



Cambridge Technology Enterprises Limited

(Cambridge Technology Enterprises Limited ('CTEL' or 'the Company') was originally incorporated on 28th January 1999 as Unique Solutions (India) Private Limited at Hyderabad, Andhra Pradesh under the Companies Act, 1956 vide Registration No. **01-30997 of 1998-99**. The name of the Company was changed to Cell Exchange (India) Private Limited on 21st January 2003 and subsequently to Cambridge Technology Enterprises Pvt Ltd on 12th March 2004 which was reverted back to its old name i.e. Cell Exchange (India) Private Limited on 22nd July 2004 and on 16th March 2005 the name was changed to Cambridge Technology Enterprises Private Limited. Thereafter it was converted into a public limited company after passing the necessary resolution in the Extra Ordinary General Meeting held on 14/03/2006 and the Registrar of Companies, Andhra Pradesh, Hyderabad had issued a fresh certificate of incorporation consequent on such conversion on 31/03/2006 and the present name of the Company is Cambridge Technology Enterprises Limited)

Registered Office: : 4th Floor Sufi Chambers, Road Number 1, Banjara Hills, Hyderabad – 500034, (At the time of incorporation the Registered Office of the Company was situated at Flat No.607, Annapurna Block, Aditya Enclave, Ameerpet, Hyderabad. On 2nd November 2000, the Registered Office was shifted from the said address to Flat No. 188 & 189, RR Towers, Kavuri Hills, Madhapur, Hyderabad. With effect from 4th March 2002, the Registered Office of the Company is shifted to the present address).

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PUBLIC ISSUE OF [.] EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PRICE BAND OF Rs 63 TO Rs 75 PER EQUITY SHARE INCLUSIVE OF PREMIUM AGGREGATING RS. 2400.00 LAKHS OF WHICH 2,50,000 EQUITY SHARES OF Rs 10/- EACH BEING RESERVED FOR ELIGIBLE EMPLOYEES OF THE COMPANY AND 5,000 EQUITY SHARES OF RS 10/- EACH BEING OFFERED TO CENTRUM CAPITAL LIMITED ON A FIRM BASIS AT A PRICE BAND OF Rs 63 TO Rs 75 INCLUSIVE OF PREMIUM. THUS NET OFFER TO THE PUBLIC IS [.] EQUITY SHARES OF RS. 10/- FOR CASH AT A PRICE BAND OF Rs. 63 TO Rs 75 INCLUSIVE OF PREMIUM. THE FACE VALUE OF THE EQUITY SHARE IS Rs 10/- AND THE ISSUE PRICE OF RS. 63 AT LOWER BAND AND RS 75 AT HIGHER BAND PER EQUITY SHARE IS 6.3 TIMES OF THE FACE VALUE AT LOWER PRICE BAND AND 7.5 TIMES AT HIGHER PRICE BAND. THE ISSUE CONSTITUTES [.] OF THE POST ISSUE PAID UP CAPITAL OF [.]

The Issue is being made in terms of clause 2.2.2 (a) (ii) & (b) (i) of SEBI (DIP) Guidelines, 2000, as amended from time to time, wherein the "Project" has atleast 15% participation by Financial Institutions/Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, 10% of the issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded. In case of delay, if any in refund, we shall pay interest on the application money at the rate of 15% per annum for the period of delay.

RISK IN RELATION TO THE FIRST ISSUE

This being the first issue of the Company, there has been no formal market for the securities of the Company. The face value of the shares is Rs 10 and the issue price is [.] times of the face value. The issue price (has been determined and justified by the Lead Merchant Banker and the Issuer Company as stated under Justification of Premium paragraph on page [.]) should not be taken to be indicative of the market price of the Equity Shares are listed. No assurance can be given regarding an active or sustained trading in the shares of the Company nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Draft Prospectus. The Issue is not graded by any Credit Rating Agency. Specific attention of the investors is invited to the summarized and detailed statements in Risk Factors beginning on page [.] of this Draft Prospectus. The Company has not opted for IPO Grading.

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares issued through this Draft Prospectus are proposed to be listed on the Bombay Stock Exchange Limited ("BSE") (also the Designated Stock Exchange) and the National Stock Exchange of India Limited ("NSE"). The Company has received the in-principle approval from BSE and NSE for listing of Equity Shares vide letter dated [.] and dated [.] respectively.

LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE
 <p>CENTRUM CAPITAL LIMITED SEBI Regn No. INM000010445 AMBI Reg. No: AMBI /087 Khetan Bhavan, 5th Floor, 198, J Tata Road, Churchgate, MUMBAI - 400 020. Tel: +91-22- 3028 0400; Fax: +91-22- 2204 6096 Website: www.centrum.co.in Email: ctel@centrum.co.in Contact Person: Mr. Mayank Dalal</p>	 <p>BIGSHARE SERVICES PRIVATE LIMITED E-2, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (East), MUMBAI - 400 072. Tel: +91- 22- 2847 3747/3474 Fax: +91- 22- 2847 5207 Website: www.bigshareonline.com Email: bigshare@bom7.vsnl.net.in SEBI Regn No. INR000001385 Contact Person: Mr. V. Kumaresan</p>

ISSUE SCHEDULE

PUBLIC ISSUE

ISSUE OPENS ON:	[.]	ISSUE CLOSES ON:	[.]
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TABLE OF CONTENTS

TITLE	Page No.
SECTION I: DEFINITIONS AND ABBREVIATIONS	
SECTION II: RISK FACTORS	
FORWARD-LOOKING STATEMENTS AND MARKET DATA	
RISK FACTORS	
SECTION III: INTRODUCTION	
SUMMARY	
ISSUE DETAILS IN BRIEF	
GENERAL INFORMATION	
CAPITAL STRUCTURE	
OBJECTS OF THE ISSUE	
APPRAISAL	
BASIS FOR ISSUE PRICE	
TAX BENEFITS	
SECTION IV: ABOUT CAMBRIDGE TECHNOLOGY ENTERPRISES LIMITED	
INDUSTRY OVERVIEW	
BUSINESS OVERVIEW	
HISTORY OF THE COMPANY	
MANAGEMENT OF THE COMPANY	
PROMOTERS OF THE COMPANY	
RELATED PARTY TRANSACTIONS	
CURRENCY OF PRESENTATION	
DIVIDEND POLICY	
SECTION V: FINANCIAL STATEMENTS	
FINANCIAL INFORMATION OF THE COMPANY	
FINANCIAL INFORMATION OF GROUP COMPANIES	
CHANGES IN ACCOUNTING POLICIES IN THE LAST 3 YEARS	
MANAGEMENT DISCUSSIONS AND ANALYSIS	
SECTION VI: LEGAL AND OTHER INFORMATION	
OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS	
GOVERNMENT APPROVALS/LICENSING APPROVALS	
SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES	
SECTION VIII: ISSUE INFORMATION	
TERMS OF THE ISSUE	
ISSUE PROCEDURE	
SECTION IX: DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION	
SECTION X: OTHER INFORMATION	
MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTIONS	
DECLARATION	

SECTION: I: DEFINITIONS AND ABBREVIATIONS

I. CONVENTIONAL / GENERAL TERMS:

TERM	DESCRIPTION
Articles / Articles of Association / AoA	Articles of Association of the Company
Companies Act	The Companies Act, 1956, as amended from time to time for the time being in force
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time for the time being in force.
Depository Participant	A depository participant as defined under the Depositories Act
ECS	Electronic Clearing Services
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations framed there under for the time being in force
Financial Year/FY / Fiscal	Period of twelve months ended December 31 st of that particular year
FIs	Financial Institutions
FII/ Foreign Institutional Investor	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
Indian GAAP	Generally Accepted Accounting Principles in India
IT Act	The Income-Tax Act, 1961, as amended from time to time and for the time being in force
Memorandum / Memorandum of Association / MoA	Memorandum of Association of Cambridge Technology Enterprises Limited
NRI / Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a Person of Indian Origin under FEMA (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000.
OCB	Overseas Corporate Bodies
SCRR	Securities Contracts (Regulations) Rules, 1957 as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time and for the time being in force
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI on January 20, 2006, as amended, including instructions and clarifications issued by SEBI from time to time

II. ISSUE -RELATED TERMS:

TERM	DESCRIPTION
Allotment	Unless the context otherwise requires, issue of Equity Shares pursuant to this Issue
Allottee	The successful applicant to whom the Equity Shares are being / or have been issued or transferred
Applicant	Any prospective investor who makes an application pursuant to the terms of this Draft Prospectus
Application Forms	The Form in terms of which the investors shall apply for the Equity Shares of the Company.
Banker(s) to the Issue	[•]
Designated Stock Exchange	The Bombay Stock Exchange Limited, Mumbai
Employee	Means a permanent employee or the Director of the Company (or its subsidiaries) who is an Indian National based in India and is physically present in India on the date of submission of the application form. In addition, such person should be an employee or director during the period commencing from the date of filing of the Draft Prospectus with RoC upto the issue closing date. Promoter Directors are not eligible to be treated as eligible employees.
Eligible Employees	An Employee shall be eligible to apply for the shares reserved under 'Employee Reservation' if he is a Permanent Employee of the Company as on the date of filing the Prospectus with the Registrar of Companies.
Equity Shares	Equity shares of face value of Rs.10 each of the Company unless otherwise specified in the context thereof.
Face Value	Face Value of Equity Shares of the Company being Rs. 10/- each
First Applicant	The applicant whose name appears first in the Application Form
GIR Number	General Index Registry Number
INR/ Rs	Indian National Rupee
Issue Opening Date	[•]
Issue Closing Date	[•]
Issue Period	The period between the Issue Opening Date and the Issue Closing Date inclusive of both days and during which prospective applicants can submit their application forms
Issue Size	Public Issue of [•] equity shares of Rs. 10/- each for cash at the Issue Price of Rs 63/- at lower price band and Rs 75/- at higher price band aggregating Rs. 2400.00 Lakhs.
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of this Draft Prospectus.
Lead Manager	Lead Manager to the Issue, in this case being CENTRUM CAPITAL LIMITED
PAN	Permanent Account Number
Registrar / Registrar to the Issue	Registrar to the Issue, in this case being M/s Bigshare Services Private Limited, having its registered office as indicated on the cover page of this Draft Prospectus
Stock Exchanges	BSE and NSE

III. COMPANY/ INDUSTRY-RELATED TERMS:

TERM	DESCRIPTION
AGM	Annual General Meeting.
Articles / Articles of Association / AoA	Articles of Association of the Company.
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
Auditors	The statutory auditors of the Company M/s Narven Associates, Chartered Accountants
Board of Directors	The Board of Directors of Cambridge Technology Enterprises Limited or a Committee thereof
Cambridge Technology Enterprises Limited/CTE/ the Company/ the issue	Unless the context otherwise indicates or implies refers to Cambridge Technology Enterprises Limited, a Public Limited Company incorporated under the provisions of the Companies Act, 1956 with its registered office at 4 th Floor, Sufi Chambers, Road No.1, Banjara Hills, Hyderabad 500034
CEW	Cambridge Executive Workshop
Compliance Officer	Compliance Officer of the Company in this case being, Mr. T.N. Kannan, Company Secretary
Director(s)	Director(s) of the Company unless otherwise specified
Equity Shareholders	Persons holding Equity shares of the Company unless otherwise specified in the context otherwise.
Face Value	Value of paid-up Equity Capital per Equity Share, in this case Rs. 10/- each.
FVCI	Foreign Venture Capital Investor registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
IBCC	Internet Business Capital Corporation Inc.
Memorandum / Memorandum of Association / MoA	The Memorandum of Association of the Company
Non-Resident	A person who is not a NRI, FII or a person resident in India
Registered Office of the Company	4 th Floor, Sufi Chambers, Road No. 1, Banjara Hills, Hyderabad – 500 034, A.P. India
MIT	Massachusetts Institute Of Technology, Cambridge, Massachusetts, United States Of America

IV. GLOSSARY OF TECHNICAL AND INDUSTRY TERMS

Terms	Description
BAM	Business Activities Monitoring
BPM	Business Process Management
CMM	Capability Maturity Model
ERP	Enterprise Resource Planning
ETL	Extraction Transformation Loading
EWS	Early Warning System
A2IT	Affordable & Adaptable Information Technology – a branded solution offering of the company
. net	. net is a technology integrated throughout Microsoft products, providing the capability to quickly build, deploy, manage, and use connected, security-enhanced solutions through the use of Web services.
RAD	Rapid Application Development
RTE	Real Time Enterprise

QA	Quality Assurance
QC	Quality Control
SDC	Software Development Centre
SDLC	Software Development Life Cycle
SEA	South East Asia
SEI	Software Engineering Institute
SOA	Service Oriented Architecture
STP	Straight Through processing
SRS	Software Requirement Study
SBU	Strategic Business Unit
UAT	User Acceptance Test
XML	Extended Mark-up language
GDC	Global Delivery Center
ITES	Information Technology Enabled Services
J2EE	Java 2 Platform, Enterprise Edition (J2EE) defines the standard for developing component-based multi-tier enterprise applications.

V. ABBREVIATIONS:

TERM	DESCRIPTION
AGM	Annual General Meeting
APFC	Asst. Provident Fund Commissioner
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
Capex	Capital Expenditure
CDSL	Central Depository Services (India) Limited
Centrum	Centrum Capital Limited
CIT	Commissioner Of Income Tax
D/E Ratio	Debt Equity Ratio
CTEL	Cambridge Technology Enterprises Limited
DP	Depository Participant
DPID	Depository Participant Identification
EBDITA	Earnings Before Depreciation, Interest, Tax and Amortization
EGM	Extraordinary General Meeting
EOUs	Export Oriented Units
EPCG	Export Promotion Capital Goods Scheme
EPS	Earnings Per Equity Share i.e. profit after tax divided by outstanding number of Equity Shares at the year-end.
EXIM	Export & Import
FCNR	Foreign Currency Non-Resident
FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto.
FII	Foreign Institutional Investors
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws.
FIPB	Foreign Investment Promotion Board
FIs	Financial Institutions
FOB	Free On Board

FY / Fiscal	Financial year ending December 31 st
GAAP	Generally Accepted Accounting Policy.
GIR Number	General Index Registry Number
GoI	Government of India
HOD	Head Of Department
HR	Human Resources
HUF	Hindu Undivided Family
INR/ Rs	Indian National Rupee
MNC	Multi National Company
MoU	Memorandum of Understanding
N. A. / n.a.	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 number of issued Equity Shares.
NRE	Non-Resident External Account
NRE Account	Non Resident External Account
NRI	Non-Resident Indian
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depositories Limited
NSE	National Stock Exchange of India Limited
OCB	Overseas Corporate Bodies
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
RBI	Reserve Bank of India
RoC	The Registrar of Companies, Kendriya Sedan, Koti, Hyderabad. Andhra Pradesh
RoNW	Return on Net Worth
SEBI	Securities & Exchange Board of India
Sec.	Section
US	United States of America
VCF	Venture Capital Funds

SECTION II: RISK FACTORS

I FORWARD-LOOKING STATEMENTS AND MARKET DATA:

Forward-looking Statements:

All statements contained in this Draft Prospectus that are not statements of historical fact constitute “forward-looking statements”. These forward looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “aspire”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe the objectives, plans or goals are also forward-looking statements. All forward looking statements are subject to risks, uncertainties and assumptions about the Company 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 the expectations include, among others:

- ❖ General economic and business conditions in India, and other countries where the Company exports its products and services,
- ❖ The ability to successfully implement the strategy, the growth and expansion plans and technological changes;
- ❖ The size, timing and profitability of significant service projects and product sales;.
- ❖ The mix of the services and product revenues;
- ❖ The proportion of services that the Company perform outside India as opposed to at the development centres in India;
- ❖ The effect of wage pressures, seasonal hiring patterns and the time required to train and productively utilize new employees do not have immediate consequence at the existing level of operations.
- ❖ Shortage of IT professionals in India with relevant skill levels;
- ❖ Increasing competition in; and the conditions of the global and Indian software industry;
- ❖ The ability to retain the clients and acquire new clients;
- ❖ Changes in the pricing policies or those of the competitors;
- ❖ Cancellations, contract terminations or deferrals of projects;
- ❖ Unanticipated variations in the duration, size and scope of the projects;
- ❖ Changes in the value of the Rupee and other currencies;
- ❖ Changes in laws and regulations that apply to the industry under which the Company is operating; and
- ❖ Changes in the political and social conditions in India.

For further discussion of factors that could cause the actual results to differ, see “Risk Factors” beginning on the page [•] of this Draft Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company, Lead Manager, 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, the Company and Lead Manager 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.

Market Data

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

RISK FACTORS

An investment in Equity Shares involves a high degree of risk. Prospective investors should carefully consider all the information in this Draft Prospectus including the risks described below, in addition to the other information contained in this Draft Prospectus, before making any investment decision relating to the Equity Shares. If any of the following risks actually occur, the Company's business, results of operations and financial condition could suffer, the trading price of the Company's Equity Shares could decline, and the investor may lose all or part of his investment.

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

Materiality:

The Risk factors have been determined on the basis of their materiality. The following factors have been considered for determining the materiality:

- a) Some events may not be material individually, but may be found material collectively.
- b) Some events may have material impact qualitatively instead of quantitatively.
- c) Some events may not be material at present but may be having material impacts in future.

The risk factors are as envisaged by the management along with the proposals to address the risk, if any. Wherever possible, the financial impact of the risk factors has been quantified.

I RISK FACTORS SPECIFIC TO THE PROJECT AND INTERNAL TO THE COMPANY:

1. RISK ARISING OUT OF OUTSTANDING LITIGATION BY THE COMPANY:

a. Case Filed by CTEL against cvMail.

The Company had entered into a development contract with cvMail Services Pty Limited on 27th June, 2006. On 28th December, 2006 cvMail Services Pty Limited issued a contract termination notice asking for refund of the monies paid by them till 28th December 2005 amounting to about Rs 30,00,000/-, which CTEL disputed as illegal, and disputed the same. Accordingly the Company filed a O.S. No.40 of 2006 before IIIrd Additional Chief Judge, City Civil Court at Hyderabad against the cvMail Services Pty Limited seeking a declaration and permanent injunction against cvMail Services Pty Limited notice terminating the contract as invalid. The matter has now been compromised as both the parties have entered into a compromise / memorandum of understanding and the same has been filed in the court, and simultaneously signed a Release deed. In the deed & memorandum, both the parties (cvMail Services Pty Ltd & CTEL) agreed to waive all damages claims made till date and also indemnifying both the parties (cvMail & CTEL) from any further litigations in the matter. The matter is yet to be withdrawn.

LITIGATIONS AGAINST SUBSIDIARY COMPANIES / GROUP COMPANIES / ASSOCIATE CONCERNS

There is one lawsuit, filed by Michael Cann, Alex Chou, Victor Coutin, Erick Jesersen, Janet Lee, Jon Monsarrat, Peter Olszowka, Jeff Paradiso, Rickland Powell, and Jonathan Venezian. These persons claim to have worked for an affiliate company of CellExchange Inc as sub-contractors and have filed a petition in the Superior Court of Middlesex (Civil Action. No. 01-1312) seeking damages collectively amounting to US \$ 181,630/-. CellExchange Inc being an affiliate company has also been named as a defendant in the case. The case is pending for hearing.

For details please refer page no [?] of this Draft Prospectus under the heading “Outstanding Litigations”.

2. LOCATION FOR THE PROJECT NOT IDENTIFIED:

The Company has not identified the location at which the proposed expansion of facilities is to be undertaken under the Project.

Management Perception: The Company has not identified the premises so far as it is confident of finalizing the same at a short-notice given the abundant availability of the premises on lease in the vicinity of our present premises.

3. TARGET ACQUISITIONS NOT IDENTIFIED:

The Company has not identified the companies/ products that are proposed to be acquired under the project.

Management Perception: The IT industry consists of several niche players. The Company believes that it should have the wherewithal to grow inorganically as and when it comes across synergistic opportunities. It has planned to equip itself through this Issue to capitalize on the opportunities for inorganic growth.

4. LOSS BY PROMOTER COMPANY M/s INTERNET BUSINESS CAPITAL CORPORATION INC. Further the results of IBCC for the Calender year 2002, 2003, 2004, and six months ended June 2005 are unaudited.

In the year 2002, 2004 IBCC acknowledged loss of US \$ 3,492,762 (about Rs 1674.71 lacs) and US \$ 7,31,421/- (about Rs 317.51 Lacs) respectively. Further based on the unaudited six months results for the June 2005 IBCC had further reported loss of US \$ 69,396/- (about Rs 32.96 lacs).

Management Perception: Internet Business Capital Corporation (IBCC), a holding company that holds about 52.68% pre-issue stake in CTEL is an investment & holding company and is the single largest share holder in CTEL. IBCC also invests in other companies and being an investment company it does not have major operating income & expenditure. This is one of the promoters of CTEL.

IBCC is an investment / venture capital company focused on identifying, developing and investing in early stage internet based business opportunities. Early stage investments are subject to risks where high returns are possible on success and failure rates too are quite high. IBCC has invested in CellExchange Inc and CTEL. The results of the holding company are dependent on the valuations assigned to the companies where IBCC has invested its funds. The nature of business of CTEL is totally different from that of IBCC & it is independently run by professional management. Therefore the losses of this company will not affect the books CTEL.

As per the US Tax and Business Regulations, it is not mandatory for Private and closely held companies to get the accounts audited. Also, though the financials of IBCC for 2002, 2003, 2004 are unaudited, however, the Income tax returns for the same have been filed with US Tax Authorities and the Assessment for the same have been duly complete.

5. POSSIBLE DELAY IN PROJECT IMPLEMENTATION:

Any delay in the implementation of the Project, particularly the expansion of facilities could lead to cost overruns making the expansion Project unviable. The details of the Project are under the heading Objects of the Issue on Page No [?].

Management Perception: We are taking all the required steps in implementing the project with adequate planning and are confident of completing the same on time. We have a track record of expanding the facilities during the last three years at regular intervals.

6. COMPETITIVE BUSINESS ENVIRONMENT:

The area of business we operate in is very competitive and such competition is likely to continue, if not increase in the future.

Management Perception: We have an India based offshore development center that has been assessed at CMMi Level 5. We have successfully built niche practice areas based on our expertise. We also have built good track record of delivering solutions to prominent customers. These factors help us in being competitive in the market.

7. POSSIBLE FLUCTUATIONS IN REVENUES AND EXPENSES:

The revenues track record shows a healthy growth for the past three years. However, for reasons of prudence, that may not be relied upon as an indication of its future performance. It is possible that in the future some of its results of operations may be below the expectations of market analysts and company's investors, which could cause the share price of its Equity Shares to decline significantly.

Factors that affect the fluctuation of its operating results include:

- the proportion of services that the Company perform outside India to those performed at its GDC (Global Delivery Center) in India; the size, timing and profitability of significant service projects and product sales;
- the mix of services and product license revenues;
- the ability to modify and enhance its suite of solution offerings based on customer needs and evolving technologies;
- the changes in its pricing policies or those of its competitors;
- the effect of wage pressures, seasonal hiring patterns and the time required to train and productively utilize new employees, particularly IT professionals;
- the size and timing of facilities expansion;
- unanticipated cancellations, contract terminations or deferrals of projects; and
- unanticipated variations in the duration, size and scope of its projects.

In addition, a significant portion of its revenues is dependent upon the timely completion of various project milestones, which is dependent not only on its abilities but also on the readiness and capability of the project teams of its clients. Delays in meeting project milestones resulting from the deficiencies in its client's project teams will cause cost overruns and adversely affect the working capital.

A significant part of its total operating expenses, particularly expenses related to personnel and facilities, are fixed in advance for any particular period. As a result, unanticipated variations in the number and timing of its projects or employee utilization rates, or in its estimates of the resources required to complete ongoing projects, may cause significant variations in its operating results in any particular period.

There are also a number of factors, other than its performance, that are not within its control that could cause fluctuations in its operating results from period to period. These include:

- the availability and duration of tax benefits and the availability of other Government of India incentives;
- currency exchange rate fluctuations, particularly when the Rupee appreciates in value against foreign currencies, such as the U.S. Dollar, which reduce the Rupee value of its foreign currency revenues;
- changes in Indian law relating to foreign exchange management and to foreign equity ownership of Indian IT companies that could constrain its ability to raise capital outside India through the issuance of equity or convertible debt securities; and
- the economies of India, the United States and our other principal international markets, as well as other general economic factors.

8. POSSIBLE FAILURE TO COMPLETE FIXED-PRICE CONTRACTS WITHIN BUDGET AND ON TIME:

Fixed-price contracts are those contracts where the aggregate amount to be billed is specified in the contract. As a part of our business strategy, a significant portion of our contracts for IT services are on a fixed-price basis, rather than on a time-and-materials basis. We expect to continue to derive a significant proportion of our services revenues from fixed price contracts. Although we use our software engineering methodologies and processes and past project experience to reduce the risks associated with estimating, planning and performing fixed-price, fixed-timeframe projects, we are exposed to the risk of cost overruns, completion delays and wage inflation in connection with these projects. If we fail to estimate accurately the resources and time required for a project, future wage inflation rates, or currency exchange rates, or if we fail to complete our contractual obligations within the contracted time frame, our profitability may suffer.

Management Perception: The Company has been delivering solutions & projects to international clients over the past years. The global delivery center in Hyderabad, has been appraised at CMMi Level 5, which is process level maturity that focuses on continuous process improvements to ensure consistent delivery within control limits of time & effort (therefore costs). This is an ongoing process and the processes have matured at CTEL to be able to estimate time and effort.

9. SALES CYCLES OF SOFTWARE SERVICES ARE LONG :

A client's decision to source software products involves a significant commitment of its resources and is influenced by its budget cycles and usually goes through a structured evaluation process. Consequently, the period between initial contact and the award of a contract is often long, typically ranging from 9 to 12 months, and is subject to delays associated with the budgeting, approval and competitive evaluation processes that normally accompany a significant capital expenditure decision. Such delays could also cause the operating results to vary widely from quarter to quarter.

Management Perception: CTEL's sales & business acquisition process combines traditional sales & marketing effort with high end consultative activity encapsulated & delivered through Executive workshops (called Cambridge Executive Workshops). These provide visibility & access to senior management in customer site & help win sponsors for the projects. This helps us in getting better control on the sales cycle.

10. LIABILITY CLAIMS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS:

Many of our engagements involve projects that are critical to the operations of our customers' businesses and provide benefits that are difficult to quantify. Any failure in a customer's computer system could result in a claim for substantial damages against us, regardless of our responsibility for

the failure. Although we attempt to limit by contract our liability for damages arising from negligent acts, errors, mistakes or omissions in rendering our IT development and maintenance services, there can be no assurance that any contractual limitations on liability will be enforceable in all instances or will otherwise protect us from liability for damages. Although we have general liability insurance coverage, including coverage for errors or omissions, there can be no assurance that coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage or changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, results of operations and financial condition.

11. WE RELY ON A FEW CUSTOMERS FOR A LARGE PORTION OF OUR REVENUES

We have derived, and believe that we will continue to derive, a significant portion of our revenues from a limited number of clients for which we perform large projects. In 2005, our five largest end clients accounted for over 75% of our revenues in the aggregate. In addition, revenues from a large client may constitute a significant portion of our total revenues in a particular quarter. The loss of any principal client for any reason, including as a result of the acquisition of that client by another entity, our failure to meet that client's expectations, or that client's decision to reduce spending on technology-related projects, could have a material adverse effect on our business, financial condition and results of operations.

Management Perception: The company's sales & delivery process is built on customer intimacy foundation & helps develop relationships with the customers. While the delivery & account managers focus on client satisfaction and revenue enhancement from ambit of existing engagements.

12. POSSIBLE MISAPPROPRIATION OF INTELLECTUAL PROPERTY RIGHTS:

The Company regards the software products developed with our investments as proprietary intellectual property and rely on a combination of copyright laws, license agreements, confidentiality agreements with employees, nondisclosure and other contractual confidentiality requirements imposed on our customers and third parties with whom the Company has entered into marketing, distribution, implementation and/or support services agreements, to protect our proprietary intellectual property rights.

The Company requires all its employees to enter into non-disclosure and assignment of rights arrangements to limit access to and distribution of our customer's proprietary/confidential information as well as our own. The Company can give no assurance that the steps taken by it in this regard will be adequate to enforce its intellectual property rights. If our customer's proprietary rights are misappropriated by the Company's employees in violation of any applicable confidentiality agreements, the Company's customers may consider it liable for that act and seek damages and compensation from it.

Although the Company believes that our products and services do not infringe upon the intellectual property rights of others and that the Company has all the rights necessary to use the intellectual property employed in our business, there can be no assurance that infringement claims will not be asserted against the company in the future. Assertion of such claims against the company could result in litigation. Any such claims, regardless of their outcome, could result in substantial costs to the company and divert management's attention from its operations and require us to pay damages, develop non-infringing intellectual property or acquire licenses to the intellectual property that is the subject of the asserted infringement, which licenses, if available, could be on

unreasonable terms. This could have a material adverse effect on our business, financial condition and results of operations.

The laws in certain countries in which the Company may operate in future do not protect intellectual property rights to the same extent as the laws in the United States, and the global nature of our IT services and the Internet makes it difficult to control the ultimate destination of our products and services. Therefore, our efforts to protect our intellectual property may not be adequate. The misappropriation or duplication of our intellectual property could disrupt our ongoing business, distract our management and employees, reduce our revenues and increase our expenses. The Company may need to litigate to enforce our intellectual property rights or to determine the validity and scope of the proprietary rights of others. Any such litigation could be time consuming and costly. As the number of patents, copyrights and other intellectual property rights in our industry increases, and as the coverage of these rights increase, the Company believes that companies in our industry will face more frequent infringement claims. Defense against these claims, even if not meritorious, could be expensive and divert our attention and resources from operating our company.

13. POSSIBLE INABILITY TO MANAGE GROWTH:

The Company has grown significantly in recent periods. Between the fiscal 2001 and 2005, the Company's CAGR was about 58%. The Company's revenues grew from 150.77 Lacs in CY 2001 to 1425 lacs in CY 2005. The number of employees have also grown in the same period. In addition, in the last fiscal year the Company has undertaken some acquisitions and have expanded the Company's business to include both IT products and services. The Company has also expanded the Company's markets. The Company expects growth to place significant demands on the Company's management and other resources. Specifically, the Company will need to continue to develop and improve the Company's operational, financial and other internal controls, both in India and elsewhere.

Continued growth increases the challenges involved in:

- Recruiting, training and retaining sufficient skilled technical, marketing and management personnel;
- Adhering to the Company's high quality and process execution standards;
- Preserving the Company's culture, values and entrepreneurial environment;
- Developing and improving the Company's internal administrative infrastructure, particularly the Company's financial, operational, communications and other internal systems; and
- Maintaining high levels of client satisfaction.

The Company's growth strategy also relies on expanding the Company's customer base to other parts of the world, including Europe, USA and other parts of Asia. The costs involved in entering these markets may be higher than expected and the Company may face significant competition in these regions. The Company's inability to manage growth in these regions may have an adverse effect on the Company's business, results of operations and financial condition.

Management Perception: The Company has attracted and retained a strong senior management in anticipation of challenges in managing growth. We will continue to enhance our senior management bandwidth, as per the future needs.

14. POSSIBLE INABILITY TO ATTRACT, TRAIN, MOTIVATE AND RETAIN EMPLOYEES:

The Company's ability to execute current and future projects and to obtain new customers depends, in large part, on its ability to attract, train, motivate and retain highly skilled personnel, particularly project managers, project leaders and domain experts. The Company believes that there is significant demand for personnel who possess the skills needed to perform the services the Company offers. Its inability to hire and retain additional qualified personnel will impair its ability to bid for or obtain new projects and to continue to expand its business. In fiscal 2005, 2004 and 2003, the employee attrition rates were high. The majority of departing employees comprised highly-trained IT personnel, such as software engineers and project managers with three to four years experience, many of whom joined competing companies. Any increase in the Company's attrition rates, particularly the rate of attrition for experienced software engineers and project managers and leaders, would adversely affect its growth strategy. The Company cannot assure you that it will be successful in recruiting and retaining a sufficient number of technical personnel with the requisite skills to replace those technical personnel who leave. Further, the Company cannot assure you that it will be able to re-deploy and re-train its technical personnel to keep pace with continuing changes in IT, evolving technologies and changing customer preferences. The Company's inability to attract and retain software professionals may have a material adverse effect on its business, result of operations and financial condition.

Management Perception: Through the years, we have faced attrition and been successful in recruiting and training increasing number of people.

15. POSSIBLE DIFFICULTIES IN MANAGING FUTURE INVESTMENTS, PARTNERSHIPS OR ACQUISITIONS:

As part of the Company's growth strategy, it may make strategic investments, establish partnerships and/or make acquisitions relating to complementary businesses, technologies, services or products. It may not identify suitable investment opportunities, partners or acquisition candidates. If the Company does identify suitable investment opportunities, partners or acquisition candidates, the Company may be unable to negotiate terms commercially acceptable to itself or complete those transactions at all. If the Company acquires another company or form a new joint venture or other strategic partnership, the Company could have difficulty in integrating that company's business, including personnel, operations, technology and software, with its business. In addition, the key personnel of an acquired company may decide not to work for it. Any potential acquisition, alliance or joint venture could involve a number of specific risks, including diversion of management's attention, higher costs, unanticipated events or circumstances, legal liabilities, failure of the business of the acquired company, fall in value of investments and amortisation of acquired intangible assets, some or all of which could have a material adverse impact on its business, financial condition and results of operations. In the event that the Company plans to acquire or invest in an overseas company, the Company may be required to obtain the prior approval of the RBI, other regulators and/or the Government of India and there can be no assurance that such approvals will be obtained in a timely manner or at all.

The Company may finance future investments, partnerships or acquisitions with a portion of the net proceeds from the Issue, as well as with cash from operations, its existing cash balances, debt financing, the issuance of additional Equity Shares or a combination of these. The Company cannot guarantee that it will be able to arrange financing on acceptable terms, if at all, to complete any such transaction. Investments, partnerships or acquisitions financed by the issuance of its Equity Shares would dilute the ownership interest of its shareholders. As of the date of this Draft Prospectus, the Company has no definitive commitment or agreement for any material investment, partnership or acquisition.

Management Perception: The Company has a track record of managing business through strategic alliances working with people of varied backgrounds. We expect this management strength to help us address the above risks.

16. POSSIBLE TERMINATION OF CONTRACTS BY CLIENTS:

The clients typically retain the Company on a non-exclusive, project-by-project basis. Most of the client contracts, including those that are on a fixed-price basis, can be terminated with or without cause, with between 30 and 60 days' notice and without termination-related penalties. Additionally, the Company's contracts with clients are typically limited to discrete projects without any commitment to a specific volume of business or future work. The Company's business is dependent on the decisions and actions of its clients, and there are a number of factors relating to the Company's clients that are outside its control that might result in the termination of a project or the loss of a client, including:

- Financial difficulties for a client;
- A change in strategic priorities, resulting in a reduced level of IT spending;
- A demand for price reductions;
- A change in outsourcing strategy by moving more work to client in-house IT departments or to its competitors; and
- The replacement by its clients of existing software with packaged software supported by licensors. Its client contracts are often conditioned upon its performance, which, if unsatisfactory, could result in less revenue generated than anticipated. A number of the Company's contracts have incentive-based or other pricing terms that condition some or all of its fees on its ability to meet defined goals. The Company's failure to meet these goals or a client's expectations in such performance-based contracts may result in a less profitable or an unprofitable engagement.

Management Perception: The company's sales effort focuses on continuously adding new leads & developing new potential accounts & account management & delivery team is responsible for expansion of the revenue from the existing accounts. This process has helped company in getting steady growth in income in the past.

17. RELIANCE ON THIRD PARTIES FOR SALES AND IMPLEMENTATION SERVICES:

The Company sells its products and services directly through the sales teams and indirectly through third parties with whom the Company has entered into channel partnership/ franchisee/ business advisor agreements. If the Company fails to maintain and expand its relationships with its channel partners, its business, financial condition and results of operations could be adversely affected.

Management Perception: The above are inherent industry-specific risks, which we are subject to as one of the players in the industry. Risk management is one of the functions our senior management who by remaining diligent respond to the situations as they arise.

18. LIKELIHOOD OF DISCONTINUANCE OF EMPLOYMENT BY KEY TECHNICAL AND MANAGERIAL PERSONNEL:

The Company is highly dependent on the senior members of its technical and management team, including the continued efforts of its Executive Chairman, and Chief Executive Officer, its whole-time Directors, and other members of senior management. Its future performance may be affected by any disruptions in the continued service of these persons. The Company does not maintain any key person insurance for any of its key personnel. Competition for senior management in its industry is intense, and the Company may not be able to retain such senior technical and management personnel or attract and retain new senior technical and management personnel in

the future. The loss of any members of its senior management or other key personnel may have a material adverse effect on its business, results of operations and financial condition. For details of the key managerial personnel, please refer to page [●] of this Draft Prospectus.

Management Perception: The Company is a professionally managed organisation and its key management team owns a significant stake in it by way of ESOPs and further they consider their roles in the Company as significant milestone in their respective careers.

19. POSSIBLE DILUTION OF SHAREHOLDING DUE TO FUTURE EQUITY ISSUES:

Investors applying for the Equity Shares in this Issue may experience dilution of their shareholding to the extent the Company makes future equity offerings and to the extent additional options are issued under its employee stock option scheme.

20. THREATS AND WEAKNESSES:

As identified by the Appraising Agency through their Appraisal Report, the following are the threats and weaknesses *vis-à-vis* our company as follows:

Threats:

- CTEL and its parent company are highly dependent on US market. Any move by the Government of US to ban outsourcing of contracts by US companies may affect the revenue of the company.
- Though Global 2000 enterprises are known to have large spenders on IT and thus the market space for CTEL is large, these large spenders tend to consolidate their vendor base from time to time dropping several medium sized vendors from their vendor list.
- CTEL's business depends on quality professionals and their longevity with the company. The brand image or size of company that improve retention are not at a level to bring employee attrition to well below industry norms. The company has been taking measures for improving these factors but the results will take time to come about.
- Due to high competition in the software industry, Company is likely to be threatened by high attrition rate.

Weaknesses:

- CTEL's revenues are highly dependent on a small number of clients. The loss of any of the major clients or a decrease in the volume of work outsourced by them or a decrease in the price at which they outsource would adversely affect revenues and profitability.
- The Company does not have own marketing arrangements and solely dependent on parent company for orders.
- The success of CTEL depends largely upon its highly skilled software professionals and its ability to attract and retain these personnel.
- The Company has no visible brands.

21. ALLOTMENTS IN PREVIOUS 12 MONTHS:

The Company has issued shares to employees at a price which may be lower than the expected issue price within the previous 12 months, the details of which are appearing under the Head "Share Capital History of the Company" on page [?] of the Draft Prospectus.

22. FOREIGN EXCHANGE RISK

The Company is exposed to Foreign Currency Risk

Management Perception: The Company is exposed to foreign exchange risk since significant portion of the company's revenues are denominated in U.S. Dollars and other foreign currencies while its costs are denominated in Indian Rupees. Hence, the financial performance of the company is vulnerable to fluctuations in the foreign exchange rates.

23. DEPENDENCE ON IPO PROCEEDS

The expansion plan of the Company is partially funded from this IPO. Any delay/failure of the same, may adversely impact the implementation of the project.

Management Perception: The management is aware of the fact and will make alternate funding arrangements through an equitable mix of secured/unsecured loans and contribution from the promoters, should there be any eventuality such as delay or failure of IPO.

24. DEPLOYMENT OF FUNDS PENDING UTILISATION

Pending utilisation of funds, the investors may incur opportunity cost for its funds.

Management Perception: Pending Utilisation of the issue proceeds, our Company intends to keep the proceeds of the Issue in fixed deposits in a separate account with any of the Scheduled Commercial Bank for the necessary duration.

25. FURTHER ISSUE OF EQUITY SHARES

The Company may require further issue of Equity Shares to satisfy the capital needs of the company for any further expansion thus any further Equity offerings by the Company may lead to dilution of shareholding or may affect the market price of its equity shares.

Management Perception: The major part of capital requirements of the proposed expansion is being raised through this IPO and balance through Debt and Internal Cash Accruals. In the near future there are no plans to issue further Equity Shares. In case the Company decides to raise additional funds through the issuance of Equity, the same would be done for further value creation for the shareholders of the Company and after taking adequate consent from them.

26. The Net Tangible Assets proposed to be acquired from the total Project Cost is around 500 Lacs which represents 16.30% of the proposed project.

Management Perception: The project is mainly focused on enabling a rapid growth for the company through two main elements – Inorganic growth through strategic acquisitions, creation of reusable frame work, component library & competency centres for SOA practice, besides enhancing the working capital funds to sustain and support the growth. All these are substantially intangible in nature yet essential for a IT services company like CTEL.

27. CONTINGENT LIABILITIES:

Contingent liabilities not provided for in respect of a claim against the Company not acknowledged as debt and disputed in appeal for Rs.30 lacs.

Management Perception: The said claim is related to the notice received from M/s cvMail Services Pty Limited, Australia. The company filed a suit against the company. On 30 January 2006, CTEL filed in the City Civil Court at Hyderabad Plaint O.S. No. 40 of 2006, which includes the affidavit of Y. Ramesh Reddy dated the same day, seeking a declaration and permanent injunction declaring cvMail's notice terminating the Contract as invalid. CTEL & cvMail have since discussed the matter mutually and agreed to settle the matter through a compromise memorandum filed in the court, and simultaneously signed a Release deed. In the deed & memorandum, both the parties (cvMail Services Pty Ltd & CTEL) agreed to waive all damages claims made till date and also indemnifying both the parties (cvMail & CTEL) from any further litigations in the matter. The compromise memorandum duly signed by Authorized signatories of respective companies has been filed in the City Civil Court at Hyderabad UNDER ORDER XXIII RULE 3 READ WITH SECTION 151CIVIL PROCEDURE CODE, 1908 AS AMENDED BY C.P.C. (AMENDMENT) ACT, 1999. In view of the claims having been waived by both parties no provision has been made.

28 Our Company is yet to place orders for equipments to be purchased for the facilities mentioned under the heading Objects of the Issue

Management Perception: The schedule for placement of orders for equipment is prepared on a well designed plan of action aimed at realistic lead time, and most efficient utilization of resources. The company is confident of meeting the implementation schedule by placing orders for machinery at the most appropriate time.

29. Restrictive Covenants in Loan Agreements

There are restrictive covenants in the agreements for short term and long-term borrowings from banks, among other things, which require the Company to obtain the approval of these banks or provide restrictions, namely for, issuing new securities (debt or equity), change in management, effecting mergers, consolidations or sales of assets, incurring capital expenditure beyond certain limits, declaring dividends, undertaking material diversification in the business of other companies or creating subsidiaries or making certain investments. Some of these borrowings also contain financial covenants, which may limit Company's ability to borrow additional money. The Company cannot assure the shareholders that its lenders will provide it with these approvals in the future.

Management Perception: There are no unusual covenants apart from standard covenants imposed by all institutional lenders in India. The company views them as agents for ensuring fiscal discipline rather than restrictive covenants hampering operational flexibility.

II RISK FACTORS EXTERNAL TO THE COMPANY:

1. CHANGES IN THE REGULATORY FRAMEWORK

Changes in the regulatory framework set up for the growth of Information Technology sector may affect the operations of the Company adversely.

Management Perception: Recently, the Government of India has introduced various policies and measures to accelerate the growth in textile sector including interest rate subsidies, duty / tax reimbursement schemes like duty drawback / DEPB. Withdrawal or modifications in these measures may adversely impact the revenues and profitability of textile companies in India including CTCL.

2. EXCHANGE RATE FLUCTUATIONS

Exchange Rate fluctuations may have impact on the performance of the Company.

Management Perception: The Company is exposed to exchange rate fluctuations. Uncertainties in the global financial market may have an adverse impact on the exchange rate between Rupee vis-à-vis other currencies. The exchange rate between the Rupee and other currencies is variable and may continue to fluctuate in the future. Such fluctuations can have a serious impact on the revenues from the export business of the Company.

3. CHANGES IN GOVERNMENT POLITICAL SITUATION

Political situation and changes in the Government of India may affect the performance of the Company.

Management Perception: The Government of India has pursued the economic liberalization policies including relaxing restrictions on the private sector over the past several years. The present Government has also announced policies and taken initiatives that support continued economic liberalization. There is no assurance that the liberalization policies of the government will continue in the future. Protests against privatization could slow down the pace of liberalization and deregulation. A significant change in India's economic liberalization and deregulation policies could disrupt the business and economic conditions in India.

4. NATURAL DISASTERS

Natural disasters could disrupt our operations and result in loss of revenues and increased costs.

Management Perception: The business of the Company is exposed to man-made and natural disasters such as, explosions, earthquakes, storms and floods as well as to terrorist attacks or other enemy actions. The occurrence of a man-made or natural disaster, terrorist attack, enemy action or other accidents could disrupt the operations of the business of the Company and result in loss of revenues and increased costs.

5. GLOBAL COMPETITIVE ENVIRONMENT

Company operates in Globally competitive environment, which may force to reduce the prices of its products which may reduce its revenues and margins and/or decrease its market share, either of which could have a materially adverse effect on its business, financial condition and results of operations.

Management Perception: The Company endeavors to increase its scope, volume and value of business in a competitive and riskprone environment. The company has also an advantage over overseas players on account of their lower operating cost.

6. CHANGES IN THE DOMESTIC TAX LAW

Any changes in the Domestic tax laws in India particularly income tax might lead to increased Tax Liability of the Company thereby putting pressures on profitability.

Management Perception: Change in tax laws, particularly income tax, can have impact on the post tax profits of the Company.

7. POST-ISSUE VOLATILTY IN PRICES OF THE SCRIP:

The price of the Company's equity shares in Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

- a) Volatility in the Indian and Global securities market;
- b) The results of operations and performance;
- c) Perceptions about the Company's future performance or the performance of other Indian companies in the same industry;
- d) Performance of the Company's competitors in the industry and market perception of investments in the sector;
- e) Adverse media reports on the Company or on the industry;
- f) Change in the estimates of the Company's performance or recommendations by financial analysts;
- g) Significant development in India's economic liberalization and deregulation policies; and
- h) Significant development in India's fiscal and environmental regulations.

There can be no assurance that an active trading market for the equity shares will develop or be sustained after this Issue, or that prices at which the Company's equity shares are initially offered will correspond to the prices at which the Company equity shares will trade in the market subsequent to this Issue. The Company's share price could be volatile and may also decline.

Management Perception: There has been no public market for the Company's equity shares till now and the prices of the Company's 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 prices at which the Company's equity shares are initially offered will correspond to the prices at which the Company equity shares will trade in the market subsequent to this Issue. The Company's share price could be volatile and may also decline.

8. HIGH VALUATIONS IN THE SOFTWARE / IT SECTOR:

The share prices of companies operating the Software/ IT Sector are at present, enjoying high valuation in the market place, which may or may not sustain in the future. There are no standard valuation methodologies to measure or predict the valuations of the companies operating in this segment. Our Company's operations and business models are not strictly comparable with any other player in the industry.

