Deccan's operating fleet is important, because lost days of revenue while the aircraft is generating costs can be very expensive. In general, Air Deccan has so far been able to add a newly acquired aircraft to its operating fleet, flying in scheduled flights, in roughly 10 days. As a precaution, Air Deccan budgets for such processes to take 30 days.

As we acquire additional ATR 72s for Air Deccan and as the leases expire in respect of its existing ATR 42 fleet, we expect Air Deccan will phase out its use of ATR 42s on many routes. We expect Air Deccan to keep using at least some of its ATR 42s on routes best served by aircraft of that size. Pursuant to a heads of agreement for the purchase of 15 new ATR 72 aircraft, ATR has already taken back two ATR 42-320s and we expect it to take back a further five ATR 42-320s through the end of Fiscal 2007. Our return to ATR of ATR 42s is not contingent on any particular delivery of ATR 72s.

Routes

As on March 31, 2006, Air Deccan operates from six bases located in the largest urban centres in India: Mumbai, Delhi, Chennai, Bangalore, Kolkata and Hyderabad. Air Deccan is in the process of establishing a base at Trivandrum to accommodate certain high-volume routes. Air Deccan flies its trunk routes among these bases, and flies routes that connect its bases with various regional business, leisure and religious locations and state capitals, which are often underserved. In certain cases, it also flies routes between regional locations.

Route strategy

As part of its strategy of simplifying its operations in order to reduce costs and attract a high volume of passengers, Air Deccan flies point-to-point routes only. That is, it does not seek to time some of its flights to connect with other of its flights, to deliver passengers at times convenient for connections with other airlines' flights or to facilitate the movement of passengers or baggage from one plane to another.

Air Deccan flies point-to-point routes among major cities, where it seeks to capture a high volume of passenger traffic and where it provides a relatively high frequency of flights. It also flies point-to-point from these large cities to smaller regional destinations, and in certain cases point-to-point among regional destinations, in each case seeking to capture a cost-effective passenger volume and to grow the demand on such routes as their regional destinations grow in economic importance.

We believe that the flying of routes between urban centres and the flying of regional routes are both important components of our strategy for providing low-cost air travel to the mass consumer market in India. Our route model also allows us to comply with Indian regulatory requirements that an airline fly a certain percentage of its routes to certain under-served areas. See "Regulations and Policies— Regulations Applicable to Our Fleet - Route Dispersal Guidelines".

As the Air Deccan fleet grows, we expect the airline to add more routes and increase the frequency of its flights on existing routes across its network. In selecting new routes or routes on which to add frequency, Air Deccan considers a number of factors, including the following:

- For trunk routes, relevant factors include current air travel volumes and capacities, the volumes and capacities of travel by rail and road, competitors' positions and economic factors at each end of the route. On these routes, a pre-existing high level of travel by air or other means can help Air Deccan enter the market as a low-fare alternative. On these routes, the timing of takeoffs and landings can be critical to Air Deccan's ability to compete effectively, so it is important for Air Deccan to acquire attractive takeoff and landing slots or keep pressing for slot improvements where its slots are not attractive.
- For regional routes, many of the same factors are considered, although the availability of sufficient airport infrastructure may also be a factor. Competitive factors will vary between routes already flown by one or more other air carriers and "virgin" routes on which Air Deccan is the first and only air carrier. Virgin routes tend to quickly deliver good load factors and yields, although overall passenger volumes may be low. In general, Air Deccan allows itself no more than about four months to develop acceptable load factors on new routes. Local governments, chambers of commerce and other entities are often involved in the inauguration of new routes. There are typically no, or very few, administrative barriers to opening a new route – for example, there is typically no need to compete for a slot assignment and no regulatory approval needed;

only filing of a notice to air regulatory authorities is required.

- Whether a route should be served by a large or a small ATR, or by an Airbus, may be a consideration in route strategy. Air Deccan's maximum flight time for an ATR is roughly 1-1/2 hours. Many airports lack the runway length or other infrastructure to accommodate an Airbus.

In general, Air Deccan makes plans for the route deployment of new aircraft about four months ahead of the delivery of the aircraft.

Air Deccan relies in part on external consultants' research to corroborate the judgments it makes in route selections.

Current routes

As of March 31, 2006, Air Deccan operated on 85 point-to-point routes, serving 52 airports (including routes and airports for which bookings are open). It flew a total of approximately 160 sectors, or one-way, point-to-point, revenue flights, daily (including routes and airports for which bookings are open).

The following table sets forth the development of Air Deccan's route network and certain additional information relating to the operation of that network for the periods indicated. All figures are unaudited.

Air Deccan	**Year ended March 31**			
	2003 (1)	**2004 (1)**	**2005**	**2006**
Number of routes operated at end of period	-	14	40	85
Average number of routes operated during period	-	11.29	23.92	53.92
Number of airports served at end of period	-	12	30	52
Average number of airports served during period	-	11	21.50	38.67

(1) Air Deccan began operations in August 2003.

In each of Mumbai, Delhi, Chennai, Bangalore, Kolkata and Hyderabad, Air Deccan has an operation base at which typically all its aircraft are parked overnight and from which most of its flights originate or terminate. Air Deccan is in the process of establishing a base at Trivandrum to accommodate certain high-volume routes. For the month of March 2006, Delhi was Air Deccan's largest base measured by the number of passengers served by Air Deccan. In addition to our seven bases, as at March 31, 2006, we served the following 46 regional business, leisure and religious destinations and state capitals (including those for which bookings are open):

Agartala	Bhubaneswar	Gwalior	Lucknow	Rajahmundry
Ahmedabad	Calicut	Hubli	Madurai	Ranchi
Aizawl	Chandigarh	Indore	Mangalore	Silchar
Amritsar	Cochin	Jabalpur	Nagpur	Srinagar
Aurangabad	Coimbatore	Jaipur	Nasik	Tirupati
Bagdogra	Dehradun	Jammu	Patna	Tuticorin
Belgaum	Dibrugarh	Jamnagar	Port Blair	Vadodara
Bhavnagar	Goa	Kanpur	Pune	Vijayawada
Bhopal	Guwahati	Kolhapur	Raipur	Vishakhapatnam
Trivandrum				

We believe that Air Deccan is the only airline to provide scheduled services to: Belgaum, Dehradun, Gwalior, Hubli, Jabalpur, Jamnagar, Kanpur, Kolhapur, Nasik, Vijayawada, Rajamundry and Tuticorin and one of only two airlines to provide scheduled services to: Aizwal, Amritsar, Bhavnagar, Calicut, Silchar,Tirupati and Vishakhapatnam.

Certain of Air Deccan's routes include routes between two regional destinations. Air Deccan flies these region-to-region routes as part of longer multi-stage routes that include a base. While Air Deccan sells tickets on the region-to-region portion of the journey, its primary focus is on the base-to-region portions of the route.

The following map shows the route network for which Air Deccan is currently taking bookings.

This map does not purport to be a political representation of India.

On-time service record, cancellations

Air Deccan has recently taken measures to improve its daily on-time management programme to improve on-time performance.

The aviation industry measures on-time performance by, among other measures, how often flights depart and arrive (i) within 15 minutes of their scheduled departure or arrival time or (ii) within one hour of their scheduled departure or arrival time. In March 2006, approximately 92% of Air Deccan's flights departed or arrived within an hour of their scheduled time. For the period between April 1, 2005 and March 31, 2006, 92% of flights actually flown arrived at their destination within one hour of their scheduled arrival time.

Delays and cancellations occur as a result of factors both in and out of Air Deccan's control. In particular, turn-around time of an aircraft between flights is within Air Deccan's control. Air Deccan is currently taking various steps to reduce the turn-around time of an aircraft between flights. Delays and cancellations may also result from factors out of Air Deccan's control, such as weather or airport congestion, which may impact the industry as a whole. Air Deccan's low-fare business model depends in part on the airline being able to run its aircraft at high utilisation rates. When aircraft are being run at such rates, any particular departure or arrival delay, whatever the cause, across the airline's network has a greater potential for causing knock-on delays to other Air Deccan flights. Air Deccan's flight schedule is therefore more sensitive to individual delays than the schedules of airlines that do not seek similarly high aircraft utilisation rates.

As a matter of general policy, when a flight is cancelled Air Deccan will either refund passengers the cost of their existing tickets through their point of sale or accommodate them on the next available Air Deccan flight or an alternative flight (within a fixed period) on another Air Deccan flights subject to availability and at the option of the passenger. For a description of Air Deccan's sales and distribution channels, see "—Marketing and Distribution".

Takeoff and landing slots

Takeoff and landing slots are allotted by the DGCA and AAI, the Airport Authority of India. The authorities allot winter slots, covering the period October to March, and summer slots, covering the period April to September. Once allotted, slots cannot be exchanged or sold. Applications for slots must be made one month in advance of their allotment. For previously existing slots, priority is generally given to the current user of the slot. Air Deccan regularly reviews its slots to determine whether it might seek a slot it believes may be more attractive to customers.

In general in India, takeoffs and landings are managed at a less frequent rate than in many other countries, with the result that a given day has fewer takeoff and landing slots available than in many other countries. Slots at specific peak times are in short supply principally at two airports: Mumbai and Delhi. Where slots are in short supply, an airline can usually get the number of slots it has requested, but not necessarily at the times it has requested.

Revenue and yield

Airlines seek to maximise revenue from ticket sales by keeping ticket prices as high as possible while filling as many seats as possible. Higher ticket prices, however, can depress sales and leave seats empty. Therefore, airlines such as Air Deccan engage in what is known as revenue management, yield management or load factor management in an effort to maintain ticket prices at levels that will generate optimal amounts of yield (or revenue per passenger) and optimal load factors (or levels of filled seats). We measure load factor by the ratio of passengers flown to the number of available seats flown.

Airline revenue maximisation can depend to a large extent on how well an airline employs revenue management, yield management or load factor management techniques. Typical basic techniques include, for example, avoiding selling all seats at the lowest fares and increasing fares over time in response to demands.

Air Deccan uses dynamic pricing to help optimise its load factors and yields. Using dynamic pricing, Air Deccan can vary its ticket prices for a given flight over a wide range of possible prices, for many weeks prior to that flight, in order to capture more revenue while also seeking to extend its market. Air Deccan is in the process of negotiating an agreement for implementing the use of Navitaire software, which is used by many leading no-frills, low-cost airlines around the globe for their revenue management, to conduct its dynamic yield and load factor management.

In its yield and load factor management, Air Deccan uses a team to manage the "booking curve", or number of tickets booked in advance, for each Air Deccan flight, through a dynamic pricing model based on demand, in order to ensure that seats booked well in advance are sold at low fares and seats sold closer to the day of travel are sold at higher prices, all with a view to optimising yield and load factors. This process is monitored continuously on a real-time basis and managed through a series of rules and protocols. Competitors' prices are watched regularly as part of the process.

As a consequence of its revenue management, Air Deccan's tickets tend to go on sale well in advance of the day of flight at low prices, and rise in price by the day of flight. Air Deccan's highest ticket prices may at any time undercut or exceed the prices its competitors charge for tickets on competitive flights. In general, Air Deccan opens bookings at least 90 days in advance.

Air Deccan sometimes uses promotions, generally on an ad-hoc basis and well in advance of departure, to increase sales on flights where it is likely that substantial numbers of seats may remain unsold at departure. Promotions may be used during seasonal slowdowns in sales and at certain other times, such as around certain holidays and in line with competitors making special offers, to raise visibility and pull potential customers to the Air Deccan website.

The following table sets forth certain information relating to Air Deccan's load factors and revenues for the periods indicated. All figures except revenue are unaudited.

Air Deccan	**Year ended March 31,**		**Eight months ended November 30, 2005**
	2004[1]	**2005**	
Available seats flown [2]	244,091	1,292,738	2,177,630
Passengers flown [3]	152,910	987,104	1,589,511
Passenger Load Factor [4]	62.64%	76.36%	72.99%
Revenues (Rs. millions) [5]	314.18	2,669.46	4,458.98
Revenues per Passenger (Rs.)	2,055	2,704	2,805

(1) Air Deccan began operations in August 2003.

(2) Defined as aircraft seating capacity over all flights flown during the period.

(3) Defined as number of passengers flown.

(4) Defined as passengers flown expressed as a percentage of available seats flown.

(5) Income from sale of airline tickets and related income.

For the year ended March 31, 2006, Air Deccan's overall average load factor was 72.15%. For the months of December 2005, and January, February and March, 2006, it was 75.91%, 71.97%, 67.44% and 70.56% respectively. Various factors may affect our load factors, including the opening of new routes, which generally begin with lower load factors and stabilise at higher load factors. Load factors may also be affected by an increase in the number of sectors flown on a given route per day, as demand adjusts initially to the greater availability of seats. Air Deccan, as also other airlines, generally experiences seasonal shifts in load factors.

Substantially all of Air Deccan's current and historical revenues come from ticket sales. However, it is part of Air Deccan's business model to seek to earn ancillary revenue whenever the opportunity exists and the simplicity of the airline's operations will not be disrupted. Air Deccan earns such revenues from the in-flight sale of food and drink, the in-flight sale of merchandise, the sale of advertising space on the outside surfaces of its aircraft and on various surfaces inside its aircraft and in a number of other ways. See "Management Discussions and Analysis of Financial Conditions and Results of Operations" on page 158.

Recently, Air Deccan agreed to sell, on a one-off basis, to another domestic airline some of Air Deccan's surplus regulatory credits earned by Air Deccan from its provision of flights to underserved regional locations in India, which the GoI requires all domestic airlines to serve. Such credits are required in certain amounts in order for an airline to maintain preferred levels of flying on routes with higher passenger density. Air Deccan will consider entering into additional such arrangements in the future as and when the opportunity arises.

Cost management

In order to help translate its low-fare strategy into positive results of operations, Air Deccan strives to reduce the costs of its operations. It does so in part by seeking to simplify operations, use technology when it can reduce costs, reject technology where it can complicate operations and outsource non-core business processes.

Simplifying operations can remove layers of costs, not all of which are obvious. For example, by arranging flight schedules so that an aircraft ends each crew shift at the same airport where it started that crew shift, Air Deccan can eliminate the cost of putting crews up overnight away from their homes, reduce the need for the airline to monitor crew locations between flights and streamline maintenance and other procedures related to the aircraft itself because the aircraft comes back each day to the place where it started.

In addition, Air Deccan has outsourced non-core operations in an effort to cut the costs of such operations. The food and drink that is sold on board our aircraft is provided by a third-party supplier, as is the in-flight magazine and in-flight screen entertainment.

Air Deccan also seeks to manage costs (and to create revenues) through sales and barter exchanges for advertising space. A variety of internal aircraft spaces, such as storage bins, headrests, tray tables, baggage tags and boarding passes, have been leased for advertising. In addition, Air Deccan has leased advertising space on the outside surfaces of aircraft. The Air Deccan Internet site, electronic newsletter and e-brochure are also used for advertising space. In flight, the airline currently offers drop-down TV screens which show freely provided video content and which can also support advertising. Air Deccan provides an in-flight magazine to passengers. The magazine is outsourced at no cost to the airline and is revenue-generating on a shared basis through advertising sales. As a result of advertising barter exchanges, Air Deccan is also accumulating advertising time on national television channels, newspapers and a radio channel.

Working capital management

Air Deccan sells tickets almost entirely on the basis of payments made in advance or within 24 hours of booking. As a result, it can reduce its need to finance working capital requirements. Air Deccan's ticket payment system also reduces customer credit risk for the airline. For a description of Air Deccan's sales and distribution channels, see "—Marketing and Distribution".

Air Deccan requires working capital to fund its payments for fuel, airport charges, personnel, aircraft lease payment finance and some maintenance operations. Air Deccan generally receives credit as a purchaser of goods and services for up to 15-30 days, except in the case of aircraft lease payments, which are payable in advance. Advance ticket sales receipts fund a substantial portion of the working capital needs.

Many airlines have substantially less beneficial sales and payment arrangements. For example, airlines that deal with traditional travel agents or that take reservations through one of the global GDS reservations systems may need to wait 30 days or more to be paid for tickets sold.

Marketing and distribution

Customers

Air Deccan targets three market segments, which it refers to as follows:

- leisure travellers,
- business travellers and
- corporate travellers.

Each segment exhibits different characteristics and needs, and presents Air Deccan with different opportunities to develop its business.

Leisure travellers. Leisure travellers travel for holiday / pleasure, or to visit friends and relatives, or make regular visits to their native regions or for a religious pilgrimage. Leisure travel includes advance-planned travel, generally as part of a longer break and generally booked well in advance, and shorter trips, such as three-day weekends, which are planned closer to the travel date and on which a leisure traveller may be willing to spend proportionately more. As a general matter, we believe leisure travellers are highly price conscious, making them an important market for Air Deccan.

Weekend getaways are also becoming increasingly popular and many new destinations have opened. We believe these trends are the result of a growth in disposable income coupled with a desire for an "upgraded" lifestyle.

We believe that as Air Deccan's India network grows, non-resident Indians who return to India to visit family will become an integral part of our customer base. In an effort to reach out to these non-resident Indians cost effectively, bookings can be through www.indiatimes.com.

Business travellers. Air Deccan uses the term business travellers to refer to travellers working for small and medium enterprises, who engage in business travel at their own cost (as part owners in their business) or who are otherwise highly cost- and time-conscious due to the size of the business, and are used to travelling in, for example, air-conditioned classes on trains.

Because they pay for their travel themselves or work for a small cost-conscious organisation, we believe business travellers are likely to be careful with travel expenditures. Business travellers often travel by rail or road and frequently must stay overnight to accommodate meeting schedules. With the recent growth of the Indian economy and the growth of new business centres, we believe there will be growth in this market segment, particularly to and from these emerging business centres. We believe that entrepreneurs will be attracted to the option of flying rather than taking the train.

Corporate travellers. Air Deccan uses the term corporate travellers to refer to travellers working for large corporations or who for some other reason are passing their travel costs on to others. A substantial number of regular corporate travellers are part of other airlines' frequent flier programmes. Such travellers tend to switch airlines only when they cannot obtain a flight on the airline with which they have frequent flier miles.

Corporate travel constitutes a large expense for many companies because their employees generally have little incentive to control their travel costs. Many companies have therefore established pre-defined travel policies or exclusive relationships with one travel agency. In some cases, companies have also selected preferred airlines.

Air Deccan, with its wide route coverage in India, believes that the corporate travel segment provides several opportunities. In particular, Air Deccan expects that many companies with large volumes of travel, many of whom may be seeking to cut costs to remain competitive, may seek to rationalise their travel expenditures. Air Deccan believes that it can provide opportunities for companies to achieve such cost savings, particularly on shorter routes where companies are likely to encounter less employee resistance to being required to fly on one particular airline.

Marketing strategies

Air Deccan is strongly focussed about its value proposition, which is "low fares". Air Deccan seeks to communicate the value proposition through:

- public relations,
- advertising,
- direct marketing and
- the Internet.

Air Deccan regularly evaluates its branding and position in the marketplace in order to constantly refine communications strategy to relate to its target customers. It targets both existing air travellers in its three customer market segments, focusing on the value and services it can provide to each segment, and customers who currently travel by rail or road, emphasising that the airline's low fares translate into "flying made possible" and a "better lifestyle through air travel".

To help convey its desired brand message, Air Deccan has been granted the right to use R.K. Laxman's celebrated Indian mascot the 'Common Man' as its brand ambassador. We believe that the use of the Common Man helps communicate to the mass of the Indian middle-class that Air Deccan is working hard to make the dream of routine air travel a reality for Indians, and helps those same people associate themselves with that dream.

Air Deccan directs customised marketing initiatives at certain of its targeted customer segments. For leisure travellers, it offers a ticket package called Value Flier, which provides multiple tickets useable over time by up to four members of the same immediate family. The airline is also in the process of developing leisure packages with bundled hotel offerings.

Air Deccan advertises principally through media channels such as print, radio and billboards and also, to a lesser extent, through television. The airline seeks to use television advertising to build emotional connect and print and billboard advertising to hammer out its "low fares" message. We entered into an agreement with Bennett, Coleman and Co. Ltd. on April 22, 2006. Under this agreement, Air Deccan will make advertisements in print media controlled by Bennett, Coleman and Co. Ltd. for a period of four years in exchange for a total consideration of Rs. 225 million. We have the further option to spend up to 11% of our annual advertising commitment under the agreement in non-print media controlled by Bennett, Coleman and Co. Ltd., such as television, radio and the internet.

Air Deccan's marketing efforts benefit from sales and barter exchanges for advertising space. A variety of internal aircraft spaces, such as storage bins, headrests, tray tables, baggage tags and boarding passes are used for advertising. In addition, Air

Deccan rents advertising space on the exterior surfaces of the aircraft. The Air Deccan internet site, electronic newsletter and e-brochure are also used for advertising space. Air Deccan provides an in-flight magazine to passengers. The magazine is outsourced at no cost to the airline and is revenue-generating on a shared basis through advertising sales. As a result of advertising barter exchanges, Air Deccan is also accumulating advertising time on national television channels, newspapers and a radio channel.

Sales and distribution network

Air Deccan's core marketing and distribution model is built around an internet booking system enabling internet reservation through its website through which tickets can be purchased on the Internet reservations system, www.airdeccan.net. Our objective is to drive traffic to the website through such means as advertising and public relations. In addition, to reach out to non-Internet connected markets and consumers, Air Deccan has established its own 24/7 call centre which uses the CRS to enable customers to book tickets by telephone.

Working with InterGlobe, Air Deccan has developed an Internet-based CRS. See "—IT Infrastructure". All reservations, whether made directly by a customer on the Internet or through an indirect channel, such as our call centre, the airport or a travel agent, are made using this CRS. As a result, Air Deccan has been able to lower its distribution costs while providing multiple ways for customers and potential customers to purchase tickets.

The CRS has helped Air Deccan to achieve cost reductions by allowing it to avoid costs associated with GDS reservation systems, through which most full service airlines manage their reservations. Air Deccan's reservations system has also allowed it to streamline personnel needs. Principally because Air Deccan's CRS is directly administered by Air Deccan and is designed to receive payments to Air Deccan at the time of booking, Air Deccan is able to staff its accounting and finance department with only 13 members.

Air Deccan's CRS can be used directly by any customer, worldwide, with Internet access and certain credit or debit card. In order to make the system accessible to customers who are not connected to the Internet or do not have a credit or debit card, Air Deccan has developed a number of distribution options new to India that work with the CRS. Customers, including non-resident Indians, can access Air Deccan's CRS through the website - www.indiatimes.com.

In addition, Air Deccan has facilitated sale of tickets through conventional and non-conventional travel agents. For example, for the eight months ended November 30, 2005, approximately 47% of Air Deccan's ticket sales were made through travel agents. In the usual travel agent model, travel agents make reservations through global GDS reservation systems and collect payments from their customers, which, in turn, must be collected by the airline from the travel agent. The use of such a model results in additional collection and administration costs for the airline and can also encourage over- or under-bookings. In the Air Deccan travel agent model, a travel agent looks up the availability of specific flights for a customer using the Air Deccan CRS through the Internet. The agent then collects from the customer the purchase price for the desired flights. The agent can purchase the tickets against a pre-paid deposit, his or her own credit or debit card or, if the agent wishes, a special ICICI-Air Deccan co-branded travel agent purchase card, which can only be used for purchases of tickets on the CRS. Any travel agent that has Internet access and a credit or debit card or makes a pre-paid deposit or applies for and receives the ICICI-Air Deccan travel agent purchase card, can access the airline's CRS and purchase tickets.

The travel agent model also allows Air Deccan to accept reservations from a non-traditional "travel agent". These may be merchants or similar business people, retail outlets, cyber cafes or people active in their community, who by virtue of holding a credit or debit card or by making a prepayment deposit can access the CRS and make pre-paid reservations for anyone, without otherwise operating a travel agency business.

Any other person with Internet access and a credit or debit card or who makes a deposit in a similar situation can similarly purchase tickets, even if they are not normally in the travel agent business. Air Deccan has also facilitated direct purchases through the internet by corporations, helping them save on commissions to travel agents.

For the eight months ended November 30, 2005, the second highest amount of ticket revenue was collected through direct internet purchases, accounting for approximately 31% of ticket sales. Direct internet customers pay a smaller handling fee than other customers.

For the eight months ended November 30, 2005, call centre sales accounted for approximately 9% of ticket sales. Sales made through the 24-7, 100-seat, multilingual call centre, which Air Deccan operates, are made through the CRS. Callers pay a handling fee which more than covers the cost of call centre operations. Call centre customers without a credit or debit card may, except in the last 48 before a flight, make a reservation and then deliver payment to their nearest travel agent within 24 hours. The agent collects the price to be paid and completes the payment through the CRS.

For the eight months ended November 30, 2005, sales made at airport ticketing desks, again run through the CRS, accounted for approximately 11% of ticket sales.

Similarly to non-traditional travel agents, oil company HPCL offers approximately 160 retail petrol pumps and Reliance Web World, an internet café chain, offers approximately 240 storefronts at which customers can purchase Air Deccan tickets for an added handling fee. Both HPCL and Reliance Web World prepay in order to have tickets to sell. All such sales are also made through the CRS. Air Deccan also has plans to conduct ticket sales by mobile phone over GPRS and SMS services.

The CRS used by Air Deccan enables it to:

- monitor yield management by providing online updated flight booking status,
- eliminate geographical boundaries,
- reduce collection costs and eliminate many administration costs associated with ticket sales,
- help ensure prepayment, which improves cash flow and reduces working capital,
- avoid over- or under-bookings by using only one CRS,
- sell tickets at all hours, round the year,
- pass on the cost of agents' commissions to customers,
- save on paper costs by using "e-tickets",
- simplify its operations and boarding process; and
- provide through the call centre a reasonably accessible, internet-based ticket purchase option for customers who do not have direct internet access themselves.

Unlike full-fare tickets sold by full-service carriers, which are generally fully or mostly refundable, Air Deccan imposes cancellation penalties when tickets are returned. These penalties range from 10% to 100% of the basic price, increasing incrementally as the travel date approaches. These penalties help us to recoup the cost of seats not filled due to cancellations and provide us with additional revenue.

Customer inquiries and complaints are monitored by a dedicated team. A substantial portion of complaints and queries relate to customers' surprise at the absence of traditional airline style services or practices. In addition, Air Deccan receives complaints and questions regarding matters such as delays and flight times and about internet accessibility and speed. Air Deccan seeks to address and resolve all complaints and queries as promptly as practicable. Overall, we do not believe that the level and substance of customer complaints is material to our business.

IT infrastructure

Air Deccan seeks to use information technologies where they will reduce costs and enhance operating efficiencies, or help the airline market and sell to a broader customer base. It seeks to avoid the use of technology where it may complicate rather than simplify operations.

Air Deccan's CRS, developed with InterGlobe, is an important component of Air Deccan's IT infrastructure. It provides cost savings by eliminating the need for expensive subscriptions to third-party GDS reservation systems; allows Air Deccan to access customers through the Internet, traditional and non-traditional travel agents and other distribution channels; simplifies reservations, collections and ticketing processes; and allows online monitoring by Air Deccan of flight bookings for yield managements. See "Marketing and Distribution—Sales and Distribution Network". Air Deccan also has plans to conduct ticket sales by mobile phones (over GPRS and SMS).

The Air Deccan CRS is accessible to all through the Air Deccan website, www.airdeccan.net. The website is Verisign-certified secure for e-commerce purposes. Air Deccan has established two fully redundant online payment gateways and data links to help ensure both security and continuity of service for our website customers. Air Deccan also has a new 24/7 call centre, which sells tickets using the Air Deccan CRS. See "Marketing and Distribution—Sales and Distribution Network". Secure payments can be made using credit and debit cards. The reservations system will also accommodate "hold and pay", through which a customer may make a reservation and pay within 24 hours at a convenient Air Deccan travel agent. See "Marketing and Distribution—Sales and Distribution Network".

The IT infrastructure also allows Air Deccan to provide web connectivity for all points of sale, including direct Internet customers, call centre customers and airports via telephone or leased line dial-in or, in some parts of the country V-SAT link. This connectivity has allowed Air Deccan to do away with "SITA" lines, which are relatively expensive communications links that provide relatively limited connectivity and are used by other airlines to keep in touch with their check-in and other airport operations. Internet-based airport connectivity has also allowed Air Deccan to expand its airport operations quickly and inexpensively into smaller towns where SITA lines are not available and where, as a result, the lack of connectivity has been a problem for SITA line users.

Air Deccan has adopted several other IT measures which we believe reduce costs and may also improve operational efficiencies. In particular, it has centralised IT resources within its operations, under the coverage of an IT team which as of March 31, 2006 included 35 staff. It has also implemented the multitasking of bandwidth, which helps to reduce wasted bandwidth while helping to improve the efficiency of communications. Air Deccan has also adopted several other IT measures aimed at reducing costs and improving its operational efficiencies:

- the use of open-source software where appropriate, including for firewalls and e-mail servers,
- the reduction of long-distance and local telephone costs through implementation of voice over Internet protocol and other technologies,
- the implementation of Intranet to help streamline corporate communications, including our human resources communications, and
- with effect from December 1, 2005, the ARMS system to coordinate operation, engineering, logistics and training.

Air Deccan endeavours to maintain reliability and security in its IT infrastructure. It has achieved connectivity in excess of 99.5% of all points of sale, helping to ensure customers can connect with us. Air Deccan's CRS resides on servers hosted at InterGlobe's data centre located in Gurgaon, India, which offers complete redundancy in power, fire suppression, network connectivity and security. The servers are connected with redundant Internet connections leased from BSNL and Bharti, as well as by HCL wireless loop to help maximise network availability. Connectivity is maintained using an automated router that switches from a primary BSNL connection to a backup Bharti connection in case of failure. If both the leased connections fail the HCL wireless loop is used to keep the site live. The network connectivity is continuously monitored by a 24/7/365 support team at InterGlobe, HCL and Air Deccan to avoid downtime. To further help maintain security, the Air Deccan servers are kept isolated from other networks and a Cisco Pix 515e Firewall and LINUX firewall has been installed to extend network security. The servers are also updated periodically with new security, operating system, database and anti-virus patches. Backup procedures include routine database, transaction log, website and server log backups. HCL provides double or triple redundancy to all crucial connectivity links and triple-redundancy for "last-mile" applications and Air Deccan's data servers. Air Deccan is in the process of migrating the CRS servers to a neutral hosting service provider.

The data centre facility is driven by 24/7 UPS battery backup power, and there are dual diesel generators on site. In addition, the data centre maintains security access on an individual, badge-cleared basis. Badges, or security clearance, are required to enter the secured parking area, to pass from the parking area to the data centre grounds and at all building entrance points. Special access is required to enter the data centre computer floor area and 24-hour video surveillance is monitored by security guards. Furthermore, measures are in place to ensure temperature and humidity controls and fire monitoring and suppression.

Operations

Air Deccan seeks to conduct its operations in a rigorous and professional manner, while keeping its operations as simple and cost-effective as possible. The airline is in the process of implementing a number of operational changes that are intended to further improve efficiency and performance and reduce costs. These changes include:

- Implementing new Airline Resource Management System ("ARMS") software. Air Deccan has adopted ARMS to provide itself with an integrated approach to maintenance and engineering control and planning, including maintenance scheduling, inventory control and technical manual availability. ARMs will also allow the airline to refine its flight and ground operations management. For example, using ARMs, Air Deccan should be able to more carefully coordinate all the various aspects of flight operations, maintenance and ground operations.
- Simplifying crew assignments. Under new Air Deccan procedures, cabin crew have begun transporting themselves to the airport and providing for their own meals during work hours. All crew members will be staffed on flights in a manner designed to minimise or eliminate the need to provide for overnight accommodation away from crew members' home airports.
- Revising ground operations in order to reduce aircraft turn-around time between flights. For example, Air Deccan is seeking arrangements that will allow its passengers to walk out to its planes, which will free the airline from the need to use jetways or buses and will permit boarding and disembarking through two doors of the aircraft. In addition, under new Air Deccan procedures, cabin crew now clean their aircraft during turnarounds so that outside cleaning crews need not enter the aircraft and slow down turnaround. Air Deccan also intends to begin boarding passengers as soon as the last passenger has disembarked from the previous flight.
- Taking steps to simplify the ticketing and check-in processes. For example, Air Deccan has eliminated paper ticketing and uses e-ticketing and printouts of e-tickets when necessary. In addition, it has a policy of not assigning seats. Moreover, seats are not offered on a standby basis, as Air Deccan believes that standby arrangements complicate aircraft boarding and turnaround.

We have, and may continue to have, discussions with other airlines in India about steps that we and one or more of these other airlines could take to share resources and facilities relating to our operations to enhance efficiency and reduce cost. We have so far not reached agreement with any other airline on any of these possible steps, and we cannot state at this time whether we are likely, or unlikely, to reach any such agreements.

Engineering and maintenance

As of March 31, 2006, Air Deccan's engineering department employed 470 people of various grades and skills to maintain its ATR 42s, 72s and Airbus A320s. Air Deccan has recently reorganised its engineering department into two teams–line maintenance and planning and engineering quality assurance–with managers for each recruited from low cost carriers Ryanair and JetBlue. We expect Air Deccan to continue to evaluate and reorganise its engineering department in an effort to realise further efficiencies and cost savings.

Air Deccan has a quality control division that oversees compliance with all airworthiness requirements and coordinates with the DGCA for various engineering activities. It also monitors components and analyses defects of systems and components and forecasts long and short-term maintenance activities.

Air Deccan has also begun implementation of the Airline Resource Management System ("ARMS") software. Air Deccan has adopted ARMS because it believes it will provide the airline with an integrated approach to maintenance and engineering control and planning, including maintenance scheduling, inventory control and technical manual availability as well as flight and ground operations management. We expect that by centralising the control and planning functions, ARMS will allow Air Deccan to realise further operating efficiencies.

Air Deccan maintenance procedures are regulated by the DGCA. Regulations framed by the DGCA are based on ICAO requirements. Air Deccan maintenance programs are based on manufacturers' maintenance planning documents, or MPDs that are approved and certified by the DGCA. Air Deccan has voluntarily applied to the DGCA to operate under new maintenance standards set forth in CAR (Civil Aviation Rule) 145, which is more flexible than current maintenance standards and involves self-regulation. Air Deccan expects to implement CAR 145 DGCA approval shortly.

The maintenance performed on Air Deccan aircraft includes line maintenance, comprising transit checks, made after every flight, end-of-day checks, made at the end of every day and any diagnostic and routine repairs, as well as scheduled maintenance checks, which are of varying scheduled intervals and take varying amounts of time to complete. The following tables set forth the scheduled maintenance checks Air Deccan performs on its ATR fleets:

ATR checks	Frequency/when required	Length of time out of service required
Weekly Check	Weekly	4 hrs
A1	500 Flight Hrs (FH)	8 hrs
A2	1000 FH	10 hrs
A3	1500 FH	10 hrs
A4	2000 FH	16 hrs
1C	4000 FH	10 days
2C	8000 FH	8 days
4C	16000 FH	4 days
1YE	1 year	8 hrs
2YE	2 year	7 days
4YE	4 year	9 days

For its Airbus fleet, Air Deccan performs mainteinance checks as prescribed by the manufacturer/lessor and in line with good industry practices. For example, it conducts structural inspections which are called at a frequency 6 years and 12 years.These inspections are also done after 42,000 flying hours whichever is earlier.These checks are to be accomplished within the 20 month routine checks.

In general, Air Deccan plans for scheduled maintenance to result in 12 days lost service per year per Airbus and ATR. Air Deccan plans its scheduled maintenance to help minimise disruption to its operations.

Air Deccan has entered into various contracts in connection with maintenance support for our Airbus A320 and ATR fleets, including arrangements with SAS for certain Airbus A320 services, arrangements for certain engine maintenance services wheel and brake arrangements and pre-delivery checks. Air Deccan will continue to evaluate opportunities to outsource maintenance operations where such outsourcing will provide cost savings. Air Deccan has agreed to provide, on a short-term basis, transit check services to KLM at Hyderabad. We believe that providing these services do not interfere with Air Deccan's own operations.

At each of Air Deccan's base airports, the airline maintains in-house engineering and maintenance facilities. Air Deccan maintains facilities for A-checks at each of its bases; however, it plans, in future, principally to conduct Airbus A-checks at two bases and ATR A-checks at four of its bases. It has a wheel and brake shop for maintenance of ATR and Airbus wheels, at Bangalore. In addition, the Taneja Aerospace Aviation Ltd.'s hangar at Hosur, Bangalore is available for major servicing and the airline has used the workshops and hangar facilities of HAL Hangar at Bangalore and the Indian Airlines and Air India hangars and repair facilities in Mumbai as required. Aircraft are sent off site to an approved facility for more substantial checks.

Air Deccan has centralised its stores in a facility at Bangalore airport. As Air Deccan migrates to ARMS, it expects to be able to further rationalise its spares and stores management and track inventory better. Air Deccan currently maintains one spare IAE V2527-VS engine for its Airbus A320 aircraft, one spare PW-121 engine for the ATR 42-320 aircraft and one spare PW-127 engine each for its ATR 42-500 and ATR 72 aircraft.

Ground operations

Ground operations include check-in, security, baggage handling and passenger handling. Air Deccan has operational infrastructure for all its ground operations, through ownership, lease or outsourcing, at all the airports throughout India that it services. Air Deccan seeks to simplify its ground operations to help promote efficiencies and create cost savings. At its six bases, it maintains full facilities for its base operations. At the other airports it services, Air Deccan requires less extensive infrastructure.

Air Deccan has sufficient overnight parking bays at each of its bases. As the fleet expands, Air Deccan expects to be able to add new parking bays as necessary and at the appropriate bases or to establish new bases where it can obtain overnight parking bays, particularly for its ATR fleet.

Flight operations

Operations control. Air Deccan has a single operations control centre, located at Bangalore airport, which serves as operations control for the entire airline. On a day-to-day basis, operations control executes the pre-planned scheduling scheme for all planes, pilots and flight crews. Operations control also drafts flight plans. We expect that the implementation of ARMS will help to enhance operating efficiencies by coordinating the various aspects of flight operations with our maintenance and ground operations.

In-flight services. As a low cost, no-frills airline, Air Deccan provides no free in-flight amenities. Instead, customers pay for their own refreshments and amenities. Air Deccan outsources all catering facilities, with the responsibility for wastage falling on third parties.

Safety and quality

Air Deccan is dedicated to the safety of its passengers and employees. It has taken numerous measures, voluntarily and as required by regulatory authorities, to maintain and promote the safety of its operations. These measures include an active incident/accident prevention programme, a hazard reporting system, a preventative maintenance philosophy and follow-up of all incidents. The airline's flight safety department is staffed by experienced aviation professionals. As required by the DGCA, this department reports to the Chief Executive Officer in order to help maintain its independence and objectivity. Air Deccan has implemented many procedures to monitor safety and to help ensure any potential areas of concerned are identified and resolved, and it continues to seek ways to further enhance its safety monitoring practices.

Air Deccan conducts regular meetings, at both the operational level and at management level on a daily and a weekly basis to address safety-related matters. Air Deccan is also subject to independent safety audits by the DGCA, Airbus and ATR.

In its most recent safety audit of Air Deccan, the DGCA identified certain areas where deficiencies were observed in respect of operations and engineering. These deficiencies were largely of a technical nature. Air Deccan has responded to the audit report. We believe that the issues raised by the DGCA have been reviewed and, where necessary, addressed.

Air Deccan complies with the safety standards of the DGCA. It also maintains its aircraft in accordance with manufacturers' specifications and applicable safety regulations. We believe Air Deccan has adequate trained engineering manpower for both its Airbus and ATR fleets. Daily and other periodic maintenance schedules are strictly followed to keep the aircraft in good technical health. See "—Engineering and Maintenance".

Airlines around the world and in India, including Air Deccan, are required to follow high standards of flight and equipment monitoring. Each aircraft has an operational flight data monitoring system and each engine has an engine condition trend monitoring system, each of which systems record performance and operations data during the course of every flight. These data are then downloaded and analysed for every flight. Deviations from the normal technical and flying parameters are closely monitored. Depending on the nature of the deviation, Air Deccan takes action either through engineering, in the form of special checks, or through operations, in the form of notices to pilots and other personnel.

Air Deccan pilots are experienced, with the captains having an average of more than 4000 hours of career flight time. The airline has a training department that seeks to ensure the highest professional standards for pilots and cabin crew. Flight safety forms an integral part of the training curriculum of pilots, cabin crew and engineers.

Training

Training for our pilots and cabin crew is governed by requirements set forth by the DGCA.

Currently, our pilots and co-pilots receive training at the ATR or Airbus training centres in Toulouse, France for the Airline Transport Pilot License conversion to / endorsement on the ATR 42 or ATR 72 and Airbus A320 aircraft, respectively. Our co-pilots help pay a certain percentage of their own training and have three year lock-in contracts.

Air Deccan's pilots and co-pilots currently receive simulator training at approved sites in Europe and Asia. Air Deccan expects to acquire shortly a basic ATR simulator or trainer (without motion). It also plans to acquire one Airbus and one full ATR simulator for its base in Bangalore. Please refer to the section titled "Objects of the Issue" on page 30.

Air Deccan conducts in-flight training for cabin crew members in-house, with DGCA approval. After their initial training, cabin crew members go through periodic testing and drills.

We recruit qualified engineers who have already had basic licensure training. If Air Deccan wishes to change a maintenance engineer's type rating, then it will pay for the necessary training. The airline's engineers, depending upon the training required are sent to the ATR or Airbus manufacturing facilities in Toulouse for advanced training.

Air Deccan's senior management have visited for a week Ryanair for training in low-cost airline management.

Security

Air Deccan complies with the regulations and instructions issued by the BCAS, which is the regulatory authority responsible for airline security in India. These regulations and instructions are in accordance with standards and recommended practices specified by the ICAO.

As on March 31, 2006, 400 out of Air Deccan's 2,410 employees are dedicated to security functions. In addition, Air Deccan trains staff to carry out appropriate security responsibilities. All crew and ground handling staff are required to undergo security awareness and dangerous goods training to identify potentially dangerous goods and items that can threaten the safety of a flight.

Air Deccan complies with international standard security measures, including those relating to: installation of reinforced doors and review of policies and procedures on cockpit visits and the occupying of jump seats; review of items allowed as cabin baggage; X-ray screening of registered baggage and cargo passenger and baggage reconciliation, entailing the removal of checked-in luggage from an aircraft when the passenger fails to board the aircraft; and appropriate security controls on catering services. In addition, Air Deccan seeks to promote passenger crew security by complying with regulations on access to secure areas in airports and aircraft, including screening before issue of ID access cards and routine searches of ground crew entering the aircraft.

Insurance

We maintain legal liability insurance, covering loss or injury to passengers, third parties and their property in an amount that we believe is consistent with airline industry practice. We insure Air Deccan aircraft against losses and damage, including as a result of riots, on an "all risks" basis. We have obtained all insurance coverage required by the terms of our aircraft lease agreements. We also insure Air Deccan's other assets, and maintain employee health and accident insurance. We believe our insurance coverage is consistent with airline industry standards and appropriate to protect us from material loss in light of the activities we conduct. No assurance can be given, however, that the insurance we carry will protect us from material loss. We do not maintain key-man life insurance or loss-of-profit insurance. We are now considering proposals for obtaining key man life insurance for certain of our personnel and key management.

Since commencing operations, Air Deccan has suffered only minor property damage, and no personal injuries, from technical snags.

Intellectual property

We have applied for registration in India of the trade names Air Deccan and Simplifly, as well as related trade dress and colours, including the open hands logo. Our registration is yet to be received, and we cannot assure you whether or when such registration will be granted.

We also have the right to use the Common Man as a brand ambassador in India. We have built up a portfolio of domain names around the world in order to try to prevent third parties from profiting by registering domain names that are confusingly similar to our domain names.

We own or license all of the IT used in the operation of our business. Air Deccan entered into a Software Development and Hosting Services Agreement with InterGlobe, pursuant to which InterGlobe has developed both Air Deccan's CRS and current RMS and provides hosting and disaster recovery services in respect of these systems. Pursuant to this agreement, Air Deccan has a non-exclusive, non-transferable worldwide license to use the hardware and software that comprise the CRS and RMS, but InterGlobe retains all intellectual property rights in respect of the CRS and RMS. The term of the agreement runs until February 23, 2008.

People

Air Deccan places great emphasis on the selection and training of enthusiastic employees with the potential to add value to our business and whom we believe fit in and contribute to our business culture. It has a preference for employees who have an entrepreneurial spirit and are motivated. Air Deccan maintains a relatively flat management structure to avoid wasteful layers of reporting and oversight.

Pilots. Pilots are generally in short supply in India. Under DGCA requirements, first officers (co-pilots) must be Indian. Also, non-Indian captains (pilots) must have previously flown 50 hours on the type of plane they are piloting. To address the pilot shortage caused in part by these rules, the DGCA has recently passed a new rule requiring pilots to give 6 months' notice before leaving an airline. In addition, the mandatory retirement age for pilots has been increased to 65 years.

In general, an airline needs five flight crews, or ten pilots, per aircraft, although Air Deccan can, for shorter periods, operate with four flight crews per aircraft. We seek to employ a sufficient number of qualified pilots to be ready to staff new aircraft as they are deployed, at least four months in advance. Air Deccan has instituted a continuous sourcing project to recruit pilots. It also seeks to fill pilot positions by training co-pilots, and, in the case of Airbus A320 pilot positions, existing ATR pilots.

In-flight (cabin crew). Air Deccan's in-flight cabin crew members pay for their own initial training. Their compensation is 20% fixed and 80% variable depending on how often they fly and any additional incentives they earn.

Air Deccan seeks to make sure that in-flight service costs are kept to a minimum. Therefore, the food and drinks served on board must be paid for by passengers.

The number of employees of Air Deccan and the areas in which they served as of the dates indicated are set forth in the following table:

	As of March 31,		
	2004	**2005**	**2006**
Pilots and co-pilots	32	130	385
Cabin crew	31	124	427
Engineers	34	248	470
Security	8	41	400
Marketing and Sales	36	108	77
Call Centre	17	49	254
Logistics	143	308	72
Airport Services		32	30
Planning and QC		32	44
Others (Including Administration, IT, Accounts, Commercial and Training)	80	111	251
Total	**381**	**1,183**	**2,410**

(1) Air Deccan began operations in August 2003.

Attrition rates (based on the average number of personnel at the beginning of such period and at the end of such period) for our employees in fiscal 2004, 2005 and 2006 were 0.08%, 2.70%, and 2.73%, respectively. We seek to recruit and train young candidates and train them in anticipation of such attrition. We promote meritorious employees to supervisory positions, positions in base management and as trainers in order to help retain talent.

We have implemented an Employee Share Option Scheme, or ESOP 2005, to reward our employees for their contributions and to create employee ownership in us by granting Equity Shares in which eligible employees and directors of the Company can participate, subject to such approvals as may be necessary. All employees who were eligible to receive options under the scheme have been granted options. As on the date of filing this Red Herring Prospectus, we have issued 4.73% of our pre-Issue paid-up equity capital and propose to issue a maximum of 10% of our pre-Issue paid-up equity capital for the ESOP scheme. Please refer to "Capital Structure" on page 20 for details.

To date, none of our workforce is unionised. We have not experienced any disruptions in our business and operations as a result of any work stoppage, strike or employee unrest.

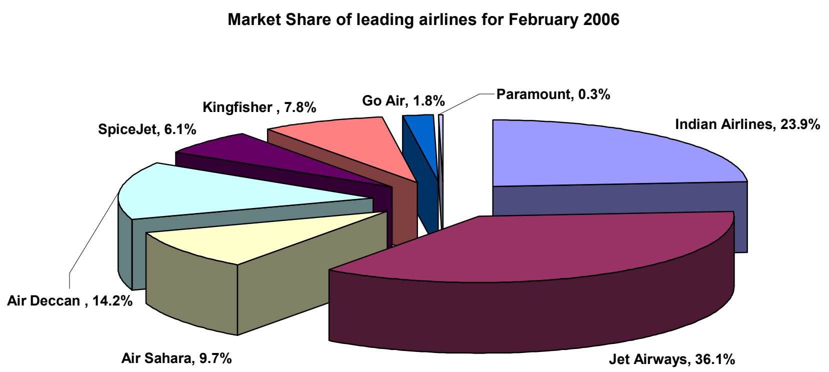
Competition

Air Deccan competes for passengers principally on the basis of routes flown, fare levels, the frequency and timing of flights, the reliability of services, brand recognition and customer service. Many of its competitors also seek to compete on the basis of passenger amenities, although Air Deccan chooses instead to offer no-frills flights at generally low prices. We believe Air Deccan has a number of strengths that help it compete. See "—Competitive Strengths".

The Indian airline industry is very competitive and we expect competition to increase in the near future. Air Deccan's market position will depend upon our ability to anticipate and respond to various competitive factors affecting the industry, including pricing strategies and the emergence and growth of other low fare carriers. We expect that increased competition may further shorten supplies of pilots and engineers, making them costlier to employ.

Currently, Air Deccan's most direct competitors are the airlines SpiceJet and GoAir. SpiceJet is a relatively new entrant into the low-cost carrier market. GoAir, a privately owned low-cost carrier, began operations on November 4, 2005. Other competitors include the Indian Government-owned Indian Airlines (including its subsidiary Alliance Air) and the private companies Jet Airways and Air Sahara. All of these airlines are full-service carriers offering flights on domestic routes and certain international routes. In addition, Kingfisher has recently begun a domestic airline that currently appears to be following a full-service strategy. Furthermore, Paramount Airways, an all business class, economy-fare scheduled airline, commenced operations in September 2005. There are also various published reports of other airlines being set up or commencing operations as either full service or low-cost airlines. As and when such airlines commence operations, they would compete with us and other existing airline operators.

The following chart shows the market share figures for leading scheduled domestic airlines for February 2006:



Source: Centre for Asia Pacific Aviation

Certain of our competitors, including in particular the Government-owned competitors, may have significantly greater resources than those available to us.

Indian domestic airlines, including Air Deccan, also compete against other forms of transport, including rail and road transport.

Terrorist or other incidents that lead to the imposition of tighter security measures for air travel are just one of the possible future developments that could hinder the competitive effectiveness of air travel. The Indian Railways are the largest transport entity in India and in fiscal year 2004, carried approximately 52 million passengers travelling first class and air conditioned second class.

Any failure by us to compete effectively, including in terms of pricing, marketing, operations, safety, security, providing services, helping the Indian market to embrace our no-frills product offering or otherwise, could have a material adverse effect on our business, financial condition and results of operations. In particular, it is to be expected that as competition in the Indian market increases and low-fare airlines compete head-to-head more often, competing airlines and other forms of transportation may engage in significant fare reductions and discounting, or "price wars". It is difficult to predict how long or how aggressive any such price wars might be, or how well or poorly Air Deccan could sustain its business, financial condition and results of operations during any such price wars.

DECCAN AVIATION

Vision

At the time of Deccan Aviation's inception in 1997, most aircraft chartering was conducted by large corporate entities that maintained aircraft fleets principally for their own use and lent their spare aircraft capacities to others. To a large extent, this is still true today. In contrast, aircraft (including helicopter) chartering has always been the core service of Deccan Aviation. From the commencement of its operations, Deccan Aviation has aimed to be the leading chartered aircraft service provider in India. It aims to acquire and maintain the capability to provide its customers with a wide gamut of airborne services throughout the country and be recognised for its professionalism, reliability and safety. To express these goals, it has adopted the motto, "If it's on the map, we will get you there".

Competitive strengths

Deccan Aviation's competitive strengths include:

- ***Focus on customers.*** Deccan Aviation has always sought to put its customers' needs and desires first and to tailor its product and service offerings with customers firmly in mind.
- ***Relatively large fleet***. Deccan Aviation's fleet and pool of qualified pilots enables it to provide a variety of dependable and high quality services.
- ***Innovative spirit.*** Deccan Aviation has repeatedly demonstrated its willingness to provide innovative services. To this end, it has entered into specialized ventures in the areas of low-level, long line geophysical surveys, banner towing and packaged heli-tourism and medical evacuation in order to capitalise on emerging business opportunities.
- ***Maintenance skills.*** Deccan Aviation employs a team of qualified maintenance engineers, many of whom have been trained by aircraft manufacturers in their facilities and is able to provide maintenance not only for its own charter fleet but also for those of third parties.

Fleet

As of March 31, 2006, Deccan Aviation has a fleet of ten helicopters and two fixed-wing aircraft. We own nine of Deccan Aviation's aircraft and have obtained three aircraft under operating leases. The following table sets forth brief details of the Deccan Aviation fleet:

Type of Aircraft	Number of aircraft	Manufacturer	Sitting capacity (including crew)	Mode of ownership
Bell 206 (Helicopter)	4	Bell Helicopter Textron Inc.	5/7	Owned
Bell 407 (Helicopter)	4	Bell Helicopter Textron Inc.	7	Owned
Bell 212 (Helicopter)	1	Bell Helicopter Textron Inc.	15	Leased
Ecuriel AS-355 (Helicopter)	1	Eurocopters	6	Owned
Pilatus PC 12 (Fixed wing aircraft)	2	Pilatus Corporation	11	Leased

Under the terms of our lease agreement for the two fixed-wing aircraft, we are required to make certain monthly payments on the basis of actual hours flown, subject to a minimum of 50 hours.

Further, we have entered into loan agreements with SREI Infrastructure Finance Limited in connection with the financing of the purchase of two Bell 407 helicopters. Under the terms of these agreements, a charge has been created over the helicopters in favour of the lender, pending the repayment of the loans. The terms of the agreements also require us to enhance the security from time to time, as and when the same is deemed necessary.

Services

Deccan Aviation offers the following charter services:

- ***Heli-tourism.*** Heli-tourism services include about ten to twelve one-stop-shop packages for tourists to such destinations as game sanctuaries and heritage sights.
- ***Adventure sports flying.*** Deccan Aviation provides services for adventure sports and enables skiers to access various high altitude ski slopes in the Himalayas.
- ***VIP and corporate executive travel.*** Deccan Aviations provides charter services to high net worth individuals, leading Indian and international businesses and political leaders.
- ***Medical evacuation.*** Deccan Aviation, with its combination of short-range helicopters and long-range fixed wing aircraft, provides emergency medical evacuation services in India and nearby countries. Recently, Deccan Aviation has entered into a memorandum of understanding with the Escorts Heart Foundation for the provision of medical services.
- ***Aerial surveys.*** Deccan Aviation's aerial survey services include low-level geophysical survey services for mining companies and power line inspection for power distribution companies.
- ***Media, advertising and entertainment-related services.*** Our media-related services include chartered services for media coverage of various events, aerial photography and filmmaking. Deccan Aviation also offers banner-towing services for the purpose of advertising.
- ***Offshore and inland support services for oil-extraction companies.*** Deccan Aviation offers various oil extraction consortia offshore and inland chartered services for transporting personnel and equipment to various locations, including offshore oil extraction sites.
- ***Religious pilgrimage.*** Deccan Aviation provides helicopter charter services for pilgrimages to high-altitude shrines.
- ***Customised services.*** Deccan Aviation occasionally provides individually customised services based on demand.

Deccan Aviation has entered into long-term contracts for the provision of services, from which we generate income on an as-used performance basis. These include:

- a contract with the Shree Mata Vaishno Devi Shrine Board in Katra for the transportation of pilgrims,
- an arrangement to transport employees to offshore oil sites for an oil extraction company,
- an arrangement to transport employees for an oil extraction company,
- a contract with the government of an Indian state to provide helicopter services and
- an agreement with a TV news channel to provide a helicopter on short-notice call for news gathering, paid for partly in cash and partly in advertising air time credits.

In respect of some of our contracts, including those relating to our offshore services offered to public sector enterprises, we are required to compete in a competitive bidding process.

In addition, Deccan Aviation also derives regular revenue by providing maintenance services for third-party aircraft. See "—Maintenance".

Operations

Deccan Aviation maintains bases in Bangalore, Delhi, Hyderabad, Katra, Mumbai, Ranchi and Surat. Each base maintains support infrastructure for the charter fleet and is run as a largely independent operating centre. Deccan Aviation's operations include its own in-house training programmes.

As of March 31, 2006, Deccan Aviation had 226 employees.

Maintenance

From its inception, Deccan Aviation has itself maintained its helicopter fleet. In December 2004, it signed an agreement with Bell Helicopters Textron Inc. to act as a Bell maintenance agent in India. Subsequently, it opened a Bell-approved CSF, at Jakkur, Bangalore for the maintenance of single-engine helicopters. Under its arrangement with Bell, Deccan Aviation is eligible to run a Bell-approved CSF till June 30, 2006, after which Deccan Aviation may seek a renewal if it wishes to continue offering such services.

Deccan Aviation maintains helicopters and fixed wing aircraft for various government and private operators.

Insurance

Deccan Aviation maintains various insurance policies in amounts and with coverage consistent with what we believe to be charter industry practice. Deccan Aviation also maintains additional coverage to insure against operational and location-specific risks. Deccan Aviation has obtained all insurance coverage required by the terms of our aircraft lease agreements.

In 2002, a Deccan Aviation helicopter suffered a fatal crash. In another accident, in December 2003, a helicopter became snagged in a net while flying offshore, and the helicopter was damaged beyond repair. No injuries were suffered. In 2005, a petrol bomb landed in a helicopter that was engaged for an electioneering charter. No injuries were suffered. In each instance, Deccan Aviation's insurance claims were paid in full. However, the terms under which these insurance payments were made to us require that we refund the amount received if the DGCA or another competent authority concludes that the loss or assessed damage for which the claim has been paid is not concomitant with the coverage under the insurance policy under which the claim has been paid.

Competition

Deccan Aviation competes principally on the basis of customer service, reliability, flexibility and strong brand name. We believe that Deccan Aviation has a number of strengths that help it compete. See "—Competitive Strengths".

The Indian charter business is very competitive and is growing more competitive. Deccan Aviation's market position will depend upon effective business development initiatives and our ability to anticipate and respond to various factors affecting the industry, including product and service innovations, pricing strategies and particular issues important to competition for longer-term charter contracts.

Our principal competitors include such entities as, in the offshore business, Pavan Hans, United Heli-Charters and Global Vectra, and in the general charter business, Pavan Hans, Millionaire, Transbharat Aviation, India International, Spanair and others. Certain of our competitors, such as government-owned charter companies, may have significantly greater resources than those available to us.

PROPERTY

Property

We have taken various premises in India on rent, lease or leave and licence basis which can be classified as:

- airport premises;
- commercial premises; and
- employee residential premises.

Airport premises

We have leased premises and work spaces from the AAI, in 53 of the airports where we operate. These include:

- check-in counters;

- ticketing counters;
- back-up offices; and
- areas on the ramp for equipment storage and related purposes.

The extent of space and facilities that we lease at each airport is determined by the current operations and the expected growth of our operations. The extent of space that we lease also depends on the space an airport can offer.