9. STABILITY OF POLICIES & POLITICAL SITUATION:

A significant change in India's economic liberalization and deregulation policies could affect the business and economic conditions in India, which in turn could have an impact on the Indian companies with a concurrent effect on the market for the Company's products and services.

MP: The economic liberalization process is continuing in India and there is a reasonable consistency in the policies inspite of despite change in the governments and we have a reason to believe that it will continue through the foreseeable future.

10. VOLATILTY IN SHARE PRICES:

The price of the Company's equity shares in Indian stock exchanges may fluctuate after this Issue as a result of several factors, including:

- a. Volatility in the Indian and Global securities market;
- b. The results of operations and performance;
- c. Perceptions about the Company's future performance or the performance of Indian software companies;
- d. Performance of the Company's competitors in the Indian Software industry and market perception of investments in the Indian software sector;
- e. Adverse media reports on the Company or on the Indian software industry;
- f. Change in the estimates of the Company's performance or recommendations by financial analysts;
- g. Significant development in India's economic liberalization and deregulation policies; and
- h. Changes in the applicable tax incentives;
- i. Significant development in India's fiscal and environmental regulations.
- j. The exchange rate of USD or any other relevant currency; and
- k. General political and security environment in the country and across the globe.

MP: There has been no public market for the Company's equity shares till now and the prices of the Company's 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 prices at which the Company's equity shares are initially offered will correspond to the prices at which the Company equity shares will trade in the market subsequent to this Issue. The Company's share price could be volatile and may also decline.

11. POSSIBLE DISRUPTIONS IN TELECOMMUNICATIONS AND BASIC INFRASTRUCTURE:

Any disruption in basic infrastructure could negatively impact our business since we may not be able to provide timely or adequate services to our clients. Such disruptions may also cause harm to our clients' business. We do not maintain business interruption insurance and may not be covered for any claims or damages if the supply of power, IT infrastructure or telecommunications lines is disrupted. This may result in the loss of clients and claims for damages against us, impose additional costs on us and have an adverse effect on our business, results of operations and financial condition.

12. SECURITY THREATS AND INADEQUATE PROTECTION TO COMPUTER SYSTEMS:

Our client contracts require us to comply with certain security obligations, including maintenance of network security, back-up of data, ensuring our network is virus-free and ensuring the credentials of those employees who work with our clients. We cannot assure you that we will be able to comply with all these obligations and not incur any liability. Further, while we have implemented industry-standard security measures, our network may still be vulnerable to unauthorized access, computer viruses and other disruptive problems. A party that is able to circumvent security measures could misappropriate proprietary information and cause interruptions in our operations. We may be required to expend significant capital or other resources to protect against the threat of security breaches or to alleviate problems caused by such breaches. There can be no assurance that any measures implemented will not be circumvented in the future.

13. GLOBALLY COMPETITIVE ENVIRONMENT:

The Company operates in a globally competitive business environment. Growing competition may force it to reduce the price of its products which may reduce its revenues and margins and / or decrease its market share, either of which could have a materially adverse effect on its business, financial condition and results of operations.

MP: The Company endeavours to increase the scope, volume and value of business in a competitive and risk-prone environment. It may rationalize its product and service offerings from time to time to leverage core competency and maintain competitiveness.

NOTES TO RISK FACTORS

1. Public Issue of [?] Equity Shares of Rs. 10/- each for cash at a premium of Rs. [?] per share aggregating to Rs. 2400.00 Lakhs
2. The average cost of acquisition of Equity Shares by the Company's Promoters, is as follows:

Name of the Promoters	Total Number of Equity Shares	Amount in (Rs)*	Average Cost of Acquisition (in Rs.)
Mr Bhaskar Panigrahi	11,87,705	6,53,238/-	0.55
Mr Krish Nangegadda	9,61,284	5,28,706/-	0.55
M/s Internet Business Capital Corporation	48,60,359	26,73,197/-	0.55

*The promoters mentioned above have received the shares by way of a "spin-off" of CTEL (a subsidiary of CellExchange Inc, vide the Shareholders' resolution passed. CellExchange Inc was holding about 88.27% of the shares of CTEL, which were distributed to all the shareholders of CellExchange Inc through the "spin off" in accordance with IRS (United State of America) Chapter 355. The average cost of acquisition for CellExchange Inc was Rs 0.55 (fifty five paise) per share. The promoters above are deemed to have received the shares from CellExchange Inc at the same cost. Hence the average cost of acquisition column has been filled in accordingly.

Spin-Off: IRS Section 355 type D Reorganization deals with Spin-Off that allows tax-free distribution of Stock or Securities in a Controlled 80% Subsidiary.

3. Our Promoters, Directors of the Promoter, Promoter Group, their relatives and associates and our directors have undertaken the following transactions in the Equity Shares of our Company during the last six months:

Sr. No.	Date	Promoter/ Promoter Group	Purchased / Sold	No of Equity Shares	Price per Share
1.	02.05.2006	IBCC	Assigned	48,60,359	0.55**
2.	20.02.2006	Bhaskar Panigrahi	Purchased	100	10.00
3.	21.04.2006	Bhaskar Panigrahi	Bonus	200	0
4.	02.05.2006	Bhaskar Panigrahi	Assigned	11,87,705	0.55**
5.	20.02.2006	Krishna P Nangegadda	Purchased	100	10.00
6.	21.04.2006	Krishna P Nangegadda	Bonus	200	0
7.	02.05.2006	Krishna P Nangegadda	Assigned	9,61,284	0.55**
8.	20.02.2006	D.R.R. Swaroop	Sold	600	10.00
9.	21.04.2006	D.R.R. Swaroop	Bonus	60,000	0

**The promoters mentioned above have received the shares by way of a “spin-off” of CTET (a subsidiary of CellExchange Inc, vide the Shareholders’ resolution passed. CellExchange Inc was holding about 88.27% of the shares of CTET, which were distributed to all the shareholders of CellExchange Inc through the “spin off” in accordance with IRS (United State of America) Chapter 355. The average cost of acquisition for CellExchange Inc was Rs 0.55 (fifty five paise) per share. The promoters above are deemed to have received the shares from CellExchange Inc at the same cost. Hence the average cost of acquisition column has been filled in accordingly.

4. The Book Value per Equity Share as of March 31, 2006 (for the 15 months) was Rs 38.53 per share and as on December 31, 2004 is Rs 11.31 per share based on financial statements.
5. The Net worth of the Company (as restated), as on March 31, 2006 (for the 15 months) was Rs 996.25 Lakhs and as on December 31, 2004 was Rs 322.70 Lakhs. For details please refer to Chapter on ‘Financial Statement’ on page [●] of this Draft Prospectus.
6. Investors are advised to refer the paragraph on “Basis of Issue Price” on page [●] of this Draft Prospectus before making an investment in the Issue.
7. Investors can contact the Lead Manager or the Compliance Officer of the Company for any clarifications/ complaints.
8. For Related Party Transactions, please refer to the section entitled “Related Party Transaction” on page [●] of this Draft Prospectus.
9. Please refer to page [●] of this Draft Prospectus for details on Loans and Advances.
10. Investors are free to contact the lead manager for any clarification or information pertaining to the Issue. All information shall be made available by the Lead Manager and the Company to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever.
11. In the event of over- subscription, allotment shall be made on a proportionate basis in accordance with the SEBI Guidelines and in consultation with The Bombay Stock Exchange Limited (BSE).

SECTION III: INTRODUCTION

SUMMARY

1. SUMMARY OF THE INDUSTRY AND BUSINESS OF THE COMPANY

Investors should read the following summary with the Risk Factors appearing on page number [•] of this Draft Prospectus and detailed information about the Company and its financial statements included on Page No [•] of this Draft Prospectus.

Business overview of the Company:

Cambridge Technology Enterprises Limited (CTEL), is a IT services provider with focus on solving client's business problems by orchestrating change efforts and crafting well-designed IT solutions through innovation, globalization, and adoption of emerging technology trends in SOA (Service Oriented Architecture) delivered through its collaborative and CMMi Level 5 matured global delivery processes. CTET's key value is in its process of solving transformational business problems, engaging and aligning stakeholders, and breaking the deployment into manageable streams of work, and driving execution in rapid spirals to demonstrate quick and constant stream of wins. CTET's proven Executive Workshop model supports rapid business and technical requirement collection, rapid prototyping of alternative solutions, aligning stakeholders, and mapping out high-level deployment plans. CTET's technology services leverage its deep expertise in middleware platforms built on the foundation of Service Oriented Architecture which help in simplifying the enterprise's architecture, save ongoing O&M costs and enhance the organizations' agility and readiness to globalize their business processes.

CTET delivers these solutions through its CMMi Level 5 collaborative global delivery model that uses a solution delivery approach with a proven track record of managing business transformation and change successfully through alignment of stakeholders from the business, technology and the end user community. It includes partner technologies and services as necessary and delivers end-to-end solutions to customers through rapid iterative development spirals on-time and on-budget.

The company's sales and onshore operations are headquartered in the heart of MIT Campus in Cambridge, Massachusetts, with regional centers in Chicago, Jacksonville (Florida) & Topeka (in Kansas state). Cambridge Technology Enterprises' value proposition to the global 2000 enterprises and government bodies in the US has received excellent response from the existing & new target customers.

Founders of Cambridge Technology Enterprises Limited have a successful track record of identifying an emerging technology trend ahead of time and capitalizing on its rapid hockey-stick growth wave by founding and building successful technology companies around that trend. Cambridge Technology Partners, I-Cube, Open Environment Corporation, Primix Solutions & C-Bridge Internet Solutions Inc., are a few of the successful companies founded by them. All these companies have made successful IPOs in the US markets and were listed on NASDAQ.

Cambridge Technology Enterprises Limited has been founded to capitalize on the emerging **SOA** and mobile computing trends, based on a single promise - to deliver the right business results on time and on budget.

INDUSTRY STRUCTURE:

Global IT services spending was estimated at a total of about \$400.0 billion in 2004, representing an increase of approximately 4.6% over 2003, and the forecast according to International Data Corporation for compounded annual global IT spending growth between 2005 and 2009 was estimated at 6% taking the same to over \$512.8 billion by 2008.

As the economy continues to grow, enterprises will continue to focus their business consulting and IT spending on strategies and tools that help them generate more value from past investments in the form of enhanced productivity and efficiency. Specifically, they will be looking to derive maximum value from their existing enterprise applications. Enabling technologies will continue to be used to complement and extend the capabilities of enterprise and key functional systems. For example, Business Process Management (BPM) tools will give companies increased visibility into key business processes that reach across functional and organizational boundaries. Not only may BPM help reduce error rates and cycle times by automating workflow, it may also increase the efficiency and productivity of all the people and systems that collaborate on individual processes.

There are a well defined market opportunities around the need for better real-time performance measurement and strategic decision-making. Many companies seek to link optimized processes directly to technology and consolidate the gains of their business process re-engineering efforts. Enterprise applications and BPM software will continue to play a key role. The companies are expected to continue to embed optimized processes directly into Enterprise Resource Planning (ERP) systems, and use BPM and other enabling technologies to improve ongoing management and control, so they can ensure that streamlined or re-engineered processes continue to deliver cost and performance improvements in the future. Business intelligence, analytics and knowledge management applications are expected to also play an increasingly significant role as companies seek to generate more valuable insight and analysis from their operational and financial data. These enabling technologies will produce real-time enterprises, capable of nearly instantaneous views of current performance and more accurate and efficient planning, forecasting and reporting.

Many companies today face intense competitive pressure and rapidly changing market dynamics. In addition, the evolution of technology and the commercialization of the Internet have contributed to the rapid change in the business environment. In response to these challenges, many companies are focused on improving productivity, increasing service levels, lowering costs and accelerating delivery times. In order to achieve these goals, companies are implementing a broad range of technologies, such as, e-business, e-commerce, Data Warehousing, CRM, SCM, SOA, EAI, and mobile computing. These implementations and integration of these systems with each other and requirement to fill some gaps in these applications give rise to many opportunities for System Integrators to provide services and solutions to such companies.

Source: Company data

Emerging Market Trend – Service Oriented Architecture (SOA)

Service-oriented architecture (SOA) is the latest step in the evolution of software, aiming at greater simplicity, less effort, and more speed through modularity and simplicity. Over time, this evolution has seen the redefinition of "units of work" within software applications from low-level technical items to elements closer to work understood in a business context: from handling internal demands for storage access and output drivers, then later by transaction monitor and database services (commits and so forth), to the new level of addressing business steps or tasks. In its research report, IDC states that "Service Oriented Architecture (SOA) is being heralded as the most effective way to overcome the complexities involved in creating businesses that are agile and adaptive enough to address the ever-changing market dynamics, according to research firm IDC. The study claims that SOA will need to be leveraged in every service offering that is part of a vendor's portfolio in order to best capitalize on this opportunity, partnering and partnerships are also going to be essential in order to deploy SOA, particularly as engagements become increasingly complex and large in scope."

It also states that the SMB market opportunity will become increasingly promising as smaller and mid-sized firms begin to understand the benefits from SOA implementation.

Source: IDC

Global IT Market Structure

Key Findings of NASSCOM Strategic Review 2006 released

- IT-ITES sector estimated to grow by 28%, to account for 4.8% of GDP in FY06
- Employment in software and services sector to touch 1,287,000
- Software and service exports to grow by 32%, to reach USD 23.4 billion

NASSCOM, the premier trade body and 'voice' of the IT software and service industry in India, today announced the key findings of the **Strategic Review 2006**, on the eve of its fifteenth annual event 'NASSCOM 2006: India Leadership Forum', scheduled from February 15-17, 2006 in Mumbai.

According to NASSCOM: "The Indian IT-ITES sector continues to chart double-digit growth and is expected to exceed USD 36 billion in annual revenue in FY06. Out of this, software and services exports are estimated to grow by 32%, to reach USD 23.4 billion in FY06. Indian IT-ITES is well on track to achieve the targets that the industry aspires to achieve by the end of the decade."

"2005 offered a steady growth for the industry. Along with increased presence of Indian IT companies across the globe, we saw new services lines emerging and the Industry reached the next level in services offered. Mergers and acquisitions by Indian players was also a key trend. In spite of the growth seen so far, it is estimated that less than 10 percent of the addressable market for globally sourced IT-ITES has been captured till date, indicating significant headroom for growth."

Estimates for FY06 (in USD billion)	
Sector	Figures
IT Software and Services Exports	23.4
Hardware	6.9
Domestic Market	6.1
Total IT-ITES Sector	36.3
*Total may not match due to rounding off	

The Strategic Review 2006 reviews the industry's performance in 2005, estimates the growth expected in the current fiscal (FY06) details the service line trends observed across the various industry segments over the past year, presents an assessment of India's competitiveness as a sourcing destination, analyzes the sustainability each individual factor contributing to India's leadership position and provides a view of the outlook projected for the global and Indian IT-ITES industries - outlining the opportunities, challenges and agenda for key stakeholders to further extend India's leadership in this space.

Key highlights of the NASSCOM Strategic Review 2006

- **Steady growth:** The Indian IT-ITES expected to exceed USD 36 billion in annual revenue in FY06, an increase of nearly 28 percent in this current fiscal
 - Exports to account for nearly two-thirds of the total revenues IT-ITES sector to contribute to 4.8 percent of GDP in FY06
 - Engineering and R&D, software products hold significant opportunity for India - growing at 37% and 43% (CAGR FY 2003-06E), respectively
 - Indian IT-ITES sector on track to achieve the targeted USD 60 billion in exports by FY 2010

IT Industry-Sector-wise break-up

USD billion	FY 2004	FY 2005	FY 2006E
IT Services	10.4	13.5	17.5
-Exports	7.3	10.0	13.2
-Domestic	3.1	3.5	4.3
ITES-BPO	3.4	5.2	7.2
-Exports	3.1	4.6	6.3
-Domestic	0.3	0.6	0.9
Engineering Services and R&D, Software Products	2.9	3.9	4.8
-Exports	2.5	3.1	3.9
-Domestic	0.4	0.8	0.9
Total Software and Services Revenues	16.7	22.6	29.5
Of which, exports are	12.9	17.7	23.4
Hardware	5.0	5.9	6.9
Total IT Industry (including Hardware)	21.6	28.4	36.3

Total may not match due to rounding off

*NASSCOM estimates have been reclassified to provide greater granularity

-Revenues from Engineering and R&D services and Software Products reported separately (erstwhile clubbed with IT Services / ITES-BPO)

Source: <http://www.nasscom.org>

ISSUE DETAILS IN BRIEF:

Equity Shares Offered:	
Total Equity Shares	[●] Equity Shares of Rs 10/- each
Of which:	
Reservation for Employees of the Company	2,50,000 Equity Shares of Rs 10/- each for Cash at a premium of Rs [●] per Equity Share
Firm Allotment to Lead Manager to the Issue	5,000 Equity shares of Rs 10/- each at a premium of Rs [●] per share.
NET OFFER TO THE PUBLIC	[●] Equity shares of Rs 10/- each at a premium of Rs [●] per share (i.e. at a price of Rs [●] per share)
Qualified Institutional Buyers portion (10% of the Net offer to public)	Minimum of [●] Equity shares to be compulsorily subscribed and allotted.
Retail Investors (50% of the Net offer to Public)	At least [●] Equity Shares of Rs 10/- each (Allocation on Proportionate Basis)
Non Institutional Portion (40% of the Net offer to Public)	Not more than [●] Equity Shares of Rs 10/- each (Allocation on Proportionate Basis)
In case of Under subscription in the Qualified Institutional Buyers portion, the same shall not be available to other categories and full subscription monies shall be refunded. Under-subscription, if any, in the Non-Institutional portion, Retail portion and Employees reservation portion shall be allowed to be met with spillover from the other categories, at the sole discretion of the Company and Lead Manager.	
Equity Shares outstanding prior to the Issue	95,08,470 Equity Shares of Rs 10/- each
Equity Shares outstanding after the Issue*	
▪ At Lower Price Band of Rs 63	1,33,17,994 Equity Shares of Rs 10/- each
▪ At an Upper Price Band of Rs 75	1,27,08,470 Equity Shares of Rs 10/- each

* To be decided once the public issue price is freed.

SUMMARY FINANCIAL DATA

You should read the following information together with the information contained in the Auditors' report included elsewhere in the Draft Prospectus

Summary of Financial Data under Indian GAAP

Statement of Profits & Losses, as restated

(Rs. In Lakhs)

		For the Year/ period ended* on				
	Particulars	31.12.2001	31.12.2002	31.12.2003	31.12.2004	31.03.2006*
						(15 months)
	Income					
	Software services & products	147.66	239.26	640.73	1,049.85	1,840.40
	Other Income	3.11	1.91	1.23	0.28	25.60
	Increase / (Decrease) in Stock	-	-	-	-	-
	Total Income	150.77	241.17	641.96	1,050.13	1,865.99
	Expenditure					
	Software Development and other expenses	136.86	175.84	533.45	870.14	1,429.11
	Interest	2.56	1.02	1.52	6.88	3.81
	Depreciation & Amortization	21.51	31.83	22.53	35.55	47.42
	Total Expenditure	160.93	208.69	557.50	912.57	1,480.34
	Profit Before Tax	(10.16)	32.48	84.46	137.56	385.66
	Provision for Tax					
	Current Tax	0.10	1.00	1.16		1.65
	Deferred Tax	1.37	0.25	(0.30)	(0.45)	
	Profit After Taxation as per audited accounts A)	(11.63)	31.23	83.60	138.01	384.00
	Net Profit /(Loss)	(11.63)	31.23	83.60	138.01	384.00
Add:	Profit & Loss A/c at the beginning of the Period	43.97	32.34	53.09	136.69	274.70
Less:	Prior Period taxes	-	0.50	-	-	-
	Loss on Buy back of shares	-	4.99	-	-	-
	Amount transferred to Capital Redemption Reserve	-	4.99	-	-	-
	Profit/(Loss) available for appropriation	32.34	53.09	136.69	274.70	658.70
	Transferred to share capital on allotment of bonus	-	-	-	-	215.05
	BALANCE CARRIED FORWARD	32.34	53.09	136.69	274.70	443.65

Statement of Assets and Liabilities as Restated

(Rs. In Lakhs)

	As at	31.12.2001	31.12.2002	31.12.2003	31.12.2004	31.03.2006 (15 months)
A	FIXED ASSETS					
	Gross Fixed Assets	101.48	86.94	155.60	195.15	209.39
	Less: Accumulated Depreciation	21.38	38.34	60.88	96.43	140.84
	Net Fixed Assets	80.10	48.60	94.72	98.72	68.55
	Capital work in progress	-	4.50	-	-	-
		80.10	53.10	94.72	98.72	68.55
B	INVESTMENTS	20.27	-	-	31.00	388.10
C	CURRENT ASSETS, LOANS & ADVANCES					
	Inventories	-	-	-	-	-
	Sundry Debtors	77.13	46.55	74.63	231.33	352.05
	Cash & Bank Balances	34.74	33.26	6.08	40.68	6.31
	Loans & Advances	15.18	14.21	90.73	33.77	335.06
		127.05	94.01	171.44	305.78	693.42
D	LIABILITIES AND PROVISIONS					
	Secured Loans	2.27	1.58	6.47	21.61	2.65
	Unsecured Loans	-	-	-	-	-
	Deferred Tax Liability	-	0.75	0.45	-	-
	Share Application Money	0.02	0.52	0.02	0.02	-
	Current Liabilities & Provisions	145.43	43.74	74.53	122.09	151.45
		147.72	46.59	81.47	143.72	154.10
E	NET ASSETS (C - D)	(20.67)	47.42	89.97	162.06	927.42
F	NET WORTH (A + B + E)	79.70	100.52	184.69	291.78	995.97
	Represented by					
	Share Capital	47.50	42.51	43.01	43.01	308.06
	Reserves & Surplus	32.20	58.01	141.68	248.77	687.91
G	NET WORTH	79.70	100.52	184.69	291.78	995.97

GENERAL INFORMATION

CAMBRIDGE TECHNOLOGY ENTERPRISES LIMITED

Cambridge Technology Enterprises Limited ('CTEL' or 'the Company') was originally incorporated on 28th January 1999 as Unique Solutions (India) Private Limited at Hyderabad, Andhra Pradesh under the Companies Act, 1956 vide Registration No. **01-30997 of 1998-99**. The name of the Company was changed to Cell Exchange (India) Private Limited on 21st January 2003 and subsequently to Cambridge Technology Enterprises Pvt Ltd on 12th March 2004 which was reverted back to its old name i.e. Cell Exchange (India) Private Limited on 22nd July 2004 and on 16th March 2005 the name was changed to Cambridge Technology Enterprises Private Limited. Thereafter it was converted into a public limited company after passing the necessary resolution in the Extra Ordinary General Meeting held on 14/03/2006 and the Registrar of Companies, Andhra Pradesh, Hyderabad had issued a fresh certificate of incorporation consequent on such conversion on 31/03/2006 and the present name of the Company is Cambridge Technology Enterprises Limited

Registered Office: 4th Floor, Sufi Chambers,
 Road Number 1, Banjara Hills,
 Hyderabad – 500 034, A.P., India
Tel: +91-40- 55668020;
Fax: +91-40- 5562-8051
E-mail: ipo@ctepl.com
Website: www.ctepl.com

Contact person: Mr. T N Kannan, Compliance Officer

Registration Number: 01-30997

Registered with Registrar of Companies: Kendriya Sadan, Koti, Hyderabad, Andhra Pradesh.

AUTHORITY FOR THE ISSUE:

The Issue has been authorized pursuant to a resolution of the Board of Directors of the Company passed at its meeting held on April, 13, 2006 and by a Special Resolution passed under section 81(1A) of the Companies Act, 1956 at the Annual General Meeting of the Company held on April 21, 2006.

BOARD OF DIRECTORS:

The Company is currently managed by Board of Directors comprising of six Directors. The Board of Directors comprises of the following persons:

Sr. No	NAME OF THE DIRECTOR	DESIGNATION	STATUS
1	Mr. Bhaskar Panigrahi	CEO and Chairman	Executive
2	Mr. Swaroop Dharani R R	Whole Time Director	Executive
3	Mr. Krishna Nangagedda	Whole Time Director	Executive
4	Mr Pavan Deep Singh Chahal	Additional Director	Independent
5	Mr Ranganathan Natarajan	Additional Director	Independent
6	Mr H K Katti	Additional Director	Independent

PROFILE OF THE CHAIRMAN, MANAGING AND WHOLE TIME DIRECTORS OF THE COMPANY:**Mr Bhaskar Panigrahi, Chief Executive Officer & Chairman**

Prior to Cambridge Technology Enterprises, Mr **Bhaskar** served as the CEO of Unique Computing Solutions, an Internet technology and services firm. He also co-founded e-Solutions Integrator in 1999, an e-business consulting firm, which subsequently merged with Unique Computing Solutions. Bhaskar completed his BS in Computer Science, and prior to Unique Computing Solutions and e-Solutions Integrator, he served as a technologist at IBM, State Street Bank and TELCO as the chief architect of some of the Web's earliest products. For the details of his remuneration please refer to page [●] of this Draft Prospectus under the caption "Terms Of Appointment And Compensation Of Whole-Time Directors".

Mr Swaroop Dharani – Whole-time Director

Mr Swaroop heads the overall operations in India and specifically responsible for all the corporate governance and statutory compliances related aspects of CTE. Prior to his association with CTE Swaroop co-founded a successful IT Systems Integration company with a team size of over 150 personnel. Swaroop is a Graduate Engineer in Electrical Engineering from Jawaharlal Nehru Technological University, India. For the details of his remuneration please refer to page [●] of this Draft Prospectus under the caption "Terms Of Appointment And Compensation Of Whole-Time Directors".

Mr Krishna Nangegadda, Whole-time Director

Mr Krishna founded Unique Computing Solutions in 1995 and built it into one of North America's fastest growing organizations, which later merged with CellExchange. Krishna also founded UNICS InfoTech Ltd in 1986, one of the most successful system integration and IT Products Company in India. Prior to becoming an entrepreneur, he worked in sales and business development for two of India's largest corporations - HCL, and Larsen & Toubro Ltd. Krishna holds a BS in Electrical Engineering from Jawaharlal Nehru Technological University, India, and has attended Masters Programs in Harvard and Northeastern Universities in Boston, Massachusetts. For the details of his remuneration please refer to page [●] of this Draft Prospectus under the caption "Terms of Appointment and Compensation of Whole-Time Directors".

For details refer to the section titled "Management-Brief Profile of the Directors" on page no. [?].

LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE
CENTRUM CAPITAL LIMITED SEBI Regn No. INM000010445 UIN No. 100016915 Khetan Bhavan, 5 th Floor, 198, J Tata Road, Churchgate, Mumbai- 400 020. Tel: +91-22- 30280400 Fax: +91-22- 2204 6096 Email: ctel@centrum.co.in Website: www.centrum.co.in Contact Person: Mr. Mayank Dalal	BIGSHARE SERVICES PVT LTD SEBI Regn No. INR000001385 UIN No. 100003467 E-2, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri East, MUMBAI - 400 072. Tel: +91 - 22 - 2847 3747/3474 Fax: +91 - 22 - 2847 5207 Email: bigshare@bom7.vsnl.net.in Website : www.bigshareonline.com Contact Person: Mr. V. Kumaresan
COMPANY SECRETARY & COMPLIANCE OFFICER	AUDITORS OF THE COMPANY
T N Kannan 4 th Floor Sufi Chambers, Road No.1 Banjara Hills, Hyderabad -500034 Tel: +91-40-55668020 Exn 609 Fax: +91-40 - 55628051 Email: ipo@ctepl.com	M/s. Narven Associates, Chartered Accountants 313-Lingapur House Himayat Nagar Main Road Hyderabad - 500 029 Ph : + 91 40 2322 0927 Fax : +91 40 2322 4660 Email: hyd1_narven@sancharnet.in Contact Person: Mr Ramana
BANKERS TO THE COMPANY	BANKERS TO THE ISSUE
UTI Bank 6-3-879/B, Greenlands, Begumpet Road, Hyderabad - 500016 Tel: +91-40 - 23405182 Fax: +91-040 - 23407184 Email: sreenivasa.reddy@utibank.co.in Website: www.utibank.com Contact Person: Sreenivasa Reddy	<i>Will be appointed Later</i>
LEGAL ADVISORS TO THE ISSUE	
V S Raju & Associates Advocates and Advisors 106, Dhanunjaya Towers, Main Road, Banjara Hills, Hyderabad – 500 034. A.P. India Tel: 91-040-55668807 Fax: 91-040-23398807 Email: cambridgeipo@vsraju.com Contact Person: Mr V S Raju	

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

BROKERS TO THE ISSUE

All members of the recognized Stock Exchanges would be eligible to act as Brokers to the Issue.

INTER-SE ALLOCATION OF RESPONSIBILITIES

Centrum Capital Limited is the sole Lead Manager to the Issue

IPO GRADING

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

CREDIT RATING

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

TRUSTEES

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

MONITORING AGENCY

UTI Bank Ltd, Hyderabad vide its letter dated May 18, 2006 has given its consent to act as the Monitoring Agency for Utilization of the Issue proceeds.

APPRAISING ENTITY

The project has been appraised by UTI Bank Limited. The required details of the Appraising Entity are as under:

Address: UTI Bank, Hyderabad – 6-3-879/B, Greenlands, Begumpet Road, Hyderabad -500016

Tel No: +91-40-55841188

Fax: +91-40-23407184

Email: sreenivasa.reddy@utibank.com

UNDERWRITING:

The issue is underwritten as follows:

Sr. No	Name and Address of the Underwriters	Date Of Agreement	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in Lacs)
1	[•]	[•]	[•]	[•]
2	[•]	[•]	[•]	[•]
3	[•]	[•]	[•]	[•]

In the opinion of the Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. 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). The Board of Directors, at their meeting held on [?], have accepted and entered into the Underwriting Agreement mentioned above on behalf of the Company.

Minimum Subscription

If the company does not receive the minimum subscription of 90% of the net offer to the public on the date of closure of the issue and at least 10% of net offer to the public are not subscribed by QIB's or the subscription level falls below 90% after the closure of the issue on account of cheques having been returned unpaid or withdrawal of applications, the company shall forthwith refund the entire subscription amount received. For delay beyond 8 days, after the company becomes liable to pay the amount, the company shall pay interest as per Section 73 of the Companies Act, 1956.

Notes to the Capital Structure:

1. Details of Increase in Authorised Capital:

Date	Increased from		Increased to	
	Number of Shares	Amount (Rs in lacs)	Number of Shares	Amount (Rs in lacs)
On Incorporation	-	-	5,00,000	50.00
July 29 th 2005	5,00,000	50.00	30,00,000	300.00
March 14 th , 2006	30,00,000	300.00	1,50,00,000	1500.00

2. Share Capital History of the Company:

Date on which Equity Shares were allotted and made fully paid-up	Number of Equity Shares	Face Value in Rupees	Issue Price in Rupees	Consideration (Rs)	Reasons for Allotment (Bonus, Swap Etc.)	Cumulative Paid-Up Capital (Rs)	Share Premium in Rupees
28.01.1999	200	10	10	2,000	Subscriber to memorandum	2000	0
18.12.2000	4,74,800	10	10	47,48,000	Allotment to CellExchange Inc. and D.S. Unics Infotech Ltd	47,50,000	0
18.05.2002	49,900	10	20 (Buyback Price)	9,98,000	Buy back by the company	42,51,000	NA
31.10.2003	5,0000	1	1	50,000	Subscribed for cash	43,01,000	0
31.07.2005	21,50,500	10	10	NIL	Bonus in the ratio 5:1	2,58,06,000	0
28.03.2006	5,00,000	10	60	3,00,00,000	Allotment to CTE Employees Trust	3,08,06,000	50
13.04.2006	61,61,200	10	10	NIL	Bonus in the ratio 2:1	9,24,18,000	
23.05.2006	2,66,670	10	75	200,00,000	Allotment to CellExchange Inc for cash	9,50,84,700	65

Notes:

- Bonus Issue on 31.07.2005 in the ratio 5:1 (Five Bonus Shares for every one share held) is made by utilizing Rs. 215,05,000/- from the Free Reserves Account.
- Bonus Issue on 13.04.2006 in the ratio 2:1 (Two Bonus Shares for every one share held) is made by utilizing Rs. 616,12,000/- from the Free Reserves & Share premium account.

3. Cambridge Technology Enterprises Limited was earlier known as Unique Solutions (India) Pvt Limited. In the year 2002, the company decided to buy back its shares from the then existing shareholder "M/s DS UNICS INFOTECH LIMITED". DS UNICS INFOTECH LIMITED held 49,900 shares of Unique Solutions (I) Private Limited of face value Rs 10/-. The buy back was done by the company @ RS 20/- per share (Rs 10/- face value & Rs 10 premium) in terms of section 77A, 77AA & 77B of the companies Act, 1956. The key reason for company offering to buy back its shares from DS UNICS INFOTECH LIMITED was essentially to give them an exit to recover their investment.
4. CTEL has allotted to CellExchange Inc 2,66,670 (Two hundred and sixty six thousand six hundred and seventy only) equity shares of CTEL (the "Shares") having par value of INR 10/- at a premium of INR 65/- at a total price of INR 75/- (Seventy five only) per share, aggregating to a sum of Rs 200 lakhs (the "Purchase Price").
5. The Company after passing necessary resolution in the Extra-ordinary General Meeting held on 5th July 2002 has divided the face value of its equity share from Rs 10/- to Re 1/- each.
6. The Company after passing necessary resolution in the Extra-ordinary General Meeting held on 29th July 2005 has consolidated the face value of its equity shares from Re 1/- to Rs 10/-.

7. Promoters Contribution And Lock-In:

Name of the Promoter	Date on which Equity Shares were allotted and made fully paid-up	Nature of payment or consideration	Number of Equity Shares	Face Value in Rs	Issue Price In Rs	Percentage of paid-up capital		Lock-in period in years
						Pre-Issue	Post-Issue	
Internet Business Capital Corporation	02.05.2006	Nil	17,62,440	10	Nil	18.53	[•]	3 years
			30,97,919	10	Nil	34.58	[•]	1 year
		Total	48,60,359			51.11	[•]	
Bhaskar Panigrahi	02.05.2006		4,30,690		Nil	4.53	[•]	3 years
	20.02.2006	Cash	100	10	10	0.00	[•]	1 year
	21.04.2006	Nil	200	10	Nil	0.00	[•]	
	02.05.2006		5492	10	Nil	0.06	[•]	
	02.05.2006		79633	10	Nil	0.84	[•]	
	02.05.2006		6,71,590	10	Nil	7.06	[•]	
			11,87,705			12.49	[•]	
Krishna P Nangegad da	02.05.2006		3,48,580		Nil	3.67	[•]	3 years
	20.02.2006	Cash	100	10	10	0.00	[•]	1 year
	21.04.2006	Nil	200	10	Nil	0.00	[•]	
	02.05.2006	Nil	6,12,404	10	Nil	6.44	[•]	
		Total	9,61,284			10.11	[•]	
		Total	70,09,348					

Lock-in period shall start from the date of allotment of Equity Shares in the present Public Issue.

Lock-in of Minimum Promoters Contribution:

Name	Date of allotment	Consideration	No. of Shares	Face Value	Issue Price	% of Post Issue	Lock-in period
Internet Business Capital Corporation	02.05.2006	Nil	17,62,440	10	Nil	[•]	3 years
			30,97,919	10	Nil	[•]	1 year
		Total	48,60,359			[•]	
Bhaskar Panigrahi	02.05.2006		4,30,690		Nil	[•]	3 years
	20.02.2006	Cash	100	10	10	[•]	1 year
	21.04.2006	Nil	200	10	Nil	[•]	
	02.05.2006		5,492	10	Nil	[•]	
	02.05.2006		79,633	10	Nil	[•]	
	02.05.2006		6,71,590	10	Nil	[•]	
		Total	11,87,705			[•]	
Krishna P Nangegadga	02.05.2006		3,48,580		Nil	[•]	3 years
	20.02.2006	Cash	100	10	10	[•]	1 year
	21.04.2006	Nil	200	10	Nil	[•]	
	02.05.2006	Nil	6,12,404	10	Nil	[•]	
		Total	9,61,284			[•]	
	Total		70,09,348				

8. The Promoters Messrs. Internet Business Capital Corporation, Bhaskar Panigrahi and Krishna P. Nangegadga have given their approval for lock – in of their shareholding as specified above, for vide their letter dated 12.05.2006. Shares issued last shall be locked-in first. The entire pre issue capital, other than the minimum promoters' contribution shall be locked in for a period of one year from the date of allotment in the present Issue.

The securities held in physical mode and which are subject to lock-in shall carry inscription 'non transferable' along with duration of specified non-transferable period mentioned in the face of the security certificate.

9. The shares locked in by the Promoters are not pledged to any party. The Promoter may pledge the Equity Shares with banks or FIs as additional security for loan whenever availed by them from banks/FIs.
10. Shares held by the persons other than the promoters, prior to Initial Public Offering, which are subject to lock in as per extant SEBI (DIP) Guidelines, may be transferred to any other person holding shares which are locked in, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as applicable.
11. Shares held by promoter(s) which are locked in as per the relevant provisions of Chapter IV of the SEBI (DIP) Guidelines, may be transferred to and amongst promoter/ promoter group or to a new promoter or persons in control of the Company, subject to continuation of lock-in in the hands of transferees for the remaining period and compliance of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

12. The Promoters including Promoter Group and Associates and Directors have purchased / sold Equity Shares of the Company, during the period of six months preceding the date on which draft prospectus was filed with SEBI. The details are as given below:

Sr. No.	Date	Promoter/ Promoter Group	Purchased / Sold	No of Equity Shares	Price per Share
1.	02.05.2006	IBCC	Assigned	48,60,359	0.55 **
2.	20.02.2006	Bhaskar Panigrahi	Purchased	100	10.00
3.	21.04.2006	Bhaskar Panigrahi	Bonus	200	0
4.	02.05.2006	Bhaskar Panigrahi	Assigned	11,87,705	0.55 **
5.	20.02.2006	Krishna P Nangegadda	Purchased	100	10.00
6.	21.04.2006	Krishna P Nangegadda	Bonus	200	0
7.	02.05.2006	Krishna P Nangegadda	Assigned	9,61,284	0.55 **
8.	20.02.2006	D.R.R. Swaroop	Sold	600	10.00
9.	21.04.2006	D.R.R. Swaroop	Bonus	60,000	0

**The promoters mentioned above have received the shares by way of a “spin-off” of CTCL (a subsidiary of CellExchange Inc, vide the Shareholders’ resolution passed. CellExchange Inc was holding about 88.27% of the shares of CTCL, which were distributed to all the shareholders of CellExchange Inc through the “spin off” in accordance with IRS (United State of America) Chapter 355. The average cost of acquisition for CellExchange Inc was Rs 0.55 (fifty five paise) per share. The promoters above are deemed to have received the shares from CellExchange Inc at the same cost. Hence the average cost of acquisition column has been filled in accordingly.

13. As per the conditions of the above mentioned “spin-off” the entire shares of CTCL belonging to CellExchange Inc need to be transferred to the existing share holders of CellExchange Inc. The board & share sholders of CellExchange Inc have passed the necessary resolutions and provided the details of the transfers to be made to various recipients. However, the completed transferdeeds duly signed have been received only from IBCC, Krishna P Nangegadda and Bhaskar Panigrahi. The other recipients would be submitting duly completed transfer deeds for the approval to the Board of CTCL in due course. CTCL & CellExchange Inc undertake to ensure that these transfers would be made after obtaining necessary undertakings with respect to the mandatory lock –in & other conditions stipulated by SEBI, RBI & other authorities.

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

Name of the Shareholder	Pre Issue		Post Issue	
	Shares	%	Shares	%
Promoters				
IBCC	48,60,359	51.11	[•]	[•]
Bhaskar Panigrahi	11,87,705	12.49	[•]	[•]
Krishna P Nangegadda	9,61,284	10.11	[•]	[•]
Sub-Total (A)	70,09,348	73.72	[•]	[•]
Promoter Group				
CellExchange Inc	9,07,922	9.55	[•]	[•]
CTE ESOPs Trust	1500000	15.78	[•]	[•]
Swaroop Raghuram Dharani	90000	0.95	[•]	[•]
Sub-total (B)	24,97,922	26.27	[•]	[•]
Total Promoter and Promoter Group (A) + (B)	95,07,270	99.99	[•]	[•]
Non- Promoter Holding				
Employees	1200	0.01	[•]	[•]
Others				
Public	NIL	NIL	[•]	[•]
Grand Total	95,08,470	100.00	[•]	[•]

The aggregate Shareholding of the Directors of Cambridge Technology Enterprises Limited in our Company before and after the Issue is as below:

Directors	Pre- Issue		Post- Issue	
	Number of Shares	%	Number of Shares	%
D.R.R. Swaroop	90,000	0.95	[•]	[•]
Bhaskar Panigrahi	11,87,705	12.49	[•]	[•]
Krishna P Nangegadda	9,61,234	10.11	[•]	[•]
Tota1	22,38,989	23.55	[•]	[•]

15. Buyback and Standby Arrangement:

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

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

17. The Equity Shares offered through this Public Issue will be fully paid-up.

18. Equity Shares held by top TEN Shareholders:

a. Particulars of top ten shareholders as on the date of filing of the Draft Prospectus with SEBI.

Sr. No.	Name of the Shareholder	No. of shares
1	Internet Business Capital Corporation	48,60,359
2	CTE Trust	15,00,000
3	Bhaskar Panigrahi	11,87,705
4	Krishna P Nangegadda	9,61,284
5	Cell Exchange Inc	9,07,922
6	D.R.R. Swaroop	90,000
7	Leeladhar	300
8	Srinivas R	300
9	Ramesh Reddy	300
10	Jeetendra Chaware	300
	Total	95,08,470

b. Particulars of top ten shareholders 10 days prior to the date of filing of the Draft Prospectus with SEBI

Sr. No	Name of the Shareholder	No. of shares
1	Internet Business Capital Corporation	48,60,359
2	CTE Trust	15,00,000
3	Bhaskar Panigrahi	11,87,705
4	Krishna P Nangegadda	9,61,284
5	Cell Exchange Inc	9,07,922
6	D.R.R. Swaroop	90,000
7	Leeladhar	300
8	Srinivas R	300
9	Ramesh Reddy	300
10	Jeetendra Chaware	300
	Total	95,08,470

c. Particulars of top ten shareholders 2 years prior to the date of filing of the Draft Prospectus with SEBI.

Sr. No	Name of the Share Holder	Total No of Shares
1	CellExchange Inc.	4,25,000
2	D.R.R. Swaroop	5,100
	Total	4,30,100

19. As of the date of the Prospectus, there are no outstanding financial instruments or warrants or any other right that would entitle the existing Promoter or Shareholders, or any other person any option to receive Equity Shares after the offering except Employees Stock Option which is being offered to the eligible employees of CTCL and CX through the CTE Trust.
20. The Company has not revalued any of its Fixed Assets. It has not issued any Equity Shares out of revaluation reserves. Bonus Shares have been issued out of free reserves.
21. At any given point of time, there shall be only one denomination for the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.
22. The Company presently do not intend or propose to alter its capital structure for a period of six months from the date of opening of the Issue, either by way of split or consolidation of the Equity Shares or by way of 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, the Company may issue equity shares or issue equity shares to finance an acquisition, merger or joint venture by the Company 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 the Board in the interest of the Company.
23. No single applicant can make an application for number of shares, which exceeds the number of shares offered, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
24. The total number of members of the Company as on 02.05.2006 is 10.
25. An oversubscription to the extent of 10% of the Issue size can be retained for the purpose of rounding off to the nearer multiple of while finalising the allotment.
26. 2,50,000 Equity Shares, has been reserved for allocation to the Eligible Employees on a proportionate basis, subject to valid Applications being received at the issue price. Only Eligible employees as on the date of filing the Prospectus with Registrar of Companies would be eligible to apply in this issue under reservation for its Employees. Employees may apply in the Net Offer portion as well and such Applications shall not be treated as multiple applications. Any under subscription in the Equity Shares under the Employee reservation portion would be treated as part of the Net Offer. Under subscription in this category, if any, shall be added back to the net offer to the public.
27. No shares have been allotted through a public issue in the last two years nor has the Company bought back its equity shares in the last six months.
28. Promoters' Contribution has been brought in to the extent of specified minimum lot from persons defined as 'Promoters' under the guidelines.

29. ESOP Scheme - 2006

Employee Stock Option Scheme

Company has constituted a ESOPs Trust known as Cambridge Technology Enterprises Trust (CTE Trust). This Trust was constituted on 18th March 2006 to be the custodian of Employee Stock Options to be allotted to the permanent employees of the Company as well as the permanent employees of holding/ subsidiary companies of CTCL. The salient conditions & objects of the trust deed are as follows:

1. The Author of the Trust agrees to lend such amount of money to the Trustees as may be required from time to time for fulfilling the objectives of this Trust. The Trustees agree to hold such monies received together with all accretions, additions and donations which may be received by the Trustees in future from the author subject to the terms and conditions hereof for the benefit of the beneficiaries. The trustees also agree to repay such sums as per the terms and conditions that may be agreed upon from time to time.
2. The Objects of the Trust are to provide stock options to the selected employees of the Author. From out of the Trust funds and the additions and accretions made thereto from time to time, the trust shall acquire and / or purchase warrants, shares or any other financial instruments (hereinafter referred to as 'securities') as may be issued from time to time of the Author and / or its subsidiaries only and not of any other company. The Trust shall be further entitled to make over the said securities to the employees of the Author, who are from time to time notified by the Compensation Committee constituted by the Author to be eligible for the benefits under this Trust Deed. The acquisition, holding, transfer, re-purchase or re-transfer and all acts incidental thereto shall be in terms of and in accordance with the scheme as formulated, approved, adopted, amended and advised by the Author from time to time.
3. The Trustees shall have the requisite power and authority to frame rules and regulations for the purposes of its administration in accordance with the scheme. The rules and regulations may further provide circumstances in which the benefits under the Trust Deed to a particular employee may be confirmed upon or withdrawn; and in particular the consequences of resignation / termination of the services of the employees with Author. All such rules and regulations framed by the Trustees from time to time shall be considered as part and parcel of this Trust Deed itself and the Trust shall be subject to such rules and regulations.
4. The Trust shall act upon the recommendation of Compensation Committee of the Board of Directors constituted in terms of the scheme of the Author, and transfer such number of securities to such beneficiaries of the Trust from time to time, upon receipt of consideration as fixed in terms of the scheme.
5. The receipt(s) of consideration for transfer of securities to beneficiaries shall be passed on to the Author from time to time for full or partial reduction of loans obtained by the Trust for its activities.
6. The Trust shall maintain in its safe-custody the securities acquired by or pending transfer to the beneficiaries.
7. The Trust shall also maintain in its safe-custody the securities transferred to beneficiaries for such period as may be contracted between the trust and the beneficiaries to whom securities have been transferred.
8. During such period of safe-custody, the Trust shall cause a statement to be issued periodically intimating the number of securities held in trust on behalf of the beneficiary.

Accordingly, The trust was funded to the extent of Rs 300 Lakhs, by way of an interest free loan from the company. The trust invested the entire amount to subscribe 5,00,000 equity shares of Rs.10/- each at a premium of Rs. 50/- per share aggregating to Rs.60/- per share were allotted to the Trust on 13th March 2006. Subsequently, pursuant to the 2:1 (Two shares for every one share held) bonus issue made on 21st April 2006, the ESOPs trust received additional 10,00,000 shares (Ten Lakh shares). The total number of shares in the CTE Trust is 15,00,000 shares. Thus the average cost of acquisition for the trust is Rs 20/- per share.

The ESOPs trust is mandated to hold these shares and allot the options to the employees. As mentioned above the definition of Employees includes permanent & full-time employees of CTEL, its US subsidiary & holding companies & CTEs Independent & non-promoter Directors.

Salient features of the ESOP -2006 Scheme:

1. Under the ESOP-2006 scheme, a total of 5,50,000 options are being allotted to the eligible employees.
2. The number of options allotted are based on following criteria
 - a. Number of years of experience in the company
 - b. Seniority in the Organizational structure of the company
 - c. The performance of the individual in past years
3. All options allotted carry a minimum of one year of vesting upto three years.
4. Forty percent (40%) of the options allotted under the scheme carry one year vesting period, 30% (thirty percent) have a two year vesting period & the balance 30% carry three year vesting period
5. The management of the company after reviewing the performance of the employees may recommend to the Compensation committee to reduce the vesting period of 2nd & 3rd year shares at their sole discretion.
6. The option exercise price for the employees is Rs 20/- (Rs 10/- par value at a premium of Rs 10/-)
7. Lock-in: One year lock in running concurrently with the vesting period. The options can be exercised after the date on which they are vested or 1 year from the date of issue, which ever is later.
8. Exercise period: The employee is free to exercise the options

The ESOPs are administered by the trustees of the CTE trust under directives of Compensation Committee of Directors, which determine the terms and conditions of the options granted/ vested. Under the said ESOP scheme no equity shares have been transferred till date.

Each Option shall entitle the Employee concerned (i.e. Option Holder) to apply for and, subject to and in accordance with the terms of the Plan, be allotted 1 equity share of Rs. 10/- each of the Company on payment of the exercise price.

No Employee has received options entitling him/her to subscribe to more than 1% of the Equity Share capital of the Company during the last/current financial year.

Sr.No.	Particulars	ESOP – 2006
1	Total Shares in ESOPs trust (nos)	15,00,000
2	Options Granted (net of options cancelled)	550,000
3	Exercise Price per Equity Share	Rs 20/-
4	Options Vested	None
5	Options Exercised	None
6	Total number of shares arising as a result of exercise of options	None
7	Options Lapsed or Cancelled	None
8	Options, during any one year equal to or Exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	None
9	Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of options	The options have been granted to own the shares being owned by the ESOPs Trust. The trust has paid full amount due and subscribed to the shares. Hence,

		the current EPS shown is fully diluted.
K	Vesting Schedule	1. 40% of options allotted vest at the end of year-1 2. 30% of options vested in year-2 3. 30% of options in year 3
I	Lock-in	One year lock in running concurrently with the vesting period. The options can be exercised after the date on which they are vested or 1 year from the date of issue, whichever is later.

Table (1) details regarding options granted to Directors and key managerial personnel are set forth below:

Sr.No.	Name of Director or Key Managerial Personnel	Number of Options Granted	Number of Equity Shares of Rs 10/- each Issuable upon exercise of options
	DIRECTORS		
1	D R R Swaroop	48,260	48,260
	KEY MANAGERIAL PERSONNEL		
1	Mr. Y Ramesh Reddy	58,933	58,933
2	Mr. Jeetendra Chaware	54,895	54,895
3	Mr. R Srinivasa Reddy	65,662	65,662
4	Ms. Swati Mulay	15,688	15,688
5	Mr. C S Leeladhar	4,798	4,798
6	Mr. Kannan	3,000	3000
7	Vinod Subramanian	13,131	13,131
8	Padmanava Debnath	11,527	11,527
9	Dheeraj Bhargava	12,146	12,146

OBJECTS OF THE ISSUE

The Company proposes the Present Issue to

1. Raise financial resources for
 - Expansion of Facilities
 - Certifications, Training activities to set up SOA competency centers
 - Invest in Intellectual property development-Reusable framework development
 - Acquisitions
 - Setting-up of overseas Offices
 - Providing additional Working Capital
2. To get our Company's shares listed on BSE and NSE and meet expenses of the issue

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

APPRAISAL

The expansion project of the company has been appraised by UTI Bank vide their appraisal note dated May 27, 2006 for the purpose of proposed Project as mentioned in the Draft Prospectus as well as for availing Term Loans to the extent of Rs 470 Lakhs from Bank. The weaknesses and threats in the said Appraisal Report have been included in this Draft Prospectus under the Risk Factors as Sr.No [•].

Disclaimer by UTI Bank

M/s. UTI Bank believes the statements contained herein are based on accurate and reliable information but no responsibility can be accepted for any error or omission, including liability to any person by any reason of negligence however caused.

Neither UTI Bank nor any of its associates, agents or employees make any representations or warranties, either express or implied, as to the accuracy or completeness of the information contained herein or in any written or oral communication transmitted.

FUNDS REQUIREMENT

Item	In Rs Lacs
Expansion of Facilities	400.00
Enhance IT Infrastructure	100.00
Support infrastructure	50.00
Set Up Regional Offices In US (4)	75.00
Competency centers	100.00
IP Creation, Reusable components library	195.00
Acquisitions	1550.00
Preliminary costs including IPO Expenses	200.00
Working Capital	400.00
Total	3070.00

Note: The Company proposes to acquire Net Tangible Assets amounting to Rs 500 Lakhs which represents 16% of the project cost.

FUNDING PLANS

Source	Amt in Rs Lakhs
Investment From CellExchange Inc	200.00
Term Loan	470.00
IPO-Public Issue	2400.00
Total	3070.00

Term Loan from UTI Bank

UTI Bank Ltd vide letter UTIB/SME-AP/63 dt May 24, 2006 has given sanction to part finance the expansion project.

The Company confirms that excluding the amount to be raised through the proposed public issue, firm arrangements of finance through verifiable means towards 75% of the stated means of finance have been made.

Details regarding Term Loan from UTI Bank

B	Nature of facility	Term loan
1	Limit	Rs. 470.00 lacs
2	Purpose	To part finance expansion plans of the company which include setting up of 4 regional offices and competency centres in USA, IP Creation & establishment of reusable components library, enhancement of IT & collaborative infrastructure, establishment of additional office space, etc.
3	Security	<p>Primary:</p> <p>First charge on the entire fixed assets financed by the Bank and other movable fixed assets (excluding vehicles and computers purchased under hire purchase), present and future, of the company.</p> <p>Collateral:</p> <ul style="list-style-type: none"> i) Extension of first charge on the entire current assets, present and future, of the company. ii) Personal guarantee of Shri. D Raghu Ram Swaroop, Managing Director of the company. iii) Equitable mortgage of urban immovable property acceptable to the Bank to the extent of 100% of our exposure. Valuation of property shall be submitted prior to release of facility and equitable mortgage of the property should be created upfront prior to release of facility.
4	Margin	49%

5	Rate of interest	BPLR-1.40%, i.e., 11.60% p.a., at present, payable at monthly rests
6	Repayment	<p>In 40 monthly instalments, first 39 monthly instalments of Rs.12.00 lacs each and 40th instalment of Rs.2.00 lacs commencing from 1st November 2006. Interest shall be serviced as and when applied at monthly intervals.</p> <p>Repayment may be accelerated depending on the future cash flows of the company at the sole discretion of the Bank.</p>

BRIEF DETAILS ABOUT THE PROJECT

1. Expansion of Facilities and Enhance IT and Support Infrastructure (Rs 550 Lakhs)

The Company has grown in operations over the past few years. The number of persons employed by it has gone up from 33 on April 01, 2002 to 105 as on April 30, 2006. Its software development facilities are spread across 13,000 sq.ft rented space at 4th & 5th Floor, Sufi Chambers, Road no.1, Banjara Hills Hyderabad-500034. It has grown rapidly from a turnover of about Rs. 241.17 lacs for the year ended March 31, 2002 to a consolidated turnover of Rs. 1865.99 lacs for the 15 months ended March 31, 2006. Its software solutions have received an encouraging response. It was also able to market and sell our software development services successfully, particularly overseas.

With greater effort being put in the sales, particularly the software products, it expects significant business growth in the next few years, which will entail a substantial increase in its employee strength and enhancement in its software development facilities.

The Company, in the present Project, plans to expand the facilities to cater to the increase in the employee strength, which is expected to touch to 350 persons (including 285 developers / programmers) in the next 2 years. It plans to take lease an additional office space of about 35,000 sq ft, for expansion of its software development facilities and accommodating the corporate office of our Company.

Location

It plans to take on lease the office space with all the required infrastructure facilities at Hyderabad for expanding its software development facilities. It proposes to take on lease, the new office space nearer to its existing Software Development Centers, though the exact location is yet to be identified. Because of the current supply situation of office space, it does not foresee any difficulty in obtaining the lease premises at short notice.

Cost of expansion of facilities

The break-up of cost estimates for expansion of office facilities and purchase of computers and equipment are as given below:

Item	Cost in Rs lakhs
Lease	120.00
Interiors, Networking, Electricity etc	240.00
Air Conditioning, Power Back up	40.00
Total	400.00

a. Rent Deposit (Rs. 120.00 lacs)

The Company has estimated based on its discussions with various real estate consultancy Firms, in Hyderabad, according to which it would cost the company Rs. 34.30 per sq ft per month to take on

lease 35,000 sq ft of unfurnished office premises, for which it would be required to place an interest-free deposit of 10 months rent upfront. Thus, the outlay on Rent Deposit is Rs. 120.00 (35,000 x 10 x Rs.34.3) lacs. The entire space of 35,000 sq ft will be obtained in 4 quarters at the rate of 5,000 sq ft per quarter, commencing from the second quarter of Fiscal 2007 through the first quarter of Fiscal 2008.

b. Furnishing/Interiors (Rs. 240 lacs):

As the rented premises would be unfurnished, the Company would be required to furnish the Office Premises. The Furnishing / interiors cost comprises of cost of partitions, furniture, carpeting, interior, painting, false ceiling, electrification, Airconditioning, lighting, etc. The Company has estimated the cost on this account at Rs. 240 lacs, on the basis of quotations obtained from M/s. KaftWerks Hyderabad details of which are as below:

Sr. No	Description	Unit	Qty	Cost Per Unit (Rs)	Total Cost (Rs in Lacs)	Quotation details	
						Supplier	Date
1	Workstations for Software Developer	Nos	300	24,000/-	72.00	Kraftwerks, Hyderabad	May 23, 2006
2	Executive /Team Leader Workstations	Nos	60	37,200/-	22.32	Kraftwerks, Hyderabad	May 23, 2006
3	Chairs for developers, Executives, Conference rooms etc	Nos	400	5,635/-	22.54	Kraftwerks, Hyderabad	May 23, 2006
4	Joinery Office Block	Quote	Quote	Different items have different rates	44.44	Kraftwerks, Hyderabad	May 23, 2006
5	Electricals	Nos	180	20,000/-	36.00	Kraftwerks, Hyderabad	May 23, 2006
6	Networking	Nos	600	2100	12.60	Kraftwerks, Hyderabad	May 23, 2006
7	Carpet	Sq ft	1000	112.5	1.125	Kraftwerks, Hyderabad	May 23, 2006
8	Ceiling	Sq Ft	20000	75	15.00	Kraftwerks, Hyderabad	May 23, 2006
9	Smoke Detectors	Nos			7.16	Kraftwerks, Hyderabad	May 23, 2006
10	Access controls	LS			3.62	Kraftwerks, Hyderabad	May 23, 2006
11	Public Address System	LS			3.20	Kraftwerks, Hyderabad	May 23, 2006
	TOTAL				240.00		

c. Air Conditioning System (Rs. 40 lacs)

For air-conditioning, an Office space of 20,000 sq ft, the Company requires the following air-conditioning equipment as per the estimate given and quotations obtained from Vasundhara Technical Services. The total cost of providing the same is as detailed below:

Sr. No.	Description	Qty	Cost Per Unit (Rs in Lacs)	Total Cost (Rs in Lacs)	Quotation Details	
					Supplier	Quotation No and Date
1	7.5 Tons, Ductable Split AC units of Career make	8	1.13	9.04	Vasundhara Technical Services	CTE/2006-07/OFF/C-01 dt 12-May-2006
2	5 Tons, Ductable Split AC units of Career make	16	0.87	13.92	Vasundhara Technical Services	CTE/2006-07/OFF/C-01 dt 12-May-2006
3	Installation of 8 Nos 7.5 Tons & 16 Nos of 5 Tons ductable split AC units & providing necessary GI ducts for the above AC systems	Lump Sum	7.04	7.04	Vasundhara Technical Services	CTE/2006-07/OFF/I-01 dt 12-May-2006
4	DG Generator Set 250 KVA	1	7.4	7.40	Mahendra Associates	12-May-2006
5	Installation, sound proofing Electricals fitting, Erection & Labor charges etc	LS	2.60	2.60	Mahendra Associates	12-May-2006
	TOTAL			40.00		

d Enhance IT Infrastructure - Computers, Servers and Base Software (Rs. 100 lacs)

As per the internal Company estimate, we would be requiring the following Computers, Servers and base software. On the basis of quotations obtained from various sources, the total cost under this head is estimated as per the details given below:

<i>Rs in Lacs</i>							
SNo	Description	Configuration	Qty	Unit Price in Rs	Total in Rs Lacs	Quotation Details	
1	Oracle 9i Ent Server with Media Kit.	Oracle 9i Enterprise Edition(5 User) with Media Kit	2	64000	1.28	Raghavendra Systems	12-May-06
2	Sunfire V 440 Server	RoHS-5, Sun Fire V440 Server, 4 * 1.593GHz UltraSPARC IIIi processors with 1MB Cache each, 8GB Memory (16 * 512MB DIMMS), 4 * 73GB 10Krpm Ultra320 SCSI Disks, DVD-ROM, 2 Power supplies, Solaris 10 + Java Enterprise System Software pre-installed. RoHS Compliant. (Standard Configuration)	1	850000	8.50	Raghavendra Systems	12-May-06

3	External StorEdge SUN 3510	Sun StorEdge(TM) 3320 SCSI Array Rack Ready, 876GB (12 x 73GB 10Krpm SCSI drives) w/1 Ultra320 SCSI RAID controller, 512MB cache, and 2 AC power supplies; (RoHS-5; Does not include Sun StorEdge(TM) Configuration Service software)/With keyboard Monitor and other Accessories	3	958000	28.74	Raghavendra Systems	12-May-06
4	Sun Ultra 20 Work Station	RoHS. Sun Ultra 20 Workstation "Large" Configuration. Preinstalled: Solaris 10, Sun Studio, Java Studio Creator, Java Studio Enterprise. Dual 2.4GHz Core (Opteron Model 180) CPU, Quadro FX1400, 2GB unbuffered ECC PC3200 (DDR-400) Memory (2*1GB ECC DIMM), 250- GB SATA HDD, 1*DVD-Dual, 1*10/100/1000 BaseT Ethernet port, 6*USB 2.0 ports, 2* 1394a ports, 1* PCI-E x16 slot, 2*PCI-E x1 slots, 4*Conventional (32-bit, 33Mhz) PCI slots/Keyboard, Monitor and other Accessories	1	190000	1.90	Raghavendra Systems	12-May-06
5	Backup Server Sun Fire V240	RoHS-5 Sun Fire V240, 2 x 1.5GHz UltraSPARC IIIi, 4 x 512MB DIMMS, 4 x 73GB Drives, 4 x 10/100/1000 Gigabit Ethernet, ALOM Remote Manager, Three PCI Slots, n+1 Redundant Power & Java ES & Solaris 10 pre-installed.	1	589000	5.89	Raghavendra Systems	12-May-06
6	Messaging Server Sun Fire X4100	Sun Fire X4100 x64 Server: 2x AMD Opteron Model 252 (2.6Ghz/1MB) processor, 4x 1GB PC3200 DDR-400 memory, 1x 73GB 10K RPM SAS drive, DVD- ROM, 2x PSU, Service Processor, 4x 10/100/1000 Ethernet ports, 3x USB 1.1 ports, 1x64-bit/133Mhz PCI-X slot, 1x 64-bit/100Mhz PCI-X slot, no power cord, order Geo- specific x-option. Standard Configuration.	1	350000	3.50	Raghavendra Systems	12-May-06
7	Computer with Basic Software	Wipro PC/Intel Pentium @ 3 GHz/915G/1GB RAM/80GB SATA/DVD Writer/17" TFT/KeyBoard/mouse/XPPProf/MS Office2003/NAV/Gigabit Ethernet/3yr wty.	35	69360	24.28	Raghavendra Systems	12-May-06
8	Laptops	IBM Think pad R52 Series 1860A35/PM7501.86 Ghz/15"TFT/512MB/60GB/Combo Drive/XP Pro/NAV/Blue Tooth/3yr wty	25	68000	17.00	Raghavendra Systems	12-May-06
9	Router : CISCO	Cisco 1670 Series Router 10/100 with 4 VPN Slots	3	119000	3.57	Raghavendra Systems	12-May-06

10	PIX Firewall	Cisco PIX506E Fire Wall	3	80000	2.40	Raghavendra Systems	12-May-06
11	D-Link 24port 10/100 MBPS Switch	D-Link 24port 10/100 MBPS Switch(Managed)	9	24000	2.16	Raghavendra Systems	12-May-06
12	Cabling :Cat 5 cable 305 Mtrs each box	D-Link Cat 5 Cable (305 Mtrs)	26	3100	0.81	Raghavendra Systems	12-May-06
Grand Total					100.02		

e. Support Infrastructure - Other Office Equipment (Rs. 50 lacs)

Besides computers, the Company will acquire certain other office equipment to facilitate its practice. As per the Company's internal estimate, it would be needing the following equipment, the cost of which is estimated as per the quotations received from different sources as detailed below:

SNo	Description	Configuration	Qty	Unit Price in Rs	Total in Rs Lakhs	Quotation Details	
						Supplier	Date
1	Projector	Sharp DLP Projector Model XGMB-70X	3	120000	3.60	Raghavendra Systems	22-May-06
2	Video Conferencing System	GTCO Calcomp Vedi Conferencing with Polycam Camera,42"Plasma Tv with Memio pad	4	400000	16.00	Raghavendra Systems	22-May-06
3	Printers	Hp Laserjet 3000DN	5	70000	3.50	Raghavendra Systems	22-May-06
4	Scanners	Hp Scanjet 7650C	5	30000	1.50	Raghavendra Systems	22-May-06
5	Photo Copiers	Sharp MFD AR 160	1	140000	1.40	Raghavendra Systems	22-May-06
8	E – Room collaboration suit licenses	GTCO Calcom E-Room with DLP Projector, Meeting Board, Pad, BioMatrix and Audi and Lighting System	1	1300000	13.00	Raghavendra Systems	22-May-06
9	Mail Server	Wipro NetPower 7226ZVR Hardware Server with Microsoft Exchange Server for Mailing	1	400000	4.00	Raghavendra Systems	22-May-06
10	Linux Server	Wipro Netpower 7226ZVR/Dual CPU Server with Intel Xeon 2X3.2Ghz Processors with 2MB Cache/IntelE7250Chipset/2X1GB ECCRam/4X73GB U320SCSI 10K Rpm HDDs/Dual ChannelU320 RAID Contoller/Trippl Redundant Power Supplies/17" CRT/20/40GB DAT/RedHot Linux.	1	300000	3.00	Raghavendra Systems	22-May-06

SNo	Description	Configuration	Qty	Unit Price in Rs	Total in Rs Lakhs	Quotation Details	
						Supplier	Date
11	Windows NT Server	Wipro Netpower 7226ZVR/Dual CPU Server with Intel Xeon 3.2Ghz Processors with 2MB Cache/IntelE7250Chipset/1GB ECCRam/2X73GB U320SCSI 10K Rpm HDDs/Dual ChannelU320 RAID Contoller/Trippl Redundant Power Supplies/17" CRT/Windows 2003 Server with 5 Clients.	1	200000	2.00	Raghavendra Systems	22-May-06
12	Domain Server	Wipro Netpower 7226ZVR/Dual CPU Server with Intel Xeon 3.2Ghz Processors with 2MB Cache/IntelE7250Chipset/1GB ECCRam/3X73GB U320SCSI 10K Rpm HDDs/Dual ChannelU320 RAID Contoller/Trippl Redundant Power Supplies/17" CRT/.	1	200000	2.00	Raghavendra Systems	22-May-06
Grand Total					50.00		

2. Set up Regional Offices in US: (Rs 75 Lakhs)

The Company has set-up an Office in Cambridge, MA, through its wholly-owned subsidiary (WOS), which would be the head quarter for Sales & operations in the USA. In March 2006 it commenced two new offices – one each in Jacksonville, Florida and Topeka in Kansas City, Kansas state. Similarly, commencing from the second quarter of fiscal 2007, CTEL plans to start offices either by setting-up new offices or acquiring/establishing facilities at New England and San Antonio, Texas.

Initially, these facilities will look after the implementation and support functions for the applications and eventually they will be independently looking after the marketing functions of the Company in their respective regions.

The present Project envisages establishing 4 offices at various strategic locations outside India. These offices at New England, Kansas, Florida and Texas in USA, would look after the implementation, development and support functions besides supporting the marketing functions. These offices would be opened either as branch office of CTEL's subsidiary (CTE Inc).

These offices are expected to stabilize their functions and establish themselves in about 2 years from the date of start-up, spanning Fiscals 2007 and 2008. However, CTEL proposes to invest in those expenses out of the internal accruals. In the present project cost, CTEL has included on the initial start up and preoperation costs. These include the startup expenses, rent, overheads and part of the salaries of personnel to be recruited and posted in those places as per details given below:

<i>Rs. in Lacs</i>		
Particulars	Fiscal 2007	Fiscal 2008
Salaries & Employee expenses during set up of office	14.00	14.00
Annual Office Rent Estimated	18.00	18.00
Overheads including travelling cost	4.00	4.00

Legal Expenses	1.50	1.50
Total	37.50	37.50
Total	75.00 Lacs	

3. Competency Centres & IP Creation, Reusable Components Library (Rs 295 Lakhs)

IP Creation – Reusable components library (195 Lacs):

To realize the growth plans outlined, CTE envisages creating library of reusable components libraries and frameworks which will involve research & development activities. The costs will involve investment in hardware, software infrastructure and effort of skilled resources the costs and span three major areas – Business Solutions, Creative solutions & technology solutions.

Business solutions group would develop frameworks, templates and processes for gathering and managing customer requirements. The creative solutions group would develop framework and tools to design and develop rapid prototypes for solution visualization and requirement capture and collaboration. Technology solutions group would develop frameworks, tools and components that would be reusable across customer implementations.

The Reusable Services Repository comprises of services that is managed by the Enterprise Service Bus and is shared across all applications. The services repository and library would involve creating service components that can be customized and plugged for different customers. CTE has identified over 21 such services that would be created in the first phase of the research and development effort at an estimated cost of about INR 195 lakhs.

List of various components & the cost of developing them is given in the table below. The costs include the time & material cost involved in analyzing, design, development, testing, documentation, storage in repository etc.

S No	Component	Estimated Cost in Rs Lacs
1	Business Analysis Processes	5.4
2	Solution visualization tools	6.8
3	Audit Log	8.1
4	Authentication/Authorization:	21.6
5	Business Rules Engine	13.5
6	Configuration	27.0
7	Data Analyzer	5.4
8	Data Extraction	5.4
9	Data Collection and Integration	5.4
10	Data Conversion	8.1
11	Data Monitoring	8.1
12	Data Mover	5.4
13	Data Loader	5.4
14	Data Mining	6.8
15	Messaging	8.1
16	Meta Data Manager	5.4
17	Notification and Alerts	8.1
18	Reporting	8.1

19	Scheduler	2.8
20	Security	5.4
21	Search Services	10.8
22	Transportation	5.9
23	Workflow Manager	8.1
	Total	195.0

Competency Centers (100 Lakhs):

In addition to the investments in R&D to develop reusable components libraries it is equally important to set up competency centers for the key SOA technologies. CTE has identified three major areas for the same.

- Oracle Fusion competency center
- SAP-Net-weaver competency center
- IBM Websphere competency center

Each competency center would involve following investments:

- Software & Hardware infrastructure
- Classroom and hands on training sessions by SW providers
- Training and development infrastructure
- Ready tools and components for quick implementation

CTE envisages creating a resource pool of experienced personnel in each of the above competency areas by mid-2007. The total investment for the same is about **INR 100 lakhs**.

Item	Costs in Rs Lakhs
Training infrastructure	5.00
Training fees	25.00
Software Licenses	25.00
Servers & systems	10.00
Training Costs	10.00
Travel & Expenses	15.00
Knowledge repository creation	10.00
Total	100.00

4. Acquisitions and Investments: (Rs 1550 Lakhs)

Rationale

The software services business is highly competitive. A large part of the software innovation is usually initiated by the users. This is due to the fact that the new products and processes could be driven by innovation in the business solutions & processes used by the users, rather than due to software innovation. In such dynamic situations, the investment in the next generation of technology or framework begins when the previous technology solution is still to reach its peak. Companies could choose to build these capabilities

organically in a slow and steady manner or through inorganic route by acquiring products/ businesses/ companies.

Benefits

The potential benefits for the Company from these acquisitions would be:

- Positive contribution to its cash flows as the acquired product/ businesses/ companies will be profit making.
- Acquisition of customers directly.
- The Company would attempt to sell more of our existing Products/ services to acquire customers thereby increasing business.
- Reduce operating expenses if the acquired companies / businesses are outside India by reducing their operational / software production expenses.

Acquisition Strategy

The Company intends to acquire a product, company or a business, which has synergy with its current business anywhere in India, USA, Asia-Pacific, middle-east or Europe. It is in the process of short listing the target products/ businesses/ companies keeping the following criteria in mind:

- Operating in the same domain as that of the Company, i.e. technology and domain consulting allied with software services for business transformation using Service oriented architecture based solutions for the industry.
- Organizations with good competency in Oracle platform which bears significant synergy with our existing activity
- Organizations engaged in providing IT & Infrastructure – remote support and maintenance services
- Attractive customer base and good market image.
- Privately / closely held (in case of company acquisition).

It plans to invest about Rs. 1550 lacs for acquisition of a product, company or a business. In the case of business/ company, acquisitions will be for a 100% shareholding and management control with considerations that could be met with a combination of cash and shares as also on generation of profits by the acquired companies in future.

Basis for the estimate of Rs 1550 Lakhs

Acquisitions in the IT sector globally are being done based on the enterprise valuation of Target Company. Some of the key factors considered are:

1. Tangible assets owned by the company
2. The past growth trend of the company & consistency in revenue & profitability growth
3. Order book position of the company and the dependency on any key customers/ intermediaries for contracts continuation
4. Facilities, skillsets, Intellectual property & other intangible assets owned by the company
5. The liabilities & contingent liabilities of the company
6. Synergy of the combined entity.

Based on the above parameters, independent valuations would be done to assess the fair value of the target company. Typically, once the acquiree company & acquirer company agree to do the transaction, the negotiations are done to:

1. Agree on mutually agreeable cost of acquisition
2. The payment scheme for effecting the acquisition

3. Covenants & conditions for the milestone payments

CTEL is exploring opportunities and identifying potential willing target companies, in the US market & India. Budgeting the amounts for acquisition is difficult especially when the deals have not yet been finalized. However, based on the industry trend of acquisitions CTEL is confident that the budget provided for acquisitions will be adequate to acquire a target company.

CTEL has not finalized or entered into any MoU agreement with any target company till date.

5. Preliminary & Preoperative costs: (Rs 200 Lakhs)

The expenses on the IPO & the preliminary costs have been estimated at Rs. 200 lakhs as per the details given below:

S. No	Description	Amount (Rs in Lacs)	% to total Issue expenses	% to total issue size
1	Lead Manager's Fees and Brokerage	61.00	30.50	2.54
2	Registrar, Legal Advisor & Auditor's fees	31.00	15.50	1.29
3	Advertising and Marketing expenses	25.00	12.50	1.04
4	Printing & Stationery/Dispatch	45.00	22.50	1.88
5	Other Expenses (Listing fees, Depository charges, Contingencies etc)	38.00	19.00	1.58
	Total	200.00	100.00	8.33

6. Incremental Working Capital (Rs 400 Lakhs)

The major component of the Company's working capital is Sundry Debtors. Based on the past trends, the future requirements of the net working capital have been estimated at Rs. 400.00 Lacs. At present the company enjoys a working capital limit of Rs. 50 lacs from UTI Bank Hyderabad, out of which an amount of Rs. NIL is remaining outstanding as on March 31, 2006.

The future requirements of working capital have been estimated as detailed below:

(Rs. In Lakhs)

	Particulars	Year		
		As at 2004	2006	2007
Sales:				
	Domestic Sales	-	-	-
	Export Sales	1,050.13	1,857.73	2,296.00
	Total			
Working Capital:				
	Increase in Work in Progress	-	-	-
	Increase/(decrease) in Stock	-	-	-
	Increase/(decrease) in Sundry Debtors*	156.70	120.72	574.00
	Increase)/(decrease) in Loans & Advances (excl Rent Deposit)	(56.96)	300.15	191.33
	Increase/(decrease) in Current Liabilities	(47.56)	(36.57)	

				(165.58)
	Increase/(decrease) in Provisions		-	-
Increase in Working Capital (Rs Lacs)---- (A)		52.18	384.30	599.75
Assumptions				
1	Projected expenses for for 2007 Lacs Rs.	1,987.00		
2	20% of Sales	459.20		
	Above limit includes existing limits of Rs. 50 Lacs			
	Maximum allowed is (A) or 2 above less existing limits	459.20		
	Say Rs lacs	400.00		

(*) The holding period of debtors has been taken at 3 Months on the basis of past trends.

SCHEDULE OF IMPLEMENTATION

S No	Description	Commencement	Completion
I	Expansion Of Facilities		
	a. Lease Deposit for Office Premises	Oct 2006	Feb 2007
	b. Interiors, Networking, Elec. etc	Oct 2006	July 2007
	c. Airconditioning	Jan 2007	Aug 2007
	d. Enhanced IT Infrastructure	Jan 2006	Sep 2007
	e. Support Infrastructure	Oct 2006	May 2007
II	Set up Regional Offices in US	Jul 2006	July 2007
III	Competency Centers & IP Creation	Apr 2006	Sep 2007
IV	Acquisitions / Investments	Oct 2006	Sep 2007
V	Preliminary Costs Incl. IPO Expenses	Jul 2006	Jan 2007
VI	Additional Working Capital	Nov 2006	Oct 2007

FUNDS DEPLOYED

The total amount spent towards the objects of the Issue upto May 23rd 2006 is Rs. 13,96,543 as certified by M/s Narven Associates, Chartered Accountants, Hyderabad vide their Letter dated May 24, 2006. The details of the amount spent are as given below:

Rs in Lacs

Sr. No.	Description	Already incurred
I.	Preliminary & Preoperative & IPO expenses	13.97
	Total	13.97

SOURCES OF FINANCING OF FUNDS ALREADY DEPLOYED

M/s Narven Associates, Chartered Accountants vide letter dt. May 24th 2006 have given a Certificate detailing the amount spent and the sources of financing.

The Company has deployed Rs 13,96,543 (Rupees Thirteen Lacs ninety six thousand five hundred forty three) as on May 23, 2006 towards Preliminary and Pre-operative expenses as part of the total project cost of Rs 30.70 crores, appraised by UTI Bank, Hyderabad.

The above mentioned preliminary and pre-operative expenses have been funded from the proceeds received from CellExchange Inc. towards Share Application money for Company's Equity share capital including share premium.

DETAILS OF BALANCE FUND DEPLOYMENT

The company has already spent Rs 13.97 lacs towards the project. The balance amount of Rs 3056.03 lacs is proposed to be incurred by the Company in the fiscal 2007 and 2008. The quarter wise break-up of the fund deployment is as follows:

(Rs in Lakhs)

Sr No	Description	already incurred	Fiscal 2007				Fiscal 2008		Total
			Apr – Jun - 2006	Jul – Sep 2006	Oct – Dec 2006	Jan – Mar 2007	Apr – Jun 2007	Jul – Sep 2007	
I	EXPANSION OF FACILITIES								
	Lease Deposit for Office Premises				60	60			120
	Interiors, Networking, Elec. etc				60	60	60	60	240
	Airconditioning						20	20	40
	Enhanced IT Infrastructure					25	50	25	100
	Support Infrastructure				20	15	15		50
II	Set up Regional Offices in US			12.5	12.5	25	25		75
III	COMPETENCY CENTERS & IP Creation		15	60	60	60	60	40	295
IV	ACQUISITIONS / INVESTMENTS					400	500	650	1550
V	Preliminary Costs Incl. IPO Expenses	13.97	22.03	50	60	54			200
VI	ADDITIONAL WORKING CAPITAL			100	100	100	100		400
	Total	13.97	37.03	222.5	372.5	799	830	795	3070

INTERIM USE OF FUNDS

Pending utilisation of funds as stated above, our Company intends to keep the proceeds of the Issue in fixed deposits in a separate account with any of the Scheduled Commercial Bank for the necessary duration.

BASIC TERMS OF ISSUE

The Equity shares proposed to be issued are subject to the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, the terms of this Draft Prospectus, application form and other documents /certificates that may be executed in respect of the issue. The Equity shares shall also be subjected to laws as applicable, guidelines, notifications and regulations relating of the issue. The Equity shares shall also be subjected to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Stock Exchanges, RBI, ROC and/or other authorities as in force on the date of issue and to the extent applicable.

BASIS FOR ISSUE PRICE

Investors should read the following summary with the Risk Factors included from [.] to [.] and the details about the Company and its financial statements included in this Draft Prospectus. The trading price of the Equity Shares of the Company could decline due to these risks and the investor may lose all or part of his investment.

Qualitative Factors:

1. The Company Promoters are successful Entrepreneurs with a proven track record of setting up organization around an emerging technology trend and rapidly scaling through a high growth trajectory.
2. The Company has a range of proven solutions in the niche areas of Service oriented Architecture in Energy & Utility, Pharma – Life Sciences, Government, Insurance & Logistics Industry.
3. CTEL has a CMMi Level 5 assessed global delivery center with proven track record of delivering solutions consistently to US customers for past few years.
4. Strong presence in the US East cost due to location in heart of MIT campus in Cambridge Massachussettes.
5. We are further expanding our presence internationally to improve the marketing prospects of our products and services.
6. The business acquisition model for conducting sales a unique & well established model involving Cambridge Executive Seminars & Workshops that give high visibility and access to customer's top management.

Quantitative Factors:

1. Adjusted earning per share (EPS) weighted

Year	EPS	Weightage
2003	3.24	1
2004	5.35	2
2006 (15 months)	14.86	3
Weighted average		9.75

2. Price Earning ratio (P/E ratio) in relation to the Issue Price of Rs [·] per share

	Issue Price of Rs. per share
(a). Based on EPS of 15 Months Ended 31 st March 2006	[•]
(b). Based on weighted average (EPS)	[•]
(c). PE Multiple Computers – Software – Medium/Small Industry	
• Highest	190.50
• Lowest	2.00
• Average	27.50

Source: Capital Market Volume XXI/06, dated May 22 – June 4, 2006; Category: Computers –Software –Medium/Small

The Company is in Software Services business. The accounting ratios of companies in the Industry Group (Computers –Software –Medium/Small) are as follows:

Company	EPS (Rs.)	P/E Ratio	RONW (%)	NAV (Rs.)
3i Infotech Ltd	7.40	27.00	13.30	51.30
Hexaware Technologies Ltd	5.90	22.40	17.90	37.10
Infotech Enterprises Ltd	18.70	32.80	13.60	136.20

@ Source: Capital Market Volume XXI/06, dated May 22 – June 4, 2006; Category: Computers –Software –Medium/Small

3. Return on Net worth:

Year	RONW (%)	Weightage
12 Months Ended December 31, 2003	45.00	1
12 Months Ended December 31, 2004	47.00	2
15 Months Ended March 31, 2006	39.00	3
Weighted Average	42.67	

Minimum return on total Net worth after issue needed to maintain pre-issue EPS of Rs [•] is [•] %

4. Net Asset Value (NAV) per share (Rs.)

a) As on March 31 st , 2006	38.53
b) After Issue	[·]
c) Issue Price	[·]

The Face value of shares is Rs 10/- per share and the Issue price of Rs [·] per share is [·] times of the Face value.

TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

To
 The Board of Directors,
 Cambridge Technology Enterprises Ltd.,
 Hyderabad.

5.05.2006

Dear Sirs,

Sub: List of tax benefits available to the Company and its shareholders reg.

On your request, we have enumerated herewith, the various tax benefits available to the company, its share holders, FII's and venture capital companies / mutual funds as per the existing Tax laws in force.

It is to be noted that these benefits are available to the respective persons subject to the fulfillment of various conditions prescribed under the concerned sections of the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is subject to the fulfillment of such conditions.

The benefits enumerated below are not exhaustive and the same 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, investors need to consult his or her own tax consultant with respect to the specific tax implications arising out of their subscription to the issue. We do not express any opinion or provide any assurance as to whether:

- (i) The Company or its share holders will continue to obtain these benefits in future; or
- (ii) The condition prescribed for availing the benefits have been / would be met with.

The contents of this letter is based on information, explanations and representations obtained from the Company and on the basis of the nature of the business activities and operations of the Company.

LIST OF TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

As per the existing provisions of the Income Tax Act, 1961 (the Act) and other tax laws as applicable for the time being in force, the following tax benefits and deductions are and will *interalia* be available to the Company and its shareholders.

(A) BENEFITS TO THE COMPANY UNDER INCOME TAX ACT, 1961:

1. Tax holiday under Section 10 A of the Act: -

As per the provisions of Section 10A of the Act, the Company being a unit registered with the software technology parks of India is eligible to claim a deduction of the profits derived from a hundred percent export oriented unit setup for export of computer software for a period of ten consecutive assessment years, beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce computer software. However, the benefit is available subject to fulfillment of conditions prescribed by the Section and no benefit under this section shall be allowed with respect to any such undertaking for the assessment year beginning on the 1st day of April 2010 and subsequent years. The eligible amount would be the proportion that the profits of the undertaking bear to the export turnover of the undertakings vis-a-vis the total turnover of the undertaking.

The Company having commenced commercial production on 15.11.1999 relevant to the assessment year 2000-2001, the deduction of profits U/S 10A will be available up to the end of the financial year ending on 31.3.2009.

2. In terms of section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of any company is exempted from the tax.
3. In terms of section 10(38) of the Act, any long-term capital gains arising to a shareholder from transfer of long term capital asset being an equity 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 10th September 2004.
 - b) The transaction is chargeable to such securities transaction tax as explained below.
4. In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.125% of the value payable by both buyer and seller. The non-delivery based sale transactions are liable to tax @ 0.025% of the value payable by the seller.
5. Under section 48 of the Act, if the investments in shares are sold after being held for not less than twelve months, the gains (in cases not covered under section 10(38) of the Act), if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.
6. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of investment in shares will be exempt from capital gains tax if the capital gain 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 by
 - a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988; or/and
 - b) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956;
7. Under section 112 of the Act and other relevant provisions of the Act, Long term capital gains, (i.e. if shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of investment in shares, shall be taxed at a rate of 20% (plus applicable surcharge) after indexation as provided in the second proviso to section 48. The amount of such tax should however be limited to 10% of the capital gains (plus applicable surcharge) without indexation, at the option of the shareholder.
8. 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 investment in shares on a recognized stock exchange, shall be taxed at a rate of 10% (plus applicable surcharge).

(B) TO THE SHAREHOLDERS OF THE COMPANY – UNDER THE INCOME TAX ACT, 1961
Resident Shareholders

9. In terms of section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the company is exempted from the tax.
10. 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 10th September 2004
 - b) The transaction is chargeable to such securities transaction tax as explained below.
11. In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, (as amended by the Finance Act 2006) transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.125% of the value payable by both buyer and seller. The non-delivery based sale transactions are liable to tax @ 0.025% of the value payable by the seller.
12. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, of amounts paid on account of securities transaction tax.
13. 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 or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax on all their income, including income from investment in the shares of the company.
14. Under section 48 of the Act, if the company's shares are sold after being held for not less than twelve months, the gains (in cases not covered under section 10(38) of the Act), if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition.
15. 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 shares of the Company will be exempt from capital gains tax if the capital gain 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 by
 - a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988; or/and
 - b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956
16. Under section 54F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other 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.

17. Under section 112 of the Act and other relevant provisions of the Act, Long term capital gains, (i.e. if shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge) 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) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
18. 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 in the Company on a recognized stock exchange, shall be taxed at a rate of 10% (plus applicable surcharge).

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

19. In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received by a non-resident Indian shareholder (i.e. an individual being a citizen of India or person of Indian origin who is not a 'resident') on the shares of the company is exempted from the tax.
20. In terms of section 10(38) of the Act, any long term capital gains arising to a shareholder from transfer of long term capital asset being an equity shares in a company would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:
 - a) The transaction of sale of such equity share is entered into on or after 10th September 2004
 - b) The transaction is chargeable to such securities transaction tax.
21. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.
22. In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, (as amended by the Finance Act 2006) transactions for purchase and sale of the securities in the recognized stock exchange by the shareholder, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.125% of the value payable by both buyer and seller. The non-delivery based sale transactions are liable to tax @ 0.025% of the value payable by the seller.
23. 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 shares of the company will be exempt from capital gains tax if the capital gain 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 by
 - a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988; or/and

-
- b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.
24. Under section 54F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two year after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
25. Under Section 112(1)(c) of the Act and other relevant provisions of the Act, long term capital gains (i.e. if shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of shares in the company, shall be taxed at a rate of 20% (plus applicable surcharge) 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) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
26. Under section 115-I of the Act, the non-resident Indian shareholder has an option to be governed by the provisions of Chapter XII-A of the Income Tax Act, 1961 viz. "Special Provisions Relating to Certain Incomes of Non-Residents" which are as follows: -
- a) Under section 115E of the Act, where shares in the company are acquired or subscribed for 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 on a recognized stock exchange, shall (in cases not covered under section 10(38) of the Act) be concessionally taxed at the flat rate of 10% (plus applicable surcharge) (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 (in cases not covered under section 115E of the Act) shall be exempt from Income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

Foreign Institutional Investors (FIIs)

27. In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the company is exempted from the tax.
28. In terms of section 10(38) of the Act, any long term capital gains arising to an investor from transfer of long term capital asset being equity shares in a company would not be liable to tax in the hands of the investor if the following conditions are satisfied:
29. In terms of Securities Transaction Tax as enacted by Chapter VII of the Finance (No.2) Act, 2004, (as amended by the Finance Act 2006), transactions for purchase and sale of the securities in the recognized stock exchange by the investor, shall be chargeable to securities transaction tax. As per the said provisions, any delivery based purchase and sale of equity share in a company through the recognized stock exchange is liable to securities transaction tax @ 0.125%

of the value payable by both buyer and seller. The non-delivery based sale transactions are liable to tax @ 0.025% of the value payable by the seller.

30. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.
31. The income by way of short term capital gains or 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 @ 10% as per section 115AD of the Act. However in case of such long term capital gains, the tax is levied on the capital gains computed without considering the cost indexation and protection against foreign exchange fluctuation).
32. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gain (in cases not covered under section 10(38) of the Act) arising on the transfer of share of the company will be exempt from capital gain tax if the capital gain are invested within a period of 6 month after the date of such transfer for a period of last 3 year in bond issued by: -
 - a) National Highway Authority of India constituted under section 3 of the National Highway Authority of India Act, 1988; or/and
 - b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

Venture Capital Companies/Funds

In terms of section 10(23FB) of the Act, all Venture capital companies/funds registered with Securities and Exchange 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.

(C) Benefits to Members of the Company under the Wealth Tax Act, 1957

Shares of company held by the shareholder will not be treated as an 'Asset' within the meaning of section 2(ea) of Wealth Tax Act 1957 for the purpose of payment of wealth tax. hence shares are not liable to wealth tax under The Wealth Tax Act, 1957.

(D) Benefits to Members of the Company under the Gift Tax Act, 1958.

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. However with effect from 1-9-2004, gifts made to relatives as defined under section 56 of the I.T.Act *only* are exempt from 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 shares are held by joint holders.
3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.

4. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

SECTION IV: ABOUT CAMBRIDGE TECHNOLOGY ENTERPRISES LIMITED

1. INDUSTRY OVERVIEW

Global IT services spending was estimated at a total of about \$400.0 billion in 2004, representing an increase of approximately 4.6% over 2003, and the forecast according to International Data Corporation for compounded annual global IT spending growth between 2005 and 2009 was estimated at 6% taking the same to over \$512.8 billion by 2008.

As the economy continues to grow, enterprises will continue to focus their business consulting and IT spending on strategies and tools that help them generate more value from past investments in the form of enhanced productivity and efficiency. Specifically, they will be looking to derive maximum value from their existing enterprise applications. Enabling technologies will continue to be used to complement and extend the capabilities of enterprise and key functional systems. For example, Business Process Management (BPM) tools will give companies increased visibility into key business processes that reach across functional and organizational boundaries. Not only may BPM help reduce error rates and cycle times by automating workflow, it may also increase the efficiency and productivity of all the people and systems that collaborate on individual processes.

There are a well defined market opportunities around the need for better real-time performance measurement and strategic decision-making. Many companies seek to link optimized processes directly to technology and consolidate the gains of their business process re-engineering efforts. Enterprise applications and BPM software will continue to play a key role. The companies are expected to continue to embed optimized processes directly into Enterprise Resource Planning (ERP) systems, and use BPM and other enabling technologies to improve ongoing management and control, so they can ensure that streamlined or re-engineered processes continue to deliver cost and performance improvements in the future. Business intelligence, analytics and knowledge management applications are expected to also play an increasingly significant role as companies seek to generate more valuable insight and analysis from their operational and financial data. These enabling technologies will produce real-time enterprises, capable of nearly instantaneous views of current performance and more accurate and efficient planning, forecasting and reporting.

Many companies today face intense competitive pressure and rapidly changing market dynamics. In addition, the evolution of technology and the commercialization of the Internet have contributed to the rapid change in the business environment. In response to these challenges, many companies are focused on improving productivity, increasing service levels, lowering costs and accelerating delivery times. In order to achieve these goals, companies are implementing a broad range of technologies, such as, e-business, e-commerce, Data Warehousing, CRM, SCM, SOA, EAI, and mobile computing. These implementations and integration of these systems with each other and requirement to fill some gaps in these applications give rise to many opportunities for System integrators to provide services and solutions to such companies.

Source: Company data

Emerging Market Trend – Service Oriented Architecture (SOA)

Service-oriented architecture (SOA) is the latest step in the evolution of software, aiming at greater simplicity, less effort, and more speed through modularity and simplicity. Over time, this evolution has seen the redefinition of "units of work" within software applications from low-level technical items to elements closer to work understood in a business context: from handling internal demands for storage access and output drivers, then later by transaction monitor and database services (commits and so forth), to the new level of addressing business steps or tasks.