We have leased space engineering operations at the Chennai, Guwahati and Nagpur airports. We have also leased a hangar at the New Delhi airport. We have been allotted land by the AAI at the Kamaraj International Airport, Chennai, where we propose to construct a hangar for housing the Airbus A-320 and ATR aircraft.

The lease rentals payable are specified by AAI and vary according to the usage, the location of the airport and amenities available at such premises. We are responsible for the renovation, furnishing and maintenance of such premises, and for the payment of utilities. Agreements with AAI for such premises are typically for a period of three years. These agreements are typically renewed at the expiry of such lease periods.

At Bangalore International airport, charges for the use of open spaces on the ramp are paid to Hindustan Aeronautics Limited. The Cochin airport is operated by Cochin International Airport Limited, or CIAL, and we have leased certain premises at the Cochin airport from CIAL for back office operations and for ticketing offices.

In addition, we have been allotted land measuring 6120 square meters by the AAI, International Airports Division at Chennai Airport for a period of ten years commencing January 31, 2006. This property has been granted to us for the purposes of construction of a hangar. Construction can commence after the plans for the said construction are approved by the AAI. We are permitted to use the hangar only for the parking and maintenance of our aircraft and the said allotment will stand cancelled if aircraft belonging to other companies stand cancelled.

We are required to make a payment of an annual license fee in addition to electricity and water charges for the said land. In addition to the above recurrent payments, we are also required to provide an advance license fee payment and a security deposit. We are also required to execute a formal agreement for the allotted land pursuant to the terms under which it has been granted to us.

Commercial premises

Our registered offices and major departments are located at the premises bearing No. 35/2, 35/3, 35/6, 35/7 and 35/8 Cunningham Road, Bangalore. Certain of our departments are located near our corporate offices. We are in possession of these premises on a leasehold basis and the corresponding lease agreements are valid for a period of five years.

We have ticketing counters and office areas in 51 airports from which we carry out our airport operations, and have additional offices in Chennai and Kolkata.

Employee residential premises

We provide accommodation for certain of our personnel, and have taken on leave and licence or lease 37 residential premises, most of which are located in Bangalore. The agreements for these residential premises vary between eleven and 45 months.

In addition to the above, we have also obtained 13 residential premises on a leave and license basis and 2 on a lease basis. We utilise these premises as guest houses.

REGULATIONS AND POLICIES

The GoI has, over the years, formulated various regulations which specifically apply to companies operating in the aviation sector. This regulation affects various aspects of our business including the acquisition, maintenance and operation of our aircraft, the destinations and routes we are able to access and the personnel we retain or engage. Some of the key industry regulations and the roles of the regulator(s) appointed/constituted thereunder, are discussed below.

Legislation applicable to our business

The primary legislation governing the aviation sector in India is the Aircraft Act and the Aircraft Rules which are enacted under the Act. The statute empowers various authorities including the DGCA to regulate aircraft operations in India.

In addition to the aforesaid legislation, the following are some of the important enactments applicable to entities (such as us) which provide scheduled air transport services and non-scheduled air transport services in India:

- **The Airports Authority of India Act, 1994:** a statute creating the AAI, and providing for the administration and cohesive management of aeronautical communication stations, airports and civil enclaves where air transport services are operated or are intended to be operated;
- **The Carriage by Air Act, 1972:** a statute giving effect to the Convention for the Unification of Certain Rules Relating to International Carriage by Air signed at Warsaw on October 12, 1929 (as amended by the Hague Protocol on the September 28, 1955), acceded to by India. India has also extended the provisions of this act to non-international carriage by air;
- **The Tokyo Convention Act, 1975:** a statute giving effect to the Convention of Offences and Certain Other Acts Committed on Board Aircraft, as signed at Tokyo on September 14, 1963 and acceded to by India;
- **The Anti-Hijacking Act, 1982:** a statute giving effect to the Convention for the Suppression of Unlawful Seizure of Aircraft, signed at The Hague on December 16, 1970; and acceded to by India, and
- **The Suppression of Unlawful Acts Against Safety of Civil Aviation Act, 1982:** An Act to give effect to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation signed on September 23, 1971 at Montreal and acceded to by India.

In addition to the above enactments and the Aircraft Rules, air transport services in India are governed by other rules including:

- The Aircraft (Public Health) Rules, 1954;
- The Aircraft (Demolition of Obstructions Caused by Buildings, Trees Etc) Rules, 1994; and
- The Aircraft (Carriage of Dangerous Goods) Rules, 2003.

In addition to the above, legislations relating to direct and indirect taxation, environmental and pollution control regulations, intellectual property, labour and employment related legislation etc. apply to us, as they apply to all industries. We are required to obtain various consents, approvals and permissions prior to or during the course of our operations under the aforesaid legislation.

Regulators

DGCA

Domestic aviation in India is jointly regulated by a series of Government departments and regulators including the MoCA and its attached office, the BCAS – which is the central agency for aviation security; the AAI – which is responsible for the infrastructure in respect of airports; and the DGCA (also an attached office of the MoCA) - which is responsible for the regulation of air transport services in India and for the enforcement of civil air regulations, air safety and airworthiness standards.

The DGCA acts as the principal regulatory authority that regulates the civil aviation sector in India. *Inter alia*, the office of the DGCA promulgates, implements and monitors standards relating to the operations and airworthiness of an aircraft, licensing of personnel such as flight crew, cabin crew, flight dispatchers and aircraft maintenance engineers, air transport operations, licensing of civil aerodromes, investigation of minor accidents, etc. The detailed terms and conditions of these standards, including, without limitation, the authorities involved, the application processes and the requirements of renewal are prescribed by the Aircraft Act, the Aircraft Rules, CARs, ATACs, AICs and other circulars and advisory circulars.

Among other things, the DGCA is responsible for the following:

- ***Aircraft registration:*** DGCA is responsible for registration of all civil aircraft in India. Rule 30 of the Aircraft Rules empowers the DGCA to register aircraft and to grant certificate of registration in India;
- **Certificate of airworthiness**: Rule 15 requires that all aircraft registered in India to possess a current and valid Certificate of Airworthiness before it is flown. Under the provisions of Rule 50A, the DGCA issues/renews or revalidates the Certificate of Airworthiness;
- **Grant of approval to maintenance organisations**: under Rule 133B certifies approved organisations for maintenance of aircraft.
- **Continuing airworthiness information**: DGCA issues continuing airworthiness information in the form of mandatory modifications/inspections which prescribe the mandatory actions required for the continued safe operation of the aircraft. These mandatory modification/inspection notify aircraft owners of potentially unsafe and other conditions affecting the airworthiness of their aircraft and/or accessories;
- **Grant of air operator's permits**: DGCA, under the provisions of Rule 134 of the Aircraft Rules grants permission to persons to operate an air transport service to, within and from India. The air transport services offered are (a) Scheduled Air Transport Services (Passenger) (CAR Section 3 Series 'C' Part II), (b) Non-Scheduled Air Transport Services (Passenger) (CAR Section 3 Series 'C' Part III), (c) Air Transport Services (Cargo) (CAR Section 3 Series 'C' Part IV) and (d) Non-Scheduled Air Transport Services (Charter Operation) (CAR Section 3 Series 'C' Part V). These permits are equivalent to the Air Operator's Certificate required to be granted by ICAO member States. Details pertaining to the grant of Scheduled Air Transport Services (Passenger) and Non-Scheduled Air Transport Services (Charter Operation) permits are discussed below.
- **Grant of licences to crews and personnel involved in the operation and maintenance of aircraft**: The DGCA grants approvals and licences to certain personnel such as flight crew, cabin crew, flight dispatchers and aircraft maintenance engineers.

Regulations applicable to our business:

We are engaged in providing scheduled and non scheduled air transport services in India. Companies engaged in providing these services are required to obtain the corresponding Permit to Operate Scheduled Air Transport Services from the DGCA.

Operation of Scheduled air transport services

A 'scheduled air transport service' means an air transport service undertaken between two or more places and operated according to a published time table or with flights so regular or frequent that they constitute a recognisably systematic series, each flight being open to use by members of the public.

Permission to operate scheduled services in India is only granted to:

- a citizen of India; or
- a company or a body corporate that is registered and has its principal place of business within India, its chairman and at least two-third of its directors are citizens of India, and its substantial ownership and effective control is vested in Indian nationals.

The eligibility requirements for such operating permit also include certain requirements relating to a minimum subscription to equity capital, a minimum number of aircraft, adequate number of aircraft maintenance engineers, adequate maintenance and repair facilities, adequate number of flight crew and cabin crew, security personnel, flight dispatchers and adequate ground handling facilities and staff.

This permit is required to be renewed on a year-to-year basis.

Operation of Non-scheduled air transport services

Non-scheduled operation means an air transport service other than scheduled air transport service and that may be on charter basis and/or non-scheduled basis. Within non-scheduled operations, a 'charter operation' is an operation for hire and reward in which the departure time, departure location and arrival locations are specially negotiated with the customer or the customer's representative for entire aircraft. No tickets are sold to individual passengers for such operation.

Permission to operate non-scheduled services in India is only granted to:

- a citizen of India; or
- a company registered under the Companies Act, 1956 having its principal place of business within India, its chairman and at least two-thirds of its directors are citizens of India; and, its substantial ownership and control are vested in Indian Nationals.

Requirements for the operating permit also include certain requirements relating to permissible classes of aircraft, a minimum subscribed equity capital depending on the number of aircraft, availability of sufficient maintenance facilities, adequate maintenance and repair facilities, adequate number of flight crew and cabin crew, and adequate ground handling facilities and staff.

Foreign ownership restrictions

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the GoI and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. Under the current foreign investment policy, FDI in the "Air Transport Services (Domestic Airlines)" sector (including scheduled and non-scheduled operators) is permitted up to 49% and up to 100% by NRIs (both under the automatic route, i.e., without the prior approval of the FIPB). Detailed guidelines in this regard have been issued by the DGCA under AIC No. 09.

The Industrial Policy further prohibits foreign airlines from making any direct or indirect equity investment in a domestic airline. In addition, our permission to operate scheduled services granted by the DGCA and the guidelines issued by the DGCA from time to time, including AIC No. 09, specify the following restrictions:

- a foreign investing institution or other entity that proposes to hold equity in the domestic air transport sector must not be a subsidiary of a foreign airline;
- a foreign financial institution or other entity that proposes to hold equity in the domestic air transport sector must not have foreign airlines as its shareholder;
- the substantial ownership and effective control of companies operating scheduled services must be vested in Indian nationals; and
- a foreign investing institution or other entity that proposes to hold equity in the domestic air transport sector may have representation on the board of directors of a domestic airline company, but such representation shall not exceed one-third of the total strength of such board.

No person shall make a Bid in pursuance of this Issue unless such person is eligible to acquire Equity Shares of our Company in accordance with the AIC No. 09, and other applicable laws, rules, regulations, guidelines and approvals.

Investors making a Bid in response to the Issue will be required to confirm and will be deemed to have represented to our Company, the BRLMs, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to subscribed to the Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company, the BRLMs, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor whether such investor is eligible to subscribe to Equity Shares of our Company.

Regulations applicable to our fleet:

Acquisition of aircraft

The acquisition of aircraft and their use for scheduled or non scheduled airline operations requires that we obtain various permissions, approvals and consents.

The import of aircraft requires a generic "no-objection" certificate from the MoCA and subsequently a specific NOC to import aircraft from the DGCA.

Further, permission from the RBI are required for foreign currency financing arrangements for the acquisition of aircraft. For aircraft that are in operation elsewhere prior to their import by us, export certificates of airworthiness and certificates of deregistration are required from the regulators in the country of import prior to their import into India.

Following the import of aircraft, further permissions, particularly in connection with registration of the aircraft, certification of their airworthiness and an issue or extension of the permit to operate air transport services (AOC) for scheduled and non scheduled commercial operations must be obtained and maintained in order for them to be inducted into our fleet and used for our operations. In addition to the above, Air Deccan is also required to obtain and maintain adequate levels of insurance for its scheduled commercial operations, including:

- Insurance for passengers, baggage, crew and cargo; and
- Hull loss and third party risk.

Under the applicable regulations, aircraft imported for scheduled or non scheduled commercial operations must comply with various functional requirements prior to their certification. These include limitations on maximum permissible age, type of aircraft that may be imported, installation of prescribed instrumentation and safety equipment and restrictions specific to the nature of the arrangement under which aircraft are leased.

Regulations governing our operations

During the course of its scheduled commercial operations, Air Deccan is required to have various aspects of its operations, including its bi-annual flight schedules, approved by the DGCA.

Route dispersal guidelines

An airline providing scheduled services on domestic sectors in India is required to comply with Route Dispersal Guidelines as set forth by the Government in March 1994. These guidelines classify city pairs into the following categories:

- Category I, which covers 12 city pairs connecting metropolitan cities (Mumbai – Bangalore, Mumbai – Kolkata, Mumbai – Delhi, Mumbai – Hyderabad, Mumbai – Chennai, Mumbai – Thiruvanathapuram, Kolkata – Delhi, Kolkata – Bangalore, Kolkata – Chennai, Delhi – Bangalore, Delhi – Hyderabad, Delhi – Chennai);
- Category II, which covers routes connecting the North East, Jammu and Kashmir, Andaman and Nicobar Islands and Lakshadweep with cities in Category I and Category III routes;
- Category IIA, which covers city pairs within the North east, Jammu and Kashmir, Andaman and Nicobar Islands and Lakshadweep; and
- Category III, which covers any city pair that does not fall in Categories I, II and IIA.

The Route Dispersal Guidelines require airlines providing scheduled services on domestic sectors in India to operate in the following manner if they are deploying capacity on Category-I routes:

- On Category II, 10% of the capacity deployed on Category I routes; and
- On Category IIA, 10% of the capacity deployed on Category II routes which is aggregated for meeting the requirement on Category-II; and
- On Category III, 50% of the capacity deployed on Category I routes.

All airlines are free to operate anywhere in the country subject to compliance with the Route Dispersal Guidelines. The DGCA monitors compliance with the Route Dispersal Guidelines on a weekly basis. Compliance with these guidelines is a condition for the renewal of our operating permit. In the event of non-compliance, the DGCA requires the airline to make up any shortfall during the subsequent period. Failure to comply with these guidelines will lead to restrictions being imposed on the capacity to be deployed on Category-I routes.

Non-scheduled operators like Deccan Aviation are permitted to operate to or from all airports in the country, subject to prior approval of the authorities of airports from which such approval is required. Specific requirements, including permission requirements, are necessary for landings and take-offs from defence airfields.

Each non-scheduled flight plan is required to be filed with air traffic services before takeoff, and clearance is required for operations taking place in Air Defence Identification Zones or out of ATC watch hours.

Non scheduled operators are required to seek and obtain prior clearance of the DGCA for operations on sectors where there in already a daily service operated by two or more scheduled operators. However, such permission is not required to operate charter flights on any domestic sector with aircraft having a maximum seating configuration of nine seats or less, excluding crew member seats. Except in the case of non- scheduled charter flights utilising multi engine aircraft, which may be operated to foreign destinations, non-scheduled operators are required to operate services to destinations within India including on routes operated by scheduled operators.

Regulations governing our personnel

Personnel employed in our operations including our flight crews, flight dispatchers, cabin crews and engineering personnel engaged in maintenance are required to be approved or licensed by the DGCA.

In addition to the above requirements, certain clearances are required for scheduled and non scheduled airlines prior to appointment of various personnel, including:

- security clearance for non India pilots and engineers to be obtained under ATC No. 03 of 1998.
- security clearance for the chairman and directors of all scheduled and non scheduled airline operators under ATC No. 3 of 1998.

Clearances from the BCAS are also required to permit our personnel to access airports.

Air crew

All of our flight crews are required to obtain aircraft specific licences from the DGCA prior to the operation of aircraft. These licences are to be renewed on a periodic basis. Our air crews are also required to undergo proficiency checks on a regular basis in order to keep their licences current.

In addition, our flight crews may also need to satisfy specific requirements in connection with certain types of specialised operations like RSVM operations, offshore operations, banner towing etc. Our Air crew training program is required to be approved by the DGCA.

Cabin crew

Our cabin crew are required to be trained on specific aircraft and our cabin crew training documentation is required to be approved by the DGCA.

Regulations governing engineering and maintenance

All the AME's employed in connection with our engineering and maintenance operations must be licensed or approved by the DGCA for carrying out their specific maintenance and certification roles. These licences or approvals have to be renewed on an annual basis. Recurrent training of these personnel is also required to ensure compliance with proficiency requirements. Further, our quality control documentation is required to be approved by the DGCA.

Air Deccan is required to maintain certain basic maintenance facilities for our aircraft in order to qualify for a permit to provide scheduled and non scheduled air transport services. Consequently, we have obtained approvals from the DGCA to provide different levels of maintenance services for our fleet at various locations. We are required to renew these approvals on an annual basis.

Regulations governing security

We are required to comply with BCAS requirements when training our airport based security personnel and our security documentation must be approved by the BCAS. We are also required to obtain BCAS approval for our security arrangements in each airport prior to commencing our operations.

Regulations governing safety

Air Deccan is required to designate competent and qualified pilots as Director/Chief of Operations and Director/Chief of Flight Safety. These pilots will be responsible to DGCA for ensuring compliance of all operational requirements and ensuring adherence to flight safety norms. These duties and responsibilities shall be clearly laid out in the operations manual.

Air Deccan is required to establish a flight safety cell in order to monitor its flight safety, investigate any safety related incidents and recommend remedial measures in connection with the same.

Regulations governing quality assurance

Air Deccan is required to have a quality assurance system to carry out internal audits of its engineering activities. Air Deccan is also required to appoint a quality control manager whose appointment is to be approved by the DGCA.

Further, Air Deccan is also required to designate an accountable manager who has the corporate authority to ensure compliance of our Company's maintenance operations with DGCA requirements.

HISTORY AND CORPORATE STRUCTURE

Our history

We were initially incorporated as a private limited company on June 15, 1995 in Karnataka with the main object of pursuing chartered aviation services both for commercial and non commercial purposes in India and to provide all aviation's related services. Our Company was promoted by Capt. G.R. Gopinath, Capt. K.J. Samuel and Capt. Vishnu Singh Rawal.

We operate Air Deccan, a low-cost airline in India, and Deccan Aviation, a private helicopter and airplane chartering service in India.

Post our incorporation as a private limited company we were converted to a public limited company by a resolution of the members passed at the EGM held on January 31, 2005. The fresh certificate of incorporation consequent on change of name of our Company was received on March 14, 2005 from the RoC.

Our Company was incorporated with its registered office at 53, Infantry Road, Bangalore 560 001, which was subsequently shifted to Jakkur Aerodrome, Bellary Road, Bangalore 560 064 consequent to the approval of the shareholders on September 30, 2002. Pursuant to the approval of our shareholders on October 22, 2005, the registered office of our Company was subsequently shifted from Jakkur Aerodrome, Bellary Road, Bangalore 560 064 to 35/2, Cunningham Road, Bangalore 560 052.

Key events and milestones

Year	Key Events, Milestones and Achievements
September 1997	Launch of first Helicopter by Deccan Aviation. First base opened at Jakkur.
January 1998	Introduction of second helicopter into Deccan Aviation fleet.
June 1998	Opening of second base in Hyderabad.
October 1998	Long term contract signed with Cairn Energy for exploration and opening of third new base at Yanam.
December 1998	Commencement of Offshore flying operations
May 1999	Conclusion of arrangement with Helicopter Leasing Corporation and introduction of four helicopters.
June 2001	First fixed wing aircraft introduced into Deccan Aviation fleet
November 2001	Second fixed wing aircraft introduced into Deccan Aviation fleet
November 2002	Commencement of Vaishno Devi operations.
August 2003	■ Launch of Air Deccan; first ATR 42 320 aircraft acquired. ■ First Air Deccan flights take place on Bangalore-Hubli and Bangalore–Mangalore sectors.
April 2004	■ Induction of fifth aircraft (ATR 42-500) into fleet. ■ Launch of flights on Mumbai – Ahmedabad, Mumbai – Chennai and Mumbai – Kolhapur – Belgaum sectors.
August 2004	■ Induction of First Airbus A 320 into fleet. Launch of Rs. 500 ticket schemes. ■ Launch of flights on Delhi – Mumbai, Delhi – Bangalore and Mumbai – Bangalore sectors
September 2004	Induction of second Airbus A 320 and launch of flights on Chennai - Delhi flights

November 2004	Launch of travel agent credit cards.
December 2004	Launch of flights on Chennai - Kolkata sector
March 2005	Introduction of Fourth and Fifth Airbus A-320. Air Deccan enters into tie up arrangement with Club HP.
September 2005	Fleet strength reaches 20 Aircraft
October 2005	Crossed 2.5 million passengers
December 2005	Connected the most number of destinations in India (46)

Main objects

1. To provide chartered aviation services both for commercial and non-commercial purposes in India.
2. To enter into arrangements for rendering and obtaining technical services and/or technical collaboration with individuals, firms, or bodies whether in India or outside India to train or pay for training in India or abroad of any of the companies employees or any other persons in the interest and for furtherance of company's business.
3. To provide all aviation related services, and carry on business of advisors, tourism operators, travel agents, cargo agents, courier agents and all kinds of services in travel and tours.

Amendments to our Memorandum of Association

Date	Details
September 06, 2000	Initial Authorised Share Capital of Rs. 5,000,000 increased to Rs. 25,000,000
July 17, 2002	Authorised Share Capital of Rs. 25,000,000 increased to Rs. 100,000,000
January 28, 2004	Authorised Share Capital of Rs. 100,000,000 increased to Rs. 150,000,000
March 01, 2004	Authorised Share Capital of Rs. 150,000,000 increased to Rs. 320,000,000
March 14, 2005	Change of name of our Company from Deccan Aviation Private Limited to Deccan Aviation Limited
January 31, 2005	Authorised Share Capital of Rs. 320,000,000 increased to Rs. 600,000,000
November 04, 2005	The Equity Shares with a face value of Rs. 100 each were sub-divided into Equity Shares of Rs. 10
November 04, 2005	Authorised Share Capital of Rs. 600,000,000 increased to Rs. 1,250,000,000

Securityholders Agreement

Subria CIPEF Limited and Subria CGPE Limited (Capital International), India Advantage Fund – I (ICICI Venture) (collectively the "Investors"), the Company and the existing shareholders have, in modification of an earlier security holders agreement dated March 16, 2005, entered into amendments agreement dated January 13, 2006 and April 25, 2006 which *inter alia* sets out the rights of the Investors in the Company. The significant rights of the Investors and the current shareholders, in accordance with the terms of the aforementioned agreement, are as follows (for details on the rights of the Investors incorporated in the Articles see "Main Provisions of The Articles of Association"):

- Each of the Investors has a right to appoint a director on the Board subject to such Investor holding a minimum percentage (5%) of the shareholding of the Company. In the event of any Investor not exercising its rights to appoint a director on the Board, the Investor shall have a right to nominate an Indian resident or a director of such Investor as a non-voting observer on the Board. Further, the Investors also have the right, subject to applicable law, to have the directors appointed by them on the Board appointed to the Audit Committee and the Compensation Committee constituted by the Board;
- Other than certain specified exceptions, the Investors and the current shareholders have a pre-emptive right to subscribe, on a pro rata basis, to any issue of equity shares (or instruments convertible into such equity shares) by the Company;

- The Investors and the current shareholders have a right of first refusal on any proposed sale of shares by the Promoters;
- The Investors and the current shareholders also have a tag along right to sell, up to their proportional allotment, of shares held by them in any proposed sale of shares by the Promoters;
- The Investors have certain registration rights whereby post completion of the Issue, the Investors have the right to make up to three requests that the Company make a public offer for sale of all or a portion of the securities held by such Investor;
- Subject to the Investors holding a minimum percentage of the shareholding of the Company, the written consent of each Investor is required prior to the Company undertaking certain actions including any acquisitions, commencement of a new line of business, incurring capital expenditure beyond certain limits, incurring further debt exceeding certain levels etc.;
- The Company is required to provide certain financial and operational data as well as other corporate information within certain prescribed time periods to the directors appointed by the Investors on the Board;
- Each Investor has the right to meet and consult with any senior management of the Company and any subsidiary on business issues, corporate actions, management's proposed annual business plans, annual budgets and the Company's operating and financial performance from time to time; and
- The directors appointed by the Investors have to consent in writing to the appointment of any new Managing Director of the Company.

Escrow Agreement

The Investors, the Promoters and the other shareholders have pursuant to entering into the amendment agreement dated January 13, 2006, also entered into escrow agreements dated January 19, 2006 and January 20, 2006. As per the terms of the escrow agreement, Equity Shares representing approximately 12.1% of the paid up capital of the Company have been placed in escrow with UTI Bank Limited as the escrow agent. These escrow shares are to be released to the promoters and other shareholders (in specified proportions) upon the occurrence of the following events:

- At any time after the completion of the initial public offering of the Company (and in the case of Capital International at any time after one year from the initial public offering of the Company) but before March 31, 2009 on the basis of the listed price;
- At any time after the completion of the initial public offering of the Company but before March 31, 2009 upon the request of the Promoters and the other existing shareholders and consequent acceptable valuation of the Equity Shares;
- If not earlier released, then on March 31, 2009 on the basis of the listed price (as calculated in accordance with the terms of the escrow agreement) of the Equity Shares; or
- Upon transfer of 80% or more of the Equity Shares held by the Investors.

In the event that the listed price (as calculated in accordance with the terms of the escrow agreement) of the Equity Shares does not exceed the price agreed by the parties no escrow shares will be delivered to the Promoters and the other existing shareholders and the same shall be delivered to the Investors.

The Promoters of our Company and Bennett Coleman & Co. Ltd. ("Bennett Coleman") have entered into a shareholders agreement dated April 22, 2006 pursuant to Bennett Coleman acquiring a minority stake in our Company from a non-promoter shareholder. Bennett Coleman has certain limited rights under the Shareholders Agreement including information rights, a tag along right on any sale of Equity Shares by the Promoters and an exit right in the event that Bennett Coleman is unable to sell its Equity Shares through the stock market at the end of a period of 3 years from the date of the shareholders agreement.

Joint Ventures - DALPL

DALPL is a joint venture between our Company and two Sri Lankan entities - Favourite Investments and Navamaga Investments. DALPL was incorporated in Colombo, Sri Lanka, on December 17, 2003 and our Company's equity investment therein was approved by the Board of Investment, Sri Lanka. DALPL was originally established as a 52% subsidiary of our Company, to undertake helicopter charter services, with the intention of also providing scheduled airline operations in Sri Lanka. DALPL leased a Bell Jet ranger helicopter from our Company and commenced helicopter charter operations in June, 2004 and provides services such as heli-tourism, VIP movements, rescue operations and medical evacuation.

DALPL had also applied to the Civil Aviation Authority of Sri Lanka for requisite regulatory permission to provide scheduled airline operations in Sri Lanka. By its letter dated December 05, 2005, the office of the Director General of Civil Aviation and Chief Executive Officer, Civil Aviation Authority of Sri Lanka, communicated the decision of the Minister of Ports, Aviation and Foreign Affairs, approving the provisional designation of DALPL's proposed airline for operating scheduled international commercial passenger services between Sri Lanka and India, subject to fulfillment of applicable requirements within a period of six months from the date of the letter.

Applicable Sri Lankan civil aviation regulations stipulate that in order for an entity to be eligible for a 'scheduled operator's licence' in Sri Lanka, the local/domestic shareholding in the entity should be a minimum of 51%. To comply with these regulatory requirements, it was agreed upon between DALPL's promoters/partners that Favourite Investments and Navamaga Investments (collectively) and our Company would each transfer approximately 4% of their respective shareholding to the certain Sri Lankan nationals, for the purpose of holding the shares in the capacities of trustees of a trust to be created for the benefit of DALPL's Sri Lankan employees. The above transfers have been made with a view to ensure that that the proportion of shareholding between the joint venture partners is maintained, while increasing the percentage of Sri Lankan shareholding in DALPL to 52%. Our Company transferred 4% of its shares on June 27, 2005 to Sri Lankan nationals Punyakanthi Tikiri Kumari Navaratne, Srimega S. Wijerathne and Dayanthi Lakshmi Panabokke for no consideration. The transfers by Favourite Investments and Navamaga Investments are currently under process.

Our Company, Favourite Investments and Navamaga Investments hold 48%, 24% and 24% share capital of DALPL, respectively, and balance is held by Sri Lankan individuals on behalf of an employee trust proposed to be created.

The rights and obligations of our Company, Favourite Investments and Navamaga Investments in relation to DALPL are principally governed under the Lanka JVA and the Lanka SHA. A brief overview of these documents is set out below.

Main objects

DALPL was incorporated with the following primary objects:

(a) to carry on the business of chartering, hiring and leasing aircrafts;

(b) to carry on the business of providing air services for the carriage of passengers, cargo, mail and also for surveys, evacuations, tourism and other applications; and

(c) to carry on the business of providing air taxi services.

Board of Directors

The Board of Directors of DALPL currently comprises of Capt. G.R. Gopinath, Capt. K.J. Samuel and Capt. A.P. Singh as nominees of our Company, Suren Mirchandani and Kishore Kumar Mirchandani as nominees of Favourite Investments and Mayantha Dissanayanke as nominee for Navamaga Investments.

Financial performance

DALPL commenced operations from June, 2004 and for the financial year ended March 31, 2005, revenue, profit and net worth figures are as follows:

(Rs. in million except per share data)

	March 31, 2005	March 31, 2004	March 31, 2003
Sales and other income	10.41	-	-
Profit/Loss after tax	5.28	-	-
Equity capital (par value Rs. 4.41 per share)	8.82	-	-
Earnings per share (Rs.)	2.64	-	-
Book value per equity share (Rs.)	7.05	-	-

The Lanka JVA

Our Company entered into the Lanka JVA (as amended) with Favourite Investments and Navamaga Investments to incorporate and manage Deccan Lanka in Sri Lanka. Pursuant to the Lanka JVA, our Company originally subscribed to 1,040,000 (One Million Forty Thousand) shares constituting 52% of the paid up capital in DALPL. Favourite Investments and Navamaga Investments subscribed to 480,000 (four hundred and eighty thousand) shares each, constituting 24% each of the paid up capital in DALPL. Our Company transferred 4% of its shares on June 27, 2005, on and from which date, DALPL is no longer a subsidiary of our Company.

Under the Lanka JVA, our Company is required to provide technical assistance and support and aid in the procurement of aircraft and human resources for DALPL. Favourite Investments and Navamaga Investments are required to coordinate sales and marketing activities of DALPL and liaise with the Sri Lankan Government authorities.

The consent of all parties to the Lanka JVA is required for the issuance of any further shares by DALPL. Any further shares issued are required to be offered to the parties to the Lanka JVA in proportion to their shareholding. The transfer of any shares requires the consent of all the parties to the Lanka JVA and is subject to a right of first refusal of the other parties. Further, any amendment to the Memorandum and Articles of Association of DALPL requires the consent of persons holding at least 75% of the issued share capital of DALPL.

The Lanka JVA requires the parties to enter into a shareholders agreement – the Lanka SHA, terms of which are briefly discussed below.

The Lanka SHA

As stipulated by the Lanka JVA, our Company is a party to the Lanka SHA (as amended), along with Favourite Investments, Navamaga Investments and DALPL.

As on the date of the filing of this Red Herring Prospectus and in terms of the Lanka SHA (as amended) our Company holds 9,60,000 shares (or 48%), Favourite Investments holds 4,80,000 shares (or 24%) and Navamaga Investments holds 4,80,000 shares (or 24%) in DALPL. The balance shares are held by Sri Lankan individuals on behalf of an employee trust proposed to be created for the benefit of DALPL's Sri Lankan employees.

Under the Lanka SHA, the consent of all shareholders of DALPL is required for the issuance of any further shares. Any further issue must be offered to existing shareholders in proportion to their shareholding. The transfer of any shares of DALPL requires the consent of all shareholders and any such transfer to a third party is subject to a right of first offer of the other shareholders. Third party transferees are required to execute a deed of adherence, agreeing to be bound by the terms and conditions of the Lanka SHA. On June 27, 2005, a deed of adherence was duly executed between Punyakanthi Tikiri Kumari Navaratne, Srimega S. Wijerathne and Dayanthi Lakshmi Panabokke (as transferee shareholders), our Company (as a transferee shareholder) and DALPL.

The Lanka SHA provides that so long as our Company holds 40% of DALPL's issued share capital, we are entitled to nominate 3 directors. Favourite Investments and Navamaga Investments are permitted to nominate one director each, so long as each if them holds 20% of DALPL's issued share capital. The quorum for a meeting of the board is 2 directors, with at least one nominee of our Company and one nominee of either Favourite Investments or Navamaga Investments being present. Resolutions of the board are to be determined by a majority of the directors present at a meeting.

The Lanka SHA shall terminate on (a) an agreement of the shareholders, (b) the listing of DALPL on a recognised stock exchange, (c) a breach by a shareholder of the terms of the Lanka SHA not remedied within for a period of 30 days (as a consequence, shares of the defaulting shareholder are required to be offered to the other shareholders in proportion to their shareholding), (d) an order or resolution for the winding up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of DALPL, or an order for appointment of a liquidator, administrator, receiver, trustee or similar officer, or if DALPL is unable to pay its debts or enters into any arrangement with its creditors or if a creditor takes possession of its assets or business or any execution or other legal process against DALPL is not discharged within 14 days.

The Lanka SHA is governed by the laws of Sri Lanka. All disputes under the Lanka SHA will be resolved through arbitration under the Rules of Arbitration of the International Chamber of Commerce.

OUR MANAGEMENT

Board of Directors

Under our Articles of Association, we are required to have no less than three directors and no more than twelve directors. We currently have twelve directors on our Board.

The following table sets forth details regarding our Board of Directors:

Name, Father's/Spouse's Name, Address, Designation, Occupation and Term	Nationality	Age	Other Directorships
Capt. G.R. Gopinath S/o. Late Ramaswamy Iyengar G-3, Garden Apts, Vittal Mallya Road, Bangalore 560 001 Managing Director Business Whole Time Director Not Liable to retire by rotation	Indian	54	Deccan Aviation Turbine Overhaul Private Limited Deccan Aviation Lanka (Private) Limited
Capt. K.J. Samuel S/o.J.K. Samuel 288, 8th Block, Adugodi Koramangala, Bangalore 560 095 Executive Director Business Not liable to retire by Rotation	Indian	54	Deccan Aviation Turbine Overhaul Private Limited Deccan Aviation Lanka (Private) Limited
S.N. Ladhani S/o. Late B Mal 5/1, 1st Main, Jayamahal Extn Bangalore 560 046 Non Executive Director Industrialist Liable to retire by Rotation	Indian	64	Brindavan Phosphates Private Limited Brindavan Beverages Private Limited Canopy Homes and Holdings Private Limited Bonanza Investments Limited Manish Promoters Private Limited Brindavan Healthcare Limited Deccan Aviation Turbine Overhaul Private Limited Manikya Plastichem Private Limited
Col. Jayanth K. Poovaiah S/o. Late B.P. Poovaiah 1/4, Artillery Road, Ulsoor, Bangalore 560 001 Executive Director Company Executive Liable to retire by rotation	Indian	54	None

Name, Father's/Spouse's Name, Address, Designation, Occupation and Term	Nationality	Age	Other Directorships
M.G. Mohan Kumar S/o. M N Gundu Rao Flat No. 415, Sri Ranga Apts. No. 30 Temple Road, Malleswaram Bangalore 560 003 Executive Director (Director – Finance) Company Executive Liable to retire by rotation	Indian	48	The South India Paper Mills Limited Bonanza Investments Limited
Sudhir Choudhrie S/o. Late S P Choudhrie Leased Office Bldg-1 No. 1G-20, P.O. Box-41641 Hamriyah, Free Trade Zone Sharjah, United Arab Emirates Non Executive Director Business Liable to retire by rotation	Indian	57	Abode Buildtech Private Limited Adidas India Marketing Private Limited Alpha G: Corp Development Private Limited Anant Carriers Private Limited Bellagio Realty Private Limited Big India Malls Private Limited Big Northern India Malls Private Limited Big Southern India Malls Private Limited Big Western India Malls Private Limited Burgundy Tradings Private Limited Dome Real Estates Private Limited Dreamz-Homes Buildtech Private Limited Easymove Builders and Securities Private Limited Elegance Buildcon Private Limited Fortune Buildtech Private Limited G: Corp Limited Godgift Properties Private Limited Grandeur Real Estates Private Limited Habitat Buildcon Private Limited Hermitage Builders Private Limited IHHR Hospitality Private Limited India Hit. Com Private Limited International Mangum Hi-Fashions Limited Kartik Towers Private Limited Levcon Roadways Private Limited Magnum International Trading Company Private Limited Magnum Power Generation Limited Magnum Promoters Private Limited Majestic Buildtech Private Limited Mansarovar Builders Private Limited Marvel Buildtech Private Limited Multicon Towers Private Limited Multimax Mercantile Private Limited Opulence Real Estates Private Limited Paradise Buildtech Private Limited Piccadilly Real Estates Private Limited Platinum Mercantile Private Limited Primeland Real Estates Private Limited

Name, Father's/Spouse's Name, Address, Designation, Occupation and Term	Nationality	Age	Other Directorships
			Rainbow Developers Private Limited Regal Buildtech Private Limited Ruchi Hospitality Private Limited Ruchi Malls Private Limited Sahayak Towers Private Limited Seven Seas Real Estates Private Limited Seven Wonders Real Estates Private Limited Skyline Buildtech Private Limited Sukhsarvar Properties Private Limited Sweet Home Estates Private Limited Taj Kerala Hotels and Resorts Private Limited Town Hall Real Estates Private Limited Wesman Enclave Private Limited
Lt. Gen. (Retd) N S Narahari S/o. Late Srinivas Iyengar No. 28, 6th Cross, Hutchins Road, Bangalore 560 084 Independent Director Retired army officer Liable to retire by rotation	Indian	73	None
Vijay Amritraj S/o. Robert Amritraj No. 109, Sterling Road, Chennai Independent Director Business Liable to retire by rotation	Indian	52	Lam Sports Group (Private) Limited First Serve Entertainment (I) Private Limited Hotel Leela Venture Limited
Bala Deshpande W/o. Chaitanya Deshpande The Western India Trustee and Executor Company Ltd (India Advantage Fund-I) C/o ICICI Venture Funds Management Company Limited Stanrose House, Ground Floor A.M. Marg, Prabhadevi Mumbai 400 025 Nominee- The Western India Trustee and Executor Company Ltd (India Advantage Fund-I) Liable to retire by rotation	Indian	39	Techprocess Solutions Limited Indus League Clothing Limited Nagarjuna Constructions Company Limited Pantaloon Retails (India) Limited Shopper's Stop Limited Subhiskha Trading Services Limited Team Four Hospitality Services Private Limited Traveljini.com Limited Welspun India Limited MITRA Technology Foundation Infoedge India Limited

Name, Father's/Spouse's Name, Address, Designation, Occupation and Term	Nationality	Age	Other Directorships
Vivek Kalra S/o. Santokh Singh Kalra 327, River Valley Road, # 21-01, Young An Pk, Singapore 238 359 Nominee- Subria CIPEF Limited Liable to retire by rotation	Indian	41	Mind Tree Consulting Private Limited
Sumant Kapur S/o. B.K. Kapur 79, Carlisle Mansion Carlisle Place, London –SW1P1HX Alternate Director for Sudhir Choudhrie Business	Indian	53	Abode Buildtech Private Limited Alpha Buildtech Private Limited Big India Malls Private Limited Big Northern India Malls Private Limited Big Southern India Malls Private Limited Big Western India Malls Private Limited Crystal Technology Private Limited Crystal Investments & Services (Mauritius) Limited Dome Real Estates Private Limited Dreamz Homes Buildtech Private Limited Dunbridge Investments Limited Elegance Buildcon Private Limited Fortune Buildtech Private Limited Grandeur Real Estates Private Limited Habitat Buildcon Private Limited Indfrag Limited Jumaria Investments and Real Estates Private Limited Longwood Limited Majestic Buildtech Private Limited Marvel Buildtech Private Limited Opulence Real Estates Private Limited Paradise Buildtech Private Limited Piccadilly Real Estates Private Limited Primeland Real Estates Private Limited Priyadarshini Farms Private Limited Regal Buildtech Private Limited Seven Seas Real Estates Private Limited Seven Wonders Real Estates Private Limited Skyline Buildtech Private Limited Sweet Home Estates Private Limited Town Hall Real Estates Private Limited
Vishnu Singh Rawal S/o. Vimal Dave Singh Flat No. 168, Surya Mukhi Apts. Vithal Mallya Road, Bangalore 560 001 Alternate Director for S.N. Ladhani Service	Indian	52	NIL

Name, Father's/Spouse's Name, Address, Designation, Occupation and Term	Nationality	Age	Other Directorships
Anil Kumar Ganguly S/o. Late Ashutosh Ganguly Flat No. D 25, Diamond District Airport Road, Bangalore 560 008 Independent Director Chartered Accountant Liable to retire by rotation	Indian	71	NIL
P.N. Thirunarayana S/o. Puti Narasimhachar 578, 5th Block. 11th Main Jayanagar, Bangalore 560 041 Independent Director Service Liable to retire by rotation	Indian	62	Infotec Enterprises Limited

Brief biographies of our Directors

Capt. G.R. Gopinath, a graduate of the National Defence Academy, is an ex Army officer who was in active service in 1971 in the war against Pakistan, and took early retirement in 1979 to pursue his diverse interests. A pioneer in the areas of organic farming and sericulture, he has several inventions to his credit. He was awarded the "Rolex Award for Enterprise" in 1996 for his contributions to organic farming. Our Company was incorporated and established as the first heli-charter company in India 1995, under his direction. Under his vision and guidance our Company made its first foray into providing no-frills, low-cost airline service in India in August 2003. He has been involved in and continues to supervise the day-to-day operations and provides direction to the overall strategy and vision of our Company.

Capt. K.J. Samuel, a recipient of the 'Sena Medal' for gallantry, is a graduate of the National Defence Academy. After being commissioned into the Indian Army in 1971, he fought in the 1971 war against Pakistan and is an experienced helicopter pilot. He took voluntary retirement in 1992, as a Lieutenant Colonel. He is also a qualified flying instructor and a DGCA Examiner. As the co-promoter and co-founder of our Company, he has played and continues to play a supervisory role in the day-to-day operations of our Company.

S.N. Ladhani, an industrialist by profession possesses 46 years of business experience with diversified interests in sectors such as beverages, chemicals, renewable power generation, PE-pipes, threads and real estate. He started doing business at the age of 18 in the construction sector and thereafter established one of the largest bottling plants in India for 'Parle' Soft Drinks. Subsequently, he became one of the first bottler for Coca Cola, upon its re-entry into India, in 1993. He has been associated with our Company since 1996 and is one of its core investors.

Col. Jayanth K. Poovaiah is a graduate of the National Defence Academy, the Indian Military Academy and the North Bengal University. He saw active service in the 1971 Indo-Pak war, the 1984 Siachen War, IPKF operations in Sri Lanka in 1988-89 and was engaged in counter-insurgency operations in Jammu and Kashmir between 1994 and 1995. He took premature retirement in 1997 and has since been associated with our Company.

M.G. Mohan Kumar is our Company's Director of Finance and is responsible for its accounting, tax, legal and finance functions. In his eight-plus year association with our Company, Kumar has been instrumental in our growth. Kumar is finance professional with extensive experience, extending well beyond his work with our Company, in the tax, audit, and financial consulting spheres. He is a fellow member of the Institute of Chartered Accountants of India and has passed the final examination conducted by the Institute of Company Secretaries of India. Kumar also holds bachelor's degrees in science and law from Bangalore University. Prior to being associated with our Company, Kumar rendered financial, management and taxation consultancy services as a partner of a firm of chartered accountants.

Sudhir Choudhrie is a graduate in economics from the University of Delhi and is a businessman by profession. He is also a Non Executive Director on the boards of companies such as Taj Kerala Hotels and Resorts Private Limited and Indian Hotels and Health Resorts Hospitality Private Limited and has memberships and/or affiliations with varied trade organisations such as the Confederation of Indian Industry, the Federation of Indian Chambers of Commerce and Industry, the Indian Institute of Foreign Trade, the Federation of Indian Export Organisations, the Engineering Export Promotion Council and the India Trade Promotion Organisation. Since 1993, Choudhrie has been the Honorary Consul General for the Republic of Latvia in India.

Lt. Gen. N.S. Narahari, a recipient of the Param Vishisht Seva Medal for his services to the Indian Army, and was awarded a Mention in Despatches for his role in the 1971 War. He is an engineering graduate from the Mysore University and a post graduate in defence studies from the Madras University. He served in the Indian army for 37 years in various command, staff and instructional appointments. He saw active service in the 1965 and 1971 Indo- Pak wars and was also engaged in counter-insurgency operations in Punjab and Assam. Lt. Gen. N S Narahari retired from the Army on 31 October, 1990 as the Commandant of the Prestigious Army war college. Lt. Gen. N.S. Narahari has been associated with our Company since its inception.

Sumant Kapur is a graduate of St. Stephen College, Delhi and a member of the Institute of Chartered Accountants in England and India. Thereafter, he worked with Peal Marwick Mitchell & Co. (now KPMG), Tectonic Limited Wokingham England, Crystal Investments & Services Limited. He has been an active investor in the U.K., U.S. and Indian stock markets. He holds investments in a number of businesses and ventures worldwide. He is a British citizen.

Vishnu Singh Rawal is a recipient of the Chief's commendation for Aviation operation activity. He graduated from the National Defence Academy and was commissioned as an officer in the Indian Army. He was an instructor in the Army aviation school and saw active service during the Srinagar Insurgency. Following voluntary retirement in 1992, he was engaged as an executive pilot by the UP Government. He has acted as a consultant with several private airlines in connection with helicopter fleet acquisitions. He has accumulated more than 17,500 hours of flying experience in varied roles and terrain. He is one of the Promoters of our Company and is involved in operations and maintenance functions of Deccan Aviation.

Vivek Kalra is a vice-president of Capital International Inc., an investment manager with significant experience in investing in global emerging markets. Kalra has research responsibility for Capital International's private equity business in Asia, including India. Prior to joining Capital International in 1999, Kalra spent seven years first as a management consultant and later as a principal with McKinsey & Co. in India and New York. Kalra has a bachelor of technology degree in electrical engineering from the Indian Institute of Technology, Mumbai and a masters degree in business administration from the Stanford Graduate School of Business.

Bala Deshpande has a masters degree in economics from Bombay University and a Masters in Management Studies, Jamnalal Bajaj Institute of Management Studies. With over 15 years of multi industry exposure, she has worked with several leading multi national corporations. She currently focusses on sectors such as retail, media, IT, ITES, telecom, construction as also some manufacturing related industries.

Vijay Amritraj, a recipient of the Padma Shri, a designated United Nations Messenger of Peace and a recipient of the International Sportsman of the Year Award for the year 1987, was the youngest player to play Davis Cup for any country. He subsequently served India in the Davis Cup for 20 years and led India to Davis Cup Finals twice in 1974 and 1987. Vijay founded the BAT (Britannia Amritraj Tennis) Academy in India and also held the position of President of the ATP (Association of Tennis Professionals).

Anil Kumar Ganguly is a fellow member of the Institute of Chartered Accountants of India. He has over four decades of experience in various facets of corporate management, such as finance, accounting, audit, taxation and corporate affairs, and also has rich experience in sales and marketing in India as well as overseas and knowledge in areas of corporate financing, management, corporate governance, audit, taxation, international marketing, and project control. He was the whole time Director of Britannia Industries Limited and was the Managing Director of Nabisco Brands (Malaysia). He was also the President of the India Builders Corporation Group of Companies. He is also a philanthropist and is involved in social welfare activities relating to education and child health.

P.N. Thirunarayana holds a bachelor's degree in science and engineering and a post graduate diploma in business administration from the Indian Institute of Management, Ahmedabad. Before becoming the founder director of National Center for Practicing Negotiating Skills,Thirunarayana was a professor at the Indian Institute of Management, Bangalore for over 30 years, and also worked with companies such as Grindwell Norton, MICO and Greaves Foseco. He has been the European community visiting professor at GROUPE ESSEC, Paris; a United Nations Development Programme (UNDP) fellow member, and a part of the governing council and a member of boards of studies of a number of management schools. Thirunarayana has also undertaken consultancy assignments with major organisations in the area of strategic marketing and has conducted 'in-house' programmes in the areas of strategic marketing, business marketing, managing major account, marketing of services, sales management and business negotiations.

Corporate governance

We have a broad-based Board of Directors, constituted in compliance with the Companies Act and listing agreements with the stock exchanges. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. Our executive management provides the Board detailed reports on its performance periodically.

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 with the Stock Exchanges. We are in compliance with the Corporate Governance Code in accordance to Clause 49 (as applicable) of the Listing Agreement to be entered into with the Stock Exchanges prior to listing.

The Board has 12 Directors, of which 4 are executive Directors. The Chairman of the Board is a non-executive Director and, in compliance with the requirements of Clause 49 of the Listing Agreement, we have 8 non-executive Directors and 4 independent Directors (i.e., P.N. Thirunarayana, Anil Kumar Ganguly, Vijay Amritraj and Lt. Gen. (Retd) N.S. Narahari) on our Board.

As per the requirements of DGCA, we are required to obtain permission of DGCA for appointment of Directors. We are yet to receive these permissions for the appointment of Anil Kumar Ganguly and P.N. Thirunarayana.

Audit Committee

The Audit Committee was initially constituted by our Directors at their Board meeting held on March 16, 2005. The purpose of the audit committee is to ensure the objectivity, credibility and correctness of our Company's financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters. The audit committee has recently been reconstituted on 21st December 2005 and now consists of the following members:

- Anil Kumar Ganguly (Chairman)
- Lt. Gen N.S. Narahari
- Prof. P.N. Thirunarayana
- Vivek Kalra

The terms of reference of the audit committee are as follows:

- Regular review of accounts, accounting policies, disclosures, etc.
- Review of the major accounting entries based on exercise of judgment by management and review of significant adjustments arising out of audit.
- Qualifications in the draft audit report.
- Establishing and reviewing the scope of the independent audit including the observations of the auditors and review of the quarterly, half-yearly and annual financial statements before submission to the Board.
- The Committee shall have post audit discussions with the independent auditors to ascertain any area of concern.
- Establishing the scope and frequency of internal audit, reviewing the findings of the internal auditors and ensuring the adequacy of internal control systems.
- To look into reasons for substantial defaults in the payment to depositors, debenture holders, shareholders and creditors.
- To look into the matters pertaining to the Director's Responsibility Statement with respect to compliance with Accounting Standards and accounting policies.
- Compliance with Stock Exchange legal requirements concerning financial statements, to the extent applicable.

- The Committee shall look into any related party transactions i.e., transactions of the Company of a material nature, with promoters or management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large.
- Appointment and remuneration of statutory and internal auditors.
- Such other matters as may, from time to time, be required by any statutory, contractual or other regulatory requirements to be attended to by the Audit Committee.

Remuneration Committee

The Remuneration Committee was initially constituted by our Directors at their Board meeting held on March 16, 2005. The committee's goal is to ensure that our Company attracts and retains highly qualified employees in accordance with its business plans, that our Company fulfils its ethical and legal responsibilities to its employees, and that management compensation is appropriate. The Remuneration Committee has recently been reconstituted and now consists of the following members:

- Lt. Gen N.S. Narahari
- Prof. P.N. Thirunarayana
- Anil Kumar Ganguly
- Bala Deshpande
- Vivek Kalra

The terms of reference of the Remuneration Committee are as follows:

- To determine the remuneration, review performance and decide on variable pay of executive directors.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Compensation Committee.
- Establishment and administration of employee compensation and benefit plans.

ESOP Committee

The ESOP Committee was constituted by our Directors at their Board meeting held on May 04, 2005. This Committee has been constituted to determine the number of stock options to be granted under our Company's Employees Stock Option Schemes and administration of the stock option plan. The ESOP Committee consists of Capt. G.R. Gopinath, M.G. Mohan Kumar and Bala Deshpande.

Share Allotment, Transfers and Investor Grievance Committee

The Share Allotment and Transfers Committee was constituted by our Directors at their Board meeting held on December 21, 2005. This Committee is responsible for the smooth functioning of the share transfer process as well as redressal of shareholder grievance. The Share Allotment and Transfers Committee consists of Anil Kumar Ganguly, M.G. Mohan Kumar and Col Jayanth Poovaiah.

The terms of reference of the Share Allotment and Transfer committee are as follows:

- To approve share transfers and transmissions.
- To approve splitting of share certificates, consolidation of share certificates and related matters including issue of fresh share certificates in lieu of the split/consolidated certificates.
- Issue of duplicate share certificates in lieu of lost, mutilated and destroyed certificates.
- Matters relating to dematerialisation of shares and securities.
- Investor relations and redressal of shareholders grievances in general and relating to non receipt of dividends, interest, non receipt of balance sheet etc in particular.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Shareholders and investor relations committee.

IPO Committee

The IPO Committee was constituted by our Directors at their Board meeting held on October 10, 2005. This Committee has been constituted to oversee and administer the activities to be undertaken for this Issue. The IPO Committee consists of Capt G.R. Gopinath, S.N. Ladhani, Vivek Kalra, M.G. Mohan Kumar, Sumant Kapur and Bala Despande.

Shareholding of our Directors in our Company

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

Director	No. of Equity Shares
Capt. G.R. Gopinath	10,950,000
Capt. K.J. Samuel	8,349,000
Vishnu Singh Rawal	2,863,500
Sumant Kapur	912,000
Sudhir Choudhrie	456,000
S.N. Ladhani	13,155

Interests of Directors

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association. Capt. G.R. Gopinath, Capt. K.J. Samuel, Vishnu Singh Rawal, Col. Jayanth Pooviah, M.G. Mohan Kumar and are entitled to receive remuneration from us. For further details see "Our Management- Remuneration of Directors" on page 102.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoters. Some of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Except as stated above and transactions disclosed in "Related Party Transactions" on page 113, our Directors do not have any other interest in the promotion or property of our Company during the preceding two years from the date of this Red Herring Prospectus .

Except as stated otherwise in this Red Herring Prospectus and above, we have not entered into any contract, agreement or arrangement during the preceding 2 years from the date of this Red Herring Prospectus in which the Directors are interested directly or indirectly and no payments have been made to them in respect of such contracts, agreements or arrangements or are proposed to be made to them.

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

Borrowing powers of the Board

Pursuant to a resolution dated November 04, 2005 passed by our shareholders in an EGM, in accordance with the provisions of the Act, our Board has been authorised to borrow money for the purposes of our Company upon such terms and conditions and with/without security as the Board of Directors may think fit, provided that the money or monies to be borrowed together with the monies already borrowed by our Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed, at any time, a sum of Rs. 20,000 million.

Remuneration of our Directors

Capt. G.R. Gopinath

In terms of the agreement with our Company and as approved by our remuneration committee on April 07, 2005, and subject to the approval of the DGCA, Capt. G.R. Gopinath has been appointed as the managing director, not liable to retire by rotation for a period of three years from March 01, 2005 and renewable for successive one year periods from such date. In terms of the agreement, the remuneration payable to him, effective January 01, 2006, is as follows:

Base Salary	:	Annual base salary of Rs. 3 million for each year of his employment to be reviewed annually by the Board
Incentive Compensation	:	Eligible to participate in our Company's annual incentive compensation plan for its senior executive officers in accordance with the terms thereof as in effect from time to time
Benefits, Perquisites and Expenses	:	■ Life, medical, dental and disability insurance ■ Entitled to participate in our Company's profit sharing, pension, retirement, deferred compensation and/or savings plans ■ Two days of paid leave for every completed month of service and any leave accumulation shall not exceed 30 days

M.G. Mohan Kumar

M.G. Mohan Kumar was appointed as an Additional Director and designated as Director – Finance of our Company on January 06, 2005 for a period of 3 years. Since M.G. Mohan Kumar was elected as a Director of our Company at the AGM dated October 22, 2005, he was reappointed as the Director – Finance of the Company for a period of 3 years on the original terms of appointment and remuneration as approved by the remuneration committee of the Board held on September 12, 2005.

Details of remuneration payable to Mohan Kumar for the period January 06, 2005 to October 21, 2005 and from October 23, 2005 for a period of 3 years is as under:

Base Salary	:	Annual base salary of Rs. 3 million for each year of employment to be reviewed annually by the Board
Incentive Compensation	:	Eligible to participate in our Company's annual incentive compensation plan for its senior executive officers in accordance with the terms thereof as in effect from time to time
Benefits, Perquisites and Expenses	:	■ Life, medical, dental and disability insurance ■ Entitled to participate in our Company's profit sharing, pension, retirement, deferred compensation and/or savings plans ■ Four weeks of annual paid leave ■ Entitled to participate in stock options

Capt. K.J. Samuel

Capt. K.J. Samuel was appointed as an executive director effective from June 19, 1995. By a resolution of our board of directors, the remuneration payable to Capt Samuel effective April 01, 2003 is Rs. 1,488,000 per annum.

Col. Jayanth K. Poovaiah

Col. Jayanth K Poovaiah was appointed as Executive Director of the Company effective from January 01, 2004 at an annual remuneration of Rs. 528,000 which was later on revised to Rs. 1,500,000 effective October 01, 2005. Consequent to our Company converting into a 'public company' effective from January 31, 2005 the remuneration of Col. Jayanth K. Poovaiah was approved by the remuneration committee on 10th October 2005 and the shareholders at the EGM held on 4th November 2005.

Vishnu Singh Rawal

Vishnu Singh Rawal was appointed as an executive director of our Company on January 06, 2005 for a period of 3 years which was approved by the remuneration committee of our board of directors held on September 12, 2005 and approved by the shareholders at the general meeting held on October 22, 2005.

Remuneration payable toRawal is as follows:

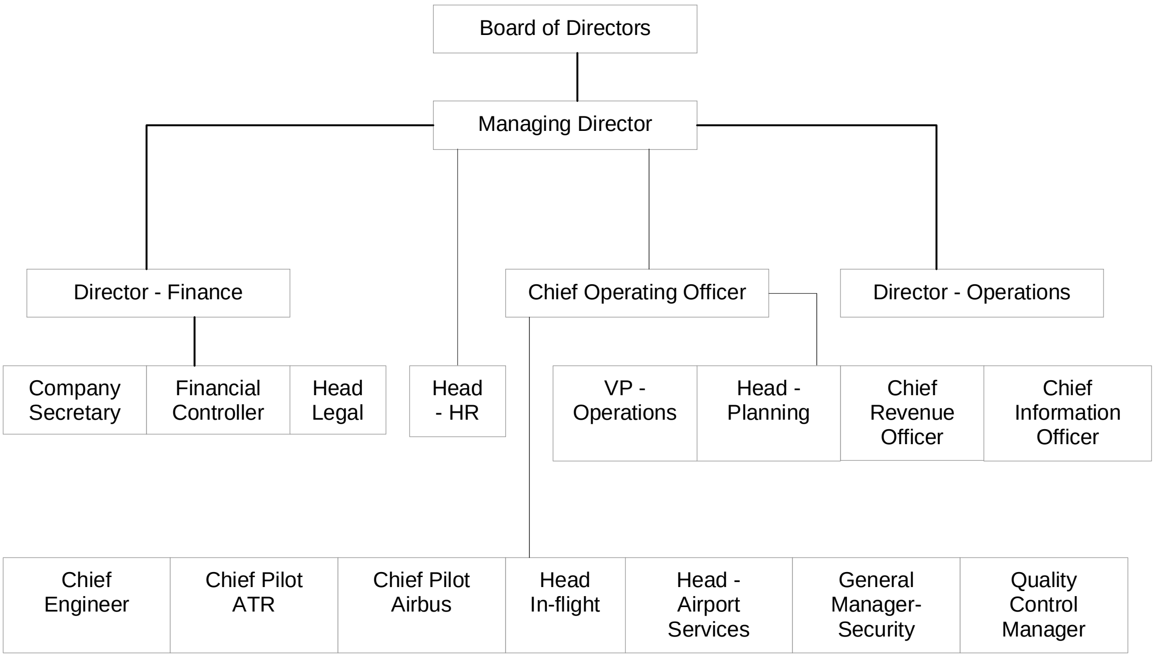
Base Salary	:	Annual base salary of Rs. 2.4 million for each year of his employment to be reviewed annually by the Board
Incentive Compensation	:	Eligible to participate in our Company's annual incentive compensation plan for its senior executive officers in accordance with the terms thereof as in effect from time to time
Benefits, Perquisites and Expenses	:	■ Life, medical, dental and disability insurance ■ Entitled to participate in our Company's profit sharing, pension retirement, deferred compensation and/or savings plans ■ Four weeks of annual paid leave

Changes in our Board of Directors during the last three years

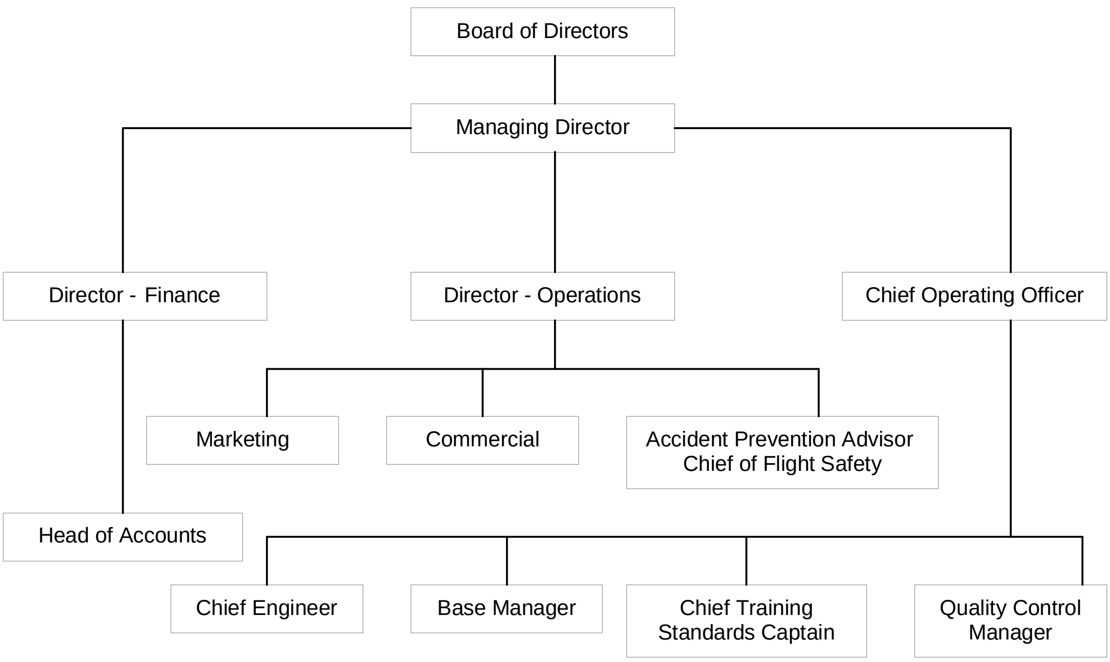
Name	Date of Appointment	Date of Cessation	Reason
Jayanth Poovaiah	June 28, 2003	-	-
Sudhir Choudhrie	December 27, 2003	-	-
B.G. Satyapal		April 08, 2004	Resigned
Arun D. Sinha		April 08, 2004	Resigned
M.G. Mohan Kumar	January 06, 2005	-	-
Sumant Kapur	December 27, 2003		Alternate Director (resigned and subsequently reappointed as Alternate Director effective March 29, 2005)
Vishnu Singh Rawal	January 06, 2005	-	Alternate Director (Appointed as Alternate Director to Vijay Amritraj. Subsequently, with effect from January 5, 2006 he ceased to be Alternate Director to Vijay Amritraj and appointed as Alternate Director to S.N. Ladhani)
Bala Deshpande	March 29, 2005	-	Nominee of The Western India Trustee and Executor Company Ltd (India Advantage Fund-I)
Vivek Kalra	March 29, 2005	-	Nominee of Subria CIPEF Limited
Anil Kumar Ganguly	December 21, 2005		
P.N.Thirunarayana	December 21, 2005		

Managerial Organisational Structure

Air Deccan



Deccan Aviation



Employee break-up

The number of employees of Air Deccan (excluding charter operation) and the areas in which they served as of the dates indicated are set forth in the following table:

	As of March 31,		
	2004	2005	2006
Pilots and co-pilots	32	130	385
Cabin crew	31	124	427
Engineers	34	248	470
Security	8	41	400
Marketing and Sales	36	108	77
Call Centre	17	49	254
Logistics	143	308	72
Airport Services		32	30
Planning and QC		32	44
Others (Including Administration, IT, Accounts, Commercial and Training)	80	111	251
Total	**381**	**1,183**	**2,410**

Key managerial personnel

The details regarding our key managerial personnel are as follows:

Name	Designation	Age	Qualification	Total Experience (years)	Salaries and Allowances in Fiscal 2006 (Rs.)
Warwick Brady	Chief Operating Officer	41	MBA	17	10,785,844
John Kuruvilla	Chief Revenue Officer	43	B.Sc. (Statistics)	21	3,076,004
Arvind Saksena	Chief Information Officer	51	B. Sc. Mathematics	21	1,802,730
Capt. Rajiv Kothiyal	Chief Pilot	46	ALTP Holder	25	4,238,568
Capt. Preetham Philip	VP – Operations	41	BBA (Aviation Management)	21	3,084,445
Devesh Desai	Finance Controller	37	B.Com (Hons.), ACA	14	1,595,103
Navodit Mehra	Head – Legal	38	LLB	12	1,386,286
Radhika Venkatesh	Company Secretary	37	ACS	5	349,480
Brian Bradbury	Chief Engineer	60	PGDM Diploma in Engineering	37	7,055,761

Name	Designation	Age	Qualification	Total Experience (years)	Salaries and Allowances in Fiscal 2006 (Rs.)
Capt. P K Gupta	Head – Flight Operations	61	B.Com	34	6,596,684
R. Krishnaswamy	Head - Planning	63	B.A (Economics), PG in Public Administration	38	833,157
K. Balakrishna Shabaraya	Head Finance	46	B.Com, FCA	19	701,898
Khan Shahab Uddin	QCM	49	H.S.C.	28	1,374,000

The brief profiles of the key personnel are given below:

Warwick Brady is Air Deccan's Chief Operating Officer. Prior to joining our Company in September, 2005, Brady worked as a pilot with Britannia Airways for nine years, flying the Boeing 757 and 767. Warwick also worked with the Gurbee Corporation and its affiliated concerns in Russia and the U.K. in 1995 -1996 and 1997-2002. He was also a strategic business adviser and shareholder representative to the Hansen Beverage Company, USA in 199 5-1996. From 2002 to August 2005, Brady was employed by Ryanair in various positions, including Deputy Director and head of its U.K. and Europe operations (with specific responsibility for the Stansted Airport, London) and Deputy Chief Executive Officer for Buzz Stansted (a Ryanair subsidiary). He holds a Diploma in Business Management from the University of London and a Masters in Business Administration from the Brunel University in London.

John Kuruvilla graduated from the Madras University with a degree in Statistics. Prior to joining our Company in January 2004, he was the Chief Executive Officer and Managing Director of Propmart Technologies Limited, Senior Vice President at Leo Burnett, Corporate Director - Marketing with East India Hotels Limited, and Senior Vice President, Contract Advertising (Subsidiary of J. Walter Thompson).

Arvind Saksena graduated from the Avdesh Pratap Singh University with a degree in Science and specialised in EMI/EMC, radar and missile technology. Subsequently, he served in the Indian Army for 18 years and handled IT technical support and IT projects for the Army. After retiring from the Indian army in 2001, he gained experience in various IT industries such as telecom, BPO (technical support) and software development. He worked with QUASAR Infotech and Telecommunications as the Chief Executive Officer from January 2002 until May 2004.

Capt. Rajiv Kothiyal is a recipient of the 'Kirti Chakra' gallantry medal and the Iven C Kincheloe trophy for 'Best Professional Achievement in Flight Testing' at Los Angeles, by Society of Experimental Test Pilots, USA. An ex-military fighter pilot with 23 years of service and more than 3500 hours of flying experience, he was also a test pilot on the development of 14 seater 'SARAS' aircraft and as Chief Test Pilot for India's indigenous jet fighter Light Combat Aircraft (LCA) program for 6 years. Capt. Kothiyal is responsible for the aircraft operations and day-to-day handling and recruitment of our pilots.

Capt. Preetham Philip has a degree in Aviation management from Pacific Western University and has been a helicopter pilot for over 26 years. He has worked with Malaysian Helicopter Services for Shell, during which time he authored the Shell safety management system, and with India's largest government owned helicopter company Pawan Hans. He was instrumental in indigenisation of offshore operations by taking over Deccan offshore from Bristow. Capt Preetham introduced the rescue operations to the Company and also started the helicopter services successfully to Vaishno Devi and Surat.

Devesh Desai has a degree in Commerce from the University of Calcutta and is a qualified chartered accountant. He heads the accounting, taxation, treasury functions and MIS for our Company. He has worked with Shaw Wallace, the A.V. Birla Group and Praxair and is a qualified internal auditor in ISO 9002 quality systems.

Navodit Mehra holds an LL.B. degree from Delhi University and a D.L.L. from the Indian Law Institute, Delhi. He began his career with J.B. Dadachanji & Company and has over 12 years of experience in the aviation industry. His last assignment was with Sahara Airlines Limited, and he currently heads our Company's legal department.

Radhika Venkatesh graduated from the Bombay University with a degree in Commerce and is a member of the "Institute of Company Secretaries of India". She has worked as Company Secretary with Soundcraft Industries Limited from 2001 to 2003 and with Adam Comsof Limited, Mumbai from January 24, 2000 to September 19, 2001. She is the Company Secretary.

Brian Bradbury has a Diploma in Aeronautical Engineering and Post Graduate Diploma in management studies from Croydon Sairfield College U.K. and has more than 37 years of work experience in the airline industry. Brian started his career with British Airways (BA) as an aircraft tradesman carrying out major maintenance. He worked with BA for more than 28 years including work as Engineering Manager before moving on to Caledonian Airways as Chief Engineer and Head of the Engineering Department. He worked with Gulf Aircraft Maintenance Company as Head of Maintenance Company between 1999 and 2001 and was recently employed by Bristow helicopters as General Manager for West Africa. He is responsible for the maintenance of the Company's aircraft.

Capt. P K Gupta is an experienced A-320 pilot with over 19000 hours of commercial flying experience, including 9700 hours on the A-320 aircraft. An Examiner on the A-320, he was the Director-Training, Indian Airlines and Chief Executive of Central Training Establishment Indian Airlines. Prior to his joining Air Deccan, he was the Fleet Manager of Pacific Airlines (Vietnam). He is responsible for flight operations and supervises all the flight schedules of the Company.

R. Krishnaswamy is a graduate in Economics and a postgraduate in Public Administration from the Madras University. He has worked for over 35 years with India's largest domestic carrier - Indian Airlines Limited, including in the positions of Regional Manager - Gulf, General Manager (Commercial) - Southern India, Deputy General Manager - Chennai International Airport, Regional Marketing Manager - Southern India, and Country Manager - Maldives and Sri Lanka. He is the head of planning in Air Deccan since its inception and is responsible for flight scheduling, analysis of various routes, and coordination with regulatory authorities.

Khan Shahab Uddin is a qualified ICAO Type II aircraft maintenance engineer and is licensed to maintain various types of aircraft. He has 28 years of aviation maintenance experience and served as a Chief Engineer cum Quality Control Manager at the Rajiv Gandhi Aviation Academy.

Balakrishna Shabaraya is a graduate in Commerce from the Mysore University and a qualified chartered accountant. He began his practise in 1986 and started practice as a partner with Sundaresh and Associates. He started ABS and Co. and thereafter discontinued active practice. He was most recently employed in the capacity of GM for finance with the Komala group and has subsequently joined the Company where he assists Deccan Aviation with its finance and audit functions.

Shareholding of key managerial personnel

None of the key managerial personnel hold Equity Shares in our Company. As stated in "Capital Structure - Notes to Capital Structure - Employee Stock Option Plan", some of our key managerial personnel hold stock options entitling them to Equity Shares in our Company.

Bonus or profit sharing plan for the key managerial personnel

There is no bonus or profit sharing plan for our Key Managerial Employees.

Interest of key managerial personnel

The key managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and options issued them in terms of the ESOP.

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

Changes in the key managerial personnel

Following are the changes in our key managerial personnel in the last three years (other than superannuation) up to the date of filing this Red Herring Prospectus with RoC:

Name of the Employee	Last Designation	Date of Joining	Date of Leaving	Reason for change
Arindam Banerjee	Head Airport Services	March 15, 2004	September 30, 2004	Resigned
Ujjal Gangopadhyay	Head HR	June 04, 2004	July 09, 2005	Resigned
Theodore Dounias	COO	February 09,2004	August 31, 2004	Resigned
Vish Mohan Sahai	Chief - Engineering	March 01, 2004	February 13, 2005	Resigned
Ajay Bhatkal	CIO	August 15, 2003	September 03, 2004	Resigned
R.D. Thakur	QCM	July 22, 2003	March 01, 2005	Resigned
Warwick Brady	Chief Operating Officer	September 02, 2005		Appointed
John Kuruvilla	Chief Revenue Officer	March 01, 2004		Appointed
Arvind Saksena	Chief Information Officer	October 09, 2004		Appointed
Raphael S. Maclean	Head – HR	July 07, 2005	April 25, 2006	Resigned
Capt. Rajiv Kothiyal	Chief Pilot	April 01, 2003		Appointed
Devesh Desai	Finance Controller	January 02, 2004		Appointed
Navodit Mehra	Head – Legal	November 01, 2004		Appointed
Radhika Venkatesh	Company Secretary	March 1, 2004		Appointed
H.S. Sekhon	Head – Airport Handling Services	November 04, 2004	April 17, 2006	Resigned
Brian Bradbury	Chief Engineer	January 07, 2005		Appointed
Capt. P.K. Gupta	Head – Flight Operations	April 26, 2004		Appointed
R. Krishnaswamy	Head - Planning	April 28, 2003		Appointed
Mark Daley	Chief – Engineering	April 15, 2002	June 11, 2004	Resigned
K. Balakrishna Shabaraya	Head Finance	November 27, 2003		Appointed

OUR PROMOTERS

Capt. G.R. Gopinath

See the section entitled "Our Management" on page 93 for further details.

He does not have a Voter ID and his driving lience number is 1847 - 87 -88 Card no. 289

Capt. K.J. Samuel

See the section entitled "Our Management" on page 93 for further details.

His voter ID is KT/12/084/015270 and his driving licence number is 3779/73.

Vishnu Singh Rawal

See the section entitled "Our Management" on page 93 for further details.

He does not have a voter ID and his driving licence number is 13120/2000.

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

Promoter Group

Relatives of the Promoters that form part of the Promoter Group

S. No.	Name of the Person	Relationship
A.	Capt. G.R. Gopinath	
1.	Bhargavi Gopinath	Wife
2.	Late Ramaswamy Iyengar	Father
3.	Late Jayalakshmi	Mother
4.	G R Sampath	Brother
5.	G R Srinivas	Brother
6.	G R Ravi	Brother
7.	Bhagya	Sister
8.	Asha	Sister
9.	Usha	Sister
10.	Pushpa	Sister
11.	Pallavi Gopinath	Daughter
12.	Krithika Gopinath	Daughter
13.	Shallvapillai Iyengar	Wife's Father
14.	Sathyavathi	Wife's Mother
15.	S N Prasad	Wife's Brother

S. No.	Name of the Person	Relationship
16.	Geeta	Wife's Sister
17.	Harani	Wife's Sister
18.	Veena	Wife's Sister
B.	**Capt. K.J. Samuel**	
1.	Maya Samuel	Wife
2.	Late J.K. Samuel	Father
3.	Late Emeem Jevavarathi	Mother
4.	Samuel Joseph	Son
5.	Chenon Joseph	Son
6.	Emma Joseph	Daughter
7.	Maj. K.C. Cherian	Wife's Father
8.	Mary Cherian	Wife's Mother
9.	Lt Col M J K Cherian	Wife's Brother
10.	M G Cherian	Wife's Brother
11.	Dr M.T. Cherian	Wife's Brother
12.	Mathew Cherian	Wife's Brother
13.	Reeni	Wife's Sister
14.	Michelle	Wife's Sister
15.	Meena Prochaska	Wife's Sister
16.	Annie Collins	Wife's Sister
C.	**Vishnu Singh Rawal**	
1.	Radha Singh Rawal	Wife
2.	Vimal Dave Singh	Father
3.	Sushila Devi	Mother
4.	Shyam Singh Rawal	Brother
5.	Sunita Parmar	Sister
6.	Indu Bala	Sister
7.	Rahul Singh Rawal	Son
8.	Mahendra Bahadur Singh	Wife's Father
9.	Ramkumari Devi	Wife's Mother
10.	Bhanu Pratap Singh	Wife's Brother
11.	Ravi Pratap Singh	Wife's Brother
12.	Malendu Pratap Singh	Wife's Brother
13.	Reena Singh	Wife's Sister
14.	Reeta Singh	Wife's Sister
15.	Dr. Surendra Singh	Wife's Sister
16.	Mayank Singh	Wife's Sister

None of the Promoter Group persons hold any shares in our Company.

Companies promoted by the Promoters

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

Deccan Aviation Turbine Overhaul Private Limited

Deccan Aviation Turbine Overhaul Private Limited was incorporated on November 22, 1999 in Bangalore, for the purpose of maintaining, repairing, servicing, and overhauling of all kinds of aircraft, aircraft engines and their components.

Shareholding

The authorised share capital of Deccan Aviation Turbine Overhaul Private Limited is Rs. 500,000 divided into 5,000 equity shares of Rs. 100 each. The shareholding pattern of Deccan Aviation Turbine Overhaul Private Limited is as follows:

Shareholder	No. of equity shares	(Rs.)
S.N. Ladhani	998	99,800
Capt. G.R. Gopinath	1	100
Capt. K.J. Samuel	1	100
Total	**1,000**	**100,000**

Directors

The board of directors comprises of Capt. G.R. Gopinath, Capt. K.J. Samuel and S.N. Ladhani.

Financial Performance

The company has not undertaken any operations since inception.

Shree Krishna Beverages Private Limited

Shree Krishna Beverages Private Limited was incorporated on July 18, 2000 in Bangalore, for the purpose of manufacturing and dealing with all types of milk and milk products or its extracts, derivatives, purified and isolated compounds or powders by manufacturing or marketing in them, in India or abroad.

Shareholding

The authorised and paid-up share capital of Shree Krishna Beverages Private Limited is Rs. 3,000,000 divided into 30,000 equity shares of Rs. 100 each. The shareholding pattern of Shree Krishna Beverages Private Limited is as follows:

Shareholder	No. of equity shares	(Rs.)
G. Vidya Babu	13,690	1,369,000
Maya Mary	960	96,000
Patricia	4,800	480,000
Vinoda Vidya Babu	950	95,000
Vishnu Singh Rawal	9,600	960,000
Total	**30,000**	**3,000,000**

Directors

The board of directors comprises of G. Vidya Babu and V. Vinodha.

Financial Performance

(Rs. in millions except share data)

	March 31, 2005	March 31, 2004	March 31, 2003
Sales and other income	19.04	17.55	18.02
Profit/Loss after tax	0.73	0.39	0.48
Reserves and Surplus	0.63	-	-
Equity capital (par value Rs. 100 per share)	3.00	3.00	3.00
Earnings per share (Rs.)	24.33	13.00	16.00
Book value per equity share (Rs.)*	232.67	207.33	194.23

* Share application money has been included and miscellaneous expenditure (to the extent not written-off) has been deducted.

Loaves & Rolls

Loaves & Rolls is a proprietory business commenced in November, 1995 at Bangalore. It carries on the business of bakery and confectionery Products. Bhargavi Gopinath is the sole proprietrix of Loaves & Rolls.

Financial Performance

(Rs. in millions except share data)

	March 31, 2005	March 31, 2004	March 31, 2003
Sales and other income	19.48	8.78	7.25
Profit/Loss after tax	0.40	0.56	0.29
Capital Account	1.76	2.73	1.85
Earnings per share (Rss)	N.A	N.A	N.A
Book value per equity share (Rs.)	N.A	N.A	N.A

Interests of Promoters

Except as provided under “Interests of Directors” on page 101 of this Red Herring Prospectus, none of our Promoters have any interest in the promotion or property of our Company.

RELATED PARTY TRANSACTIONS

A summary of the related party transactions as provided in the unconsolidated eight months auditied financial statements for the period ended November 30, 2005 in auditor's report dated April 25, 2006.

Key Management Personnel	Capt. G.R Gopinath, Capt. KJ Samuel, Mr Mohan Kumar, Capt. Vishnu Rawal and Col Jayant Pooviah
Associate company (Refer note below)	Deccan Aviation (Lanka) Private Limited ('DAPL')
Enterprises owned or significantly influenced by group of individuals or their relatives who have control or significant influence over the Company	(a) M/s Loaves & Rolls, in which wife of one of the key managerial personnel is the proprietor. (b) Brindavan Beverages Limited (BBL), one of the significant shareholders of the Company and in which one of the directors of the Company is also interested. (c) Deccan Aviation Turbine Overhaul Private Limited (Deccan Aviation Turbine), a company in which two directors of the Company are interested as equity share holders.
Relatives of Key Managerial Personnel	Mr. Joseph Samuel, son of Capt. KJ Samuel

		Associate company	**Key management personnel**	**Enterprises owned or significantly influenced by group of individuals or their relatives who have control or significant influence over the Company**	**Total**
Transactions during the period/year					
Helicopter lease rentals earned	*Nov 2005* *Mar 2005*	2,828,560 3,347,472			2,828,560 3,347,472
Commission received from M/s Loaves & Rolls.	*Nov 2005* *Mar 2005*			2,266,476 1,165,965	2,266,476 1,165,965
Rent Expense	*Nov 2005* *Mar 2005*		419,624 629,436	126,833 1,521,996	546,457 2,151,432
Interest expense on loans from BBL	*Nov 2005* *Mar 2005*			- 5,731,318	- 5,731,318
Other expenses paid to M/s Loaves and Rolls.	*Nov 2005* *Mar 2005*			365,268 471,397	365,268 471,397

Balances outstanding at end of period/year					
Assets given on lease (at gross block)	*Nov 2005*	11,347,500			11,347,500
	Mar 2005	11,347,500			11,347,500
Interest payable to BBL	*Nov 2005*			-	-
	Mar 2005			949,200	949,200
Commission receivable from M/s Loaves & Rolls.	*Nov 2005*			-	-
	Mar 2005			133,083	133,083
Other receivables for expense	*Nov 2005*	4,759,522			4,759,522
reimbursements, net	*Mar 2005*	1,379,127			1,379,127
Inventory of spares held at the period/year end	*Nov 2005*	965,778			965,778
	Mar 2005	5,430,700			5,430,700
Advances recoverable in cash or in kind from Deccan Aviation Turbine	*Nov 2005*			1,680,000	1,680,000
	Mar 2005			1,680,000	1,680,000
Dues from Directors	*Nov 2005*		69,653	-	69,653
	Mar 2005		491,823	-	491,823

Remuneration paid to directors is disclosed elsewhere in the notes to accounts.

Salaries paid Rs. 205,581 (March 31, 2005 - Nil) during the eight months ended November 30, 2005, to a relative of one of the directors of the Company. Balance due to such person as at November 30, 2005 is Rs. 99,972 (March 31, 2005 – Rs Nil).

Some of the key managerial personnel have given personal guarantees. In addition to key managerial personnel, their relatives have offered collateral securities to banks and financial institutions against the loans taken by the Company from such banks and financial institutions.

During the period, the Company obtained certain services amounting to Rs 1,200,000 (March 31, 2005 - Rs 1,800,000) from Lam Sports Group Private Limited (LSGPL) in which one of the directors of the Company is also a director. An amount of Rs 424,449 is due to such company as at November 30, 2005 (March 31, 2005 - Rs 426,171).

As at March 31, 2005, DAPL was a 52% subsidiary of the Company. Subsequent to March 31, 2005, the Company transferred 4% of equity shares held in DAPL, reducing its holding from 52% to 48%, to a trust set up for the purposes of an employee stock option scheme for the employees of DAPL.

EXCHANGE RATES AND CURRENCY OF PRESENTATION

In this Red Herring Prospectus, all references to "Rupees" and "Rs." are to the legal currency of India, all references to "USD"/ "$" are to the legal currency of the United States of America, all references to "SLR" are to the legal currency of Sri Lanka.

In this Red Herring Prospectus, foreign currency amounts have been translated into Rupees for which period and presented solely to comply with the requirements of SEBI Guidelines. Investors are cautioned not to rely on such translated amounts. The translations should not be considered as a representation that such foreign currency could have been, or could be, converted into Indian Rupees, as the case may be, at any particular rate, the rates stated below, or at all. The following table sets forth, for the period indicated, information concerning the amount of Rupees for which one unit of foreign currency could be exchanged. The currency conversion rate has been taken from the website www.oanda.com.

	Year ended March 31, 2005
1 SLR	**Rs. 0.44099**

Any percentage amounts, as set forth in "Risk Factors", "Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Red Herring Prospectus, unless otherwise indicated, have been calculated on the basis of our financial statements, as restated, under Indian GAAP prepared in accordance with SEBI Guidelines.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition of our Company. The Board may also from time to time pay interim dividends. All dividend payments are made in cash to the shareholders of our Company. The dividends declared by our Company during the last five fiscals are presented below:

Class of Shares	**Face Value (Rs.)**	**Year ended March 31, 2001**	**Year ended March 31, 2002**	**Year ended March 31, 2003**	**Year ended March 31, 2004**
Equity Shares	Rs. 10 *				
- Final dividend		5.00%	5.00%	5.00%	5.00%
Face Value of Equity shares at the end of the year		100	100	100	100

** As at November 30, 2005*

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

SECTION V : FINANCIAL STATEMENTS

UNCONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES, PROFITS AND LOSSES AND CASH FLOWS, AS RESTATED, UNDER INDIAN GAAP FOR THE YEARS ENDED MARCH 31, 2001, 2002, 2003, 2004 AND 2005 AND FOR THE EIGHT MONTHS ENDED NOVEMBER 30, 2005

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

April 25, 2006

To

The Board of Directors
Deccan Aviation Limited
35/2, Cunningham Road
Bangalore 560 052.

Dear Sirs,

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

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

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

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

The IPO will be for a fresh issue by the Company of 24,546,000 equity shares of Rs 10 each, at such premium, by way of book building process, as may be decided by the Board of Directors (referred to as 'the Offer'). The Offer is being made through the 100 percent book-building scheme.

Financial information as per audited financial statements

1. We have examined the attached restated summary statement of assets and liabilities of the Company as at November 30, 2005, March 31, 2005, 2004, 2003, 2002 and 2001, the attached restated summary statement of profit and loss and the attached restated summary statement of cash flows for each of the period/years ended on those dates ('Summary Statements') (see Annexures 1, 2A and 2B) as prepared by the Company and approved by the Board of Directors. These profits/ (losses) have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure 4 to this report. The financial statements of the Company for the years ended March 31 2000, 2001, 2002, 2003, and 2004 have been audited and reported upon by M/s Mohan & Sridhar, Chartered Accountants. We have audited the financial statements of the Company for the year ended March 31, 2005 and for the eight months ended November 30, 2005.

2. Based on our examination of the Summary Statements, we confirm that:

   (a) the impact of changes in accounting policies adopted by the Company as at and for the eight months ended November 30, 2005 have been adjusted with retrospective effect in the attached Summary Statements;

   (b) the prior period items have been adjusted in the Summary Statements in the years/periods to which they relate;

   (c) the extraordinary items, which need to be disclosed separately in the Summary Statements, are appropriately disclosed; and

   (d) the impact of qualifications made in the audit reports for the year ended March 31, 2005 and for the eight months ended November 30, 2005 have been appropriately adjusted in the Summary Statements, except for the matters discussed below, which are further detailed in paras (a), (c) and (e) of Note E.1 in Annexure 4 hereto, in respect of which the amounts of adjustments, if any, are currently not ascertainable/determinable;

      (i) Adjustments, if any, to be made to the financial statements for the year ended March 31, 2005, arising from the reconciliation of the stock ledger of rotables, stores, spares and components and the financial records which was pending as at March 31, 2005 (refer para E.1(a) in Annexure 4);

(ii) Adjustments, if any, to be made to the financial statements for the year ended March 31, 2005 pending receipt of confirmation of balance from lessor in respect of a claim made by the Company for reimbursement of maintenance expenses amounting to Rs 21.46 million (refer para E.1(c) in Annexure 4); and

(iii) Adjustments, if any, to be made to the financial statements for the year ended March 31, 2005, pending receipt of confirmation of balance in respect of income of Rs 11.89 million recognized from a barter transaction by the Company during the year ended March 31, 2005 (refer para E.1 (e) in Annexure 4).

Further, attention is drawn to para E.1 (b) in Annexure 4, pertaining to items pending reconciliation between the Company's ticket reservation system and credit card agency statement as at November 30, 2005 and as at March 31, 2005. As per management, subsequent to the modifications made in the ticket reservation system, the impact, if any on the financial statements, on account of such items pending reconciliation is estimated to be immaterial.

3. The summary of significant accounting policies adopted by the Company together with the notes pertaining to the audited financial statements for the eight months ended November 30, 2005 are enclosed as Annexure 4A to this report.

Other financial information

4. We have examined the following financial information of the Company proposed to be included in the Offer Document as approved by you and annexed to this report:
   i. Accounting ratios based on the restated profits/(losses) relating to earnings/(loss) per share, net asset value and return on net worth as enclosed in Annexure 5;
   ii. Details of rates of dividend paid as enclosed in Annexure 6;
   iii. Details of other income, as restated as enclosed in Annexure 7;
   iv. Capitalization statement as at November 30, 2005 as enclosed in Annexure 8;
   v. Details of loans, as enclosed in Annexure 9;
   vi. Details of investments as enclosed in Annexure 10;
   vii. Details of sundry debtors, as restated as enclosed in Annexure 11;
   viii. Details of loans and advances, as restated as enclosed in Annexure 12;
   ix. Statement of tax shelters as enclosed in Annexure 13; and
   x. Statement of possible tax benefits available to the Company, and its shareholders as enclosed in Annexure 14.
5. For the purpose of our examination of the Summary Statements and other financial information, as restated of the Company, we have relied on the audited financial statements reported upon by the other auditors as discussed in para 1 above. We have not performed any audit procedures in respect of the financial statements for the years ended March 31, 2004, 2003, 2002, 2001 and 2000. We make no representation regarding those audited financial statements.
6. In our view, except for the matters discussed in para 2(d) above in respect of which the amount of adjustments, if any, are not ascertainable/determinable, the 'financial information as per audited financial statements' and 'other financial information' mentioned above have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.
7. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S. R. Batliboi & Company
Chartered Accountants

Per **Sunil Bhumralkar**
Partner
Membership No: 35141
Bangalore
April 25, 2006

ANNEXURE 1 - SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

Rs. in million

		As at March 31, 2001	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at November 30, 2005
A.	**Fixed Assets**						
	Gross Block	19.98	23.01	111.75	270.98	552.48	3,097.78
	Less: Accumulated Depreciation	1.98	3.04	6.31	16.33	45.22	93.25
	Net Block	**18.00**	**19.97**	**105.44**	**254.65**	**507.26**	**3,004.53**
	Add: Capital Work-in-Progress, including capital advances	-	0.47	1.46	12.17	1,530.93	1,429.32
	Total (A)	**18.00**	**20.44**	**106.90**	**266.82**	**2,038.19**	**4,433.85**
B.	**Investments (B)**	**1.00**	**1.00**	**-**	**-**	**4.48**	**4.13**
C.	**Deferred Tax Asset, net (C)**	**-**	**0.19**	**-**	**-**	**-**	**-**
D.	**Current Assets, Loans and Advances**						
	a) Inventories	10.44	21.98	38.68	119.57	363.98	485.08
	b) Sundry Debtors	28.40	31.72	27.80	45.56	82.68	156.85
	c) Cash and Bank Balances	0.73	4.61	20.10	159.76	829.28	426.29
	d) Loans and Advances	32.12	46.29	45.43	134.66	340.93	692.84
	e) Other Current Assets	-	5.07	2.54	21.64	131.92	122.68
	f) Share/Debenture Issue Expenses and Preliminary Expenses	0.02	0.02	0.01	1.23	27.96	21.98
	Total (D)	**71.71**	**109.69**	**134.56**	**482.42**	**1,776.75**	**1,905.72**
E.	**Liabilities and Provisions**						
	a) Current Liabilities and Provisions	35.63	43.32	74.24	258.84	1,098.38	2,778.17
	b) Deferred Tax Liability, net	1.31	-	3.10	-	-	-
	c) Secured Loans	6.69	19.89	73.05	226.21	1,594.17	3,014.01
	d) Unsecured Loans	10.02	15.87	38.51	123.00	1,250.60	1,693.00
	Total (E)	**53.65**	**79.08**	**188.90**	**608.05**	**3,943.15**	**7,485.18**
F.	**Net Worth [Refer Note F(2) in Annexure 4] (A+B+C+D-E)**	**37.06**	**52.24**	**52.56**	**141.19**	**(123.73)**	**(1,141.48)**
	Net Worth Represented by						
	Equity Share Capital	20.00	20.00	20.80	155.27	161.99	462.57
	Employee Stock Options Outstanding (Net of Deferred Compensation Cost)	-	-	-	-	-	12.98
	Reserves and Surplus:						
	Securities Premium	-	-	-	79.20	159.88	7.93
	Profit and Loss Account	17.06	32.24	31.76	(93.28)	(445.60)	(1,624.96)
	Net Worth [Refer Note F(2) in Annexure 4]	**37.06**	**52.24**	**52.56**	**141.19**	**(123.73)**	**(1,141.48)**

The above statement should be read with the significant accounting policies appearing in Annexure 4A and Notes to the Summary Statement of Assets and Liabilities, Profits and Losses and Cash Flows as restated, appearing in Annexure 4.

ANNEXURE 2A - SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED

Rs. in million

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Eight months ended November 30, 2005
INCOME						
Sale of airline tickets and related income (Refer note F(1) in Annexure 4)	-	-	-	314.18	2,669.46	4,458.98
Helicopter charter and other services	147.17	195.48	234.15	315.21	386.08	324.45
	147.17	195.48	234.15	629.39	3,055.54	4,783.43
Other income	0.12	0.52	0.77	44.18	147.29	399.42
Total Income	**147.29**	**196.00**	**234.92**	**673.57**	**3,202.83**	**5,182.85**
EXPENDITURE						
Aircraft fuel expenses	4.14	5.60	12.54	92.44	929.85	2,154.55
Aircraft/Engine repairs and maintenance	12.10	11.55	3.10	88.43	492.76	720.68
Aircraft/Engine lease rentals	47.97	54.09	57.22	106.45	451.17	807.12
Other direct operating expenses	36.83	56.61	58.11	167.64	736.54	1,303.83
Employee remuneration and benefits	14.70	20.34	26.40	71.46	317.65	646.56
Administrative and general expenses	13.68	21.95	34.56	75.57	203.06	452.11
Employee stock compensation cost	-	-	-	-	-	12.98
Advertisement and business promotion expenses	3.36	4.48	5.40	3.18	62.95	56.45
Finance and banking charges	2.65	5.24	15.18	38.69	102.14	114.18
Amortisation	2.66	5.36	7.88	9.87	57.25	82.51
Depreciation	0.95	1.07	3.27	11.16	30.59	48.03
Preliminary expenses written off *	-	-	-	-	-	-
Total Expenditure	**139.04**	**186.29**	**223.66**	**664.89**	**3,383.96**	**6,399.00**
Profit/(loss) before taxation and prior period items	**8.25**	**9.71**	**11.26**	**8.68**	**(181.13)**	**(1,216.15)**
Provision for tax						
Current tax	1.08	0.63	0.88	0.64	-	-
Deferred tax expense/(credit)	-	-	4.14	2.07	(13.24)	-

Rs. in million

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Eight months ended November 30, 2005
Fringe benefit tax	-	-	-	-	-	22.49
Profit/(loss) after tax and before prior period items	**7.17**	**9.08**	**6.24**	**5.97**	**(167.89)**	**(1,238.64)**
Prior period income/(expenses)	**-**	-	**-**	**(0.37)**	**(27.43)**	-
Net profit/(loss) for the year/ period as per audited accounts (A)	**7.17**	**9.08**	**6.24**	**5.60**	**(195.32)**	**(1,238.64)**
Adjustments - Increase/(decrease) in profits (Refer Annexure 4)						
Deferred revenue expenditure	(2.76)	0.93	(2.16)	(87.45)	(164.41)	59.28
Provision for maintenance expenses	5.13	3.56	(5.45)	(8.21)	(6.78)	-
Prior period income/(expense)	(0.30)	(0.07)	-	(27.06)	27.43	-
Other adjustments	1.18	1.18	1.18	(5.16)	-	-
Total impact of adjustments	**3.25**	**5.60**	**(6.43)**	**(127.88)**	**(143.76)**	**59.28**
Tax adjustments (Refer Annexure 4)						
Deferred tax (expense)/credit	(0.55)	1.50	0.84	5.18	(13.24)	-
Total of adjustments after tax impact (B)	**2.70**	**7.10**	**(5.59)**	**(122.70)**	**(157.00)**	**59.28**
Net profit/(loss), as restated (A+B)	**9.87**	**16.18**	**0.65**	**(117.10)**	**(352.32)**	**(1,179.36)**
Profit and Loss Account at the beginning of the year/ period	**21.42**	**17.06**	**32.24**	**31.76**	**(93.28)**	**(445.60)**
Amount available for appropriation as restated	**31.29**	**33.24**	**32.89**	**(85.34)**	**(445.60)**	**(1,624.96)**
Appropriations						
Proposed Dividend on Equity Share Capital	1.00	1.00	1.00	1.74	-	-
Tax on Dividend	0.10	-	0.13	0.23	-	-
Issue of Bonus Shares	13.13	-	-	5.97	-	-
	14.23	**1.00**	**1.13**	**7.94**	**-**	**-**
BALANCE CARRIED FORWARD, AS RESTATED	**17.06**	**32.24**	**31.76**	**(93.28)**	**(445.60)**	**(1,624.96)**

* *Less than Rs lacs*

The above statement should be read with the significant accounting policies appearing in Annexure 4A and Notes to the Summary Statement of Assets and Liabilities, Profits and Losses and Cash Flows as restated, appearing in Annexure 4.

ANNEXURE 2B - PROFIT AND LOSS ACCOUNT AS AT APRIL 1, 2000, AS RESTATED

Rs in million

Profit and Loss Account Balance as at April 1, 2000 as per audited financial statements		13.25
Increase/(Decrease) in accumulated profits as at April 1, 2000 as a result of adjustments for:		
Other adjustments	1.62	
Unamortised balance of deferred revenue expenditure written off	(4.44)	
Reversal of provision for maintenance expenses	11.75	
Deferred tax expense	(0.76)	8.17
Profit and Loss Account Balance as at April 1, 2000, as restated		**21.42**

ANNEXURE 3: SUMMARY STATEMENT OF CASH FLOWS, AS RESTATED

Rs. in million

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Eight months ended November 30, 2005
A. Cash Flows from Operating Activities						
Net Profit/(Loss) before tax, as restated	11.50	15.31	4.83	(119.57)	(352.32)	(1,156.87)
Adjustments for:						
Depreciation	0.95	1.07	3.27	11.47	30.59	48.03
Employee stock compensation cost	-	-	-	-	-	12.98
Provision for wealth tax	-	-	-	-	0.03	-
Preliminary expenses written off*	-	-	-	-	-	-
Amortisation	-	-	-	-	24.54	24.11
Insurance claims	-	-	-	(12.70)	(25.96)	-
Profit on transfer of aircraft/ engine purchase rights	-	-	-	-	(45.81)	(350.57)
Loss on sale/transfer of investments	-	-	0.39	-	-	0.34
Interest income	(1.27)	(1.21)	(1.83)	(1.92)	(5.80)	(5.90)
Sundry balances written back	-	-	-	(0.01)	(0.11)	(0.10)
Bad debts written off						3.89
Interest expense	2.65	5.24	15.18	31.68	55.70	47.16
Operating profit / (loss) before working capital changes	**13.83**	**20.41**	**21.84**	**(91.05)**	**(319.14)**	**(1,376.93)**
Movements in working capital:						
Decrease/(increase) in sundry debtors	(10.86)	(3.32)	3.92	(17.76)	(37.12)	(78.06)
Decrease/(increase) in inventories	(6.18)	(11.54)	(16.70)	(80.89)	(244.41)	(121.11)
Decrease/(increase) in loans and advances	(2.61)	(15.19)	0.36	(43.60)	(162.70)	(409.50)
Decrease/(increase) in other current assets	-	(5.07)	2.53	(19.10)	(110.28)	9.25
(Decrease)/increase in current liabilities and provisions	(9.46)	12.12	30.98	170.92	736.32	1,617.52
Cash generated from/(used in) operations	**(15.28)**	**(2.59)**	**42.93**	**(81.48)**	**(137.33)**	**(358.83)**
Income tax (paid)/refund, including fringe benefit tax	1.18	(2.77)	0.60	(0.31)	(2.49)	(2.90)
Net cash generated from/ (used in) operations	**(14.10)**	**(5.36)**	**43.53**	**(81.79)**	**(139.82)**	**(361.73)**

Rs. in million

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Eight months ended November 30, 2005
B. Cash Flows from Investing Activities						
Purchase of fixed assets and changes in capital work in progress	(5.44)	(3.50)	(89.72)	(205.25)	(1,766.50)	(2,361.65)
Proceeds from sale/disposal of fixed assets	-	-	-	-	51.83	44.19
Proceeds from transfer of aircraft/ engine purchase rights	-	-	-	-	-	369.05
Investment in subsidiary company	-	-	-	-	(4.48)	-
Interest received	0.09	0.04	0.65	6.22	2.97	3.59
Purchase of Investments	(1.00)	-	-	-	-	-
Sale of Investments	-	-	0.61	-	-	-
Net cash used in investing activities	**(6.35)**	**(3.46)**	**(88.46)**	**(199.03)**	**(1,716.18)**	**(1,944.82)**
C. Cash Flows from Financing Activities						
Proceeds from issue of share capital	-	-	0.80	206.48	87.40	148.63
Share/debenture issue expenses					(27.15)	(0.34)
Proceeds from term loans (including hire purchase)	4.00	0.80	60.53	144.25	1,917.62	2,473.43
Repayment of term loans (including hire purchase)	(1.37)	(3.82)	(7.39)	(12.27)	(552.29)	(1,161.92)
Change in overdraft facility (including book overdraft)	-	-	-	29.00	35.75	9.37
Change in cash credit facility	-	15.60	(0.43)	(7.70)	1.96	46.50
Finance lease obligation	-	-	-	-	(2.42)	(17.89)
Proceeds from convertible debentures	-	-	-	-	1,217.60	435.40
Unsecured loans received	7.00	6.00	38.90	114.38	128.00	60.00
Unsecured loans repaid	(7.65)	(0.15)	(21.65)	(24.50)	(218.00)	(53.00)
Interest paid	(3.20)	(4.63)	(9.34)	(28.03)	(60.98)	(36.62)
Dividends Paid	(0.18)	(1.00)	(1.00)	(1.00)	(1.74)	-
Tax on dividend paid	-	(0.10)	-	(0.13)	(0.23)	-
Net cash (used in)/ generated from financing activities	**(1.40)**	**12.70**	**60.42**	**420.48**	**2,525.52**	**1,903.56**
Net change in cash and cash equivalents (A+B+C)	**(21.85)**	**3.88**	**15.49**	**139.66**	**669.52**	**(402.99)**
Cash and cash equivalents at the beginning of the year/period	22.58	0.73	4.61	20.10	159.76	829.28
Cash and cash equivalents at the end of the year/period	**0.73**	**4.61**	**20.10**	**159.76**	**829.28**	**426.29**
**less than Rs lacs*						
Notes:						
(1) Cash and cash equivalents include margin money deposit against bank guarantees and letters of credit issued by banks.						
(2) Assets taken under finance lease	-	-	-	-	30.59	26.31

ANNEXURE 4: NOTES TO THE SUMMARY STATEMENT OF ASSETS AND LIABILITIES, PROFITS AND LOSSES, AND CASH FLOWS, AS RESTATED

A. Summary restated financial statements

Accounting Standard (AS 21), Consolidated Financial Statements ('AS 21') issued by the Institute of Chartered Accountants of India ('ICAI') comes into effect in respect of accounting periods commencing on or after April 01, 2001. The ICAI has also issued AS 23, Accounting for Investments in Associates in Consolidated Financial Statements ('AS 23') and AS 27, Financial Reporting of Interests in Joint Ventures ('AS 27') which are effective for accounting periods commencing on or after April 01, 2002. However, AS 21, AS 23 and AS 27 are currently not applicable to the Company since it is not required to prepare consolidated financial statements under any law. Accordingly, the results of the subsidiary/associate company have not been consolidated for in these summary restated financial statements.

B. Adjustments resulting from changes in accounting policies

1. **Maintenance Costs**

   Costs associated with major airframe and certain engine maintenance checks to be performed in the future, where the Company had a commitment to maintain the aircraft/helicopter were provided by reference to the number of hours or cycles operated during the year. The actual costs of maintenance were charged against such provisions. In view of the mandatory Accounting Standard ('AS 29') on "Provisions, Contingent Liabilities and Contingent Assets", issued by ICAI, applicable from April 1, 2004, the Company changed its accounting policy, effective April 1, 2004, to account for the said maintenance expenses on an as incurred basis. Accordingly, the summary financial statements have been restated for the years ended March 31, 2001, 2002, 2003, 2004 and 2005 to give effect to the change in accounting policy. Further, balance in Profit and Loss Account as at March 31, 2000 have been appropriately adjusted to reflect the impact of such change pertaining to the year ended March 31, 2000 and prior years.

2. **Deferred tax**

   The Company adopted Accounting Standard 22, "Accounting for taxes on Income" issued by ICAI for the first time in preparing the financial statements for the year ended March 31, 2003. Accordingly, the summary financial statements have been restated for the years ended March 31, 2001 and 2002 to give effect to the change in accounting policy. Further, balance in Profit and Loss Account as at March 31, 2000 have been appropriately adjusted to reflect the impact of such change pertaining to the year ended March 31, 2000 and prior years. Further adjustments have been made for the reversal of deferred tax liability effected during the year ended March 31, 2005 in the statutory financial statements, to reflect such reversal in the period in which the same was initially recognized.

C. Other adjustments

1. **Prior period and other adjustments**

   In the financial statements for the year-ended March 31, 2005 and 2004, the Company had recognized/charged off certain amount of income/expense pertaining to the prior years. The summary financial statements have been restated to account for the said income/expense in the years to which they relate to. Further balance in Profit and Loss Account as at March 31, 2000, have been appropriately adjusted to reflect the impact pertaining to the year ended March 31, 2000 and prior years.

D. Material regroupings/reclassifications

Revenues
(as compared to the audited financial statements)

a) In the audited financial statements for the year ended March 31, 2005, the Company presented revenues on the basis of the broad nature of its activities – sale of tickets and charter services. The Company has now reclassified such revenues on the basis of its airline and helicopter operations separately.

Expenses
(as compared to the audited financial statements)

a) Employee remuneration and benefits for the year ended March 31, 2004 and 2005 and for the eight months ended November 30, 2005 earlier reflected under administrative and general expenses have been reclassified and disclosed separately for the purpose of summary statement of profits and losses, as restated.

b) Advertisement and business promotion expenses for the years ended March 31, 2001, 2002, 2003 and 2004 earlier reflected under administrative and general expenses have been reclassified and disclosed separately for the purpose of summary statement of profits and losses, as restated.

c) Expenses incurred towards aircraft fuel, aircraft/engine rentals and aircraft/engine repairs and maintenance expenses for the years ended March 31, 2001, 2002, 2003, 2004 and 2005 and for the eight months ended November 30, 2005 earlier reflected under other direct operating expenses / finance charges have been reclassified and disclosed separately for the purpose of summary statement of profits and losses, as restated.

d) Amortisation of deferred revenue expenditure for the years ended March 31, 2001, 2002, 2003 and 2004 were accounted as respective expenses in the respective audited financial statements under Other direct operating expenses, Administrative and general expenses and Advertisement and business promotion expenses in the audited financial statements of the respective years. For the purposes of the summary statement of profits and losses, as restated, the same have been reclassified and disclosed in aggregate separately.

e) Commission paid to agents and IATT charges for the years ended March 31, 2001, 2002, 2003 and 2004 earlier reflected under Administrative and general expenses have been regrouped to Other direct operating expenses.

Others

a) Provision for maintenance expenses created [reflected under Other direct operating expenses] and reversed during the year ended March 31, 2004 [reflected as Other income] of Rs 8.45 million in the audited financial statements have been set off for the purposes of the summary statement of profits and losses, as restated.

b) Other security deposit of Rs 20 million reflected as part of unsecured loans as at March 31, 2004 and 2003 in the audited financial statements have been reclassified under Current Liabilities and Provisions.

c) For the purposes of the summary statement of profits and losses, as restated, exchange gain, net has been reflected as part of Other income and exchange loss, net, as part of Administrative and general expenses.

E. Auditors' qualifications

E.1 Non-adjustment items

a) As at March 31, 2005, the Company was in the process of reconciling its stock ledger of rotables, stores, spares and components, of one of the divisions with its financial records and was in the process of updating its stock ledgers for items emanating from such reconciliation. No adjustments were made to the financial statements for the year ended March 31, 2005, as management was of the view that the same would not be material. The statutory auditors' report on the financial statements for the year ended March 31, 2005 stated that they were unable to verify the valuation of inventories of such rotables, stores, spares and components as estimated by the management and reported that the financial statements were subject to adjustments, if any, that may be required due to the impending reconciliation.

Based on a detailed exercise performed by the management subsequent to March 31, 2005, the Company reconciled its stock ledger of rotables, stores, spares and components with its financial records and carried out the necessary adjustments to the financial statements. However, the impact, if any, of such adjustments on the financial statements for the year ended March 31, 2005 is not ascertainable. Accordingly, no adjustment has been made in the restated summary statements for the year ended March 31, 2005 and for the eight months ended November 30, 2005 for this matter. The statutory auditors' report on the financial statements for the eight months ended November 30, 2005 has also been qualified in respect of the uncertainty of the adjustment, if any, which may pertain to the year ended March 31, 2005.

b) As at March 31, 2005, the Company was in the process of reconciling certain unmatched transactions of ticket reservations and cancellations amounting to Rs 9.94 million and Rs 34.07 million respectively, as per the Company's ticket reservation system with the collections of Rs 22.06 million and payments of Rs 55.30 million, as per the credit card gateway service provider. No adjustments were made to the financial statements for the year ended March 31, 2005, as management was of the view that the same would not be material. The statutory auditors' report on the financial statements for the year ended March 31, 2005 reported that the financial statements were subject to adjustments, if any, that may be required due to the impending reconciliation.

Subsequently, the Company has addressed the above reconciliation by improving the tools available in the ticket reservation system for reconciliation of the transactions with the credit card gateway service providers. Accordingly, as at November 30, 2005, there is an unmatched sum of Rs 6.34 million only, in respect of which the Company is in the process of reconciling. In view of the improvements in the tools in the ticket reservation system, management continues to be of the view that impact, if any, on the financial statements, arising out of such pending reconciliation is estimated to be immaterial. Management has determined that no adjustments are required to be made to the financial statements for the year ended March 31, 2005 for this matter. Accordingly, no adjustments have been made to the restated summary financial statements. The auditors have reported this as a matter of emphasis in their audit report on the financial statements for the eight months ended November 30, 2005.

c) During the year ended March 31, 2005, the Company had raised debit notes on the lessor for reimbursement of maintenance expenses amounting to Rs 21.46 million in accordance with agreements entered into with the aircraft lessor. Such claim for reimbursement of maintenance expenses from the lessor was subject to receiving confirmation from the lessor as at March 31, 2005. The Company is yet to receive such confirmation as at November 30, 2005 also. The auditors' report on the financial statements for the year ended March 31, 2005 and eight months ended November 30, 2005, reported that the financial statements are subject to adjustments, if any, that may be required to be made to the financial statements on receipt of such confirmation. However, no adjustments have been made in the restated financial statements as management is of the view that no adjustments would be required on receipt of the confirmation from the lessor.

d) During the year ended March 31, 2005, the Company had not accrued for aircraft lease rental expenses amounting to Rs 14.95 million, based on negotiations reached with the aircraft lessor. Such waiver of the aircraft lease rentals was subject to receiving confirmation from the lessor as at March 31, 2005. The auditors' report on the financial statements for the year ended March 31, 2005 reported that the financial statements are subject to adjustments, if any, that may be required to be made to the financial statements on receipt of the confirmation. Subsequently the Company has received the balance confirmation in respect of the aircraft lease rentals of Rs 14.95 million as at November 30, 2005.

e) During the year ended March 31, 2005, the Company had entered into a barter agreement with a vendor for purchase and sale of certain services. Under such agreement, during the year ended March 31, 2005, the Company accrued an income of Rs 11.89 million which was pending confirmation of the other party. Such confirmation is pending as at November 30, 2005 also. The Company is in the process of obtaining such confirmation. The statutory auditors' report on the financial statements for the year ended March 31, 2005 and for the eight months ended November 30, 2005 reported that the financial statements are subject to adjustments, if any, that may be required on receipt of the confirmation. However, no adjustments have been made in the restated summary financial statements as management is of the view that no adjustments would be required on receipt of the confirmation from the party.

E.2 Adjusted items

a) As part of the rapid expansion plans, the Company incurred significant expenditure on in house trainers towards training of pilots and technical engineers. Although, such in house training costs are not covered under bond or are not recoverable from the employees, the Company has deferred such costs as management believes that the economic benefits of such training costs will flow to the enterprise over a period. Further, during the years ended March 31, 2004 and 2005, the Company incurred certain expenses prior to commencement/expansion of operations. The Company has deferred such preoperative expenses and training expenses to be written off over a period of three years following the year in which the expenses are incurred.

The statutory auditors' opinion on the financial statements for the year ended March 31, 2005 and for the eight months ended November 30, 2005 was qualified in respect of the training expenses of Rs 217.49 million and Rs 171.25 million as at March 31, 2005 and November 30, 2005 respectively, and pre-operative expenses of Rs 42.80 million and Rs 29.76 million as at March 31, 2005 and November 30, 2005 respectively, being amortised by the Company over a period of three years. The statutory auditors' opined that the accounting treatment of the Company is not in accordance with AS 26 on "Intangible assets" issued by the ICAI and such expenses are required to be written off to the profit and loss account as and when incurred. For the purposes of the summary restated financial statements, such training expenses and pre-operative expenses have been appropriately written off in the years in which the expenses were incurred including necessary adjustments to balance in profit and loss account as at March 31, 2000.

F. Other notes

1. Revenues from sale of tickets include passenger service fee of Rs 30.25 million, Rs 212.09 million and Rs 355.01 million for the years ended March 31, 2004 and 2005 and for the eight months ended November 30, 2005, respectively.
2. Net worth excludes fully convertible debentures of Rs 1,217.60 million outstanding as at March 31, 2005 and Rs 1,653 million outstanding as at November 30, 2005. On December 21, 2005, the debentures outstanding as at November 30, 2005 have been converted into 27,379,337 equity shares of Rs 10 each at a premium of Rs 50.37 per share by the Board of Directors.

ANNEXURE 4A: SIGNIFICANT ACCOUNTING POLICIES

1. Statement of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI"). The financial statements have been prepared under the historical cost convention on an accrual basis

(b) Use of estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in future, actual results ultimately may differ from the estimates.

(c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from charter services is recognised based on services provided and billed as per the terms of the contracts with the customers provided that the collection is reasonably certain. Revenue from sale of tickets of the airline operations is recognised in the period in which the service is provided, i.e. on flown basis. Such revenues include the statutory fee to be collected from customers as per government regulations. Unearned revenue represents flight seats sold but not yet flown and is included under Advances from customers. The same is released to the profit and loss account as the services are rendered. Miscellaneous fees charged for reservation/changes/cancellation of flight tickets are recognised as revenues immediately on accrual basis to the extent the same are not refundable.

Lease income from assets given under operating lease is recognised in the Profit and Loss Account on a straight-line basis over the lease term.

Interest income is recognised on the time proportionate method when the right to receive income is established and that collection is reasonably certain. Income from sale of advertisement space is recognised on accrual basis over the period the advertisements are displayed.

The Company enters into barter arrangements with other parties for advertising in exchange for the Company's advertising in the other party's media or in exchange for other services or goods. Such transactions are recorded at the fair value of the services/goods received from the other party, or at the fair value of the services provided by the Company if it is not feasible to determine the fair value of the services/goods received.

(d) Fixed assets and Intangible assets

Fixed assets and Intangible assets are stated at cost of acquisition less accumulated depreciation/amortisation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use and also includes cost of modification and improvements to leased assets. Borrowing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for intended use before such date are disclosed under capital work-in-progress.