Standard tasks can be pre-defined, and new composite tasks of greater complexity can be supported by combining existing units with new ones as needed. Such architecture would enable not only fast development but also capability for easy modification to meet changing business demands. This moves beyond the traditional dichotomy between build and buy and shifts the equilibrium between flexibility and cost.

What makes the current stage of this evolution noteworthy is threefold. First, the standards for defining and accessing services (key to ease of assembly) are becoming widely deployed. These are the Web services standards such as Simple Object Access Protocol (SOAP) and Web Services Description Language (WSDL). Second is the ability to combine these services at the time of execution, not before — so a designer is not challenged to conceive of all possible combinations of activities in advance. Third, there is a growing understanding of the right scale and content of a service — the happy mean between too fine-grained and too complex vs. too coarse-grained and too inflexible.

The consequences of this shift are profound. It changes the way businesses will buy their IT- based business processes and shifts the market for vendors from tools and packaged suites to:

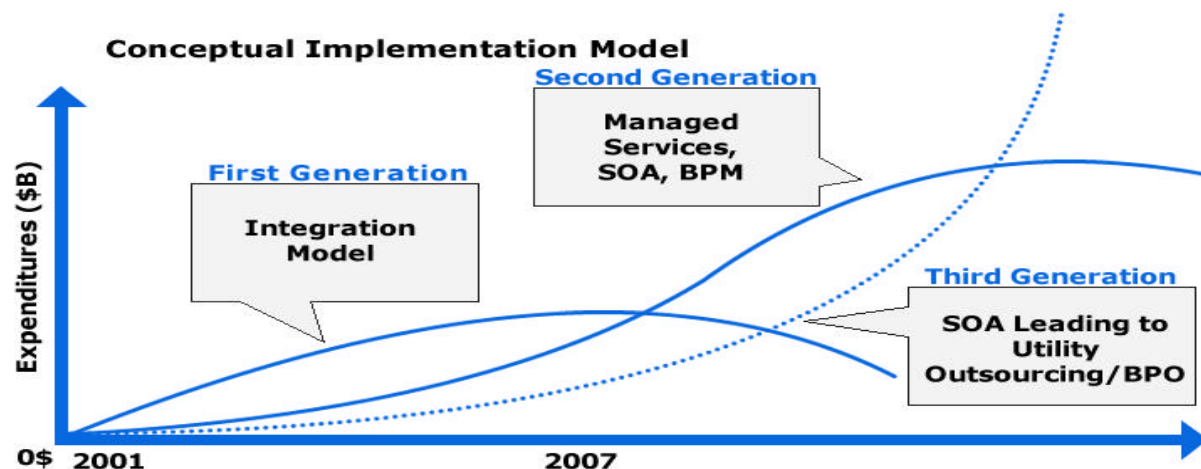
- Offerings of modular tasks that can be assembled by a systems integrator
- Demands for a set of common architectural standards
- A thrust for a new pricing practice based on services fulfilled using an on-demand model

Per Gartner, by 2006, more than 60 percent of the \$527 billion IT professional services market will be based on the exploitation of SOA/Web services standards and technologies. By 2008, systems integrators' and software vendors' Web services and SOA-based investments will simplify many aspects of integration, resulting in major software requirements being met by the assembly of components rather than extensive coding. Packaged applications will be broken up into components and delivered as SOBAs. Companies will be able to obtain SOBAs as well as "assembly services" from software vendors or systems integrators. The distinctions between these two vendor categories will blur. Although application expertise will still be necessary, businesses will place a premium on experts who understand business processes and can design and assemble SOBAs to support those processes.

In its research report, IDC states that "Service Oriented Architecture (SOA) is being heralded as the most effective way to overcome the complexities involved in creating businesses that are agile and adaptive enough to address the ever-changing market dynamics, according to research firm IDC. The study claims that SOA will need to be leveraged in every service offering that is part of a vendor's portfolio in order to best capitalize on this opportunity, partnering and partnerships are also going to be essential in order to deploy SOA, particularly as engagements become increasingly complex and large in scope."

It also states that the SMB market opportunity will become increasingly promising as smaller and mid-sized firms begin to understand the benefits from SOA implementation.

SOA Toward a Utility Service Model



Source: IDC

"There is no question that SOA offers a major growth opportunity for service vendors in all of their major service offerings, be it business or IT consulting, systems integration, custom application development, outsourcing, or support and training. As a result, service firms must make significant investments in building their capabilities in this emerging area," said Marianne Hedin, research manager, IDC's Worldwide Services Research Program.

Forrester's research findings state that, as the IT organization of an enterprise executes on an SOA strategy, involvement with business improvement efforts will increase. A new set of strategic levers will rise to the forefront of management attention as:

Business services sourcing are more closely linked to business strategy. Business services may be sourced internally, built on existing or new applications, or from an external entity. Each option exposes tradeoffs of business proprietary knowledge, best practices, and cost and time-to-market that were not apparent when bolting on enhancements to existing applications.

IT outsourcing options are clarified. IT's core business value will evolve to include business process understanding, improvement, and service sourcing and management. These are the least amenable to being outsourced. Service development and provisioning can be more remote from the business, and benefit from tapping a larger pool of technical skills, meaning that outsourcing and offshoring are viable strategies for these functions.

Transforming from Traditional to Service-Oriented IT

	Traditional IT Model	SO-IT Model
Process knowledge	Expose on coding application within business unit is key	Business process understating process a browsed end-to-end view, implementing application exports
Example	Seibel SFA	Prospect and pipeline management
Scope	Solutions to business needs are toughly Scoped and based on application Silos	Solutions to business needs build on the combination of business unit specific and shared business
Example	Enhancements to existing SFA application	Single face to customer initiative
Architecture Influence	Project-focused and technically oriented	Business architecture guides decisions for services development and provisioning
Example	System requirements for version upgrade	Enterprise customer and prospect information strategy
Version	Technical with little influence on business thinking	Strategic business-focused, and the foundation for collaboration with business management
Example	Planned upgrade schedule	Business services provides access to clean prospect and customer data

Source Forrester Research, Inc.

Business process outsourcing becomes easier. As whole business functions— such as manufacturing or customer service—are sourced from an external entity, the need to expose internal applications and integrate with the BPO supplier's applications increases. As this integration becomes easier, BPO will more readily become a part of the business' strategic arsenal of optimization.

The market growth potential of SOA is quite evident and SOA and Web services will have an impact on every business and IT department. Drawing upon its expertise, CTE has formulated a number of very different strategies for the adoption of SOA for different customer segments as follows:

Minimalist: Adopt by default as application and tool vendors shift products to SOA, but take no proactive steps to exploit these capabilities until they are pervasive. This could force dependencies on

external service providers or result in low-quality internally generated SOA and Web services applications in the future.

Integration Focused: Use Web services to ease integration of internal systems. It serves a useful purpose in building technical skills, but the business benefit is likely to be limited, and may be more easily achieved using established application integration products. A narrow focus on integration may distract from opportunities to use SOA in a more differentiating way and delay addressing the governance and enterprise architecture challenges that will emerge as SOA becomes strategic.

Externally Focused: Identify external system interfaces used by business partners and customers and offer those as Web services. The value of this approach depends on adoption by other parties. In some cases, the service may be sufficiently compelling that it will drive adoption; in others, a consortium approach will be needed to drive mutual benefits.

Radical: Aggressively seek out opportunities to exploit SOA and Web services, perhaps including charging for access. The most-obvious candidates for this approach are high-tech companies, particularly those seeking to promote business models based on software by subscription, and processes in industries such as financial services with large volumes of relatively simple and standardized data to publish. However, as with the original shift to Web-based systems, there will be opportunities in many industries for companies to expose business processes in new ways, not simply improving their ability to interface with partners, but changing the way in which they do business, and thereby gaining competitive advantage.

GLOBAL IT MARKET

Key Findings of NASSCOM Strategic Review 2006 released

- IT-ITES sector estimated to grow by 28%, to account for 4.8% of GDP in FY06
- Employment in software and services sector to touch 1,287,000
- Software and service exports to grow by 32%, to reach USD 23.4 billion

NASSCOM, the premier trade body and 'voice' of the IT software and service industry in India, today announced the key findings of the **Strategic Review 2006**, on the eve of its fifteenth annual event 'NASSCOM 2006: India Leadership Forum', scheduled from February 15-17, 2006 in Mumbai.

According to NASSCOM, "The Indian IT-ITES sector continues to chart double-digit growth and is expected to exceed USD 36 billion in annual revenue in FY06. Out of this, software and services exports are estimated to grow by 32%, to reach USD 23.4 billion in FY06. Indian IT-ITES is well on track to achieve the targets that the industry aspires to achieve by the end of the decade."

"2005 offered a steady growth for the industry. Along with increased presence of Indian IT companies across the globe, we saw new services lines emerging and the Industry reached the next level in services offered. Mergers and acquisitions by Indian players was also a key trend. In spite of the growth seen so far, it is estimated that less than 10 percent of the addressable market for globally sourced IT-ITES has been captured till date, indicating significant headroom for growth."

Estimates for FY06 (in USD billion)

Sector	Figures
IT Software and Services Exports	23.4
Hardware	6.9
Domestic Market	6.1
Total IT-ITES Sector	36.3

*Total may not match due to rounding off

The Strategic Review 2006 reviews the industry's performance in 2005, estimates the growth expected in the current fiscal (FY06) details the service line trends observed across the various industry segments over the past year, presents an assessment of India's competitiveness as a sourcing destination, analyzes the sustainability each individual factor contributing to India's leadership position and provides a view of the outlook projected for the global and Indian IT-ITES industries - outlining the opportunities, challenges and agenda for key stakeholders to further extend India's leadership in this space.

Key highlights of the NASSCOM Strategic Review 2006

- **Steady growth:** The Indian IT-ITES expected to exceed USD 36 billion in annual revenue in FY06, an increase of nearly 28 percent in this current fiscal
 - Exports to account for nearly two-thirds of the total revenues IT-ITES sector to contribute to 4.8 percent of GDP in FY06
 - Engineering and R&D, software products hold significant opportunity for India - growing at 37% and 43% (CAGR FY 2003-06E), respectively
 - Indian IT-ITES sector on track to achieve the targeted USD 60 billion in exports by FY 2010

IT Industry-Sector-wise break-up

USD billion	FY 2004	FY 2005	FY 2006E
IT Services	10.4	13.5	17.5
-Exports	7.3	10.0	13.2

-Domestic	3.1	3.5	4.3
ITES-BPO	3.4	5.2	7.2
-Exports	3.1	4.6	6.3
-Domestic	0.3	0.6	0.9
Engineering Services and R&D, Software Products	2.9	3.9	4.8
-Exports	2.5	3.1	3.9
-Domestic	0.4	0.8	0.9
Total Software and Services Revenues	16.7	22.6	29.5
Of which, exports are	12.9	17.7	23.4
Hardware	5.0	5.9	6.9
Total IT Industry (including Hardware)	21.6	28.4	36.3

Total may not match due to rounding off

*NASSCOM estimates have been reclassified to provide greater granularity

-Revenues from Engineering and R&D services and Software Products reported separately (erstwhile clubbed with IT Services / ITES-BPO)

-Historical values for a few segments have changed

-For ease of comparison, details for two preceding years have been restated as per the new classification

- **Employment trends:** Total IT Software and services employment to reach 1,287,000 in FY06
 - Industry has already initiated several initiatives to further enhance the availability of and access to suitable talent for IT-ITES in India
 - A comprehensive skill assessment and certification programs for entry-level talent and executives (low-middle level management) launched
 - An image enhancement program to build greater awareness about the career opportunities in this segment
 - NASSCOM is working with the academia across the country to encourage and facilitate greater industry interaction

Employment figures-Software and Services sector

Sector	FY 2004	FY 2005	FY 2006E
IT Services	215000	297000	398000
ITES-BPO	216000	316000	409000
Engineering Services and R&D and Software Products	81000	93000	115000
Domestic Market (including user organizations)	318000	352000	365000

*Figures do not include employees in the hardware sector

Source: www.nasscom.org

BUSINESS OVERVIEW

Cambridge Technology Enterprises (CTE), a CMMI Level 5 next-generation business solutions provider. CTE is positioned at the heart of the technology innovation and thought leadership around service-oriented architecture (SOA) emerging trend. CTE's core competency lies in its collaborative delivery model, a solution delivery approach that aligns business, technical, and user stakeholders; includes partner technologies and services as necessary; and uses a general contractor model to deliver end-to-end solutions.

CTE is focused on capitalizing emerging SOA market opportunity, real time enterprise technology and mobile computing trends, based on a single promise (same as its successful predecessor companies): to deliver the right business results on time and on budget. Our "Cambridge Collaboration" techniques, build on our expertise in business consulting, system integration and application outsourcing, to help clients perform at the highest levels so they can create sustainable value for their customers and shareholders. CTE uses its business-process knowledge, its service offering expertise and the insight into and deep understanding of emerging technologies to identify new SOA business and technology trends and formulate and implement solutions for clients under demanding time constraints. CTE helps clients identify and enter new markets, increase revenues in existing markets, improve operational performance and deliver their products and services more effectively and efficiently.

Drawing on a combination of industry expertise, functional capabilities, alliances, global resources and technology, CTE delivers competitively priced, high-value SOA & custom business solutions development services that help its clients measurably improve business performance. CTE's global delivery model enables it to provide a complete end-to-end SOA delivery capability by drawing on its global resources and suppliers to deliver high-quality, cost-effective solutions to clients under demanding timeframes.

Over the years, CTE has acquired strong expertise to develop large, long-term customer relationships, by demonstrating an understanding of its customers' business requirements through its industry expertise and by continually providing high quality services in a cost effective manner.

CTE is an innovation-based business serving the SOA & application development and management needs of enterprises and institutions worldwide. It defines SOA innovation as the intersection of business insight and technological invention. CTE seeks to deliver client success—in whatever ways its clients define success—by giving them differentiating capabilities that provide unique competitive advantage.

LOCATION OF THE PROJECT

Existing facilities of CTE are located in 4th and 5th Floor Sufi Chambers Road No.1, Banjara Hills, Hyderabad 500034. The existing facilities can seat upto 130 persons and for future expansion CTE is looking at additional space. CTE proposes to identify a new building with infrastructure that would have capacity to scale based on its growth plans and is looking at upto 300 to 450 seating capacity place.

The potential areas of location in Hyderabad have been identified and CTE is in the process of shortlisting, negotiating and finalizing the same.

CTE CCT Framework

Software Development at CTE is carried out in phases like Analysis, Design, Coding, Quality Control Testing and UAT, whereas, Project Management, Software Quality Assurance, Configuration Management, Training and Process Improvement are practiced across all phases.

Figure 1, given below describes the Software Development Methodology followed in CTE.



Figure 1: CTE Software Development Methodology

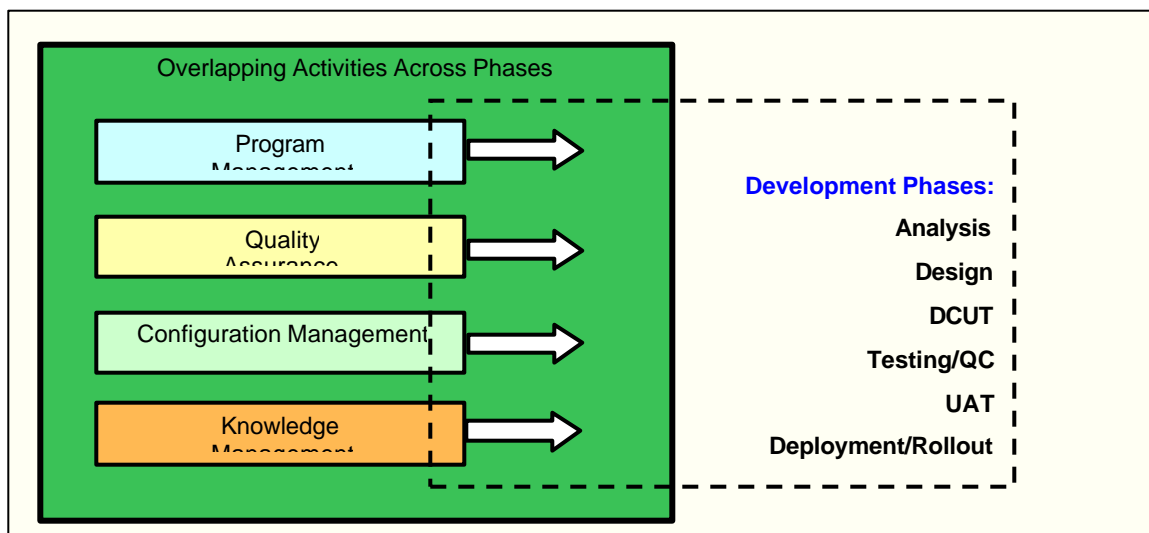


Figure 2: Mapping between Project Management Activities vs. Project Phases

Development Methodology

CTE adopts to one of the following development methodologies for solution delivery:

- RAD
- Extended RAD

Each model is described in the following sections.

RAD

A software development process, that allows usable systems to be built in as little as 60-150 days. This model is used when schedule is of higher priority for the customer and it takes precedence over economy and quality. Figure 3 describes the model.

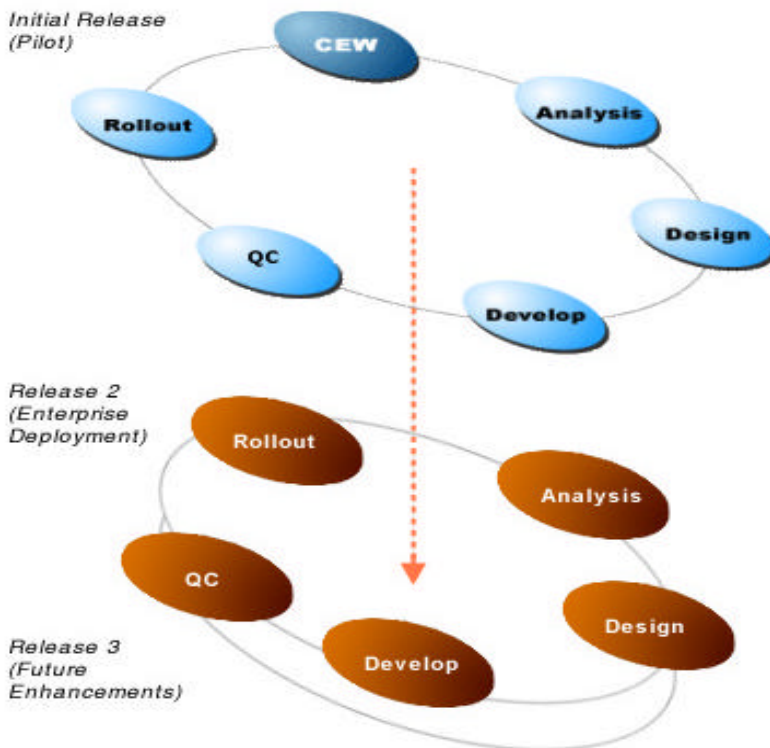


Figure 3: RAD Methodology

Extended RAD

The development projects, which do not need RAD methodology to be followed, are executed using extended RAD methodology. Typical execution cycle of the project is 90 - 180 days or beyond.

Development Lifecycle Models

CTE adapts to one or combination of the following development lifecycle models for solution delivery:

- Spiral
- Iterative

Each model is described in the following sections.

Spiral Lifecycle Model

This model is extremely useful where one can decide to execute risky projects. It is excellent in high risk projects specially for adapting projects as risks are reassessed and controlled. Each iteration / loop can be tailored to suit the projects needs. Figure 4 describes the model.

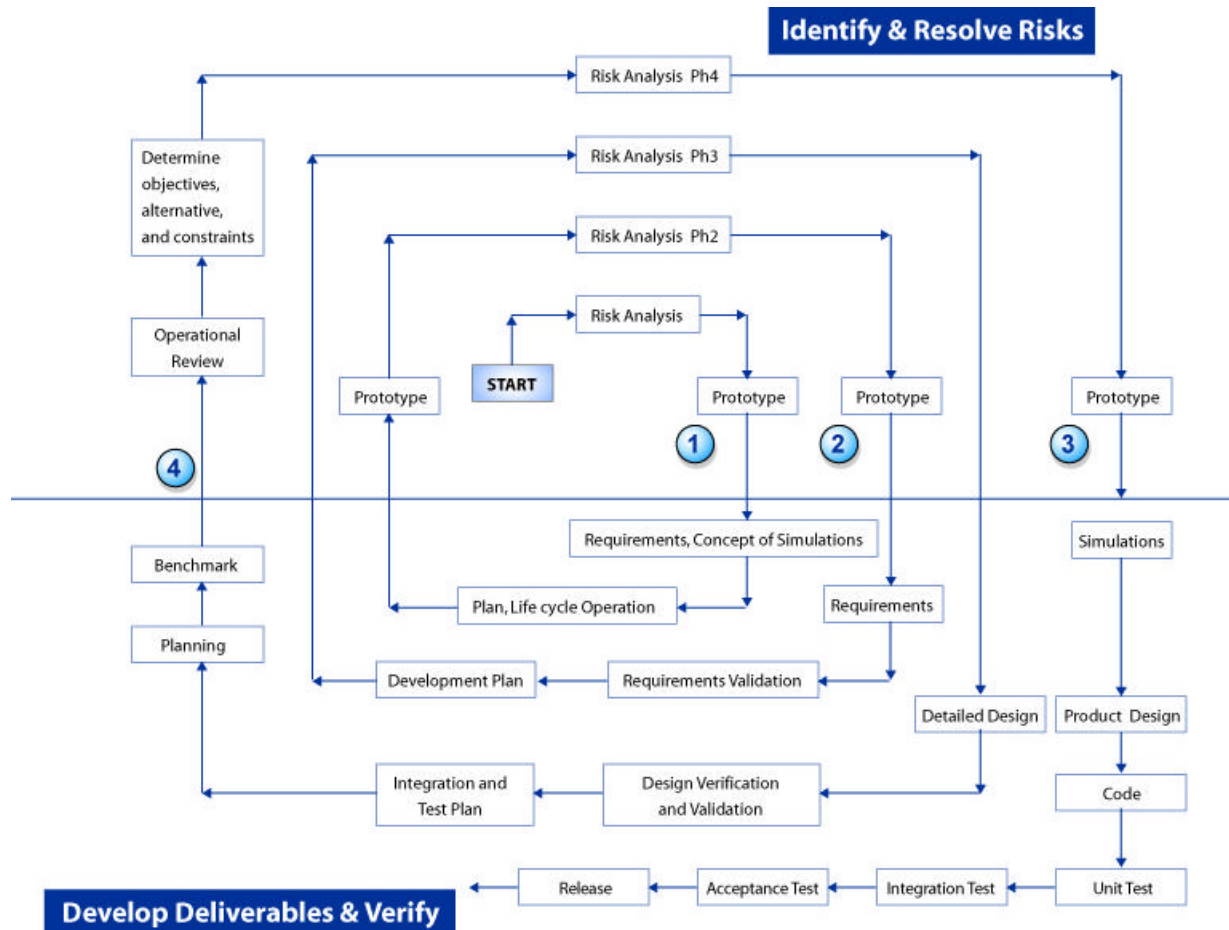


Figure 4: Spiral Model

Iterative Model

Figure 5 illustrates the "Iterative Model". This life-cycle model demands a systematic, approach to software development that begins at the customer's requirements and progresses through analysis, design, coding, testing and post development warranty in iterations.

Each iteration also gives the customer representatives an opportunity to comment on the work in progress and influence the future direction of the development.

Iterative Development Methodology is modification of the waterfall that emphasize the importance of managing change throughout the software development life cycle (SDLC) in order to identify and mitigate risk in the earliest stages of development.

All iterative development methodologies require strong communication, understanding, and support between all organizations directly or indirectly involved with the SDLC, in order to manage change and mitigate risk.

The three key features shared by all iterative development methodologies are:

- **Continuous integration**
Code is integrated and tested at every iteration, not in one lump near the delivery date
- **Frequent, executable releases**
Some internal; some delivered
Unit testing vs. System testing vs. User Acceptance testing
- **Attack risks through proactively managing change**
Progress is measured by software and testing tools and not by documentation or engineering estimates

Controlled iterative development is better suited for distributed software development projects than the traditional waterfall methodology because iterative development:

Manages change proactively
Does not penalize for failing to gather all requirements up front
Handles changing requirements
Allows continuous integration
Identifies and mitigates risk in the earliest stages of development
Allows for tactical changes
Facilitates reuse
Results in a more robust architecture
Facilitates learning
Refines processes

Benefits of Iterative Development

On the iterative development line, we see that Demos (a type of “Review”) serve as early warning indicators.

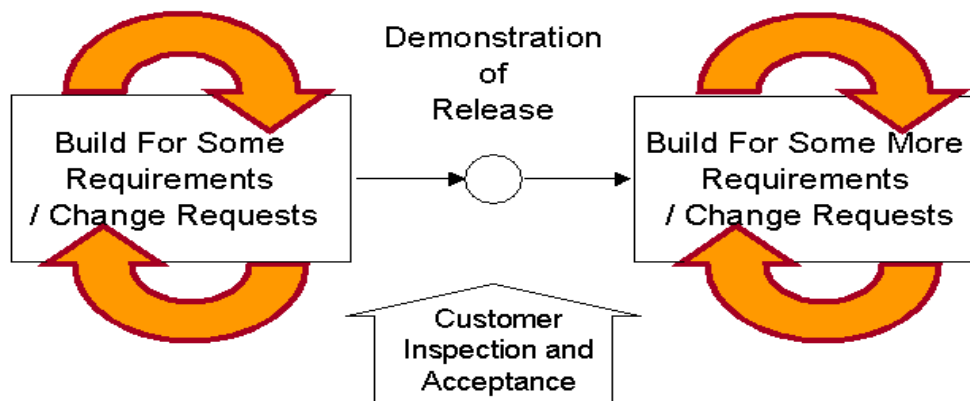
Negative progress after a Demo indicates that fixes for problems were underway.

Demos are a forcing function that drives the entire development team to reach closure at coordinated intervals.

Changes/Problems/Issues can be incorporated into future iterations rather than disrupting ongoing production.

The project's supporting elements (testers, writers, tool smiths, CM, QA, and so forth) can better schedule and coordinate their individual and collective work efforts.

Figure below illustrates Iterative Development Model.



Life cycle model can be adapted to include prototyping in the initial stages in case requirements are not clear. The prototype visualizes the solution ideas and provides the basis for application deployment. Daily iterations of the prototype allow rapid idea incorporation. This flexibility is reflected in the resulting application, ideal for changing business environments

Metrics for Development Projects

Each activity in these phases is tracked using metrics as described below:

Metrics	Phase & Frequency of metrics collection	Application/Benefits of metrics	Current Organization Goal
Size Variance	At completion of Analysis, Design and UAT phases	Helps in estimation, scheduling, effort and work allocation of the project.	10% variance which excludes scope changes
Productivity	After Analysis, Design, Coding, QCT and UAT phases are completed	It indicates the capability of the project in terms of producing software	Based on the technology, platform and complexity of the project, the productivity goal at CTE vary from 15 – 18 Function Points/Man Month
Effort Variance	Weekly / milestone / phase completion	Helpful in tracking the progress of the project and identifying areas where wastages frequently occur. Re-planning and resource allocation for avoiding over load is based on this metrics.	5% variance
Schedule Variance	Weekly / milestone / phase completion	Helpful in knowing schedule variance /delay of the project. This metrics is used for each deliverable, milestone, as well as phase completion.	0% variance
Defect Density	For each work product in the project phase	Tracking Defect Density is very effective in reducing defects and identifying whether defects are removed efficiently or not. The quality of the product is known in quantitative terms.	1.1 Defects/Function Points
Defect Density (Analysis)	At analysis phase end	The quality of work products of analysis phase is known.	--
Defect Density (Design)	At design phase end	The quality of work products of design phase is known.	--
Defect Density (Coding)	At coding phase end	The quality of work products of coding phase is known.	--
Defect Density (QCT)	At QCT phase end	The quality of QCT phase as well as work products is known.	--
Defect Density (UAT)	At UAT end	The delivered defects to the customers is known.	0.10 Defects/Function Points

Metrics	Phase & Frequency of metrics collection	Application/Benefits of metrics	Current Organization Goal
Review Efficiency (For Analysis, Design and Coding phases)	At Analysis, Design and Coding phase end	It indicates the efficiency of review process in removing the defects by review.	75%
Requirements Volatility Index	At every phase end	Helpful in planning/re-planning the project	--
Cost of poor Quality	At every phase end	To determine the cost of poor quality in project.	50%
Phase-wise effort distribution	At every phase end	Helps in determining the organizational effort required for a particular phase or activity and thus helpful in planning for the future projects.	--

COLLABORATIONS

The Company has not entered into any Collaborations nor has any Performance guarantee or assistance in marketing by any Collaborator.

INFRASTRUCTURE FACILITIES

CTE's global delivery center is located at Hyderabad in an area of about 13000 Sq Ft. The center is equipped with state of the art infrastructure to ensure reliable service delivery to the clients. The infrastructure & facilities can be classified into three categories:

1. Collaboration & Communication infrastructure
2. Network Infrastructure & Security
3. Hardware (Servers & Development workstations/ systems)
4. Software licenses

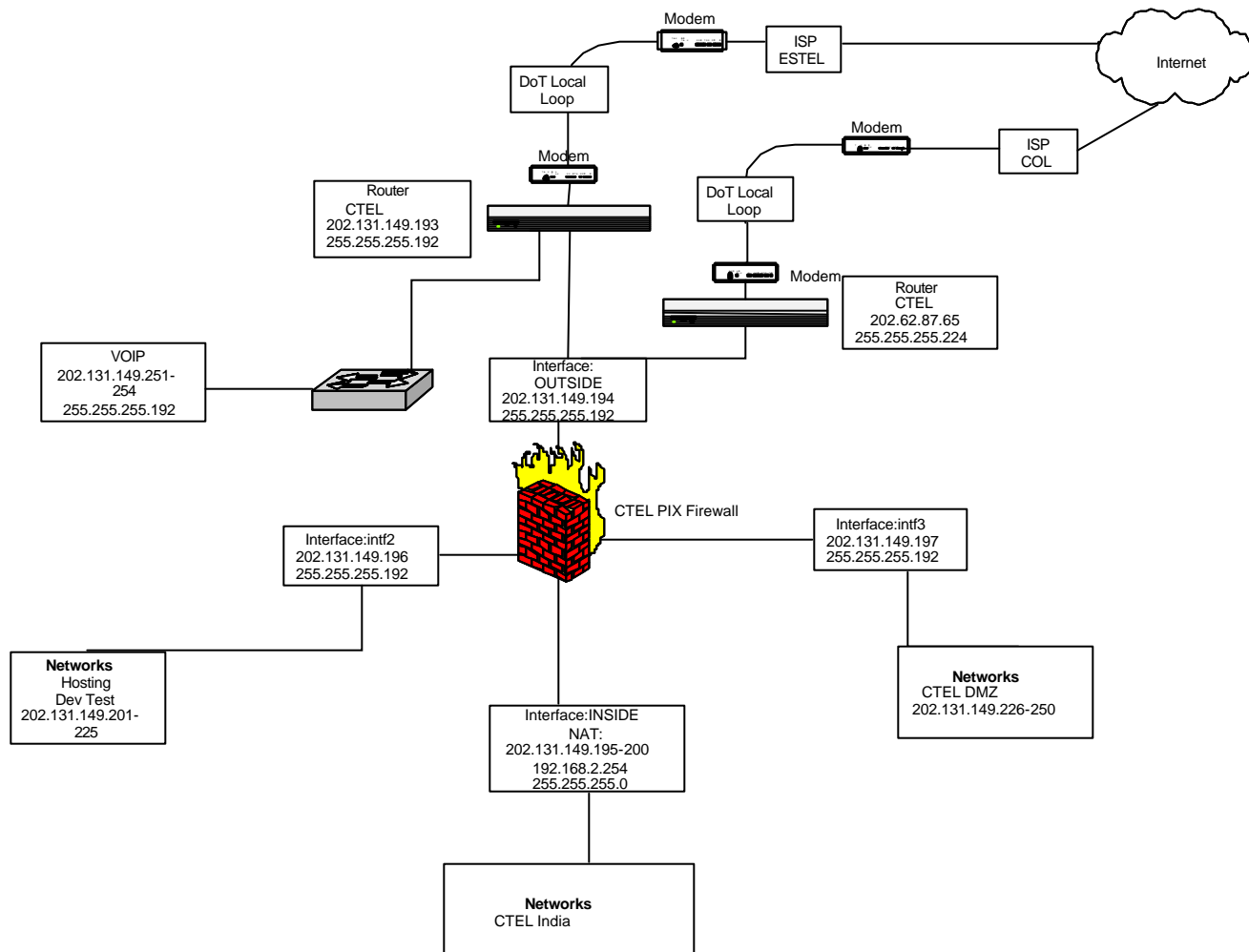
1. Collaboration & Communication:

Collaboration & Communication is key to working closely with clients especially in offshore-on-site global delivery. CTE has invested in this technology by providing for a state of the art Video Tele-Conferencing equipment which works on both Internet bandwidth (IP) as well as through ISDN lines. The equipment has access to 2 MBPS internet connection of the facility with redundant back up. This helps conducting cost effective real time meetings with client & internal project teams across geographies. This has been further augmented through investment in VoIP phones which are very cost effective way of communicating internationally.

2. Network Infrastructure & Security

CTE has a robust & fail-safe networked office comprising array of firewall equipment, routers, domain controllers for internal connectivity. The network is connected through a firewall to outside world of internet through a 2 MBPS line. To avoid dependencies & disruptions, there is a back up line from another service provider to which the entire load shifts based on need. The network schematic diagram gives an overview of the infrastructure set up.

Network security is of paramount importance, in view of the virus and spyware, spamware attacks. CTE has installed centralized firewalls, anti-virus software and also every serve and desktop has anti-spyware software installed.



3 Hardware (Servers & Development workstations/ systems)

SNo	Server	Quantity	Make	Operating System	Utilization
1	Netfinity 3500	1	IBM	Win2000Prof	Additional Domain Ctrl & File Server
2	Netfinity 3500	1	IBM	Win2000Server	DataBase Server
3	Netfinity 3500	1	IBM	Win2000Server	Quality Control Test server
4	Netfinity 3500	1	IBM	Win2000Prof	Products Testing Server
5	PowerEdge 1600SC	1	Dell	Win2000Server	SQL Data Base Server
6	PowerEdge 1600SC	1	Dell	Win2000Server	Database Server
7	Net Power	1	Wipro	Win2000Prof	Application server - Development
8	Net Power	1	Wipro	Win2000Prof	Database Server
9	PowerEdge 1600SC	1	Dell	Linux	Database Server
10	PowerEdge 1600SC	4	Dell	Win2000Server	Servers
11	Desk top machines	100	Different	Windows	Development, testing, Office products
12	Laptop machines	26	Dell	Windows XP	Office & Onsite activities

4 Softwares used

Software	
Win2000Server	Adobe Publishing Collection (Adobe Photoshop 7.0, pagemaker, Illustrator, acrobat)
Win2000 Professional	Dream Weaver Studio MX (Dream weaver, Flash, fireworks, freehand)
WinXP Professional	Visual Studio 6.0
WinXP Home	MS SQL Server 6.5
Windows-98	MS SQL Client
CAL	PC Anywhere 10.5
MS Office2000 Professional	Starteam 4.2
MS Office XP Professional	CAL
MS Office XPStd.	Starteam 5.2
Project 2000	CAL
CAL (proj2000)	TogetherJ Server
Project 2002	CAL
CAL (proj2002)	Segue testing Tools 5.0
Network associates TVD	Oracle 8.1.5
MS Visio 2000	Install Anywhere
MS Visio 2002	Toad 7.4
Symantec Corporate Edition	

Utilities

A. Power

- i. Present connected load
- ii. Power requirement after implementation of the Project
- v. Alternate arrangement made for power i.e Diesel Generator etc.

Total Current Connected Load Of CTEL Offices: 405 HP

Address: 4th & 5th Floor Sufi Chambers, Road No. 1, Banjara Hills, Hyderabad-500034

Location	TR	Nos. Installed	Total TR	Kcals/TR	Total Kcals	Equivalent Kw	Equivalent HP
5th floor	7.50	4	30	3024	90720	105.49	140.65
	5.00	1	5	3024	15120	17.58	23.44
	4.00	1	4	3024	12096	14.07	18.75
4th floor	8.30	4	33	3024	100397	116.74	155.65
	2.00	1	2	3024	6048	7.03	9.38
	1.50	1	2	3024	4536	5.27	7.03
Sub Total			76	3024	228917	266.18	354.91
UPS Load							
Kw at 0.8 PF	15 KVA	1				12.00	16.00
Kw at 0.8 PF	10 KVA	2				16.00	21.33
					Sub total	28.00	37.33

Location	TR	Nos. Installed	Total TR	Kcals/TR	Total Kcals	Equivalent Kw	Equivalent HP
Coffee vending Machines							
	2 KW	2				4.00	5.33
Lighting							
CLs	18 Watts	200				3.60	4.80
Tube Lights	20 Watts	100				2.00	2.67
Grand Total							405.04

Total Connected Load Of CTEL Offices, post project implementation is estimated at about 1000 HP. CTEL would be installing 100% power back-up by way of Generators and adequate UPS back-up to ensure critical services and servers have uninterrupted power supply. CTE does not envisage any issues in meeting the power requirements.

PRODUCTS / SERVICES OF THE COMPANY

Service and Solutions Offerings

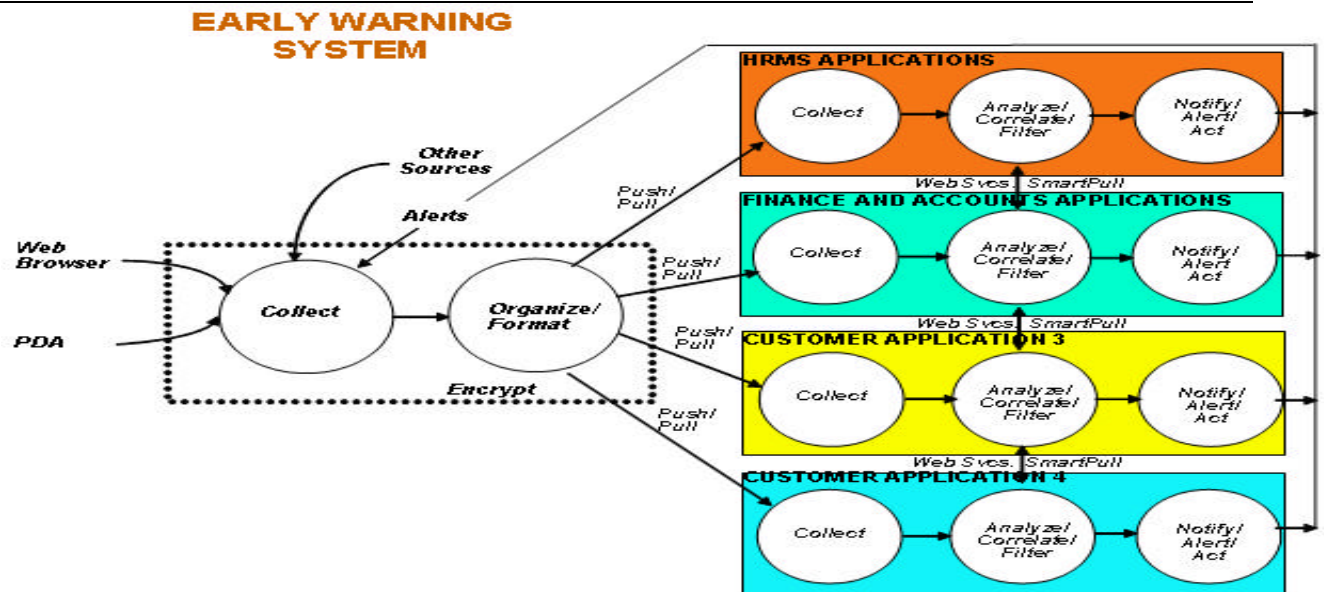
CTE's business model is based on a customer intimacy foundation – a relentless pursuit to be a trusted business partner to customer organization by providing differentiated value to improve customer's overall business. Internally, customer success is measured by the growth of CTE's share of customer's wallet for IT services. CTE offers five distinct solutions to its customers. Each solution offering is delivered through eight horizontal service offerings.

1. Early Warning System

Enterprise risk management has been an important focus area for corporations today. Organizations are looking for predictive computing systems that would integrate and correlate information from existing systems and attempt to predict enterprise risk. Unacceptable predictive risk levels would trigger alerts to key personnel.

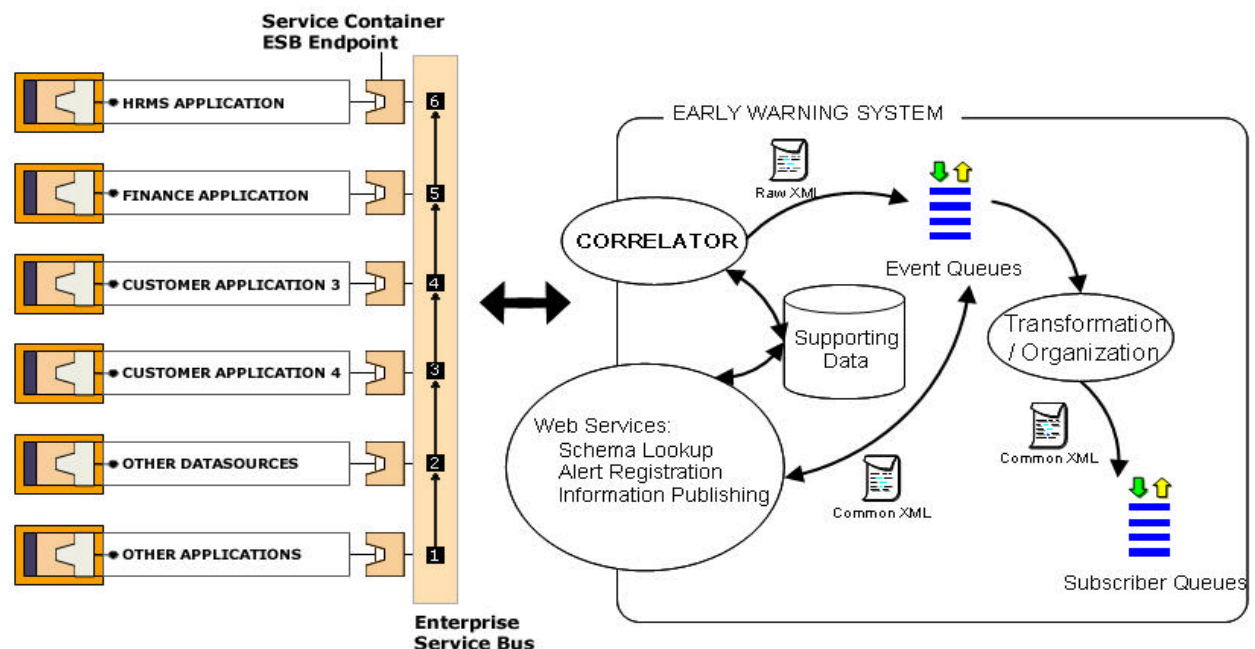
Collecting and analyzing vast amounts of information and metrics helps to mitigate the likelihood of the adverse event reoccurring. This prescriptive approach treats an incident (risk) as a learning experience so that future operations can run with fewer incidents (mitigation). What is lacking is the predictive capability to avoid incidents to begin with. Though eliminating all incidents is impossible, there are steps that a corporation can take to minimize the likelihood of an incident by alerting staff when early warning signs indicate heightened levels of risk. This predictive capability is the key feature of Early Warning System (EWS) solution.

Integrating and correlating the vast amounts of structured and unstructured data associated is critical to predicting events. EWS solution enable corporations to acquire the ability to capture, receive, monitor, and analyze information about relevant events when those events occur and to identify the always-present early warnings in order to respond timely.



Early Warning System Architecture

Instead of tracing the effects of events well after they occur, EWS allows corporations to see the impact of events in time to take preventative measures to an emerging problem. This new approach enables corporation to be more proactive as opposed to reactive. EWS helps by monitoring events and correlating them with related information. The EWS solution is a business solution based on commercially available off-the-shelf (COTS) software and infrastructure from CTE (Correlator 2.1) and other application platform (middleware and database) vendors including Oracle, IBM, and BEA.



Early Warning System "Application Architecture"

A key element of the EWS solution is the definition of common metadata tags that permit the sharing of information across disparate information systems and data models. This mapping delivers a rich and diverse set of information to the end user while providing the EWS with the ability to correlate and

analyze the data. Utilization of integrated correlation and automatic alerts effectively protects the end-user from data saturation. Configuration of “smart-pull” features allows users to define information profiles specific to their needs. Simultaneously, “smart-push” ensures the ability to push information to key constituents and decision makers independent of the “smart-pull” feature. EWS permits event correlation by customized definitions or by standard information. EWS also provides spatial and mapping capabilities. For example, EWS allows correlation of events based on their proximity to one another or based on criticality.

2. Custom Business Solutions

Strategy is not an off-the-shelf product. Using mature frameworks and delivery model, CTE helps customers combine the best-of-breed technologies and essential components of legacy systems to create innovative business solutions.

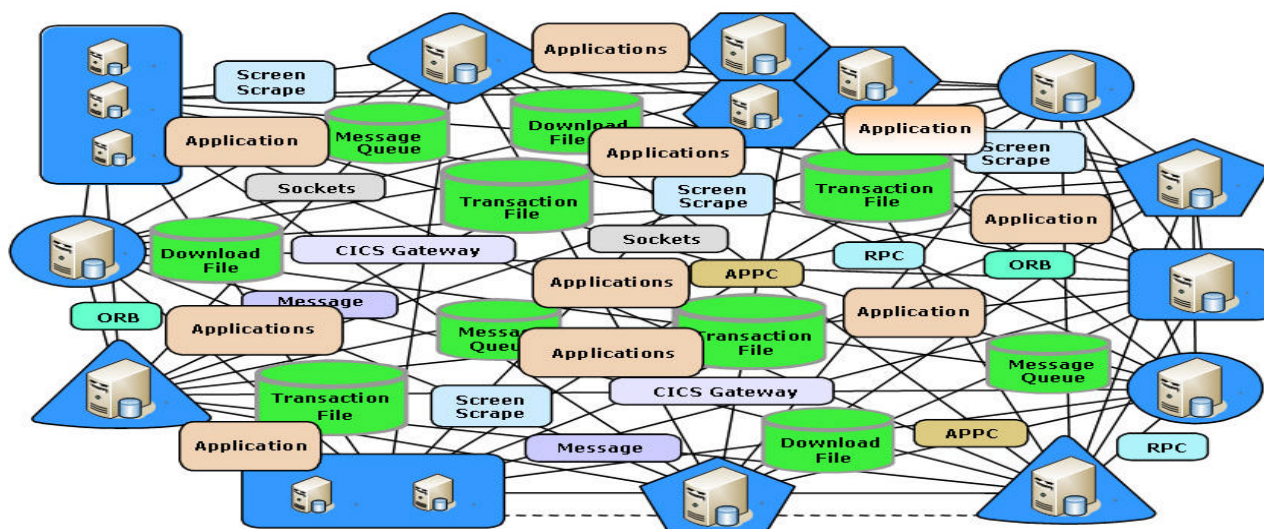
These solutions are based on our Right-Hand Left-Hand Framework and are built on the idea that keeping pace with technology has become non negotiable for businesses. Organizations are realizing that in order to attract and retain customers, improve customer service, streamline supply chains and improve profitability, it is imperative to keep upgrading to the latest technologies.