(e) Depreciation

Depreciation on fixed assets, except software, leased assets and leasehold improvements, is provided on a straight line basis at the rates prescribed under Schedule XIV to the Companies Act, 1956, which are estimated to be the useful life of fixed assets by the management. Additions are depreciated on a pro-rata basis from the date of installation till the date the assets are sold or disposed.

Leasehold improvements on operating leases are depreciated over the shorter of the period of the lease and their estimated useful lives. Assets leased under finance lease are depreciated as stated below.

Intangible assets comprise software which are depreciated over a period of 3-5 years, based on estimated useful life as ascertained by the management.

Individual assets costing less than Rs 5,000 are depreciated in full in the year/period of acquisition.

(f) Borrowing Costs

Borrowing costs attributable to the acquisition or construction of a qualifying asset are capitalised as a part of the cost of the assets. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(g) Leases

Where the Company is a lessee

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

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

Profit or loss on sale and leaseback arrangements resulting in operating leases are recognised immediately in case the transaction is established at a fair value, else the excess over the fair value is deferred and amortised over the period for which the asset is expected to be used. In case of sale and leaseback arrangement resulting in a finance lease, any excess or deficiency of sales proceeds over the carrying value is deferred and amortised over the lease term in proportion to the depreciation of the leased asset.

Where the Company is a lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Profit and Loss Account.

(h) Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(i) Maintenance costs

The Company has entered into operating lease agreements for aircrafts, aircraft engines and helicopters. In respect of such leased aircraft, aircraft engines and helicopters, the Company has entered into maintenance arrangements, where the Company has an obligation towards maintenance payments determined based on fixed monthly amounts including charges based on flight hours, cycles, etc. Such maintenance expenses are charged to the profit and loss account on an accrual basis under the terms of the agreements entered into by the Company.

(j) Inventory

Inventories are valued at lower of cost or net realisable value. Cost includes custom duty, freight and other charges as applicable. Cost is determined on a weighted average basis. In respect of reusable items such as rotables, provision for obsolescence is made based on the estimated useful life of the aircraft as derived from Schedule XIV to the Companies Act, 1956.

(k) Investments

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

(l) Retirement benefits

Provident fund contributions are made to the Regional Provident Fund Commissioner, at predetermined rates and are accounted for on an accrual basis. Gratuity liability under the Payment of Gratuity Act and liability for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the balance sheet date.

(m) Income taxes

Tax expense comprises current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted as at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

(n) Foreign currency transactions

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or as expenses in the period in which they arise except those pertaining to fixed assets which have been acquired from a country outside India, in which case the exchange difference arising on borrowings are adjusted to the cost of the fixed asset.

(iv) Forward exchange contracts

The Company uses forward exchange contracts to hedge its exposure to movements in foreign exchange rates. The Company does not use the forward exchange contracts for trading or speculation purposes. In respect of foreign currency monetary assets or liabilities in respect of which forward exchange contract is taken, the premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract, except where it relates to fixed assets in which case it is adjusted to the cost of the corresponding asset. Exchange differences on such contracts are recognised in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

(o) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares). For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(p) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(q) Preliminary expenses

Preliminary expenses are written off over a period of ten years on a straight line basis.

(r) Deferred revenue expenses

Share/debenture issue expenses, training expenses and pre-operative expenses are amortised over a period of three years on a straight line basis following the year of incurring the expenses.

(s) Stock option compensation expense

The Company accounts for stock option compensation expense based on the intrinsic value of the options granted which is the difference between the fair value of the share underlying the option and the exercise price of the option determined at the grant date. Compensation expense is amortised over the period of vesting on a straight line basis. The accounting value of the options net of deferred compensation expense is reflected as Employee stock option outstanding.

ANNEXURE 5: ACCOUNTING RATIOS (on restated profits/losses)

Rs. in million

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Eight months ended November 30, 2005
Basic Earnings/(Loss) per share (Rs.)	1.83	3.00	0.06	(7.08)	(15.12)	(41.20)
Diluted Earnings/(Loss) per share (Rs.)	1.83	3.00	0.06	(7.08)	(15.12)	(41.20)
Return on Net Worth %	26.65	30.97	1.24	-*	-*	-*
Net Asset Value per share (Rs.)	18.52	26.11	25.26	9.01	(9.36)	(25.15)
Weighted average number of equity shares						
used for:						
Basic Earnings/(Loss) per share	5,400,000	5,400,000	10,992,329	16,540,748	23,295,620	28,622,264
Diluted Earnings/(Loss) per share	5,400,000	5,400,000	10,992,329	16,540,748	23,295,620	28,622,264
Total Number of Equity Shares outstanding at the end of the year/ period (adjusted for matter discussed in note 8)						
- Fully paid up Rs. 10 per share	2,000,000	2,000,000	2,000,000	15,376,600	16,048,900	46,256,670
- Partly paid up Rs. 0.10 per share	-	-	8,000,000	15,012,980	15,012,980	-

Notes to Accounting Ratios:

1) The ratios have been computed as per the following formulae:

Basic Earnings/(Loss) per Share (Rs.) =	$\dfrac{\text{Net Profit/(Loss) after tax, as restated attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year/period}}$
Diluted Earnings/(Loss) per Share (Rs.) =	$\dfrac{\text{Net Profit/(Loss) after tax, as restated attributable to equity shareholders}}{\text{Weighted average number of dilutive equity shares outstanding during the year/period}}$
Return on Net Worth (%) =	$\dfrac{\text{Net Profit/(Loss) after tax, as restated}}{\text{Net worth, as restated, at the end of the year/period}}$
Net Asset Value (NAV) per share (Rs.) =	$\dfrac{\text{Net worth, as restated, at the end of the year/period}}{\text{Number of equity shares outstanding at the end of the year/period}}$

(2) For the purpose of calculation of the above ratios, net worth excludes fully convertible debentures of Rs 1,217.60 million and Rs 1,653 million outstanding as at March 31, 2005 and November 30, 2005, respectively. On December 21, 2005 the debentures outstanding as at November 30, 2005 have been converted into 27,379,337 equity shares of Rs 10 each at a premium of Rs 50.37 per share by the Board of Directors. Net worth as restated is computed after reducing the unamortised amount of Share/Debenture issue expenses and preliminary expenses.

(3) Net Profit/(Loss), as restated as appearing in the summary statement of profits and losses, as restated of the Company has been considered for the purpose of computing the above ratios.

(4) Earnings/(Loss) per share (EPS) calculations have been done in accordance with Accounting Standard 20 - “Earnings per share” issued by the Institute of Chartered Accountants of India.

(5) In computing Net asset value per share, partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share.

(6) The calculation of basic and diluted earnings/(loss) per share has been adjusted for all periods presented for bonus equity shares issued. On September 11, 2000, March 1, 2004 and on November 4, 2005, the shareholders of the Company approved bonus equity shares of 170,000 (fully paid up of Rs 100 each), 1,038,960 [fully paid up of Rs 100 each], and 15,194,790 [fully paid up of Rs 10 each] respectively.

(7) Effect of conversion of debentures and employee stock options is not considered in computation of the number of dilutive shares since the effect on the diluted EPS would be antidilutive.

(8) On November 4, 2005, the shareholders approved the split of equity share of Rs 100 each into 10 equity shares of Rs 10 each. Accordingly, the EPS is calculated after adjusting the number of shares for the effect of the share split for all periods presented. Similarly NAV per share is reflected at a par value of Rs 10 per share for all periods presented.

* not applicable as the return/networth is negative for the year/as at the balance sheet date.

ANNEXURE 6: DETAILS OF RATES OF DIVIDEND

Rs. in million

Class of Shares	Face Value (Rs.)	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Eight months ended November 30, 2005
Equity Shares	Rs. 10						
- Final dividend		5.00%	5.00%	5.00%	5.00%	-	-

Note:

(1) On November 4, 2005, the shareholders approved the split of equity share of Rs. 100 each into 10 equity shares of Rs. 10 each.

ANNEXURE 7 : SCHEDULE OF OTHER INCOME, AS RESTATED

Rs. in million

	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Eight months ended November 30, 2005
Other income, as restated	1.30	1.70	1.95	24.03	147.29	399.42
Net Profit/(Loss) before tax, as restated	11.50	15.31	4.83	(119.57)	(352.32)	(1,156.87)
Percentage	11.30%	11.10%	40.37%	-*	-*	-*

Source of other income	Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Eight months ended November 30, 2005	Nature	Related/Not Related to Business Activity
Advertisement income	-	-	-	5.55	19.88	7.92	Recurring	Related
Interest on bank and other deposits	1.27	1.21	1.83	1.92	5.80	5.90	Recurring	Related
Sundry balances/ provisions written back	-	-	-	0.01	0.11	0.10	Non-recurring	Related
Profit on transfer of aircraft/engine purchase rights	-	-	-	-	45.81	350.58	Recurring	Related
Lease Rental Income	-	-	-	-	3.35	2.83	Recurring	Related
Insurance claims	-	-	-	12.70	25.96	-	Non-recurring	Related
Foreign exchange gain, net	0.01	-	-	2.28	16.29	-	Recurring	Related
Miscellaneous income	0.02	0.49	0.12	1.57	30.09	32.09	Recurring	Related
Total	**1.30**	**1.70**	**1.95**	**24.03**	**147.29**	**399.42**		

(i)* Since there is a net loss before tax, as restated, the percentages have not been shown.

(ii) The classification of other income as recurring/non-recurring and related/not related to business activity is based on the current operations and business activity of the Company as determined by the management.

(iii) The above amounts are as per the Summary Statement of Profits and Losses of the Company, as restated.

(iv) The Company has transferred aircraft/engine purchase rights to a third party and has simultaneously, leased such aircraft/ engine on an operating lease from such third party.

ANNEXURE 8 : CAPITALISATION STATEMENT AS AT NOVEMBER 30, 2005

Rs. in million

	Pre issue	Post issue*
Borrowings:		
Short term debt	95.92	
Long term debt	4,611.09	
Total debts	**4,707.01**	
Shareholders' funds		
Equity share capital	462.57	
Employee stock options outstanding (Net of deferred compensation cost)	12.98	
Securities Premium	7.93	
Profit and Loss Account	(1,624.96)	
Total shareholders' funds	**(1,141.48)**	
Total capitalisation	**3,565.53**	
Long term debt/equity ratio	**	

* Shareholders' funds post issue can be calculated only on the conclusion of the book building process.

** not applicable as the shareholders' funds is negative as at November 30, 2005 (pre-issue).

Note:

(a) Long term debt include current portion of the long term debt payable over the next twelve months from November 30, 2005.

(b) Long term debt include Convertible Debentures of Rs. 1,693 million as at November 30, 2005.

ANNEXURE 9 - SCHEDULE OF LOANS

Secured Loans

Rs. in million

	As at March 31, 2001	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at November 30, 2005
Term loans from banks/financial institutions	5.55	2.77	53.36	184.54	1,548.27	637.29
Term loan from financial institution (Foreign currency loan)	-	-	-	-	-	55.20
Cash credit facility from banks	-	15.60	15.17	7.47	9.43	55.92
Overdraft facility from a bank	-	-	-	29.00	-	-
Vehicle loans from banks/financial institutions	0.48	0.24	2.79	3.59	5.19	6.88
Interest accrued and due on term loans	0.66	1.28	1.73	1.61	3.10	-
Finance lease obligations	-	-	-	-	28.18	36.61
Hire purchase loan from others	-	-	-	-	-	2,222.11
Total	**6.69**	**19.89**	**73.05**	**226.21**	**1,594.17**	**3,014.01**

Notes:

(i) As at November 30, 2005, term loans from banks and cash credit facility from banks are secured by a first charge on the current assets and fixed assets of the Company, including hypothecation of the present and future goods and including book debts, and documents of title to goods. As at November 30, 2005, term loans of Rs. 216.22 million (March 31, 2005 - Rs.750 million) are further secured by the assignment of the purchase agreement entered into for purchase of aircraft, by personal guarantee of directors and collateral security of personal property of the relative of directors.

(ii) Vehicle loans are secured by the hypothecation of the respective assets.

(iii) Finance lease is secured by the hypothecation of the respective assets.

(iv) Hire purchase loans are secured by the hypothecation of the respective assets.

(v) Term loan of Rs 48.56 million from financial institution is secured by the hypothecation of the aircraft, assignment of documents of title to such asset and personal guarantee of one of the directors. This loan carries interest at the rate of 10% per annum.

(vi) Term loan from a financial institution (foreign currency loan) is secured by a second priority on the mortgage of the aircraft obtained on hire purchase. The loan carries interest at the rate of three months LIBOR plus 300 basis points.

(vii) Interest on term loans from banks/financial institutions was payable in the range of 18.5% to 19.5%; 18.5% to 19.5%; 11.5% to 19.5%;11.50 % to 14%; 9% to 14%; 9% to 13.60% per annum for the years ended March 31, 2001, 2002, 2003, 2004, 2005 and eight months ended November 30, 2005 respectively. Foreign currency loans carry interest at the rate of 6.12% per annum.

(viii) Interest on cash credit facility was payable in the range of 16.5%; 16.5%;15.5 % to 16.5%;14% to 16.5%; 9.5% to 14%; 9.5% per annum for the years ended March 31, 2001, 2002, 2003, 2004, 2005 and eight months ended November 30, 2005 respectively.

(ix) Interest on overdraft facility was payable in the range of 9.5% per annum for the year ended March 31, 2004.

(x) Interest on vehicle loans was payable in the range of 11%; 11%; 9.61% to 11.44%; 9.61% to 11.44%; 8.02% to 11.44%; 5.83% to 11.44% per annum for the years ended March 31, 2001, 2002, 2003, 2004, 2005 and eight months ended November 30, 2005 respectively.

(xi) The above amounts are as per Statement of Assets and Liabilities of the Company, as restated.

Unsecured Loans

Rs. in million

	As at March 31, 2001	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at November 30, 2005
Short term loans -others	10.02	15.87	33.12	123.00	33.00	40.00
Interest accrued and due on short -term loans -others	-	-	5.39	-	-	-
Zero percent fully convertible debentures of Rs .100 each	-	-	-	-	1,217.60	1,653.00
Total	**10.02**	**15.87**	**38.51**	**123.00**	**1,250.60**	**1,693.00**

Notes:

(i) During the year-ended March 31, 2005 and during the eight-months ended November 30, 2005, the Company issued 12,176,012 and 4,353,988 convertible debentures of Rs 100 each at a coupon of 0% interest("CDs"), respectively. On December 21, 2005, the debentures outstanding as at November 30, 2005 have been converted into 27,379,337 equity shares of Rs 10 each at a premium of Rs 50.37 per share by the Board of Directors. Subsequently, in accordance with the escrow agreements entered into between the Company, existing shareholders and the investors, 8,906,275 equity shares out of the aforesaid equity shares have been kept with the escrow agent for distribution amongst the existing shareholders and/or the investors in the future based on events/conditions prescribed in the said escrow agreements.

(ii) Interest on short term loans-others was payable in the range of 22% to 27%; 15% to 27%; 20% to 27%; 10%; 14%; 12.5% to 13% ; per annum for the years ended March 31, 2001, 2002, 2003, 2004, 2005 and for eight months ended November 30, 2005, respectively.

(iii) The above amounts are as per Statement of Assets and Liabilities of the Company, as restated.

ANNEXURE 10 - SCHEDULE OF INVESTMENTS

Rs. in million

	As at March 31, 2001	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at November 30, 2005
Units in mutual funds	1.00	1.00	-	-	-	-
Investment in subsidiary company	-	-	-	-	4.48	-
Investment - others (refer note (b) below)	-	-	-	-	-	4.13
Total	**1.00**	**1.00**	**-**	**-**	**4.48**	**4.13**
Aggregate Book value of un-quoted investments	1.00	1.00	-	-	4.48	4.13

Note:

(a) Investment in subsidiary company comprises of 1,040,000 equity shares of Srilankan Rs.10 each fully paid up in Deccan Aviation (Lanka) Private Limited ("DAPL").

(b) Investment - others comprise of investment in 960,000 equity shares of Srilankan Rs. 10 each in DAPL. During the eight months ended November 30, 2005, the Company transferred 4% of equity shares held in DAPL, reducing its holding from 52% to 48%, to a trust set up for the purposes of an employee stock option scheme for the benefit of the employees of DAPL.

ANNEXURE 11- SCHEDULE OF SUNDRY DEBTORS, AS RESTATED

Rs. in million

		As at March 31, 2001	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at November 30, 2005
A)	Debts outstanding for a period exceeding six months						
-	Unsecured, considered good	-	3.81	1.85	5.18	18.34	21.01
-	Unsecured, considered doubtful	-	-	-	-	-	-
B)	Other debts						
	- Unsecured, considered good	28.40	27.91	25.95	40.38	64.34	135.84
	- Unsecured, considered doubtful	-	-	-	-	-	-
	Total	**28.40**	**31.72**	**27.80**	**45.56**	**82.68**	**156.85**

Note:

(i) The above amounts are as per Statement of Assets and Liabilities of the Company, as restated.

ANNEXURE 12 - SCHEDULE OF LOANS AND ADVANCES, AS RESTATED

Rs. in million

	As at March 31, 2001	As at March 31, 2002	As at March 31, 2003	As at March 31, 2004	As at March 31, 2005	As at November 30, 2005
A. Unsecured, considered good						
Advances recoverable in cash or in kind or for value to be received	6.73	11.69	17.58	46.51	90.33	158.46
Deposits with government bodies, customs authorities and others	12.40	21.35	14.60	31.66	91.18	427.14
Advance income taxes, net of provisions	9.12	6.95	5.27	3.43	5.92	8.66
Other receivables	-	-	-	51.98	147.96	87.75
Dues from directors	1.07	2.32	2.82	0.23	0.49	0.07
Interest accrued	2.80	3.98	5.16	0.85	3.67	6.00
Dues from Deccan Aviation (Lanka) Private Limited	-	-	-	-	1.38	4.76
Total	**32.12**	**46.29**	**45.43**	**134.66**	**340.93**	**692.84**

(i) The above amounts are as per Statement of Assets and Liabilities of the Company, as restated.

ANNEXURE 13 - STATEMENT OF TAX SHELTER

Rs. in million

		Year ended March 31, 2001	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Eight months ended November 30, 2005
Net Profit/(Loss) before tax as restated		11.50	15.31	4.83	(119.57)	(352.32)	(1,156.87)
Income tax rates applicable		39.55%	35.70%	36.75%	35.88%	36.59%	33.66%
Tax at notional rate	**(A)**	4.55	5.47	1.78	(42.90)	(128.91)	(389.39)
Adjustments:							
Permanent Differences							
Employee stock compensation cost							12.98
Others		0.01	0.03	0.19	0.04	1.95	0.03
		0.01	**0.03**	**0.19**	**0.04**	**1.95**	**13.01**
Temporary Differences							
Difference between tax depreciation and book depreciation		(2.78)	(3.84)	(18.41)	(46.27)	(108.00)	(157.65)
Other payments allowed on payment of with holding of taxes		-	-	-	-	203.51	(198.41)
Provision for gratuity and leave encashment		-	-	-	-	10.62	3.36
Carry forward of losses		-	-	6.58	179.20	400.44	1,483.18
Deferred revenue expenses		-	(5.07)	2.54	(24.41)	(162.98)	0.40
Interest income		(1.18)	(1.18)	(1.18)	5.16	-	-
Prior period adjustments		0.30	0.07	-	(2.36)	-	-
Others		-	-	-	-	-	12.98
Provision for maintenance expenses		(5.13)	(3.56)	5.45	8.21	6.78	-
Total		**(8.79)**	**(13.58)**	**(5.02)**	**119.53**	**350.37**	**1,143.86**
Net Adjustments		**(8.78)**	**(13.55)**	**(4.83)**	**119.57**	**352.32**	**1,156.87**
Tax Savings thereon	**(B)**	(3.47)	(4.84)	(1.78)	42.90	128.91	389.39
Total Taxation Charge/ (Saving) - Current	**(A+B)**	1.08	0.63	-	-	-	-
Incremental taxes due to MAT		-	-	0.88	0.64	-	-
Total current taxes		1.08	0.63	0.88	0.64	-	-
Deferred tax expense/ (credit)		0.55	(1.50)	3.30	(3.11)	-	-
Total Taxation		1.63	(0.87)	4.18	(2.47)	-	-

Note:

(1) Deferred tax asset on the entire unabsorbed depreciation and business losses has not been recognised by the management as a matter of prudence, in accordance with the Company's accounting policy.

ANNEXURE 14 - STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO DECCAN AVIATION LIMITED ('the Company') and its shareholders

We hereby report that the enclosed annexure states the possible tax benefits available to the Company and its shareholders under the current direct 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 provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

i. the Company or its shareholders will continue to obtain these benefits in future; or

ii. the conditions prescribed for availing the benefits have been /would be met with.

The contents of the enclosed annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of the current direct tax laws presently in force in India.

For **S.R.Batliboi & Company**
Chartered Accountants

per **Sunil Bhumralkar**
Partner
Membership No: 35141
Bangalore
April 25, 2006

ANNEXURE 14: STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO DECCAN AVIATION LIMITED AND ITS SHAREHOLDERS

(A) Benefits to the company under Income-Tax Act, 1961 (“the Act”):

1. In terms of section 10(6BB) of the Act, any tax required to be borne by the company in respect of any consideration payable by the company to a foreign enterprise for acquiring an aircraft or an aircraft engine (other than payment for providing spares, facilities or services in connection with the operation of the leased aircraft) on lease, under an agreement executed after March 31, 2007 and approved by the Central Government, is exempt from tax in the hands of the recipient. Accordingly, such tax need not be grossed up by the company for the purposes of the prescribed lease payments to be made to the foreign enterprise.
2. In terms of section 10(15A) of the Act, any consideration payable by the company to a foreign enterprise for acquiring an aircraft or an aircraft engine (other than payment for providing spares, facilities or services in connection with the operation of the leased aircraft) on lease under an agreement executed before April 1, 2007 and approved by the Central Government is exempt from tax in the hands of the recipient. Accordingly, no tax would be required to be borne by the company for specified lease payments under a tax protected agreement with a foreign enterprise, executed before April 1, 2007.
3. In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115O (i.e. dividends declared, distributed or paid on or after April 1, 2003 by domestic companies) received on the shares of a domestic company is exempt from tax.
4. In terms of section 10(35) of the Act, any income received from units of a Mutual Fund specified under section 10(23D) of the Act is exempt from tax, subject to such income not arising from the transfer of units in such Mutual Fund.
5. In terms of section 10(38) of the Act, any long-term capital gains arising to a shareholder from transfer of long-term capital asset being equity shares in a company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:
   a) The transaction of sale of such equity share is entered into on or after October 1, 2004; and
   b) The transaction is chargeable to such Securities Transaction Tax as explained below.

   However, from Assessment Year 2007-2008, such long-term capital gains will be included while computing book profits for the purpose of payment of Minimum Alternate Tax (“MAT”) under the provisions of section 115 JB of the Act.
6. In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, will be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.10% of the value payable by both buyer and seller individually (0.125% with effect from June 1, 2006).

   The non-delivery based sale transactions are liable to tax @ 0.02% of the value payable by the seller (0.025% with effect from June 1, 2006).
7. Under section 48 of the Act, if the investments in shares are sold after being held for not less than twelve months, the gains [in cases not covered under section 10(38) of the Act], if any, will be treated as long-term capital gains and such gains will be calculated by deducting from the gross consideration, the indexed cost of acquisition and expenses, if any, incurred in relation to such transfer.
8. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains [in cases not covered under section 10(38) of the Act] arising on the transfer of a long-term capital asset, will be exempt from capital gains tax, if the capital gains are invested within a period of 6 months after the date of such transfer, for a period of at least 3 years, in bonds issued on or after April 1, 2006, by:
   a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988, as notified; and
   b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which these bonds are transferred or converted into money.

9. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long-term capital gains [in cases not covered under section 10(38) of the Act] arising before April 1, 2006 on the transfer of listed securities will be exempt from capital gains tax if the capital gains are invested in shares of an Indian company forming part of an eligible public issue, within a period of 6 months after the date of such transfer and held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions:
   a) The issue is made by a public company formed and registered in India; and
   b) The shares forming part of the issue are offered for subscription to the public.
10. Under section 112 of the Act, long-term capital gains (i.e., if shares are held for a period exceeding 12 months), [in cases not covered under section 10(38) of the Act] arising on transfer of investment in shares, will be taxed at a rate of 20% (plus applicable surcharge and cess) after indexation as provided in the second proviso to section 48. The amount of such tax should, however, be limited to 10% (plus applicable surcharge and cess) without indexation, at the option of the shareholder.
11. Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if the shares are held for a period not exceeding 12 months), arising on transfer of investment in shares listed on a recognized stock exchange, will be taxed at a rate of 10% (plus applicable surcharge and cess) in cases where securities transaction tax has been paid.
12. Under Chapter XII-H of the Act [as introduced by the Finance Act, 2005] for every assessment year commencing on or after the 1st day of April, 2006 (ie financial year 2005-06 and onwards) in addition to the income-tax charged under the Act, the company will be liable to pay, additional income-tax (referred to as “fringe benefit tax”) in respect of fringe benefits provided or deemed to have been provided by an employer to its employees during the previous year. Fringe benefit tax is leviable at the rate of 33.66 % (inclusive of surcharge at the rate of 10% and education cess at the rate of 2%) on the prescribed values of such fringe benefits. Fringe benefits are deemed to have been provided if the employer has, in the course of his business or profession, incurred any expense on or made any payment for purposes such as entertainment, festival celebrations, gifts, conference, employee welfare, conveyance, tour and travel, hotel, boarding and lodging, repair running and maintenance of motor cars, use of telephone, etc.

    However, in case of an employer engaged in the business of carriage of passengers or goods by aircraft, the value of fringe benefits for the purposes of repair, running (including fuel) and maintenance of aircrafts and the amount of depreciation thereon will be taken as Nil. Further, for such employers engaged in the business of carriage of passengers or goods by aircraft, from Assessment Year 2007-2008 onwards, the value of fringe benefit for the purposes of provision of hospitality (by way of food or beverages or otherwise), and use of hotel, boarding and lodging will be valued at the rate of 5%.
13. In terms of section 115JAA(1A), the company is eligible to claim credit for any tax paid as MAT under section 115JB of the Act for any Assessment Year commencing on or after April 1, 2006 against income tax liabilities incurred in subsequent years as prescribed. MAT credit eligible in subsequent years is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit will be available for set-off upto 7 years succeeding the year in which the MAT credit initially arose.

(B) Benefits to the Shareholders of the company under the Income-Tax Act, 1961:

Resident Shareholders

14. In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115O (i.e. dividends declared, distributed or paid on or after April 1, 2003) received on the shares of the company is exempt from tax.
15. In terms of section 10(38) of the Act, any long-term capital gains arising to a shareholder from transfer of long-term capital asset being an equity share in a company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:
    a) The transaction of sale of such equity share is entered into on or after October 1, 2004; and
    b) The transaction is chargeable to such Securities Transaction Tax as explained below.

However, from Assessment Year 2007-2008, such long-term capital gains will be included while computing book profits for the purpose of payment of MAT under the provisions of section 115JB of the Act.

16. In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, will be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.10% of the value payable by both buyer and seller (0.125% with effect from June 1, 2006).

    The non-delivery based sale transactions are liable to tax @ 0.02% of the value payable by the seller (0.025% with effect from June 1, 2006).

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

18. Under section 48 of the Act, if the company's shares are sold after being held for not less than twelve months, the gains [in cases not covered under section 10(38) of the Act], if any, will be treated as long-term capital gains, and such gains will be calculated by deducting from the gross consideration, the indexed cost of acquisition and expenses, if any, incurred in relation to such transfer.

19. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains [in cases not covered under section 10(38) of the Act] arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued on or after April 1, 2006, by:

    a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988, as notified; and

    b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

    However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which these bonds are transferred or converted into money.

20. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long-term capital gains [in cases not covered under section 10(38) of the Act] arising before April 1, 2006 on the transfer of listed securities of the company will be exempt from capital gains tax if the capital gains are invested in shares forming part of an eligible public issue of an Indian company within a period of 6 months after the date of such transfer and such are held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions:

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

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

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

22. Under section 112 of the Act, long-term capital gains (i.e., if the shares are held for a period exceeding 12 months), [in cases not covered under section 10(38) of the Act], arising on transfer of shares in the company, will be taxed at a rate of 20% (plus applicable surcharge and cess) after indexation as provided in the second proviso to section 48. The amount of such tax should however be limited to 10% (plus applicable surcharge and cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.

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

Non-Resident Indian/Non-Resident Shareholders (Other than FIIs and Foreign venture capital investors)

The following clauses that are specifically applicable to Non-Resident Indian/Non-Resident Shareholders may be noted:

24. As against the benefit of cost inflation index enjoyed by resident shareholders (refer Para 18), in terms of the first proviso to section 48 of the Act, non-resident shareholders are protected against any fluctuation in foreign currency which was utilized in purchasing the company's shares. In such cases, capital gains / loss arising to a non-resident from the transfer of shares of the company acquired in convertible foreign exchange, will be computed by converting the cost of acquisition, consideration for transfer and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilized for the purchase of such shares at specified exchange rates. The capital gains computed above in such foreign currency is to be reconverted into Indian currency at specified exchange rates. The aforesaid manner of computation of capital gains will be applicable in respect of capital gains accruing/ arising from every reinvestment thereafter and sale of shares or debentures of an Indian company including those made in the company.

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

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

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

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

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

26. In terms of section 90(2) of the Act, non-residents could opt to be governed by the provisions of the Double Tax Avoidance Agreement ("DTAA") entered by India with the country in which such person is a resident, if they are more beneficial to the non-resident.

Foreign Institutional Investors (FIIs)

The following clauses that are specifically applicable to FIIs may be noted:

27. As against the provisions of section 112 (refer Para 22), in terms of section 115AD of the Act, the income by way of short-term capital gains /long-term capital gains [in cases not covered under section 10(38) of the Act] realized by FIIs on sale of shares in the company would be taxed @ 30%/ 10% respectively as per section 115AD of the Act. However, the tax is levied on the capital gains computed without considering the benefit of indexation and protection against foreign exchange fluctuation (refer Para 16 and Para 22). Further short term capital gains referred to in section 111A will be taxed @ 10% (refer Para 23).

28. In terms of section 90(2) of the Act, FIIs could opt to be governed by the provisions of the DTAA entered by India with the country in which such person is a resident, if they are more beneficial to the FII.

Venture Capital Companies/Funds

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

Mutual funds

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

(C) Benefits to shareholders of the company under the Wealth Tax Act, 1957

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

(D) Benefits to shareholders of the company under the Gift Tax Act, 1958

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

Notes:

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

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND US GAAP

The Company's financial statements included in this Prospectus have been prepared in accordance with accounting principles generally accepted in India ("Indian GAAP") and the applicable provisions of the Companies Act, 1956 and the SEBI Guidelines. Indian GAAP differs in certain respects from accounting principles generally accepted in the United States ("US GAAP").

The following table summarizes certain differences between Indian GAAP and US GAAP. The following summary may not include all the differences that exist between US GAAP and Indian GAAP. US GAAP is generally more prescriptive and comprehensive than Indian GAAP regarding recognition and measurement of transactions, account classification and disclosure requirements. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements and the notes thereto. Various US GAAP and Indian GAAP pronouncements, including guidance provided by the US Securities & Exchange Commission, have been issued for which the mandatory application date is later than March 31, 2005. These together with standards that are in the process of being developed in both jurisdictions could have a significant impact on future comparisons between Indian GAAP and US GAAP.

	Particulars	Indian GAAP	US GAAP
1	Contents of financial statements	Companies are required to present balance sheets and profit and loss accounts for two years along with the relevant accounting policies and notes. Additionally all listed companies (including companies in the process of getting listed), companies with turnover exceeding Rs.500 million and insurance companies are required to present cash flow statements. A statement of stockholders' equity is not presented. There is no standard or requirement for comprehensive income statement.	Companies are required to present balance sheets, statements of operations, statements of cash flows and statements of changes in stockholders equity for two years along with the relevant accounting policies and notes to accounts. Public companies are required to present statements of operations, statements of cash flows and statements of changes in stockholders equity for three years. They need not present the balance sheet for the third year. A statement of comprehensive income (comprising primarily of unrealized gains and losses) is required and is generally presented as part of stockholder's equity.
2	Changes in accounting policies	The effect of a change in accounting policy must be recorded in the income statement of the period in which the change is made except as specified in certain standards where the change resulting from adoption of a standard for the first time has to be adjusted against opening retained earnings as per the transitional provisions of the accounting standard.	Effective December 15, 2005, change in accounting policy is recorded through retrospective application of the new accounting principle to all prior periods, unless it is impracticable to do so.
3	Correction of errors	The effect of correction of errors must be included in the current year income statement with appropriate disclosure as a prior period item.	The correction of material errors usually results in the restatement of relevant prior periods.

	Particulars	Indian GAAP	US GAAP
4	Consolidation and Joint Ventures	In accordance with AS 27, "Financial reporting of Interests in joint ventures" the venturer recognizes in its separate and consolidated financial statements its share of jointly controlled assets, any liabilities it has incurred, its share of any liabilities incurred jointly with other venturers in relation to the joint venture, any income from sale or use of its share of output of the joint venture, together with its share of expenses incurred by joint venture and any expenses which it has incurred in respect of interest in joint venture. There is no specific guidance with respect to Variable Interest Entities.	Investment in Joint Ventures is generally accounted for under the equity method of accounting. Companies are required to evaluate if they have any interest in Variable Interest Entities, as defined by the standard. Consolidation of such entities may be required if certain conditions are met.
5	Investment in Marketable Securities	Current investments are carried at lower of cost and fair value. Unrealized depreciation on current investments is recognized in the income statement.	Unrealized gains and losses on available for sale securities are recorded as other comprehensive income, which is a component of stockholders' equity. Unrealized gains and losses on trading securities are recognized in the income statement.
6	Business Combinations	Restricts the use of pooling of interest method to circumstances which meet the criteria listed for an amalgamation in the nature of a merger. In all other cases, the purchase method is used.	Business combinations are accounted for by the purchase method only (except as discussed below). Other differences can arise in terms of date of combination, calculation of share value to use for purchase price, especially if the I-GAAP method is 'amalgamation' or pooling. In the event of combinations of entities under common control, the accounting for the combination is done on a historical cost basis in a manner similar to a pooling of interests for all periods presented.
7	Goodwill	Goodwill is computed as the excess of the purchase price over the carrying value of the net assets acquired. Goodwill is tested for impairment annually for the following categories of the enterprises: (a) enterprise whose equity or debt securities are listed on a recognised stock exchange in India, and enterprises that are in the process of issuing equity	Goodwill is not amortized but, is tested for impairment annually.

	Particulars	Indian GAAP	US GAAP
		or debt securities that will be listed on recognised stock exchange in India as evidenced by the board of directors resolution in this regard, or (b) all other commercial, industrial and business reporting enterprises, whose turnover for the accounting period exceeds Rs 500 million (applicable for financial years beginning on April 1, 2005 for other than listed companies). In all other cases, goodwill is capitalised and amortised over the estimated useful life.	
8	Negative Goodwill (i.e. the excess of the fair value of net assets acquired over the aggregate purchase consideration)	Negative goodwill is computed based on the book value of assets (not the fair value) of assets taken over/acquired and is credited to the capital reserve account, which is a component of shareholders funds.	Negative goodwill is allocated to reduce proportionately the fair value assigned to non-current assets. Any remaining excess is considered to be an extraordinary gain.
9	Intangible assets	Intangible assets are capitalized if specific criteria are met and are amortized over their estimated useful life, generally not exceeding 10 years. The recoverable amount of an intangible asset that is not available for use or is being amortized over a period exceeding 10 years should be reviewed at least at each financial year-end even if there is no indication that the asset is impaired.	When allocating purchase price of a business combination, companies need to identify and allocate such purchase price to intangible assets, based on specific criteria. Intangibles that have an indefinite useful life are required to be tested for impairment, at least annually. Intangible assets that have finite useful life are required to be amortized over their estimated useful lives.
10	Property, Plant and Equipment	Fixed assets are recorded at the historical costs or revalued amounts. Foreign exchange gains or losses arising in respect of liabilities for property, plant and equipment acquired from outside India, should be capitalized as part of the asset. Depreciation is recorded over the asset's useful life. Schedule XIV to the Companies Act prescribes minimum rates of depreciation and typically companies use these as the basis for useful life.	Revaluation of fixed assets is not permitted under US GAAP. All foreign exchange gains or losses relating to the payables for the procurement of property, plant and equipment are recorded in the income statement. Depreciation is recorded over the asset's useful life. Therefore the useful life may be different from the useful life based on Schedule XIV.
11	Impairment of assets, other than goodwill	The standard requires the company to assess whether there is any indication that an asset is impaired at each balance sheet. Impairment loss (if any) is provided to the extent the carrying amount of assets exceeds their Recoverable Amount.	An impairment analysis is performed if impairment indicators exist. An impairment loss shall be recognized only if the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset

	Particulars	Indian GAAP	US GAAP
		Recoverable Amount is higher of an asset's selling price or its Value in Use. Value in Use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An impairment loss for an asset in prior accounting periods should be reversed if there has been a change in estimates of cash inflows, cash outflows or discount rates used to determine the asset's recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset should be increased to its recoverable amount. The reversal of impairment loss should be recognized in the income statement.	(asset group) is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (asset group). An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset (asset group) exceeds its fair value (which is determined based on discounted cash flows).
12	Pension / Gratuity / Post Retirement Benefits	The liability for defined benefit plans like gratuity and pension is determined as per actuarial valuation. There is no defined method of expense determination, the discount rate determination criteria, and guidance for valuation of plan assets and the choice is left to the discretion of actuary. Actuarial gains or losses are recognized immediately in the statement of income.	The liability for defined benefit schemes is determined using the projected unit credit actuarial method. The discount rate for obligations is based on market yields of high quality corporate bonds. The plan assets are measured using fair value or using discounted cash flows if market prices are unavailable. If at the beginning of the year, the actuarial gains or losses exceeds 10% of the greater of the projected benefit obligation or the market-related value of plan assets, then such amount is not recognized immediately, but amortized over the average remaining service period of active employees expected to receive benefits under the plan.
13	Aircraft overhaul/ Maintenance costs	Aircraft Maintenance, Auxiliary Power Unit (APU) and Engine maintenance and repair costs are expensed as incurred except where such overhaul cost in respect of Engines/ APU is covered by third party maintenance agreement and accounted in accordance therewith.	Adopt an accounting method that recognizes overhaul expenses in the appropriate period. The following accounting methods are most often employed: • Direct expensing method • Built-in overhaul method • Deferral method • Accrual method *Direct Expensing Method*. Recognize the cost of overhauls as expenses as they are incurred.

	Particulars	Indian GAAP	US GAAP
			Built-in Overhaul Method. The built-in overhaul method is based on segregation of the aircraft costs into those that should be depreciated over the useful life of the aircraft and those that require overhaul at periodic intervals. Thus, the estimated cost of the overhaul component included in the purchase price is set up separately from the cost of the airframe and engines and is amortized to the date of the initial overhaul. The cost of the initial overhaul is then capitalized and amortized to the next overhaul, at which time the process is repeated. *Deferral Method.* Under the deferral method, the actual cost of each overhaul is capitalized and amortized to the next overhaul. *Accrual Method.* The accrual method provides for estimating the cost of the initial overhaul and accruing the cost, based on an hourly rate, to the overhaul. At that time, the actual cost of overhaul is charged to the accrual, with any deficiency or excess charged or credited to expense. The cost of the next overhaul is then estimated, based on the new rate, and accrued to that overhaul, at which time the process is repeated.
14	Leases	Leases are classified as capital or operating in accordance with specific criteria.	Similar to Indian GAAP except that, the criteria to classify leases as capital or operating include specific quantitative thresholds.
15	Sale and Lease-back	Gain on a sale and leaseback transaction where the leaseback is an operating lease is recognized immediately, if the transaction is established at fair value.	If the sale-leaseback transaction results in an operating lease, the timing of the recognition of a gain on the sale depends on whether the seller has leased back a minor portion of the asset or more than a minor portion. If the present value of a reasonable amount of rentals for the leaseback period represents 10% or less of the fair value of the asset sold, the seller-lessee has leased back a minor portion. In such situations, the seller should recognize any gain on the sale of the asset at the time of the sale. If the seller-lessee retains more than a minor portion, but less than substantially all of the use of the property, any gain in excess of the present

	Particulars	Indian GAAP	US GAAP
			value of a reasonable amount of rent should be recognized currently. The remaining gain on the sale should be deferred and recognized as a reduction of rent expense over the term of the lease in proportion to the related gross rentals. A loss on the sale should be recognized immediately.
16	Derivatives and other financial instruments – measurement of derivative instruments and hedging activities	The accounting for derivative instruments has not clearly emerged in the Indian context. Currently what is applicable is the Guidance Note on Accounting for Equity Index and Equity Stock Futures and Options are the pronouncements, which address the accounting for derivatives. However, the accounting treatment recommended in the guidance note is applicable to all contracts entered into for Equity Derivative Instruments irrespective of the motive. The impact of derivative instruments are correlated with the movement of the underlying assets and liabilities and accounted pursuant to the principles of hedge accounting. The related amount receivable from and payable to the swap counter parties is included in the other assets or liabilities in the balance sheet. When there is no correlation of movements between derivatives and the underlying asset or liability, or if the underlying asset or liability specifically related to the derivative instrument is matured, sold or terminated, the derivative instrument is closed out or marked to market as an element of non interest income on an outgoing basis.	There is specific accounting guidance required for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (fair value hedge), (b) a hedge of the exposure to variable cash flows of a forecasted transaction (cash flow hedge), or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign-currency-denominated forecasted transaction (net investment hedge). The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation. • Fair value hedge: the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. • Cash Flow hedge and Net investment hedge: the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately.

	Particulars	Indian GAAP	US GAAP
			• For a derivative not designated as a hedging instrument, the gain or loss is recognized in earnings in the period of change.
		There is no specific guidance with respect to the documentation that must be maintained for hedge accounting.	An entity that elects to apply hedge accounting is required to establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. Those methods must be consistent with the entity's approach to managing risk
17	Deferred taxes	Deferred tax assets relating to carry forward losses and unabsorbed depreciation should be recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.	Deferred tax asset is recognized on all differences between the accounting and tax basis of assets/liabilities and operating cash loss. However, a valuation allowance is made, if based on the evaluation of the available evidence.
		Deferred tax asset/liability is classified as long term.	Deferred tax asset/liability is classified as current and long-term depending upon the timing difference and the nature of the underlying asset or liability.
		The tax rate applied on deferred tax items is the substantially enacted tax rate.	The tax rate applied on deferred tax items is the enacted tax rate.
18	Stock based compensation	Entities have a choice of the accounting method for determining the costs of benefits arising from employees stock compensation plans. They may either follow an intrinsic value method or a fair value method.	Similar to Indian GAAP however, there is a new standard effective 2005, which requires a fair value method to be used for all options (June 15, 2005 for Public companies and December 15, 2005 for Private companies).
		Under the intrinsic value method, the compensation cost is the difference between the market price of the stock at the measurement date and exercise price. The measurement date is typically the date of the grant, on which date, both the number of shares and the exercise price would be known.	
		The fair value method is based on the fair value of the option at the grant date. This is estimated using an option-pricing model. If an entity chooses to follow the intrinsic value method, it must make pro-forma disclosures of net income and earnings per share as if the fair value method had been applied.	

	Particulars	Indian GAAP	US GAAP
19	Options to Non-employees	No specific guidance	Complex guidance with respect to measurement date and timing of recognition of expense. All options to non-employees are recognized at fair value.
20	Dividends	Dividends are reflected in the financial statements of the year to which they relate even if proposed or approved after the year end.	Dividends are accounted for when approved by the board/shareholders. If the approval is after year end, the dividend is not considered to be a subsequent event that needs to be reflected in the financial statements.
21	Mandatorily redeemable preferred shares	Instruments characterized as preference shares are recorded as share capital, even if they are mandatorily redeemable. Similarly, dividends declared on preference shares are considered as an appropriation of profits.	Mandatorily redeemable preferred shares are classified as a liability and any payments related to them, even if characterized as a dividend, are recorded as interest expense in the statement of income.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION AS REFLECTED IN THE FINANCIAL STATEMENTS

You should read the following discussion of our financial condition and results of operations together with our financial statements, as restated, under Indian GAAP for the Fiscal years ended March 31, 2001, 2002, 2003, 2004 and 2005, and for the eight month period ended November 30, 2005, including the significant accounting policies and notes and annexures thereto which begin on page 129. The following discussion relates to our Company and is based on our restated financial statements. Our restated financial statements have been derived from our financial statements prepared in accordance with Indian GAAP, the accounting standards referred to in Section 211(3C) of the Companies Act and the other applicable provisions of the Companies Act and Indian securities regulations. Our restated financial statements are unconsolidated. However, we have not had any subsidiaries with significant operations or financial position during any of the period covered by the restated financial statements. The following discussion is also based on internally prepared statistical information and publicly available information. You are also advised to read the section titled "Risk Factors" beginning on page j, which discusses a number of factors and contingencies that could affect our financial condition, results of operations and cash flows.

For a discussion of our results of operations after the eight months ended November 30, 2005 please see the section titled "Significant Developments after November 30, 2005 that may affect our Future Results of Operations" on page 161.

Our Fiscal year ends on March 31 of each year, so all references to a particular Fiscal year are to the twelve-month period ended March 31 of that year.

Indian GAAP differs in certain significant respects from U.S. GAAP. For more information on these differences, see "Summary of Significant Differences between Indian GAAP and U.S. GAAP on page 150.

Certain industry, technical and financial terms with initial capitals used in this discussion shall have the meanings ascribed to them in the section entitled "Definitions and Abbreviations" beginning on page a.

We began our scheduled airline operations in August 2003 and have been rapidly expanding those operations since then. Prior to that period, we had only our chartered services. Since then, our operations have expanded rapidly. As a result, the comparability of our financial statements from year to year, and period to period, is limited.

The auditors have issued their report on our restated financial statements subject to certain qualifications. See "auditors' adjustments and qualifications to financial statements" in this management's discussion & analysis section.

OVERVIEW

We operate Air Deccan, a Indian low cost airline, and Deccan Aviation, a chartered aircraft service provider in India. Air Deccan began scheduled operations in August 2003, with a single ATR turboprop aircraft flying a single route between Bangalore and Hubli. Since its inception, Air Deccan has:

- carried approximately 4.1 million passengers, through March 31, 2006,
- expanded its fleet to 29 aircraft as on March 31, 2006,
- grown its schedule to 226 flights daily as on March 31, 2006,
- increased its route network to 52 airports served as on March 31, 2006,
- achieved a market share of about 14.20%, based on passenger numbers for February 2005 (industry estimates courtesy Centre for Asia Pacific Aviation), and
- hired and mobilised a workforce of 2,410 people as of March 31, 2006.

Based on these factors and the competitive information set out in the table below (as of April 15, 2006 except for Air Deccan which is as of March 31, 2006), we believe that Air Deccan is one of the fastest-growing scheduled commercial passenger airlines today.

	Air Deccan	Jet Airways[(1)]	Air Sahara[(2)]	Indian Airlines[(3)]	Spice Jet[(4)]	Kingfisher[(5)]	GoAir[(6)]	Paramount[(7)]
Description	Private low-cost carrier, operates principally on domestic routes	Private full service carrier, operates on domestic and select international routes	Private service carrier, operates on domestic and select international routes	Government owned full service carrier, operates both on domestic and international routes	Private low cost carrier, operates on domestic routes	Private - carrier, operates on domestic routes	Private low-cost - carrier, operates on domestic routes	Private - carrier, operates on domestic routes
Year of issue of operator's permit	2003	1995	1996	1953[(9)]	2005	2005	2005	2005
Fleet size[(8)]	29	53	27	70	5	9	2	1
Fleet type	ATR42, ATR 72 and Airbus A320	AirbusA340, Boeing 737 and ATR 72	Boeing737 and CL - 600	Airbus A300, A320 D-228	Boeing Dornier 737	Airbus A320	Airbus A320	Embraer
No. of domestic destinations served)	52	43	24	58	11	15	15	6
No. of domestic flights	226	306	134	294	67	88	28	17

** Information relating to Air Deccan is as on March 31, 2006*

(1) Derived from information provided at www.jetairways.com.

(2) Derived from information provided at www.airsahara.net.

(3) Derived from information provided at www.indian-airlines.com.

(4) Derived from information provided at www.spicejet.com.

(5) Derived from information provided at www.flykingfisher.com.

(6) Derived from information provided at www.goair.com.

(7) Derived from information provided at www. paramountairways.com

(8) As at March 28, 2006; derived from information provided by the DGCA at www.dgca.nic.in.

(9) Date of commencement of operations.

Deccan Aviation, our charter services business, commenced operations in 1997. Initially, it chartered helicopters only. In 2001 it added its first fixed-wing aircraft. As of March 31, 2006, it operates a fleet of ten helicopters and two fixed wing aircraft and provides a variety of charter services throughout India (and in Sri Lanka, through our participation in the joint venture, DALPL). Deccan Aviation's operations have also grown, especially with the commencement of services in Katra for the pilgrimage to the Vaishno Devi shrine during Fiscal 2004 and the commencement of operation of its Bell-approved customer services facilities pursuant to signing an agreement with Bell Helicopters Textron Inc. in December 2004 to act as a Bell maintenance agent in India.

While our income (excluding other income) grew from Rs. 234.15 million in Fiscal 2003 to Rs. 629.39 million, Rs. 3,055.54 million and Rs. 4,783.43 million in Fiscal 2004, Fiscal 2005 and the eight months ended November 30, 2005, respectively, we made net profit (after tax) of Rs. 0.65 million in Fiscal 2003 and have incurred net losses of Rs. 117.10 million, Rs. 352.32 million and Rs. 1,179.36 million in Fiscal 2004, Fiscal 2005 and the eight months ended November 30, 2005, respectively. Our accumulated losses as of November 30, 2005 stood at Rs. 1624.96 million and we had a negative net worth of Rs. 1,141.48 million as at November 30, 2005.

We are a member of a Sri Lankan Joint Venture which hopes to operate flight between Sir Lanka and India. See "History and Corporate Matters – Our Joint Ventures – DALL" on page 90 for further details in this regard. We may, in future, consider other opportunities to expand internationally, whether through investment agreement, joint venture, or organic growth, although we have no preset plans in respect of any such opportunity

We are not actively considering acquisitions at this time. We will consider appopriate opportunities as they are presented.

The aviation business is highly capital intensive and, particularly in a high growth phase for a scheduled airline, capital must be injected rapidly and on a continuous basis. Additionally, market development and brand building require significant investment and expenditure on an ongoing basis. Further, aircraft induction and deployment, on both new and existing routes, involves a period of ramp-up requiring sizeable funds outlay against which substantial inflows of revenues take place only after three to four months of operations at a minimum. Finally, the rapid expansion of our fleet has resulted in costs associated with the acceptance of aircraft, deployment and other preparatory expenses, including route planning and development, and operations-related expenses. We believe our losses are, in part, attributable to the above reasons associated with the creation and expansion of our scheduled airline operations, Air Deccan. We believe that our prospect for achieving profits depends, largely, on Air Deccan continuing to grow its airline network and stimulating sufficient demand in the destinations it covers for its low-cost, no-frills flights. In order to sustain rapid growth, we propose to continue to invest heavily, in aircraft acquisitions and costs related to aircraft acquisition and deployment (for details refer 'Future Fleet Growth' on page 60), business development, other operational expansions and efforts to stimulate adequate demand, especially on new routes and in destinations, for a sustained time period. As a result, we cannot give any assurance as to when we expect to achieve profits. Competition from current and new market entrants could make it additionally difficult to achieve profitability.

Our losses will require ongoing financing. There can be no assurance as to when our cash flows may be adequate to fully fund these losses. We may need additional external financing to help finance these losses. However, there can be no assurance that we will be able to arrange any such financing on acceptable commercial terms.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Expansion of Operations

Since we began our scheduled airline operations under the name of Air Deccan in August 2003, Air Deccan's operations have been growing steadily. As on March 31, 2006 Air Deccan's fleet comprised 29 aircraft while Deccan Aviation's fleet comprised 10 helicopters and 2 fixed wing aircraft.

We have made significant increases to Air Deccan's fleet from Fiscal 2004 to Fiscal 2006 as shown below:

	As on March 31,		
	2006 No. of aircraft	**2005 No. of aircraft**	**2004 No. of aircraft**
ATR 42	14	11	4
ATR 72	4	0	0
Airbus A320	11	5	0
Total	**29**	**16**	**4**

As a result of this expansion, our income (excluding other income) has grown from Rs. 234.15 million in Fiscal 2003 to Rs. 3,055.54 million in Fiscal 2005, showing a compound annual growth rate of 261.24%. Our income continued to improve for the eight months ended November 30, 2005 and stood at Rs. 4,783.43 million for that period, which was higher than the income for all of Fiscal 2005 by 56.55%. Also as a result of this expansion, our expenses on aircraft/engine lease rentals, aircraft fuel, aircraft/engine repairs and maintenance, employee remuneration and other direct operating costs, increased from Rs. 157.37 million in Fiscal 2003 to Rs. 2927.97 million in Fiscal 2005, registering a compound annual growth rate of 331.34%. We have also made cash outflows on account of capital expenditures of Rs. 205.25 million and Rs. 1766.50 million for Fiscal 2004 and Fiscal 2005, respectively, and Rs. 2361.65 million for the eight months ended November 30, 2005, including pre-delivery payments in respect of the acquisition of certain aircraft. We have further incurred aircraft/engine lease rentals of Rs. 106.45 million and Rs. 451.17 million for Fiscal 2004 and Fiscal 2005, respectively, and Rs. 807.12 million for the eight months ended November 30, 2005.

Additional Aircraft

As of November 30, 2005, we had over 64 aircraft on order for future delivery. Since November 30, 2005, we have increased our prior orders and as on March 31, 2006 we have 96 aircraft on order. Such expected future aircraft deliveries represent significant current and future deposit, instalment, purchase price and other monetary obligations, depending in part on whether financing arrangements have yet been entered into in respect of particular aircraft and, if so, what those arrangements are. For a discussion of our liabilities in respect of future payments for aircraft, see the subsections "—Commitments and Contingent Liabilities", "Contractual Obligations—Operating Leases" and "Contractual Obligations—Hire Purchase Arrangements", below, in the section entitled "—Review of Assets and Liabilities" on page 185.

Aircraft utilisation

One of the key elements of our business is Air Deccan's ability to maintain high daily aircraft utilisation. High daily aircraft utilisation gives us the capacity to generate more revenue from our aircraft. High utilisation is achieved in part by reducing turnaround time at airports so that we can fly more hours each day. Aircraft utilisation can be reduced by delays resulting from many factors, most of which are not fully in our control, such as security requirements; air traffic and airport congestion; adverse weather conditions; defects or mechanical problems with our aircraft; unavailability of cockpit and in-flight crew; strikes or work stoppages and acts of third parties upon whom we rely for requirements such as fuelling.

The following table shows the average daily utilisation rates, expressed in terms of average block hours flown per day per aircraft, of Air Deccan's aircraft for the periods indicated, for each type of aircraft flown and on an average basis for all aircraft flown (block hours are the number of hours that an aircraft is in actual service, measured from the time that the aircraft leaves the terminal at the departure airport to the time that the aircraft arrives at the terminal at the arrival airport). All figures are unaudited.

Aircraft	Year ended March 31,		
	2004 (1)	2005	2006
ATR 42 (48 seats)	10.44	9.87(2)	8.94 (2)
ATR 72 (72 seats)	-	-	11.16
Airbus A320 (180 seats)	-	9.25 (2)	11.48 (2)
Average for all aircraft	**10.44**	**9.74** (2)	**9.91** (2)

(1) Air Deccan began operations in August 2003.

(2) Reflects the impact of induction of new aircraft on new routes and the impact of commencement of services from new bases.

Route Strategy

Our growth strategy for Air Deccan includes identifying new profitable routes which are not yet serviced by other airlines or inadequately serviced, increasing the number of routes served and increasing the frequency of flights. Selecting advantageous routes and flight frequencies, developing routes before competitors win strong positions on such routes, and otherwise exploiting profitable routes and frequencies depends on a number of factors, including our ability to obtain accurate data for evaluation, the availability of aircraft and the availability of suitable access to sufficiently functioning airports. Selecting and flying good routes and flight frequencies, competing effectively on those routes and handling aircraft and passengers efficiently at the airports on those routes are crucial for the successful performance of our airline operations.

Competition

Air Deccan was the first no-frills, low cost carrier in the Indian domestic scheduled airline market. The airline industry in India is going through a phase of intense competition. We expect competition to intensify further as new entrants emerge in the industry, and as existing competitors seek to extend their operations and flight frequencies over the routes Air Deccan operates. There are various published reports of other airlines being set-up or commencing operations as either full-service or low-cost airlines. See "*Our Business—Air Deccan—Competition*" on page 77.

Air Deccan's position among competitors will depend upon effective marketing initiatives and our ability to anticipate and respond to various competitive factors affecting the industry, including pricing strategies by competitors and the emergence and growth of other low-fare carriers. Air Deccan's ability to develop new profitable routes and profitably increase route frequencies will play an important role in its competitiveness. In addition, the ability of Air Deccan to compete in terms of operations, safety, security, services quality and other factors could have a material effect on our business, financial condition and results of operations. In particular, it is to be expected that as competition in the Indian market increases and airlines compete head-to-head more often, competing airlines and other forms of transportation may engage in significant fare reductions and discounting, or "price wars". It is difficult to predict how long or how aggressive any such price wars might be, or how Air Deccan could sustain its business, financial condition and operations during any such price wars. Certain competitors have undercut some of our fares during occasional promotional periods. We believe that in the eight months ended November 30, 2005, a substantial increase of capacity by new entrants on certain routes operated by Air Deccan, accompanied by promotional fares that undercut Air Deccan's fares, had a negative impact on our results of operations.

Deccan Aviation's market position will depend upon effective business development initiatives and its ability to anticipate and respond to various factors affecting its industry, including product and service innovations and particular issues important to competition for longer-term charter contracts. See "*Our Business—Deccan Aviation—Competition*" on page 77.

Fixed Costs

The airline industry, including our business, is characterised by low profit margins and high fixed costs, principally for lease charges, engineering and maintenance charges, aircraft fuel and landing and airport charges. Most of these costs are fixed by external factors which can limit the impact of our cost saving measures. As a result, the expenses of an aircraft flight do not vary significantly with variations in the number of passengers carried. Consequently, a relatively small change in the number of passengers carried can have a disproportionate effect on our operating and financial results.