- CTE's Custom Business Solutions:
- Attract new market opportunities and acquire new customers
- Improve existing products by integrating them with newer technologies
- Improve supply chain, revenue models and thus profitability
- Improve customer service and satisfaction
- Upgrade internal communication between functions

3. Affordable and Adaptable IT

Over the past few decades the typical enterprise IT department has created hugely complex portfolios of systems and databases to support business operations, devoting most of their application development budgets on supporting normal business because of the complexity of making change. In a recent Survey of Fortune 500 companies, almost 80% had altered their business Model in a given period of two years. Two thirds of these – roughly half of the respondents claimed that this business change had been constrained by inflexible IT.

This complexity has resulted from a fundamental error in the way systems investments have been made over a long period of time. Even though it is blindingly obvious that systems are subject to constant change in business requirements, the design specifications or acquisition criteria have focused on short-term immediate requirements.



Spaghetti of Applications

Organizations in order to sustain and lead in their market space, while managing the growth, need to excel in their business and buildup the stakeholders' value very efficiently. This is the time for CEOs, CIOs, CTOs to develop an effective, efficient and agile IT strategy, that will help them meet their business goals and corporate objectives.

SOA is a structural approach in which business level services are published as atomic units of capability. From a purely technical perspective SOA is a superior form of application integration or middleware. However the restructuring of systems capabilities into services presents a much broader opportunity for restructuring of business responsibilities and processes around the service concept. A2IT —a robust and scalable framework provides the guidance on how to develop the right SOA for customer's business.

A2IT framework provides the basis for managing the entire organizations' IT needs, and offers next generation plan to revamp technology infrastructure and enterprise architecture. The framework comprises of three components i.e., A2IT Infrastructure, A2IT Architecture, and A2IT Planning.

A2IT is a robust and scalable framework that encompasses the Infrastructure, Architecture and Planning to eliminate the integration complexities, rigidity, and duplication of functionality across the enterprise. A2IT Infrastructure eliminates the build to order mind-set of people in an organization and enables optimum utilization of the existing IT infrastructure. This is done by identifying present and future infrastructure needs, classifying these needs based on user demands, creating product portfolios and standardized process for managing infrastructure needs across the organization.

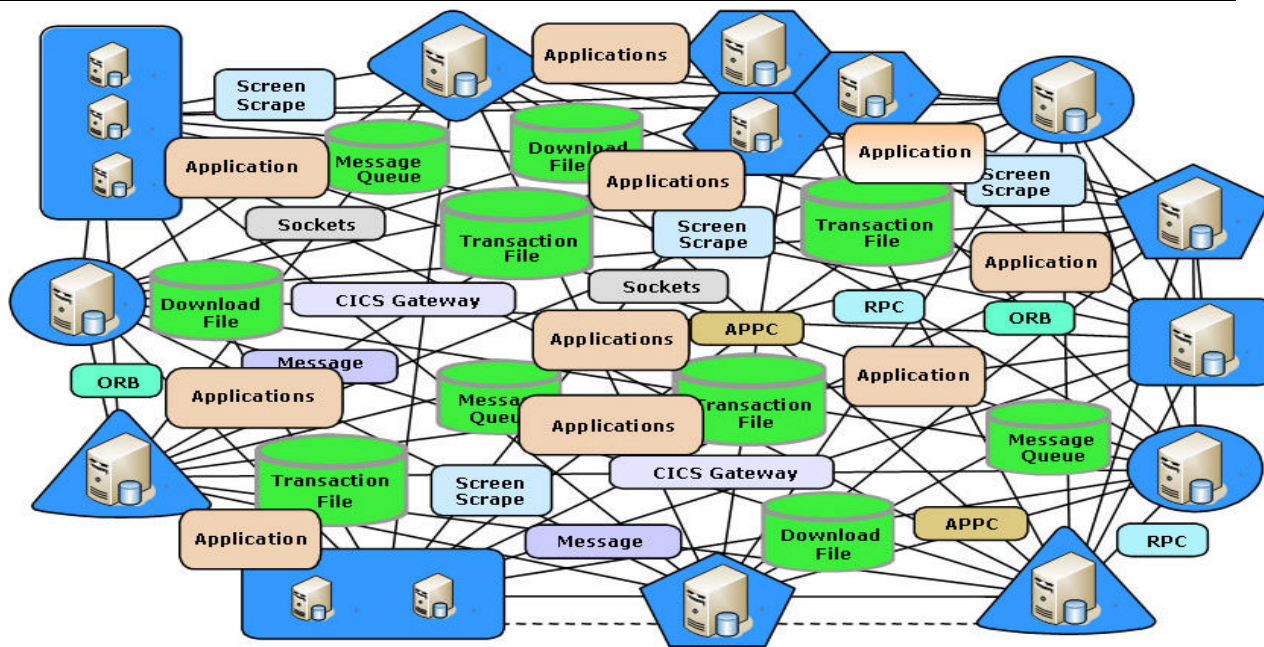
A2IT Architecture approach enables corporations to transform the existing IT architecture to support seamless flow of information between departments in the organization by classifying applications into different domains, identifying services and making them share information through standard interfaces.

A2IT Planning helps align customer's IT infrastructure and architecture requirements to enable greater output, flexibility and boosts utilization of assets. Organizations have a number of old and new systems working together. Efficient IT planning enables organizations to enhance or modify the viable systems while replacing the others and adding new ones, and ensuring that they are not interdependent. A2IT planning is an effective approach that helps you solve IT planning complexities and thereby reduces IT costs. A2IT in turn is a collection of distinct services as follows:



4. Zero Cost SOA Migration

Today IT is burdened with an ever increasing O&M budget that hampers its ability to deliver new business solutions. With an ever increasing number of systems, integration, if done at all, often leads to what we call 'The Accidental Architecture'.



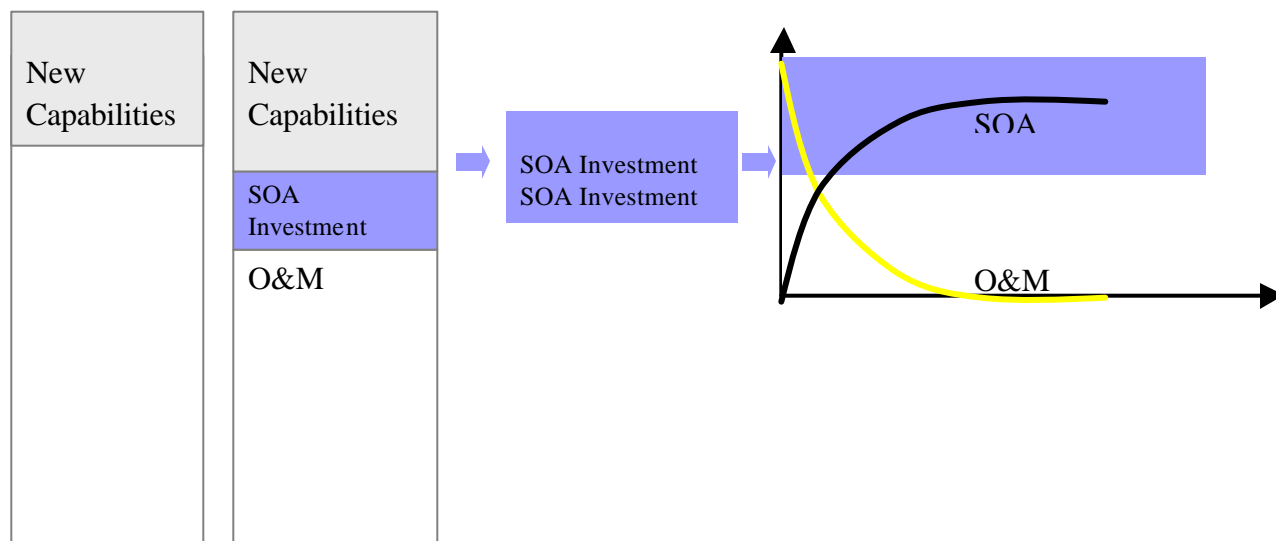
The Accidental Architecture

Typically any one system is architected well, however taken in its entirety the overall IT Architecture often resembles a plate of spaghetti. Connectivity between application and systems are typically point-to-point, creating an N^2 problem typical of legacy integration. In addition to the point-to-point challenges, most IT architectures are riddled with offline, ETL batch integrations. This kind of integration precludes real-time updates and provides users with a stale view of information.

Another challenge leading to larger than needed O&M budgets is the Build-To-Order mentality of software vendors. Hardware is paired to software with enough CPU cycles to handle peak utilization. When you consider the unlikelihood of all applications running at peak demand, you begin to understand the scope of the problem. Today, most IT departments utilize only 15% or less of their total available CPU cycles. This represents a significant portion of the total O&M Budget being wasted on systems that can never be properly utilized. These two issues combine to make IT less responsive and less cost effective.

Solution: Architecture and Infrastructure are enabling technologies and do not, on their own, deliver new business solutions. As such, SOA should be targeted toward the O&M budget, not at New Capabilities. Application upgrades and migrations should focus on using SOA, and specifically Oracle Fusion Middleware, to move from N-Tiered to SOA based. Projects should be targeted that have enough savings associated with the migration to pay for the new technology. We call this Zero Cost for the cost savings are then channeled into increasing the SOA footprint. New Capabilities then leverage the services created yielding cost savings and improving time to market.

Zero Cost SOA Migration



5. Business Process Management

As the economy continues to grow, corporations are continuing to focus their business consulting and IT spending on strategies and tools that help them generate more value from past investments in the form of enhanced productivity and efficiency. Specifically, they are looking to derive maximum value from their existing enterprise applications. CTE's Business Process Management solutions enables corporate IT department to complement and to extend the capabilities of enterprise and key functional systems. CTE's BPM solution embeds optimized processes directly into Enterprise Resource Planning (ERP) systems, and uses BAM and other enabling technologies to improve ongoing management and control, so customers can ensure that streamlined or re-engineered processes continue to deliver cost and performance improvements in the future. CTE's solution helps customers to:

- Acquire increased visibility into key business processes that reach across functional and organizational boundaries.
- Reduce error rates and cycle times by automating workflow - thereby increasing the efficiency and productivity of all the people and systems that collaborate on individual processes.
- Acquire capability for better real-time performance measurement and strategic decision-making
- Link optimized processes directly to technology and consolidates the gains of their business process re-engineering efforts.
- Generate more valuable insight and analysis from their operational and financial data.
- Produce real-time enterprises, capable of nearly instantaneous views of current performance and more accurate and efficient planning, forecasting and reporting.

HORIZONTAL SERVICE AREAS

The following **eight** key horizontal service areas are the innovation engines through which CTE develops its knowledge capital; build world-class skills and capabilities; and create, acquire and manage key assets central to the development of solutions for its clients.

Executive Seminar: Executive Course is a leading executive education program that helps customer's business use existing technologies as a strategic weapon to implement improved services within an organization and extend these services to customers as well as throughout the supply chain.

Cambridge Executive Workshop (CEW): The CEW is a three-week forum for rapid identification, development and presentation of innovative, technology-driven solutions to business problems. The CEW gives clients a forum for bringing together business managers, end users, and IT managers for three weeks to create a foundation for bringing their ideas to fruition. The key steps fostered by the CEW include:

- Identify an area that would benefit through adoption of new technologies and improved processes. Refine and prioritize ideas by filtering them through a customized matrix of business and technical criteria.
- Create a quick custom prototype that aids with precise collection of requirements while testing efficacy of modern tools and getting end user buy-in.
- Provide a framework for Rapid Application Development (RAD) methodology, including documentation, best practices, and tools and techniques from analysis to implementation phase.
- Build a business case including benefits, cost considerations, risks and risk mitigation strategies, and a long-term implementation roadmap identifying deliverables, milestones, and resource requirements.
- Involvement of the customer representative prepares them to present the business case to their management team, through dry runs, rehearsals, etc. This gives the customer teams a high executive visibility, and makes them the champions for implementing the subsequent change.

Management Consulting: CTE helps CEOs and CIOs with critical IT challenges, such as selecting IT investments based on bottom-line return, and help them understand how technologies can enable their business solutions and turn technology innovation into business results for competitive advantage.

Application Development: CTE designs, develops and implements customized IT solutions software for a variety of business processes and requirements. CTE uses its expertise in business processes, enabling technologies and applications, and user-centered design to create business and technology applications that achieve significant returns on our clients' investments. The applications that it designs and implements for the clients include, but are not limited to, redesigned business processes, data warehousing and business intelligence solutions, e-business and web-based solutions, creative design solutions, enterprise architecture and integration and industry-focused package and custom solutions. CTE also provides program management services for these projects and clients' other initiatives. CTE has expertise in both custom software development and working with existing software packages such as application integration packages, content management and delivery systems, ERP packages. Additionally, CTE is able to fully integrate its technology solutions with its clients' legacy systems. CTE's programs comprise of one or more work streams where each work stream may involve the development of a new application, customizing packaged software, enhancing the capabilities of existing software applications, upgrading a legacy solution both to suit the newer technology environments and to enhance the lifetime of such applications.

Over the years, CTE has built reusable frameworks and accelerators to build new information management and information sharing applications. Information management applications help organizations manage the full range of their information needs to improve data quality, enhance decision-making capabilities and meet compliance requirements. Information sharing applications help organizations to share information for better situational awareness and enable early warning of any business surprises.

Application Integration: CTE uses a variety of technology architectures and platforms—including service-oriented architectures, among others—and Web services standards to connect and streamline business processes, systems and information to reduce costs and improve business and IT performance. A key part of its application integration offering is a suite of services to help organizations build and integrate business applications with the rest of their operations. In this suite of services, CTE leverages its skills in business application development and enterprise application integration to build sophisticated business applications and to integrate these new applications and Web sites with client server and legacy systems. CTE builds and deploys robust, scalable and extensible architectures for use in a wide range of industries. CTE maintains competency centers specializing in Oracle, IBM and SAP technologies, among

others, in order to be able to provide application development and integration services to a broad spectrum of customers.

SOA Migration/Legacy Modernization: CTE's migration/modernization service offerings assist customers migrating from systems based on legacy computing environments to newer; open systems-based platforms and/or web services architectures, often in response to the more stringent demands of business. CTE's re-engineering tools automate many of the processes required to implement advanced web and mobile technologies. This automation substantially reduces the time and cost to perform migration/modernization services, savings that benefit both CTE and its customers. These tools also enable it to perform source code analysis and to re-design target databases and convert certain programming languages. If necessary, CTE programmers also help customers re-design and convert user interfaces.

Application Outsourcing: For applications developed as part of our system integration services, CTE provides application management services on a recurring contract basis, including modifications, enhancements, quality assistance and testing to the business functionality as well as providing production support to facilitate around the clock availability of applications spread across multiple geographies encompassing diverse technologies. CTE interacts with the business users to map new functionalities and enhance the application systems to cater to new set of business rules. CTE also assists customers in migration or re-hosting to new technologies, such as SOA/Open systems, Web Services, and to extend the useful life of existing systems. CTE performs application maintenance work at its offshore global development center in addition to maintaining a small team on the customers' premises to coordinate support functions. In certain instances, CTE utilizes our offsite and Cambridge development centers to coordinate application maintenance with either none or minimal customer involvement at the customer's site. CTE is increasingly entering into multi-year application outsourcing contracts with its clients to provide combinations of these services. CTE's management and outsourcing services help its clients realize significant long-term value from their technology investments.

On-Site Flex Sourcing: Many times, it is not practical to outsource application maintenance to an external IT services provider. CTE, based on customer needs, provides on-site contractors to assist customer in various application development, integration, and maintenance services. This can involve individual staffing or project staffing. CTE normally doesn't encourage this service offering and as a result, this part of its business has witnessed stagnated growth.

COMPETITION, KEY PLAYERS AND MARKET SHARE

The market for the SOA services has other players besides CTE. CTE's competitors range from large global firms, including the services arms of large global technology providers (like IBM, Oracle, Microsoft, Sun Microsystems etc), to management consulting firms (e.g. Accenture, IBM, Unisys -3DVE), information technology services providers (e.g. Tibco, WebMethods, BEA, Sonic) and application service providers (e.g.: EDS, IBM, Infosys, CSC, Cognizant). Additionally, in certain geographic markets and industries we occasionally compete with smaller service providers who have a specific SOA focus and competitive market position in that geographic market. In addition, a client may choose to use its own resources rather than engage an outside firm for SOA migration or SOA application development.

CTE differentiates from its competitors by leveraging its deep SOA software development, innovation, and program leadership qualifications in large-scale application life cycle services. CTE's positioning is forward leaning – not only to help the customer implement the SOA solution today, but also to help it embrace, drive, and benefit from the transformation in business and technology. Specifically, CTE brings to bear its proven approach to catalyzing, managing, and delivering large application development and management efforts. The approach includes identifying and solving business and operational problems efficiently, translating the solutions into a set of manageable parallel work streams, and codifying the solutions in whatever SOA technology stacks have been selected.

APPROACH TO MARKETING & PROPOSED MARKETING SET – UP

The Company's marketing team strives to create and sustain clients' loyalty to CTE as their preferred SOA business and technology consultants. To build CTE's brand awareness in SOA market space, CTE conducts marketing initiatives in different geographic locations in United States.

CTE's sales and opportunity management unit undertakes a variety of marketing activities, including developing and implementing its overall marketing strategy, communicating and strengthening CTE's brand and reputation, sponsoring focused multi-client events to build relationships and share its thought leadership, cultivating media and industry analyst relations, conducting market research and analysis, sponsoring and participating in targeted conferences, creating marketing assets to assist client-development teams and publishing its Web site.

CTE continues to actively build relationships and strategic alliances with other technology companies and packaged technology vendors. These relationships involve a wide range of joint activities, including working jointly on client engagements, evaluating and recommending each other's technology solutions to customers, and training and transferring knowledge regarding each other's solutions. These relationships and strategic alliances enable CTE to provide better delivery and value to its existing clients and will attract new clients through referrals and joint engagements.

CTE markets and sells its SOA and related IT services directly through its professional staff, senior management and direct sales personnel operating out of its Cambridge headquarters and its business development offices in Chicago, Kansas City, Jacksonville, Keane, and San Antonio. The sales and marketing group works with the technical team as the sales process moves closer to the customer's selection of an IT solutions provider. The duration of the sales process varies depending on the type of service, ranging from approximately two months to over one year.

Management reviews and approves proposals, which are then presented to the prospective customer. The sales and opportunity management personnel remain actively involved in the project through the execution phase. Substantial emphasis is placed on customer retention and expansion of services provided to existing customers. In this regard, CTE's account managers play an important marketing role by leveraging their ongoing relationship with the customer to identify opportunities to expand and diversify the type of services provided to that customer.

CTE's revenue generation strategy is formulated to ensure that multiple facets of business development are being addressed. Although virtually all of CTE consultants have the ability to and are expected to contribute to new revenue opportunities, CTE's primary internal business development resources are comprised of the following:

The Leadership Team is comprised of the senior leaders who have a combination of executive, functional, practice and anchor account responsibilities. In addition to their management responsibilities, this group of associates is responsible for growing business by fostering executive level relationships within accounts and leveraging their existing contacts in the marketplace.

The Sales Organization is comprised of associates who are 100% dedicated to generating sales. They are deployed geographically in key markets and are primarily focused on developing new relationships within their target accounts. Each sales associate has between ten and twenty target accounts split between existing clients and new prospects.

SOA Competency Center is comprised of associates throughout various practices who are primarily dedicated to developing and implementing new SOA business. Solution strategists possess deep SOA technology expertise and receive incentive compensation on the amount of revenue they generate in addition to other criteria. SOA solution architects sell new business in geographic accounts and collaborate with the sales organization on specific account opportunities to provide content expertise.

The Delivery Organization is comprised of CTE's billable associates who work at client locations. CTE encourages associates to pursue additional business development opportunities through their normal course of delivering existing projects and help us expand its business within existing accounts.

In order to create greater visibility and recognition of the CTE brand, CTE has introduced a focused program to enhance communication with customers in its target industries and enable sharing of experiences and industry developments with the customers. This program includes establishing customer advisory boards, conducting innovation seminars for customers in CTE's MIT campus, and participating in and sponsoring industry events.

BUSINESS STRATEGY

CUSTOMERS

CTE markets its services primarily to companies in the North America. While it derives a significant proportion of revenues from a limited number of customers, CTE's strategy is to seek new customers and at the same time secure additional engagements from existing customers by providing high quality services and cross-selling new services. The strength of CTE's relationships has resulted in significant recurring revenue from existing customers. CTE's business from existing customers in fiscal 2005, 2004 and 2003 accounted for 90%, 91% and 92% of IT services revenues, respectively. CTE's top five customers accounted for 90% and 92% of its total revenues in fiscal 2005 and 2004, respectively.

CTE's customers are from diverse industry segments, including from life science, healthcare, retail, manufacturing, insurance, utility, and government segments. CTE provides services either on a time-and-material basis or on the basis of an agreed fixed bid. The volume of work performed for specific customers is likely to vary from year to year, and a significant customer in one year may not use CTE's services in a subsequent year. A partial list of customers includes:

<ul style="list-style-type: none"> ➤ British Petroleum ➤ Harvard Pilgrim ➤ Summit Energy ➤ NGM/MainStreet America ➤ R J Reynolds 	<ul style="list-style-type: none"> ➤ XCel Energy ➤ Handleman ➤ The TJX ➤ Companies ➤ IBM 	<ul style="list-style-type: none"> ➤ Pfizer ➤ Boeing ➤ Grand River Hospital ➤ Glaxo Smith & Kline ➤ Jacksonville Electric Authority
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CTE has achieved a high level of satisfaction across its client base in 2005. The responses to the surveys we send to clients continue to be extremely positive. The direct feedback and suggestions CTE receives on surveys are captured and used to continuously improve our delivery execution, sales processes, methodologies and training.

Top Ten Customers for the 15 months period ended 31st March 2006

Sr.No	Name of the Client	Sales Amount (Rs in Lakhs)	% of Total Sales
1	CellExchange Inc	1865.99	100%

CTEL was operating under the transfer pricing agreement with CellExchange Inc its holding company till 30th April 2006. This is the reason all the revenue in CTEL's books of accounts is from CellExchange Inc. The top clients that CTEL serviced during 15 months ended March 2006, through CellExchange were:

Sr.No	Name of the Client
1	Summit Energy
2	National Grange Mutual
3	Jacksonville Electric Authority
4	Handleman Company
5	Nstar
6	HillsPet Inc
7	Glaxo Smithkline Beecham
8	Taleo
9	CellExchange Inc
10	cvMail Services Pty Ltd

COMPETITIVE STRENGTH

Highly adaptable Cambridge Collaborative Delivery Model: First and foremost, CTE believes that customer's requirements will change as customer rolls out SOA business solution. As the solution gets deployed, customer gains a deeper understanding of the capabilities that the technology will bear. This deeper understanding will inevitably result in more detailed and refined requirements. CTE's highly iterative CMMi-RAD methodology for the creation, rollout and adoption of this solution through staged deliverables, called spirals, enables CTE to adapt the solution to better meet customer's needs as they evolve. CTE's solution includes the use of loosely coupled system via SOA allowing to be adaptable. In addition, CTE relies heavily on Workshops, off-site sessions that bring IT, business, and users from customer's organization together to ensure a total alignment of scientific need with IT delivery. CTE facilitates these Workshops here on the MIT campus tapping into resources at MIT and Harvard s needed to bridge the communications gap between users and technologists. We believe that these three elements, CMMi-RAD with Spirals, loosely coupled systems via SOA and Workshops provides right solutions to the customer.

Change catalysis and architecting – CTE's engagement model starts with intense workshops. The workshops clarify business objectives, generate potential alternative solutions to the problems, quantify the business value of these solutions, and structure the broader effort into independent streams of work, and kick-start the work with practical visualizations of the desired end-results. Workshops also secure support from the client's senior leaders and deep buy-in from end-users at the very outset of an effort, which builds momentum in the organization. In total, CTE has arranged hundreds of these change catalysis, design, and management workshops.

Collaborative application development and integration - CTE's efficient collaborative development approach combines Rapid Application Development (RAD) with CMM process quality. CTE structures its development and integration efforts to deliver distinct value in short cycles, which build momentum for the solution and reduce the client's risk. CTE's CMMi-RAD methodology has been assessed at CMMI Level 5 by the Software Engineering Institute (SEI).

Program management expertise – Once a large-scale SOA application development/migration effort is kicked off with workshops, CTE establishes a program office to orchestrate and integrate multiple concurrent streams of work to maintain change momentum and to deliver on commitments. Based on open standard, industry-leading SOA-technology stack, and CMMI Level 5 process maturity, CTE effectively manages clients, partners, subcontractors, and technology vendors in demanding situations. CTE tracks its heritage to Cambridge Technology Partners (same founders) and therefore takes pride in delivering its commitments on time and on budget.

Flexible, highly evolved delivery model - CTE provides services through centers located in India, United States and onsite teams operating at the customers' premises. Over the last three years, CTE has made substantial investments in infrastructure, processes and systems allowing it to evolve its global delivery model to effectively integrate offshore, offsite, near shore and onsite services and perform a greater volume of work at its offshore development centers. This delivery model seeks to provide customers with seamless solutions in reduced timeframes, enabling them to achieve operating efficiencies and realize significant cost savings. CTE continues to evolve its delivery model and believe that its customer-oriented approach and ongoing refinements represent an important competitive advantage.

Top down selling- CTE strongly believes in top-down selling. CTE invests in its sales and client relationship to structure partner-level relationship with senior management to have critical visibility to their pressing business issues. CTE maintains CXO-level relationship in all of its accounts.

Track record of high quality execution- All of CTE's customers are referenciable. Over last five years, CTE has executed hundreds of workshops and application development engagements. Most of the deployments are still in use today. This demonstrates high quality deliverables not only from implementing the project on-budget and on time; but also the alignment of IT, business, and users to make the end product useful.

Culture of innovation- CTE has a history of innovation that is facilitated by the entrepreneurial culture and its management's willingness to make strategic investments in growth markets. CTE consciously stays away from commoditized categories of the IT industry and focus on areas in which it can differentiate itself through innovation and by leveraging its investments in R&D. CTE's competency centers in India and at its MIT campus continue to develop and bring to market new SOA solutions based on leading SOA technology stacks. For instance, CTE is one of the few companies in India to offer utility/grid computing and SOA migration services to customers. CTE has also been innovative in its internal organization and has introduced industry leading practices in hiring, resource planning and knowledge sharing. These accomplishments and initiatives have further enhanced its brand and reputation in the marketplace. CTE makes significant investment and effort to advance open, Web, and SOA technology standards and to engage with governments, academia, think tanks and nongovernmental organizations on emerging trends in technology, community and culture.

INSURANCE

The summary of the Insurance policies availed is as under:

1. The Company has insured servers and desktops situated at 4th & 5th Floor, Sufi Chambers, Road No.1, Banjara Hills, Hyderabad-500 034, under Electronic Equipment Insurance Policy from M/s. HDFC Chubb General Insurance Company Limited vide Policy No. EE10000076000100. The amount insured for is Rs. 26,77,019/- for the period starting from 25/09/2005 to 25/09/2006 (midnight).
2. The Company has insured all its Laptops situated at 4th & 5th Floor, Sufi Chambers, Road No.1, Banjara Hills, Hyderabad-500 034, under Portable Electronic Equipment Insurance from M/s. HDFC Chubb General Insurance Company Limited vide Policy No. LAR0000079000100. The amount insured for is Rs. 10,00,000/- for the period starting from 25/09/2005 to 25/09/2006 (midnight).
3. The Company has insured its premises against Burglary and House Breaking situated at 4th & 5th Floor, Sufi Chambers, Road No.1, Banjara Hills, Hyderabad-500 034, by taking Burglary and House Breaking Insurance Policy from M/s. HDFC Chubb General Insurance Company Limited vide Policy No. BUR0000208000100. The amount insured for is Rs. 1,43,18,184/- for the period starting from 25/09/2005 to 25/09/2006 (midnight).

4. The Company has insured its premises against Standard Fire and Special Perils including Earth Quake situated at 4th & 5th Floor, Sufi Chambers, Road No.1, Banjara Hills, Hyderabad-500 034, by taking Standard Fire and Special Perils Insurance Policy from M/s. HDFC Chubb General Insurance Company Limited vide Policy No. FMD0000440000100. The amount insured for is Rs. 1,43,18,184/- for the period starting from 25/09/2005 to 25/09/2006 (midnight).
5. The Company has insured its employees who are working in the premises situated at 4th & 5th Floor, Sufi Chambers, Road No.1, Banjara Hills, Hyderabad-500 034, against personal accident from National Insurance Company Limited vide Policy No.551603/42/05/8200000047. The amount insured for is Rs. 3,78,00,000/- for the period starting from 25/09/2005 to 25/09/2006 (midnight).

PROPERTY

PURCHASE OF PROPERTY:

At present, our Company does not own any property and the proceeds of the Issue will not be utilized for owning any Property.

LEASE DETAILS

Our Company has been operating its business through lease/leave and licence of property at its Registered office. The terms and conditions of the Lease agreements are as given below:

1. Lease deed for 501, 502 & 503 in fifth floor of Sufi Chambers, Road No 1, Banjara Hills, Hyderabad - 500034 commenced from 1st July 2003 and valid for 3 years. Lease rental is Rs.4460.85 per sq ft and the area is 6460.85 sq ft.
2. Lease agreement entered into for premises 401-B in forth floor of Sufi Chambers, Road No 1, Banjara Hills, Hyderabad - 500034 commenced on 21st April 2005 and valid for 3 years. Rent payable is Rs 19,810 fixed per month.
3. Lease agreement entered into for premises 403-C in forth floor of Sufi Chambers, Road No 1, Banjara Hills, Hyderabad - 500034 admeasuring 606 sq feet commenced on 1st November 2004 and valid for 3 years. Rent payable is Rs 8,791 fixed per month.
4. Lease agreement entered into for premises 401-A in forth floor of Sufi Chambers, Road No 1, Banjara Hills, Hyderabad - 500034 commenced on 21st April 2005 and valid for 3 years. Rent payable is Rs 19,611 per month.
5. Lease agreement entered into for premises 401-C in forth floor of Sufi Chambers, Road No 1, Banjara Hills, Hyderabad - 500034 commenced on 21st April 2005 and valid for 3 years. Rent payable is Rs. 19,810 per month.

FINANCIAL INDEBTEDNESS:

The company has sanctioned working capital loan and term loan amounting to Rs 50.00 lacs and Rs 470.00 lacs respectively from UTI Bank, Hyderabad. However, as of March 31, 2006, there is no loan outstanding.

HISTORY AND CORPORATE STRUCTURE OF THE COMPANY:

History and Major Events

Cambridge Technology Enterprises Limited ('CTEL' or 'the Company') was originally incorporated on 28th January 1999 as Unique Solutions (India) Private Limited at Hyderabad, Andhra Pradesh under the Companies Act, 1956 vide Registration No. **01-30997 of 1998-99**. The name of the Company was changed to Cell Exchange (India) Private Limited on 21st January 2003 and subsequently to Cambridge Technology Enterprises Pvt Ltd on 12th March 2004 which was reverted back to its old name i.e. Cell Exchange (India) Private Limited on 22nd July 2004 and on 16th March 2005 the name was changed to Cambridge Technology Enterprises Private Limited. Thereafter it was converted into a public limited company after passing the necessary resolution in the Extra Ordinary General Meeting held on 14/03/2006 and the Registrar of Companies, Andhra Pradesh, Hyderabad had issued a fresh certificate of incorporation consequent on such conversion on 31/03/2006 and the present name of the Company is Cambridge Technology Enterprises Limited

The Registered Office of the Company is situated at 4th Floor Sufi Chambers, Road Number 1, Banjara Hills, Hyderabad – 500 034, A.P., India. The Company has presence in Cambridge, Massachusetts in the USA.

At the time of incorporation the Registered Office of the Company was situated Flat No.607, Annapurna Block, Aditya Enclave, Ameerpet, Hyderabad. On 2nd November 2000, the Registered Office was shifted from the said address to Flat No. 188 & 189, RR Towers, Kavuri Hills, Madhapur, Hyderabad. With effect from 4th March 2002, the Registered Office of the Company is shifted to the present address.

BACKGROUND

Cambridge Technology Enterprises (CTE), a CMMI Level 5 next-generation business solutions provider, headquartered in the Massachusetts Institute of Technology (MIT) campus at Cambridge, Massachusetts. CTE is positioned at the heart of the technology innovation and thought leadership around service oriented architecture (SOA) emerging trend. CTE's core competency lies in its collaborative delivery model, a solution delivery approach that aligns business, technical, and user stakeholders; includes partner technologies and services as necessary; and uses a general contractor model to deliver end-to-end solutions.

CTE promoters have successful track record for building high market-value companies based on emerging technology trends. These successful companies include:

Cambridge Technology Partners (CTP), Founders. CTP was founded to capitalize on UNIX. CTP was acquired by Novell in 2001

I-Cube, Founders: I-Cube focused on mainframe migration using proprietary tools, completed IPO in 1998; merged with Razorfish in 1999.

Open Environment Corporation (OEC) – Founders. OEC focused on building middleware tools for simplifying development on DCE platform Completed IPO in 1993 and later acquired by Borland International in 1995

Primix Solutions, Inc., public - Founders. Primix focused on building development platform on ERP packages. Primix was acquired by BurntSand in 2004

C-bridge Internet Solutions IT solutions, Founders. C-bridge focused on building e-business applications for G2000 companies. C-Bridge completed IPO in 1999 with one billion dollar market value in five months. C-bridge was acquired by Progress Software in 2002.

CTE is focused on capitalizing emerging SOA market opportunity, real time enterprise technology and mobile computing trends, based on a single promise (same as its successful predecessor companies): to deliver the right business results on time and on budget. Our “Cambridge Collaboration” techniques, build on our expertise in business consulting, system integration and application outsourcing, to help clients perform at the highest levels so they can create sustainable value for their customers and shareholders. CTE uses its business-process knowledge, its service offering expertise and the insight into and deep understanding of emerging technologies to identify new SOA business and technology trends and formulate and implement solutions for clients under demanding time constraints. CTE helps clients identify and enter new markets, increase revenues in existing markets, improve operational performance and deliver their products and services more effectively and efficiently.

Drawing on a combination of industry expertise, functional capabilities, alliances, global resources and technology, CTE delivers competitively priced, high-value SOA & custom business solutions development services that help its clients measurably improve business performance. CTE’s global delivery model enables it to provide a complete end-to-end SOA delivery capability by drawing on its global resources and suppliers to deliver high-quality, cost-effective solutions to clients under demanding timeframes.

Clients choose CTE because of its commitment and determination to do whatever it takes to deliver meaningful results for them. CTE has a relentless focus on making an impact on its clients’ businesses. CTE is able to deliver superior returns for its clients by addressing the biggest problem that most companies face when purchasing business-enabling technology projects: the majority of technology projects today are finished late or over budget, lack promised capabilities or simply are never finished. Using its unique Cambridge Collaborative methodology, CTE plans, designs, implements and manages technology solutions that are designed to deliver tangible business value to its clients in the form of increased revenues, reduced costs and more effective utilization of assets. CTE delivers services and solutions for the price and within the time frame we promise to our clients, further enhancing the return to the clients on their technology investment.

Over the years, CTE has acquired strong expertise to develop large, long-term customer relationships, by demonstrating an understanding of its customers’ business requirements through its industry expertise and by continually providing high quality services in a cost effective manner.

CTE is an innovation-based business serving the SOA & application development and management needs of enterprises and institutions worldwide. It defines SOA innovation as the intersection of business insight and technological invention. CTE seeks to deliver client success—in whatever ways its clients define success—by giving them differentiating capabilities that provide unique competitive advantage.

Major Events in the History of the Company:

Year	Event
28 th January 1999	Company Incorporated as Unique Solutions (India) Private Ltd at Hyderabad
21 st January 2003	Name changed to CellExchange (India) Private Limited
December 2003	Attained CMM Level 4, appraised by KPMG, India
12 th March 2004	Name changed to Cambridge Technology Enterprises Private Limited
22 nd July 2004	Reverted the name back to CellExchange India Private limited
16 th March 2005	Name changed to Cambridge Technology Enterprises Private Limited
March 2005	Attained CMMi Level 5, appraised by KPMG, India
31 st March 2006	Converted to Public Limited

Details of Changes in the Registered Office of the Company:

The Details of the registered office shifted by the Company from time to time are given below:

Changed from	Changed to	With Effect From
Flat No.607, Annapurna Block, Aditya Enclave, Ameerpet, Hyderabad – 500 038.	Plot No. 188 & 189, R. R. Towers, Kavuri Hills, Hyderabad – 500 033.	02/11/2000
Plot No. 188 & 189, R. R. Towers, Kavuri Hills, Hyderabad – 500 033.	4 th Floor, Sufi Chambers, Road No. 1, Banjara Hills, Hyderabad – 500 034.	04/03/2002

MAIN OBJECTS OF THE COMPANY:

The main objects of the Company as stated in the Memorandum are as under:

- 1 To set up and run electronic data processing centre and to carry on the business of data processing, word processing, data abs tracking, software consultancy, training, recruitment, placement, systems studies, management consultancy, techno-economic feasibility studies of projects, Design and development of management of information systems.
- 2 To carry on the business of designing, developing, manufacturing, marketing and trading in all types of computer software in all areas including Management Information Systems, Desk Top Publishing, Communications, Including Telecommunications & Satellite communication, CAD,CAM, Animation, Operating Systems, Utilities and all other developments in the field of Computers.
- 3 To manufacture, establish, develop, formulate, structure, offer service and/or otherwise deal in all types of Information and communication, telephone, telex, fax, radio, television, computers, satellite communications and other types of communications, render consultancy offer training courses, undertake jobworks/ contract to design and develop various informations technologies, software and hardware connected with above fields and to obtain patent rights copy rights and other intellectual property rights in the above fields.
- 4 To render consultancy services and services in the field of Software development, Software export and data processing, computer systems, communications, operations, Research and technical services including commercial exploitation, export, import and to act as dealers, authorized representatives of the same. To depute personnel to design and develop software in India and abroad and to start Technology Parks in India and abroad.
- 5 To carry on web, internet, intranet based business, services and other allied activities in all its branches.

The present business is in line with the main objects of the Company.

Changes in Memorandum of Association of the Company

There were no amendments to the memorandum clauses except for the authorized capital clause. The details of the amendments are as under:

The details of increase in Authorized capital is as under:

Sl. No.	Details	Date of EGM	Amount (Rs)	Date of filing with ROC
1	At the time of incorporation	---	50,00,000	28.01.1999
2	Increase in Authorized capital	29.07.2005	3,00,00,000	28.12.2005
3	Increase in Authorized capital	14.03.2006	15,00,00,000	22.03.2006

SUBSIDIARIES OF THE COMPANY

The Company has one wholly-owned foreign subsidiary in USA. The subsidiaries are formed to support the activity of the Company i.e. to market the services and provide support to the implementation of the projects in their respective regions.

Cambridge Technology Enterprises, Inc.

CTE Inc was incorporated on 23rd March 2005 as a 100% subsidiary of CellExchange Inc. as a Delaware Corporation. It has its registered office at 219, Vassar Street Cambridge, Massachusetts, MA, USA. CTE Inc is engaged in the business of development of software solutions and services to the business of Global 2000 organisations.

CTE Inc was acquired w.e.f May 01, 2006, to support the activities of CTEL i.e. to market CTEL's solutions and services and provide support to the implementation of products and services in the USA. The procedure of acquisition was carried out as per the prescribed procedures in India and USA. The process adopted was as follows:

1. CellExchange Inc's commercial business was assigned to CTE Inc (its subsidiary incorporated in 23rd March 2005).
2. CTE Inc's valuation was done by an Independent valuator (M/s Pricewaterhouse Coopers, Hyderabad), the valuation range as per their valuation report averaged at about US \$ 2.1 Million. However, based on the discussions between the respective managements of CTEL & CellExchange Inc, the final price of acquisition was agreed at US \$ 1.638 Million.
3. Based on the stock purchase agreement signed between CellExchange Inc & CTEL, the total consideration payable for purchase of 1 Million shares of CTE Inc was fixed at US \$ 1.638 Million, The price per share @ \$ 1.638/ share.
4. CTE Inc was acquired by CTEL for 100% cash consideration through automatic route prescribed by RBI.
5. The source of US \$ 1.638 Million to pay for CTE Inc's acquisition is entirely from the internal accruals and cash.

The stock purchase agreement for sale & purchase of CTE Inc was entered into as on 1st May 2006 and was consummated upon transfer of US \$ 409,000/- as the first tranche of payment to be made under the agreement. Balance payments are to be remitted as per the payment schedule mentioned in the agreement. As per the agreement, CellExchange Inc will transfer & deliver 100% of One million shares of CTE Inc to CTEL. CTE Inc will be wholly owned subsidiary (WOS) of CTEL effective 1st May 2006.

Shareholding Pattern

S No	Name	No. of Equity Shares	%
1	Cambridge Technology Enterprises Limited	1,000,000	100%

Board of Directors

Name of the Director	Designation
Mr Krishna Nangegadda	President
Mr Bhaskar Panigrahi	CEO
Mr Sundar Subramaniam	Director

The financial details for four months period ended 30.04.2006 (un-audited) are as under:

Particulars	As on 30.04.2006	As on 30.04.2006
	(4 Months) Figures in USD	(4 Months) Figures in Rs Lacs, except EPS
US \$		44.8864
Sales -		
Business Income	661759	297.04
PAT	2298	1.03
Equity Share Capital	10000	4.49
Reserves (Excluding revaluation Reserves)	2298	1.03
Number of shares outstanding	1000000	1000000
EPS (1 cent share (Rs 0.445/share)	0.0023	0.10
Net Worth	12298	5.52

Exchange Rate as on 30.04.06:

1 US \$ = Rs 44.886

Source: www.exchangerate.com

SHAREHOLDERS AGREEMENT

Our Company has entered into Stock Purchase Agreement for Purchase of Cambridge Technology Enterprises Inc, from CellExchange Inc.

CellExchange Inc & CTEL entered in to an Agreement dated 2nd May, 2006. CellExchange, Inc., is a Delaware corporation (the "CX") and Cambridge Technology Enterprises Limited is an India company incorporated under the Companies Act 1956.

CellExchange Inc is a system integration firm primarily focused on providing business transformation solutions to Federal & DoD customers in the United States; and also provides similar services to commercial clients through a wholly-owned subsidiary, Cambridge Technology Enterprises, Inc. ("CTE"), a Delaware corporation; and

CTEL is focused on providing business solutions to the commercial clients of CX through its global delivery process.

As part of the restructuring exercise of CellExchange Inc & its group & subsidiary companies, CellExchange Inc, agreed to sell and CTEL agreed to purchase all 1,000,000 issued and outstanding shares of CTE since the parties desired that in order to streamline the business focus of CellExchange Inc and CTEL, Cambridge Technology Enterprises Inc should operate as a wholly owned subsidiary of the CTEL which will also facilitate it to operate independently and directly with the US customers.

The salient points in the agreement were:

1. Sale of CTE Common Stock. CellExchange Inc shall sell to the CTEL and CTEL purchase all one million (1,000,000) common shares of CTE (the "Shares") at a price of US \$ 1.638 million (one million six hundred and thirty eight thousand) (the "Purchase Price").
2. The Purchase Price shall be payable as set forth in payment schedule below.
3. The sale and purchase pursuant to this agreement is deemed to have been completed when CTEL deliver cash payment in the amount of \$409,500 to CX and a signed copy of the agreement with promise of paying the balance amounts as per the agreed schedule.
4. Capitalization. The authorized capital stock of CTE consists of 1,000,000 shares of common stock, \$.01 par value per share (the "Common Stock"), of which 1,000,000 shares of Common Stock are issued and outstanding. There are no contracts or agreements relating to the issuance or sale of any equity securities or other securities of CTE. CX does not have and is not bound by any outstanding subscriptions, warrants, options or other rights calling for the purchase of shares of Common Stock or any other equity securities of CTE.
5. Schedule of payment:

Total Consideration to be paid for acquiring 1,000,000 (1 Million shares of CTE Inc)		\$1,638,000
Date	% Installment	Amount in \$
24-Apr-06	25.00%	\$409,500
15-Jun-06	5.00%	\$81,900
15-Jul-06	5.00%	\$81,900
15-Aug-06	5.00%	\$81,900
15-Sep-06	8.00%	\$131,040
15-Oct-06	8.00%	\$131,040
15-Nov-06	8.00%	\$131,040
15-Dec-06	8.00%	\$131,040
15-Jan-07	8.00%	\$131,040
15-Feb-07	10.00%	\$163,800
15-Mar-07	10.00%	\$163,800
Total	100%	\$1,638,000

As per the above agreement, CTEL has remitted US \$ 409,500/- to CellExchange Inc on May 16, 2006. With this remittance as per the agreement, Cambridge Technology Inc, is a 100% (Wholly owned subsidiary - WOS) of CTEL.

Source of funds for this acquisition:

The entire expenditure for this acquisition is being met through internal reserves (Cash & receivables) available with CTEL as on date and accruals from operations during the fiscal 2007. The funds allocated for acquisitions in the project cost is exclusively for external acquisitions & expansion of facilities.

Independent Valuation:

As per the regulations stipulated by RBI & other acts of Government even in related transactions, it is mandated that, the value of the entity being acquired is established through a qualified independent valuer. If the acquisition is done entirely for cash, and is within the permissible limits as stipulated by RBI, there is automatic approval available from RBI for such transactions.

The valuation of CTE Inc was carried out by Price Waterhouse Coopers, Hyderabad. The final purchase price was arrived at based on (1) The valuation as assessed in the report (2) internal negotiations between the companies' management to arrive at the final transaction figure.

OTHER AGREEMENTS

Our Company has entered into an agreement with CellExchange Inc as under:

CellExchange Inc is a system integration firm primarily focused on providing business transformation solutions to Federal & DoD customers in the United States; and CTEL is focused on providing business solutions to the commercial clients in US & commercial clients of CX through its global delivery process. As CTEL conveyed its plans to make an initial public offering in India to raise capital through the Indian capital markets and have its shares listed in the Bombay Stock Exchange & the National Stock Exchange CellExchange Inc management expressed interest in investing in CTEL's stock upto a sum of Rs 200 Lakhs (a maximum of US \$ 450,000/-) to subscribe to 2,66,670 shares of CTEL and CTEL has agreed to allot.