Fuel Costs

Fuel expenditure constitutes a significant and rising portion of our total income. In Fiscal 2003, Fiscal 2004, Fiscal 2005 and the eight -month's ended November 30, 2005, aircraft fuel expenditure constituted 5.34%, 13.72%, 29.03%, and 41.57%, respectively, of our total income for such periods. Because of this concentration in our expenses, fuel costs have a significant influence on our business operations, financial condition and results of operations.

Historically, our fuel expenditure has been subject to wide fluctuations in the price of ATF, which is based primarily on the international Jet Kero price published by Platts, ex Arab Gulf (monthly average) being taken as the base price. The price of Jet Kero is influenced by geopolitical issues, government regulation and various supply and demand factors, including periods of market surplus and shortage.

Any significant increases in fuel cost could harm our financial condition and results of operations. There can be no assurance that we will not seek to offset or otherwise address future increases in the price of fuel through changes to our ticket prices or other aspects of our operations.

Government regulations prohibit us from entering into price hedging arrangements in respect of our fuel supplies.

Defaults

We are currently in default of our hire purchase arrangements in respect of three ATR 72s because we have not met certain financial ratio requirements under such arrangements as at March 31, 2006. The ratios are tested quarterly. We cannot assure you that we will meet such requirements in subsequent periods. Although the security trustee (Barclays Bank PLC) and the seller (Investec Bank (Mauritius) Limited) under the hire purchase agreement have waived the requirement for our compliance with these financial undertakings for the period from December 31, 2005 until March 30, 2006, we cannot assure you that any future waivers will be granted to us. Consequences of default under these agreements may include some or all of the following: termination of the hire purchase arrangements, acceleration of all amounts required to be paid under the hire purchase arrangements and a demand for immediate payment thereof, repossession of the relevant aircraft and cross-default of some or all of our operating leases for other aircraft and engines. In addition, the Export Credit Agencies that have guaranteed our obligations under the hire purchase arrangements may be unwilling to guarantee our obligations for future deliveries of ATR 72s under our purchase agreements with ATR and we may be unable to obtain funding for such deliveries without such guarantees. In all events, concerned parties under our aircraft and engine operating lease agreements and hire purchase agreements may continue to be able to invoke their rights against us under such agreements and seek remedies for past and current defaults. These remedies may extend to termination of the relevant agreements and repossession of the relevant aircraft or engines. Furthermore, we cannot assure you that a termination, default or other action taken in respect of such default or the cumulative termination of many agreements and repossession from us of many aircraft and engines will not occur. We also cannot assure you that any lessor that perceives that a default has occurred with respect to an existing agreement will continue to be willing to enter into new agreements with us in regard to aircraft or engines, on acceptable commercial terms or at all.

We were not in compliance with certain conditions of our operating lease agreements with SALE which required us to increase our paid up capital to USD 10 million before a certain date though we are compliant with this requirement as of the end of 2005. In addition, due to certain outstanding commercial issues we are currently not in compliance with certain payment obligations under our agreements with ATR. See *"– Results of Operations — Auditors' qualifications – Items not adjusted"* paragraph (v). We have not received any notice of default, termination or repossession under any of the relevant SALE or ATR agreements, nor have any of the concerned parties exercised their remedies under the agreements. In addition, the concerned parties have continued to enter into new, similar agreements with us and have also continued to deliver aircraft under the existing agreements.

See "*Risk Factors — Our aircraft and engine operating lease agreements and hire purchase agreements contain certain restrictive and other covenants. We are not in compliance with certain covenants in certain of these agreements, which could have a negative impact on our fleet"* beginning on page k.

Our Significant Accounting Policies

The preparation of our financial statements in conformity with Indian GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures, and the related disclosure of cash flows and contingent liabilities, among other items. Certain key accounting policies relevant to our business and operations have been described below. For a detailed description of our significant accounting policies, see Annexure IV of the restated financial statements included in this Red Herring Prospectus.

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India ("ICAI"). The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the year ended March 31, 2005. Further, the Financial Statements are presented in the general format specified in Schedule VI to the Companies Act 1956 ('the Act'). However, as these Financial Statements are not statutory Financial Statements, full compliance with the above Act is not required and so they do not reflect all the disclosure requirements of the Act.

(b) Use of estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in future, actual results ultimately may differ from the estimates.

(c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from charter services is recognised based on services provided and billed as per the terms of the contracts with the customers provided that the collection is reasonably certain. Revenue from sale of tickets of the airline operations is recognised in the period in which the service is provided, i.e. on flown basis. Such revenues include the statutory fee to be collected from customers as per government regulations. Unearned revenue represents flight seats sold but not yet flown and is included under Advances from customers. The same is released to the profit and loss account as the services are rendered. Miscellaneous fees charged for reservation/changes/cancellation of flight tickets are recognised as revenues immediately on accrual basis to the extent the same are not refundable.

Lease income from assets given under operating lease is recognised in the Profit and Loss Account on a straight-line basis over the lease term.

Interest income is recognised on the time proportionate method when the right to receive income is established and that collection is reasonably certain. Income from sale of advertisement space is recognised on accrual basis over the period the advertisements are displayed.

The Company enters into barter arrangements with other parties for advertising in exchange for the Company's advertising in the other party's media or in exchange for other services or goods. Such transactions are recorded at the fair value of the services/goods received from the other party, or at the fair value of the services provided by the Company if it is not feasible to determine the fair value of the services/goods received.

(d) Fixed assets and intangible assets

Fixed assets and Intangible assets are stated at cost of acquisition less accumulated depreciation/amortisation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use and also includes cost of modification and improvements to leased assets. Borrowing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

Advances paid towards the acquisition of fixed assets outstanding at each balance sheet date and the cost of fixed assets not ready for intended use before such date are disclosed under capital work-in-progress.

(e) Depreciation

Depreciation on fixed assets, except software, leased assets and leasehold improvements, is provided on a straight line basis at the rates prescribed under Schedule XIV to the Act, which are estimated to be the useful life of fixed assets by the management. Additions are depreciated on a pro-rata basis from the date of installation till the date the assets are sold or disposed.

Leasehold improvements on operating leases are depreciated over the shorter of the period of the lease and their estimated useful lives. Assets leased under finance lease are depreciated as stated below.

Intangible assets comprise of software which are depreciated over a period of 3-5 years, based on estimated useful life as ascertained by the management.

Individual assets costing less than Rs 5,000 are depreciated in full in the year/period of acquisition.

(f) Borrowing costs

Borrowing costs attributable to the acquisition or construction of a qualifying asset are capitalised as a part of the cost of the assets. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(g) Leases

Where the Company is a lessee

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

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss account on a straight-line basis over the lease term.

Profit or loss on sale and leaseback arrangements resulting in operating leases are recognised immediately in case the transaction is established at a fair value, else the excess over the fair value is deferred and amortised over the period for which the asset is expected to be used. In case of sale and leaseback arrangement resulting in a finance lease, any excess or deficiency of sales proceeds over the carrying value is deferred and amortised over the lease term in proportion to the depreciation of the leased asset.

Where the Company is a lessor

Assets subject to operating leases are included in fixed assets. Lease income is recognised in the Profit and Loss Account on a straight-line basis over the lease term. Costs, including depreciation are recognised as an expense in the Profit and Loss Account. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Profit and Loss Account.

(h) Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

(i) Maintenance costs

The Company has entered into operating lease agreements for aircraft and helicopters. In respect of such leased aircraft and helicopters, the Company has entered into maintenance arrangements, where the Company has an obligation towards maintenance payments determined based on fixed monthly amounts including charges based on flight hours, cycles, etc. Such maintenance expenses are charged to the profit and loss account on an accrual basis under the terms of the agreements entered into by the Company.

(j) Inventory

Inventories are valued at lower of cost or net realisable value. Cost includes custom duty, freight and other charges as applicable. Cost is determined on a weighted average basis. In respect of reusable items such as rotables, provision for obsolescence is made based on the estimated useful life of the aircraft as derived from Schedule XIV to the Companies Act, 1956.

(k) Investments

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

(l) Retirement benefits

Provident fund contributions are made to the Regional Provident Fund Commissioner, at predetermined rates and are accounted for on an accrual basis. Gratuity liability under the Payment of Gratuity Act and liability for leave encashment is accrued and provided for on the basis of an actuarial valuation made at the balance sheet date.

(m) Income taxes

Tax expense comprises both current and deferred taxes. Current income- tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

(n) Foreign currency transactions

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or as expenses in the period in which they arise except those pertaining to fixed assets which have been acquired from a country outside India, in which case the exchange difference arising on borrowings are adjusted to the cost of the fixed asset.

(iv) Forward exchange contracts

The Company uses forward exchange contracts to hedge its exposure to movements in foreign exchange rates. The Company does not use the forward exchange contracts for trading or speculation purposes. In respect of foreign currency monetary assets or liabilities in respect of which forward exchange contract is taken, the premium or discount arising at the inception of forward exchange contracts is amortised as expense or income over the life of the contract, except where it relates to fixed assets in which case it is adjusted to the cost of the corresponding asset. Exchange differences on such contracts are recognised in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the period.

(o) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares). For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(p) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(q) Preliminary expenses

Preliminary expenses are written off over a period of ten years on a straight line basis.

(r) Deferred revenue expenses

Share/debenture issue expenses, training expenses and pre-operative expenses are amortised over a period of three years on a straight line basis following the year of incurring the expenses.

(s) Stock options compensation expense

The Company accounts for stock option compensation expense based on the intrinsic value of the options granted which is the difference between the fair value of the share underlying the option and the exercise price of the option determined at the grant date. Compensation expense is amortised over the period of vesting on a straight line basis. The accounting value of the options net of deferred compensation expense is reflected as Employee stock option outstanding.

REVENUES

We derive our revenues largely from our scheduled airline operations and charter services. Our main stream of income comes from sales of tickets for transportation of passengers on our scheduled airline operations. In addition, we also earn revenues from charter service fees and related services and from certain ancillary sources related to our operations.

The table below provides a breakdown of our total income.

	Eight Months ended November 30, 2005		Year ended March 31,					
			2005		2004		2003	
	Rs. Million	% of Total Income	Rs. Million	% of Total Income	Rs. Million	% of Total Income	Rs. Million	% of Total Income
Sale of airline tickets and related income	4,458.98	86.03%	2,669.46	83.35%	314.18	46.64%		
Helicopter charter and other services	324.45	6.26%	386.08	12.05%	315.21	46.80%	234.15	99.67%
Other income	399.42	7.71%	147.29	4.60%	44.18	6.56%	0.77	0.33%
Total Income	**5,182.85**	**100.00%**	**3,202.83**	**100.00%**	**673.57**	**100.00%**	**234.92**	**100.00%**

Sale of airline tickets and related income represents revenue generated by Air Deccan, our scheduled airline operations. Similarly, helicopter charter services fees and other services represents revenue generated by Deccan Aviation, our helicopter charter services. Other income relates to both our airline operations and charter services.

Our ticket revenue generated by Air Deccan and by some Deccan Aviation operations includes a passenger service fee that we collect and pass on to the Airport Authoritiy of India. The current fee is Rs. 221 per passenger. In the eight months ended November 30, 2005, passenger service fee amounted to 6.85% of our total income.

Sale of Airline Tickets and Related Income

We derive most of our income from sale of scheduled airline passenger tickets and related activities, including booking and cancellation charges. As our Air Deccan scheduled airline operations has grown, income from the sale of passenger tickets and related activities has also grown relative to our total income. Its contribution increased from 0% in Fiscal 2002 to 83.35% in Fiscal 2005 and 86.03% of our total income for the eight months ended November 30, 2005.

Revenues from sales of tickets are dependant on Air Deccan's available seats and ticket prices, which in turn affect passenger load factors and yields. Air Deccan seeks to maximise revenue from ticket sales by attempting to achieve the best possible ticket prices while filling as many seats as possible. Higher ticket prices, however, can depress sales and leave seats empty. Therefore, Air Deccan engages in what is known as revenue management, yield management or load factor management in an effort to maintain ticket prices at levels that will generate optimal amounts of yield (or revenue per passenger) and optimal load factors (or levels of filled seats). (We measure load factor by the ratio of passengers flown to the number of available seats flown.) *See "Our Business—Our Scheduled Airline operations—Revenue and Yield"* on page 65.

The following table sets forth certain information relating to Air Deccan's load factors and income from sale of airline tickets and related income for the periods indicated. All figures except revenues are unaudited.

Air Deccan	Year ended March 31,		Eight Months ended November 30, 2005
	2004[(1)]	2005	
Available seats flown (2)	244,091	1,292,738	2,177,630
Passengers flown (3)	152,910	987,104	1,589,511
Passenger Load Factor (4)	62.64%	76.36%	72.99%
Sale of airline tickets and related income (Rs. million)	314.18	2,669.46	4,458.98

(1) Air Deccan began operations in August 2003.

(2) Defined as aircraft seating capacity over all flights flown during the period.

(3) *Defined as number of passengers flown.*

(4) *Defined as passengers flown expressed as a percentage of available seats flown.*

Helicopter Charter and Other Services

We also derive a portion of our revenue through fees for Helicopter charter and other services. Although the relative contribution of helicopter charter and other service fees to our total income has decreased from 12.05% of our total income in Fiscal 2005 to 6.26% of our total income for the eight months ended November 30, 2005 due to the growth of our airline operations, the charter services have continued to make steady contributions to our income with revenue, growing by 34.62% and 22.48% during Fiscal 2004 over Fiscal 2003 and during Fiscal 2005 over Fiscal 2004 respectively.

Other Income

Other income includes income from the sale of advertising space on our aircraft and elsewhere, interest on bank and other deposits, profit on transfer of aircraft/engine purchase rights, lease rental income, income from insurance claims, foreign exchange gains and other miscellaneous income. For the eight-months ended November 30, 2005 and for Fiscal 2005, Fiscal 2004 and Fiscal 2003, other income accounted for 7.71%, 4.60%, 6.56% and 0.33% of our total income, respectively. Other income of a recurring nature constituted 82.30% in Fiscal 2005 and 99.97% of our other income for the eight months ended November 30, 2005.

EXPENDITURE

The main components of our expenses include aircraft fuel, aircraft/engine lease rental, aircraft/engine repairs and maintenance, other direct operating expenses, employee remuneration and benefits, general and administrative expenses, advertising and business promotion expenses, depreciation, amortization and finance and banking charges. Out of the above, we have limited control over the cost of aircraft fuel, aircraft/engine rental, repair and maintenance, other direct operating expenses and finance and banking charges.

The following table illustrates our expenses as a percentage of our total income for the eight-months period ended November 30, 2005 and for Fiscal 2005, 2004 and 2003.

	Eight Months ended November 30, 2005	**Year ended March 31,**		
		2005	**2004**	**2003**
	% of Total Income	**% of Total Income**	**% of Total Income**	**% of Total Income**
Aircraft fuel expenses	41.57%	29.03%	13.72%	5.34%
Aircraft/engine repairs and maintenance	13.91%	15.39%	13.13%	1.32%
Aircraft/engine lease rentals	15.57%	14.09%	15.80%	24.36%
Other direct operating expenses	25.16%	23.00%	24.89%	24.74%
Employee remuneration and benefits	12.47%	9.92%	10.61%	11.24%
Administrative and general expenses	8.72%	6.34%	11.22%	14.71%
Employee stock compensation cost	0.25%	-	-	-
Advertisement and business promotion expenses	1.09%	1.97%	0.47%	2.30%
Finance and banking charges	2.20%	3.19%	5.74%	6.46%
Amortisation	1.59%	1.79%	1.47%	3.35%
Depreciation	0.93%	0.96%	1.66%	1.39%
Total Expenditure	**123.46%**	**105.68%**	**98.71%**	**95.21%**

The breakup of our major expenses between our airline operations and our charter services is as follows:

	Eight Months ended November 30, 2005		Year ended March 31, 2005	
	Airline Operations %	Charter Services %	Airline Operations %	Charter Services %
Aircraft fuel expenses	98.76%	1.24%	96.74%	3.26%
Aircraft/engine repairs and maintenance	99.61%	0.39%	96.16%	3.84%
Aircraft/engine lease rentals	94.37%	5.63%	82.21%	17.79%
Other direct operating expenses	95.91%	4.09%	92.04%	7.96%
Employee remuneration and benefits	92.13%	7.87%	85.57%	14.43%
Administrative and general expenses	92.82%	7.18%	78.07%	21.93%

Aircraft Fuel Expenses

The cost of Aviation Turbine Fuel, or ATF, is currently our single largest expense and the most volatile of our expenses in recent times. Our fuel costs as a proportion of total income increased from 13.72% in Fiscal 2004 to 29.03% in Fiscal 2005 to 41.57% in the eight months ended November 30, 2005. Our fuel costs have risen mainly due to the increased consumption on account of our fleet increase and network expansion, and increases in the price of ATF. Our unit fuel cost during November 2005 was 37% higher than our cost during March 2005, which in turn was 27% higher than our cost during March 2004. Significant additional increases in fuel costs could have a material adverse effect on our operating results and financial condition

The components of the cost of ATF include central excise duty, applicable education cess and sales tax that is levied by each state in India and which currently varies from 20% to 30.55% of the price per kilolitre of ATF. However, ATF which is used for ATR aircraft enjoys a lower rate of sales tax, of 4%. The cost of ATF also varies based on the distance between refuelling points and the nearest ATF producing refinery.

In India, ATF is currently supplied at airports only by three Government-controlled companies: IOC, BPCL and HPCL. The price charged by these companies is uniform and is revised every month based on the international Jet Kero price. We have entered into arrangements with each of these suppliers for the supply of ATF at airports we serve. The price of ATF is also dependant on other factors, which include the following:

- Limited competition, with ATF available from only three Government-controlled companies,
- Periodic variations in the ex-refinery price of ATF, which are fixed every month on the import parity principle, with the Jet Kero price published by Platts ex Arab Gulf (monthly average) being taken as the base price which, in turn, is influenced by geopolitical issues, government regulation and various supply and demand factors and
- Fluctuations in the U.S. dollar to Indian rupee exchange rate, which may influence oil prices as the pricing is fixed on the import parity principle.

We are not permitted to enter into hedging arrangements in respect of fuel by the Indian Government because of regulatory restrictions currently in place. We are managing fuel costs by seeking to optimise refuelling through a combination of cost and sector consumption criteria.

Aircraft/Engine Repairs and Maintenance

As an operator of aircraft we are responsible for maintaining and repairing the aircraft. Our repairs and maintenance expenses consist of scheduled and unscheduled maintenance for our aircraft, engines and other parts and variable rental payments under our operating lease arrangements.

Aircraft/Engine Lease Rentals

The fixed operating lease rentals payable under our operating lease arrangements are reflected in our financial statements as Aircraft/Engine lease rentals, while the variable operating lease rentals payable under these arrangements are included in "Aircraft/Engine repairs and maintenance". Variable rentals are paid on a pre-determined rate payable on the basis of actual flying hours/cycles. As of November 30, 2005, Air Deccan operated 20 aircraft out of its then total fleet, or 87% of its then total fleet, and Deccan Aviation, our chartered division, operated one helicopter and two fixed-wing aircraft, pursuant to operating lease arrangements. For a further discussion of the terms of the Air Deccan operating leases, see *"Our Business—Our Scheduled Airline Operations—Our Fleet"* on page 59.

Hire Purchase Instalments

The hire purchase instalments payable under the hire purchase agreements we have entered into in respect of aircraft are composed of a principal repayment component and an interest component. Payment of the interest component is provided for in our Profit & Loss Account and repayment of the principal component is reduced from the secured loans line item in our Balance Sheet. The value of the aircraft acquired through hire purchase is reflected in the fixed assets portion of our Balance Sheet and we also provide for the depreciation of such value amount in our Profit & Loss Account. Prior to November 30, 2005, we entered into one hire purchase agreement for acquiring three ATRs, all of which were delivered before November 30, 2005. For a further discussion of the terms of our hire purchase arrangements, see "*Our Business—Our Scheduled Airline Operations—Our Fleet*" on page 59.

Other Direct Operating Expenses

Other direct operating expenses include landing, navigation and airport related charges, ground handling charges, insurance, spares and other components consumed, general crew expenses, training expenses, commissions paid to agents other than sole selling agents and other expenses. Landing, navigation and airport related charges, spares and components consumed (including amortisation of rotables) and ground handling charges are key components of our other direct operating expenses.

Landing, Navigation and Airport Related Charges

These costs include passenger service fees, landing charges, route navigation facility charges, terminal navigation landing charges, parking charges and X-ray charges. Airport related charges are generally payable to the AAI or to the operator of the airport, if it is not the AAI. Passenger service fees are payable based on the number of passengers carried. Landing charges vary depending upon the aircraft weight and the type of airport (international, domestic or civil enclave); route navigation charges vary depending upon the distance travelled to the landing destination and the maximum takeoff weight, or MTOW, of the aircraft; terminal navigation landing charges vary depending upon the MTOW of the aircraft ; parking charges vary depending upon the type of airport and whether or not the aircraft is parked overnight or beyond four hours; and X-ray charges are currently fixed on a per flight basis based on the capacity of the aircraft.

Ground Handling Charges

Ground handling charges include charges incurred to carry out various ground operations related to passenger services, such as check-in, departure control, baggage handling and other airport-related ground and passenger services.

Employee Remuneration and Benefits

Employee remuneration and benefits consists of salaries, statutory contributions and retirement and staff welfare benefits. Increases in employee costs are due mainly to increases in employee strength as a result of our growing fleet and operations and increases in salaries made from time to time. Our employee strength increased from 110 to 515, 1370 and 2097 as at the end of Fiscal 2003, 2004 and 2005 and as on November 30, 2005, respectively.

We endeavour to control personnel costs by working continually to improve workforce productivity. In July 2004, our scheduled airline operations, Air Deccan, introduced an incentive scheme pursuant to which it pays its employees additional compensation based on the number of passengers flown and the revenue per seat mile flown. Certain of our employees may also participate in our employee stock option plan, or ESOP. Certain costs relating to our ESOP are included in our Profit & Loss Account in the line item "Employee Stock Compensation Cost". Please refer to the sub-section entitled "Notes to Capital Structure" beginning on page 21 for further details regarding our ESOP.

Administrative and General Expenses

These expenses include travel and conveyance, rent, repair and maintenance of office premises, utilities, telephone communication and networking, professional and consulting charges and other miscellaneous expenses. Travelling and conveyance, professional and consultancy charges and telephone, communication and networking represent a substantial portion of our administrative and general expenses. *"Our Business—Our Scheduled Airline Operations—Marketing and Distribution—Sales and Marketing"* on page 67.

Advertisement and Business Promotion Expenses

These expenses include advertising in the media and other promotional activities. These are undertaken to develop our brand and popularize our airline and charter services. These expenses are largely incurred when we announce our routes, fares and schedules, engage in brand development and route/sector development and take steps to strengthen our sales and distribution channels.

Finance and Banking Charges

Finance charges include bank charges and interest expense. Bank charges relate to fees charged by banks for various transactions, including those related to the issuance of letters of credit and guarantees. Interest expense includes interest on term loans, working capital facilities and finance lease and hire purchase arrangements. Our finance lease arrangements relate principally to ground handling and related equipment. Our hire purchase arrangements relate to the acquisition of aircraft.

Amortisation

This expense includes amortisation of our intangible assets, including training expenses, share issue expenses, and pre-operative expenses. In our restated financial statements, a substantial portion of amortisation has been reversed in an adjustment. See *"—Auditors' Qualifications to Financial Statements" and "—Results of Operations—Adjustments"* on pages 175 and 174.

Depreciation

Depreciation expense includes write-downs of our fixed assets. Depreciation is made on a straight-line basis, over the time periods set forth in Schedule xiv to the Companies Act, 1956. See *"—Our Significant Accounting Policies"* in this management's discussion & analysis section.

Provision for Tax

Provision for Tax includes a current tax component, a deferred tax expense component and a fringe benefit tax component.

Current Tax

Current tax includes taxes expected to be paid during the period to the tax authorities in accordance with the Income Tax Act, 1961.

Deferred Tax Expense

Deferred tax arises from timing differences between book profits and taxable (accounting) profits that originate in one period and is capable of reversal in one or more subsequent periods, and is measured using tax rates and laws that have been enacted or substantively enacted as on the date of the relevant balance sheet.

We provide for deferred tax liability on such timing differences, subject to prudent considerations in respect of deferred tax assets. Significant timing differences include the difference in depreciation charged to the Profit & Loss account and depreciation claimed under the I.T. Act, and the items of expenditure covered under section 43B of the I.T. Act.

Fringe Benefit Tax

Fringe benefit tax was introduced in the Finance Act, 2005, and we have incurred fringe benefit tax beginning in the eight-month period ended November 30, 2005.

RESULTS OF OPERATIONS

The following table sets forth certain information with respect to our results of operations for the eight-month period ended November 30, 2005 and for Fiscal 2005, Fiscal 2004 and Fiscal 2003.

	Eight Months ended November 30, 2005	Year ended March 31,		
		2005	2004	2003
	Rs. Million	Rs. Million	Rs. Million	Rs. Million
Income:				
Sale of airline tickets and related income	4,458.98	2,669.46	314.18	-
Helicopter charter and other services	324.45	386.08	315.21	234.15
Other income	399.42	147.29	44.18	0.77
Total Income	**5,182.85**	**3,202.83**	**673.57**	**234.92**
Expenditure:				
Aircraft fuel expenses	2,154.55	929.85	92.44	12.54
Aircraft/engine repairs and maintenance	720.68	492.76	88.43	3.10
Aircraft/engine lease rentals	807.12	451.17	106.45	57.22
Other direct operating expenses	1,303.83	736.54	167.64	58.11
Employee remuneration and benefits	646.56	317.65	71.46	26.40
Administrative and general expenses	452.11	203.06	75.57	34.56
Employee stock compensation cost	12.98	-	-	-
Advertisement and business promotion expenses	56.45	62.95	3.18	5.40
Finance and banking charges	114.18	102.14	38.69	15.18
Amortisation	82.51	57.25	9.87	7.88
Depreciation	48.03	30.59	11.16	3.27
Total Expenditure	**6,399.00**	**3,383.96**	**664.89**	**223.66**
Profit/(loss) before taxation and prior period items	**(1,216.15)**	**(181.13)**	**8.68**	**11.26**
Provision for tax				
Current tax	-	-	0.64	0.88
Deferred tax expense/(credit)	-	(13.24)	2.07	4.14
Fringe benefit tax	22.49	-	-	-
Profit/(loss) after tax and before prior period items	**(1,238.64)**	**(167.89)**	**5.97**	**6.24**
Prior period income/(expenses)	-	**(27.43)**	**(0.37)**	**-**
Net profit/(loss) for the year/period as per audited accounts	**(1,238.64)**	**(195.32)**	**5.60**	**6.24**

	Eight Months ended November 30, 2005	Year ended March 31,		
		2005	2004	2003
	Rs. Million	Rs. Million	Rs. Million	Rs. Million
Adjustments: Increase /decrease in profits:				
Deferred revenue expenditure	59.28	(164.41)	(87.45)	(2.16)
Provision for maintenance expenses	-	(6.78)	(8.21)	(5.45)
Prior period income/(expense)	-	27.43	(27.06)	-
Other adjustments	-	-	(5.16)	1.18
Total impact of adjustments	**59.28**	**(143.76)**	**(127.88)**	**(6.43)**
Tax adjustments:				
Deferred tax (expense)/credit	-	(13.24)	5.18	0.84
Total of adjustments after tax impact	**59.28**	**(157.00)**	**(122.70)**	**(5.59)**
Net profit/(loss), as restated	**(1,179.36)**	**(352.32)**	**(117.10)**	**0.65**

Adjustments resulting from changes in accounting policies

Maintenance Costs

Costs associated with major airframe and certain engine maintenance checks to be performed in the future, where the Company had a commitment to maintain the aircraft/helicopter were provided by reference to the number of hours or cycles operated during the year. The actual costs of maintenance were charged against such provisions. In view of the mandatory Accounting Standard ('AS 29') on "Provisions, Contingent Liabilities and Contingent Assets", issued by ICAI, applicable from April 1, 2004, the Company changed its accounting policy, effective April 1, 2004, to account for the said maintenance expenses on an as incurred basis. Accordingly, the summary financial statements have been restated for the years ended March 31, 2001, 2002, 2003, 2004 and 2005 to give effect to the change in accounting policy. Further, balance in Profit and Loss Account as at March 31, 2000 have been appropriately adjusted to reflect the impact of such change pertaining to the year ended March 31, 2000 and prior years.

Deferred tax

The Company adopted Accounting Standard 22, "Accounting for taxes on Income" issued by ICAI for the first time in preparing the financial statements for the year ended March 31, 2003. Accordingly, the summary financial statements have been restated for the years ended March 31, 2001 and 2002 to give effect to the change in accounting policy. Further, balance in Profit and Loss Account as at March 31, 2000 have been appropriately adjusted to reflect the impact of such change pertaining to the year ended March 31, 2000 and prior years. Further adjustments have been made for the reversal of deferred tax liability effected during the year ended March 31, 2005 in the statutory financial statements, to reflect such reversal in the period in which the same was initially recognized.

Other adjustments

Prior period and other adjustments

In the financial statements for the year-ended March 31, 2005 and 2004, the Company had recognized/charged off certain amount of income/expense pertaining to the prior years. The summary financial statements have been restated to account for the said income/expense in the years to which they relate to. Further balance in Profit and Loss Account as at March 31, 2000, have been appropriately adjusted to reflect the impact pertaining to the year ended March 31, 2000 and prior years.

Material regroupings/reclassifications

Revenues
(as compared to the audited financial statements)

In the audited financial statements for the year ended March 31, 2005, the Company presented revenues on the basis of the broad nature of its activities – sale of tickets and charter services. The Company has now reclassified such revenues on the basis of its airline and helicopter operations separately.

Expenses
(as compared to the audited financial statements)

- Employee remuneration and benefits for the year ended March 31, 2004 and 2005 and for the eight months ended November 30, 2005 earlier reflected under administrative and general expenses have been reclassified and disclosed separately for the purpose of summary statement of profits and losses, as restated.
- Advertisement and business promotion expenses for the years ended March 31, 2001, 2002, 2003 and 2004 earlier reflected under administrative and general expenses have been reclassified and disclosed separately for the purpose of summary statement of profits and losses, as restated.
- Expenses incurred towards aircraft fuel, aircraft/engine rentals and aircraft/engine repairs and maintenance expenses for the years ended March 31, 2001, 2002, 2003, 2004 and 2005 and for the eight months ended November 30, 2005 earlier reflected under other direct operating expenses / finance charges have been reclassified and disclosed separately for the purpose of summary statement of profits and losses, as restated.
- Amortisation of deferred revenue expenditure for the years ended March 31, 2001, 2002, 2003 and 2004 were accounted as respective expenses in the respective audited financial statements under other direct operating expenses, administrative and general expenses and advertisement and business promotion expenses in the audited financial statements of the respective years. For the purposes of the summary statement of profits and losses, as restated, the same have been reclassified and disclosed in aggregate separately.
- Commission paid to agents and IATT charges for the years ended March 31, 2001, 2002, 2003 and 2004 earlier reflected under Administrative and general expenses have been regrouped to other direct operating expenses.

Others

- Provision for maintenance expenses created [reflected under other direct operating expenses] and reversed during the year ended March 31, 2004 [reflected as other income] of Rs 8.45 million in the audited financial statements have been set off for the purposes of the summary statement of profits and losses, as restated.
- Other security deposit of Rs 20 million reflected as part of unsecured loans as at March 31, 2004 and 2003 in the audited financial statements have been reclassified under current liabilities and provisions.
- For the purposes of the summary statement of profits and losses, as restated, exchange gain, net has been reflected as part of other income and exchange loss, net, as part of administrative and general expenses.

Auditors' qualifications

Non-adjustment items

- As at March 31, 2005, the Company was in the process of reconciling its stock ledger of rotables, stores, spares and components, of one of the divisions with its financial records and was in the process of updating its stock ledgers for items emanating from such reconciliation. No adjustments were made to the financial statements for the year ended March 31, 2005, as management was of the view that the same would not be material. The statutory auditors' report on the financial statements for the year ended March 31, 2005 stated that they were unable to verify the valuation of inventories of such rotables, stores, spares and components as estimated by the management and reported that the financial statements were subject to adjustments, if any, that may be required due to the impending reconciliation.

  Based on a detailed exercise performed by the management subsequent to March 31, 2005, the Company reconciled its stock ledger of rotables, stores, spares and components with its financial records and carried out the necessary adjustments to the financial statements. However, the impact, if any, of such adjustments on the financial statements for the year ended

March 31, 2005 is not ascertainable. Accordingly, no adjustment has been made in the restated summary statements for the year ended March 31, 2005 and for the eight months ended November 30, 2005 for this matter. The statutory auditors' report on the financial statements for the eight months ended November 30, 2005 has also been qualified in respect of the uncertainty of the adjustment, if any, which may pertain to the year ended March 31, 2005.

- As at March 31, 2005, the Company was in the process of reconciling certain unmatched transactions of ticket reservations and cancellations amounting to Rs 9.94 million and Rs 34.07 million respectively, as per the Company's ticket reservation system with the collections of Rs 22.06 million and payments of Rs 55.30 million, as per the credit card gateway service provider. No adjustments were made to the financial statements for the year ended March 31, 2005, as management was of the view that the same would not be material. The statutory auditors' report on the financial statements for the year ended March 31, 2005 reported that the financial statements were subject to adjustments, if any, that may be required due to the impending reconciliation.

  Subsequently, the Company has addressed the above reconciliation by improving the tools available in the ticket reservation system for reconciliation of the transactions with the credit card gateway service providers. Accordingly, as at November 30, 2005, there is an unmatched sum of Rs 6.34 million only, in respect of which the Company is in the process of reconciling. In view of the improvements in the tools in the ticket reservation system, management continues to be of the view that impact, if any, on the financial statements, arising out of such pending reconciliation is estimated to be immaterial. Management has determined that no adjustments are required to be made to the financial statements for the year ended March 31, 2005 for this matter. Accordingly, no adjustments have been made to the restated summary financial statements. The auditors have reported this as a matter of emphasis in their audit report on the financial statements for the eight months ended November 30, 2005.

- During the year ended March 31, 2005, the Company had raised debit notes on the lessor for reimbursement of maintenance expenses amounting to Rs 21.46 million in accordance with agreements entered into with the aircraft lessor. Such claim for reimbursement of maintenance expenses from the lessor was subject to receiving confirmation from the lessor as at March 31, 2005. The Company is yet to receive such confirmation as at November 30, 2005 also. The auditors' report on the financial statements for the year ended March 31, 2005 and eight months ended November 30, 2005, reported that the financial statements are subject to adjustments, if any, that may be required to be made to the financial statements on receipt of such confirmation. However, no adjustments have been made in the restated financial statements as management is of the view that no adjustments would be required on receipt of the confirmation from the lessor.

- During the year ended March 31, 2005, the Company had not accrued for aircraft lease rental expenses amounting to Rs 14.95 million, based on negotiations reached with the aircraft lessor. Such waiver of the aircraft lease rentals was subject to receiving confirmation from the lessor as at March 31, 2005. The auditors' report on the financial statements for the year ended March 31, 2005 reported that the financial statements are subject to adjustments, if any, that may be required to be made to the financial statements on receipt of the confirmation. Subsequently the Company has received the balance confirmation in respect of the aircraft lease rentals of Rs 14.95 million as at November 30, 2005.

- During the year ended March 31, 2005, the Company had entered into a barter agreement with a vendor for purchase and sale of certain services. Under such agreement, during the year ended March 31, 2005, the Company accrued an income of Rs 11.89 million which was pending confirmation of the other party. Such confirmation is pending as at November 30, 2005 also. The Company is in the process of obtaining such confirmation. The statutory auditors' report on the financial statements for the year ended March 31, 2005 and for the eight months ended November 30, 2005 reported that the financial statements are subject to adjustments, if any, that may be required on receipt of the confirmation. However, no adjustments have been made in the restated summary financial statements as management is of the view that no adjustments would be required on receipt of the confirmation from the party.

Adjusted items

- As part of the rapid expansion plans, the Company incurred significant expenditure on in house trainers towards training of pilots and technical engineers. Although, such in house training costs are not covered under bond or are not recoverable from the employees, the Company has deferred such costs as management believes that the economic benefits of such training costs will flow to the enterprise over a period. Further, during the years ended March 31, 2004 and 2005, the Company incurred certain expenses prior to commencement/expansion of operations. The Company has deferred such preoperative expenses and training expenses to be written off over a period of three years following the year in which the expenses are incurred.

The statutory auditors' opinion on the financial statements for the year ended March 31, 2005 and for the eight months ended November 30, 2005 was qualified in respect of the training expenses of Rs 217.49 million and Rs 171.25 million as at March 31, 2005 and November 30, 2005 respectively, and pre-operative expenses of Rs 42.80 million and Rs 29.76 million as at March 31, 2005 and November 30, 2005 respectively, being amortised by the Company over a period of three years. The statutory auditors' opined that the accounting treatment of the Company is not in accordance with AS 26 on "Intangible assets" issued by the ICAI and such expenses are required to be written off to the profit and loss account as and when incurred. For the purposes of the summary restated financial statements, such training expenses and pre-operative expenses have been appropriately written off in the years in which the expenses were incurred including necessary adjustments to balance in profit and loss account as at March 31, 2000.

ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE EIGHT MONTHS ENDED NOVEMBER 30, 2005

Key trends and developments during the eight months ended November 30, 2005 included:

- Air Deccan continued its expansion, with:
  - a 44% increase in the number of aircraft in the Air Deccan fleet, from 16 aircraft at March 31, 2005 to 23 aircraft at November 30, 2005, with the net addition of two ATR 42s, three ATR 72s and two Airbus A320s;
  - a 47% increase in the number of airports served, from 30 airports at March 31, 2005 to 44 airports at November 30, 2005; and
  - a 67% increase in the number of routes operated, from 40 routes at March 31, 2005 to 67 routes at November 30, 2005.
- New scheduled airlines commenced operations in the domestic aviation sector, which created excess capacity on certain Air Deccan routes and undercut Air Deccan's fares on certain routes with promotional pricing, which negatively impacted Air Deccan's revenues and load factors.
- Air Deccan inducted into service two ATRs towards the end of December 2004 and two ATRs and two Airbuses in March 2005, the revenue impact of which was fully reflected only in the eight months ended November 30, 2005.
- During the eight months ended November 30, 2005, we prepared for the delivery of 12 additional aircraft between December 1, 2005 and March 31, 2006. These preparations included the recruitment and training of pilots, cabin crews and engineers for these aircraft. In all, during the eight months ended November 30, 2005 we recruited 128 pilots and co-pilots, 129 cabin crew and 102 engineers. The full benefit of employing these personnel will accrue only upon the deployment of the delivered aircraft. We also increased the number of employees in marketing and costs were incurred to develop routes for deployment of the aircraft to be delivered. Further preparation for these aircraft resulted in increased advertising expenses, promotion costs, salaries and efforts to establish additional distribution channels. Additionally, we incurred increased expenses regarding certain flight operating arrangements, such as scheduling, acquiring space at airports, ground handling, local security arrangements, passenger handling arrangements and ticketing counters. We believe that all these pre-delivery initiatives will help smoothe the deployment of the aircraft as and when they are delivered.

Income

Our total income stood at Rs.5,182.85 million in the eight months ended November 30, 2005. Sale of airline tickets and related income accounted for 86.03% of the total income as compared to 83.35% in the full year of Fiscal 2005. This increase was principally due to the expansion of our airline operations.

Sale of Airline Tickets and Related Income

Sale of airline tickets and related income stood at Rs. 4,458.98 million in the eight months ended November 30, 2005, principally due to:

- In the eight months ended November 30, 2005, Air Deccan flew 602,407 or 61.03% more passengers than it flew in the entire twelve months of Fiscal 2005.
- induction into service of five ATRs and two Airbus A320 and the effect of induction of two ATRs made towards the end of December 2004 and two ATRs and two Airbus A320s made in March 2005, the revenue impact of which was fully reflected only in the eight months ended November 30, 2005 and
- increase in our network in terms of number of sectors, flights and airports connected.

Helicopter Charter and Other Services

Revenues from Helicopter charter and other services stood at Rs. 324.45 million in the eight months ended November 30, 2005.

Other Income

Other income stood at Rs. 399.42 million in the eight months ended November 30, 2005. Of this amount, profit on transfer of aircraft/engine purchase rights contributed Rs. 350.58 million, or 87.77%, of the total other income. We transferred aircraft/

engine purchase rights to a third party and simultaneously leased such aircraft/engine from such third party under an operating lease.

Expenditure

Total expenditure stood at Rs. 6,399.00 million for the eight months ended November 30, 2005. In these eight months, our costs were largely affected by fuel price increases, an increase in the number of our pilots and the levels of pilot salaries and other costs directly attributable to the growth of the Air Deccan scheduled airline operations such as lease rentals, repairs and maintenance, administration and general expenses, employee-related costs and other direct operating expenses. The number of available seats flown during the eight months ended November 30, 2005 was 2,177,630 as compared to 1,292,738 available seats flown for the full year ended 31 March 2005. This eight month period also included costs which relate to the future delivery of aircraft up to March 31, 2006, such as the recruitment and training of more pilots, cabin crew, engineers and marketing personnel, the cost of development of routes, costs of flight operation arrangements and other related costs. The benefits of incurring these costs will accrue only after deployment of delivered aircraft.

Aircraft Fuel Expenses

Expenditure on fuel stood at Rs. 2,154.55 million for the eight months ended November 30, 2005. Aircraft fuel costs increased from 29.03% of our total income in Fiscal 2005 to 41.57 % of our total income for the eight months ended November 30, 2005. This increase was principally due to the increase in fleet size and the consequent increase in routes flown, and the 25% average increase in unit fuel cost for the eight months ended November 30, 2005 as compared to Fiscal 2005. Moreover, for the eight months ended November 30, 2005 we had Airbus A320s operating for the entire period, while we had such aircraft operating for only half of Fiscal 2005. These aircraft consume more fuel than ATRs and the price of that fuel is also higher by at least 20%, as a result of the lower tax rates applied to fuel used for turbo prop aircraft such as the ATR.

Aircraft/Engine Repairs and Maintenance

Aircraft/engine repairs and maintenance expenses were Rs. 720.68 million during the eight months ended November 30, 2005. This represented 13.91% of our total income for the eight months ended November 30, 2005, against 15.39% for Fiscal 2005. Although there was a decline in such expense as a percentage of revenue resulting from the induction of newer aircrafts, the amount of such expenditure reflected the increase in the number of hours we had aircraft in operation.

Aircraft/Engine Lease Rentals

Aircraft/engine lease rentals stood at Rs. 807.12 million for the eight months ended November 30, 2005. Aircraft / Engine lease rentals increased from 14.09% of our total income in Fiscal 2005 to 15.57 % for the eight months ended November 30, 2005. During this eight month period we acquired two ATRs and two Airbus A320s on lease, which added to the lease rentals on our existing fleet. During this eight month period we also entered into a hire purchase agreement for three aircraft, all of which were delivered during the eight months period ended November 30, 2005. The hire purchase instalments paid during the eight months ended November 30, 2005 totalled Rs. 128.99 million. The interest element in the instalment payment during the eight months period ended November 30, 2005 has been partially included in the Profit & Loss Account under finance charges and partially been capitalised as part of the capitalised cost of the aircraft.

Other Direct Operating Expenses

Other direct operating expenses stood at Rs. 1,303.83 million for the eight months ended November 30, 2005. This was 25.16% of our total income for the eight months ended November 30, 2005, against 23% for Fiscal 2005. Other direct operating expenses increased principally due to the acquisition of additional aircraft and the addition of capacities, routes and sectors by Air Deccan, and increases in related costs including airport charges/ground handling, spares and components consumed (including amortization of rotables), insurance and selling and distribution costs. These costs also included costs related to the setting up and maintenance of infrastructure at the 14 additional airports and for the 27 additional routes we commenced serving during this period.

Employee Remuneration and Benefits

Employee remuneration and benefits stood at Rs. 646.56 million for the eight months ended November 30, 2005, representing 12.47% of our total income during the period as against 9.92% of our total income in Fiscal 2005. This increase is attributable to the following:

- an increase in the number of employees as demanded by our expanding operations. Our total number of employees as of March 31, 2005 was 1370, as compared to 2097 employees as of November 30, 2005;
- an increase in salaries, particularly those of pilots and co-pilots, as a result of increased demand caused by the deployment of additional aircraft by existing and new airlines; and
- the appointment of pilots, cabin crew and engineers in anticipation of delivery of additional aircraft to ensure their availability at the time of aircraft delivery.

Administrative and General Expenses

Administrative and general expenses stood at Rs. 452.11 million for the eight months ended November 30, 2005. These expenses increased from 6.34% of our total income in Fiscal 2005 to 8.72 % of our total income for the eight months ended November 30, 2005. The increase was principally due to our increase in airline operations and the widening of our network, and a resultant increase in expenses for support services, including network connectivity, communication, rentals and travel. The increase for the eigth month period ended November 30, 2005, was largely on account of increased travel and conveyance expenses, professional and consultancy expenses and net foreign exchange loss.

Advertisement and Business Promotion Expenses

Expenditure on advertisement and business promotion stood at Rs. 56.45 million in the eight months ended November 30, 2005. These expenses decreased from 1.97% of our total income in Fiscal 2005 to 1.09% of our total income for the eight months ended November 30, 2005. The expenditure on marketing and business development for our new sectors and routes increased in absolute terms though there was a decline as percentage of our total income.

Finance and Banking Charges

Finance and banking charges were Rs. 114.18 million for the eight months ended November 30, 2005. These expenses decreased from 3.19% of total income in Fiscal 2005 to 2.20% for the eight months ended November 30, 2005. This reduction is due principally to the repayment of an unsecured loan in March 2005 and interest expense being for Fiscal 2005 as against eight months ended November 30, 2005.

Amortisation

Amortisation charges stood at Rs. 82.51 million for the eight months ended November 30, 2005. Amortisation charges as a percentage of our total income declined from 1.79% in Fiscal 2005 to 1.59% in the eight months ended November 30, 2005. In our restated financial statements, an adjustment has been made relating to amortisation in this period. See *"—Auditors' Adjustments and Qualifications to Financial Statements" on page* 175*.*

Depreciation

Depreciation charges were Rs. 48.03 million for the eight months ended November 30, 2005. These expenses reflect principally the depreciation on three ATRs acquired on a hire purchase basis.

Provision for Tax

Our total tax expense, comprising fringe benefit tax, was Rs. 22.49 million for the eight months ended November 30, 2005. Current tax and deferred tax expense were nil in the eight months ended November 30, 2005.

Adjustments and Net Profit/(Loss), as Restated

Our net loss, as restated, for the eight months ended November 30, 2005 was Rs. 1,179.36 million.

For further discussion of the adjustments made to our original financial statements to generate our restated financial statements, please see *"—Auditors' Adjustments and Qualifications to Financial Statements"* on page 175.

FISCAL 2005 COMPARED TO FISCAL 2004

Key trends and developments during Fiscal 2005 included:

- Fiscal 2005 represented the first full year of operation of our scheduled airline operations, Air Deccan, which began scheduled operations in August 2003. To this extent, Fiscal 2005 is not comparable with Fiscal 2004.
- Air Deccan expanded, with:
  - a 300% increase in the number of aircraft in the Air Deccan fleet, from 4 aircraft at March 31, 2004 to 16 aircraft at March 31, 2005, including the airline's first Airbus A320, which entered service in August 2004.
  - a 150% increase in the number of airports served, from 12 airports at March 31, 2004 to 30 airports at March 31, 2005 and
  - a 186% increase in the number of routes operated, from 14 routes at March 31, 2004 to 40 routes at March 31, 2005.
- We took delivery of seven ATR 42s and five Airbus A320s, of which two ATRs were inducted into service toward the end of December 2004 and two ATRs and two Airbuses were inducted in March 2005. While we incurred costs relating to the delivery of these six aircraft, the full benefit of their income started accruing after March 31, 2005
- As of March 31, 2005, we had outstanding agreements for the purchase of 32 Airbuses and 15 ATR 72s. We also had outstanding agreements for the lease of 18 ATR 72s and 6 ATR 42s.
- Our income from Helicopter charter and other services grew by 22.48% in Fiscal 2005 over Fiscal 2004.

Income

Our total income increased by Rs. 2,529.26 million, or 375.50%, from Rs. 673.57 million in Fiscal 2004 to Rs. 3,202.83 million in Fiscal 2005. Sale of airline tickets and related income accounted for 83.35% of our revenue in Fiscal 2005 as compared to 46.64% in Fiscal 2004. This increase was principally due to increased airline ticket sales.

Sale of Airline Tickets and Related Income

Our sale of tickets and related income increased by Rs. 2,355.28 million, or 749.66%, from Rs. 314.18 million in Fiscal 2004 to Rs. 2,669.46 million in Fiscal 2005. This was principally due to:

- an increase in the number of passengers flown of 834,194 passengers, or 545.54%, from 152,910 passengers in Fiscal 2004 to 987,104 passengers in Fiscal 2005, made possible by the growth of Air Deccan's fleet and a growth in its operations to serve more destinations,
- expansion of our network to cover all four regions of the country with the resultant addition of new sectors and airports connected and
- addition of the Airbus A320 to the Air Deccan fleet, which commenced flying on our metro and long distance routes.

Helicopter Charter and Other Services

Income from helicopter charter and other services increased by Rs. 70.87 million, or 22.48%, from Rs. 315.21 million in Fiscal 2004 to Rs. 386.08 million in Fiscal 2005, principally due to the growth of the business.

Other Income

Other income increased by Rs. 103.11 million, or 233.39%, from Rs. 44.18 million in Fiscal 2004 to Rs. 147.29 million in Fiscal 2005, principally due to profit earned on transfer of aircraft/engine purchase rights, income from the sale of advertising space on Air Deccan aircraft, and proceeds from insurance claims.

Expenses

Total expenditure increased by Rs. 2719.07 million, or 408.95%, from Rs.664.89 million in Fiscal 2004 to Rs. 3383.96 million in Fiscal 2005. This increase in costs was principally attributable to the growth of the Air Deccan scheduled airline operations, with an increase of 1,048,647 available seats flown, or 430%, from 244,091 available seats flown during Fiscal 2004 to 1,292,738 available seats flown in Fiscal 2005, which reflects the growth of Air Deccan's per-flight costs, and to an increase in other fixed costs, such as aircraft fuel.

In Fiscal 2005, we took delivery of seven ATRs and five Airbus A320s.

Prior to taking delivery of an aircraft, Air Deccan inspects the aircraft and its documentation. Along with Air Deccan, a DGCA team also undertakes independent checks before issuing a certificate of registration and airworthiness. The aircraft is then delivered to Air Deccan and Air Deccan signs off on its acceptance. DGCA issues its certificate of registration and airworthiness along with aircraft acceptance. Once the aircraft lands in India, customs clearance is required, following which DGCA conducts a second inspection and issue a final certificate of air worthiness. The aircraft is deployed commercially only after these clearances are complete, which typically takes 10 to 15 days after delivery.

While an aircraft lies idle during its clearance for commercial deployment, we incur various pre-deployment costs which have begun accruing on delivery. Lease rental installments are computed from the date of acceptance and are payable in advance. Other costs, such as inspection and test flight expenses, ferry flight expenses, customs duty, clearance charges, parking charges, insurance and other related expenses are incurred. These costs are partially reflected for the seven ATRs and five Airbuses in our performance for Fiscal 2005.

Aircraft Fuel Expenses

Expenditure on fuel increased by Rs. 837.41 million, or 905.90%, from Rs. 92.44 million in Fiscal 2004 to Rs. 929.85 million in Fiscal 2005. Our aircraft fuel expenses registered an increase from 13.72% of our total income in Fiscal 2004 to 29.03% in Fiscal 2005. This increase was principally due to the increased size of the Air Deccan fleet, the introduction of jet-engine aircraft to the fleet, Air Deccan's expanded operations and an increase of approximately 20% in the weighted average cost per litre of ATF in Fiscal 2005.

Aircraft/Engine Repairs and Maintenance

Aircraft/Engine Repairs and Maintenance costs increased by Rs. 404.33 million, or 457.23%, from Rs. 88.43 million in Fiscal 2004 to Rs. 492.76 million in Fiscal 2005, principally due to the expansion of Air Deccan's fleet and an increase in the number of hours flown. In addition, we also were subject to a 3% escalation in variable rentals on certain of the operating leases governing Air Deccan's fleet, in accordance with the terms of those leases.

Aircraft/Engine Lease Rentals

Aircraft/Engine lease rental expenses increased by Rs. 344.72 million, or 323.83%, from Rs. 106.45 million in Fiscal 2004 to Rs. 451.17 million in Fiscal 2005, principally due to the expansion of Air Deccan's fleet of aircraft. Our aircraft/engine rental expenses decreased from 15.80% of our total income in Fiscal 2004 to 14.09% in Fiscal 2005.

Other Direct Operating Expenses

Other direct operating expenses increased by Rs. 568.90 million, or 339.36%, from Rs. 167.64 million in Fiscal 2004 to Rs. 736.54 million in Fiscal 2005. This was principally due to the growth of Air Deccan's fleet and the expansion of its operations during Fiscal 2005.

Employee Remuneration and Benefits

Employee remuneration and benefits increased by Rs. 246.19 million, or 344.51%, from Rs. 71.46 million in Fiscal 2004 to Rs. 317.65 million in Fiscal 2005. Our employee remuneration and benefits decreased from 10.61% of our total income in Fiscal 2004 to 9.92% in Fiscal 2005. Our total number of employees as of March 31, 2004 was 515, as compared to 1370 employees as of March 31, 2005. In addition, during this period we experienced a general increase in the level of remuneration payable to skilled employees such as pilots and engineers.

Administrative and General Expenses

Administrative and general expenses increased by Rs. 127.49 million, or 168.70%, from Rs. 75.57 million in Fiscal 2004 to Rs. 203.06 million in Fiscal 2005, principally due to an increase of 150% in the number of airports served by Air Deccan, from 12 airports at March 31, 2004 to 30 airports at March 31, 2005, which required Air Deccan to increase its connectivity and establish additional offices. The increase also resulted from an increase in passenger sales. However, these expenses fell from 11.22% of our total income in Fiscal 2004 to 6.34% in Fiscal 2005.

Advertisement and Business Promotion Expenses

Expenditure on advertisement and business promotion rose by Rs. 59.77 million, or 1879.56%, from Rs. 3.18 million in Fiscal 2004 to Rs. 62.95 million in Fiscal 2005. Advertising and business promotion expenses increased from 0.47% of our total income in Fiscal 2004 to 1.97% in Fiscal 2005. This was due to the addition of new routes and regions served by Air Deccan. In particular, as a result of Air Deccan's expansion in the northern, eastern and western regions of India, we incurred expenses through advertising campaigns launched in those regions. Advertising and business promotion expenses were also incurred on new route development, including through awareness campaigns on these routes and in main cities where marketing costs and competition from other airlines are higher.

Finance and Banking Charges

Finance and banking charges increased by Rs. 63.45 million, or 164%, from Rs. 38.69 million in Fiscal 2004 to Rs. 102.14 million in Fiscal 2005. During Fiscal 2005 our outstanding secured loans increased by Rs. 1367.96 million and our outstanding unsecured loans increased by Rs. 1127.60 million. This higher borrowing was used to finance capital expenditure and expenses for the expansion of our fleet and operations. The increase in banking charges was mainly due to costs incurred for various banking and related transactions.

Amortisation

Amortisation charges increased by Rs. 47.38 million, or 480.04%, from Rs. 9.87 million in Fiscal 2004 to Rs. 57.25 million in Fiscal 2005. In our restated financial statements, a substantial adjustment has been made relating to amortisation in each of Fiscal 2004 and Fiscal 2005. See *"—Auditors' Adjustments and Qualifications to Financial Statements" on page* 175.

Depreciation

Depreciation charges increased by Rs. 19.43 million, or 174.10%, from Rs. 11.16 million in Fiscal 2004 to Rs. 30.59 million in Fiscal 2005. This was due to the establishment of our scheduled airline operations and the related acquisition of substantial additional fixed assets.

Provision for Tax

We enjoyed a total tax credit of Rs.13.24 million in Fiscal 2005, as a result of deferred tax credit. In Fiscal 2004, our total tax expense was Rs. 2.71 million.

Adjustments and Net Profit/(Loss), as Restated

Our net loss, as restated, increased from a loss of Rs. 117.10 million in Fiscal 2004 to a loss of Rs. 352.32 million in Fiscal 2005. This was the result of our expansion of the Air Deccan airline operations.

These were substantially different results from the net profit/(loss) amounts for these Fiscal years in our audited financial statements. For further discussion of the adjustments made to our original financial statements to generate our restated financial statements, please see *"—Auditors' Adjustments and Qualifications to Financial Statements" on page* 175.

FISCAL 2004 COMPARED TO FISCAL 2003

Key trends and developments during Fiscal 2004 included:

- Our scheduled airline operations, Air Deccan, began its operations during Fiscal 2004, in August 2003, with a fleet size of one aircraft flying one route between two airports. To this extent, Fiscal 2004 is not comparable to Fiscal 2003.
- By March 31, 2004, we
  - acquired 4 ATR 42 aircraft,
  - served 12 airports and
  - operated 12 routes.
- Our income from helicopter and charter services, Deccan Aviation, grew by 34.62% in Fiscal 2004 over Fiscal 2003 , mainly as a result of its commencement of services in Katra for the pilgrimage to the Vaishno Devi shrine.

Income

Our total income increased by Rs. 438.65 million, or 186.72%, from Rs. 234.92 million in Fiscal 2003 to Rs. 673.57 million in Fiscal 2004. The sale of airline tickets and related revenues accounted for 46.64% of our total income in Fiscal 2004. This increase was principally due to the introduction of our scheduled airline operations, Air Deccan.

Sales of Airline Tickets and Related Income

In Fiscal 2004, our airline operations commenced and sales of airline tickets and related income contributed Rs. 314.18 million to our total income.

Helicopter Charter and Other Services

Income from helicopter charter and other services increased by Rs. 81.06 million, or 34.62%, from Rs. 234.15 million in Fiscal 2003 to Rs. 315.21 million in Fiscal 2004, principally due to the commencement of operations relating to the Vaishno Devi shrine pilgrimage and the securing of long term contracts for offshore operations.

Other Income

Other income increased by Rs. 43.41 million, or 5637.66%, from Rs. 0.77 million in Fiscal 2003 to Rs. 44.18 million in Fiscal 2004, principally due to advertising income from the airline operations and the write-back of maintenance provisions as a result of converting helicopters from an operating lease to an ownership basis.

Expenses

Total expenditure increased by Rs. 441.23 million, or 197.28%, from Rs. 223.66 million in Fiscal 2003 to Rs. 664.89 million in Fiscal 2004. This was principally due to the preparation for and commencement of our scheduled airline operations, which involved a higher proportion of costs in relation to the revenue earned.