To effect the transaction, CellExchange Inc & CTEL entered into an agreement to reflect the understanding. The salient points in the agreement are:

Subject to the terms and conditions of this Agreement, at the Closing (as defined below) CTEL shall allot to the CX all 2,66,670 (Two hundred and sixty six thousand six hundred and seventy only) equity shares of CTE (the "Shares") having par value of INR 10/- at a premium of INR 65/- at a total price of INR 75/- (Seventy five only) per share, aggregating to a sum of Rs 200 lakhs (the "Purchase Price").

Lock-in Period : As per the rules and regulations stipulated by SEBI the shares allotted under this agreement would be locked in for a period of atleast one year from the date of public issue & cannot be traded or pledged or transferred to any individual or organization till the 'lock-in' period is completed.

FINANCIAL PARTNERS

There are no financial partners for the Company.

MANAGEMENT OF THE COMPANY:

The Company is professionally managed by Board of Directors. The day-to-day matters are looked after by qualified key personnel.

Name, Age, Address, Designation and Occupation	Date of Appointment	Qualification	Other Directorships	Compensation (2005 – 06)
Mr. Swaroop Dharani Age: 47 years Address: 411, Krishna Block, Divya Shakti Apts, Hyderabad Designation: Whole Time Director Occupation: Business	28.01.1999	M.Tech	D.S. Unics Infotech Limited	Rs. 14 lacs per annum
Mr. Bhaskar Panigrahi Age: 37 years Address: 27, Southwood Drive, South borough, MA, USA-01772 Designation: CEO and Chairman Occupation: Business	22.01.2004	B.Sc (Computer Science)	Cell Exchange Inc Cambridge Technology Enterprises Inc.	Rs. 14 lacs per annum
Mr. Krishna Nangagedda Age: 45 years Address: 1083, Highland Street, Holliston , MA, USA-01746 Designation: Director Occupation: Business	28.01.1999	B.Sc (Electrical Engineering)	Cell Exchange Inc Cambridge Technology Enterprises Inc. D.S. Unics Infotech Ltd.	Rs. 14 lacs per annum
Pavan D.S. Chahal Age: 46 years Address: 102, Wallis Road, Chestnut Hill, Brookline, MA 02467 Designation: Director Occupation: Service	13.04.2006	MBA, MS, BS	Nil	
H.K. Katti Age: 55 years Address: 17, Singapore Gardens, Kanakapura Road, Gubbalala Gate, Bangalore 560062. Designation: Director Occupation: Business	30.04.2006	B.E (Electronic)	Cibersites India	

R. Natrajan Age: 41 years Address: Flat # 203, Saptagiri Apts, ST BED Layout, Koramangala Bangalore 5600034 Designation: Director Occupation: Service.	25.04.2006	ICWAI, ACS (Inter) Nil	■ Tavant Technologies India (P) Ltd. ■ Azul Systems India (P) Ltd	
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Profile of the Directors of the Company is given below

Mr Bhaskar Panigrahi, Chief Executive Officer & Chairman

Prior to Cambridge Technology Enterprises, Mr **Bhaskar** served as the CEO of Unique Computing Solutions, an Internet technology and services firm. He also co-founded e-Solutions Integrator in 1999, an e-business consulting firm, which subsequently merged with Unique Computing Solutions. Bhaskar completed his BS in Computer Science, and prior to Unique Computing Solutions and e-Solutions Integrator, he served as a technologist at IBM, State Street Bank and TELCO as the chief architect of some of the Web's earliest products. For the details of his remuneration please refer to page [●] of this Draft Prospectus under the caption "Terms of Appointment and Compensation of Whole-Time Directors".

Mr Krishna Nangegadda, Whole Time Director

Mr Krishna founded Unique Computing Solutions in 1995 and built it into one of North America's fastest growing organizations, which later merged with CellExchange. Krishna also founded UNICS InfoTech Ltd in 1986, one of the successful system integration and IT Products Company in India. Prior to becoming an entrepreneur, he worked in sales and business development for two of India's largest corporations - HCL, and Larsen & Toubro Ltd. Krishna holds a BS in Electrical Engineering from Jawaharlal Nehru Technological University, India, and has attended Masters Programs in Harvard and Northeastern Universities in Boston, Massachusetts. For the details of his remuneration please refer to page [●] of this Draft Prospectus under the caption "Terms of Appointment and Compensation of Whole-Time Directors".

Mr Swaroop Dharani – Whole Time Director:

Mr Swaroop heads the overall operations in India and specifically responsible for all the corporate governance and statutory compliances related aspects of CTE. Prior to his association with CTE Swaroop co-founded a successful IT Systems Integration company with a team size of over 150 personnel. Swaroop is a Graduate Engineer in Electrical Engineering from Jawaharlal Nehru Technological University, India. For the details of his remuneration please refer to page [●] of this Draft Prospectus under the caption "Terms of Appointment and Compensation of Whole-Time Directors".

Mr Pavan D.S. Chahal – Additional Director

Mr Pavan is an Executive & Consultant with more than 20 years of experience, of which, about 12 years is in Strategy and BPO. His work experience spans across a variety of industries. He has Operations and strategy experience in Asia (India, Philippines, Hong Kong, Singapore). He works as an offshore advisory leader, in neoIT, Newton, MA.

He holds the following educational degrees:

MBA from The Amos Tuck School of Business Administration, Dartmouth College, Hanover, NH (1994)
 MS (Industrial Engineering) from the National Institute for Training, Bombay, India (1982)
 BS (Mechanical Engineering), from the Birla Institute of Technology & Science, Pilani, India (1980).

Mr H.K. Katti – Additional Director

Mr H K Katti is the Managing Director and Executive Vice President of Knowledge Systems Private Limited, which is a wholly owned subsidiary of CIBER Inc., USA, and a billion dollar global software company. He has a blend of Business and Technology skills and has over 25 years of IT Industry experience. He started his career with Indian Defense Lab as Senior Scientific Officer as head of Signal Processing and Graphics division. During his tenure with Wipro, he has made substantial contribution towards its all round growth. He was in-charge of its world wide software operations that included Products, Projects and consultancy businesses. He was instrumental in identifying and growing reputed customer accounts including Nortel, HP, Sequent and GE. Prior to founding Knowledge Systems, he was Managing Director of Cambridge Information Technology, an organization that focused on delivering world-class distributed solutions to international customers

Mr R. Natarajan – Additional Director

Natarajan is an Associate Member of The Institute of Cost and Works Accountants of India (AICWAI) and has passed the Intermediate examination of The Institute of Company Secretaries of India (ICSI). He is the Corporate CFO and Vice President Shared services (Facilities, Information Systems) for Tavant Technologies Inc. USA (A \$ 60 Mn US Company) (Tavant Technologies is an enterprise software and services company offering advanced products and solutions that enable collaborative commerce and integrate enterprise applications). He is also a Director in the Board of Azul Systems India Pvt. Ltd. (Azul Systems™ has pioneered the industry's first network attached processing solution designed to unbound compute resources for virtual machine based applications. Prior to this, he was the CFO and CIO (Chief Information Officer) of Wipro e peripherals Limited, (Associate company of Wipro Corporation, \$ 1 Bn corporation).

RELATIONSHIP BETWEEN DIRECTORS OF THE ISSUER COMPANY

The Directors are not related to each other.

DETAILS OF BORROWING POWERS

Vide a resolution passed at the Annual General Meeting of the Company held on 21 April 2006 the members of the Company have passed the following resolution authorizing the Company to borrow funds upto Rs. 15 crores from financial institutions and banks.

“RESOLVED THAT the Company be and is hereby authorized to borrow monies where the moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose provided that the total borrowing by the Company should not exceed Rs.15 crores (Rupees Fifteen Crores Only) at any point of time”

COMPENSATION OF MANAGING DIRECTORS/WHOLE TIME DIRECTORS

1. “RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 314 & Schedule XIII to the Companies Act and subject to the approval of the Central Government and other applicable provisions of the Companies Act 1956, the approval of the Board be and is hereby accorded, to pay the following remuneration along with other terms and conditions to **Mr. D.R.R. Swaroop**, Whole time Director with effect from 1st March 2006 for a period of three years:
 - I. Salary – Rs. 12,00,000 per annum (with an increment of 30% every year subject to the approval of the Board)
 - II. Commission as per the provisions of section 309 of the Companies Act 1956.
 - III. Perquisites and Allowances:

CATEGORY A

- I. Reimbursement of medical expenses incurred for self and his family subject to a ceiling of one month's salary per year
- II. Coverage under the company's Health insurance scheme (Mediclaime) for self and his family giving a combined coverage upto Rs 10 Lakhs
- III. Leave Travel Concession for self and family once in a year incurred, subject to a ceiling of one month's salary

CATEGORY B

- i. Personal Accident Policy as permissible under the provisions of the Companies Act, 1956.
- ii. Earned / privilege leave not exceeding one month's leave for every 11 months of services. However, leave can be encashed at the end of tenure which will not be included in calculation of overall limits.

CATEGORY C

- I. Free Telephone facility at residence but personal long distance calls will be billed to the Whole time Director
- II. Reimbursement of entertainment expenses actually incurred for the business of the Company.
- III. Membership to two clubs, provided that the admission fee and / or life subscription shall not be borne by the Company.
- IV. Reimbursement of Rs.5000/- per month towards expenditure on books and periodicals.

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year, during the term of the Whole time Director, the minimum remuneration will be paid in terms of Section II of Part II of Schedule XIII to the Companies Act 1956".

"RESOLVED FURTHER THAT Mr. D.R.R. Swaroop, Managing Director be and is hereby authorized to make application to the Central Government in the requisite form and to do all such acts, deeds and things as may be considered necessary, usual or proper in this regard to give effect to this resolution".

2. "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 314 & Schedule XIII to the Companies Act and subject to the approval of the Central Government and other applicable provisions of the Companies Act 1956, the approval of the Board be and is hereby accorded, to pay the following remuneration along with other terms and conditions to **Mr. Bhaskar Panigrahi**, Chief Executive Officer (CEO) and Chairman with effect from 1st March 2006 for a period of three years:
 - I. Salary – Rs. 12,00,000 per annum (with an increment of 30% every year subject to the approval of the Board of Directors)
 - II. Commission as per the provisions of Section 309 of the Companies Act 1956.
 - III. Perquisites and Allowances:

CATEGORY A

- i. Reimbursement of medical expenses incurred for self and his family subject to a ceiling of one month's salary per year

- ii. Coverage under the company's Health insurance scheme (Mediclaim) for self and his family giving a combined coverage up to Rs 10 Lakhs

Leave Travel Concession for self and family once in a year incurred, subject to a ceiling of one month's salary

CATEGORY B

- i. Personal Accident Policy as permissible under the provisions of the Companies Act, 1956.
- ii. Earned / privilege leave not exceeding one month's leave for every 11 months of services. However, leave can be encashed at the end of tenure which will not be included in calculation of overall limits.

CATEGORY C

- I. Reimbursement of entertainment expenses actually incurred for the business of the Company.
- II. Reimbursement of Rs.5000/- per month towards expenditure on books and periodicals.
- III. Free Telephone facility at residence but personal long distance calls will be billed to the Whole time Director
- IV. Membership to two clubs, provided that the admission fee and / or life subscription shall not be borne by the Company.

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year, during the term of the Whole time Director, the minimum remuneration will be paid in terms of Section II of Part II of Schedule XIII to the Companies Act 1956".

"RESOLVED FURTHER THAT Mr. D.R.R. Swaroop, Managing Director be and is hereby authorized to make application to the Central Government in the requisite form and to do all such acts, deeds and things as may be considered necessary, usual or proper in this regard to give effect to this resolution".

3. "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 314 & Schedule XIII to the Companies Act and subject to the approval of the Central Government and other applicable provisions of the Companies Act 1956, the approval of the Board be and is hereby accorded, to pay the following remuneration along with other terms and conditions to **Mr. Krishna P. Nangegadda**, President, CTE Inc., Subsidiary of CTCL with effect from 1st March 2006 for a period of three years:
 - I. Salary – Rs. 12,00,000 per annum (with an increment of 30% every year subject to the approval of the Board of Directors)
 - II. Commission as per the provisions of Section 309 of the Companies Act 1956.
 - III. Perquisites and Allowances:

CATEGORY A

- i. Reimbursement of medical expenses incurred for self and his family subject to a ceiling of one month's salary per year.
- ii. Coverage under the company's Health insurance scheme (Mediclaim) for self and his family giving a combined coverage upto Rs. 10 Lakhs.

Leave Travel Concession for self and family once in a year incurred, subject to a ceiling of one month's salary

CATEGORY B

- i. Personal Accident Policy as permissible under the provisions of the Companies Act, 1956.
- ii. Earned / privilege leave not exceeding one month's leave for every 11 months of services. However, leave can be encashed at the end of tenure which will not be included in calculation of overall limits

CATEGORY C

- I. Reimbursement of entertainment expenses actually incurred for the business of the Company.
- II. Reimbursement of Rs.5000/- per month towards expenditure on books and periodicals.
- III. Free Telephone facility at residence but personal long distance calls will be billed to the Whole time Director
- IV. Membership to two clubs, provided that the admission fee and / or life subscription shall not be borne by the Company.

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits in any financial year, during the term of the Whole time Director, the minimum remuneration will be paid in terms of Section II of Part II of Schedule XIII to the Companies Act 1956".

"RESOLVED FURTHER THAT Mr. D.R.R. Swaroop, Managing Director be and is hereby authorized to make application to the Central Government in the requisite form and to do all such acts, deeds and things as may be considered necessary, usual or proper in this regard to give effect to this resolution".

COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS:

The Company stands committed to good Corporate Governance – transparency, disclosure and independent supervision to increase the value of our stakeholders. The Guidelines issued by SEBI in respect of the Corporate Governance will be applicable to the Company immediately upon applying for the in-principle approval for listing of the Equity Shares on the stock exchange. Accordingly, the Company has undertaken steps to comply with the SEBI guidelines on Corporate Governance. The Corporate Governance framework is based on an effective Independent Board, separation of the Board's supervisory role from the executive management and the constitution of the Board Committees, majority of them comprising of Independent directors. Committees of the Board have been constituted in order to look into the matters in respect of compensation, shareholding, audit, etc, details of which are as follows:

AUDIT COMMITTEE

The Audit Committee provides directions to and reviews functions of the Audit Department. The Committee evaluates internal audit policies, plans, procedures and performance and reviews the other functions through various internal audit reports and other year-end certificates issued by the statutory auditors. Quarterly and Annual Accounts will be reviewed by the Audit Committee, prior to their presentation to the Board along with the recommendations of the Audit Committee. Besides, Audit Committee will be authorized to exercise all such powers as are required under the amended Clause 49 of the Listing Agreement.

Composition of Audit Committee:

Sr. No	Name of the Director	Designation
1.	Mr D R R Swaroop	Member
2.	Mr H.K. Katti	Member
3.	Mr R. Natarajan	Chairman

The principal functions of the committee are to

- Review the Company's financial statements, before submission to, and approval by the Board;
- Review the Company's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible proprieties in matters of financial reporting, financial control or other matters;
- Review management's and the internal auditor's reports on the effectiveness of the systems for internal financial control, financial reporting and risk management;
- Monitor the integrity of the Company's internal financial controls;
- Assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks;
- Review the internal audit program and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;
- Receive a report on the results of the internal auditor's work on a periodic basis;
- Review and monitor management's responsiveness to the internal auditor's findings and recommendations; and
- Monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system.

SHAREHOLDERS/ INVESTORS GRIEVANCE COMMITTEE

The Committee inter alia, approves issue of Duplicate share certificates & reviews all matters connected with the Securities transfer. The Committee also looks into redressing of Shareholders/Investors Compliance like transfer of shares, Non receipt of Balance sheet, Non receipt of Dividend warrants & also handles the queries/ complaints relating to dematerialisation of shares etc. The committee oversees the performance of the Registrar & transfer agent & recommends measures for the overall improvement of the quality of Investors services.

Composition of Shareholders/ Investors Grievance Committee

Sr. No	Name of the Director	Designation
1.	Mr R Natarajan	Member
2.	Mr D R R Swaroop	Member
3.	Mr H.K. Katti	Chairman

REMUNERATION/COMPENSATION COMMITTEE

The Remuneration Committee consists of non-executive Directors, with the Chairman of the Compensation Committee being an independent Director. The Committee determines the grant of stock option and also reviews the overall compensation structure including managerial remuneration and related policies aimed at attracting, motivating and retaining personnel. The Committee has the authority to determine the compensation packages of executive Directors and senior management and determine the parameters and supervise the operation of the bonus schemes of our Company. The Committee will review recommendations made to it by our Company and others and is authorized to investigate any activity within its terms of reference, seek any information from any employee of our Company and obtain independent professional advice.

The Committee comprises of the following persons: -

Name of the Member	Designation
Mr H K Katti	Chairman
Mr Pavan D S Chahal	Member
Mr R Natarajan	Member

SHAREHOLDING OF THE DIRECTORS

The Articles of Association of the Company do not require the Directors to hold any Equity Shares as qualification shares in the Company. The following table details the shareholding of the Directors, as at the date of filing of this Draft Prospectus with SEBI:

Sr. No.	Name of the Directors	Number of shares of Rs. 10 each
1	Mr Bhaskar Panigrahi	11,87,705
2	Mr Krishna Nangegadga	9,61,284
3	Mr Swaroop Dharani	90,000
4	Mr Pavan D S Chahal	Nil
5	Mr H K Katti	Nil
6	Mr Natarajan	Nil

INTERESTS OF DIRECTORS (OTHER THAN THE PROMOTER DIRECTORS)

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

All Directors may be deemed to be interested in the contracts, agreement/arrangements entered into or to be entered into by the Company with any Company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations. Except as stated otherwise, in this Draft Prospectus, the Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of the Draft Prospectus in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

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

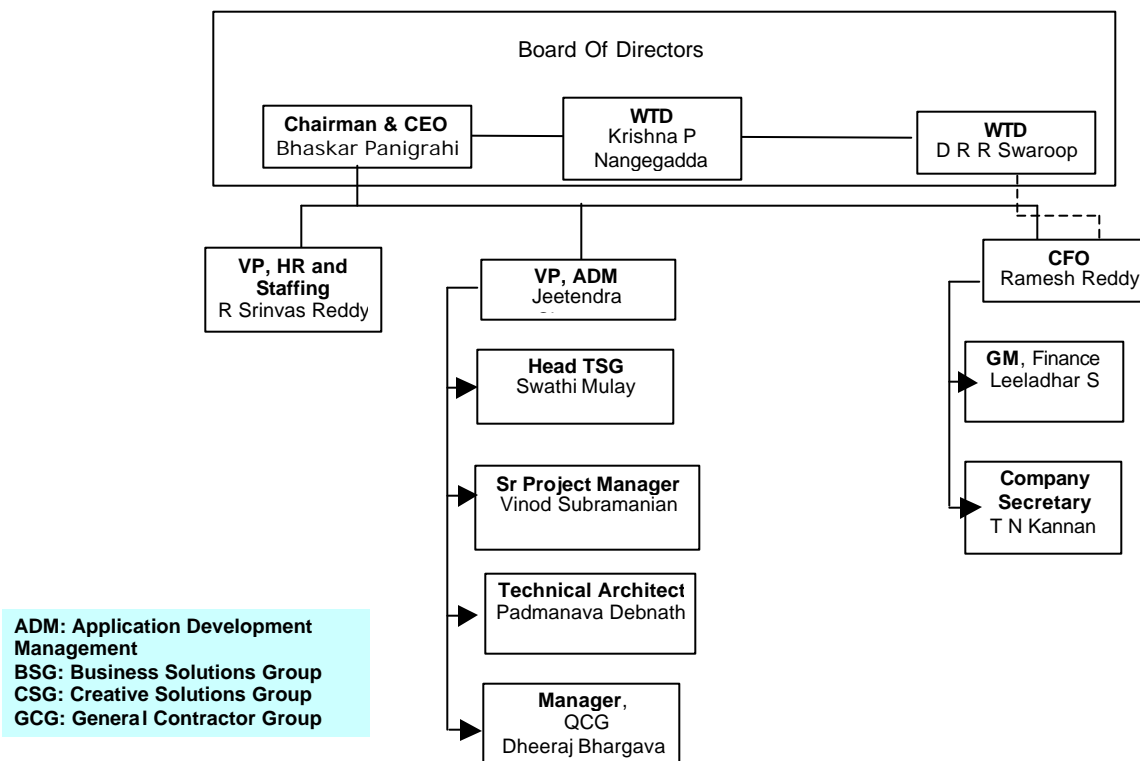
CHANGES IN THE BOARD OF DIRECTORS IN THE LAST 3 YEARS

The following are the changes in the Board of Directors in the last 3 years and no changes thereafter have taken place.

Sr.No.	Name of the Director	Date of Appointment	Date of Cessation	Reason
1.	Mr. Bhaskar Panigrahi	21/01/2004	NA	Appointment as Director
2	Mr Narasimharamulu Pantam	06/12/2005	20-04-2006	Resignation
3	Mr Ranganathan Natarajan	2/05/2006	NA	Appointment
4.	Mr. Bhaskar Panigrahi	14/03/2006	NA	Re designated as Whole Time Director
5.	Mr. D.R.R. Swaroop	14/03/2006	NA	Re designated as Whole Time Director
6.	Mr. Krishna P Nangegadda	14/03/2006	NA	Re designated as Whole Time Director
4	Mr Pavan Deep Singh Chahal	13/04/2006	NA	Appointment
5	Mr H K Katti	2/05/2006	NA	Appointment

MANAGEMENT ORGANIZATION CHART

CTEL Organization Structure



KEY MANAGEMENT PERSONNEL:

As on April 30, 2006, the Company has a total strength of 110, out of which 64 employees are permanent employees, 10 are employed on contract basis, 8 are on the vendor's payroll and 18 are Trainees.

SNo	Name	Designation	Age	Date of Joining	Qualification	Work Exp.	Area Of Specialisation	Previous Employment	Compensation Annual CTC
1	Mr. Ramesh Reddy	Chief Financial Officer	40 yrs	July 1, 2003	B.Tech (IIT-Chennai) PGDBM (XLRI)	16 yrs	Corporate strategy, development and management of Investor relationships	M/s Virinchi Technologies Limited	Rs. 27.5 Lakh
2	Mr. Jeetendra Chaware	Vice President – Global Delivery	40 yrs	June 1, 2004	B.Sc., M.S. (BITS Pilani),	16 yrs	Responsible for project planning, scheduling, monitoring, tracking of the banking services and also looks after the resource implementation.	Terradata India Engineering Services.	Rs. 28.12 Lakh
3	Mr. R Srinivasa Reddy	Vice President	36 yrs	July 5, 1999	B.A & MBA	15 yrs	Responsible for managing general	Unique Solutions	Rs. 22.5 Lakh

SNo	Name	Designation	Age	Date of Joining	Qualification	Work Exp.	Area Of Specialisation	Previous Employment	Compensation Annual CTC
		Operations					operations, HR, administration and finance to support the global delivery	(India) Pvt Ltd	
4	Ms. Swati Mulay	Head- Technical Solutions Group	41 yrs	November 6, 2002	B. Tech	16 yrs	In charge of project delivery team, resourcing, their training, development & deployment	eCom Server (India) Pvt. Ltd	Rs. 13.5 Lakh
5	Mr. C S Leeladhar	General Manager Finance	38 yrs	July 10, 2003	B.com, CA , ICWA, ACS (Inter)	15 yrs	Responsible for Management of Finance & Accounts	BPL Limited	Rs. 7.5 Lakh
6	Mr. Kannan	Company Secretary and Compliance Officer	37 yrs	April 3, 2006	B.com, F.C.S.	15 yrs	Looks after the secretarial and legal matters of the company	My Home Cements Limited	Rs. 6.0 Lakh
7	Mr Vinod Subramanian	Sr Project Manager	34 yrs	June 20, 2003	BE , MMS	10 yrs	Head of General Contractor group & as project manager responsible for delivery of SW projects to customers.	Tata Interactive Systems	Rs. 16.0 Lakh
8	Mr Padmanava Debnath	Technical Architect	31 yrs	April 17, 2003	MSc	6 yrs	Technology research group & presales support. Also responsible for defining the Solution & framework architecture for the company	Vanenburg RND (India) Pvt. Ltd	Rs. 11.0 Lakh
9	Mr Dheeraj Bhargava	Manager - Quality	32 yrs	April 21, 2003	MTQM	6 yrs	Quality Assurance & Quality Control.	Nucleus Software	Rs. 10.0 Lakh

CTE is run by a professional management – each of the key managerial team members has prior success track record. Brief profile of each of them is given hereunder:

Jeetendra Chaware – VP - Global Delivery and Staff Development: Jeetendra heads the Global Delivery for Cambridge Technology Enterprises. He has over 15 years of experience in creating and maintaining database software, real-time and online applications. He brings experience in both application and product engineering, and also has extensive experience in pre-sales activities. He has co-authored 9 invention disclosures mainly in relational database domain, which are patent pending. Prior to joining CTE, Jeet worked with CMC and Satyam Computer Services. He holds a Masters degree in Computer Science from BITS, Pilani, and in Physics from Ravishankar University, Raipur.

Y Ramesh Reddy – Chief Financial Officer: Ramesh Reddy is responsible for Corporate development & investor relationship activities of Cambridge Technology Enterprises India. Prior to joining CTE, he was with Virinchi Technologies Ltd, a Hyderabad based start up in eBusiness and Web-based analytical solutions. He was SBU head for Malaysia operations with full accountability for all project deliverables through multiple project teams onsite and offshore. In the start-up phase of Virinchi, he played a key role as the Head of the Product Development and Chief Functional Architect, where he defined Virinchi's product scope for B2B Exchanges, and managed the entire development and release of its exchange product suite. Ramesh Reddy is a Chemical Engineer from IIT, Chennai, and holds a Management Degree in Finance & Marketing from XLRI, Jamshedpur.

Srinivasa Reddy – VP of Operations: R Srinivasa Reddy is primarily responsible for finance and accounting functions. He also oversees General Administration, Operational as well as support functions including Recruitments, Training, HR, Infrastructure and Internal Systems. In his earlier role as Vice President – Quality he was instrumental in driving the process maturity of Cambridge Technology Enterprises India to SEI CMM Level 4 and SEI CMMI Level 5 in record timeframe. Srinivasa Reddy has over 14 years of experience in the IT industry. Prior to joining CTE he worked with Unique Solutions (India) Pvt Ltd, and UNICS InfoTech Ltd where he was responsible for delivery of software services and products to clients in several industry verticals and played key role across functions including sales, general operations, service delivery and quality.

Mr. S Leeladhar, 35 years, is a B Com & CA, with a total work experience of 10 years. At CTEL he is responsible for managing the Finance & Accounts of CTEL besides managing the treasury and banking relationships. He is working with the Company since July 4, 2003.

Mr. Kannan, 37 years, is a qualified Company Secretary. He has more than 14 years experience in corporate and general laws. Prior to joining CTEL he was Company secretary of MyHome Cements Limited. He joined CTEL on April 03, 2006 as a Company Secretary and Compliance Officer looking after the secretarial and legal matters of the company.

Swati Mulay - Swati heads the Technical Solutions Group at Cambridge Technology Enterprises. She has over 12 years of experience in Software Development in creating and delivering Business solutions through client-server and web based applications. She has extensive project management experience in estimating, planning, scheduling, managing and tracking projects from conceptual to implementation stage, through every phase of the Software Development Life cycle. She has complete knowledge of SEI CMMi level 5 standards and Quality processes having been part of the Assessment team in the Organization. She holds a Mechanical Engineering degree from the University of Indore and a Financial Management diploma from IMDR, Pune.

Vinod Subramanian - Vinod is responsible for Project Management at Cambridge Technology Enterprises. He has over 9 years of experience with 6 years in IT industry. His experiences have included working for Industry leaders in Oil & Gas, Automobiles and E-Learning. Prior to joining CTE, Vinod worked with Tata Interactive Systems as their Chief of Production, K12 Line of Business. At Tata's, he was instrumental in setting up and managing their first Offshore Development Centre for a top UK media Organization. He holds a Masters degree in Management Science with specialization in Finance from Mumbai University and a Bachelors degree in Mechanical Engineering from Regional Engineering College, Surat.

Padmanava Debnath - Padmanava heads the RCA (Research, Collaboration & Architecture) group at CTE, India, architecting enterprise SOA-compliant solutions for commercial engagements, towards CTE's Service Oriented Architecture initiative. Prior to this, he has successfully led, designed and delivered J2EE enterprise applications on the utility vertical. He has close to 7 years of experience in the IT industry with Java/J2EE being his core expertise. Prior to joining CTE, he has worked with Vanenburg R&D Center, IvyComptech and Mahindra British Telecom. He has a Masters in Applied Geology from Indian Institute of Technology, Kharagpur.

Dheeraj Bhargava, Manager Quality: Dheeraj heads the Quality Assurance and the Quality Control groups of CTE. In his earlier role as QA Manager he had contributed immensely to develop CTE's process maturity, now appraised at CMMi Level 5. Prior to joining CTE Dheeraj worked with Nucleus Software.

The persons whose names appear as key management personnel are on the rolls of the Company as permanent employees.

Shareholding of the Key Managerial Personnel

Name of the Key Managerial Personnel	No. of equity shares held
Mr Y Ramesh Reddy	300
Mr R Srinivasa Reddy	300
Mr Jeetendra Chaware	300
Mr S Leeladhar	300
Total	1200

Bonus or Profit Sharing Plan for the Key Managerial Personnel:

There is no Profit Sharing Plan for the Key Managerial Personnel. The Company makes bonus payments to the employees based on their performances, which is as per their terms of appointment.

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

There is no amount or benefit paid or given within the two preceding years or intended to be paid or given to any officer of the Issuer Company and consideration for payment of giving of the benefit.

Changes in the Key Managerial Personnel:

Other than the following there has been no change in the key managerial personnel of the Company during the last three year:

Sr. No.	Name of the Key Managerial Person	Designation	Date of Appointment	Date of cessation	Reason
1.	Mr T N Kannan	Company Secretary & Compliance Officer	3 Apr 2006	NA	Appointed
2	Mr Ramesh Reddy	VP Corporate Finance	1-July-2003	NA	Appointed
3	Mr Leeladhar	GM Finance	10-July-2003	NA	Appointed
4	Mr Jeetendra Chaware	VP Global Delivery	1-June-2004	NA	
5	Mr B V V Prasad	AVP – Products	6-Mar-2003	4-June-04	Resignation
6	Mr Indranil Deb Bhushan	AVP - Sales	3-Jan-2005	30-Sep-05	Resignation
7	Mr Sundar	Director - Services	20-Mar-2003	30-Jan-04	Resignation
8	Mr Venkata Prasad	Director – Project Engineering	6-Mar-2003	4-Jun-04	Resignation

EMPLOYEE STOCK OPTION SCHEME:

For details, please refer page no [?] of Draft Prospectus.

EMPLOYEES:

As on April 30, 2006, the Company has a total strength of 110, out of which 64 employees are permanent employees, 10 are employed on contract basis, 8 are on the vendor's payroll and 18 are Trainees.

Summary of Administrative, Skilled & Unskilled Personnel

Nature of Work	Nos.
Administrative Staff	6
Skilled/ Technical Personnel	88
Non Technical Personnel	16
Total	110

Future projected manpower	2007	2008
Administrative Staff	10	20
Skilled/ Technical Personnel	145	285
Non Technical	23	45
Total Head Count incl Support	188	350

PAYMENT OR BENEFIT TO OFFICERS OF THE COMPANY (NON-SALARY RELATED)


There is no amount or benefit paid or given within the two preceding years or intended to be paid or given to any officer of the Issuer Company and consideration for payment of giving of the benefit.

PROMOTERS/ PRINCIPAL SHAREHOLDERS:

DETAILS OF PROMOTERS BEING INDIVIDUALS:

Name: Mr. Bhaskar Panigrahi


Designation: CEO and Chairman

	Passport Number: Driving License Number: Address:	105482030 030768488 26, SOUTHWOOD DR, SOUTHBOROUGH, MA 01772
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Prior to Cambridge Technology Enterprises Limited, Mr **Bhaskar** served as the CEO of Unique Computing Solutions, an Internet technology and services firm. He also co-founded e-Solutions Integrator in 1999, an e-business consulting firm, which subsequently merged with Unique Computing Solutions. Bhaskar completed his BS in Computer Science, and prior to Unique Computing Solutions and eSolutions Integrator, he served as a technologist at IBM, State Street Bank and TELCO as the chief architect of some of the Web's earliest products.

Name: Mr. Krishna Nangegadda

Designation: Whole Time Director

	Passport Number: Driving License Number: Address:	103572964 S70801695 1083, HIGHLAND STREET HOLLISTON, MA 01746-1613
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Mr Krishna founded Unique Computing Solutions in 1995 and built it into one of North America's fastest growing organizations, which later merged with CellExchange. Krishna also founded UNICS InfoTech Ltd in 1986, one of the most successful system integration and IT Products Company in India. Prior to becoming an entrepreneur, he worked in sales and business development for two of India's largest corporations - HCL, and Larsen & Toubro Ltd. Krishna holds a BS in Electrical Engineering from Jawaharlal Nehru Technological University, India, and has attended Masters Programs in Harvard and Northeastern Universities in Boston, Massachusetts.

DECLARATION

It is confirmed that the Passport Number, Driving License Number and Bank Account Number of Mr. Bhaskar Panigrahi, Mr. Krishna Nangegadda is being submitted to the Stock Exchange on which Equity Shares are proposed to be listed, at the time of filing of Draft Prospectus with them.

DETAILS OF PROMOTER BEING A COMPANY:
Internet Business Capital Corporation Inc

TAX Registration Number	04-3491828
Nature of Business	Software Services

History:

Internet Business Capital Corp.(IBCC), was incorporated vide Registration No. 04-3491828 of 29-11-1999 as a Delaware corporation. Internet Business Capital Corp.(IBCC), is a venture fund and company incubator. IBCC has managed the entire business cycle of eight successful companies over the last 11 years, including I-Cube, C-bridge, Open Environment Corporation, Worldstreet Corporation, Cambridge Samsung Partners, a Venture Capital firm, and currently Cell Exchange. IBCC is promoted by Mr Sundar Subramaniam and Prof. John J Donovan.

The current shareholding pattern in the company is as follows:

Sr No	Name of shareholders	Number of Equity Shares	% of holding
1	Sundar Subramaniam	35,00,000	47.945
2	Professor John Donovan	35,00,000	47.945
3	Others	3,00,100	4.11
	Total	73,00,100	100.00

The Board of Directors of IBCC comprises of:

Sr No	Name	Designation
1.	Mr Sundar Subramaniam	Director
2.	Mr Sunitha Chundru	Director

The brief financials are given below:

Particulars	Calendar Year		Calendar Year		Calendar Year		6 Months ending Jun 30	
	2003		2003		2004		2005	
	47.94801		43.67049		43.40945		47.49349	
	In Rs Lacs	in US \$	In Rs Lacs	in US \$	in Rs Lacs	in US \$	in Rs Lacs	in US \$
Total Income	3.09	6454.00	12.25	28046	5.59	12868	2.77	5,832
Profit / (Loss) After Tax	-1674.71	-3492762.00	703.07	1609946	-317.51	(731,421)	(32.96)	(69,396)
Equity Share Capital	35.00	73001.00	31.88	73001	31.69	73001	34.67	73,001
Net Worth (Rs)	4609.31	9613139.00	4711.65	10,789,085	4564.16	10,514,219	5,068.63	10,672,268
NAV per share (of \$ 0.01)	63.14	1.32	64.54	1.48	62.52	1.44	69.43	1.46
EPS	-	-	9.63	0.22	-4.35	-0.10	-0.45	-0.01
Reserves (Excl. revaluation reserves)	4574.31	9540138.00	4,679.77	10,716,084	4532.48	10,441,218	5,033.96	10,599,267
Dividend (%)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

IBCC being an Investment Company, the profit & loss shown includes the realized & unrealized gains recognized by the company. This is the reason for the profit being higher than the revenue.

Note: Financials for Fiscal 2002, 2003, 2004 and 6 months ended June 2005 are unaudited

DECLARATION

It is confirmed that the details of IBCC such as the Company Registration Number and the address of the Registrar of Companies where the company is registered have been submitted to the BSE and NSE, where the Equity Shares of our Company are proposed to be listed.

COMMON PURSUITS

There is no company in the Group, which is engaged in the same business segment as that of CTCL.

FULL PARTICULARS OF THE NATURE AND EXTENT OF THE INTEREST, IF ANY, OF EVERY PROMOTER:

Save as stated in this Draft Prospectus neither the Promoters nor the Firms or Companies in which they are members have any interest in the business of the Company, except to the extent of investments made by them and their group / investment companies in Cambridge Technology Enterprises Ltd and earning returns thereon. None of the Promoters or the firms or companies in which they are members has any interest in any property acquired by the Company within two years of the date of this Draft Prospectus or proposed to be acquired by it. The promoters are also interested in the company to the extent of their shareholding, for which they are entitled to receive the dividend declared if any, by the company.

PAYMENT OR BENEFIT TO PROMOTERS OF THE ISSUER COMPANY

Other than the salary and remuneration of the Promoter Directors, referred to in the section titled "Compensation and Perks to Managing Director/ Whole-time Directors" on page [●] of this Draft Prospectus, there are no payments or benefit to promoters of the Company.

RELATED PARTY TRANSACTIONS AS PER THE FINANCIAL STATEMENTS:

The details of related party transactions please refer to Annexure III (E) Of the Financial Statement on page [●]

CURRENCY OF PRESENTATION:

In this Draft Prospectus, all references to "Rupees" and "Rs." and "Indian Rupees" are to the legal currency of the Republic of India. Also all references to "US Dollars" and "US \$" are to the legal currency of the United States. In this Draft Prospectus, US \$ amount have been translated into Rupees for each period and presented solely to comply with the requirements of SEBI (DIP) Guidelines. Investors are informed not to rely on such translated amounts.

Exchange Rate of US \$:

As on December 31, 2005 :\$ 1 = Rs 43.67049
As on December 31, 2004 :\$ 1 = Rs 43.40945
As on December 31, 2003 :\$ 1 = Rs 47.49349

(Source: www.exchangerate.com)

DIVIDEND POLICY:

The declaration and payment of dividends will be recommended by the Board of Directors and the shareholders, at their discretion, and will depend on a number of factors, including but not limited to the earnings, capital requirements and overall financial condition. The Board may also from time to time pay interim dividend.

The company has not paid any dividend right from its Incorporation.

SECTION V: FINANCIAL STATEMENT

AUDITORS' REPORT

To,
The Board of Directors,
CTE Limited,
Hyderabad

Dear Sirs,

We have examined the financial information of CAMBRIDGE TECHNOLOGY ENTERPRISES LIMITED ('the Company') described below in A and B and annexed to this report and initialed by us for identification. The said financial information has been prepared in accordance with the requirements of paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act'), the Securities and Exchange Board of India ("SEBI") - Disclosure and Investor Protection Guidelines, 2000 (updated till April 24th 2006 and as available on the official web-site of SEBI). The financial information has been prepared by the Company and approved by the Board of Directors of the Company.

A. Financial Information As Per Audited Financial Statements:

We have examined the attached summary statement of profits and losses of the Company for the years ended December 31, 2001, December 31, 2002, December 31, 2003, December 31, 2004 and 31st March, 2006 (for 15 months period), (Annexure I), the attached summary statement of assets and liabilities as at those year end dates (Annexure II), and the related financial statement schedules (Annexure III) together referred to as the 'Summary Statements'.

Our examination consisted of:

- i. Comparing the information in the 'Summary Statements', for the years ended December 31, 2001, 2002, 2003, 2004 and Period ended March 31, 2006 audited by us.

The aforesaid financial statements have been adopted by the Board of Directors and the Members for those respective years.

Based on our examination of these Summary Statements, we state that:

- ☐ The profits and losses have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate in the respective years.
- ☐ **The Summary Statements of the Company have been stated to reflect the accounting policies adopted by the Company as at March 31, 2006.**
- ☐ There are no qualifications in the auditors' reports that require any adjustment to the Summary Statements.
- ☐ There are no extra-ordinary items that need to be disclosed separately in the Summary Statements.

B. Other financial Information

We have examined the following financial information relating to the Company proposed to be included in the Prospectus, approved by the Board of Directors and annexed to this report:

- i. Summary of accounting ratios based on the profits relating to earnings per share, net asset value and return on net worth (Annexure V).
- ii. Tax Shelter statement (Annexure VI). This statement is prepared basing on the financial year's restated profits since the Annual reports are prepared for the calendar year.
- iii. Capitalisation statement of the Company (Annexure VII).
- iv. Age wise analysis of sundry debtors (Annexure VIII)
- v. Statement of contingent liabilities (Annexure IX)

The financial information contained in this report, have been extracted from the audited accounts for the years ended December 31, 2001, 2002, 2003, 2004 and period ended March 31, 2006.

In our opinion, the financial information of the Company attached to this report as mentioned in paragraphs (A) and (B) above, read with respective significant accounting policies and notes as annexed to this report and after making adjustments and re-groupings as considered appropriate; has been prepared in accordance with Part II of Schedule II of the Act and the Guidelines issued by SEBI.

This report is intended solely for your information and for inclusion in the Prospectus in connection with the specific Initial Public Offer of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For Narven Associates

Chartered Accountants

Sd/-

G V Ramana

Partner

Membership No: 25995

Place: Hyderabad

Date : 2nd May, 2006

INDEX OF FINANCIAL INFORMATION

Annexure I	:	Summary Statement of Profits and Losses as restated.
Annexure II	:	Summary of Statement of Assets and Liabilities as restated.
Annexure III	:	Financial Statement Schedules :
		A. Schedule of Loans
		B. Statement of Restated Cash flow
		C. Details of Rates of Dividend
		D. Details of Other Income
		E. Schedule of Related Party Transactions
Annexure IV	:	Significant Accounting policies and Notes on restated Financial Statements
Annexure V	:	Summary of accounting ratios
Annexure VI	:	Tax Shelter statement
Annexure VII	:	Capitalisation statement of the Company
Annexure VIII	:	Age wise analysis of Sundry debtors
Annexure IX	:	Statement of Contingent liabilities

Annexure: I
SUMMARY STATEMENT OF PROFITS AND LOSSES :

(Rs. in Lacs)

	For the Year/ period ended on				
Particulars	31.12.2001	31.12.2002	31.12.2003	31.12.2004	31.03.2006
					(15 months)
Income					
Software services & products	147.66	239.26	640.73	1,049.85	1,840.40
Other Income	3.11	1.91	1.23	0.28	25.60
Increase / (Decrease) in Stock	-	-	-	-	-
Total Income	150.77	241.17	641.96	1,050.13	1,865.99
Expenditure					
Software Development and other expenses	136.86	175.84	533.45	870.14	1,429.11
Interest	2.56	1.02	1.52	6.88	3.81
Depreciation & Amortization	21.51	31.83	22.53	35.55	47.42
Total Expenditure	160.93	208.69	557.50	912.57	1,480.34
Profit Before Tax	(10.16)	32.48	84.46	137.56	385.66
Provision for Tax					
Current Tax	0.10	1.00	1.16		1.65
Deferred Tax	1.37	0.25	(0.30)	(0.45)	
Profit After Taxation as per audited accounts (A)	(11.63)	31.23	83.60	138.01	384.00
Net Profit /(Loss)	(11.63)	31.23	83.60	138.01	384.00
Profit & Loss A/c at the beginning of the Period	43.97	32.34	53.09	136.69	274.70
Prior Period taxes	-	0.50	-	-	-
Loss on Buy back of shares	-	4.99	-	-	-
Amount transferred to Capital Redemption Reserve	-	4.99	-	-	-
Profit/(Loss) available for appropriation	32.34	53.09	136.69	274.70	658.70
Transferred to share capital on allotment of bonus	-	-	-	-	215.05
BALANCE CARRIED FORWARD	32.34	53.09	136.69	274.70	443.65

Annexure: II
SUMMARY STATEMENT OF ASSETS AND LIABILITIES:

(Rs.in lacs)

		For the year/period ended on				
		31.12.2001	31.12.2002	31.12.2003	31.12.2004	31.03.2006
						(15 months)
A	FIXED ASSETS					
	Gross Fixed Assets	101.48	86.94	155.60	195.15	209.39
	Less: Accumulated Depreciation	21.38	38.34	60.88	96.43	140.84
	Net Fixed Assets	80.10	48.60	94.72	98.72	68.55
	Capital work in progress	-	4.50	-	-	-
		80.10	53.10	94.72	98.72	68.55
B	INVESTMENTS	20.27	-	-	31.00	388.10
C	CURRENT ASSETS, LOANS & ADVANCES					
	Inventories	-	-	-	-	-
	Sundry Debtors	77.13	46.55	74.63	231.33	352.05
	Cash & Bank Balances	34.74	33.26	6.08	40.68	6.31
	Loans & Advances	15.18	14.21	90.73	33.77	335.06
		127.05	94.01	171.44	305.78	693.42
D	LIABILITIES AND PROVISIONS					
	Secured Loans	2.27	1.58	6.47	21.61	2.65
	Unsecured Loans	-	-	-	-	-
	Deferred Tax Liability	-	0.75	0.45	-	-
	Share Application Money	0.02	0.52	0.02	0.02	-
	Current Liabilities & Provisions	145.43	43.74	74.53	122.09	151.45
		147.72	46.59	81.47	143.72	154.10
E	NET ASSETS (C - D)	(20.67)	47.42	89.97	162.06	927.42
F	NET WORTH (A + B + E)	79.70	100.52	184.69	291.78	995.97
	Represented by					
	Share Capital	47.50	42.51	43.01	43.01	308.06
	Reserves & Surplus	32.20	58.01	141.68	248.77	687.91
G	NET WORTH	79.70	100.52	184.69	291.78	995.97

ANNEXURE: III A

**SCHEDULE OF SECURED AND UNSECURED LOANS:
SECURED LOANS:**

(Rs. in Lacs)

	For the year/period ended on				
	31.12.2001	31.12.2002	31.12.2003	31.12.2004	31.03.2006
					(15 months)
Vysya Bank	2.27	1.58	0.77	0	0
ICICI Bank	0	0	5.70	21.61	2.65
Total	2.27	1.58	6.47	21.61	2.65

1). Loan from ICICI Bank, disbursed on 07.02.2004 & 07.11.2004, was secured by hypothecation of Lap Tops / Desktops.

The rate of interest was 12.50% on annualized rate.