Aircraft Fuel Expenses

Expenditure on fuel increased by Rs. 79.90 million, or 637.16%, from Rs. 12.54 million in Fiscal 2003 to Rs. 92.44 million in Fiscal 2004. This increase was principally due to increased consumption due to the commencement of the airline operations.

Aircraft/Engine Repairs and Maintenance

Aircraft/Engine repairs and maintenance expenses registered an increase of Rs. 85.33 million, or 2752.58%, from Rs. 3.10 million in Fiscal 2003 to Rs. 88.43 million in Fiscal 2004. This increase was principally the result of enhanced maintenance activity in our newly commenced airline operations.

Aircraft/Engine Lease Rentals

Aircraft/engine lease rentals increased by Rs. 49.23 million, or 86.04%, from Rs. 57.22 million in Fiscal 2003 to Rs. 106.45 million in Fiscal 2004, principally due to the acquisition of four aircraft for Air Deccan pursuant to operating leases. In the charter services, four helicopters were converted from an operating lease basis to an ownership basis.

Employee Remuneration and Benefits

Employee remuneration and benefits increased by Rs. 45.06 million, or 170.68%, from Rs. 26.4 million in Fiscal 2003 to Rs. 71.46 million in Fiscal 2004, principally due to our addition of employees for the commencement of our scheduled airline operations. The total number of employees as of March 31, 2003 was 110, as compared to 515 employees as of March 31, 2004.

Other Direct Operating Expenses

Other direct operating expenses increased by Rs. 109.53 million, or 188.49%, from Rs. 58.11 million in Fiscal 2003 to Rs. 167.64 million in Fiscal 2004. This increase was principally due to the commencement of the airline operations, with its related costs including airport and ground handling charges, insurance and other charges.

Administrative and General Expenses

Administrative and general expenses increased by Rs. 41.01 million, or 118.66%, from Rs. 34.56 million in Fiscal 2003 to Rs. 75.57 million in Fiscal 2004, principally due to increased administrative and communication costs resulting from the introduction of our scheduled airline operations.

Advertisement and Business Promotion Expenses

Expenditure on advertisement and business promotion was Rs. 5.4 million in Fiscal 2003 and Rs. 3.18 million in Fiscal 2004. Advertisement and business promotion expenditure in Fiscal 2004 included an additional Rs. 29.42 million, which has been included in the restated Profit & Loss Account under "prior period income/(expense)".

Finance and Banking Charges

Finance and banking charges increased by Rs. 23.51 million, or 154.87%, from Rs. 15.18 million in Fiscal 2003 to Rs. 38.69 million in Fiscal 2004. This was due to an increase in borrowings for capital expenditures and the launch of the airline operations, and borrowing for the conversion of four helicopters from an operating lease to an ownership basis. Our secured and unsecured borrowings increased by Rs. 237.65 million from Fiscal 2003 to Fiscal 2004.

Amortisation

Amortisation charges increased by Rs. 1.99 million, or 25.25%, from Rs. 7.88 million in Fiscal 2003 to Rs. 9.87 million in Fiscal 2004. In our restated financial statements, a substantial adjustment has been made relating to amortisation in Fiscal 2004.

Depreciation

Depreciation charges increased by Rs. 7.89 million, or 241.28%, from Rs. 3.27 million in Fiscal 2003 to Rs. 11.16 million in Fiscal 2004. This was due to asset acquisitions in the airline operations and the conversion of four helicopters from an operating lease to an ownership basis.

Provision for Tax

Our total tax expense was Rs. 2.71 million and Rs. 5.02 million, in Fiscal 2004 and Fiscal 2003, respectively. Current tax was Rs. 0.64 million in Fiscal 2004 and Rs. 0.88 million in Fiscal 2003. Deferred tax was Rs. 2.07 million in Fiscal 2004 and Rs. 4.14 million in Fiscal 2003.

Adjustments and Net Profit/(Loss), as Restated

Our net profit/(loss), as restated, shifted from a profit of Rs. 0.65 million in Fiscal 2003 to a loss of Rs. 117.10 million in Fiscal 2004. This was the result of our expansion of the Air Deccan airline operations.

This result for Fiscal 2004 was a substantially different result from the net profit/(loss) amount for that Fiscal year in our audited financial statements. For further discussion of the adjustments made to our original financial statements to generate our restated financial statements, please see *"—Auditors' Adjustments and Qualifications to Financial Statements"* on page 175.

Review of Assets and Liabilities

FIXED ASSETS

Fixed assets comprise:

- gross block, which is mainly comprised of aircraft owned or acquired pursuant to hire purchase arrangements, including fixed-wing aircraft, helicopters, aircraft tooling and equipment; buildings on freehold and rented land; leasehold improvements to buildings and aircraft; ground support equipment; computers and networking equipment; and office equipment.
- a reduction to account for accumulated depreciation on the gross block and
- capital work in progress, including capital advances in the nature of pre-delivery payments in respect of aircraft/engine purchase agreements. The pre-delivery payments made as on March 31, 2005 and November 30, 2005 stood at Rs. 1476.05 million and Rs. 1360.86 million, respectively, and represent payments for 47 and 45 aircraft, respectively.

The following table illustrates our fixed assets as at November 30, 2005, March 31, 2005, March 31, 2004 and March 31, 2003.

For the eight month period ended November 30, 2005, the gross block increased by Rs. 2545.30 million. This was mainly due to the purchase of 3 ATR 72s on hire purchase amounting to Rs. 2436.43 million.

	As at November 30, 2005	As at March 31,		
		2005	2004	2003
	Rs. Million	Rs. Million	Rs. Million	Rs. Million
Gross Block	3,097.78	552.48	270.98	111.75
Less Depreciation	93.25	45.22	16.33	6.31
Net Block	3,004.53	507.26	254.65	105.44
Capital Work in Progress (including capital advances)	1,429.32	1,530.93	12.17	1.46
Total	**4,433.85**	**2,038.19**	**266.82**	**106.90**

INVESTMENTS

Investments consist of our investments in a joint venture company (formerly a subsidiary), Deccan Aviation (Lanka) Private Limited. As at November 30, 2005, our investments totalled Rs. 4.13 million, primarily representing our investment in Deccan Aviation (Lanka) Private Limited, of which we were, as at November 30, 2005, a 48% shareholder.

Current Assets, Loans and Advances

Current assets, loans and advances are comprised mainly of:

- inventories, which principally relate to aircraft rotables, spares, stores and consumables. As on November 30, 2005, our inventories stood at Rs. 485.08 million, showing an increase of Rs. 121.10 million over March 31, 2005.
- sundry debtors, which principally relate to debts owed to us in respect of services performed. Out of a total of Rs. 156.85 million sundry debtors as on November 30, 2005, Rs. 21.01 million was outstanding for more than 6 months,
- cash and bank balances, which include “margin money” deposits and fixed deposits held against guarantees and letters of credit,
- loans and advances, which principally relate to advances paid for various goods, deposits with government authorities, other receivables, which include amounts receivable on account of transfers of aircraft purchase rights, insurance premium refunds and other receivables from insurances and our joint venture in Deccan Aviation (Lanka) Private Limited. Deposit with government bodies, custom authorities and others stood at Rs. 427.12 million as on November 30, 2005 after an increase of Rs. 335.95 million and
- other current assets, which as of November 30, 2005 principally related to steps taken to prepare for deliveries and induction of aircraft.

Liabilities and Provisions

Liabilities and provisions comprise mainly:

- current liabilities and provisions,
- secured loans and
- unsecured loans.

Current Liabilities and Provisions

Current liabilities principally comprise payables to sundry creditors for goods, services and expenses including fuel, airport charges and other charges; advances from customers in respect of ticket bookings; training deposits provided to us by pilots and applied by us to the cost of their initial training; and other liabilities and provisions for expenses.

As on November 30, 2005, sundry creditors for goods, services and expenses and advance from customers were our largest current liabilities and stood at Rs. 1651.90 million and Rs. 683.42 million respectively showing an increase of Rs. 1040.28 million and Rs. 445.31 million respectively over March 31, 2005.

In respect of certain training costs which are initially funded by the employee, the Company has an obligation to reimburse the employees such training costs in case the employee fulfills certain employment conditions under the terms of agreement with the Company. The Company makes provisions for it in its Profit and Loss account. Such provisions on a cumulative basis amounts to Rs. 41.93 million as on November 30, 2005 for such liability on an estimated basis and is included under the Current Liabilities.

Provisions comprise various tax provisions, including for fringe benefit tax, statutory gratuity payments to long-serving employees and leave encashment.

Secured and Unsecured Loans

Secured loans are set forth in the following table:

	As at November 30, 2005	**As at March 31,**		
		2005	**2004**	**2003**
	Rs. Million	**Rs. Million**	**Rs. Million**	**Rs. Million**
Term loans from banks/financial institutions	637.29	1,548.27	184.54	53.36
Term loan from financial institution (foreign currency loan)	55.20	-	-	-
Cash credit facility from banks	55.92	9.43	7.47	15.17
Overdraft facility from bank	-	-	29.00	-
Vehicle loans from banks/financial institutions	6.88	5.19	3.59	2.79
Interest accrued and due on term loans	-	3.10	1.61	1.73
Finance lease obligations	36.61	28.18	-	-
Hire purchase loan from others	2,222.11	-	-	-
Total	**3,014.01**	**1,594.17**	**226.21**	**73.05**

Term loans from banks and cash credit facility from banks are secured by a first charge on the current assets and fixed assets of the Company, including hypothecation of the present and future goods including book debts, documents of title to goods and collateral security of personal property of the relatives of directors. Some of the term loans are further secured by the assignment of the purchase agreement entered into for purchase of aircraft and by personal guarantee of directors. Finance lease obligations and vehicle loans are secured by the hypothecation of respective assets. Bank overdrafts are secured by a fixed deposit. Hire purchase obligations represent our obligation in respect of 3 ATR 72 aircraft obtained by us pursuant to a Hire purchase agreement. These obligations are secured by the hypothecation of the respective aircraft.

We repaid Rs. 1,161.92 million of our term loans (including hire purchase) during the eight months ended November 30, 2005. As of November 30, 2005, the amount of secured loans repayable within one year was Rs. 633.72 million. As on November 30, 2005, we secured hire purchase loans for 3 ATR 72s amounting Rs. 2222.11 million.

Unsecured loans are set forth in the following table:

	As at November 30, 2005	As at March 31, 2005	2004	2003
	Rs. Million	Rs. Million	Rs. Million	Rs. Million
Short term loans - others	40.00	33.00	123.00	33.12
Interest accrued and due on short-term loans-others	-	-	-	5.39
Zero percent fully convertible debentures of Rs. 100 each	1,653.00	1,217.60	-	-
Total	**1,693.00**	**1,250.60**	**123.00**	**38.51**

During the Fiscal 2005, the Company issued 12,176,012 convertible debentures of Rs. 100 each at a coupon of 0% interest ("CDs"). During the eight months period ended November 30, 2005 the Company issued 4,353,988 convertible debentures of Rs. 100 each at a coupon of 0% interest ("CDs"). In December 2005, all outstanding CDs, as of November 30, 2005 were converted into 27,379,337 Equity Shares of Rs. 10 each at a premium of Rs. 50.37 per Equity Share.

COMMITMENTS AND CONTINGENT LIABILITIES

Commitments and Contingent liabilities are not reflected in our statements of assets and liabilities. Our commitments and contingent liabilities, were Rs. 55,044.73 million as of November 30, 2005 and Rs. 54,627.08 million as of March 31, 2005. The following table sets forth our commitments and contingent liabilities as presented as of such dates in our audited financial statements:

	As at March 31, 2005	As at November 30, 2005
	Rs. Million	Rs. Million
Bank guarantees and letters of credit	577.36	1,180.17
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	54,046.76	53,847.43
Claims against the Company not acknowledged as debts	2.96	17.13
Total	**54,627.08**	**55,044.73**

Bank Guarantees and Letters of Credit

In addition to the amounts already on loan, as discussed above, we have, as of November 30, 2005, utilised available credit in the form of bank guarantees and letters of credit in the amount of Rs. 1,180.17 million. These are generally issued upon the demand of counterparties as security for our obligations under various operating leases, hire purchase arrangements and for the acquisition of certain services, including purchase of ATF and payments to the Airports Authority of India.

"Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)".

This represents by far the largest share of our commitments and contingent liabilities. These are the amounts that we will owe if we acquire on an ownership basis all the aircraft/engines that we had on order but had not taken delivery of as of the specified date and for which we have not already entered into lease or other financing arrangements. Actual future purchase prices are partially linked to movements of specified price indices as per an agreed formula, so the actual aggregate future purchase price could be higher.

Since November 30, 2005, we have expanded our outstanding aircraft orders to a total of 96 aircraft on order as of March 31, 2006. See *"—Significant Developments after November 30, 2005 that may Affect our Future Results of Operations" on page* 195.

In the past, we have entered into operating leases, hire purchase arrangements to finance payments due on many of our aircraft/engines, including aircraft/engines not yet delivered, and have also engaged in other forms of finance for amounts coming due in respect of aircraft/engines. We expect that the proportion of aircraft which we finance through operating leases, outright purchases or otherwise will depend on the status of a number of financial and other factors at the time such aircraft/ engines are acquired, including such factors as our overall level of borrowings, our cash flow needs, prevailing conditions in the leasing market, the demand for the type of aircraft/engines being acquired, tax considerations and prevailing interest rates. In general, we expect to be able to pay or alternatively finance such amounts as will from time-to-time come due in respect of aircraft engines on order, as well as in respect of aircraft we already operate. There can be no assurance, however, that this will be the case.

In regard amounts we must pay for aircraft/engines in respect of which we have entered into operating lease or hire purchase arrangements, including aircraft/engines not yet delivered, see *"—Leases—Operating Leases" and "—Hire Purchase Arrangements"*, below.

Contractual Obligations

The Company has entered into operating and finance lease agreements.

Operating Leases

Operating lease arrangements comprise leases of aircraft, helicopters, spare engines and office premises. The salient features of operating lease agreements for aircraft, helicopters and spare engines are as follows:

- Lease periods may range upto ten years and are usually non-cancellable. [As at March 31, 2005, lease period ranged up to 5 years]
- Lease rentals are fixed over the term of the lease.
- The Company has agreements for maintenance and lease of stores and spares for leased aircraft for which fixed and variable rentals are paid. Variable rentals are paid at a pre determined rate payable on the basis of actual flying hours/cycles. Such variable rentals are subject to annual escalations as stipulated in the agreements. However, the Company is eligible to claim reimbursement of maintenance costs to the extent eligible under the agreements.
- The Company does not have an option to buy the leased aircraft and spare engines or to renew the leases.
- In the case of default by the Company, in addition to repossession of the aircraft, penalties are stipulated in the agreements.
- The Company is required to deposit a commitment fee and a security deposit with the lessor or provide a letter of credit for such amounts.

Operating lease agreements for office premises are mainly for a non cancellable period of three years. The leased premises can be renewed at terms mutually agreeable to the Company and the lessor.

	As at November 30, 2005	As at March 31, 2005
	(Rs. Million)	(Rs. Million)
Lease rentals recognised in Profit & Loss account for the period/year	1,260.16	640.73
Future Minimum Lease Payments as at the Balance Sheet date:		
- Not later than one year	1,749.12	1,141.20
- Later than one year but not later than five years	5,561.10	3,958.52
- Later than five years	1,863.19	-

In addition to the above, as at November 30, 2005, the Company has entered into agreements to lease certain aircraft/engines which had not yet been delivered and as to which the lease period is yet to commence as at November 30, 2005. The above table of minimum lease payments does not include amounts that may become payable in respect of leases yet to commence as at November 30, 2005.

Finance leases

Finance lease arrangements relate to ground handling and related equipments. The lease period is for three years with interest rates ranging from 10.5% to 12% per annum and the Company has an option to renew the lease at the end of the initial lease term. The Company pays fixed lease rentals over the period of the lease whereby the net present value of the minimum lease payments amount to substantially the cost of the assets.

	As at November 30, 2005 (Rs. Million)	As at March 31, 2005 (Rs. Million)
Total minimum lease payments in respect of the balance fixed non cancellable lease term	44.49	45.24
Present value of minimum lease payments	36.61	35.94
Lease payments for the period/year	4.48	3.65
Future Minimum Lease Payments as at the Balance Sheet date:		
Not later than one year [Present value Rs.13.24 million as on November 30, 2005 (as on March 31, 2005 Rs. 9.57 million)	15.01	11.10
Later than one year but not later than five years [Present value Rs. 23.36 million as on November 30, 2005 (as on March 31, 2005 Rs. 26.36 million)	29.48	34.15

Note: The information included in the above table includes lease arrangements entered into by the Company on or before November 30, 2005, but where the assets are to be received after November 30, 2005.

Hire purchase arrangements

During the eight months ended November 30, 2005, the Company entered into hire purchase agreements in respect of aircraft. The salient features of hire purchase agreements for aircraft are as follows:

- Term is for 10 years.
- Option to purchase the aircraft either during the term of the hire purchase arrangement on payment of the outstanding principal amount or at the end of the hire purchase term on payment of a nominal option price.
- In the event of default, the Company is responsible for payment of all costs of the Owner including the financing costs and other associated costs. Further a right of possession is available to the owner.
- The Company is responsible for maintaining the aircraft as well as insuring the same.

	As at November 30, 2005 (Rs. Million)
Total minimum hire purchase installments at the balance sheet date in case of balance fixed non cancellable term	2,845.77
Present value of minimum hire purchase instalments	2,222.11
Payments for the period	128.99
Hire purchase payments:	

	As at November 30, 2005 (Rs. Million)
Not later than one year [Present value Rs. 245.57 million as on November 30, 2005]	251.17
Later than one year but not later than five years [Present value Rs. 918.61 million as on November 30, 2005]	1,058.57
Later than five years [Present value Rs .1,057.93 million as on November 30, 2005]	1,536.04

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Historically, our principal liquidity requirements have consisted of our working capital requirements for operations and our capital expenditures. In Fiscal 2003, Fiscal 2004, Fiscal 2005 and the eight months period ended November 30, 2005, we met these requirements from cash flows from operations, profit from the transfer of aircraft/engine purchase rights, additional borrowings and the raising of capital in a private placement of shares and convertible debentures.

Cash Flows

The table below summarises our cash flows as restated for the periods indicated:

(Rs. Million)

	Eight Months ended November 30, 2005	Year ended March 31,		
		2005	2004	2003
Net Cash generated from / (used in) operations	(361.73)	(139.82)	(81.79)	43.53
Net Cash generated from / (used in) investing activities	(1,944.82)	(1,716.18)	(199.03)	(88.46)
Net Cash generated from / (used in) financing activities	1,903.56	2,525.52	420.48	60.42
Net change in Cash and Cash Equivalents	**(402.99)**	**669.52**	**139.66**	**15.49**

Operating Activities

In each of Fiscal 2004 and 2005 and for the eight months ended November 30, 2005, we incurred negative cash flows from our operating activities. This has been due principally to the costs incurred in connection with the expansion of Air Deccan and to increased competition. While our operating loss before working capital charges stood at Rs. 91.05 million, Rs. 319.14 million and Rs. 1376.93 million for the years ended March 31, 2004, March 31, 2005 and for the eight months ended November 30, 2005, respectively, our cash used in operations increased from Rs 81.48 million, to Rs. 137.33 million and Rs. 358.83 million in the same period.

The aviation business is highly capital intensive and, particularly in a high growth phase for a scheduled airline, capital must be injected rapidly and on a continuous basis. Additionally, market development and brand building require significant investment and expenditure on an ongoing basis. Further, aircraft induction and deployment, on both new and existing routes, involves a period of ramp-up requiring sizeable funds outlay against which substantial inflows of revenues take place only after 3 to 4 months of operations at a minimum. Finally, the rapid expansion of our fleet has resulted in costs associated with the acceptance of aircraft, deployment and other preparatory expenses, including route planning and development, and operations-related expenses. We believe our losses are, in part, attributable to the above reasons associated with the creation and expansion of our scheduled airline operations, Air Deccan. We believe that our prospect for achieving profits depends, largely, on Air Deccan continuing to grow its airline network and stimulating sufficient demand in the destinations it covers for its low-cost, no-frills flights. In order to sustain rapid growth, we propose to continue to invest heavily, in aircraft acquisitions and costs related to aircraft acquisition and deployment (for details refer 'Future Fleet Growth on page 60 of this Red Herring Prospectus), business development, other operational expansions and efforts to stimulate demand, especially on new routes and in new destinations, for a sustained time period. As a result, we cannot give any assurance as to when we expect to achieve profits. Competition from current and new market entrants could make it additionally difficult to achieve profitability.

Our losses will require ongoing financing. There can be no assurance as to when our cash flows may be adequate to fully fund these losses. We may need additional external financing to help finance these losses. However, there can be no assurance that we will be able to arrange any such financing on acceptable commercial terms.

Financing Activities

Our cash flow from financing activities is determined by the level of principal and interest payments on our outstanding debt, the incurrence of new indebtedness, the issuance of new capital stock, convertible debentures and other securities, interest and dividend payments on such securities and currency exchange rates. In Fiscal 2005, we obtained proceeds from convertible debentures amounting to Rs. 1,217.60 million and from issuance of share capital of Rs. 87.40 million. During the eight months ended November 30, 2005, we received another Rs. 435.40 million towards convertible debentures and Rs. 148.63 million towards payment received on calls on existing share capital. During the eight months ended November 30, 2005, we repaid term loans including hire purchase payments of Rs. 1,161.92 million while borrowing Rs. 2,473.43 million in the form of additional term loan (including hire purchase).

Investment Activities

Our net cash used in investing activities is determined by amounts spent in respect of our aircraft (in both our chartered services and scheduled airlines operations) and other capital asset acquisitions. The rapid growth of the Air Deccan operations has contributed to an increased cash outflow on account of investing activities. We expect this to continue and increase substantially as we expand and improve our facilities and infrastructure and add more aircraft and destinations in the future.

During Fiscal 2004, we purchased four helicopters, which we had previously acquired pursuant to an operating lease. During the same fiscal year, we launched our Air Deccan scheduled airline operations, which involved, among other things, creating airport infrastructure, building engineering and maintenance facilities and setting up IT systems and related infrastructure. In Fiscal 2005 our scheduled airline operations continued to grow, and we made related investments in engineering and maintenance facilities, airport infrastructure, IT systems and connectivity and communications infrastructure. We entered into firm commitments for the purchase of 45 aircraft and made pre-delivery payments in respect these aircraft. During the same period, we also invested in DALPL. During the eight months ended November 30, 2005, we incurred additional cash outflows in connection with the expansion of our operations, including the acquisition of two ATR 72 aircraft pursuant to hire purchase arrangements and one helicopter. While we received Rs. 369.05 million in the eight months ended November 2005 in payment for the transfer of aircraft/engine purchase rights, we expended Rs. 2,361.65 million on purchase of fixed assets (including capital work in progress and capital advances). This resulted in a negative cash flow of Rs. 1,944.82 million from investing activities.

Capital Expenditure

We plan to continue to grow both our scheduled airline operations and our chartered aviation services. As of November 30, 2005, we had entered into agreements with Airbus for the purchase of 32 Airbus A320s (two of which have been delivered, and in respect of which we transferred the purchase rights and subsequently leased the aircraft from the purchaser as of November 30, 2005) and with ATR for the purchase of fifteen ATR 72s. Since November 30, 2005, we have increased our prior orders for purchase of 30 additional Airbus A320s. In addition to the capital expenditures we expect to make in respect of these purchases, we also plan to obtain additional aircraft through operating lease or hire purchase arrangements. *See Our Business—Our Scheduled Airline Operations—Fleet—Future Fleet Growth*" on page 60. Furthermore, we intend to use part of the proceeds of the Issue to build and equip certain facilities. Please refer to the section titled "Objects of the Issue" beginning on page 30 of this Red Herring Prospectus.

Exchange Rate Risk

We face exchange rate risk to the extent that our expenses and debt repayments are denominated in currencies other than Indian rupees. All of our operating leases and hire purchase arrangements, as well as our aircraft purchase arrangements, are denominated in U.S. dollars. In Fiscal 2005, 35.96% of our expenses, comprising salaries and allowances, travelling & conveyance, lease rentals, aircraft and other maintenance expenses, professional & consultancy charges, training and others, were incurred in currencies other than Indian rupees. In addition, the price of ATF is also linked to exchange rate changes because pricing is based on import parity pricing.

As of November 30, 2005, our loan funds (excluding convertible debentures) aggregated Rs. 3,054.01 million, of which 74.57% was foreign currency denominated.

In addition, as of November 30, 2005, approximately Rs. 53,824 million of our commitment on capital assets obligations were denominated in U.S. dollars.

Our foreign currency contractual obligations relate to operating leases for aircraft and engines, hire purchase obligations for aircraft and short-term foreign currency loans.

We began in 2005 to seek to manage, on a case-by-case basis, certain exchange rate risks by entering into forward contracts to protect ourselves against a depreciation of the Indian rupee in relation to the U.S. dollar. As of November 30, 2005, there were no foreign exchange forward contracts outstanding and for the eight months ended November 30, 2005 foreign exchange loss of Rs. 27.04 million was charged to the profit and loss account.

Interest Rate Risk

Our financial results are subject to changes in interest rates, which may affect our debt service obligations and our access to funds. As of November 30, 2005, our loan funds (excluding convertible debentures) aggregated Rs. 3,054.01 million, of which approximately 74.57% were on a floating rate basis and linked to LIBOR. We do not engage in interest rate hedging.

Inflation

In recent years, India has not experienced significant inflation, and accordingly inflation has not had any material impact on our business and results of operations. However, over the past few months, we have experienced sharp increases in fuel prices.

UNUSUAL OR INFREQUENT EVENTS OR TRANSACTIONS

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

Significant Economic/Regulatory Changes

Pursuant to the Industrial Policy and the FEMA Regulations, any investment in an Indian domestic airline by persons resident outside India requires the prior approval of the FIPB. However, the Ministry of Civil Aviation, GoI, pursuant to a Notification No. AV-13011/10/96-DT (Vol. II) dated November 10, 2004 (published in the Gazette of India on November 13, 2004) has permitted foreign direct investment in the “Air Transport Services (Domestic Airlines)” sector up to 49% through the “automatic route” (i.e. without the prior approval of the FIPB). The November 10, 2004 notification also permits investment by an NRI up to 100% in an Indian domestic airline company under the “automatic route”. The notification also clarifies that no direct or indirect equity participation by foreign airlines is permitted in a domestic airline. Amendments to the FEMA Regulations to reflect the policy changes notified in the November 10, 2004 notification are awaited.

Following the decision of the Union Cabinet to change the aviation policy on December 29, 2004 and permit Indian scheduled carriers with a minimum of five years of continuous operations and with a minimum of 20 aircraft in its fleet, to operate scheduled services to other international destinations, the MoCA has, on January 11, 2005, designated scheduled Indian carriers permitted to operate international services to and from Singapore, Malaysia, Thailand, Hong Kong, the United Kingdom and the United States of America.

Following such designation by MoCA, on January 21, 2005, the DGCA issued AIC No. 2/2005 entitled “Guidelines for Operation of Indian Scheduled Carriers on International Routes” and invited scheduled Indian carriers to apply for the allocation of traffic rights on international routes. The Government has communicated its decision to us on the allocation of entitlements for operations for certain routes between India and the United Kingdom, Singapore, Malaysia and the United States. With respect to increased entitlements for some of the aforementioned routes and entitlements for other international routes, the Government is expected to shortly notify its decisions on the allocation of entitlements among the four scheduled carriers (that is, Air India, Indian Airlines, Air Sahara and us). The Indian aviation regulatory framework is undergoing changes. We cannot yet assess how the evolving regulatory framework will affect our business and operations. No assurance can be given that these or other changes in the Indian airline industry regulations will not have a material adverse effect on our business and operations.

KNOWN TRENDS OR UNCERTAINTIES

Other than as described in the section entitled "Risk Factors", elsewhere in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Prospectus, to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on the revenues or income of our Company from continuing operations.

Future Relationship Between Costs and Income

Other than as described in the section entitled "Risk Factors", elsewhere in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Prospectus, to our knowledge there are no known factors which will have a material adverse impact on the operations and finances of our Company.

NEW PRODUCT OR BUSINESS SEGMENTS

Other than as described in this Prospectus, there are no new products or business segments in which we operate.

SEASONALITY OF BUSINESS

Seasonal variations in air passenger traffic affect our results of operations. We generally experience lower Passenger Load Factors (defined as the percentage of aircraft seating capacity that is actually utilised) during certain months of each fiscal year in comparison to that experienced during the remaining portions of the year. In addition, some of our areas of operations are subject to adverse weather conditions in certain seasons — for example, northern and eastern India experience bad weather conditions in winter, resulting in delayed and cancelled flights. Given our high proportion of fixed cost obligations, seasonal factors are likely to cause our results of operations to vary from quarter to quarter during any particular financial year.

SIGNIFICANT DEPENDENCE ON A FEW SUPPLIERS

One of the key elements of our low-cost business strategy for Air Deccan is to operate only a few types of aircraft, with aircraft within each type having similar equipment. Air Deccan's fleet consists principally of ATR 42s and Airbus 320s, with a growing number of ATR 72s. All of Air Deccan's Airbus A320 aircraft are equipped with V2527 engines manufactured by IAE. The ATR 42s and 72s are equipped with engines manufactured by Pratt & Whitney Canada Corp.

While commonality provides us with many operational and cost benefits, Air Deccan's dependence on these types of aircraft and engines makes it vulnerable to any design defects or mechanical failures that might arise with such aircraft or engines. Such problems could lead to the loss of use of aircraft or engines and other significant disruptions or costs, apart from causing customers to avoid airlines operating with such aircraft or equipment.

Our operations could also be harmed by the failure or inability of Airbus, IAE, ATR or Pratt & Whitney Canada Corp. or any of our other main suppliers to provide equipment or sufficient parts or related support services on a timely basis.

Competitive Conditions

The Company expects competition for Air Deccan to intensify further as new entrants emerge in the industry and as existing competitors seek to extend their operations and flight frequencies over routes that Air Deccan operates. For further details, please refer to the competition discussions in the sections entitled "Risk Factors" and " Our Business" beginning on pages j and 53, respectively, in this Red Herring Prospectus.

SIGNIFICANT DEVELOPMENTS AFTER NOVEMBER 30, 2005 THAT MAY AFFECT OUR FUTURE RESULTS OF OPERATIONS

Except as disclosed in this Red Herring Prospectus and as mentioned below, to our knowledge, there is no subsequent development after the date of our financial statements contained in this Red Herring Prospectus which materially and adversely affects, or is likely to affect, the operations or profitability of our Company, or the value of our assets, or our ability to pay our material liabilities within the next twelve months.

Except as disclosed in this Red Herring Prospectus and as mentioned below, there is no subsequent development after the date of the Auditor's Report which we believe is expected to have a material impact on the reserves, profits, earnings per share or book value of our Company.

- Our general business growth has continued at a vigorous pace, including in general continued high levels of revenues and expenses. Our total expenditure has continued to be greater than our income during the period since November 30, 2005.
- We continued to experience competition that was intensified by the entry of new airline competitors that offered low promotional fares in connection with the commencement of operations. We expect such intensified competition whenever a new competitor enters the market. We also continued to increase our capacity. Total seats flown increased from 357,562 for the month of November 2005 to 602,289 for the month of March 2006, amounting to an increase of 251,727, or approximately 70% for the period. Continued intense competition and the increase of capacity resulted in reduced load factors. In December 2005 and January, February and March 2006, our load factors were 75.91%, 71.97%, 67.44% and 70.56%, respectively.
- In January, February and March 2006, we averaged flight cancellations of approximately 6%, 6% and 5%, respectively, of all our flights for such months. Higher cancellation rates are the result of, among other factors, fog, including at major airports such as Delhi, which affects all airlines, and the fact that we operate a large number of short ATR flights, including with our older ATR 42-320 aircraft, which means that if we keep one aircraft out of service for a short period of time it leads to multiple flight cancellations. Over time, we plan to retire our older ATR aircraft as we acquire newer ATR aircraft.
- As of November 30, 2005, we had over 64 aircraft on order for future delivery. Since then, we have increased our prior orders and as of March 31, 2006 we have 96 aircraft on order. In particular, we have ordered an additional 30 Airbus A320s. We expect to take delivery of their additional aircraft from 2008 to 2012. Overall, these additional aircraft orders represent approximately Rs. 229.14 million in new amounts payable in the current fiscal year in respect of pre-delivery payments and deposits, plus approximately Rs. 43,550.64 million in additional commitments (which are subject to change to the extent prices are adjusted over time pursuant to the terms of our orders, and as we adjust our plans for payment for, and the financing of, aircraft acquisitions over time). See *"Our Business – Fleet" on page* 57*.*
- Since November 30, 2005 and up to March 31, 2006, we have taken delivery of four additional Airbus A320 aircraft and two additional ATR aircraft. See *"Our Business – Fleet"* on page 57. One of the additional ATR aircraft was acquired pursuant to a hire purchase agreement, which will be reflected on our balance sheet under both assets and liabilities. We have also made pre-delivery payments in respect of aircraft to be purchased in the future, which will be reflected as assets on our balance sheet.
- We increased our secured loan borrowings during the period from December 31, 2005 to March 31, 2006, with the acquisition of an additional aircraft pursuant to a hire purchase arrangement as described above and draw-downs of loans in connection with pre-delivery payments on aircraft.
- Principally as a result of new aircraft deliveries, we have commenced service on 18 new routes and added 8 new destinations to our route network. This has resulted in Air Deccan become the largest networked airline in India by flying to more destinations than any other airline in India.
- The amount of issued, subscribed and paid-up capital before the Issue is different from Equity Share Capital as on November 30, 2005 mentioned in our unconsolidated financial statements, as restated, under Indian GAAP as reported upon by the Auditors in their report dated April 25, 2006 because of issuance of 27,379,337 Equity Shares of Rs. 10 each on December 21, 2005 pursuant to conversion of fully convertible debentures.
- Further, in the opinion of our Directors, no circumstances have arisen since the date of the last financial statements as disclosed in this Red Herring Prospectus except as described above which may materially and adversely affect the trading or profitability of our Company, the value of our assets, or our ability to discharge liabilities within the next twelve months.

SECTION VI : LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

Except as described below and in the notes to the financial statements in this Red Herring Prospectus, there are no contingent liabilities not provided for, outstanding litigation, disputes, nonpayment 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 the 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, Directors, and Group companies that would have a material adverse effect on its business, except the following:

LITIGATION BY OUR COMPANY

Consumer disputes

- Our Company has, on September 12, 2005, filed Appeal No. 1487 of 2005 before the Karnataka State Consumer Disputes Redressal Forum against Meenakshi S., assailing the order dated August 11, 2005 passed by the District Consumer Disputes Redressal Forum at Bangalore in Complaint No. 482 of 2005. The complaint filed before the District Consumer Disputes Redressal Forum, Bangalore had been filed alleging that the flight schedule information available on the website of our Company was not reliable and that the complainant had been put to hardship as a result. The District Consumer Disputes Redressal Forum had awarded a sum of Rs 12,000 to the Complainant. The appeal filed by our Company is pending.
- Our Company has, on March 02, 2006 filed an appeal (No. 493/2006) before the National Consumer Disputes Redressal Commission, New Delhi against Pavanjit Dhingra, assailing an *ex-parte* order dated December 29, 2005, passed by the State Consumer Disputes Redressal Forum, Bangalore, under Consumer Case No. 930/2005. The matter is pending.
- Our Company has filed an appeal before the National Consumer Disputes Redressal Commission, New Delhi. N. Shridhar had originally filed a complaint (No. 919/2005) on August 02, 2005 before the District Consumer Disputes Redressal Forum, Bangalore. An *ex-parte* order was passed on October 10, 2005 in favour of the complainant and consequently, the complainant filed an execution petition (No. 6/2006). Our Company filed an appeal (No. 529/2006) before the State Commission Bangalore on February 21, 2006, which was dismissed. Our Company has now filed an appeal before the National Consumer Disputes Redressal Commission, New Delhi. The matter is pending.

Arbitration proceedings

- Our Company has initiated arbitration proceedings against the AAI (through the Regional Executive Director, Westernd Region, CSI Airport, Mumbai), disputing AAI's unilateral decision to retrospectively revise the licence fees chargeable for a hangar obtained by our Company on a leasehold basis at the Juhu Aerodrome, Mumbai. The chairman of the AAI has nominated the sole arbitrator to adjudicate the dispute. An aggregate amount of Rs. 5.5 million, as demanded by the AAI as revised licence fees owed to it, is being disputed by the Company.The matter is pending.

Civil suits

- Our Company had, on January 07, 2005, filed a suit against Saheer Khan, Sivakamesh Ganduri, V.N. Vishwas, V.S. Dheerendra, Ahmad Imam, Dhiraj Kumar Singh and Shailendra Kumar Tiwari, before the Court of the City Civil Judge at Bangalore (OS 222 of 2005) *inter alia* seeking an order of injunction restraining the defendants with any competitor of our Company. The suit is being resisted by the defendants primarily on the ground that the relief sought by our Company is incapable of being granted. An *ad interim* order of injunction granted in favour of our Company has been vacated by the court. Our Company has filed an interlocutory application seeking to amend its prayer to include a claim for damages which application has been allowed by the Court. The matter is pending.
- Our Company has filed a case no. 4657/2005 on 9th July, 2002 against Airport Authority of India before the High Court, Karnataka at Bangalore. Our Company entered into an agreement with the defendant whereby a kiosk was put up in the arrival lounge at the Bangalore Airport and the company has been paying monthly fee and royalty. However the defendant

sent a letter calling upon the company to remove the kiosk. The company filed an injunction suit restraining the defendants. However this application for injunction was dismissed. An appeal was filed by our company against the abovementioned order. An order was passed hereby directing to maintain status quo. The kiosk has been handed over and while the compromise has been taken on record the matter is pending.

LITIGATION AGAINST OUR COMPANY

Civil suits/Others

- Livewel Aviation Services Private Limited, one of the Company's ground handling agents at the Indira Gandhi International Airport, New Delhi, terminated the services of 53 of its workmen, by issuance of notices stating that the workmen had refused to obey official orders and resorted to a strike, resulting in disruption of operations at the airport. The 53 workmen raised an industrial dispute (through Airport Employees Union) before the Conciliation Officer (Assistant Labour Commissioner), Ministry of Labour, GoI, impleading Livewel Aviation Services Private Limited and our Company, and alleging that they were employees of our Company and further that their services were illegally terminated. Our Company has received a notice (No. ALC II/8[82/2005] dated November 17, 2005) from the Assistant Labour Commissioner, Ministry of Labour, New Delhi requiring Livewel Aviation Services Private Limited, our Company and the Airport Employees Union to participate in the conciliation proceedings. The matter is pending.

Criminal proceedings

- The Labour Enforcement Officer (Central) VI, Mumbai has filed two complaints before the Court of the 22nd Metropolitan Magistrate, Andheri, Mumbai, under Section 23 and 24 of the Contract Labour (Regulation and Abolition) Act, 1970, read with the Contract Labour (Regulation and Abolition) Rules, 1971, alleging that our Company has failed to comply with various provisions of the Contract Labour (Regulation and Abolition) Act, 1970, including our Company's failure to obtain registrations and a failure to display requisite notices, as required under the said statute. Separate complaints have been filed in respect of an alleged violation of the provisions of the Contract Labour (Regulation and Abolition) Act, 1970 on two establishments of our Company. The plaintiff has, in both matters, prayed that appropriate fines be levied on our Company in terms of the provisions of the Contract Labour (Regulation and Abolition) Act, 1970, in addition to costs. Appropriate fines, as levied, have been paid by the Company. These matters are pending.
- The Labour Enforcement Officer (Central) VI, Mumbai has filed a complaint (Cr. Case No. 9/SLC/2005 dated February 22, 2005) before the Court of the 22nd Metropolitan Magistrate, Andheri, Mumbai, under Rule 21 of the Payment of Wages (Air Transport Services) Rules, 1968, alleging that our Company has failed to comply with various provisions of the Payment of Wages Act, 1936 and the Payment of Wages (Air Transport Services) Rules, 1968, including our Company's failure to display requisite notices and non-maintenance of various registers, as required under the said statute. The plaintiff has prayed that appropriate fines be levied on our Company, in addition to costs. Appropriate fines, as levied, have been paid by the Company. These matters are pending.

Consumer disputes

- Ashish Nagariya has, on March 08, 2006, filed a complaint (Complaint No. 452/2006) under the Consumer Protection Act, 1986 before the Consumer Disputes Redressal Forum, Bangalore against our Company. The complainant submitted that Air Deccan allegedly misplaced his baggage and has raised a claim Rs. 200,000 against our Company. The matter is pending.
- M.C. Paulose has, on March 06, 2006 filed a complaint (Complaint No. 118/2006) under the Consumer Protection Act, 1986 before the Consumer Disputes Redressal Forum, Cochin against our Company. The complainant booked tickets to travel on an Air Deccan flight from Cochin to Chennai on February 09, 2006. The complainant has alleged that he was forced to make alternate travel arrangements as the flight was delayed. A claim of Rs. 5,775 along with interest has been raised against our Company. The matter is pending.
- Rakesh Kumar Tiwari has, on February 24, 2006, filed a complaint under the Consumer Protection Act, 1986 (Complaint Case No. 76/2006) before the Consumer Disputes Redressal Forum, Raipur against our Company. The complainant had booked two tickets on the Raipur-Kolkata sector. The complainant has raised a claim of Rs. 100,000 against our Company (in addition to applicable interest) on account of a cancellation of the flight. The matter is pending.

- Arvind Joshi, Suvarana A. Joshi and Tej Kumar Joshi have on February 14, 2005 filed a complaint under the Consumer Protection Act 1986 (OP No. 73 of 2005) before the District Consumer Disputes Redressal Forum Chennai North against Ram Mohan and Company Private Limited, and our Company. The complainants are residents of Chennai and had booked tickets through the first respondent to travel on September 17, 2005, from Belgaum to Bangalore on flight DN 205 and Bangalore to Chennai on flight DN 121 operated by our Company. The complaint alleges that flight DN 205 from Belgaum to Bangalore was cancelled without assigning any reason and that the complainants were informed of the cancellation only upon reaching the airport. It is alleged that no alternate arrangements were made for the complainants' travel and only an endorsement of the cancellation of the flight was made on the tickets of the complainant with instructions to claim their refund from the first respondent. It is claimed that as a result of the cancellation, the complainants were forced to borrow money for their extended stay at Belgaum and rail travel. It is the contention of the complainants that the failure of our Company to notify them of the cancellation of the flight amounts to a deficiency in service. The complaint raises a claim of Rs 131,000. Our Company has disputed the claim on the grounds that the flight was cancelled due to the grounding of the aircraft for technical reasons beyond its control. It is also the position of our Company that as a low-cost airline, it is not possible for it to make alternate arrangements for passengers on short notice. The matter is pending.
- Kamal Tibrewal has, on June 30, 2005, filed a complaint under the Consumer Protection Act, 1986 (CPA Case No. 10 of 2005) before the District Consumer Disputes Redressal Forum Tezpur against our Company and Disha Travels Tezpur. The complainant was booked to travel on flight DN 554 operated by our Company from Guwahati to Kolkata on May 15, 2005. The complainant claims that on the day of the journey, he checked in for the flight, deposited his baggage, underwent the security check, and was waiting in the boarding lounge expecting to be ushered in to the aircraft. However, the flight took off without the complainant and with his luggage on board. The complainant claims that he was forced to make alternate arrangements for his journey. The complaint alleges deficiency in service on the part of our Company and raises a claim of Rs. 217,000. Our Company has disputed the claim and the matter is pending.
- Bharat Bhushan and Usha Rani have, on July 11, 2005, filed a complaint under the Consumer Protection Act, 1986 (Case No. 444 of 2005) against the Company before the District Consumer Disputes Redressal Forum, Faridabad. The complainants booked tickets from Mumbai to Delhi on flight DN 604 operated by the Company on February 28, 2005. The flight was initially delayed and eventually cancelled. The complainants were informed that there was a mechanical problem with the aircraft. The complainants allege that there were no alternate arrangements made and they were forced to make alternate arrangements, thus incurring additional expenses.. The complaint claims Rs. 400,000 in addition to additional expenses and costs of the litigation. The matter is pending.
- Rakesh Kwatra has, on August 09, 2005, filed a complaint under the Consumer Protection Act, 1986 against our Company (Complaint No. 446 of 2005) before the District Consumer Disputes Redressal Forum, New Delhi. The complainant was booked on flight DN 608 operated by our Company on May 25, 2005 from New Delhi to Chennai. The complaint alleges that accommodations at the airport during the delay were poor. The complaint also alleges that the toilets on board were not functional, there was no cold water served, and that the airhostess on board the flight was rude. It is alleged that repeated complaints and reminders to our Company have not been met with sufficient response. The complaint raises a claim of Rs. 300,000. Our Company has disputed the claim on the ground that the delay was due to a technical snag in the aircraft which is beyond the control of our Company. Our Company has denied allegations of inadequate arrangements for the period of the delay. It is also the position of our Company that seating facilities at the airports are the responsibility of the Airport Authority of India. The allegations pertaining to the in-flight service and the non-functioning restroom have been denied. All communications addressed by the complainant have been responded to and our Company has given the complainant a complimentary one way ticket from New Delhi to Madras as a matter of courtesy. The matter is pending.
- Ameer Sulthan has filed a complaint under the Consumer Protection Act, 1986 (Complaint No. 339 of 2004) against our Company on August 20, 2004, before the District Consumer Dispute Redressal Forum, Madurai. The complainant was booked to travel on July 02, 2004 on a flight operated by our Company from Madurai to Chennai. The complaint alleges that the flight was delayed and caused a business loss to the complainant. The complaint alleges a deficiency in service on part of our Company and raises a claim of Rs. 350,000 as compensation for mental agony and business losses. Our Company has disputed the claim, *inter alia* asserting that the flight was delayed owing to a bird hit. The matter is pending.
- D. Venkata Subramaniam has, on May 17, 2005, filed a complaint under the Consumer Protection Act, 1986 (Complaint No. 274 of 2005) against our Company before the District Consumer Dispute Redressal Forum, Chennai. The Complainant was booked to travel on January 11, 2005 on a flight operated by our Company from Hyderabad to Chennai. The complainant

has alleged that he was informed that the flight was delayed by 45 minutes and arrived at the check in counter 20 minutes before the scheduled departure time, but was not allowed to board the flight because the flight was full. It is alleged that the complainant was therefore forced to make alternate travel arrangements and was forced to stay at Hyderabad for another day. The complaint raised a claim of Rs. 65,554 as costs and damages from our Company. The claim has been disputed by our Company. The matter is pending.

- N. Chandraskekhar has, on July 25, 2005, filed a complaint under the Consumer Protection Act 1986 (Complaint No. 157 of 2005) against our Company before the District Consumer Dispute Redressal Forum, Mumbai Suburban District. The complainant had booked two flight tickets, through the e-ticketing facility provided by our Company for travel from Mumbai to Chennai. On the date of the journey the complainant was informed at the airport that the flights on the route had been indefinitely cancelled and an endorsement for full refund of the airfare was made on his tickets. The complainant has alleged that our Company had failed to notify him of the cancellation in advance forcing him to incur a considerable expense on alternate arrangements. The complaint raises a claim of Rs. 25,400 as costs and damages. The claim has been disputed by our Company. The matter is pending.
- C. V. Francis and M. Francis have filed a complaint under the Consumer Protection Act, 1986 (Complaint No. 662 of 2005) on July 09, 2005 against our Company before the District Consumer Dispute Redressal Forum, New Delhi. The complainants were scheduled to travel on a flight from Delhi to Bangalore operated by our Company, which was cancelled. The complainants were issued complimentary return tickets on the same route in addition to refund of the airfare. The complainants availed of the complimentary tickets and made the onward journey. It is alleged that on the return journey, the Complainants were made to disembark the aircraft for the reason that there were no seats available. The complainants made alternate arrangements for their return to New Delhi. The complaint alleges deficiency of service on part of our Company and raises a claim of Rs. 91,604 as costs and damages in addition to litigation expenses. The claim has been disputed by our Company. The matter is pending.
- Bharat Bhushan Gupta and Tarun Kumar Sharma have, on June 30, 2005, filed a complaint under the Consumer Protection Act, 1986 (Complaint No. 973 of 2005) against our Company and The Travel People, New Delhi, before the District Consumer Dispute Redressal Forum, New Delhi. The complainants claim to have booked two flight tickets for travel from New Delhi to Jaipur through the second respondent. On the date of the journey, the complainants were allegedly informed that there was no such flight in operation. An officer of our Company made an endorsement for a full refund on the tickets of the respondents. The complaint has alleged unfair trade practices and deficiency of services and raises a claim of Rs. 52,497 along with interest at 24% thereon as costs and damages. The claim has been disputed by our Company. The matter is pending.
- Sanjay Kumar Jain has, on November 11, 2005, filed a complaint under the Consumer Protection Act, 1986 (Complaint No. 24 of 2005) against our Company before the Consumer Disputes Redressal Forum, Dibrugarh. The complainant travelled on a flight operated by the company from Dibrugarh to Delhi. It is alleged that on reaching New Delhi, the Complainant's registered baggage was not delivered to him. The complainant has claimed for Rs. 457,200 as damages. The matter is pending.
- Asha Pai and Vishakha M. Pai have, on September 02, 2005, have filed First Appeal No. 307 of 2005 against our Company before the National Consumer Disputes Redressal Commission assailing the order dated June 24, 2005 originally passed by the Karnataka State Consumer Disputes Redressal Commission in Complaint No. 36 of 2005. The complaint before the State Commission had been filed alleging a deficiency in service on part of the personnel of our Company which allegedly resulted in the death of H.M. Pai, the husband of the first complainant. This matter relates to services provided by Deccan Aviation. The State Commission dismissed the complaint holding that no grounds had been made out to justify the claim of Rs 5,000,000 made by the complainant. The matter is pending.
- Gurpreet has filed a complaint under the Consumer Protection Act, 1986 (Complaint No. 653/2005) against our Company before the Consumer Disputes Redressal Forum, New Delhi. The complainant, along with his wife, had booked tickets with our Company to travel from Bangalore to New Delhi on December 05, 2004. The flight was delayed and the complainant consequently missed a flight operated by another airline from Delhi to Varanasi. The complainant has claimed Rs. 313,000 as damages. The matter is pending.
- Ravindrakumar Sharma has filed complaint under Consumer Protection Act, 1986 (Complaint No. 994/2005 dated November 18, 2005) against our Company before the Consumer Disputes Redressal Forum, Jaipur. The complainant was

booked on a flight from Jaipur to New Delhi on October 16, 2005. The complainant was offloaded from our Company's aircraft on account of his misbehaviour with Company personnel. The complainant has claimed an amount of Rs. 230,438 as damages. Our Company is contesting the claim. The matter is pending.

- Devicharan Shetty has filed a consumer case no. 403/2005 on 16th September, 2005 before the Consumer Forum, Mangalore against our Company. The complainant booked a ticket through a travel agent for journey from Bangalore to Mangalore on 23rd March, 2005. It is alleged that the refund has not been received by the complainant. He is claiming Rs 30,000/- compensation. The matter is pending.
- D Jayaprakash has filed a consumer case no. 1296/2005 on 7th October, 2005 before the Consumer Forum, Bangalore against our Company. The complainant booked a ticket for a journey on 4th March, 2005 and a return on 12th March, 2005 on the Bangalore – Delhi sector. It is alleged that when he reached Bangalore airport he was informed that his PNR stands cancelled. The complainant denies that he got the PNR cancelled. The complainant has claimed Rs 5,85,414/-. The matter is pending.
- Chetan Mehra has filed a consumer case no. 685/2005 on 10th November, 2005 before the Consumer Forum, New Delhi against our Company. The complainant had booked tickets from Bagdogra to Delhi for journey on 20th May, 2005. It is alleged that the complainant was not informed of the flight cancellation in advance and no alternate arrangements were made. The complainant has claimed Rs 87,870/- as damages. The matter is pending.
- B P Verma has filed a consumer case no 659/2005 on 21st September, 2005 before the Consumer Forum, New Delhi against our Company. The complainant had booked tickets for the journey on 4th June, 2005 from Delhi to Kolkata. It is alleged that when the complainant reached the airport he was told that the PNR stood cancelled due to system malfunction. The flight had departed by then.The complainant has claimed Rs 11,90,257/-. The matter is pending.
- Puja Mirza has filed a consumer case no. 858/2005 on 16th December, 2005 before the Consumer Forum, New Delhi against our Company. The complainant was booked for journey on 7th November, 2005 from Delhi to Bangalore. It is alleged that the complainant was not allowed to board with her skybag. The Company has disputed the claim as the complainant reached the airport after the check in counter had closed and hence was denied boarding. The complainant has claimed Rs 2,00,000 as compensation. The matter is pending.
- A D Agarwal has filed a consumer case no. 576/2005 on 31st October, 2005 before the Consumer Forum, Bhopal against our company. The complainant had booked tickets for the journey from Baltal to Amarnath to Baltal for six passengers. It is alleged that 6 passengers were flown from Baltal to Amarnath. But only 3 passengers were flown from Amarnath to Baltal and the remaining three were not flown back to Baltal and therefore had to come walking. The complainant has claimed Rs 18,05,000 as compensation. The matter is pending.
- Radhakishan Khaitan has, on December 28, 2005, filed a consumer case against the Company before the District Consumer Disputes Redressal Forum, Gwalior, alleging that he was not permitted to board an Air Deccan aircraft, on account of which the complainant incurred losses and suffered mental agony. An amount of Rs. 86,000 has been claimed against the Company. The matter is pending.
- Kailas Agarwal has, on November 09, 2005, filed a consumer case (Consumer Case No. 25 of 2005) against the Company before the District Consumer Disputes Redressal Forum, Tinsukia. The complainants booked tickets from Kolkata to Guwahati on flight DN 553 operated by the Company on September 24, 2005. The flight was initially delayed and eventually cancelled. The complainants were informed that there was a mechanical problem with the aircraft. The complainant alleges that there were no alternate arrangements made for the complainant's air travel and that the airfare paid by him was not refunded. The complainant claims compensation of Rs. 11,800 from the Company. The matter is pending.
- Chandrakant V. Sheth has filed a complaint under the Consumer Protection Act, 1986 (Complaint Case No. 04 of 2006) against the Company before the District Consumer Disputes Redressal Forum, Jamshedpur, alleging that he was not permitted to board an Air Deccan aircraft, on account of which the complainant incurred losses and suffered mental agony. An amount of Rs. 56,607 has been claimed against the Company. The matter is pending.
- R.B. Gahlawat has filed a complaint under the Consumer Protection Act, 1986 (Complaint Case No. 1856 of 2005) against the Company before the Third District Consumer Disputes Redressal Forum, Bangalore. Gahlawat has alleged that the departure time of an Air Deccan flight, on which he was booked to travel from New Delhi to Bangalore, was preponed without due notice to the complainant. Gahlawat has claimed an amount of Rs. 155,113 as damages. The matter is pending.

- Usha Shetty has filed a complaint under the Consumer Protection Act, 1986 (Complaint Case No. 1855 of 2005) against the Company before the Third District Consumer Disputes Redressal Forum, Bangalore. Shetty has alleged that the departure time of an Air Deccan flight, on which she was booked to travel from New Delhi to Bangalore, was preponed without due notice to the complainant. Shetty has claimed an amount of Rs. 215,439 as damages. The matter is pending.
- Upasana Sharma has filed a complaint under the Consumer Protection Act, 1986 (Complaint Case No. 14 of 2006) against the Company before the District Consumer Disputes Redressal Forum, Dehradun. Sharma has, *inter alia*, alleged that the departure time of an Air Deccan flight, on which she was booked to travel from New Delhi to Dehradun, was preponed without due notice to the complainant. The complainant has claimed an amount of Rs. 93,450 as damages. The matter is pending.
- P. Gopalakrishnan and another have filed a complaint under the Consumer Protection Act, 1986 (Complaint Case No. 7 of 2006) against the Company before the District Consumer Disputes Redressal Forum, Coimbatore. The complainants have claimed an amount of Rs. 46,414 against the Company, in relation to losses allegedly suffered on account of cancellation of Air Deccan flights, on which the complainants were booked to travel. The matter is pending.
- Nasir Ahmed has filed a complaint under the Consumer Protection Act, 1986 against the Company before the Divisional Consumers Protection Forum, Srinagar. Ahmed has claimed an amount of Rs. 375,000 against the Company, on account of a cancellation of an Air Deccan flight on which she was booked to travel from Srinagar to New Delhi, and luggage allegedly misplaced by Air Deccan. The matter is pending.
- Ketan Dedhia has filed a complaint under the Consumer Protection Act, 1986 (Complaint Case No. 582 of 2005) against the Company before the Consumers Disputes Redressal Forum, Mumbai. Dedhia has claimed an amount of Rs. 96,468 against the Company, on account of a cancellation of an Air Deccan flight on which he was booked to travel. The matter is pending.

Others

- Rajiv Ranjan and Subrata Pramanick have filed a complaint (Case No. 3197/2006) under the Persons with Disabilities (Equal Opportunities Protection of Rights and Full Participation) Act, 1995, which is currently pending before the Court of the Chief Commissioner for Persons with Disabilities, New Delhi. It has been alleged that our Company charged the complainants a sum of Rs. 500 for the provision of a wheelchair. The matter is pending.

LITIGATION AGAINST THE DIRECTORS OF OUR COMPANY

Other than the following, there are no criminal proceedings pending against any Director of our Company:

- Summons has been issued to Captain K.J. Samuel, a director of our Company on September 1, 2005 by the Metropolitan Magistrate, Traffic Court I, Bangalore for an alleged offence under Section 23 of the Contract Labour (Regulation and Abolition) Act 1970. While the applicable fine in this regard has been paid the matter is still pending.
- Summons has been issued to Captain K.J. Samuel, a director of our Company on September 1, 2005 by the Metropolitan Magistrate, Traffic Court I, Bangalore for an alleged offence under Section 10 (1)(a) of the Equal Remuneration Act, 1976. While the applicable fine in this regard has been paid the matter is still pending.
- The Labour Enforcement Officer (Central), Kolkata has filed a complaint (Case No. C-732/2005) before the Court of the Sub-Divisional Judicial Magistrate, Barrackpore, under Section 24 of the Contract Labour (Regulation and Abolition) Act, 1970, against Capt. G.R. Gopinath, in his capacity as a Director of our Company, alleging that our Company has failed to comply with various provisions of the Contract Labour (Regulation and Abolition) Act, 1970, including our Company's failure to display requisite notices, non-maintenance of registers and a failure to mention particulars of the contactor on the certificate of registration granted to our Company under the said statute. The plaintiff has prayed that appropriate fines be levied on our Company in terms of the provisions of the Contract Labour (Regulation and Abolition) Act, 1970, in addition to costs. Summons has been issued to Capt. G.R. Gopinath, requiring him to appear before the Court of the Sub-Divisional Judicial Magistrate, Barrackpore. The matter is pending.
- The Inspector of Legal Metrology had filed 14 cases before the 7th Metropolitan Magistrate's Court at Dadar, Mumbai against Pantaloon Retail (India) Limited and its directors, including our Directors Bala Deshpande for an alleged violation of the Standards of Weights and Measures (Packaged Commodities) Rules, 1977. Pantaloon Retail (India) Limited has compounded these cases by paying compounding fees aggregating Rs. 0.11 million.