UNSECURED LOANS:

(Rs. in Lacs)

	For the year/period ended on				
	31.12.2001	31.12.2002	31.12.2003	31.12.2004	31.03.2006
					(15 months)
From Promoters/Shareholders	0.00	0.00	0.00	0.00	0.00
From Banks	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00

ANNEXURE III B
STATEMENT OF CASH FLOWS

(Rs. In Lacs)

		For the year/period ended on				
		31.12.2001	31.12.2002	31.12.2003	31.12.2004	31.03.2006
						(15 months)
A.	Cash Flow from Operating Activities					
	Net Profit / (Loss) before tax after prior period	(10.16)	32.48	84.46	137.56	387.58
	Adjustment for :					
	Depreciation & Amortization	28.12	35.25	22.53	35.56	67.68
	Provision for Gratuity	-	3.66	6.40	10.20	-
	Interest Expenses	1.78	0.33	1.52	3.97	3.81
	Prior period adjustment(net)	(1.37)	-	-	-	(1.93)
	Operating profit before working capital changes	18.37	71.72	114.91	187.29	457.13
	Change in Inventories	-	-	-	-	-
	Change in Sundry Debtors	(77.13)	30.58	(28.08)	(156.70)	(120.72)
	Change in Loans & Advances	(4.63)	1.08	(76.52)	56.96	(658.39)
	Change in Current Liabilities and Provision	134.65	(106.34)	26.45	37.36	29.36
						-
	Cash generated from operations	71.26	(2.95)	36.75	124.91	(292.62)
	Gratuity Paid	-	-	(2.00)	-	(2.00)
	Income tax (paid)/ refunded	-	(0.11)	(1.16)	-	0.34
	Dividend tax paid	-	-	-	-	-
	Net cash from operating activities A	71.26	(3.06)	33.59	124.91	(294.28)
B	Cash Flow from Investing Activities					
	Capital & Deferred Expenditure (net)	(47.32)	(8.19)	(64.16)	(70.47)	(17.32)
	Purchase of Investments(net)	(0.27)	20.27	-	(31.00)	-
	Net cash from investing activities B	(47.59)	12.08	(64.16)	(101.47)	(17.32)
C.	Cash Flows from Financing Activities					
	Exchange fluctuation on capital account	-	-	-	-	-
	Share Application money received	-	0.50	-	-	-

		For the year/period ended on				
		31.12.2001	31.12.2002	31.12.2003	31.12.2004	31.03.2006
						(15 months)
	Increase in Capital	-	(9.98)	-	-	300.00
	Increase (Decrease) in Term Loans (net)	(9.02)	(0.69)	4.90	15.13	(18.96)
	Interest Paid	(1.78)	(0.33)	(1.52)	(3.97)	(3.81)
	Dividend paid	-	-	-	-	-
	Net cash used from financing activities C	(10.80)	(10.50)	3.38	11.16	277.23
	Net change in cash (A+B+C)	12.87	(1.48)	(27.18)	34.60	(34.37)
	Cash and cash equivalents at beginning of year	21.87	34.74	33.26	6.08	40.68
	Cash and cash equivalents at end of year	34.74	33.26	6.08	40.68	6.31

ANNEXURE: III C

DETAILS OF RATES OF DIVIDEND

Class of Shares	Face Value	For the year/period ended on				
		31.12.2001	31.12.2002	31.12.2003	31.12.2004	31.03.2006
						(15 months)
Equity Shares	Rs. 10	Rs.10	Rs.1	Rs.1	Rs.1	Rs.10
Final dividend		0%	0%	0%	0%	0%

ANNEXURE :III D

DETAILS OF OTHER INCOME

(Rs. in Lacs)

	For the year/period ended on				
Particulars	31.12.2001	31.12.2002	31.12.2003	31.12.2004	31.03.2006
					(15 months)
Non-Operating Income	2.97	1.80	0.11	0.28	9.26

Note : The other income does not exceed 20% of the Net Profit (before tax) of the respective year.

ANNEXURE III E
RELATED PARTY TRANSACTIONS
A. Name of the related parties
1. Key Managerial Personnel :

- a) Mr. D R R Swaroop
- b) Mr. Bhaskar Panigrahi
- c) Mr. Krishna Nangegadda

2. Other related parties
a) Promoter Company : Cell Exchange Inc.,USA
B. Transactions with related parties :
(Rs. in Lacs)

	For the year/period ended on				
Particulars	31.12.2001	31.12.2002	31.12.2003	31.12.2004	31.03.2006
					(15 months)
Key Managerial Personnel					
Remuneration	3.00	3.75	3.00	3.00	10.00
Bonus on Profits to Directors					59.54
Dividend	-	-	-	-	-
Allotment of Bonus shares (Number of shares)	-	-	-	-	25,500
Subsidiaries					
Software services rendered	-	-	-	-	-
Reimbursement of expenses to related parties					
Investments in related parties	-	-	-	-	-
Balance at year end	-	-	-	-	-
Working capital loan from related party	-	-	-	-	-
Other Related Parties					
Reimbursement of expenses to related parties	-	-	-	-	402.98
Rent Paid	-	-	-	-	-
Software services received	-	-	-	-	-
Dividend Paid	-	-	-	-	-
Investment by Related Parties	-	-	0.50	-	-
Allotment of Bonus shares (Number of shares)	-	-	-	-	2,125,000
Receivable at year end	(123.78)	46.55	74.63	231.33	352.05

NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES FOR FINANCIAL STATEMENTS.

The following are the significant accounting policies adopted by the company.

1. Preparation and presentation of financial statements.

The financial statements are prepared under the historical cost convention, in accordance with Indian Generally Accepted Accounting Principles (GAAP), the accounting standards issued by the Institute of Chartered Accountant of India and the provisions of the companies Act, 1956, as adopted consistently by the company. All income and expenditure having a material bearing on the financial statements are recognized on the accrual basis.

2. Fixed Assets

- a. Tangible Fixed Assets are valued at cost net of depreciation provided.
- b. Depreciation on the Fixed Assets of the company is provided on Written down value Method as per Schedule XIV of the Companies Act, 1956.

3. Revenue Recognition

Revenue from software development is recognized on the basis of a service agreement entered into with the parent company on a cost plus based arrangement for services provided.

4. Expenditure Recognition:

Expenses are accounted on the accrual basis and provisions are made for all known losses and liabilities. The leave encashment facility given by the company is provided on the basis of cash.

5. Gratuity:

The Company has tied up with HDFC Standard Life Insurance Company Ltd. to cover the liability on Gratuity and payments are being made to them. Provision for gratuity payable is made based on demand raised by insurer basing on actuarial valuation as of 31st December, 2005.

6. Provident Fund

The employer and the employees' make monthly contributions to the commissioner of Provident Fund, the company has no further obligations under the provident Fund plan beyond its monthly contributions.

7. Foreign currency transactions:

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction. Monetary items denominated in foreign currency at the year-end are translated at the year-end rate and, the resulting difference is accounted or in the profit and loss account.

8. Income Tax:

Provision for Income Tax is made for both current and deferred taxes. Provision for current income tax is made at current tax rates based on assessable income. Deferred income taxes are recognized for the future tax consequences attributable to timing differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. The effect on deferred tax assets and liabilities of change in tax rates are recognized using the tax rates and tax laws that have been enacted or are substantially enacted by balance sheet date. Deferred tax assets are recognized and carried forward 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 realized.

9. Preliminary Expenses amortization

The Preliminary expenses were amortized over a period of time.

In line with the Accounting Standard 26 on Intangible assets issued by the "Institute of Chartered Accountants of India", the company has charged off the preliminary expenses when the same are incurred, as there is no future benefit to carry the same during the period.

10. Amortization of CMM Certification Expenditure

The Company has obtained CMM level '5' certification during the year. The cost incurred for the certification is being written off over a period of 24 months based on the management's estimate of the useful period of the certification. The opening balance amount of Rs. 30,91,351 being the deferred revenue expenses of CMM level 'IV' certification as on the date of receiving the CMM level 'V' compliance are written off during the period since the same do not represent any continuing benefit to the company.

IMPORTANT NOTES ON ACCOUNTS

CALENDAR YEAR 2002

1. Capital Reduction during the year is on account of the company's buy back of its own shares (49900 shares of Rs.10 each)
2. Consequent to the standard on accounting for taxes on income becoming mandatory the company recorded the cumulative net deferred tax of earlier years as a reduction from the opening balance of profit and loss account.

15 MONTH PERIOD ENDED 2006

1. The company has extended its accounting period to 15 months, hence the present accounts are for the period from 1-1-2005 to 31-3-2006 consequently previous year figures may not be comparable.
2. **Contingent Liabilities**
Contingent liabilities not provided for in respect of claim against the Company not acknowledged as debt and disputed in appeal Rs.30 lacs. (previous year – nil-)
3. **Secured Loans:**
Loan from ICICI Bank under Asset Refinance is secured against the assets purchased under refinance scheme.

SUMMARY OF ACCOUNTING RATIOS

The following adjustments have been done for the purpose of the calculation of the adjusted EPS and adjusted NAV:

1. The face value of Equity shares was Rs.10 in 2001, Re.1 in 2002, 2003 & 2004 and again Rs.10 in 2006. for the purpose of the calculation of EPS and NAV, the face value has been adjusted to Rs.10 for all the years.

2. Bonus Shares issued during the year 2005-2006 have been considered as equity shares outstanding at the yearend for all prior years as per the accounting standard # AS20 issued by the ICAI

	For the year/period ended on				
	31.12.2001	31.12.2002	31.12.2003	31.12.2004	31.3.2006*
Basic Earning per share (on Rs.10 Face value)	-0.44	1.21	3.24	5.35	14.86
Return on Net worth (%)	-15%	31%	45%	47%	39%
Net Asset Value in Rs. (On Rs.10 shares)	3.04	3.90	7.16	11.31	38.53
Weighted Average Number of E.Shares	2,625,500	2,575,600	2,580,600	2,580,600	2,584,710

***2005-06 consists of 15 months period from Jan 2005 to March 2006.**

Notes:-

The ratios have been computed as per the following

1) formulae:

$$\text{Basic Earning per share (Rs.)} = \frac{\text{Net Profit attributable to Equity}}{\text{Shareholders}} \div \text{Total No.of Equity shares outstanding during the year / period}^*$$

$$\text{Return on Net Worth (\%)} = \frac{\text{Net Profit after Tax}}{\text{Net worth excluding Revaluation reserve at the end of the year / period}}$$

$$\text{Net Asset Value per Equity share (Rs.)} = \frac{\text{Net worth excluding Revaluation reserve}}{\text{Total No.of Equity shares outstanding during the year / period}^*}$$

2) Net Profit, as appearing in the statement of Profit and losses has been considered for the purpose of computing the above ratios. These ratios are computed on the basis of the financial statements of the company.

3) Earnings per share calculations have been done in accordance with Accounting Standard 20 - "Earning per share" issued by the Institute of Chartered Accountants of India.

* Bonus Shares issued during the year 2005-2006 have been considered as equity share outstanding at the year ended for all prior years.

ANNEXURE VI
STATEMENT OF TAX SHELTERS

(Rs.in Lacs)

	For the year/period ended on				
	31.03.2002	31.03.2003	31.03.2004	31.03.2005	31.03.2006*
Tax Rate (including surcharge)	35.70%	36.75%	35.88%	36.59%	33.66%
Net profit/(loss) before tax	31.34	35.00	123.60	183.91	258.73
Tax at notional rates (A)	11.19	12.86	44.34	67.29	87.09
Book Depreciation	39.65	18.93	27.81	44.97	27.39
Tax Depreciation	37.65	22.57	40.68	42.99	25.35
Difference between tax and book depreciation (B)	(2.00)	3.64	12.87	(1.98)	(2.04)
Benefit under section 10A (C)	37.97	31.73	69.16	246.15	254.92
Other Adjustments (D)	(5.52)	(4.44)	40.89	(61.10)	5.59
Net Adjustments (B+C+D)	30.45	30.93	122.92	183.07	258.47
Tax Savings thereon (E)	10.87	11.37	44.10	66.98	87.00
Tax Liability (A-E)	0.31	1.50	0.24	0.31	0.09
Taxable Income as per Income Tax Return	0.88	4.08	0.66	0.85	0.26
Tax as per Income Tax Return	0.31	1.50	0.24	0.31	0.09
Tax on restated profits	-	-	-	-	-
Tax provision made in the books	0.10	2.01	(1.08)	0.25	-
Current tax impact of adjustments.	-	-	-	-	-

Note: The accounting year of the Company had been the calendar year up to 2004, hence the figures given above are as restated for the financial year for filing with the Income tax department.

**The figures given for the year ended 31.3.2006 are as per the provisional computation statement for the year since the Return of Income for the year has not yet been filed*

ANNEXURE VII
CAPITALISATION STATEMENT AS AT MARCH 31, 2006

(Rs. in Lacs)

Particulars	Pre Issue As on 31st March 2006	Post Issue*
Short Term Debt	2.64	
Long Term Debt	0.00	
Total Debt	2.64	
<u>Shareholder's Funds</u>		
Share Capital	308.06	
Reserves	688.20	
Total Shareholder's Fund	996.26	
Long Term Debt / Shareholders Funds	0.00264	

* Share Capital and Reserves, Post-Issue can be ascertained only after the conclusion of the final price
Notes:-

- 1). Long term Debt represents Loan from banks
- 2). Long term Debt includes current portion of the long term debt payable under the next 12 months
- 3). Long term Debt / Equity ratio has been calculated as per the following formula

$$= \frac{\text{Long term Debt}}{\text{Share holders fund}}$$

Annexure VIII
AGE WISE ANALYSIS OF SUNDRY DEBTORS

(Rs. in lakhs)

Age-wise Break-up of Sundry debtors	31-12-2001	31-12-2002	31-12-2003	31-12-2004	31-03-2006
Considered good	77.13	46.55	74.63	231.33	352.05
Considered doubtful	-	-	-	-	-
Total	77.13	46.55	74.63	231.33	352.05

Annexure IX
STATEMENT OF CONTINGENT LIABILITIES:

Contingent liabilities not provided for in respect of a claim against the Company not acknowledged as debt and disputed in appeal for Rs.30 lacs.

FINANCIAL INFORMATION OF GROUP COMPANIES

CellExchange Inc:

CellExchange Inc was incorporated as Delaware corporations on 27.06.1997 (Date) vide Registration No. 2763501 with the Registrar of Companies, Delaware, USA. CellExchange applies innovative thought and advanced technology to help solve business problems for government organizations. CTE's key value is in engaging and aligning stakeholders, breaking efforts into manageable streams of work, and driving execution in rapid cycles to demonstrate a quick and constant stream of wins. Think Big, Start Small, and Scale Fast. That's the CellExchange Process (CXP).

Since 2000, CellExchange has served over 50 customers. A subset of our customers is listed below by domain.

Human Capital Management:

- US Navy
- US Air Force
- US Army

Supply Chain Management:

- US Air Force
- Boeing

Information Sharing:

- Joint Chiefs of Staff
- Federal Aviation Administration (FAA)
- Office of the Secretary of Defense (OSD)

CellExchange has experience defining and implementing innovative solutions for government problems. Our specific domain expertise is in Human Capital Management, Supply Chain Management, and Information Sharing.

- **Human Capital Management:** Our HCM implementations have included HR self-service applications for airmen and sailor career management.
- **Supply Chain Management:** We help organizations optimize their supply chains, whether it is global combat support or managing a fleet of transportation planes.
- **Information Sharing:** CellExchange enables vertical and horizontal information sharing, from identifying data trends to optimizing critical military infrastructures.

BOARD OF DIRECTORS

Sr No	Name	Designation
1.	Mr Krishna P Nangegadda	Director
2.	Mr Bhaskar Panigrahi	Director
3	Mr Sundar Subramaniam	Director

The current shareholding pattern in the company is as follows:

Sr No	Names of shareholders	No of equity shares	% of holding
1	Mr Krishna P Nangegada	91,97,655	11.40
2	Mr Bhaskar Panigrahi	1,13,64,748	14.09
3	M/s Internet Business Capital Corporation (IBCC)	4,65,18,870	57.67
4	Others	1,35,83,175	16.84
	Total	8,06,64,448	100.00

CellExchange Inc does not fall under the definition of "sick company" within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995.

Brief Financials of the Company

Particulars	31.12.2003		31.12.2004		31.03.2005	
	Amount (Rs in Lacs)	Amount US \$ *	Amount (Rs in Lacs)	Amount US \$ *	Amount (Rs in Lacs)	Amount US \$ *
Sales		47.4935		43.4094		43.6704
Business Income	6678.63	14062197	5844.14	13462837	6730.43	15411846
Other income	-	--	-	--	-	
PAT	112.19	236230	45.34	104451	121.48	278180
EPS (for \$ 0.001 share)	0.17	0.004	0.067	0.002	0.17	0.004
Equity Share Capital	31.55	66,431.30	29.56	68,088.27	31.00	70,984.55
NAV (for a \$ 0.001 share)	0.24	0.005	0.45	0.01	0.63	0.014
Reserves (Excluding revaluation Reserves)	126.39	266,131	277.67	639,657	417.64	956,344

* Exchange Rate of US \$:

As on December 31, 2005 :\$ 1 = Rs 43.67049

As on December 31, 2004 :\$ 1 = Rs 43.40945

As on December 31, 2003 :\$ 1 = Rs 47.49349

(Source: www.exchangerate.com)

Statement in terms of Clause 6.10.3.5 of DIP Guidelines

CellExchange Inc owned 82.78% of CTEL till 30th April 2006. CTEL was set up as a wholly owned subsidiary of CellExchange Inc as an offshore software development center. CTEL specialized in providing software development and sustenance services to CellExchange Inc's commercial customers. CTEL & CellExchange entered into a transfer pricing agreement under which CTEL was allowed to bill @ 115% (in 2004) and @ 120% (in the year 2006) of its entire cost of delivering software services. The entire revenues of CTEL as stated in the Financial statement is result of the billing done on CellExchange by CTEL under the transfer pricing agreement.

CellExchange Inc is not a Sick Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 nor is under winding-up.

COMMON PURSUITS:

CellExchange Inc provides Software development services like CTEL but is focused primarily on Federal & Department of Defense customers. While the customer segment of focus is different for CTEL & CellExchange Inc the basic services are similar. However, there is no non-compete agreement between CTEL & CellExchange Inc.

DS UNICS INFOTECH LTD:

D S Unics Infotech Limited was incorporated on 20.01.1997 in the state of Andhra Pradesh vide Certificate of Incorporation No. 01-26218 with the Registrar of Companies, Andhra Pradesh, Hyderabad. It is mainly into Hardware sales and services.

BOARD OF DIRECTORS

Sr No	Name	Designation
1.	Mr D.R.R. Swaroop	Managing Director
2.	Mr B. Muralidhar	Director
3	Mr C.V. Venkata Satya Prasad	Director
4	Mr Krishna P Nangegadda	Director

The authorized share capital of D.S. Unics Infotech Ltd is Rs. 25,00,000 consisting of 2,50,000 shares of Rs.10 each. The Paid-up share capital is Rs. 20,88,000 consisting of 2,08,800 shares of Rs.10 each.

The current shareholding pattern in the company is as follows:

Sr No	Names of shareholders	No of equity shares	% of holding
1	D.R.R. Swaroop	17,070	8.18
2	B. Muralidhar	775	0.37
3	CH VVS Prasad	9,396	4.50
4	K. Rajasekhar Rao	4,161	1.99
5	D. Shailaja	21,190	10.15
6	B L Vasantha	11,790	5.65
7	CH Sudharani	24,568	11.77
8	B. Bhavani	1,445	0.69
9	B. Chinna Babu	1,650	0.79
10	D.R. Rao	3,500	1.68
11	N. Lakshmi Bai	7,120	3.41
12	N Naidu	8,430	4.04
13	Suresh Babu	8,910	4.27
14	V. Mahalakshmi	10,090	4.83
15	N. Venkata Rao	7,185	3.44
16	N.P. Krishna	71,520	34.25
	Total	2,08,800	100.00

Brief Financials of the Company:

Particulars	Rs in Lacs		
	31.03.2003	31.03.2004	31.03.2005
Sales			
Business Income	273.89	469.05	445.97
Other income	92.46	116.31	130.29
PAT	2.01	4.27	6.43
EPS	1.62	3.45	3.08
NAV	11.94	35.56	22.25
Equity Share Capital	12.41	12.41	20.88
Reserves (Excluding revaluation Reserves)	2.40	4.28	6.43

Statement in terms of Clause 6.10.3.5 of DIP Guidelines

D S Unics Infotech Ltd. Is a 20 year old InfoTech Company mainly into Hardware sales and services promoted by first generation entrepreneurs. The Company started in the year 1986 in Vijayawada as a software solution provider and now after 16 years; it has six branches at Guntur, Rajahmundry, Kakinada, Tirupathi, Nellore and Hyderabad with over 150 skilled people.

In its 20 years of experience in developing solutions D.S. Unics Infotech Ltd. has a team of experts serving in the areas of System Integration, Business Modeling, Database Designing, Interface Designing, Testing, Implementation and Maintenance.

None of the Group/Associate of Promoting Company mentioned herein above have become a Sick Company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding-up.

COMMON PURSUITS:

There is no other company in the Group, which is engaged in the same business as that of CTEL.

DISASSOCIATION BY PROMOTERS

The Promoters have not disassociated themselves from any of the companies / firms during preceding three years.

There are no sales or purchase between companies in the Promoters' group, wherein such sales or purchases exceed in value in the aggregate 10% of the total sales or purchases of the Issuer Company. The material items of income or expenditure arising out of transactions in the Promoters' group are disclosed under "Related Party Disclosures" appearing under Section: Financial Information of the Company on page [●] to [●] of this Prospectus

CHANGE IN ACCOUNTING POLICIES IN THE LAST THREE YEARS:

There is no change in Accounting Policies in the last three years

SUNDRY DEBTORS

None of the Sundry debtors are related to the Issuer Company or its Directors or Promoters.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL CONDITION AND RESULTS OF THE OPERATIONS (AS PER INDIAN GAAP):

You should read the following discussion of our financial condition and results of operations together with our audited/examined consolidated restated financial statements under Indian GAAP including the schedules, annexure and notes thereto and the reports thereon, which appear in this Draft Prospectus beginning on page [·]. The financial information used in this section is derived from our audited consolidated financial statements under Indian GAAP, as restated.

Our fiscal year ends on December 31 of each year, so all references to a particular fiscal are to the 12-month period ended December 31 of that year except for the FY 2005 which has been extended for 3 months upto March 31, 2006. In this section only, any reference to "we", "us" or "our" refers to Cambridge Technology Enterprises Limited on a consolidated basis.

OVERVIEW

Cambridge Technology Enterprises (CTE), a CMMI Level 5 next-generation business solutions provider, with its US operations headquartered in the Massachusetts Institute of Technology (MIT) campus at Cambridge, Massachusetts. CTE is positioned at the heart of the technology innovation and thought leadership around service-oriented architecture (SOA) emerging trend. CTE's core competency lies in its collaborative delivery model, a solution delivery approach that aligns business, technical, and user stakeholders; includes partner technologies and services as necessary; and uses a general contractor model to deliver end-to-end solutions.

CTE is focused on capitalizing emerging SOA market opportunity, real time enterprise technology and mobile computing trends, based on a single promise to deliver the right business results on time and on budget. Our "Cambridge Collaboration" techniques, build on our expertise in business consulting, system integration and application outsourcing, to help clients perform at the highest levels so they can create sustainable value for their customers and shareholders. CTE uses its business-process knowledge, its service offering expertise and the insight into and deep understanding of emerging technologies to identify new SOA business and technology trends and formulate and implement solutions for clients under demanding time constraints. CTE helps clients identify and enter new markets, increase revenues in existing markets, improve operational performance and deliver their products and services more effectively and efficiently.

Drawing on a combination of industry expertise, functional capabilities, alliances, global resources and technology, CTE delivers competitively priced, high-value SOA & custom business solutions development services that help its clients measurably improve business performance. CTE's global delivery model enables it to provide a complete end-to-end SOA delivery capability by drawing on its global resources and suppliers to deliver high-quality, cost-effective solutions to clients .

Over the years, CTE has acquired strong expertise to develop large, long-term customer relationships, by demonstrating an understanding of its customers' business requirements through its industry expertise and by continually providing high quality services in a cost effective manner.

CTE is an innovation-based business serving the SOA & application development and management needs of enterprises and institutions worldwide. It defines SOA innovation as the intersection of business insight and technological invention. CTE seeks to deliver client success—in whatever ways its clients define success—by giving them differentiating capabilities that provide unique competitive advantage.

Significant Developments subsequent to the last financial year

Factors affecting results of operations

Cambridge Technology Enterprises Limited had since inception been a wholly owned subsidiary of CellExchange Inc. The entire revenue and profits & receivables are on account of billing CTEL raised on CellExchange Inc. CTEL was dedicated to focus on developing and supporting Products for CellExchange and providing Services to Commercial clients.

Over the past few years, several factors have affected the results of CTEL's operations, financial condition and cash flow significantly over the years. These factors include:

- Increasing acceptance of our “Think Big – Start Small – Scale Fast” approach for business transformation – Unlike big bang transformation approach adopted by large monolithic services firms, CTEL over the years made focused investments to enable iterative quick win implementation of the business transformation road map and thereby allowing customers realizing early success in their transformation effort and securing buy in from the stakeholders. Our conscious investment in refining our workshop approach for change management and rapid visualization, in extending our RAPID development model to include matured CMM processes, and building the infrastructure for application maintenance and hosting has enabled us to become RAPID Application Development partners to our customers
- Rising of Oracle as a predominant middleware player – Oracle through its strategic acquisitions of PeopleSoft, Siebel, Oblix, and others, is becoming a significant market player. Our strategic partnership with Oracle is enabling us to reach Oracle customers to build business transformation roadmaps for them based on Oracle, Siebel, PeopleSoft/JDEdwards technology stack
- Focus effort on developing intellectual property for SOA/BPM/BAM – We have developed frameworks, products, and reusable libraries over the years to build business process and workflow applications rapidly. These IPs are giving us a competitive advantage to win new customers and increase business with existing customer
- Customer focus on leveraging existing investments – After dot-com bubble, enterprises are cautious on making new capital investments. Over the years, we have tailored our services for building SOA infrastructure and new applications on existing infrastructure. Our implementation roadmap has been designed to leverage existing infrastructure, technology, and processes to the highest extent possible.
- General economic conditions in India and large global markets, particularly the United States; Changes in the demand for IT products and services, particularly in the IT Services and Application development & Maintenance Sector;
- Capital expenditures, including for our global development centres and for product development;
- Competition in the India, the United States and other international markets from other IT product and service companies, especially the effect of such competition on our ability to penetrate these markets;
- Changes in interest rates; and
- Changes in net working capital.
- These factors and a number of future developments may affect our results of operations, financial condition and cash flow in future periods. We believe that in addition to the foregoing factors, the future developments which may affect our future results of operations, financial condition and cash flow include:

- Senior Management Relationship – We invested to establish multi-tier relationships with our strategic customers. This has given us visibility to the growth initiatives of these customers and shape our offerings to increase business from existing accounts

Pricing pressures for our services businesses, due to continued competition from other IT product and service companies;

- Capital expenditures and related financings, if any, including for product development;
- Competition in hiring and retaining skilled IT personnel;
- Our ability to expand international operations;
- Gain or loss of significant customers;
- New strategic partnerships or mergers/acquisitions; and
- Funding of the working capital requirements.

In the initial years of our business, CTEL was providing bespoke IT Services. In the years 2000 & 2001 post September 11 & the dot.com crash, downturn many business ventures merged into CellExchange Inc. Initially CTEL focused on providing Product development & support services to CellExchange Inc and later started by providing Software development & maintenance services to Commercial clients in Energy, Utility & Logistics sector. In 2003 December CTEL attained CMM Level 4, process maturity in Onsite-offshore software delivery and in March 2005 was appraised at CMMi Level 5.

RESULTS OF OPERATIONS

Income

Our total income has two components:

- Operating income; and
- Other income

A summary of the past financial results is given below:

	Rs in Lacs				
	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005 (15 months ended 31st March 2006)
Operating Income	147.66	239.27	640.73	1,049.85	1,840.40
Other Income	3.11	1.90	1.23	0.28	25.59
Total Income	150.77	241.17	641.96	1,050.13	1,865.99
Operating Expenditure	136.86	175.85	533.45	870.15	1,429.11
Depreciation & Amortization	21.51	31.83	22.53	35.55	47.42
Interest	2.56	1.02	1.52	6.88	3.81
PBT	(10.16)	32.47	84.46	137.56	385.66
Taxes	1.47	1.25	0.86	(0.45)	1.65
PAT	(11.63)	31.23	83.60	138.01	384.00
Dividend	0	0	0	0	0
Share Capital	47.50	42.51	43.01	43.01	308.06
Reserves and Surplus	32.20	58.01	141.68	291.78	687.91
EPS (Rs.)	-0.44	1.21	3.24	5.35	14.86
Book Value (Rs.)	3.04	3.90	7.16	11.31	38.53

The Company is a subsidiary through out, to M/s CellExchange, Inc.

Analysis of operations for 15 months period ending 31st March 2006 is given below:

Comparison of Fiscal 2006 (15 months ending 31st March 2006) with Financial year ended December 31, 2004:

Our income for fiscal 15 months ending 31st March 2006 was Rs. 1840.40 lacs, a rise of around 60% over previous calendar year ended 31st December 2004 on an annualized basis and the profit after tax grew 123% on annualized basis. Growth in total income is due to increase in the increase in commercial business and revised transfer pricing agreement that was negotiated with CellExchange Inc to get a higher share of margins being made on the works being executed by CTEL.

- a) During the year the company added 3 new clients who have contributed substantially to our topline.
- b) The company also obtained large orders from two existing clients which resulted in an additional revenue.

The operating expenditure of the 15 months amounted to Rs. 1429.11 lacs. The EBIDTA is about 23%, which is a marked improvement over the Fiscal 2004 in which it was about 17%.

Increase of Rs. 250.03 lacs in net profit from Rs. 137.55 lacs in CY 2004 to Rs. 387.58 lacs in FY 2006 (15 months) as a result of following:

- a) The net profit of 387.58 Lacs is for larger period of 15 months
- b) CTEL negotiated a higher transfer pricing rate with CellExchange Inc for services rendered, which was mutually agreed as it meant more equitable share of the overall profits from the contracts.
- c) The company improved productivity and margins, due to adoption of better processes, as a part of CMMi Level 5 implementation.
- d) CTEL also executed independent contract which had higher margin.

CTEL issued bonus shares to the existing shareholders in the month of July 2005 in the ratio of (1:5).

The outstanding debtors as of 31st March 2006 are Rs. 352.05 Lacs. The age-wise analysis of the same is :
 90 – 120 Days Rs.296.03 Lacs, 120 – 180 Days Rs.10.31 lacs, and more then 180 Days Rs. 45.71Lacs.

Comparison of Financial year ended December 31, 2004 with Financial year ended December 31st 2003:

CTEL's income for the Calendar year 2004 was Rs. 1049.85 lacs, which was 64% more than that of the previous calendar year 2003. The operating expenditure of the year 2004 amounted to Rs. 870.15 lacs, a growth of 63% on previous calendar year 2003. The EBIDTA was about 17%. The PAT stood at Rs. 138 lacs after an add back of extra provision for Taxation of Rs. (0.45) lacs which was a growth of 65% on the PAT of year 2003. The company continued its effort to improve its global delivery processes to achieve the goal of being CMMi Level 5.

Comparison of Financial year ended December 31, 2003 with Financial year ended December 31st 2002 During the year, the Company earned a total income of 640.73 lacs, a steep rise of 168% over the previous Calendar year 2002. This was result of the business development efforts paying results & the business outlook also picking up in the United states. The operating expenditure of the year amounted to Rs. 533.45 lacs, saw an increase of 203% as it included the expenditures made to plan for future growth. At Rs. 108.51 lacs, the EBIDTA is about 17% and the PAT stood at Rs. 84.47 lacs a growth of 66% and 168% respectively.

Comparison of Financial year ended December 31, 2002 with Financial year ended December 31st 2001

The effect of dot.com bust loomed large on the operations of the Company yet the sales for the company grew 62% over the fiscal year 2001 and the company made a profit during this year. The total income for the CY 2002 was Rs. 239.27 lacs. The operating expenditure of the year amounted to Rs. 175.85 lacs (a growth of 27%). At Rs. 65.32 lacs, the EBIDTA is about 27% a jump of 421% over the year 2001. The PAT stood at Rs. 31.22 lacs after providing for Taxation of Rs. 1.25 lacs compared to a loss of s 11.63 Lacs in year 2001.

Significant economic changes that materially affected or likely affect the income from continuing operations

As stated in the preceding paragraphs, the dot.com bust had a cascading affect on CTET's business in the Fiscal 2001. In the same year, the Information technology companies suffered a set-back due terrorism-related developments in the USA, which has affected a number of information technology companies. Any such incidents in future may have an impact on the Company's business.

Known trends or uncertainties that have had or expected to have material adverse impact on sales, revenue or income from continuing operations

Excepting those stated above, there are no such known trends.

Future changes in the relationship between costs and revenues

From the fiscal year 2006-2007, CTET is going to handle all commercial clients directly through wholly owned subsidiary (WOS), Cambridge Technology Enterprises Inc. As a wholly owned subsidiary the entire revenue of CTE Inc would be consolidated into CTET. The dependence and limitations that the transfer pricing policy with a parent operating company imposed would not be present.

The present contracts with CTE Inc with global delivery costs of CTET would increase both the topline (revenue) and the bottom line. The major lines of business related to providing solutions to customers in emerging technology areas like migration to SOA (Service Oriented Architecture), Consulting & Rapid application development and maintenance. The customer track record and CTET's proven CMMi Level 5 global delivery process will help in sustaining and increasing the current growth trends of the company. Additionally, the strategic acquisitions would enable CTET to improve revenues as well as give additional capability & enhanced productivity to provide more efficient services to customers.

Unusual or Infrequent events or transactions

During the past five years there have not been any infrequent or unusual events which caused any fluctuations in the revenues or profits of CTET. CTET was a subsidiary of CellExchange Inc till 1st May 2006. During the period CTET was operating under a transfer pricing agreement that allowed CTET to bill on a cost plus 15% model till 31st Dec 2004 and from 1st January 2005 till 31st March 2006, the billing was negotiated and implemented at Cost plus 20%.

The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices.

The material increases in net sales or revenue were due to increase in sales volume year on year till 31st December 2004, however, in the period starting 1st January 2005, the increase in volume also was due to two factors (a) the company provided onsite services & billed cost plus 20% transfer pricing which contributed an increase due to higher price (b) the commercial business division in US got adduced to CTET which increased the volume.

Status of any publicly announced new products or bus iness segment

Introducing new services & solutions in the new geographies is an ongoing activity as part of our regular business initiative.

Seasonal character of Company's business

Our Company's business is not seasonal.

Level of dependence on a single or few suppliers or customers

Within the Software Services & SOA solutions sector, the Company's revenues are highly dependent on a small number of clients. The loss of any of the major clients or a decrease in the volume of work outsourced by them or a decrease in the price at which they outsource would adversely affect revenues and profitability of the Company.

Competitive conditions:

In the recent months a number of players have entered the software development business, including the SOA migration services from which CTET proposes to derive a significant part of its income. The company believes that the sustenance and growth of business enterprises in this industry – being service in nature - depends on the quality of service, the niche area of operation and the ability to forge long-term business relationships with customers. By continuing to concentrate on these strengths CTET plans to meet the competition and achieve growth in the future years.

Conclusion

Given the increasing share of revenue from software services from the SOA migration & Application development & maintenance Sector, CTET believes that by further upgrading the existing skills and capabilities, the focus should be on building Specific competency centers & IP creation through building reusable component library. This would make the business acquisition & solution delivery more efficient & consistent.

We are encouraged to believe, by our clients that our strength lies in being a business solutions company with a sound technological moorings, a space which is occupied by very few in this country. We plan to expand our presence to other important markets in the world and offer our products and services to achieve a growth in our topline.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENTS

The company certifies that there are no:

- Pending litigations against the company.
- Outstanding litigations, defaults etc pertaining to matter likely to affect operations and finances of the company including prosecution under any enactment in respect of Schedule XIII of the Companies Act 1956 (1 of 1956).
- Such cases of pending litigations, defaults etc in respect of Companies/firms/ventures with which the promoters were associated in the past but are no longer associated, and their names continue to be associated with particular litigation.
- Disciplinary action/ investigation has been taken by Securities and Exchange Board of India (SEBI)/ Stock Exchanges against the Company, its directors, promoters and their other business ventures (irrespective of the fact whether or not they fall under the purview of section 370(1B) of the Companies Act 1956.
- Cases against the Company or its Promoters of economic offences in which penalties were imposed on promoters.
- Pending litigations, defaults, non payment of Statutory dues, proceedings initiated for economic offences/civil offences, any disciplinary action taken by the Board /Stock Exchanges against the Company/Promoters and their business ventures/Directors other than those mentioned in this Draft Prospectus and that no litigations have arisen after the issue of SEBI's Observation letter and the Company and its Directors take full responsibility of the information mentioned in the Prospectus.
- Promoters, their relatives (as per Companies Act, 1956), Issuer, Group Companies, Associated Companies are detained as willful defaulters by RBI/Government Authorities.
- Violations of Securities Laws committed by the Promoters, their relatives (as per Companies Act, 1956), Issuer, Group Companies, Associated Companies in the past or pending against them.
- Major creditors having an outstanding balance for more than six months as on 31st March 2006, is Nil

Cases filed by the Company

Pertaining to Civil Case:

S.No	Name of the Opposite Party	Case No./Date Instituted	Court before which Litigation is Pending	Case History and status	Claim Amount (Rs in Lacs)
1	cvMail Services Pty Ltd, Australia CAN 094 742 604	O.S. No. 40 of 2006 On 30 January 2006	III, Addl. Chief Judge, City Civil Court at Hyderabad	The Company had entered into a development contract with cvMail Services Pty Limited on 27 th June, 2006. On 28 th December, 2006 cvMail Services Pty Limited issued a contract termination notice asking for refund of the monies paid by them till 28 th December 2005 amounting to about Rs 30,00,000/-, which CTEL disputed as illegal, and	Agreed for settlement of all claims through the compromise deed where in both parties dropped all claims against

S.No	Name of the Opposite Party	Case No./Date Instituted	Court before which Litigation is Pending	Case History and status	Claim Amount (Rs in Lacs)
				disputed the same. Accordingly the Company filed a O.S. No.40 of 2006 before IIIrd Additional Chief Judge, City Civil Court at Hyderabad against the cvMail Services Pty Limited seeking a declaration and permanent injunction against cvMail Services Pty Limited notice terminating the contract as invalid. The matter has now been compromised as both the parties have entered into a compromise / memorandum of understanding and the same has been filed in the court, and simultaneously signed a Release deed. In the deed & memorandum, both the parties (cvMail Services Pty Ltd & CTEL) agreed to waive all damages claims made till date and also indemnifying both the parties (cvMail & CTEL) from any further litigations in the matter. The matter is yet to be withdrawn.	each other.

LITIGATIONS AGAINST THE PROMOTERS/ DIRECTORS

There are no outstanding litigations, disputes, defaults, non-payment of statutory dues, overdues to banks and/or FIs, defaults against banks and/or FIs, proceedings initiated for economic/civil/criminal or any other offences (including past cases where penalties may /may not have been awarded and irrespective of whether they are specified under paragraph (1) of Part (1) of schedule XIII of Companies Act 1956 against Promoters/ Directors of Cambridge Technology Enterprises.

LITIGATIONS AGAINST SUBSIDIARY COMPANIES / GROUP COMPANIES / ASSOCIATE CONCERNS

There are no criminal, securities, statutory or other litigations against any of the Subsidiary Companies /Group/Associate Companies. There are no outstanding litigations, disputes, penalties including tax liabilities economic offence, criminal/civil prosecutions for any offence irrespective of whether specified under any enactment in paragraph (1) of Part (1) of schedule XIII of Companies Act 1956 against the Group companies / Associate Concerns promoted by the Promoters except the case mentioned below against CellExchange Inc as per the details given below.

There is one lawsuit, filed by Michael Cann, Alex Chou, Victor Coutin, Erick Jesersen, Janet Lee, Jon Monsarrat, Peter Olszowka, Jeff Paradiso, Rickland Powell, and Jonathan Venezian. These persons claim to have worked for an affiliate company of CellExchange Inc as sub-contractors and have filed a petition in the Superior Court of Middlesex (Civil Action. No. 01-1312) seeking damages collectively amounting to US \$ 181,630/-. CellExchange Inc being an affiliate company has also been named as a defendant in the case. The case is pending for hearing.

There are no outstanding litigations, defaults, etc., pertaining to matters likely to affect operations and finances of the Company including disputed tax liabilities, prosecution under any enactment in respect of Schedule XIII to the Companies Act, 1956 (1 of 1956).

The promoters, their relatives as per Companies Act, 1956, issuer, group Companies, associate companies are not detained as willful defaulters by RBI/ Government authorities and there are no violations of securities laws committed by them in the past or pending against them.

AMOUNTS DUE TO SMALL SCALE UNDERTAKINGS

There are no amounts due by our Company to any small-scale undertaking. Also there are no amounts due to individual creditors in excess of a sum of Rs. 1,00,000/- which are outstanding for more than 30 days.

MATERIAL DEVELOPMENTS SINCE THE LAST BALANCE SHEET DATE:

There have been following material developments after the date of last balance sheet i.e, 31st March 2006.

1. On 21st April 2006, at the AGM, the Board of CTEL decided issue bonus shares in the ratio of 2:1 (Two shares for every one share held) to all the existing share holders.
2. CellExchange Inc has invested Rs 200 lakhs to subscribe for 2,66,670 shares of CTEL of Rs 10 each at a premium of Rs 65/- on May 23, 2006 .
3. CTEL invested an amount of US\$ 409,500/- towards purchase of Cambridge Technology Inc from CellExchange Inc. for a total consideration of US \$ 1.638 Million. CTEL will have CTE Inc as its wholly owned subsidiary effective 1st May 2006. All the commercial contracts that customers have consented have been transferred / assigned to CTE Inc.
4. Though the event will not effect the Balance sheet of CTEL, a material shift was effected in terms of shifting the ownership of the company (CTEL) from the status of a subsidiary to CellExchange Inc to an independent company. On 1st May 2006, the share holders of CellExchange Inc, 'spun-off' CTEL as an independent company in line with the rules & regulations stipulated under Chapter 355 of IRS of United States Of America. All the shares of CellExchange which were 76,50,000 (constituting about 82.78% of the total number of shares outstanding) were distributed to all the existing shareholders of CellExchange Inc in the same ratio of there respective share percentage in Cellexchange Inc.

GOVERNEMENT APPROVALS/LICENSING ARRANGEMENTS

The Company has received all the necessary licenses, permissions and approvals from the Central and State Governments and other government agencies/certification bodies required for its business and no further approvals are required by the Company for carrying on the present as well as proposed business activities of the Company. It must, however, be distinctly understood that in granting the above approvals, the Government and other authorities do not take any responsibility for the financial soundness of the Company or for the correctness of any of the statements or any commitments made or opinions expressed.

In view of the approvals listed below, the Company can undertake this Issue and its current business activities and no further major approvals from any statutory authority are required to continue those activities.

The following statement sets out the details of licenses, permissions and approvals taken by the Company under various Central and State Laws for carrying out its business.

Sr. No.	Issuing Authority	Registration/ License No.	Nature of Registration/License
1	Ministry of Information Technology,	IEC No: 51990028644	Importer-Exporter Code (IEC)
2	Software Technology Parks of India, Ministry of Information Technology, Government of India	STPH/IMSC/1999-2000/1082, 17 th May, 1999 STPH/IMSC/2004-2005/6204/2203, 7 th December 2004	Registration under Software Technologies Parks Scheme of Government of India for manufacture of software for our Unit at 4 th Floor (401, 402, 403) Sufi Chambers, Road No:1, Banjara Hills, Hyderabad.
3	Commissioner of Customs	97/2001	For bonding of warehouses to carry on the business of manufacture of computer software in the bonded warehouse and for the import of capital goods without payment of import duty for the premises at 4 th Floor (401, 402, 403) Sufi Chambers, Road No:1, Banjara Hills, Hyderabad.

SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES

AUTHORITY FOR THE ISSUE

The Issue has been authorized pursuant to a resolution of the Board of Directors of the Company passed at its meeting held on April, 13, 2006 and by a Special Resolution passed under section 81(1A) of the Companies Act, 1956 at the Annual General Meeting of the Company held on April 21, 2006

PROHIBITION BY SEBI

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

Further, we confirm that neither the company nor the promoters, their relatives and group concerns are not detained as willful defaulters by RBI/Government Authorities and there are no violations of securities laws committed in past or pending against the Company.

ELIGIBILITY FOR THE ISSUE

This issue is being made in terms of clause 2.2.2 (a) (ii) and (b) (i) of SEBI (DIP) Guidelines, 2000, wherein:

- a. The "project" has at least 15% participation by Financial Institutions/Scheduled Commercial Banks, of which at least 10% comes from the appraiser (s). In addition to this, at least 10% of the issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded.
- b. The minimum post issue face value capital of the Company shall be Rs 10 crores.

The Company fulfils the criteria as stated in clause 2.2.2 (a) (ii) of SEBI (DIP) Guidelines 2000 as amended as in each of the projects individually the participation from the Scheduled Banks/Financial Institutions is above the required limits of 15% and for each project individually and overall the appraisers have participated in excess of 10% of the project cost as required.

Appraising Bank	Amount Sanctioned	% of Total Project Cost
UTI Bank, Hyderabad	Rs 470 Lakhs	15.47 % of Project cost

The participation of appraising bank is in excess of 10% of the project cost and further the participation of the bank in the project is in excess of 15% of the project cost.

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

The Company has reserved [•] Equity shares being 10% of the Net Offer to the Public of [•] Equity Shares to QIBs.

As per clause 2.2.2B of SEBI (DIP) Regulations:

- (i) "Project" means the object for which the monies proposed to be raised to cover the objects of the issue.
- (ii) As per Section 2.2.2 B (v) of SEBI (Disclosure and Investors' Protection) Guidelines, inserted vide SEBI/CFD/DIL/DIP/Circular No 11 dated August 14, 2003, 'Qualified Institutional Buyer' shall mean:
 - a) Public financial institution as defined in section 4A of the Companies Act, 1956;

- b) Scheduled Commercial Banks;
- c) Mutual Funds;
- d) Foreign Institutional Investor registered with SEBI;
- e) Multilateral and Bilateral development financial institutions;
- f) Venture Capital Funds registered with SEBI;
- g) State Industrial Development Corporations;
- h) Insurance Companies registered with the Insurance Regulatory and Development Authority (IRDA);
- i) Provident Funds with minimum corpus of Rs 25 crores
- j) Pension Funds with minimum corpus of Rs 25 crores;

Pursuant to Clause 2.8 of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 the Company has made firm arrangement for the stated Means of Finance as follows as updated:

(Rs in Lakhs)

Particulars	Total
a) Total Means of Finance required	3070.00
b) Amount to be raised through public issue	2400.00
c) Amount Excluding the Public Issue (A-B)	670.00
Total @ 75% of (C)	502.50

(Rs. In Lakhs)

Particulars	Total
a) Loan sanctioned from UTI Bank	470.00
b) Already Brought in and equity shares allotted to CellExchange Inc	200.00
Finance arranged through verifiable means	670.00

CTEL has tied up 100% of the balance funds required to be raised for the project as explained in the table above.