- The Labour Enforcement Officer (Central), Ahmedabad has filed a complaint (Criminal Case No. 679/2006) before the Metropolitan Magistrate No. VI, Ahmedabad, under Sections 23 and 24 of the Contract Labour (Regulation and Abolition) Act, 1970, against Capt. G.R. Gopinath, in his capacity as a Director of our Company, alleging that our Company has failed to comply with various provisions of the Contract Labour (Regulation and Abolition) Act, 1970, including our Company's failure to display requisite notices and non-maintenance of registers. The plaintiff has prayed that appropriate fines be levied on our Company in terms of the provisions of the Contract Labour (Regulation and Abolition) Act, 1970, in addition to costs.
- M/s Citrex Products Limited has filed a suit against M/s Viswapriya Financial Services and Securities Limited in connection with Citrex's borrwing and has claimed an amount of Rs. 11.8 million from Viswapriya. Citrex has made all the group companies of Viswapriya parties to the suit including Subiksha Trading Services Private Limited and its director Mr. Bala Deshpande who is also a director of our Company. No amount has been claimed from Subiksha or Mrs. Bala Deshpande and the matter is currently pending before the High Court of Madras.

AGAINST THE PROMOTERS AND PROMOTER GROUP COMPANIES

Other than as set out above, there are no litigations against the Promoters or Promoter Group Companies.

OUTSTANDING DUES TO SMALL SCALE UNDERTAKINGS/CREDITORS

There are no outstanding dues to small scale undertakings as of March 31, 2005.

MATERIAL DEVELOPMENTS SINCE LAST BALANCE SHEET

Further, see **"Management's Discussion and Analysis of Financial Condition and Results of Operation as Reflected in the Financial Statements - Significant Developments after November 30, 2005 that may affect our Future Results of Operations"** on page 195.

The Draft Red Herring Prospectus was filed on January 27, 2006 with five BRLMs namely Enam Financial Consultants Pvt. Ltd., J P Morgan India Private Limited, ABN AMRO Securities (India) Private Limited, ICICI Securities Limited and SBI Capital Markets Limited. Subsequently, J P Morgan India Private Limited, ABN AMRO Securities (India) Private Limited and SBI Capital Markets Limited withdrew due to the scheduling of the Issue. The other two BRLMs namely Enam Financial Consultants Pvt. Ltd and ICICI Securities Limited continue to be associated with the Issue as BRLMs .

GOVERNMENT APPROVALS

On the basis of the indicative list of approvals below we are permitted to carry on our business activities and except as indicated no further major approvals are required to be obtained by us from any governmental authorities/RBI to continue our business operations. It must be understood that, in granting these licences, the GoI and/or RBI does not take any responsibilities for our financial soundness or for the correctness of any of the statements made or opinions expressed in this behalf.

Approvals for the Issue

We have received the following material approval relating to the Issue.

1. Our Board of Directors have approved the Issue and have authorised a committee to deal with all matters connected to the Issue by way of resolution passed at the Board of Directors meetings held on October 10, 2005;
2. Our members have approved the Issue by way of a special resolution passed at an EGM held on November 04, 2005;
3. Letter No. NSE/LIST/20487-9 dated February 22, 2006 issued by the NSE giving our Company permission for the in-principle approval of our Equity Shares; and
4. Letter No. List/sdm/jc/2006 dated February 21, 2006 issued by the BSE giving our Company permission for the in-principle approval of our Equity Shares.

Approvals for our business

(i) Licenses and Approvals for our Airline and Charter operations

We have obtained approvals from the relevant authorities to operate our airline and charter operations including the following:

- Director General of Civil Aviation to operate schedule and non schedule air transport services;
- Ministry of Civil Aviation for the operation of non-scheduled air services;
- Civil Aviation Department of the GoI for our bases; and
- Certificate of Airworthiness and Certificate of Registration from the DGCA for all our aircraft including ATR 42 500, Airbus A 320- 232, ATR 42 320, ATR 72 212, Bell 206 L III Helicopter, Bell 206 B 3 Helicopter, Bell 407 Helicopter, Pilatus PC 12/45 aircraft, Eurocopter AS 3555 F 1 Helicopter, Bell 212 Helicopter and Bell 407 Helicopter.
- Letter dated January 27, 2006 from the Civil Aviation Departments, DGCA, to the Company, consenting to the appointment of Col. Jayant Poovaiah, M.G. Mohan Kumar, Vijay Amritraj, Sudhir Choudhrie, Sumant Kapur, Vivek Kalra, Bala Deshpande and Vishnu Singh Rawal as our Directors; and
- Letter dated February 14, 2006 from the Civil Aviation Departments, DGCA, to the Company, consenting to the appointment of Lt. Gen. (Retd) N.S. Narahari, Capt. Gopinath, Capt. K.J. Samuel and S.N. Ladhani as our Directors.

(ii) RBI/FIPB

- We have obtained necessary approvals from the FIPB and/or RBI from time to time in relation to (i) foreign investment into the Company, and (ii) overseas investment by the Company.
- The RBI, by its letter dated March 31, 2006, has noted the transfer of 80,000 equity shares held by our Company in DALPL to certain Sri Lankan nationals for 'nil' consideration.

(iii) Miscellaneous

We have also obtained necessary approvals and registration from tax authorities, labour department, pollution control board, etc which include:

- Permanent Account Number and Tax Deduction Account Number under the Income Tax Act, 1961.
- Service Tax Registration under the Section 69 of the Finance Act, 1994.
- Registration under the Karnataka Tax on Professions Trades Callings and Employment Act 1976.
- Exemption under Section 10 (15A) of the Income Tax Act, 1961 for payments made by our Company under various aircraft lease agreements.

- Certificate of Importer Exporter Code (IEC No. 0797011803) under the Foreign Trade Development and Regulation Act, 1992.
- Central Registration under the Contract Labour (Regulation and Abolition) Act 1971.
- Consent order from the Karnataka State Pollution Control Board, under the Air (Prevention and Control of Pollution) Act, 1981.
- Registration under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952.
- Registration under the Employee's State Insurance Act, 1948.
- Registration under the provisions of the Karnataka Shops and Commercial Establishments Act, 1961.

Except as stated below all of the aforesaid approvals obtained by the Company are valid as of the date of this Red Herring Prospectus.

Licences and approvals applied for and pending grant

The following licenses and approvals have been applied for and are awaited by the Company:

- On January 9, 2006, our Company applied to the MoCA for clearance for the appointment of Anil Kumar Ganguly and P.N. Thirunarayana to the board of directors in terms of Air Transport Circular 03 of 1998.
- On October 8, 2005, our Company applied to the Deputy Director General – Customer Service, Department of Telecom of the GoI for permission to set up a domestic call centre at its premises at 5th Floor, Kareem Towers, 19/5 D, Cunningham Road, Bangalore.
- On November 11, 2005, our Company applied to the Joint Director General of Foreign Trade for modification of the Certificate of Importer Exporter Code following the change in its registered address.
- On January 4, 2006, the Commissioner of Service Tax, Bangalore registered our Company's application under Section 69 of the Finance Act, 1994 for undertaking 'repairs and maintenance of helicopters and aircraft' at our Company's premises at Jakkur Aerodrome, Bellary Road, Bangalore 560 064.
- Our Company's applications (Nos. 1340280 to 1340289 under Class 39) with the Assistant Registrar of Trademarks, Chennai, for registration of the names and marks *Air Deccan* and *Simplifly* are currently pending registration.
- On April 5, 1997, the Government of Karnataka, by its order (No. GO ITY 21 ENC 96) dated April 5, 1997 granted our Company permission to operate two Bell Jet Ranger helicopters from the Government Flying Training School, Jakkur and to set up a hangar on a piece of land measuring 200 feet by 200 feet. This permission was granted for a period of 12 (twelve) months. On December 2, 2005, our Company applied to the Principal, Government Flying Training School, Jakkur, requesting for the issuance of a written order authorising extension of the above permission.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorised by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the EGM of the shareholders of our Company held on November 04, 2005. The Board of Directors has pursuant to a resolution dated December 21, 2005 authorised a committee of its Directors to take decisions on behalf of the Board in relation to the Issue. The committee is referred to as the IPO Committee. The Board of Directors has approved this Red Herring Prospectus in its meeting held on April 28, 2006.

Prohibition by SEBI

Our Company, our Directors, our Promoters, Our Promoter Group and Promoter Group Companies 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.

Neither we, nor our Promoters or their relatives or the Promoter Group Companies have been declared as willful defaulters by RBI or any other governmental authority and there have been no violations of securities laws committed by them in the past or no such proceedings are pending against us or them.

Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Clause 2.2.2 of the SEBI Guidelines as explained under:

- The Issue is being through the book building process with at least 50% of the Issue Size being allotted to QIBs failing which the subscription monies will be refunded; and
- The minimum post Issue face value capital of our Company shall be Rs. 100 million.

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 ICICI SECURITIES LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES 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 MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE BOOK RUNNING LEAD MANAGERS - ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED, AND ICICI SECURITIES LIMITED, HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED JANUARY 24, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

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

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

(D) 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

(E) WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

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

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

THE BOOK RUNNING LEAD MANAGERS AND US ACCEPT NO RESPONSIBILITY FOR STATEMENTS MADE OTHERWISE THAN IN THE DRAFT RED HERRING PROSPECTUS OR IN THE ADVERTISEMENT OR ANY OTHER MATERIAL ISSUED BY OR AT OUR INSTANCE AND ANYONE PLACING RELIANCE ON ANY OTHER SOURCE OF INFORMATION WOULD BE DOING SO AT HIS OWN RISK.

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, KARNATAKA AT BANGALORE, IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

Caution

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

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

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

We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in respect of jurisdiction

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

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

Accordingly the Equity Shares are only being offered or sold in the United States to "qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act of 1933 (the "Securities Act"), in reliance on Rule 144A under the Securities Act and outside the United States to certain Persons in offshore transactions in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

Disclaimer clause of BSE

Bombay Stock Exchange Limited ("BSE" or "the Exchange") has given by its letter dated February 21, 2006, permission to the Company to use the Exchange's name in this offer document as one of the stock exchanges on which this company's securities are proposed to be listed. The Exchange has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. BSE does not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; or
2. warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
3. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

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

Disclaimer clause of the NSE

As required, a copy of the Offer Document has been submitted to the National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter no. NSE/LIST/20487-9 dated February 22, 2006 permission to the Issuer to use the Exchange's name in this Offer Document as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinised this draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document 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 offer document; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

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

Filing

A copy of the Red Herring Prospectus had been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC at IInd Floor, E Wing, Kendriya Sadan, Koramangala, Bangalore 560 034.

Listing

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

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of refusal or within 15 days from the Bid/Issue Closing Date, whichever is earlier, then our Company, and every Director of our Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalisation 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 68A 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 subscription, for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years"

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to the Issue; (b) the monitoring agency, and (c) Book Running Lead Managers to the Issue and Syndicate Members, Registrar to the Issue and Domestic Legal Advisors to the Company, Domestic Legal Advisors to the BRLMs and the International Legal Advisors, to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the RoC, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC at IInd Floor, E Wing, Kendriya Sadan, Koramangala, Bangalore 560 034.

S. R. Batliboi & Co., Chartered Accountants have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

S. R. Batliboi & Co., Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

Expert opinion

We have not obtained any expert opinions.

Expenses of the Issue

The total expenses of the Issue are estimated to be approximately Rs. [•] million. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Issue would be borne by our Company.

The estimated Issue expenses are as under:

*(Rs. in million)**

Activity	Expenses
Lead management, underwriting and selling commission	[•]
Advertising and Marketing expenses	[•]
Printing and stationery	[•]
Others (Registrars fee, legal fee, listing fee, etc.)	[•]
Total estimated Issue expenses	[•]

*will be determined aftyer finalization of Issue price

Fees payable to the BRLMs

The total fees payable to the Book Running Lead Managers will be as per the letter of appointment with the BRLMs issued by our Company, a copy of which is available for inspection at our corporate office.

Fees payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue will be as per the letter of appointment dated January 21, 2006, issued by our Company, a copy of which is available for inspection at our corporate office.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post.

Underwriting commission, brokerage and selling commission on previous issues

Since this is the initial public offer of our Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Previous rights and public issues

Our Company has not made any previous rights and public issues except as stated in the section entitled "Capital Structure" on page 20.

Previous issues of shares otherwise than for cash

Our Company has not made any previous issues of shares otherwise than for cash except as stated in the section entitled "Capital Structure-Notes to Capital Structure" on page 21.

Companies under the same management

We do not have any companies under the same management within the meaning of section 370(1) (B) of the Companies Act, other that as disclosed in "Our Promoters" on page 109.

Promise v/s performance

This is the first public issue of our Company.

Outstanding debentures or bond issues or preference shares

Our Company has no outstanding debentures or bond issues.

Stock market data for our Equity Shares

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Mechanism for redressal of investor grievances

The agreement between the Registrar to the Issue and us will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of despatch of letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In 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 constituted an Investor Grievance Committee and also appointed Radhika Ventakesh as the Compliance Officer for this Issue.

Change in Auditors

The auditors of our Company are appointed (and reappointed) in accordance with provisions of the Companies Act and their remuneration, rights and duties are regulated by Sections 224 to 233 of the Companies Act.

There have been no changes of the auditors in the last three years except as detailed below:

Name of Auditor	Date of Appointment	Date of resignation
Mohan & Sridhar* Chartered Accountants	September 25, 1998	December 27, 2004
S.R Batliboi & Co., Chartered Accountants	December 27, 2004 (reappointed in the AGM on October 22, 2005)	N.A.

** One of our Directors,M.G. Mohan Kumar, appointed as a Director on January 6, 2005, is a partner of this firm.*

Capitalisation of reserves or profits

Our Company has not capitalised our reserves or profits during the last five years, except as stated in the section entitled "Capital Structure" on page 20.

Revaluation of assets

We have not revalued our assets in the last five years.

Payment or benefit to officers of our Company

Except for statutory benefits available upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation.

SECTION VII : ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of this Red Herring Prospectus, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, GoI, Stock Exchanges, Registrar of Companies and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

The Issue has been authorised by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at the EGM of the shareholders of our Company held on November 04, 2005. The Board of Directors has pursuant to a resolution dated October 10, 2005 authorised the Issue. The Board has approved this Red Herring Prospectus in its meeting held on April 28, 2006.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank pari-passu with the existing Equity Shares of our company including rights in respect of dividend. The allottees in receipt of allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by our Company after the date of allotment.

Face value and Issue Price

Fresh Equity Shares with a face value of Rs. 10 each are being offered as part of the Issue at a total price of Rs. [•] per share. At any given point of time there shall be only one denomination for the Equity Shares.

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 our Company's Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please refer to the section entitled "Main Provisions of Our Articles of Association" on page 240.

Market lot and trading lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per existing SEBI Guidelines, the trading of our Equity Shares shall only be in dematerialised form. Since trading of our Equity Shares is in dematerialised form, the tradeable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one Equity Share subject to a minimum allotment of 35 Equity Shares.

Jurisdiction

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

Nomination facility to investor

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

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

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

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require changing their nomination, they are requested to inform their respective depository participant.

Notwithstanding anything stated above, since the Allotment in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.

Minimum subscription

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

If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, in accordance with Clause 2.2.2A of the SEBI guidelines, we shall ensure that the number of allottees, i.e. persons to whom the Equity Shares will be allotted under the Issue shall not be less than 1,000.

Arrangements for disposal of odd lots

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

Subscription by eligible non-residents

There is no reservation for any NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation/allotment.

As per RBI regulations, OCBs cannot participate in the Issue.

Application in Issue

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

Withdrawal of the Issue

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

The Equity Shares have not been and will not be registered under the US Securities Act of 1933, as amended ("the Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

ISSUE STRUCTURE

The present Issue of 24,546,000 Equity Shares of Rs. 10 each, at a price of Rs. [•] for cash aggregating Rs. [•] million is being made through the 100% Book Building Process.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Allotment of at least 12,273,000 Equity Shares	Allocation of 3,681,900 Equity Shares or Issue Size less allotment to QIB Bidders and allocation to Retail Individual Bidders.	Allocation of 8,591,100 Equity Shares or Issue Size less allotment to QIB Bidders and allocation to Non-Institutional Bidders.
Percentage of Issue Size available for allotment/ allocation	At least 50% of Issue Size being allotted. However, up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Upto 15% of the Issue Size or Issue Size less allotment of the QIB Portion and allocation to Retail Individual Bidders.	Upto 35% of Issue Size or Issue Size less allotment of the QIB Portion and allocation to Non Institutional Bidders.
Basis of Allotment/ Allocation if respective category is oversubscribed	Proportionate as follows: (a) Equity Shares constituting 5% of the QIB portion shall be allocated on a proportionate basis to Mutual Funds; (b) The balance Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares in multiples of 35 Equity Shares so that the Bid Amount exceeds Rs. 100,000	Such number of Equity Shares in multiples of 35 Equity Shares so that the Bid Amount exceeds Rs. 100,000.	35 Equity Shares
Maximum Bid	Such number of Equity Shares in multiples of 35 Equity Shares such that the Bid Amount does not exceed the Issue Size, subject to applicable limits.	Such number of Equity in multiples of 35 Equity Shares such that the Bid Amount does not exceed the Issue Size, subject to applicable limits	Such number of Equity Shares in multiples of 35 Equity Shares such that the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Trading Lot	One Equity Share	One Equity Share	One Equity Share

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Who can Apply **	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.	NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Individuals (including HUFs, NRIs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.
Terms of Payment	QIB Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.
Margin Amount	At least 10% of Bid Amount	Full Bid Amount on bidding	Full Bid Amount on bidding

* *Subject to valid Bids being received at or above the Issue Price and subject to a minimum of 50% of the Issue being allotted to QIBs. The Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price. Under-subscription, if any, in the Non-Institutional category and the Retail Individual category would be met with the spill over from any other category at the sole discretion of our Company in consultation with the BRLMs.*

** *In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.*

ISSUE PROCEDURE

The SEBI Guidelines were recently amended on September 19, 2005. There is an uncertainty in relation to the effect of these amendments on the Issue Procedure. The BRLMs are currently discussing the same with SEBI and the stock exchanges. All investors are therefore cautioned that the Issue Procedure as detailed herein may be modified or supplemented or amended based on the discussions between SEBI, the Stock Exchanges and the BRLMs.

Book building procedure

The Issue is being made through the 100% Book Building Process wherein at least 50% of the Issue shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue would be allocated to Non-Institutional Bidders and not less than 35% of the Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid bids being received from them at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. In case of QIB Bidders, our Company in consultation with the BRLMs may reject Bids at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

Investors should note that allotment of Equity Shares to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in this Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of bid cum application form
Indian public, NRIs applying on a non-repatriation basis	White
Non-residents, eligible NRIs, FVCIs, FIIs etc applying on a repatriation basis	Blue

Who can bid?

- Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians in single or joint names (not more than three);
- 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;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
- Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the

SEBI Guidelines and regulations, as applicable);

- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- FIIs registered with SEBI;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- As permitted under applicable laws, provident funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Multilateral and Bilateral Development Financial Institutions; and
- As per existing regulations, OCBs cannot participate in the Issue.

Note: The BRLMs and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs and Syndicate Members may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Application by mutual funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 613,650 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company’s paid-up share capital carrying voting rights.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids by NRIs

Bid cum application forms have been made available for NRIs at our registered/corporate office, members of the Syndicate and the Registrar to the Issue.

NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

Application by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e. 10% of 98,182,007 Equity Shares of Rs. 10 each) Equity Shares. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A (1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub-account may issue, deal or hold, off-shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Application by SEBI registered venture capital funds and foreign venture capital investors

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, a venture capital fund cannot invest more than 25% of the corpus of the fund in one venture capital undertaking. Please note that this restriction is not applicable to a foreign venture capital investor. However, venture capital funds or foreign venture capital investors may invest not more than 33.33% of their respective investible funds in various prescribed instruments, including in initial public offers of venture capital undertakings.

The above information is given for the benefit of the Bidders. The Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and minimum Bid size

- **For Retail Individual Bidders:** The Bid must be for a minimum of 35 Equity Shares and in multiples of 35 Equity Share thereafter, so as to ensure that the Bid Price payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Price does not exceed Rs. 100,000. In case the Bid Price is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- **For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares in multiples of 35 Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 35 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin upon submission of Bid.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Information for the Bidders:

(a) Our Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.

(d) Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLMs or Syndicate Member or their authorised agent(s) to register their Bids.

(e) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

Method and process of bidding

(a) Our Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in three widely circulated newspapers (one each in English and Hindi and one in Kannada). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(b) The Bidding Period shall be for a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in three national newspapers (one each in English and Hindi) and one Kannada newspaper and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 working days.

(c) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" on page 220) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(d) The Bidder cannot bid on another Bid cum Application Form after 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 entitled "Build up of the Book and Revision of Bids" on page 222.

(e) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip (TRS), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(f) During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.

(g) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph entitled "Terms of Payment and Payment into the Escrow Accounts" on page 221.

Bids at different price levels

(a) The Price Band has been fixed at Rs. 150 to Rs.175 per Equity Share of Rs. 10 each, Rs. 150 being the lower end of the Price Band and Rs. 175 being the higher end of the Price Band. The Bidders can bid at any price with in the Price Band, in multiples of Re. 1 (One).

(b) Our Company, in consultation with the BRLMs, reserves the right to revise the Price Band, during the Bidding Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in this Red Herring Prospectus.

(c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in three widely circulated newspapers (one each in English and Hindi) and one Kannada newspaper, and also by indicating the change on the websites of the BRLMs, and at the terminals of the Syndicate Members.

(d) Our Company, in consultation with the BRLMs, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

(f) Retail Individual Bidders who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 100,000 for Retail Individual Bidders, if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size will be revised in order to ensure that the Bid Price payable on such application is in the range of Rs. 5,000 to Rs. 7,000. The changes regarding the same shall be published and advertised in accordance with the provisions of the SEBI Guidelines.

Escrow mechanism

Our Company shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Price from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of this Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the refund account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of payment and payment into the Escrow Accounts

Each Bidder, shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the paragraph entitled "Payment Instructions" on page 228) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold such monies for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall dispatch all refund amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders 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 section entitled "Issue Structure" on page 214. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated/allotted lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation/allotment, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which our Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic registration of Bids

(a) The Members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the online system:

- Name of the investor.
- Investor Category –Individual, Corporate, NRI, FII, or Mutual Fund etc.
- Numbers of Equity Shares bid for.
- Bid price.
- Bid cum Application Form number.
- Whether Margin Amount has been paid upon submission of Bid cum Application Form.
- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/allotment either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of QIB Bidders, members of the syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case on Non-Institutional Bidders and Retail Individual Bidders who Bid, Bids would not be rejected except on the technical grounds listed on page 230.

(h) The permission given by BSE and NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/ or the BRLMs are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

Build up of the book and revision of Bids

(a) Bids registered by various Bidders through the Members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis.

(c) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.

(f) Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(g) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(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) Only bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/allotment. In case of a discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

Price discovery and allocation/allotment

(a) After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels and discuss pricing strategy with us.

(b) The Company in consultation with the BRLMs shall finalise the "Issue Price".

(c) The allotment to QIB Bidders of at least 50% of the Issue (including 5% specifically reserved for Mutual Funds) would be on a proportionate basis in consultation with Designated Stock Exchange subject to valid bids being received at or above the Issue Price, in the manner as described in the section entitled "Basis of Allotment – Allotment to QIB Bidders" below. The allocation to Non-Institutional Bidders of not upto 15% and Retail Individual Bidders of upto than 35% of the Issue Size would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Under-subscription, if any, in the Non-Institutional category and the Retail Individual category would be met with the spill over any other category at the sole discretion of our Company in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than 613,650 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, undersubscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLMs, and the Designated Stock Exchange.

(e) Allocation to Eligible NRIs, FIIs, foreign venture capital funds registered with SEBI applying on repatriation basis will be subject to applicable law and the terms and conditions stipulated by the FIPB and RBI while granting permission for allotment of Equity Shares to them in this Issue.

(f) The BRLMs, in consultation with the Company, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Price has not been collected from the Bidders.

(g) Our Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reasons whatsoever. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Notice to QIBs: allotment reconciliation

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Signing of Underwriting Agreement and RoC filing

(a) Our Company, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s)/allotment to the Bidders.

(b) After signing the Underwriting Agreement, our Company would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

Filing of the Prospectus with the RoC

We will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Announcement of pre-Issue advertisement

Subject to Section 66 of the Companies Act, our Company shall after receiving final observations, if any, on this Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI Guidelines in an English national daily with wide circulation, one national newspaper and one regional language newspaper.

Advertisement regarding Issue price and Prospectus

We will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLMs or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that our Company shall ensure that the date of allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLMs or members of the Syndicate would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated/allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

(d) The Issuance of CAN is subject to "Allotment Reconciliation and Revised CANs" as setforth under the chapter "Terms of Issue" of this Red Herring Prospectus.

Designated Date and allotment of Equity Shares

(a) Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, our Company would ensure the credit to the successful Bidders depository account allotment of the Equity Shares to the allottees shall be within two working days of the date of allotment.

(b) In accordance with the SEBI Guidelines, Equity Shares will be issued, transferred and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/allotted to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

(a) Check if you are eligible to apply;

(b) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour) as the case may be;

(c) Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialised form only;

(d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

(e) Ensure that you have been given a TRS for all your Bid options;

(f) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS; and

(g) Where Bid(s) is/ are for Rs. 50,000 or more, each of the Bidders should mention their Permanent Account Number (PAN) allotted under the I.T. Act. The copies of the PAN Card or PAN allotment letter should be submitted with the Bid cum Application form. If you have mentioned "Applied for" or "Not Applicable", in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof;

(h) Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects;

(i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

(a) Do not bid for lower than the minimum Bid size;

(b) Do not bid/revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;

(c) Do not bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid Price in cash, by money order or by postal order or by stockinvest;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders);

(g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue Size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

Instructions for completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white or blue).

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum

Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(c) For Retail Individual Bidders, the Bid must be for a minimum of 35 Equity Shares and in multiples of 35 thereafter subject to a maximum Bid Amount of Rs. 100,000.

(d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of 35 Equity Shares so that the Bid Price exceeds or equal to Rs. 100,000 and in multiples of 35 Equity Shares thereafter. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(f) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to 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 Company shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (hereinafter referred to as 'Demographic Details'). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, Escrow Collection Bank(s) nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the

Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to Bids must be made:

On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

In a single name or joint names (not more than three).

NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible non-resident Bidders for a minimum of such number of Equity Shares and in multiples of 35 Equity Shares such that the Bid Price exceeds Rs. 100,000.

For further details, please refer to the section entitled 'Maximum and Minimum Bid Size' on page 218. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Our Company does not require approvals from FIPB or RBI for the Issue of Equity Shares to eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions. As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor. In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

Our Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company, and the BRLMs may deem fit.

We, in our absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

PAYMENT INSTRUCTIONS

Our Company shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation/allotment in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/allotment as per the following terms:

Payment into Escrow Account

(a) The Bidders for whom the applicable Margin Amount is equal to 100% shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account 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/allotment 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 favour of:

- In case of resident QIB Bidders: "Escrow Account – Deccan Aviation Public Issue – QIB - R"
- In case of non-resident QIB Bidders: "Escrow Account – Deccan Aviation Public Issue – QIB-NR"
- In case of resident non-QIB Bidders: "Escrow Account - Deccan Aviation Public Issue - R"
- In case of non-resident non-QIB Bidders: "Escrow Account - Deccan Aviation Public Issue - NR"

(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 authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.

(e) In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

(f) Where a Bidder has been allocated/allotment a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the refund account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

(g) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the 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 Public 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/allotment to the Bidders.

(j) Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/Stockinvest/ Money Orders/Postal orders will not be accepted.

Payment by Stockinvest

In terms of RBI Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

SUBMISSION OF BID CUM APPLICATION FORM

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

The Company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number or PAN

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form**. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground**. In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/ or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving Licence (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 01, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.**

UNIQUE IDENTIFICATION NUMBER - MAPIN

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI (MAPIN Regulations/Circulars vide its circular bearing number MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.100,000 to Rs.500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs.500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

OUR RIGHT TO REJECT BIDS

In case of QIB Bidders, the Company in consultation with the BRLMs may reject Bids, provided that the reasons for rejecting the same shall be provided to such Bidder in writing at the time of submission of Bids. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, our Company has a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

(a) Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;

(b) Age of First Bidder not given;

(c) In case of partnership firms Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;

(d) Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;

(e) PAN photocopy/PAN communication/Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;

(f) GIR number furnished instead of PAN;

(g) Bids for lower number of Equity Shares than specified for that category of investors;

(h) Bids at a price less than lower end of the Price Band;

(i) Bids at a price more than the higher end of the Price Band;

(j) Bids at Cut Off Price by Non-Institutional and QIB Bidders applying for greater than 100,000 Equity Shares;

(k) Bids for number of Equity Shares which are not in multiples of 35;

(l) Category not ticked;

(m) Multiple Bids as defined in this Red Herring Prospectus;

(n) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;

(o) Bids accompanied by Stockinvest/money order/postal order/cash;

(p) Signature of sole and/or joint Bidders missing;

(q) Bid cum Application Forms does not have the stamp of the BRLMs, or Syndicate Members;

(r) Bid cum Application Forms does not have Bidder's depository account details;

(s) Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Forms;

(t) 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 account number;

(u) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;

(v) Bids by QIBs not submitted through the Syndicate;

(w) Bids by OCBs;

(x) Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares in this Issue shall be only in a dematerialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

(a) Agreement dated March 09, 2005 with NSDL, the Company and the Registrar to the Issue;

(b) Agreement dated March 02, 2005 with CDSL, the Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- A 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.
- 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.
- Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder
- 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.
- If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- 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.
- 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.
- The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

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

DISPOSAL OF APPLICATIONS AND APPLICATIONS MONEY

Our Company shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of finalisation of allotment of Equity Shares. Our Company shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges where the Equity Shares are proposed to be listed are taken within 7 (seven) working days of finalisation of the basis of allotment.

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

- allotment shall be made only in dematerialised form within 15 (fifteen) days of the Bid/Issue Closing Date;
- dispatch refund orders within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
- Our Company shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the Guidelines issued by 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.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Impersonation

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

"Any person who:

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

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

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

Basis of allotment

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all 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 8,591,100 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than 8,591,100 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of 35 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 3,681,900 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 3,681,900 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of 35 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 portion. The allotment to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
    - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for allotment to all QIB Bidders as set out in (b) below;
  - (b) In the second instance allotment to all QIBs shall be determined as follows:
    - (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
    - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
    - (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.
- The aggregate allotment to QIB Bidders shall not be less than 12,273,000 Equity Shares.
- Allotment Reconciliation and Revised CANs: After the Bid/Issue Closing Date, based on the electronic book, QIBs will be sent a CAN on or prior to June 05, 2006 indicating the number of Equity Shares that may be allotted to them. The

CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the book prepared based on Bid cum Application Forms received by the Registrar. Subject to SEBI Guidelines, certain Bid cum Application Forms may be rejected due to technical reasons, non-receipt of funds, cancellation or bouncing of cheques, etc. and these rejected Bid cum Application Forms will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to the QIBs which may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased Allotment of Equity Shares to them. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issuance of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allotted to such QIB. The revised CAN, if issued, will supersede in entirety to the earlier CAN.

- The aggregate allocation to QIB Bidders shall be of 12,273,000 Equity Shares.

Method of proportionate basis of allotment in the QIB, Retail and Non-Institutional portions

In the event of the Issue being over-subscribed, we shall finalise the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalised in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

(a) Bidders will be categorised according to the number of Equity Shares applied for.

(b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

(c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

(d) In all Bids where the proportionate allotment is less than 35 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 35 Equity Shares; and
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

(e) If the proportionate allotment to a Bidder is a number that is more than 35 but is not a multiple of one (which is the marketable lot), the number in excess of the multiple of one would be rounded off to the higher multiple of one if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower multiple of one. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

(f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue Details

Sr. No.	Particulars	Issue details
1	Issue size	200 million equity shares
2	Allocation to QIB (50%) f which:	100 million equity shares
	a. Reservation to MF (5%)	5 million equity shares
	b. Balance for all QIBs including MFs	95 million equity shares
3	No. of QIB applicants	10
4	No. of shares applied for	500 million equity shares

B. Details Of QIB Bids

S.No.	Type of QIB bidders#	No. of shares bid for (in crores)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	Total	**500**

A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/ Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	50	0	9.60	0
A2	20	0	3.84	0
A3	130	0	24.95	0
A4	50	0	9.60	0
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.5	3.74	4.24
MF5	20	0.5	3.74	4.24
	500	**5**	**95**	**42.42**

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled "Issue Structure" beginning on page 214.
2. Out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 200 shares in QIB category.
3. The balance 95 million Equity Shares (i.e. 100 - 5 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 Equity Shares (including 5 MF applicants who applied for 200 Equity Shares).
4. The figures in the fourth column titled "Allocation of balance 95 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:
   - For QIBs other than Mutual Funds (A1 to A5)= No. of shares bid for (i.e. in column II) X 95 / 495
   - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 95/495
   - The numerator and denominator for arriving at allocation of 95 million shares to the 10 QIBs are reduced by 5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Letters of allotment or refund orders

We shall give credit to the beneficiary account with depository participants within 2 working days of finalisation of the basis of allotment of Equity Shares. Applicants residing at 15 centres where clearing houses are managed by the Reserve Bank of India (RBI), will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit & RTGS.

We shall dispatch refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and will dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through Electronic transfer of funds will be sent a letter through ordinary post intimating them about the mode of credit of refund within 15 days of closure of Issue.

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

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

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

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

Payment of Refund

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Benenficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through Electronic Transfer of Funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the BRLM shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

MODE OF MAKING REFUNDS

The payment of refund, if any, would be done through various modes in the following order of preference:

1. ECS - Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centers: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned fifteen centers, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.
2. Direct Credit - Applicants having bank accounts with the Refund Banker(s) shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s)for the same would be borne by the Company.
3. RTGS - Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
4. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value upto Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Dispatch of refund orders

We shall ensure dispatch of refund orders of value over Rs. 1500 and share certificates by registered post only and adequate funds for the purpose shall be made available to the Registrar to the Issue by us.

Interest in case of delay in dispatch of allotment letters/refund orders

We agree that allotment of securities offered to the public shall be made not later than 15 days from the Bid/Issue Closing Date. We further agree that we shall pay interest at 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants within 15 days from the Bid/Issue Closing Date.

Issue program

BID/ISSUE OPENS ON	**:**	**THURSDAY,**	**MAY 18,**	**2006**
BID/ISSUE CLOSES ON	**:**	**TUESDAY,**	**MAY 23,**	**2006**

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

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

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional 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 BRLMs and at the terminals of the Syndicate.

UNDERTAKINGS BY OUR COMPANY

We undertake the following:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;
- that the refund orders or allotment advice to the successful Bidders shall be dispatched within specified time; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Utilisation of Issue proceeds

Our Board of Directors certify that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act; details of all monies utilised out of Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;
- our Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the GoI and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. Under the current foreign investment policy, FDI in the "Air Transport Services (Domestic Airlines)" sector (including scheduled and non-scheduled operators) is permitted up to 49% and up to 100% by NRIs (both under the automatic route, i.e., without the prior approval of the FIPB). Detailed guidelines in this regard have been issued by the DGCA under AIC No. 09.

The Industrial Policy further prohibits foreign airlines from making any direct or indirect equity investment in a domestic airline. In addition, our permission to operate scheduled services granted by the DGCA and the guidelines issued by the DGCA from time to time, including AIC No. 09, specify the following restrictions:

- a foreign investing institution or other entity that proposes to hold equity in the domestic air transport sector must not be a subsidiary of a foreign airline;
- a foreign financial institution or other entity that proposes to hold equity in the domestic air transport sector must not have foreign airlines as its shareholder;
- the substantial ownership and effective control of companies operating scheduled services must be vested in Indian nationals; and
- a foreign investing institution or other entity that proposes to hold equity in the domestic air transport sector may have representation on the board of directors of a domestic airline company, but such representation shall not exceed one-third of the total strength of such board.

No person shall make a Bid in pursuance of this Issue unless such person is eligible to acquire Equity Shares of our Company in accordance with the AIC No. 09, and other applicable laws, rules, regulations, guidelines and approvals.

Investors making a bid in response to the Issue will be required to confirm and will be deemed to have represented to our Company, the BRLMs, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to subscribe to the Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company, the BRLMs, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor whether such investor is eligible to subscribe to Equity Shares of our Company.

Investment by FIIs

Under present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 49% by adoption of a Board resolution and special resolution by our shareholders; however, as of the date hereof, no such resolution has been recommended to Board or our shareholders for adoption. As on the date of this Red Herring Prospectus, the total FII investment in our issued capital is Nil. Please refer to the section entitled "Capital Structure – Notes to Capital Structure" for details.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public Issue without prior RBI approval, so long as the price of Equity Shares to be issued is not less than the price at which Equity Shares are issued to residents.

The transfer of Equity Shares of NRIs, FIIs, Foreign Venture Capital Investors registered with SEBI and Multilateral and Bilateral Development Financial institutions shall be subject to the conditions as may be prescribed by the GoI or RBI while granting such approvals.

SECTION VIII : MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning given to such terms in the Articles of Association of the Company.

Pursuant to Schedule II of the Companies Act and the DIP Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares/debentures and/or on their consolidation/splitting are detailed below:

The regulations contained in Table 'A' of Schedule I to the Companies Act (Act 1 of 1956) shall not apply only in so far as the same are not provided for or are not inconsistent with these Articles and the regulations for the management of the Company and for observance of the members thereof and their representatives shall, subject to any exercise of the statutory powers of the Company with reference to repeal or alteration or of addition to, its regulations by special resolution, as prescribed by the Companies Act, 1956, be such as are contained in these Articles.

Definitions

Article 1.1 provides that "Whenever used in these Articles, the following terms shall have the respective meanings given to them below or in the Articles or documents indicated below:

"The Act" means the Companies Act, 1956;

"Affiliate" means, with respect to any entity, another Person that, directly or indirectly through one or more intermediaries, Controls, is Controlled by or is under common Control with, such entity. For the avoidance of doubt, Affiliates of IAF will include any venture capital or private equity fund advised or managed by ICICI Venture, but will exclude investee companies of such funds other than the Company.

"Agreement" means the Securityholders' Agreement dated March 16, 2005, as amended vide Amendment Agreement dated January 13, 2006 among the Company, the Existing Securityholders, Subria CIPEF Limited, Subria CGPE Limited and India Advantage Fund – I.

"Annual Budget" means, for any fiscal year, the annual budget of the Company and the Subsidiaries for such fiscal year, setting forth, among other things, the detailed financial projections (including management's estimates of the consolidated balance sheet and the related statements of income, statements of changes in shareholders' equity and statements of cash flows) and the capital and other expenditures and the operating budget (each calculated monthly), the debt service plan, and a business plan for such fiscal year and for the next two succeeding fiscal years, and any material updates or revisions to any of the foregoing, in each case for the Company and the Subsidiaries on a consolidated basis.

"Block Interest" has the meaning setforth in Article 6.4.

"Board" has the meaning setforth in Article 7.1.

"Brindavan Beverages" means collectively Brindavan Beverages Private Limited, a company organized under the laws of India, having its registered office at 214/33, 7th Cross, Cunningham Road, Vasanthnagar, Bangalore – 560062, India S.N. Ladhani and Prakash Ladhani, each an Indian resident, residing at 5/1, 1st Main, Jaymahal Extension, Bangalore - 560046, India.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in India and Singapore are authorized or permitted by Law to close.

"Business Plan" means the business plan of the Company and the Subsidiaries, and any material updates or revisions to the foregoing.

"Capital" means collectively CIPEF and CGPE.

"Capt. Gopinath" means Captain G.R. Gopinath, an Indian resident, residing at No. G-3, Garden Apts., Vittal Mallya Road, Bangalore - 560001, India.

"Capt. Samuel" means Captain K.J. Samuel, an Indian resident, residing at 288, 8th Block, Adugodi, Koramangala, Bangalore - 560095, India.

"CIPEF" means Subria CIPEF Limited, a company incorporated under the laws of Mauritius, having its registered office at 3rd Floor, Les Cascades, Edith Cavell Street, Port Louis, Mauritius.

"CGPE" means Subria CGPE Limited, a company incorporated under the laws of Mauritius, having its registered office at 3rd Floor, Les Cascades, Edith Cavell Street, Port Louis, Mauritius.

"Claimant" has the meaning setforth in Article 27.2(b).

"Closing" has the meaning setforth in the Subscription Agreement.

"Closing Date" means the date of Closing as further defined in the Subscription Agreement.

"Common Shares" or "shares" means equity shares of the Company, par value Rupees 10 per share.

"Company" means Deccan Aviation Limited, a company organized under the laws of India, having its registered office at 35/2, Cunningham Road, Bangalore – 560 052, India.

"Confidential Information" means information delivered by a Party to another Party in connection with the transactions contemplated by or otherwise pursuant to these Articles or the Subscription Agreement that is proprietary in nature and that was clearly marked or labelled or otherwise clearly identified when received by such Party as being confidential information of such delivering Party, provided, that such term does not include information that (a) was publicly known or otherwise known to such receiving Party prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such receiving Party or any Person acting on such Party's behalf, or (c) otherwise becomes known to such receiving Party other than through disclosure by the delivering Party or any Person with a duty to keep such information confidential.

"Control" means, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person whether through the ownership of the voting securities of such Person or by contract, relationship or other arrangement.

"Convertible Debentures" means the Convertible Debentures, dated the date thereof, issued pursuant to the Subscription Agreement.

"Director" has the meaning setforth in Article 10.2.

"Direct Competitor" means an Indian airline engaging in domestic scheduled flights operations.

"Environmental Law" means any Indian law, treaty, statute, rule, regulation, order, ordinance, decree, injunction, judgement, government recommendation or restriction, government assessment or any other requirement of law (including common law) regulating or relating to human health, safety, natural resources, noise or the environment, including, without limitation, laws relating to contamination and the use, generation, management, handling, transport, treatment, disposal, storage, Release or threatened Release of Hazardous Substances.

"Environmental Permit" means any permit, license, authorization or consent required pursuant to applicable Environmental Laws.

"Equity Securities" means any Common Shares, any Convertible Debentures and other equity securities of the Company, however described and whether voting or non-voting, including securities convertible or exchangeable into, and options, warrants or other rights to acquire, any equity securities of the Company.

"Exchange Rate" means the interbank rate (for the Indian Rupee/US$ market) at which a bank in India is willing to buy (bid) with another bank (counterparty), one unit of US$ for corresponding units of Indian Rupees at Noon Indian Standard Time on the day of determination and as published by Reuters.

"Exempt Equity Securities" means any of the following Equity Securities:

(i) Common Shares issued in connection with any stock-split, share dividend or re-capitalization by the Company;

(ii) ESOP Shares; and

(iii) Equity Securities issued in an IPO previously approved by the Investors.

"Existing Securityholders" means collectively Capt. G.R. Gopinath, Capt. K.J. Samuel, Brindavan Beverages, Ladhani Shareholders, Golden Ventures, Kenichi Miyagawa and Vishnu Rawal who are the existing Securityholders of the Company as on the date of the Agreement.

"Expiry Date" has the meaning setforth in Article 21.2.

"Fair Market Value" means, as of any date, with respect to any asset or other property, the fair market value of such asset or other property as opined in writing by a nationally recognized investment bank, selected and retained by the Investors and reasonably acceptable to the Transferring Promoter (for the purpose of Article 8.5), provided that all fees and expenses of such investment bank shall be paid by the Transferring Promoter (for the purpose of Article 8.5).

"First Closing" has the meaning setforth in the Subscription Agreement.

"First Closing Date" has the meaning setforth in the Subscription Agreement.

"GAAP" means the generally accepted accounting principles in India, as in effect from time to time.

"General Meeting" shall have the meaning assigned to such term in Article 12.1.

"Golden Ventures" means collectively Golden Ventures Ltd., a company organized under the laws of Mauritius , having its registered office at 3rd Floor, Les Cascades, Edith Cavell Street, Port Louis, Mauritius, Sumant Kapur, residing at 79 Carlisle Mansion, HX and Sudhir Choudhrie, residing at Lease Office Bldg. 1, No. 1G-20, P.O. Box 41641, Hamriyah, Free Trade Zone, Sharjah, United Arab Emirates.

"Good Industry Practice" means such practices which are accepted internationally from a Person carrying on the same type of business as that carried on by the Company and the Subsidiaries.

"Governmental Authority" means any jurisdiction where the Company or any of its Subsidiaries carry on business or hold assets, any nation or government, any province, state or any other political subdivision thereof; any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including, without limitation, any government authority, agency, department, board, commission or instrumentality of India or any political subdivision thereof; any court, tribunal or arbitrator; and any self-regulatory organization.

"Hazardous Substances" means any substance that: (i) is or contains asbestos, urea formaldehyde insulation, polychlorinated biphenyls, petroleum or petroleum products, radon gas, microbiological contamination or related materials, (ii) requires investigation or remedial action pursuant to any Environmental Law, or is defined, listed or identified as a "hazardous waste," "hazardous substance," "toxic substance" or words of similar import thereunder, or (iii) is regulated under any Environmental Law.

"IAF" means India Advantage Fund–I represented by its trustee The Western India Trustee and Executor Company Limited, a company incorporated under the provisions of the Companies Act, 1913 of India, having its registered office at Vishwasth Bhavan, 218, Pratap Ganj Peth, Satara 415002, India and acting through its investment manager ICICI Venture.

"ICICI Venture" means ICICI Venture Funds Management Company Limited, a company incorporated pursuant to the Act having its registered office at III Floor, Raheja Plaza, 17, Commissariat Road, Bangalore - 560025.

"Indebtedness" as applied to any Person, means, without duplication, (a) all indebtedness for borrowed money, (b) all obligations evidenced by a note, bond, debenture, letter of credit, draft or similar instrument, (c) that portion of obligations with respect to capital leases that is properly classified as a liability on a balance sheet in conformity with GAAP, (d) notes payable and drafts accepted representing extensions of credit, (e) any obligation owed for all or any part of the deferred purchase price of property or services, (f) all guarantees of any nature extended by such Person with respect to indebtedness of any other person and (g) all indebtedness and obligations of the types described in the foregoing clauses (a) through (f) to the extent secured by any Lien on any property or asset owned or held by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is non-recourse to the credit of that Person.

"Investors" means each of CIPEF, CGPE and IAF.

"IPO" means the consummation of an initial public offering of Common Shares.

"IPO Date" means the date on which the IPO is consummated.

"Issuance Notice" has the meaning setforth in Article 7.1.

"Ladhani Shareholders" means collectively Lachman Dass Ladhani, Monica Ladhani, Rajesh Ladhani, Shalini Ladhani and Naresh Ladhani, each an Indian resident, residing at Savar Bhavan, #259, Ramnagar Colony, Faizabad, 224001, Uttar Pradesh, India, and Kaushalya Devi Ladhani, an Indian resident residing at B-9, Lajpat Kunj, Khandar Crossing, Near Dr. Patni Clinic, Agra 282002, India.

"Law" means all applicable provisions of all Indian (a) constitution, treaties, statutes, laws (including the common law), codes, rules, regulations, ordinances or orders of any Governmental Authority, (b) governmental approvals and (c) orders, decisions, injunctions, judgments, awards and decrees of or agreements with any Governmental Authority.

"LCIA" has the meaning setforth in Article 27.2.

"Lien" means any mortgage, pledge, deed of trust, hypothecation, right of others, claim, security interest, encumbrance, burden, title defect, title retention agreement, lease, sublease, license, voting trust agreement, interest, option, right of first offer, negotiation or refusal, proxy, lien, charge, covenant, condition or other restrictions or limitations of any nature whatsoever, including but not limited to such Liens as may arise under any contract; and in relation to any immoveable property, shall include any occupancy agreement, easement or encroachment.

"Material" has the meaning ascribed to it in the Subscription Agreement.

"Material Transfer" means a Transfer of Equity Securities, following the consummation of which, any Existing Shareholder, directly or indirectly, may own less than 75% of (a) all Equity Securities (on a fully diluted and fully converted and exercised basis) it owns as of the date hereof or (b) all Equity Securities (on a fully diluted and fully converted and exercised basis) it owns immediately prior to such transaction.

"Memorandum and Articles" means the Company's Memorandum and Articles of Association, as amended from time to time.

"Observer" has the meaning setforth in Article 10.2.

"Offer Notice" has the meaning setforth in Article 8.4(a).

"Offer Price" has the meaning setforth in Article 8.4(a).

"Offerees" has the meaning setforth in Article 8.4(a).

"Offering" means any initial public offering of Common Shares.

"Other Shareholders" means the Investors, Brindavan Beverages, Ladhani Shareholders, Golden Ventures and Kenichi Miyagawa.

"Party" means a party to the Agreement from time to time.

"Permitted Transferee" means (a) with respect to each of CIPEF and CGPE:

(i) an Affiliate of such Investor, Capital International Investments IV, L.P., Capital International Investments IV, LLC or an Affiliate of (x) Capital International Investments IV, L.P. or (y) Capital International Investments IV, LLC;

(ii) a partnership in which (x) such Investor, Capital International Investments IV, L.P. or Capital International Investments IV, LLC and/or (y) one or more Affiliates of such Investor, Capital International Investments IV, L.P. or Capital International Investments IV, LLC constitute a majority of the general partners; or

(iii) an investment fund or unit trust managed by (x) such Investor, Capital International Investments IV, L.P. or Capital International Investments IV, LLC, or (y) an Affiliate of such Investor or of Capital International Investments IV, L.P. or Capital International Investments IV, LLC; and

(iv) with respect to IAF, an Affiliate of IAF.

"Person" means any natural person, firm, partnership, association, corporation, limited liability company, joint venture, trust, business trust, Governmental Authority or other entity or organization.

"Promoters" means Capt. Gopinath Capt. Samuel and Vishnu Rawal.

"Purchaser" has the meaning setforth in Article 8.5(a).

"Qualifying Sale" has the meaning setforth in Article 8.5(a).

"Release" means any releasing, disposing, discharging, injecting, spilling, leaking, leaching, pumping, dumping, emitting, escaping, emptying, seeping, dispersal, migration, transporting, placing and the like, including without limitation, the moving of any materials through, into or upon, any land, soil, surface water, ground water or air, or otherwise entering into the indoor or outdoor environment.

"Remaining Securities" has the meaning setforth in Article 8.4(d).

"Representatives" means, as to any Person, its accountants, counsel, consultants (including actuarial, and industry consultants), officers, directors, employees, agents and other advisors and representatives as notified pursuant to Article 27.1.

"Request" has the meaning setforth in Article 27.2(b).

"Respondent" has the meaning setforth in Article 27.2(b).

"Sale Notice" has the meaning setforth in Article 8.5.

"Sale Price" has the meaning setforth in Article 8.5.

"Sale Securities" has the meaning setforth in Article 8.5.

"The Seal" means the common seal of the Company.

"Second Closing Date" has the meaning setforth in the Subscription Agreement.

"Securityholder" means any Person holding Equity Securities.

"Securityholder Party" means a Party to the Agreement which is a Securityholder.

"Subject Securities" has the meaning setforth in Article 8.4(a).

"Subscribed Securities" has the meaning setforth in the Subscription Agreement.

"Subscription Agreement" means the Securities Subscription Agreement dated as of February 16, 2005, among the Company, CIPEF, CGPE, IAF and each of the Promoters.

"Subscription Price" has the meaning setforth in the Subscription Agreement.

"Subsidiary" means any Person Controlled by the Company.

"Taxes" means any income, franchise, capital stock, profits, windfall profits, gross receipts, sales, use, value added, transfer, registration, stamp, premium, excise, customs duties, severance, environmental, real property, personal property, ad valorem, occupancy, license, occupation, employment, payroll, social security, disability, unemployment, workers' compensation, withholding, estimated or other similar tax, duty, fee, assessment or other governmental charge or deficiencies thereof (including all interest and penalties thereon and additions thereto).

"Transfer" means any sale, transfer, assignment, disposition of, creation of any encumbrance over or other transfer, whether directly or indirectly, of the legal or beneficial ownership or economic benefits of all or any portion of the Equity Securities by any Securityholder.

"Transferor" has the meaning setforth in Article 8.4.

"Transferring Promoter" has the meaning setforth in Article 8.5(a).

"U.S." means United States of America, including its states and territories.

"US$" or "U.S. Dollar" means United States Dollars, the lawful currency of the U.S.

"U.S. Person" means (a) a person who is a citizen or resident of the U.S. for U.S. tax purposes, including without limitation a permanent resident of the U.S.; (b) a partnership, corporation, limited liability company or other entity that is created or organized under the laws of the U.S. or any jurisdiction therein; (c) an estate the income of which is subject to U.S. taxation; or (d) a trust that is subject to administration by any U.S. court or that is controlled by one or more U.S. Persons."

Capital and Shares

Increase of Capital

Article 3.2 provides that "The Company may subject to and in accordance with these Articles and applicable Law, from time to time in General Meeting increase its share capital by the issue of new shares of such amount as it thinks expedient."

Redeemable Preference Shares

Article 3.2 provides that "Preference shares may be issued on the terms that they are or at the option of the Company are to be liable to be redeemed."

Commission for placing shares, debentures, etc

Article 3.9 provides that "The Company may exercise the powers of paying commissions conferred by section 76 of the Act on any issue of its shares, only in terms of and subject to the provisions of these Articles and the Act."

On what condition new shares may be issued

Article 3.2 provides that "The Company may, subject to and in accordance with these Articles and applicable Law, from time to time in a General Meeting, increase its share capital by the issue of new shares of such amount as it thinks expedient. Subject to the provisions of the Act, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as by the General Meeting creating the same shall direct and if no direction be given as the Board shall determine; and in particular such shares may be issued with a preferential or qualified right to dividends and in distribution of assets of the Company and any Preference shares may be issued on the terms that they are or at the option of the Company are to be liable to be redeemed.."

How far shares to rank with existing shares

Article 3.7 provides that "The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not unless otherwise expressly provided by the terms of the issue of the shares of that class be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

Reduction of capital

Article 3.5 provides that "The Company may from time to time by special resolution reduce its share capital in any way authorised by law and in particular may pay off any paidup share capital upon the footing that it may be called up again or otherwise and may if and so far as is necessary alter its Memorandum by reducing the amount of its share capital and of its shares accordingly."

Consolidation, division and sub-division of shares.

Article 3.6 provides that "The Company may in General Meeting alter the conditions of its Memorandum as follows :-

a. Consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares.

b. Sub-divide its shares or any of them into shares of smaller amounts than originally fixed by the Memorandum subject nevertheless to the provisions of the Act and of these Articles.

c. Cancel shares which at the date of such General Meeting have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled."

Buyback of shares

Article 8.7 provides that "Subject to the approval of Company in General Meeting accorded by a Special Resolution and provisions of Section 77A, 77AA, 77B and other applicable provisions, if any, of the Act, the Securities & Exchange Board of India (Buy Back of Securities) Regulations 1988 and of these Articles, the Company may buy back its own shares and securities on such terms and conditions as the Board may deem fit."

Board of Directors to make calls

Article 3.4 provides that "Except so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, voting and otherwise."

Article 5.6 provides that "If any uncalled capital of the Company is included in or charged by any mortgage or other security the Board shall, subject to the provisions of the Act and these Articles, make calls on the members in respect of such uncalled capital in trust for the person in whose favour such mortgage or security is executed or if permitted by the Act may by instrument under the Seal authorise the person in whose favour such mortgage or security is executed or any other person in trust for him to make calls on the members in respect of such uncalled capital and the provisions hereinbefore contained in regard to calls shall *mutatis mutandis* apply to calls made under such authority and such authority may be made exercisable either conditionally or unconditionally and either presently or contingently and either to the exclusion of the Board's power or otherwise and shall be assignable if expressed so to be."

Article 4.3 provides that "The joint-holders of any share shall be liable severally as well as jointly for and in respect of all calls and other payments which ought to be made in respect of such share."

Calls to carry interest

Article 6.1 provides that "if any member fails to pay the whole or any part of any call or instalment or any money due in respect of any shares either by way of principal or interest on or before the day appointed for the payment of the same, the Directors may at any time thereafter during such time as the call or instalment or any part thereof or other moneys remain unpaid or a judgement or decree in respect thereof remains unsatisfied in whole or in part serve a notice on such member or on the person (if any) entitled to the share by transmission requiring him to pay such call or instalment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses (legal or otherwise) that may have been incurred by the Company by reason of such non-payment."

Voluntary advances of uncalled share capital

Article 5.7 provides that "Where capital is paid-up in advance of calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to participate in profits."

Interest payable on calls in advance

Article 5.7 provides that "Where capital is paid-up in advance of calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to participate in profits."

Forfeiture of shares

Article 6.1 provides that "Subject to the provisions of the Act and these Articles, if any member fails to pay the whole or any part of any call or instalment or any money due in respect of any shares either by way of principal or interest on or before the day appointed for the payment of the same, the Directors may at any time thereafter during such time as the call or instalment or any part thereof or other moneys remain unpaid or a judgement or decree in respect thereof remains unsatisfied in whole or in part serve a notice on such member or on the person (if any) entitled to the share by transmission requiring him to pay such call or instalment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses (legal or otherwise) that may have been incurred by the Company by reason of such non-payment.

Article 6.2 provides that "The notice shall name a day (not being less than 15 days from the date of the notice) on or before which such call instalment or such part or other moneys as aforesaid and such interest and expenses as aforesaid are to be paid and if payable to any person other than the Company the person to whom such payment is to be made. The notice shall also state that in the event of non-payment at or before the time and (if payable to any person other than the Company) to the person appointed the shares in respect of which the call was made or instalment is payable will be liable to be forfeited."

Article 6.5 provides that "Any share so forfeited shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of either to the original holder thereof, or to any other person, upon such terms and in such manner as the Directors shall think fit."

Further, Article 6.6 provides that "The Board may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of annul the forfeiture thereof upon such conditions as it think fit."

Liability to pay money owing at the time of forfeiture

Article 6.7 provides that "Any member whose shares have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company all calls, instalments, interest expenses and other moneys owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment at such rate of interest as may be determined by the Board from time to time and the Board may enforce the payment of the whole or a portion thereof as if it were a new call made at the date of the forfeiture but shall not be under any obligation to do so."

Company's lien on shares

Article 6.8 provides that "The Company shall have no lien on its fully paid shares. In the case of partly paid-up shares the Company shall subject to the provisions of the Act and these Articles have a first and paramount lien only for all moneys called or payable at a fixed time in respect of such shares. Any 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 wholly or in part exempt from the provisions of this Article."

Sale of shares on which Company has lien

Article 6.9 provides that "For the purpose of enforcing such lien, the Board may sell the shares subject thereto in such manner as they shall 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 or the person (if any) entitled by transmission to the shares and default shall have been made by him in payment, fulfillment or discharge of such debts, liabilities or engagements for seven days after such notice. To give effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof and the purchaser shall be registered as the holder of the shares comprised in any such transfer. Upon any such sale as aforesaid, the certificates in respect of the shares sold shall stand cancelled and become null and void and of no effect, and the Board shall be entitled to issue a new certificate or certificates in lieu thereof to the purchaser or purchasers concerned.."

Application of proceeds of sale

Article 6.10 provides that "The net proceeds of any such sale after payment of the costs of such sale shall be applied in or towards the satisfaction of the debts, liabilities or engagements of such member and the residue (if any) paid to such member or the person (if any) entitled by transmission to the shares so sold."

Transfer and Transmission

Form of transfer

Article 9.3 provides that "Subject to the provisions of Section 108 of the Act or any other applicable provisions, and subject to the other provisions of these Articles, Common Shares shall be Transferred by an instrument in writing in such form and by such procedure as may from time to time be prescribed by law. Subject thereto, the Board may prescribe a common form for instruments of transfer, which may from time to time be altered by Board."

Transfer not to be registered except on production of instrument of transfer

Article 9.7 provides that "The Company shall not register a transfer of Equity Securities unless a proper instrument of Transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupations, if any, of the transferee, has been delivered to the Company along with the certificate relating to the Equity Securities, or if no such share certificate is in existence, along with the letter of allotment of the Equity Securities; Provided that where, on an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer it is proved to the satisfaction of the Board that the instrument of Transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the Transfer on such terms as to indemnity as the Board may think fit; Provided further that nothing in this Article shall prejudice any power of the Company to register as shareholder any Person to whom the right to any Equity Securities has been transmitted by operation of law."

Directors may refuse to register transfer

Article 9.1 provides that "Notwithstanding Article 8 above, Exempt Equity Securities shall be freely transferable by Securityholders in accordance with this Article 9, provided that the Board may, subject to the provisions of Section 111A of the Act, or any statutory modification thereof for the time being in force, at its absolute and uncontrolled discretion decline to register or acknowledge any Transfer of Exempt Equity Securities and not be bound to give any reason for such refusal. In particular, the Board may decline to Transfer any Exempt Equity Securities upon which the Company has a lien or whilst any moneys in respect of such Exempt Equity Securities remain unpaid or unless the transferee is approved by the Board, and such refusal shall not be affected by the fact that the proposed transferee is already a member. The registration of a Transfer shall be conclusive evidence of the approval by the Board of the transferee."

Article 9.14 provides that "Subject to the provisions of the Act and these Articles, the Board shall have the same right to refuse to register a person entitled by transmission to any Equity Securities or his nominee as if he were the transferee named in an ordinary transfer presented for registration."

Article 9.16 provides that "A fee not exceeding Rupees two and fifty Paise per share may be charged in respect of the transfer or transmission to the same party of any number of Equity Securities of any class or denomination subject to such maximum on any one transfer or transmission as may from time to time be fixed by the Board. Such maximum may be a single fee payable on any one transfer or on transmission of any number of Equity Securities of one class or denomination or may be on a graduated scale varying with the number of shares of any one class comprised in one transfer or transmission or may be fixed in any other manner as the Board may in its discretion determine."

Register of transfers

Article 9.2 provides that "The Company shall keep a book to be called the 'Register of Transfers' and therein shall be fairly distinctly entered the particulars of every Transfer or transmission of any Equity Securities."

Title to share of deceased holder

Article 9.12 provides that "The executors or administrators or a holder of a succession certificate in respect of the estate of a deceased member not being one of two or more joint holders shall be the only Person whom the Company will be bound to recognise as having any title to the Equity Securities registered in the name of such member and the Company shall not be bound to recognise such executors or administrators unless such executors or administrators shall have first obtained probate or letters of administration as the case may be, from a duly constituted court in India, provided that in any case where the Board in its absolute discretion deems fit, the Board may dispense with production of probate or letters of administration or succession certificate and under the following Article 7.13, register the name of any Person who claims to be absolutely entitled to the Exempt Equity Securities standing in the name of a deceased member, as a member."

Article 9.13 provides that "Subject to the provisions of the Act and these Articles, any Person becoming entitled to any Equity Securities in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by transfer in accordance with these presents, may, with the consent of the Board (which it shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title as the Board shall require either be registered as a member in respect of such Equity Securities or elect to have some person nominated by him and approved by the Board registered as a member in respect of such Equity Securities; Provided nevertheless that if such person shall elect to have his nominee registered he shall testify his election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so he shall not be freed from any liability in respect of such Equity Securities."

Board may require evidence of transmission

Article 9.15 provides that "Every transmission of Equity Securities shall be verified in such manner as the Board may require and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Board at its discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Board to accept any indemnity."

Borrowing Powers

Power of borrowing

Article 5.1 provides that "Subject to the provisions of the Act and these Articles and without prejudice to the other powers conferred by these Articles, the Board shall have the power from time to time at its discretion to borrow any sum or sums of money for the purposes of the Company, provided that the total amount borrowed at any time together with the money already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) shall not without the consent of the Company in a General Meeting exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose."

Conditions on which money may be borrowed

Article 5.2 provides that "Subject to the provisions of the Act and these Articles, the Board may raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, perpetual or redeemable debentures or debenture-stock, or any mortgage or charge or other security on the undertaking or the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being."

General Meetings

How questions to be decided at meetings

Article 12.4 provides that "Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another member as his proxy to attend and vote instead of himself. The proxy need not be a member of the Company."

Article 13.1 provides that "Subject to any rights or restrictions for the time being attached to any class or classes of shares and subject to these Articles, whether on show of hands or on a poll, each share shall carry one vote."

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Vote of Members

Article 12.4 provides that "Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another member as his proxy to attend and vote instead of himself. The proxy need not be a member of the Company."

Motion how decided in case of equality of votes

Article 12.3 provides that "The General Meetings of the Shareholders shall be presided over by the Chairman appointed by the Board. The Chairman shall not be entitled to a second or casting vote in case of an equality of votes at any such meeting."

Votes of Joint holders

Article 4.7 provides that "Any one of two or more joint-holders may vote at any meeting either personally or by attorney duly authorised under a power of attorney or by proxy in respect of such share as if he were solely entitled thereto and if more than one of such joint-holders be present at any meeting personally or by proxy or by attorney then that one of such persons so present whose name stands first or higher (as the case may be) on the register in respect of such share shall alone be entitled to vote in respect thereof but the other or others of the joint-holders shall be entitled to be present at the meeting; Provided always that a joint-holder present at any meeting personally shall be entitled to vote in preference to a joint-holder present by an attorney duly authorised under power of attorney or by proxy although the name of such joint-holder present by an attorney or proxy stands first or higher in the register in respect of such shares. Several executors or administrators of a deceased member in whose (deceased member's) sole name any share stands shall for the purposes of this sub-clause be deemed joint-holders."

Appointment of Chairman

Article 10.13 provides that "The Chairman shall be appointed by the Board and shall preside over all the meetings of the Company. The tenure of his appointment shall be for a period of one year at a time. If the Chairman is not present at any meeting of the Board, the Directors present may appoint one of them to act as the Chairman for the purposes of that meeting."

Dividend

Declaration of Dividend

Article 14.1 provides that "Subject to the provisions of Section 205 of the Act and these Articles, the Company in General Meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board. The Board may, from time to time and subject to these Articles pay to the members such interim dividend as appear to it to be justified by the profits or expected profits or by the financial position of the Company, but the Directors shall be entitled to withhold such payment if before actual payment it is ascertained that it will, if paid, have to be paid out of capital.

Interim Dividend

Article 14.1 provides that "The Board may, from time to time and subject to these Articles pay to the members such interim dividend as appear to it to be justified by the profits or expected profits or by the financial position of the Company, but the Directors shall be entitled to withhold such payment if before actual payment it is ascertained that it will, if paid, have to be paid out of capital."

Capital paid-up in advance at interest not to earn dividends

Article 5.7 provides that "Where capital is paid up in advance of calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to participate in profits."

Article 14.1 provides that "Subject to the provisions of Section 205 of the Act and these Articles, the Company in General meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board. The Board may, from time to time and subject to these Articles pay to the members such interim dividend as appear to it to be justified by the profits or expected profits or by the financial position of the Company, but the Directors shall be entitled to withhold such payment if before actual payment it is ascertained that it will, if paid, have to be paid out of capital."

Debts may be deducted

Article 14.2 provides that "The Board of Directors may retain any dividend payable on which the Company has lien and may apply the same in or towards the satisfaction of the debts, liabilities or obligations in respect of which the lien exists."

Dividends, how remitted

Article 14.3 provides that "Notice of declaration of any dividend whether interim or otherwise shall be given to the holders of registered shares and, in the case of joint holders, to the first named holder therein by sending the same under prepaid post at the address of such holder or joint holders in accordance with the books of the Company. Unless otherwise directed, any dividend may be paid by cheque or payment slips sent through post to the registered address of the person whose name stands foremost on the register in respect of the joint holding and every such cheque or payment slip so sent shall be made payable to the order of the person to whom it is sent, in case of joint holders any one of them can give effectual receipt for any dividend on share."

Capitalisation

Power to capitalise

Article 15.1 provides that "The Company in General Meeting may, subject to these Articles, upon the recommendation of the Board, resolve that it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution and that such sum be accordingly set free for distribution in the manner specified amongst the members who would have been entitled thereto, if distributed by way of dividend and in such proportion as may be decided by the Board in compliance with these Articles."

Article 15.2 provides that "The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in Article 15.3, either in or towards (i) paying up any amounts for the time being unpaid on any shares held by such members respectively; (ii) paying up in full, un-issued shares of the Company to be allotted and distributed, credited as fully paid-up, to and amongst such members in the proportions aforesaid ; or (iii) partly in the way specified in sub-clause (i) and partly in that specified in sub-clause (ii)."

Article 15.3 provides that "A security premium account and a capital redemption reserve account may, for the purposes of this regulation, only be applied in the paying up of un-issued shares to be issued to members of the Company as fully paid bonus shares. Provided however that the security premium account may also be applied towards paying up any amounts for the time being unpaid on any shares held by such members respectively by complying with the provisions of the Act relating to the reduction of the share capital and subject to these Articles, as if the security premium account were paid-up share capital of the Company."

Consent Rights

Article 20.1 provides that "For so long as an Investor beneficially holds, the lesser of (a) 7.5% of the Equity Securities (calculated on an as converted basis) and (b) 50% of the Equity Securities (calculated on an as-converted basis) beneficially held by such Investor immediately after the Second Closing Date, the Company shall not, and each Existing Securityholder shall take all necessary actions (including, without limitation, voting its Equity Securities against such action and causing its nominee Director to vote against such action (or removing and replacing such Director and arranging for another vote if such Director fails to do so)) and the Company shall take all necessary actions, so as not to permit the Company or any of the Subsidiaries to, take any of the following actions setforth below without the prior written consent of such Investor. Any consent by an Investor shall be deemed to be given if such Investor does not object to a request from the Company to take any of the actions setforth below within a period of 14 days from the date of receipt of the request delivered pursuant to Article 27.1. For purposes of this Article 20, any calculation of the percentage of beneficial ownership of Equity Securities of any Investor shall not take into account any reduction in the percentage of ownership of Equity Securities of such Investor other than any reduction as a result of sale of Equity Securities by such Investor :

(a) acquire any shares, assets, business, business organization or division of any other Person, create any legal entities, joint ventures or partnerships, or conduct any mergers, de-mergers, spin-offs or consolidations;

(b) acquire, purchase, finance, borrow, lease, sub-lease, wet-lease, charter, license, pledge, transfer possession, sell, transfer, or otherwise dispose of or enter into any agreement, contract, permit, power of attorney, amendment, restatement, commitment, purchase order, term sheet, obligation, offer, order, letter of intent, heads of agreement, side letter or any other arrangement or understanding, written or oral, conditional or unconditional, to acquire, purchase, finance, borrow, lease, sub-lease, wet-lease, charter, license, pledge, transfer possession, sell, transfer or otherwise dispose of any aircraft, air frame or aircraft engine;

(c) commence any new line of business that is not related to the business of the Company as it is currently engaged in;

(d) make any change in the issued, subscribed or paid-up share capital of the Company or any Subsidiary, including issuing new Equity Securities or new equity securities of any Subsidiary or redemption, retirement or repurchase of any equity securities or any Equity Securities, issuance of convertible debentures or warrants, or grant of any options over its equity securities or Equity Securities by the Company or any Subsidiary;

(e) sell, transfer, assign, mortgage, pledge, hypothecate, grant any security interest in, subject to any other Lien, or otherwise dispose of, any assets of the Company or any Subsidiary, with a fair market value of such assets or securities exceeding INR 10,000,000 in a single transaction, or INR50,000,000 on an aggregate basis, in any calendar year, or sell, Transfer or otherwise dispose of, the Company or any of its Subsidiaries;

(f) incur, increase, issue or assume any form of indebtedness in excess of the levels agreed upon in the Annual Budget of the Company;

(g) subject to the provisions of Section 3.4, approve, adopt, amend or modify the Annual Budget and Business Plan of the Company, or take any action that would be inconsistent with the Annual Budget and Business Plan of the Company then in effect;

(h) incur any capital expenditure, including constructions and leases, or obligation to make any capital expenditure, of more than INR 20,000,000 per annum in excess of the levels agreed upon in the Annual Budget of the Company;

(i) enter into, amend or terminate any agreement or commitment that imposes or is likely to impose obligations or liabilities on the Company or any of its Subsidiaries to pay an amount of INR 50,000,000 or more or provide services or products generating revenues of INR 50,000,000 or more, in one calendar year, or imposes or is likely to impose on the Company or any of its Subsidiaries any obligation or liability, which is not capable of being quantified in monetary terms;

(j) appoint, remove or determine the terms of employment including compensation of key management personnel of the Company including the Managing Director (Capt. Gopinath), Director, Finance (Mohan Kumar), Vice President - Operations (Preetham Phillip), Vice President - Commercial (John Kuruvilla), and Chief Operating Officer (Warwick Brady), or make significant changes in the terms of their employment agreements;

(k) create or adopt any new or additional equity option plan, or change, modify or amend any existing equity option plan;

(l) prosecute, compromise, grant any waiver, release, settle or otherwise adjust any Litigation where the aggregate amount of all Litigation so prosecuted, compromised, granted any waiver, released, settled or otherwise adjusted would exceed INR 20,000,000 within any fiscal year;

(m) enter into any agreement, arrangement, transaction or assignment of intellectual property rights with a value, individually or in the aggregate, of more than INR 20,000,000;

(n) dissolve, wind up or liquidate the Company or any of its Subsidiaries, whether voluntary or involuntary, or a restructuring or a reorganization of the same that has a similar effect;

(o) enter into any affiliated or related party transactions, agreements or arrangements, directly or indirectly, between the Company or any Subsidiary, and the Existing Securityholders, the Associates or their Affiliates and any transaction, agreement or arrangement, directly or indirectly, between the Company or any Subsidiary, and any entity or firm, in which any of the Existing Securityholders or any of their Affiliates has a financial interest of more than 10% in the aggregate, except for such agreements existing on the date hereof and disclosed in Disclosure Schedule to the Subscription Agreement;

(p) amend, supplement, modify, waive or restate the Memorandum and Articles or the memorandum and articles and other organizational documents of any Subsidiary;

(q) make any material change to the accounting or tax policies, procedures or practices of the Company, or appoint or remove the external or statutory auditors of the Company;

(r) change the registered office or place of domicile of the Company;

(s) delegate any authority or power relating to any matter contained in this Article 20 of the Board of the Company and/or its Affiliates to any individual or committee; or

(t) take, or commit to take, any action that would result in the occurrence of any of the foregoing."

Transfer of Shares by Promoters and Other Shareholders

Article 8.1 provides that "Transfer of Shares in the Company by the Promoters and Other Shareholders shall be in the manner and to the extent prescribed herein."

Article 8.2 provides that "Transfers by Other Shareholders: Each Other Shareholder may Transfer, at any time and from time to time, any or all of their Equity Securities, to any Person."

Article 8.3 provides that "Transfers by Promoters: Subject to the provisions of Article 8.4 and Article 8.5, no Promoter may, at any time, Transfer any legal or beneficial interest in any Equity Securities held by it without the prior written consent of each of the Investors."

Article 8.4 provides that "Rights of First Offer. Subject to the provisions of Article 8.3 above, no Promoter (the "Transferor") may, at any time, Transfer any Equity Securities (a "Block Interest") legally or beneficially held by it, except pursuant to the following provisions:

(a) Prior to consummating any such Transfer of its Block Interest, the Transferor shall deliver a written notice (the "Offer Notice") to each Other Shareholder (the "Offerees"), setting forth the number of Equity Securities to be Transferred (the "Subject Securities"), the price at which such Transferor wishes to sell the Subject Securities (the "Offer Price"), and any other terms of the offer.

(b) The Offer Notice shall constitute, for a period of 60 days from the date on which it shall have been deemed given, an irrevocable and exclusive offer to sell to each Offeree (or any Affiliate designated by an Offeree), at the Offer Price, a portion of the Subject Securities not greater than the proportion that the number of Equity Securities owned by such Offeree (and all Affiliates thereof) bears to the total number of Equity Securities owned by all the Offerees (and the Affiliates thereof).

(c) Each Offeree (or a designated Affiliate thereof) may accept the offer setforth in an Offer Notice by giving notice to the Transferor, prior to the expiration of such offer, specifying the maximum number of Subject Securities that the Offeree wishes to purchase.

(d) If any Offeree does not agree to purchase all of the Subject Securities to which it is entitled, the Transferor shall promptly so notify each Offeree that has agreed to purchase all of the Subject Securities so entitled, such notice to constitute an offer to sell, irrevocable for 15 days, to each such Offeree, the portion of the remaining Subject Securities (the "Remaining Securities") equal to the proportion that the number of Equity Securities owned by such Offeree bears to the total number of Equity Securities held by all such Offerees, at the Offer Price. To the extent that any such Offeree does not fully agree to purchase its proportionate share of the Remaining Securities, the Offerees that have so fully agreed to purchase, based on the proportion that the number of Equity Securities owned by each such Offeree bears to the total number of Equity Securities owned by all such Offerees, may purchase the balance of the Remaining Securities at the Offer Price. Each Offeree shall notify the Transferor within 15 days of the date such notice is given by the Transferor, specifying the number of the Remaining Securities which such Offeree agrees to purchase.

(e) If the Offerees collectively agree to purchase all of the Subject Securities pursuant to this Article 8.4, they shall pay for such Equity Securities, subject to receipt of any necessary or advisable third party approvals or approvals of any Governmental Authorities, within 45 days following completion of the procedures setforth in paragraphs 8.4(b) and 8.4(d) hereof.

(f) If the offers made by the Transferor to the Offerees pursuant to paragraph 8.4(b) and 8.4(d) hereof expire without an agreement by one or more Offerees to purchase all of the Subject Securities, the Transferor shall have 180 days to effect the Transfer of the Subject Securities to any third party or parties, for cash, at a price not less than the Offer Price, and upon terms not otherwise more favorable to the transferee or transferees than those specified in the Offer Notice. In the event that such transfer is not consummated within such 180-day period, the Transferor shall not be permitted to sell its Equity Securities pursuant to this Article 8.4 without again complying with each of the requirements of this Article 8.4."

Article 8.5 provides that "Tag Along Rights: Subject to the provisions of Article 8.3, no Promoter may Transfer any Equity Securities legally or beneficially held by him, except pursuant to the following procedures:

(a) At least 30 days prior to making such Transfer (each, a "Qualifying Sale"), the Promoter intending to make such a Transfer (the "Transferring Promoter") shall deliver a written notice (the "Sale Notice") to each Other Shareholder. The Sale Notice shall setforth in reasonable detail (i) the identity of the prospective transferee (the "Purchaser"), (ii) the number of Equity Securities (on a fully diluted and fully converted and exercised basis, and expressed as a number of Common Shares) to be purchased by the Purchaser (such securities, the "Sale Securities"), (iii) the price (the "Sale Price") per share of the Sale Securities (which shall be a cash price expressed in U.S. Dollars or in a currency freely convertible into U.S. Dollars, expressed on a per Common Share basis, and with all consideration other than cash valued at its Fair Market Value, and reflecting any indirect financial consideration to be received by the Transferring Promoter), (iv) the proposed closing date and time of such Transfer, (v) the number of Equity Securities (on a fully diluted and fully converted basis, and expressed as a number of Common Shares) held by the Transferring Promoter on the date of the Sale Notice, and (vi) any other material terms and conditions of the proposed Transfer. If, after delivery of any Sale Notice, any term setforth in clauses (i) through (vi) of the preceding sentence should change in any material respect, the Transferring Promoter shall deliver a new Sale Notice incorporating such changed terms, and the provisions of this Article 8.5(a) (including, without limitation, the timing for response in Article 8.5(c) (hereof)) shall apply in all respects to such revised Sale Notice.

(b) If the Qualifying Sale would not constitute a Material Transfer, each Other Shareholder shall have the right to participate in the Qualifying Sale and to sell to the Purchaser, and the Transferring Promoter shall upon the Other Shareholders' request arrange for the Purchaser to purchase from such Other Shareholder, on the same terms and conditions offered to the Transferring Promoter by the Purchaser modified to the extent customary for a financial investor (and shall not include any representations or warranties other than to due authorization, execution and delivery, no conflicts and ownership of Equity Securities) at the Sale Price (or such greater price at which the Sale Securities may be actually sold to the Purchaser, and in any event on a per Common Share basis), a number of Equity Securities up to (i) the aggregate number of Equity Securities (on a fully diluted and fully converted basis, and expressed on a Common Shares basis) held by the Other Shareholders on the date of the Sale Notice, multiplied by, (ii) a fraction, the numerator of which shall be the number of the Sale Securities (expressed on a Common Share basis) held by such Other Shareholder, and the denominator of which shall be the number of Equity Securities (on a fully diluted and fully converted and exercised basis, and expressed on a Common Share basis) held in the aggregate by the Transferring Promoter and the Other Shareholders on the date of the Sale Notice. If the Qualifying Sale, whether as a single transaction or as a part of a series of transactions, would constitute a Material Transfer, each Other Shareholder shall have the right to participate in the Qualifying Sale and to sell to the Purchaser, and the Transferring Promoter shall upon such Other Shareholders' request arrange for the Purchaser to purchase, on the same terms and conditions offered to the Transferring Promoter by the Purchaser modified to the extent customary for a financial investor (and shall not include any representations or warranties other than to due authorization, execution and delivery, no conflicts and ownership of Equity Securities) all (or such other number as may be designated by the Other Shareholders) Equity Securities then held by such Other Shareholders (or, if the number of such Equity Securities is, on a Common Share basis, greater than the number of Sale Securities, a number of Equity Securities not to exceed the number of Sale Securities, expressed on a Common Share basis) at the Sale Price (or such greater price at which the Sale Securities may be actually sold to the Purchaser, and in any event on a per Common Share basis).

(c) The Other Shareholders may exercise their tag-along right under this Article 8.5 by delivering an irrevocable written notice to the Transferring Promoter and the Company no later than 30 days after receipt of the Sale Notice (including without limitation, a revised Sale Notice contemplated by the last sentence of Article 8.5(a)) setting forth the number of Equity Securities they are entitled to sell in the Qualifying Sale. No exercise of rights with respect to a Sale Notice shall bind any Other Shareholder with respect to any subsequent related revised Sale Notice served on such Other Shareholder pursuant to the last sentence of Article 8.5(a).

(d) Unless otherwise agreed by Capital, the sale proceeds to be paid to Capital shall in all cases be in cash in U.S. Dollars or in a currency freely convertible into U.S. Dollars.

(e) If any or all Other Shareholders have elected to exercise their tag-along rights hereunder pursuant to Article 8.5(c) above, the Transferring Promoter shall not consummate any Qualifying Sale unless the Purchaser shall have concurrently purchased from such Other Shareholders the number of Equity Securities as provided under Article 8.5(c) above, on the same date and at the price described under Article 8.5(b) that, and on the same terms and conditions including, without limitation, as to any direct or indirect consideration (subject to the requirement under Article 8.5(d)) on which, the Purchaser shall have agreed to purchase the Sale Securities from the Transferring Promoter as setforth in the Sale Notice (including any revised Sale Notice contemplated by the last sentence of Article 8.5(a)), and containing such other provisions as may be required by applicable Law to allow such Other Shareholders to sell their Equity Securities to the Purchaser. In any event, subject to receipt of any necessary or advisable third party approvals or approvals of any Governmental Authorities, the closing shall occur within 60 days of the receipt of the Sale Notice, provided, that if any revised Sale Notice is delivered as contemplated by the last sentence of Article 8.5(a) then the closing shall occur within 60 days of the receipt of the last such revised Sale Notice."

Article 8.6 provides that "Transfers in Violation of these Articles. Any Transfer or attempted Transfer of any Equity Securities in violation of these Articles shall be void, no such Transfer shall be recorded on the Company's books and the purported transferee in any such Transfer shall not be treated (and the purported transferor shall be treated) as the owner of such Equity Securities for all purposes."

Article 8.7 provides that "Subject to the approval of Company in General Meeting accorded by a Special Resolution and provisions of Section 77A, 77AA, 77B and other applicable provisions, if any, of the Act, the Securities & Exchange Board of India (Buy Back of Securities) Regulations 1988 and of these Articles, the Company may buy back its own shares and securities on such terms and conditions as the Board may deem fit."

Transfer and Transmission of Exempt Equity Securities

Article 9.1 provides that "Notwithstanding Article 8 above, Exempt Equity Securities shall be freely Transferable by Securityholders in accordance with this Article 9, provided that the Board may, subject to the provisions of Section 111A of the Act, or any statutory modification thereof for the time being in force, at its absolute and uncontrolled discretion decline to register or acknowledge any Transfer of Exempt Equity Securities and not be bound to give any reason for such refusal. In particular, the Board may decline to Transfer any Exempt Equity Securities upon which the Company has a lien or whilst any moneys in respect of such Exempt Equity Securities remain unpaid or unless the transferee is approved by the Board, and such refusal shall not be affected by the fact that the proposed transferee is already a member. The registration of a Transfer shall be conclusive evidence of the approval by the Board of the transferee."

Article 9.2 provides that "The Company shall keep a book to be called the 'Register of Transfers' and therein shall be fairly distinctly entered the particulars of every Transfer or transmission of any Equity Securities."

Article 9.3 provides that "Subject to the provisions of Section 108 of the Act or any other applicable provisions, and subject to the other provisions of these Articles, Common Shares shall be Transferred by an instrument in writing in such form and by such procedure as may from time to time be prescribed by law. Subject thereto, the Board may prescribe a common form for instruments of Transfer, which may from time to time be altered by Board."

Article 9.4 and 9.5 provides that "The Directors may from time to time alter or vary the form of such Transfer.

(a) An application for the registration of a Transfer of Equity Securities may be made either by the transferor or the transferee.

(b) Where the application is made by the transferor and relates to partly paid Equity Securities, the Transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes no objection to the Transfer within two weeks from the receipt of the notice.

(c) For the purposes of Clause (b) above notice to the transferee shall be deemed to have been duly given if it is despatched by prepaid registered post to the transferee at the address given in the instrument of Transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post."

Article 9.6 provides that "Every such instrument of Transfer shall be signed both by the transferor and transferee and the transferor shall be deemed to remain the holder of such Equity Securities until the name of the transferee is entered in the Register of Members in respect thereof."

Article 9.7 provides that "The Company shall not register a transfer of Equity Securities unless a proper instrument of Transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupations, if any, of the transferee, has been delivered to the Company along with the certificate relating to the Equity Securities, or if no such share certificate is in existence, along with the letter of allotment of the Equity Securities; Provided that where, on an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer it is proved to the satisfaction of the Board that the instrument of Transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the Transfer on such terms as to indemnity as the Board may think fit; Provided further that nothing in this Article shall prejudice any power of the Company to register as shareholder any Person to whom the right to any Equity Securities has been transmitted by operation of law."

Article 9.8 provides that "If the Company refuses to register the Transfer of any Equity Securities or transmission of any right therein, the Company shall within two months from the date on which the instrument of Transfer or intimation of transmission was lodged with the Company send notice of refusal to the transferee and transferor or to the person giving intimation of the transmission, as the case may be, and thereupon the provisions of Section 111A of the Act or any statutory modification thereof for the time being in force shall apply."

Article 9.9 provides that "A Transfer of Equity Securities of a deceased member thereof made by his legal representative shall, although the legal representative is not himself a member, be as valid as if he had been a member at the time of the execution of the instrument of Transfer."

Article 9.10 provides that "The instrument of Transfer shall after registration be retained by the Company and shall remain in its custody. All instruments of transfer which the Board may decline to register shall on demand be returned to the Persons depositing the same. The Board may cause to be destroyed all Transfer deeds lying with the Company after such period as they may determine."

Article 9.11 provides that "The Board shall have power on giving not less than seven days' previous notice by advertisement as required by Section 154 of the Act to close the transfer books of the Company for such period or periods of time not exceeding in the whole 45 days in each year but not exceeding 30 days at a time as to them may deem fit."

Article 9.12 provides that "The executors or administrators or a holder of a succession certificate in respect of the estate of a deceased member not being one of two or more joint holders shall be the only Person whom the Company will be bound to recognise as having any title to the Equity Securities registered in the name of such member and the Company shall not be bound to recognise such executors or administrators unless such executors or administrators shall have first obtained probate or letters of administration as the case may be, from a duly constituted court in India, provided that in any case where the Board in its absolute discretion deems fit, the Board may dispense with production of probate or letters of administration or succession certificate and under the following Article 7.13, register the name of any Person who claims to be absolutely entitled to the Exempt Equity Securities standing in the name of a deceased member, as a member."

Article 9.13 provides that "Subject to the provisions of the Act and these Articles, any Person becoming entitled to any Equity Securities in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by transfer in accordance with these presents, may, with the consent of the Board (which it shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title as the Board shall require either be registered as a member in respect of such Equity Securities or elect to have some person nominated by him and approved by the Board registered as a member in respect of such Equity Securities; Provided nevertheless that if such person shall elect to have his nominee registered he shall testify his election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so he shall not be freed from any liability in respect of such Equity Securities."

Article 9.14 provides that "Subject to the provisions of the Act and these Articles, the Board shall have the same right to refuse to register a person entitled by transmission to any Equity Securities or his nominee as if he were the transferee named in an ordinary transfer presented for registration."

Article 9.15 provides that "Every transmission of Equity Securities shall be verified in such manner as the Board may require and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Board at its discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Board to accept any indemnity."

Article 9.16 provides that "A fee not exceeding Rupees two and fifty Paise per share may be charged in respect of the transfer or transmission to the same party of any number of Equity Securities of any class or denomination subject to such maximum on any one transfer or transmission as may from time to time be fixed by the Board. Such maximum may be a single fee payable on any one transfer or on transmission of any number of Equity Securities of one class or denomination or may be on a graduated scale varying with the number of shares of any one class comprised in one transfer or transmission or may be fixed in any other manner as the Board may in its discretion determine."

Article 9.17 provides that "The Company shall incur no liability or responsibility whatever in consequence of their registering or giving effect to any transfer of Equity Securities made, or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the same Equity Securities notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice or referred thereto in any book of the

Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to them of any equitable right, title or interest, or be under any liability whatsoever for refusing or neglecting so to do though it may have been entered or referred to in some book of the Company but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto, if the Board shall so think fit."

Registration Rights

Article 26.1 provides that "Demand Registration

(a) At any time following the completion of the IPO, any applicable lock in period required by the underwriters or as mandated by applicable Law, for such IPO, each Investor shall have the right to make up to three requests that the Company make a public offer for sale of all or a portion of the Equity Securities held by such Investor, in amounts expected to generate proceeds of not less than US$8,000,000 per request (each, a "Qualifying Request"). Upon receipt of a Qualifying Request, the Company shall (i) promptly, but in any event within 15 days of the receipt of such Qualifying Request, deliver a copy of such Qualifying Request to each Eligible Investor not a party to such Qualifying Request. Each such Eligible Investor shall have a right to participate in such offering contemplated thereby by delivery of a notice to the Company and each other Eligible Investor within 30 days of receipt of such Qualifying Request and (ii) subject to the limitations of Article 26.1(b) below, as soon as practicable, but in any event within 90 days of the receipt of such Qualifying Request, take such actions to register with, or otherwise seek such approvals of, each appropriate Governmental Authority, quasi-governmental agency, stock exchange and self-regulatory authority in the relevant jurisdiction (the "Offering Actions"), as are necessary, advisable or appropriate in order to permit the public offer and sale (including under the Securities Act) in accordance with Article 26.3 of all Equity Securities which the Eligible Investors had requested to be offered and sold.

(b) The Investors shall distribute the Equity Securities covered by such Qualifying Request by means of an underwriting and they shall so advise the Company in the Qualifying Request. In such event, any Eligible Investor may participate in such underwriting. All Eligible Investors proposing to distribute their Equity Securities through such underwriting shall (together with the Company as provided in Article 26.3(f)) enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Investors. Notwithstanding any other provision of this Article 26.1, if the managing underwriter (or, in the case of an offering which is not underwritten, a nationally recognized investment banking firm) advises the Eligible Investors that, in its opinion, the number of Equity Securities requested, and otherwise proposed to be included in such offer and sale, exceeds the number which can be sold in such offering without materially and adversely affecting the offering price, then the Eligible Investors shall so advise the Company, and the number of Eligible Investors' Equity Securities that may be included in the offering (to the extent of the number which the Eligible Investors are so advised can be sold in such offering without such material adverse effect), shall be allocated among Eligible Investors thereof wishing to sell their Equity Securities in the following manner: first, all Equity Securities of the Investors, and second, the Equity Securities of the other Eligible Investors on a pro rata basis. Notwithstanding the foregoing, the Existing Securityholders shall not be entitled to participate in any such offering requested by Investors to the extent that the managing underwriter (or, in the case of an offering that is not underwritten, a nationally recognized investment banking firm) shall determine in good faith and in writing (with a copy to each affected Person requesting the offer and sale of their Equity Securities), that the participation of the affected Securityholders would materially and adversely affect the marketability or offering price of the Equity Securities being sold in such offering, it being understood that the Company shall include in such offering that number of Equity Securities of the Existing Securityholders which can be sold in such offering without materially and adversely affecting the marketability or offering price of the other Equity Securities to be sold in such offering. In the event of any such determination under this Article 26.1(b), the Company shall give the affected holders of Equity Securities notice of such determination in lieu of the copy of the Qualifying Request otherwise required to be delivered under the Article 26.1(a).

(c) The Company shall have the right, upon giving notice to the Eligible Investors of the exercise of such right, to delay filing an Offering Document or to require such Eligible Investors not to sell any Equity Securities in an offering, for a period of up to 120 days from the date on which such notice is given or in a subsequent notice delivered by the Company to such effect prior to the commencement of the offering, if (i) the Company is engaged in or proposes to engage in discussions or negotiations with respect to, or has proposed or taken a substantial step to commence, or there otherwise is pending, any merger, acquisition, other form of business combination, divestiture, tender offer, financing or other transaction, or there is an event or state of facts relating to the Company, in each case which is material to the Company (any such negotiation, step, event or state of facts being herein called a "Material Activity"), (ii) such Material Activity would, in the opinion of counsel for the Company, require disclosure so as to permit the Equity Securities to be sold in compliance with Law, and (iii) such disclosure would, in the reasonable judgement of the Company, be adverse to the Company's interests, provided, that the Company shall have no right to delay the filing of an Offering Document or the offer and sale of the Equity Securities if at any time during the 12 months preceding the date on which such notice was given the Company had delayed either the filing of an Offering Document that included the Equity Securities to be sold by Eligible Investors or otherwise delayed the offer and sale of such Equity Securities.

(d) At any time prior to the time of commencement of an offering and subject to applicable Law, the Investors requesting such an offer and sale of Equity Securities pursuant to this Article 26.1, shall have the right to demand the withdrawal of Offering Documents filed in connection therewith, and the Company shall, upon the receipt of any such request, so withdraw such Offering Documents."

Article 26.2 provides that "Incidental Registrations. If the Company proposes to offer or sell any of its Equity Securities or other securities to the public (including in connection with the IPO or an offering effected by the Company for its Securityholders other than the Investors, but excluding any offering made pursuant to Article 26.1), the Company shall promptly give each Investor written notice of such offering. Upon the written request of any Investor given within 60 days after its receipt of such notice (which request shall specify the number of Equity Securities intended to be disposed of by such holder), the Company shall, subject to the provisions of Article 26.6, take such Offering Actions necessary, advisable or appropriate to cause to be included within such offering all of the Equity Securities that such Investor has requested to be included. If the managing underwriter (or, in the case of an offering that is not underwritten, a nationally recognized investment banking firm) advises the Company and Investors that, in its opinion, the number of Equity Securities requested and otherwise proposed to be included in such offer and sale exceeds the number which can be sold in such offering without materially and adversely affecting the offering price, then the Company shall allocate the Equity Securities included in the offering (to the extent of the number which the Company and the Investors are so advised can be sold in such offering without such material adverse effect) in the following manner: first, all Equity Securities or other securities being issued by the Company, and second, the Equity Securities of the Investors. "

Article 26.3 provides that "Obligations of the Company. Whenever it is required under this Article 26 to take Offering Actions with respect to any Equity Securities, the Company shall promptly:

(a) prepare and file with the appropriate Governmental Authorities, quasi-governmental agencies, stock exchanges and self-regulatory authorities the Offering Documents and cause and maintain the validity, effectiveness, completeness and accuracy of the Offering Documents for up to 180 days of the effectiveness of the Offering Documents, if requested by any of the Eligible Investors;

(b) prepare and file such amendments, post-effective amendments and supplements to such Offering Documents with such Governmental Authorities, governmental agencies, stock exchanges and self-regulatory authorities as may be necessary or advisable to effect the disposition of all Equity Securities covered by such Offering Documents;

(c) furnish to each Investor and its counsel, such number of copies of all Offering Documents and amendments, post-effective amendments and supplements thereto proposed to be filed and filed as they may reasonably request, provided, that the Company shall not file any Offering Document, amendment, post-effective amendment or supplement to such Offering Document used in connection therewith to which any such counsel shall have reasonably objected on the grounds that such Offering Document, amendment, post-effective amendment or supplement does not comply (explaining why) in all material respects with the requirements of the Securities Laws;

(d) use its best efforts to register and qualify the Equity Securities covered by the Offering Documents under the securities or blue sky laws of such jurisdictions (including, in the case of a registration effected in the U.S., the various states of the U.S.) as shall be reasonably requested by the Eligible Investors, provided, that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business as a foreign corporation in any jurisdiction wherein it is not so qualified, subject itself to taxation in any jurisdiction wherein it is not so subject, or take any action which would subject it to general service of process in any jurisdiction wherein it is not so subject;

(e) use its best efforts to cause all Equity Securities covered by such Offering Document to be registered with or approved by such other governmental agencies, authorities or self-regulatory bodies as may be necessary by virtue of the business and operations of the Company to enable the seller or sellers thereof to consummate the disposition of such Equity Securities in accordance with the intended method or methods of disposition thereof;

(f) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the underwriters of such offering;

(g) during any period in which any Offering Document relating to such Equity Securities is required to be delivered under the Laws of any jurisdiction, notify the Eligible Investors of the happening of any event or the existence of any fact, as a result of which such Offering Document, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and, as promptly as is practicable, prepare and furnish to such seller a reasonable number of copies of a supplement to or an amendment of such Offering Document as may be necessary so that, as thereafter delivered to the purchasers of such Equity Securities, such Offering Document shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing;

(h) notify each Eligible Investor of the Equity Securities covered by such Offering Documents and such Eligible Investor's underwriters, if any, and confirm such advice in writing: (i) when the Offering Documents are filed, and, when offering has become effective or otherwise final or approved, (ii) when any post-effective amendment to any Offering Document becomes effective or otherwise final or approved and (iii) of any request by any Governmental Authority, quasi-governmental agency, stock exchange or self-regulatory authority requesting any amendment or supplement to the Offering Documents or for additional information;

(i) notify each Eligible Investor of Equity Securities covered by such Offering Documents if at any time any Governmental Authority should institute or threaten to institute any proceedings for the purpose of issuing, or should issue, an order suspending the effectiveness, finality or approval of such Offering Documents or otherwise preventing the offer and sale of Equity Securities covered thereby; upon the occurrence of any of the events mentioned in the preceding sentence, the Company shall use its best efforts to prevent the issuance of any such order or to obtain the withdrawal thereof as soon as possible; the Company will advise each Eligible Investor promptly of any order or communication of any public board or body addressed to the Company suspending or threatening to suspend the qualification of any such Equity Securities for sale in any jurisdiction;

(j) furnish, at the request of any Eligible Investor of Equity Securities covered by such Offering Documents, (x) if such Equity Securities are being sold through underwriters, on the date of the signing of the underwriting agreement and on the date that such Equity Securities are delivered to the underwriters for sale in connection with an offering pursuant to this Article 26 or (y) if such securities are not being sold through underwriters, on the date that the relevant Offering Documents with respect to such Equity Securities become effective or otherwise final or approved and on the date such Equity Securities are delivered for sale in connection with an offering pursuant to this Article 26, (i) an opinion dated such dates of counsel to the Company, in form and substance as is customarily given to underwriters in an underwritten public offering and addressed to the underwriters (if any) and to such Eligible Investors and (ii) a letter dated such dates from the independent chartered accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters (if any) and to such Eligible Investors;

(k) in the case of a registration under the Securities Act, otherwise comply with all applicable rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"), and make available to its security holders, as soon as reasonably practicable, an earnings statement of the Company (in form complying with the provisions of Rule 158 under the Securities Act) covering the period of at least 12 months, but not more than 18 months, beginning with the first month after the effective date of such registration statement;

(l) use its best efforts (i) (A) to list such Equity Securities on the Main Board of the Hong Kong Stock Exchange, on the primary stock exchange in Singapore or London, on the New York Stock Exchange or on another internationally recognized exchange selected by the Company and reasonably acceptable to the Investors, or (B) if such listing on a stock exchange is not practicable, to secure designation of such securities as a NASDAQ "national market system security" within the meaning of Rule 11Aa2-1 under the Exchange Act or, failing that, to secure NASDAQ authorization for such Equity Securities, and, without limiting the foregoing, to arrange for at least two market makers to register as such with respect to such Equity

Securities with the National Association of Securities Dealers of the U.S., and (ii) to provide a transfer agent and registrar for such Equity Securities not later than the effective, final or approval date of the Offering Document and to instruct such transfer agent (A) to release any stop transfer order with respect to the certificates with respect to the Equity Securities being sold and (B) to furnish certificates without restrictive legends representing ownership of the Equity Securities being sold, in such denominations requested by the sellers of the Equity Securities or the managing underwriter;

(m) enter into such agreements and take such other actions as the sellers of Equity Securities or the underwriters reasonably request in order to expedite or facilitate the disposition of such Equity Securities, including, without limitation, preparing for, and participating in, such number of "road shows" and all such other customary selling efforts as the underwriters reasonably request in order to expedite or facilitate such disposition;

(n) furnish to any holder of such Equity Securities such information and assistance as such holder may reasonably request in connection with any "due diligence" effort which such seller deems appropriate; and

(o) Use its best efforts to take all other steps necessary to effect the offering of such Equity Securities contemplated hereby."

Article 26.4 provides that "Obligations of the Eligible Investors.

(a) It shall be a condition precedent to the obligations of the Company to take any Offering Action pursuant to this Article 26 with respect to the Equity Securities of any selling Eligible Investor that such Eligible Investor shall furnish to the Company such information regarding itself, the Equity Securities to be sold by it, and the intended method of disposition of such Equity Securities as shall be necessary or advisable to effect the registration or other qualification of such Eligible Investor's Equity Securities. If any Offering Document refers to any Eligible Investor or any affiliate of such Eligible Investor, by name or otherwise, as the holder of any securities of the Company, or contains any information regarding any such Eligible Investor or affiliate, then, unless counsel to the Company advises the Company in writing (with a copy to each Eligible Investor and any such affiliate of a Eligible Investor) that Securities Laws require that such reference or information be included in any such statement, such Eligible Investor shall have the right to require the deletion of such reference or information.

(b) Whenever the Company, pursuant to this Article XXVI, effects the underwritten public offering of the Equity Securities held by a Eligible Investor, such Eligible Investor shall enter into and perform its obligations under an underwriting agreement, in usual and customary form, entered into with the managing underwriter of such offering, subject to the limitations on the undertakings of the Eligible Investors setforth in Articles 26.1 and 26.6. An Eligible Investor may not be required to assume any liability for expenses not otherwise provided for in this Article XXVI, or to accept any liabilities (or agree to contribute) in excess of the net proceeds from the offering received by such Eligible Investor."

Article 26.5 provides that "Registration Expenses.

(a) All expenses (other than underwriting discounts and commissions) incurred in connection with the taking of any Offering Action pursuant to this Article XXVI, including all registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company, and the reasonable fees and disbursements of one counsel for the selling Investors chosen by them, shall be borne by the Company."

Articles 26.6 provides that "Underwriting Requirements.

(a) If requested by the underwriters for any underwritten offering pursuant to Articles 26.1 or 26.2, the Company shall enter into an underwriting agreement with the underwriters for such offering, such agreement to be reasonably satisfactory in substance and form to the underwriters and to Investors (unless Investors is not participating in such offering). Any such underwriting agreement shall contain such representations and warranties by the Company and such other terms and provisions as are customarily contained in agreements of this type, including, without limitation, indemnities to the effect and to the extent provided in Article 26.8. Each holder of Equity Securities to be distributed by such underwriter shall be a party to such underwriting agreement and may, at such holder's option, require that any or all of the representations and warranties by, and the agreements on the part of, the Company to and for the benefit of such underwriters be made to and for the benefit of such holder and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement shall also be conditions precedent to the obligations of such holder.

(b) If the Company at any time proposes to offer any of its securities for sale for its own account pursuant to an underwritten offering, the Company will have the right to select the managing underwriter (which shall be of nationally recognized standing) to administer the offering, only with the approval of Investors. Notwithstanding the foregoing sentence, whenever a Qualifying Request pursuant to Article 26.1 is for an underwritten offering, the Investors will have the right to select the managing underwriter (which shall be of nationally recognized standing) to administer the offering."

Article 26.7 provides that "Preparation; Reasonable Investigation. In connection with the preparation and filing of each Offering Document, the Company shall give counsel to the Investors the opportunity to participate in the preparation of such Offering Document and each amendment thereof or supplement thereto, and shall give such counsel access to the financial and other records, pertinent corporate documents and properties of the Company and the Subsidiaries and opportunities to discuss the business of the Company with its officers and the independent public accountants who have issued audit reports on its financial statements in each case as shall be requested by such counsel in connection with such Offering Document."

Article 26.8 provides that "Indemnification. In the event any Equity Securities are sold by an Eligible Investor pursuant to this Article 26:

(a) The Company will indemnify, defend and hold harmless (i) such Eligible Investor, its heirs, Representatives, successors and assigns, (ii) each of such Eligible Investor's Affiliates, directors, members, stockholders, officers, partners, employees and agents, (iii) any underwriter who participates in the offering or sale of the securities and (iv) each Person, if any, who controls any of the foregoing, against any and all losses, claims, damages or liabilities (or actions or proceedings in respect thereof), based upon or arising out of a Violation; and the Company will reimburse each such indemnified party for any legal or other expenses reasonably incurred by them in connection with enforcing its rights hereunder or under the underwriting agreement entered into in connection with such offering or investigating, preparing, pursuing or defending any such loss, claim, damage, liability, action or proceeding, provided, that if the Company is entitled to, and does, assume the defense of the related action or proceeding provided herein, then the indemnity agreement contained in this Article 26.8(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, action or proceeding if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld or delayed, and, provided, further, that the Company shall not be liable in any such case to a particular indemnified party for any such loss, claim, damage, liability, action or proceeding to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such offering by such indemnified party.

(b) Each selling Eligible Investor will indemnify, defend and hold harmless (i) the Company, (ii) each Director, (iii) each of its officers who has signed or otherwise attested to the accuracy of any statements contained in any documents filed in connection with the offering, (iv) each Person, if any, who controls the Company, (v) any underwriter who participates in the offering or sale of the Equity Securities, and (vi) any controlling Person of any such underwriter, against any and all losses, claims, damages or liabilities (or actions or proceedings in respect thereof), severally not jointly, based upon or arising out of a Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Eligible Investor expressly for use in connection with such offering, provided, that the indemnity agreement contained in this Article 26.8(b) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability, action or proceeding if such settlement is effected without the consent of such Eligible Investor, which consent shall not be unreasonably withheld or delayed, and provided, further, that in no event shall the liability of any Eligible Investor under this Article 26.8(b) exceed the net proceeds from the offering received by such Eligible Investor.

(c) Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a claim referred to in the preceding paragraphs of this Article 26.8 (including any action or proceeding brought by any Governmental Authority), such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Article 26.8, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel mutually satisfactory to the indemnified parties, provided, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action or proceeding shall not relieve such indemnifying party of any liability to the indemnified party under this Article 26.8 except if, and only to the extent that, the indemnifying party is actually prejudiced thereby; and such failure to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Article 26.8, except to the extent the indemnifying party is actually prejudiced thereby. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of such indemnified party, which consent shall not be unreasonably withheld, consent to entry of any judgement or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation.

(d) Any indemnification required to be made by an indemnifying party pursuant to this Article 26.8 shall be made by periodic payments to the indemnified party during the course of the action or proceeding, as and when bills are received by such indemnifying party with respect to an indemnifiable loss, claim, damage, liability or expense incurred by such indemnified party.

(e) If for any reason any indemnification specified in the preceding paragraphs of this Article 26.8 is unavailable, or is insufficient to hold harmless an indemnified party, other than by reason of the exceptions provided therein, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such losses, claims, damages, liabilities, actions, proceedings or expenses in such proportion as is appropriate to reflect the relative benefits to and faults of the indemnifying party on the one hand and the indemnified party on the other and the statements or omissions or alleged statements or omissions which resulted in such loss, claim, damage, liability, action, proceeding or expense, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statements or omissions. No person guilty of fraudulent misrepresentation shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. Notwithstanding the other provisions of this Article 26.8, in respect of any claim for indemnification pursuant to this Article 26.8, no indemnifying party (other than the Company) shall be required to contribute pursuant to this Article 26.8 any amount in excess of (a) the net proceeds received and retained by such indemnifying party from the sale of its Equity Securities covered by the applicable Offering Document, or supplement or amendment thereto, filed pursuant hereto minus (b) any amounts previously paid by such indemnifying party pursuant to this Article 26.8 in respect of such claim, it being understood that insofar as such net proceeds have been distributed by any indemnifying party to its partners, stockholders or members, the amount of such indemnifying party's contribution hereunder shall be limited to the net proceeds which it actually recovers from its partners, stockholders or members based upon their relative fault and that to the extent that such indemnifying party has not distributed such net proceeds, the amount such indemnifying party's contribution hereunder shall be limited by the percentage of such net proceeds which corresponds to the percentage equity interests in such indemnifying party held by those of its partners, stockholders or members who have been determined to be at fault. No party shall be liable for contribution under this Article 26.8(e) except to the extent and under such circumstances as such party would have been liable for indemnification under this Article 26.8 if such indemnification were enforceable under applicable law.

(f) The obligations of the Company and the selling Eligible Investors under this Article 26.8 shall survive the completion of any offering of Equity Securities in an Offering Document under this Article 26 or otherwise.

(g) The liability of the Company under this Article 26.8 shall be subject to the same upper limit that the Company may have in the underwriting agreement between the Company and the underwriter or underwriters with respect to the Offering Document."

Article 26.9 provides that "Certain U.S. Securities Laws Matters. If the Company registers any securities under the Securities Act or the Exchange Act, then from and after the date of such registration, the Company shall:

(a) file with the SEC in a timely manner all reports and other documents required of the Company, if any, under the Securities Act and the Exchange Act;

(b) furnish to each Investor, so long as the Investor own any Equity Securities, forthwith upon request, a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, if any, and such other information as may be reasonably requested, if any, to avail the Investor of any rule or regulation of the SEC which permits the selling of any such securities without registration or pursuant to such form; and

(c) Comply with all applicable provisions of the Securities Act, the Exchange Act and the rules and regulations promulgated thereunder."

Article 26.10 provides that "Certain Definitions. Capitalized terms used in this Article 26 and not otherwise defined in this Article 26.10 shall have the meanings setforth in these Articles. Whenever used in this Article 26, the following terms shall have the respective meanings given to them below:

(a) "Eligible Investor" means each Investor and each Existing Securityholder.

(b) "Offering Actions" has the meaning setforth in Article 26.1(a).

(c) "Offering Documents" means any applications, offering memoranda, prospectuses, registration statements or other similar disclosure documents or authorizations necessary, advisable or desirable in order to effect such offer or sale in the manner setforth in this Article 26 or necessary or advisable to obtain all authorizations, approvals, permits or consents required from any Governmental Authority, quasi-governmental agency, stock exchange or self-regulatory authority having jurisdiction over all or any portion of such offering.

(d) "Qualifying Request" has the meaning setforth in Article 26.1(a).

(e) "Securities Act" means the U.S. Securities Act of 1933, as amended.

(f) "Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

(g) "Securities Laws" means the Laws of the jurisdiction in which any securities of the Company are proposed to be offered and sold, together with any regulations of any stock exchange or other self-regulatory organization in such jurisdiction relating to the offer or sale of such securities.

(h) "Violation" means (a) any untrue statement or alleged untrue statement of a fact contained in an Offering Document under this Article 26, including any preliminary prospectus, final prospectus or summary prospectus contained therein or used in connection with the offering of Equity Securities covered thereby, or any amendment or supplement thereto or any documents in connection therewith, (b) any omission or alleged omission to state a fact required to be stated therein or necessary to make the statements therein not misleading, or (c) any violation or alleged violation by any Person of any Securities Laws."

Article 27.3 provides that "Assignment.

(a) Except as provided in Article 27.3(b) hereof, the rights and obligations of a party or person hereunder shall not be assignable or otherwise transferable by any Party or such person without the prior written consent of the other Parties, and any purported assignment or other transfer without such consent shall be void and unenforceable.

(b) Each Investor may assign, in whole or in part, its rights under the Agreement and these Articles, in connection with a Transfer, to one or more Persons, provided, that each such Person shall have executed an instrument accepting such assignment and assuming the obligations of a Party (and, to the extent applicable, an Investor) under the Agreement and hereunder. Upon execution of such instrument of assumption (which other Parties hereby agree to sign, if necessary or advisable), such Person shall become a Party to the Agreement (and, to the extent applicable, an Investor), for all purposes of the Agreement and hereunder.

These Articles and the Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, successors, permitted assigns, executors and administrators."

SECTION IX : OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies, Bangalore for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office and the corporate office of our Company from 10.00 am to 4.00 pm on working days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

Material contracts to the Issue

1. Letters of appointments to the BRLMs from our Company appointing them as the BRLMs.
2. Letter of appointment to the Registrar to the Issue from our Company.
3. Memorandum of Understanding amongst our Company and BRLMs.
4. Memorandum of Understanding/Agreements executed by our Company with the Registrar to the Issue.

Material documents

1. Our Memorandum and Articles of Association as amended from time to time.
2. Our certification of incorporation.
3. Our certificates in relation to change of name.
4. Shareholders' resolutions in relation to this Issue and other related matters such as appointment of auditors, formation and revision of Audit, Remuneration and other committees.
5. Present terms of employment between our Company and our Directors as approved by our Board and our Shareholders.
6. Report of the auditors, S. R. Batliboi & Co., Chartered Accountants, dated April 25, 2006 on the financial statements, as restated, under Indian GAAP as in the Red Herring Prospectus.
7. Copies of annual reports of our Company for the years ended March 31, 2001, 2002, 2003, 2004 and 2005.
8. Consent of our auditors, S. R. Batliboi & Co., Chartered Accountants, for inclusion of their report on accounts in the form and context in which they appear in the Red Herring Prospectus.
9. General Power of Attorney executed by the Directors of our Company in favour of person(s) for signing and making necessary changes to the Red Herring Prospectus and other related documents.
10. Consents of Bankers to the Company, Syndicate Members, Registrar to the Issue, Banker to the Issue, monitoring agency, legal counsel to the Company and Underwriters, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
11. Initial listing applications dated January 30, 2006 and Januray 30, 2006 filed with BSE and NSE respectively.
12. In-principle listing approval dated February 21, 2006 and February 22, 2006 from BSE and NSE respectively.
13. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated March 03, 2006.
14. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated March 02, 2006.
15. Due diligence certificate dated January 24, 2006 to SEBI from the BRLMs.
16. SEBI observation letter No. CFD/DIL/ISSUES/PB/PR/2006 dated February 23, 2006.
17. Securityholders' Agreement dated March 16, 2005 betweem Subria CIPEF Limited and Subria CGPE Limited (Capital International), India Advantage Fund – I (ICICI Venture) (collectively the "Investors"), the Company and the existing shareholders, as amended by the amendment agreement dated January 13, 2006.
18. Loan agreements executed by our Company with lenders.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

We the Directors of the Company certify that all relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the guidelines issued by Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF THE COMPANY

Lt. Gen N.S. Narahari

Capt. G.R. Gopinath

Capt. K.J. Samuel

S.N. Ladhani

Col. Jayanth K. Poovaiah

Bala Deshpande

Vivek Kalra

P.N. Thirunarayana

Anil Kumar Ganguly

Sumant Kapur

M.G. Mohan Kumar

SIGNED BY Sudhir Choudhrie DIRECTOR OF THE COMPANY
Through his constituted attorney M.G. Mohan Kumar

M G Mohan Kumar

SIGNED BY Vijay Amritraj DIRECTOR OF THE COMPANY
Through his constituted attorney Capt. G.R. Gopinath

Capt. G.R. Gopinath

SIGNED BY DIRECTOR – FINANCE – M.G. MOHAN KUMAR

M.G. Mohan Kumar

Date : April 28, 2006

Place : Bangalore, Karnataka, India

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