DISCLAIMERS

SEBI DISCLAIMER CLAUSE

AS REQUIRED, A COPY OF THIS PROSPECTUS HAS BEEN SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI). IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED/ CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE PROSPECTUS. THE LEAD MANAGER CENTRUM CAPITAL LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY

WITH SEBI GUIDELINES FOR DISCLOSURE AND INVESTOR PROTECTION IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT PROSPECTUS, THE LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE LEAD MANAGER CENTRUM CAPITAL LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED MAY 29, 2006 WHICH READS AS FOLLOWS:

- "1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, AND OTHER MATERIALS MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO IN CONNECTION WITH THE FINALISATION OF THE PROSPECTUS PERTAINING TO THE SAID ISSUE;
2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE OFFER, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY;

WE CONFIRM THAT:

- a. THE PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
- b. ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID OFFER AS ALSO THE GUIDELINES, INSTRUCTIONS ETC., ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;
- c. THE DISCLOSURES MADE IN THE PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED ISSUE;
- d. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE Prospectus ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID;
- e. WE HAVE SATISFIED OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS

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

THE FILING OF THE PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCE AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED OFFER. SEBI FURTHER RESERVES THE

RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGER (S) (MERCHANT BANKERS) ANY IRREGULARITIES OR LAPSES IN THE PROSPECTUS.

GENERAL DISCLAIMER

The Company, the Directors and the Lead Manager accept no responsibility for statements made otherwise than in the Draft Prospectus or in the advertisements or any other material issued by or at the instance of the Company and that anyone placing reliance on any other source of information, including the Company's website, www.ctepl.com would be doing so at his/ her own risk.

The Lead Manager accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the Lead Manager and the Company dated May 22, 2006.

All information shall be made available by the Company and the Lead Manager 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 etc.

GENERAL DISCLAIMER OF THE ISSUER

The Company accepts full responsibility for the accuracy of the information given in this Draft Prospectus and confirms that to the best of their knowledge and belief, there are no other facts, the omission of which makes any statement in this Draft Prospectus misleading and they further confirm that they have made all reasonable inquiries to ascertain such facts. The Company further declares that the stock exchanges to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of this proposed public issue or for the price at which the equity shares are offered or for the correctness of the statements made or opinions expressed in this Draft Prospectus.

The Promoters/directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in terms of this Draft Prospectus has been suppressed, withheld and/or incorporated in the manner that would amount to misstatement/misrepresentation and in the event of its transpiring at any point of time till allotment /refund, as the case may be, that any information/material has been suppressed/withheld and /or amounts to an misstatements/misrepresentation , the promoters /directors undertake to refund the entire application monies to all subscribers within seven days thereafter without prejudice to the provision of section 63 of the Companies Act, 1956.

The issuer will update the Draft Prospectus and keep the Public informed of any material changes in the document till the listing and trading.

DISCLAIMER IN RESPECT OF JURISDICTION

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

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

Investors may please note that Central Government/ RBI does not take any responsibility for the financial soundness or correctness of the statements disclosed in this Draft Prospectus.

DISCLAIMER CLAUSE OF STOCK EXCHANGES

DISCLAIMER CLAUSE OF THE BOMBAY STOCK EXCHANGE LIMITED (THE DESIGNATED STOCK EXCHANGE)

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

The BSE does not in any manner:

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

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

DISCLAIMER CLAUSE OF THE NATIONAL STOCK EXCHANGE OF INDIA LIMITED:

As required, a copy of this draft prospectus has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter No dated [●] permission to the Issuer to use the NSE name in this Draft Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e. the Paid up capital shall not be less than Rs 10 crore and market capitalization shall no be less than 25 crore at the time of listing) The NSE has scrutinized this Draft Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE that this Draft Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Prospectus nor does it warrant that the 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 Company, its promoters, its management or any scheme or project of this Issuer.

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

UNDERTAKING FROM PROMOTERS AND DIRECTORS

The company accepts full responsibility for the accuracy for the information given in the Draft Prospectus and confirms that to the best of their knowledge and belief, there are no other facts, their omission of which make any statement in the Draft Prospectus misleading and they further confirm that they have made all reasonable inquiries to ascertain such facts. The company further declares that the Stock Exchanges to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of this offer or for the price at which the Equity Shares are offered or for the correctness of the statement made or opinions expressed in this offer document. The Promoters/Directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of the shares offered in terms of this Draft Prospectus has been suppressed, withheld and/or incorporated in the manner that would amount to mis-statement, misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed /withheld and/or amounts to a mis-statement/ mis-representation, the Promoters/Directors undertake to refund the entire application monies to all the subscribers within 7 days thereafter without prejudice to the provisions of Section 63 of the Companies Act.

Filing of the Prospectus with the Board and Registrar of Companies

A copy of the Draft Prospectus has been filed with the Corporate Finance Department of SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai-400 021.

A copy of the Prospectus, along with the documents required to be filed under 60 of the Companies Act would be delivered for registration to the Registrar of Companies Hyderabad.

LISTING

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of the Company's equity shares. The Bombay Stock Exchange Limited, Mumbai shall be the Designated Stock Exchange with which the basis of allocation will be finalized for non-institutional portion and retail portion.

In case, the permission for listing of the equity shares is not granted by any of the above mentioned Stock Exchanges, the Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Prospectus. If such money is not repaid within 8 days after the day from which the Issuer becomes liable to repay it, then the Company and every Director of the Company who is an officer in default shall, on and from expiry of 8 days, be jointly and severally liable to repay that money with interest as prescribed under Section 73 of the Companies Act, 1956.

The Company shall ensure that all steps for the completion of necessary formalities for listing and commencement of trading at BSE and NSE are taken within 7 working days of the finalization of allotment.

Impersonation

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

"Any person who:

- a) **makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**
- b) **otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."**

CONSENTS

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors to the Issue, Bankers to the Company, Monitoring Agency, and (b) Lead Manager and Registrar to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of the Draft Prospectus, with the Registrar of Companies, Hyderabad and such consents have not been withdrawn up to the time of delivery of this Draft Prospectus for registration.

EXPERT OPINION

Except for the various tax benefits available to the Company and its member expressed by the Auditors of the Company on page [•] in this Draft Prospectus, the Company has not obtained any other expert opinions.

EXPENSES OF THE ISSUE

The expenses of the Issue include *interalia* Management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses are as follows:

S. No	Description	Amount (Rs in Lacs)	% to total Issue expenses	% to total issue size
1	Lead Manager's Fees and Brokerage	61.00	30.50	2.54
2	Registrar, Legal Advisor & Auditor's fees	31.00	15.50	1.29
3	Advertising and Marketing expenses	25.00	12.50	1.04
4	Printing & Stationery/Dispatch	45.00	22.50	1.88
5	Other Expenses (Listing fees, Depository charges, Contingencies etc)	38.00	19.00	1.58
	Total	200.00	100.00	8.33

FEES PAYABLE TO THE LEAD MANAGER TO THE ISSUE

The total fees payable to the Lead Manager will be as per the Memorandum of Understanding executed between the Company and the Lead Manager dated May 22, 2006 a copy of which is available for inspection at the Registered Office of the Company.

FEES PAYABLE TO THE REGISTRAR TO THE ISSUE

The fees payable to the Registrar to the Issue will be as per the Memorandum of Understanding between the Company and the Registrar dated March 27, 2006 copy of which is available for inspection at the registered 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.

BROKERAGE AND SELLING COMMISSION

Brokerage for the Issue will be paid by the Company at the rate of 1.50% of the Issue price of Equity Shares offered to the public on the basis of allotment made against applications bearing the stamp of the members of any recognized Stock Exchanges in India in the broker's column. Brokerage at the same rate will also be payable to the Bankers to the Issue in respect of allotments made against applications procured by them provided the relevant forms of applications bear their respective stamps in the Broker's column.

PREVIOUS PUBLIC OR RIGHTS ISSUE (DURING THE LAST 5 YEARS):

The company has not made any public or rights issue during the last five years. The details of issue of capital have been outlined in the paragraph on the build up of the share capital under the Capital Structure on page no [●].

PREVIOUS ISSUE OF SHARES OTHERWISE THAN FOR CASH:

The Company has not issued any Equity Shares for consideration other than cash except as detailed in the section entitled Capital Structure in this Draft Prospectus.

COMMISSION OR BROKERAGE ON PREVIOUS ISSUES:

Company has not made any public or rights issue of Equity Shares/Debentures since incorporation; hence there is no commission or brokerage payable on previous issue.

DETAILS OF CAPITAL ISSUE MADE DURING LAST THREE YEARS IN REGARD TO THE ISSUER COMPANY AND OTHER LISTED COMPANIES UNDER THE SAME MANAGEMENT WITHIN THE MEANING OF SECTION 370 (1) (B) OF THE COMPANIES ACT, 1956.

Neither CTE nor any other listed companies under the same management within the meaning section 370 (1) (B) of the Companies Act, 1956 has made any capital issue during the last three years.

PROMISES vs. PERFORMANCE:

Company has not made any public issue of Equity Shares/debentures prior to this issue.

LISTED VENTURE OF THE PROMOTERS

The Promoters does not have any listed ventures and hence information on Promises vis a vis Performance as far as projection is concerned is not available.

OUTSTANDING DEBENTURES OR BOND ISSUE OR PREFERENCE SHARES:

There are no outstanding debentures or bond issue or preference shares and other instruments of the Company as on date of filing of this Draft Prospectus.

STOCK MARKET DATA FOR THE COMPANY'S EQUITY SHARES

The Equity Shares of the Company are currently not listed/quoted on any Stock Exchange.

MECHANISM FOR REDRESSAL OF INVESTOR GRIEVANCES:

The Company has appointed the Registrar to the Issue i.e, M/s Bigshare Services Private Limited, to handle the investor grievances in coordination with the Compliance Officer of the Company. All grievances relating to the present issue may be addressed to the Registrar with a copy to the Compliance Officer, giving full details such as name, address of the applicant, number of the Equity Shares applied for, amount paid on application and bank and branch. The Company would monitor the work of the Registrar to ensure that the investor grievances are settled expeditiously and satisfactorily.

The Registrar to the issue will handle investor's grievances pertaining to this issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to the Company. The Company would also be coordinating with the Registrar to the issue in attending to the grievances of the investors. The Company assures that the Registrar, in respect of the complaints, if any, to be received shall adhere to the following schedules-

	Nature of Complaint	Time Taken
1.	Non-receipt of the refund	Within 7 days of receipt of complaint, subject to production of satisfactory evidence.
2.	Change of Address Notification	Within 7 days of receipt of information.
3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details.

The company has appointed Mr. T N Kannan as Compliance Officer who would directly deal with SEBI officer with respect, to implementation/ compliance of various laws, rules, regulations and other directives issued by SEBI and matters related to investor complaints .The investors may contact the Compliance Officer in case of any offer related problems. The Compliance Officer would be available at the Registered Office of the Company. He may be contacted at the following address:

Name: Mr T N Kannan

Address: 5th Floor Sufi Chambers, Road No 1, Banjara Hills, Hyderabad 500034. Ph No 55668020 Extn 609; Email: ipo@ctepl.com

CHANGES IN AUDITORS DURING THE LAST THREE YEARS WITH REASONS THEREOF:

There has been no change in the auditors of the Company during the last 3 years.

CAPITALISATION OF RESERVES OR PROFITS DURING THE LAST FIVE YEARS:

There has not been any capitalization of reserves or profits during the last five years, except as stated in section titled "Capital Structure" of this Draft Prospectus.

REVALUATION OF ASSETS DURING THE LAST FIVE YEARS:

There has been no revaluation of assets during the last five years.

SECTION VIII: ISSUE INFORMATION

1. TERMS OF THE ISSUE:

The Equity shares being issued are subject to the provision of the Companies Act, the Memorandum and Articles of the Company, the terms of this prospectus, Application form, and other terms of this prospectus, Application form, and other terms and conditions as may be incorporated in the allotment Advice, and other documents/certificates that may be executed in respect of the issue. The Equity shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, Reserve Bank of India, Stock Exchanges, ROC and /or other Authorities, as in force on the date of the issue and to the extent applicable.

RANKING OF EQUITY SHARES

The Equity Shares being offered shall be subject to the provisions of the Memorandum and Articles of Association of the Company and shall rank *pari passu* in all respects with the other existing shares of the Company including in respect of the rights to receive dividends. The allottees will be entitled to dividend or any other corporate benefits (including dividend), if any, declared by the Company after the date of allotment and expect the lock in provision applicable as per SEBI Guidelines in respect of existing Equity shares as mentioned in the “Notes to Capital Structure” on page no. [·].

MODE OF PAYMENT OF DIVIDEND

The declaration and payment of dividend will be recommended by the Board of Directors and declared by the shareholders at their discretion and will depend on a number of factors including but not limited to the earning, Capital requirements and overall financial conditions.

FACE VALUE AND ISSUE PRICE

The face value of the equity shares is Rs. 10/- per Equity Share and the issue price of Rs. 63 per Equity Share at lower price band and Rs 75 at upper price band is 6.3 times at lower price band and 7.5 times of the face value at the upper price band.

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 to 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 Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of the Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, refer to the section on “Main Provisions of the Articles of Association” on page [·] in this Draft Prospectus.

MARKET LOT

In terms of Section 68B of the Companies Act, the Equity Shares of the Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors.

Since trading of the Equity Shares will in dematerialized mode, the tradable lot is one Equity Share. Allocation and allotment of Equity Shares through this Issue will be done only in electronic form in multiple of one Equity Share subject to a minimum allotment of [•] Equity Shares.

NOMINATION FACILITY TO THE INVESTOR

In accordance with Section 109A of the Companies Act, the sole or first Applicant, along with other joint Applicants, may nominate any one person in whom, in the event of the death of sole Applicant or in case of joint Applicants, death of all the Applicants, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder (s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the equity share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Company's Registered / Corporate Office or to its Registrar and Transfer Agents.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the equity shares; or
- to make such allotment 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 allot the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized mode, there is no need to make a separate nomination with the Company. Nominations registered with respective DP of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective DP.

MINIMUM SUBSCRIPTION

If the Company does not receive the Minimum Subscription of 90% of the issued amount on the date of closure of the issue, or if the subscription level falls below 90% after the closure of issue on account of cheques having been returned unpaid or withdrawal of applications, the company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after the company becomes liable to pay the amount, the company shall pay interest as per Section 73 of the Companies Act 1956.

WITHDRAWAL OF THE ISSUE

The Company, in consultation with the Lead Manager, reserves the right not to proceed with the Issue at anytime including after the Issue Closing Date, without assigning any reason thereof. In case the Company decides so, it shall issue a public notice within two days of the closure of issue, indicating the reasons for withdrawal of Issue in the newspapers in which the issue advertisement appeared earlier. The Company shall also inform the Stock Exchanges on which the shares are proposed to be listed.

PERIOD OF SUBSCRIPTION

The subscription list for public issue shall remain open for atleast 3 working days and not more than 10 working days.

ARRANGEMENTS FOR DISPOSAL OF ODD LOTS

The Company's shares will be traded in dematerialized form only and the marketable lot is one share. Therefore there is no possibility of odd lots.

RESTRICTIONS, IF ANY, ON TRANSFER AND TRANSMISSION OF SHARES AND ON THEIR CONSOLIDATION / SPLITTING

For detailed description in respect of restrictions, if any, on transfer and transmission of shares and on their consolidation/ splitting, please refer sub – heading "Main Provisions of the Articles of Association of the Company" of this Draft Prospectus

ISSUE PROCEDURE:

a. Authority of the Present issue

Pursuant to section 81 1(A) of the Companies Act, 1956 the present issue of equity shares has been authorised vide special resolution passed at the AGM of the Company held on April 21, 2006 and resolution passed by the Board of Directors held on April 13, 2006.

b. Principal Terms and Conditions of the Offer

OPTION TO SUBSCRIBE

As on the date of this document, there are no pending options to subscribe to Equity Shares or convertible instruments pending conversion into Equity Shares of any kind.

The investor shall have option to subscribe to Equity Shares to be dealt with in a depository Shares shall allotted only in demat form. The investor shall have the option to hold the security certificates in physical form or in demat form with a depository.

The shares of the company will be traded on the stock exchange only in demat mode.

HOW TO APPLY

AVAILABILITY OF PROSPECTUS AND APPLICATION FORM

The Memorandum Form 2A containing the salient features of the Draft Prospectus together with Application Forms and copies of the Draft Prospectus may be obtained from the Registered Office of the Company, Lead Manager to the Issue, Registrar to the Issue and at the collection centres of the Bankers to the Issue, as mentioned on the Application Form.

NRIs / FIIs / Indian Mutual Funds & Indian and Multilateral Development Financial Institutions can obtain the Application Form from the registered office of the Company.

APPLICATION MAY BE MADE BY:

- a) Indian Nationals, who are resident in India and are Adult Individuals and are not lunatic, in single name or joint names (not more than three)
- b) Hindu Undivided Families through the Karta of the Hindu Undivided Family
- c) Companies, Bodies Corporate and Societies registered under the applicable laws in India and authorised to invest in the Shares.
- d) Indian Mutual Funds registered with SEBI
- e) Indian Financial Institutions & Banks
- f) Indian Venture Capital Funds / Foreign Venture Capital Funds registered with SEBI subject to the applicable RBI Guidelines and Approvals, if any.
- g) State Industrial Development Corporations
- h) Insurance Companies registered with Insurance Regulatory and Development Authority
- i) Provident Funds with minimum corpus of Rs.2500 Lakhs
- j) Pension Funds with minimum corpus of Rs.2500 Lakhs
- k) Trusts or Societies registered under the Societies Registration Act, 1860 or any other applicable Trust Law and are authorised under its constitution to hold and invest in Equity Shares of a Company

- l) Commercial Banks and Regional Rural Banks. Co-operative Banks may also apply subject to permission from Reserve Bank of India
- m) Scientific and/or Industrial Research Organizations, which are authorized to invest in shares;
- n) Permanent and Regular employees of the Company
- o) Non-Resident Indians (NRIs) on repatriation / non-repatriation basis
- p) Foreign Institutional Investors (FIIs) on repatriation / non-repatriation basis**

APPLICATIONS NOT TO BE MADE BY:

- a) Minors
- b) Partnership firms or their nominees
- c) Foreign Nationals (except NRIs)
- d) Overseas Corporate Bodies (OCBs)**

APPLICATIONS BY HINDU UNDIVIDED FAMILIES (HUF)

Applications may be made by Hindu Undivided Families (HUF) through the Karta of the (HUF) and will be treated at par with individual applications.

Application Form

Applications must be made only on the prescribed Application Form and should be completed in BLOCK LETTERS in English as per the instructions contained herein and in the Application Form, and are liable to be rejected if not so made. The prescribed application forms will have the following colours:

Category	Colour of Application Form
Indian Public including eligible NRIs applying on non-repatriation basis	White
Permanent Employees including Whole-time Directors	Pink
NRIs / FIIs applying on repatriation basis	Blue
QIBs	Green

SUBSCRIPTION BY NRIS/ FIIS

As per the extant policy of the Government of India, OCBs cannot participate in this Issue. Investments made by NRIs/FIIs are governed by the regulations contained in FEMA 20/2000-RB dated May 3, 2000 read with AP (DIR Series) Circular No. 38 dated December 2, 2003 shall be applicable. It is to be distinctly understood that there is no reservation and separate Application Form for NRIs on non-repatriation basis and FIIs registered with SEBI and all NRI (on non-repatriation basis) and FII applicants will be treated on the same basis with other categories for the purpose of allotment.

APPLICATIONS UNDER POWER OF ATTORNEY

In case of applications under Power of Attorney or by Companies, Bodies Corporate, Societies registered under the applicable laws, trustees of trusts, Provident Funds, Superannuation Funds, Gratuity Funds; a certified copy of the Power of Attorney or the relevant authority, as the case may be, must be lodged separately at the office of the Registrar to the Issue simultaneously with the submission of the application form, indicating the serial number of the application form and the name of the Bank and the branch office where the application is submitted.

The Company in its absolute discretion reserves the right to relax the above condition of simultaneous lodging of the Power of Attorney along with the Application Form subject to such terms and conditions as it may deem fit.

MINIMUM AND MAXIMUM APPLICATION SIZE

- 1) For Retail Individual Investors: Applications should be for minimum of [•] Equity Shares and in multiples of [•] Equity Shares thereafter, so as to ensure that the amount payable by the applicant does not exceed Rs 1,00,000.
- 2) For Other Investors: Application should be for a minimum of such number of Equity Shares so that amount payable by the applicant exceeds Rs 1,00,000 and in multiples of [•] Equity Shares thereafter.

An applicant in the net public category cannot make application for that number of Equity Shares exceeding the number of Equity Shares offered to the public. A single application can be made only for the number of shares that are offered to each respective category.

Under existing SEBI guidelines, a QIB applicant cannot withdraw its application after the Issue Closing Date.

Instructions for Applications by Permanent Employees of our Company including Whole-time Directors:

Reservation on competitive basis has been made in the Public Issue to the permanent employees including Whole-time Directors of the Company. Reservation on competitive basis shall mean reservation wherein allotment of shares is made in proportion to the shares applied for. For the purpose of the Employee Reservation Portion, Eligible Employee means permanent employees/Whole-time Directors of our Company, who are Indian Nationals, are based in India and are physically present in India on the date of submission of the Application Form.

Application must be made only:

- a) On the prescribed Application Form (Pink in colour) accompanying this Prospectus and completed in full in BLOCK LETTERS in English, except signature(s) in accordance with the instructions contained herein and in the application form and is liable to be rejected if not so made;
- b) For a minimum of [?] Equity Shares and in multiples of [?] Equity Shares thereafter;
- c) In single name or joint names (not more than three), however first applicant should be permanent / regular employee of the Company.

TERMS OF PAYMENT

The entire Issue price of Rs. [•] per share is payable on application only. In case of allotment of lesser number of Equity Shares than the number applied, the Company shall refund the excess amount paid on application to the applicants.

PRE- ISSUE ADVERTISEMENT

A statutory advertisement will be issued by the Company after the filing of the Prospectus with the RoC. This advertisement will contain the information that has to be set out in the statutory advertisement. Any material updates, if any, between the date of filing of Prospectus with RoC and the date of release of this statutory advertisement will be included in the statutory advertisement.

GENERAL INSTRUCTIONS FOR APPLICANTS

1. Applications must be made only on the prescribed Application Form and should be completed in BLOCK LETTERS in English as per the instructions contained herein and in the Application Form, and are liable to be rejected if not made so.

2. Application must be for a minimum of [•] equity shares and in multiples of [•] thereafter:

In the name of Resident Indian Individuals, Limited Companies, Statutory Corporations/ Institutions Incorporated in India, Indian Mutual Funds registered with SEBI and Banks. Applications in the name of minors, foreign nationals, Trusts not registered under the Societies Registration Act, 1860, or any other Trust laws, partnership firms or their nominees, OCBs, will be treated as invalid.

HUF should specify that the application is being made in the name of the HUF in the application form as "Name of the sole or first applicant: XYZ HUF applying through XYZ, where XYZ is the name of the Karta". Application by HUFs would be considered at par with those from individuals.

3. Thumb impressions and signatures other than in English/ Hindi or any other language specified in the Schedule to the Constitution of India, must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under his/ her official seal.

4. Bank Account Details of Applicant

The name of the Applicant, Depository Participant's name, Depository Participant's Identification (DP ID) number and the Beneficiary number provided by the Depository participant must be mentioned correctly in the Application Form at the appropriate place. The Registrar will obtain the Demographic details such as Address, Bank account details and occupation from the depository participants. The refunds, if any, will be printed with the Bank details as given by the Depository participant.

5. Applicants should write their names and application serial number on the reverse of the instruments by which the payments are being made to avoid misuse of instruments submitted along with the applications for Equity Shares.

INSTRUCTIONS FOR APPLICATIONS BY NRIs/FIIs (ON REPATRIABLE BASIS):

- 1) As per the exim policy of the Government of India, OCBs cannot participate in this Issue. Investments made by NRIs/FIIs are governed by the regulations contained in FEMA 20/2000-RB dated May 3, 2000, under automatic route of Reserve Bank, the Company is not required to make an application for Issue of Equity shares to NRIs/FIIs with repatriation benefits.
- 2) However, the allotment/transfer of the Equity Shares to NRIs/FIIs shall be subject to prevailing RBI Guidelines. Sale proceeds of such investments in Equity Shares will be allowed to be repatriated along with the income thereon subject to the permission of the RBI and subject to the Indian tax laws and regulations and any other applicable laws.
- 3) In case of application by NRIs 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 Subscribers applying on a repatriation basis. Payment by bank drafts should be accompanied by bank certificate confirming that the bank draft has been issued by debiting to NRE or FCNR account.

- 4) In case of application by FIIs on repatriation basis, the payment should be made out of funds held in Special Non-Resident Rupee Account along with documentary evidence in support of the remittance like certificates such as FIRC, bank certificate etc. from the authorised dealer. Payment by bank drafts should be accompanied by bank certificate confirming that the bank draft has been issued by debiting to Special Non-Resident Rupee Account.
- 5) Duly filled Application Forms by NRIs / FIIs will be accepted at designated branches of the Bankers to the Issue at Mumbai & Delhi only.
- 6) Refunds/dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges/commission. In case of applicants who remit their application money from funds held in NRE/FCNR accounts, such payments shall be credited to their respective NRE / FCNR accounts (details of which shall be furnished in the space provided for this purpose in the Application Form), under intimation to them. In case of applicants who remit their money through Indian Rupee Drafts from abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as maybe permitted by RBI at the exchange rate prevailing at the time of remittance and will be dispatched by registered post, or if the applicants so desire, will be credited to their NRE / FCNR accounts, details of which are to be furnished in the space provided for this purpose in the Application Form. The Company will not be responsible for loss, if any, incurred by the applicant on account of conversion of Foreign Currency into Indian Rupees and vice versa.
- 7) Applications in this category may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment under this category.

APPLICATION BY NRI ON NON- REPATRIATION BASIS:- Applications by NRIs on non- repatriation basis can be made using the Form meant for Public out of the funds held in Non-Resident Ordinary (NRO) Account. The relevant bank certificate must accompany such forms. Such applications will be treated on par with the applications made by the public.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

A separate application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications. The applications made by the Asset Management Company or Trustees/Custodians of a Mutual Fund shall be clearly indicating the name of the concerned scheme for which application is being made.

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 the post-Issue issued capital (i.e. 10% of [•] Equity Shares of Rs.10 each) Equity Shares. In respect of an FII investing in the Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital or 5% of the total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in the Company cannot exceed 24% of the total issued capital of the Company. With the approval of the Board of Directors and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date, no such resolution has been recommended to the shareholders of the Company for adoption.

In terms of the Regulation 15A (1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, the Foreign Institutional Investor or sub-account ("FIIs") may issue, deal in or hold, off-shore derivative instruments such as Participatory Notes, Equity Linked Notes or any other similar instruments against underlying securities being allocated to such FIIs.

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, the holding by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed (i) 25% of the corpus of the venture capital fund/ (ii) 33.33% of the corpus of the foreign venture capital investor.

The above information is given for the benefit of Investors. The Company and the Lead Managers are not liable for any amendments or modification or changes in applicable laws and regulations, which may occur after the date of this Draft Prospectus, whether prospectively or retrospectively. Investors are advised to make their independent investigations and ensure that their number of Equity Shares applied for do not exceed the applicable limits under laws and regulations.

Application forms together with cheques or bank drafts drawn in Indian Rupees for the full amount payable at the rate of Indian Rs [•] per share must be delivered before the close of subscription list to such branches of the Bankers to the Issue places mentioned in the application form.

A separate single cheque/bank draft must accompany each application form.

PAYMENT INSTRUCTIONS

For Resident Individuals

1. Payments should be made in cash or cheque or bank draft drawn on any Bank (including a Co-operative Bank), which is situated at and is a member or a sub-member of the Bankers' "Clearing House", located at the Centers (indicated in the Application Form) where the Application is accepted. However, if the amount payable on application is Rs. 20,000/- or more, in terms of section 269SS of the Income-Tax Act, 1961; such payment must be effected only by way of an account payee cheque or bank draft. In case payment is effected in contravention of the conditions mentioned herein, the application is liable to be rejected and application money will be refunded and no interest will be paid thereon.
2. Money orders, postal orders, outstation cheques or bank drafts, cheques / draft drawn on Banks not participating in the "clearing" will not be accepted and applications accompanied with such instruments may be rejected.
3. A separate cheque / bank draft must accompany each application form.
4. All cheques / bank drafts accompanying the application should be crossed **"A/c Payee Only"** and made payable to the Bankers to the Issue and marked **"Bank A/c – Cambridge Technology Enterprises Limited – Public Issue"**.

Category of Application	Cheques/Bank Draft Favouring
Indian Public including eligible NRIs applying on non- repatriation basis	"_____Bank A/c –Cambridge Technology Enterprises Limited – Public Issue"
NRIs / FIIs on repatriation basis	"_____Bank A/c – Cambridge Technology Enterprises Limited – Public Issue - NR"

Category of Application	Cheques/Bank Draft Favouring
QIBs	" _____Bank A/c – Cambridge Technology Enterprises Limited – Public Issue - QIB"
Permanent Employees including Whole-time Directors	" _____Bank A/c –Cambridge Technology Enterprises Limited – Public Issue – Employees"

5. Investors will not have facility of applying through stockinvest instruments as RBI has withdrawn the stockinvest scheme vide notification no. DBOD.NO.FSC.BC.42/24.47.001/2003-04 dated 5/11/2003.

SUBMISSION OF COMPLETED APPLICATION FORMS:

All applications duly completed and accompanied by cash/ cheques/ bank drafts shall be submitted at the branches of the Bankers to the Issue (listed in the Application Form) before the closure of the Issue. **Application(s) should not be sent to the office of the Company or the Lead Manager to the Issue.**

Applicants residing at places where no collection centers have been opened may submit / mail their applications at their sole risk along with application money due there on by Bank Draft to the Registrar to the Issue, BigShare Services Private Limited, superscribing the envelope "**Cambridge Technology Enterprises Limited – Public Issue**" so as to reach the Registrar on or before the closure of the Subscription List. Such bank drafts should be payable at Mumbai only. The Company will not be responsible for postal delays and loss in transit. The Company will not entertain any claims, damage or loss due to postal delays or loss in transit.

No separate receipts will be issued for the application money. However, the Bankers to the Issue or their approved collecting branches receiving the duly completed application form will acknowledge receipt of the application by stamping and returning to the applicant the acknowledgement slip at the bottom of each application form. The acknowledgement of receipt of application moneys given by the collection agents shall be valid and binding on the issuer company and other persons connected with the issue. Applications shall be deemed to have been received by the Company only when submitted to the Bankers to the Issue at their designated branches or on receipt by the Registrar as detailed above and not otherwise.

ACCEPTANCE OF APPLICATIONS

The Company reserves the right to accept or reject, any application, in whole or in part, without assigning any reason thereof. If the application is rejected in full, the whole of the application money received will be refunded by Electronic Transfer of Funds or through Registered Post, Speed Post to the applicant. If the application is accepted in part, the excess application money will be refunded to the applicant. Such refund, if any, will carry interest @ 15% p.a. after 30 days from the closure of the Issue for the period of delay beyond 30 days.

OTHER INSTRUCTIONS

- 1) **Joint Applications in case of Individuals:** Applications may be made in single or joint names (not more than three). In case of Joint Applications, refund, pay orders, dividend warrants etc. if any, will be drawn in favour of the first applicant and all communications will be addressed to the first applicant at her/his address as stated in the application form.
- 2) **Multiple Applications:** An applicant should submit only one application form (and not more than one) for the total number of Equity Shares applied for. Two or more applications in single or joint names will be deemed to be multiple applications if the sole and/ or first applicant is one and the same.

NRIs/FIIs applying on a repatriation basis shall not make an application in the public category and such applications made in both the categories i.e. reserved category and Public category shall be treated as multiple applications.

The Company reserves the right to accept or reject, in its absolute discretion, any or all-multiple applications. Unless the Company specifically agrees in writing with or without such terms and conditions it deems fit, a separate cheque/ draft must accompany each application form.

3) PAN / GIR Number

Where application(s) is/are for Rs. 50,000 or more, the applicant or in the case of an application in joint names, each of the applicants, should mention his/her Permanent Account Number (PAN) allotted under the IT Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the application form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that applicants should not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.** In case the sole/first applicant and joint applicant(s) is/are not required to obtain PAN, each of the applicant(s) shall mention "Not Applicable" and in the event that the sole applicant and/or the joint applicant(s) have applied for PAN, which has not yet been allotted, each of the applicant(s) should mention "Applied for" in the Application Form. Further, where the applicant(s) has mentioned "Applied for" or "Not Applicable", the sole/first applicant and each of the joint applicant(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration card (b) Passport (c) Driving license (d) Identity card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All applicants are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

4) Equity Shares in Demat Form with NSDL or CDSL

The Company had signed the following tripartite agreements with the Depositories and the Registrar to the Issue and Share Transfer Agent,:

- a) An agreement dated [?] with CDSL and Cambridge Technology Enterprises Limited
- b) An agreement dated [?] with NSDL and Cambridge Technology Enterprises Limited

The Company's shares bear an ISIN no. [?]

All investors can seek allotment only in dematerialized mode. However, an investor will have an option to hold the shares in physical form or demat form. After the allotment in the proposed Issue allottees may request their respective DPs for rematerialisation of shares if they wish to hold the shares in physical form. Applications without relevant details of his or her depository account are liable to be rejected.

5. An applicant applying for shares must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or of CDSL, registered with SEBI, prior to making the application.
6. The Applicant must necessarily fill in the details (including the Beneficiary Account number, and DP ID number) in the Application Form.
7. Equity Shares allotted to an applicant in the electronic mode will be credited directly to the respective Beneficiary Accounts (with the DP).
8. Name(s) in the Share Application 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.
9. The Registrar to the Issue will directly send non-transferable Allotment Letters/ Refund Orders to the Applicant.
10. Application will be liable to be rejected if incomplete or incorrect details are given under the heading 'Request for shares in electronic form' in the Application Form.
11. The applicant is responsible for the correctness of the Applicant's demographic details given in the Application Form vis-à-vis those with his/ her DP.
12. It may be noted that Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL. Both the Stock Exchanges where the Equity Shares of the Company are proposed to be listed are connected to NSDL and CDSL.
13. Trading in the Equity Shares of the Company would be in only dematerialised form for all investors.
14. Investors can contact the Compliance Officer in case of any Pre-Issue related problems. In case of Post-Issue related problems such as non-receipt of letters of allotment / share certificates / credit of securities in depositories beneficiary account/refund orders, etc., Investors may contact Compliance Officer or Registrar to the Issue.

For further instructions regarding application for the Equity Shares, investors are requested to read the application form carefully.

GROUND FOR TECHNICAL REJECTIONS

Applicants are advised to note that applications are liable to be rejected among others on the following technical grounds:

1. Amount paid does not tally with amount payable for the value of Equity Shares applied for;
2. Age of first applicant is not given;
3. Application by minor;
4. 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;
5. NRIs, except eligible NRIs and Non- Residents;
6. Applications by persons not competent to contract under the Indian Contract Act, 1872, including minors and insane persons;
7. Category not ticked;

8. Applications accompanied by stockinvest/money order/postal order/cash (wherever applicable);
9. Application Form is not delivered by the Applicant within the time prescribed as per the Application Form, Issue Opening Date advertisement and the Prospectus and as per the instructions in this Prospectus and the Application Form;
10. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Applicants (including the order of names of joint holders), the depository participant's identity (DP ID) and the beneficiary account number;
11. Application Form does not have the Applicant's depository account details;
12. PAN or GIR number not given if application is for Rs. 50,000/- or more;
13. Copy of PAN card or PAN allotment letter is not enclosed if the application is for Rs 50,000/- or more;
14. Application for Equity Shares which are not in multiples of [•]
15. Multiple applications;
16. In case of application under Power of Attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
17. Signature of the sole and/or joint applicants missing;
18. Applications by OCBs.
19. Applications by U.S. persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the Securities Act.

Basis of Allotment

In the event of the Present Issue of Equity Shares being oversubscribed, allotment shall be made on a proportionate basis and the basis of allotment will be finalized in accordance with the SEBI Guidelines and in consultation with BSE (Designated Stock Exchange). The Executive Director/ Managing Director of BSE along with the Lead Manager and the Registrar to the Issue shall be responsible to ensure that the basis of allotment is finalized in a fair and proper manner in accordance with the following guidelines:

Proportionate Allotment Procedure

Allotment shall be on proportionate basis within the specified categories, rounded off to the nearest integer subject to a minimum allotment being equal to the minimum application size i.e [•] Equity Shares.

The allotment will be done on proportionate basis within the specified categories, rounded off to the nearest integer subject to a minimum allotment being equal to the minimum application size of shares subject to market lots as explained below:

- a) Applicants will be categorised according to the number of Shares applied for
- b) The total number of Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis i.e. the total number of Shares applied for in that category multiplied by the inverse of the oversubscription ratio (number of applicants in the category x number of Shares applied for).
- c) The number of Shares to be allotted to the successful allottees will be arrived at on a proportionate basis (i.e. Total number of Shares applied for into the inverse of the oversubscription ratio).

- d) For applications where the proportionate allotment works out to less than [•] Shares the allotment will be made as follows:
- (i) each successful applicant shall be allotted [•]_Shares; and
 - (ii) the successful applicants out of the total applicants for that category shall be determined by the drawing of lots in such a manner that the total number of Shares allotted in that category is equal to the number of Shares worked out as per (b) above.
- e) If the proportionate allotment to an applicant works out to a number that is not a multiple of [•], the applicant would be allotted Shares by rounding off to the nearest multiple of [•].
- f) If the Shares allocated on a proportionate basis to any category is more than the Shares allotted to the applicants in that category, the balance available Shares for allotment shall be first adjusted against any category, where the allocated Shares are not sufficient for proportionate allotment to the successful applicants in that category. The balance Shares, if any, remaining after such adjustment will be added to the category comprising of applicants applying for the minimum number of Shares
- g) If the process of rounding off to the nearest multiple of [•] results in the actual allotment being higher than the shares offered, the final allotment may be higher at the sole discretion of the Board of Directors, upto 110% of the size of the offering offer specified under point [•] of the Notes to the Capital Structure mentioned in the Draft Prospectus.
- h) The above proportionate allotment of shares in an issue that is oversubscribed shall be subject to the reservation for retail individual applicants as described below:
- (i) 2,50,000 Equity Shares are reserved for allotment on competitive basis to eligible employees of our Company.
 - (ii) 5,000 Equity Shares are reserved for firm allotment for Centrum Capital Limited (Lead Managers to the Issue).
 - (iii) Unsubscribed portion in the reserved category shall be added back to the Net offer of shares to the Public.
 - (iv) A minimum of 10% of the Net offer of shares i.e. [•] to the Public is to be compulsorily allotted to QIBs.
 - (v) A minimum of 50% of the net offer of shares i.e. [•] to the Public shall initially be made available for allotment to retail individual investors who have applied for Equity Shares of or for a value not more than Rs 1,00,000/-.
 - (vi) The balance net offer of shares to the public shall be made available for allotment to
 - a. individual applicants other than retails individual investors and
 - b. other investors, including Corporate Bodies/ Institutions irrespective of number of shares applied for value more than Rs 1,00,000/-.

The unsubscribed portion of the net offer to any one of the categories specified in (i) or (iii) shall/may be made available for allotment to applicants in the other category, if so required. However in case of under subscription in category (v) specified above, the entire subscription money will be refunded.

Investors may note that in case of over – subscription, allotment shall be on proportionate basis and will be finalised in consultation with BSE. The drawing of lots (where required) to finalise the basis of allotment shall be done in the presence of a public representative on the governing board of the BSE.

DISPOSAL OF APPLICATIONS AND APPLICATIONS MONEY

The 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 two working days of date of finalisation of allotment of Equity Shares.

The company shall ensure dispatch of refund orders by following mode:

- a) In case of applicants residing at Ahmedabad, Bangalore, Bhubneshwar, Kolkatta, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvanthapuram – refunds shall be credited through electronic transfer of funds by using ECS (Electronic Clearing Service), Direct Credit, RTGS (Real Time Gross Settlement) or NEFT (National Electronic Funds Transfer);
- b) In case of applicants residing at places other than those specified in (a) above and where the value of refund order is Rs. 1500/- or more, refund orders will be dispatched to the applicants by Registered post/Speed post only at the sole or First Applicant's sole risk;
- c) In case of applicants residing at places other than those specified in (a) above and where the value of refund order is less than Rs. 1500/-, refund orders will be dispatched under certificate of posting only at the sole or First Applicant's sole risk.

Adequate funds for the refunds shall be made available to the Registrar by the Company.

The 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 seven working days of finalisation of the basis of allotment.

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

- Allotment shall be made only in dematerialised form within 30 days of the Issue Closing Date;
- Dispatch refund orders within 30 days of the Issue Closing Date would be ensured; and
- The Company shall pay interest at 15% per annum (for any delay beyond the 30 day time period as mentioned above), if allotment is not made, refunds are not electronically transferred and refund orders are not dispatched and/or demat credits are not made to investors within the 30 days time prescribed above.

INTEREST IN CASE OF DELAY IN DISPATCH OF ALLOTMENT LETTERS/REFUND ORDERS

The Company agrees that as far as possible allotment of securities offered to the public shall be made within 30 days of the closure of public issue. The company further agrees that it shall pay interest @15% per annum if the allotment letters/refund orders have not been dispatched to the applicants, or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 30 days from the date of the closure of the issue. However, applications received after the closure of issue in fulfillment of underwriting obligations to meet the minimum subscription requirement, shall not be entitled for the said interest"

ACCESS TO FUNDS

The funds received against this Public issue will be kept in separate bank accounts and the Company will not have any access to such funds received under the public issue unless it has received minimum subscription of 90% of the application money towards the public issue component and permission of the Designated Stock Exchange is obtained to use the amount of subscription. The company will obtain the permission of Designated Stock Exchange by producing sufficient documentary evidence of subscription of 90% or more on the closure of the Issue to utilise the funds collected as per the present rules. The Company will not have access to the funds received against the public issue until it has received approval for allotment from the Designated Stock Exchange and listing and trading permission is received from BSE.

UNDERTAKINGS BY THE COMPANY

The Board of Directors of the Company undertakes that: -

- a. That the complaints received in respect of the Issue shall be attended to by the Company expeditiously and satisfactorily;
- b. That all steps for completion of the necessary formalities for listing and commencement of trading at all stock exchanges where the equity shares are to be listed are taken within 7 working days of finalization of the basis of allotment;
- c. The Company shall apply in advance for the listing of equity shares;
- d. That the funds required for dispatch of refund orders / allotment letters / certificates by registered post shall be made available to the Registrar to the Issue by the Company;
- e. That the certificates of the equity shares/refund orders to Non-Resident Indian applicants shall be dispatched within specified time;
- f. That no further issue of equity shares shall be made till the equity shares offered through this Prospectus are listed or till the application moneys are refunded on account of non-listing, under-subscription, etc.
- g. that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 30 days of closure of issue, giving details of the bank where refunds shall be credited alongwith the amount and expected date of electronic credit of refund;

UTILISATION OF ISSUE PROCEEDS

The Board of Directors of the Company certifies that:

- a. All monies received against this issue shall be transferred to separate bank accounts in a schedule bank as referred to in sub-section (3) of section 73;
- b. Details of all monies utilized out of the issue referred to in sub-item (a) shall be disclosed under an appropriate separate head in the balance-sheet of the company indicating the purpose for which such monies had been utilized; and
- c. Details of all unutilized monies out of the issue of shares, if any, referred to in sub-item (a) shall be disclosed under an appropriate separate head in the balance-sheet of the company indicating the form in which such unutilized monies have been invested.

- d. The Utilisation of monies received under the promoters' contribution shall be disclosed under an appropriate head in the balance sheet of the company indicating the purpose for which such monies have been utilized.
- e. The details of all monies unutilized out of the funds received under promoters' contribution shall be disclosed under a separate head in the balance sheet of the company indicating the form in which the unutilized money has been invested.
- f. The Company shall not have any recourse to the Issue proceeds until the approval for trading the Equity Shares is received from the Stock Exchanges.
- g. The utilisation of monies received under Promoters' contribution shall be disclosed under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised

The Board of Directors of the Company also certify that:

- i) The utilization of monies received from firm allotments and reservations shall be disclosed under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized.
- ii) The details of all unutilized monies out of the funds received under firm allotments and reservations shall be disclosed under a separate head in the balance sheet of the company indicating the form in which such unutilized monies have been invested.

The Company undertakes that it shall not access the money raised in the Issue till finalisation of basis of allotment or completion of offer formalities.

Restrictions On Foreign Ownership Of Indian Securities

Foreign investment in Equity Shares of Indian companies is regulated by the provisions of the Foreign Exchange Management Act, 1999 (FEMA) and the rules and regulations framed thereunder read with the Industrial Policy of the Government of India as amended from time to time. While the Industrial Policy 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 investments may be made. Under the Industrial Policy of Government of India, unless specifically restricted, foreign investment is freely permitted in Indian companies up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per the current foreign investment policy, foreign investment is allowed up to 100% in the Company. The government bodies responsible for granting foreign investment approvals are FIPB and RBI. As per the existing regulations, FIIs are permitted to subscribe to shares of an Indian company in a public issue without prior RBI approval, so long as the price of the equity shares to be issued is not less than the price at which equity shares are issued to residents. The maximum permissible FII investment in the Company is restricted to 24% of its total issued capital. This can be raised to 100% by adoption of a special resolution by the Company's Shareholders; however, as of the date thereof, no such resolution has been recommended to the shareholders of our company for adoption.

SECTION IX: DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

A) RIGHTS OF MEMBERS

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 Memorandum and Articles.

B) MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF THE COMPANY:

The Articles of Association of the Company, inter alia, Includes following clauses:

SHARE CAPITAL

6. Capital

The Authorised Share Capital of the Company shall be the Capital as specified in clause V of the Memorandum of Association. The Company shall have power to increase, consolidate, sub-divide, realise or otherwise alter its Share Capital, subject to the provisions of the Act and these Articles.

7. Increase of capital by the Company and how carried into effect

The Company in general meeting may, from time to time, by special resolution, increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. Subject to the provisions of the Act and these Articles, any shares of the original or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation thereof, shall direct, and if no direction be given, as the directors shall determine; and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company, and with a right of voting at General Meetings of the Company in conformity with sections 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provisions of this Article, the directors shall comply with the provisions of section 97 of the Act.

8. New Capital same as Existing Capital

Except so far as otherwise provided by the conditions of issue or by these presents, any capital raised by the creation of new shares shall be considered as part of the original capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and instalments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

9. Redeemable Preference Shares

Subject to the provisions of section 80 of the Act the Company shall have the power to issue preference shares which are, or at the option of the Company are liable, to be redeemed and the

special resolution authorising such issue shall prescribe the manner, terms and conditions of their issue and redemption.

10. Cumulative Convertible Preference Shares

The Company shall have the power to issue cumulative convertible preference shares subject to the special resolution authorising such issue, which shall prescribe the manner, terms and conditions of their issue and conversion.

11. Issue of Shares without voting rights

In the event it is permitted by law to issue shares without voting rights attached to them, the Directors may issue such shares upon such terms and conditions and with such rights and privileges annexed thereto as thought fit and as may be permitted by law.

12. Trust not recognized

Subject to section 187 C of the companies Act, 1956, except as required by law, no person shall be recognized by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any shares or any interest in any fractional part of share (except only as by these or by law otherwise provided) any other rights in respect of any share except as absolute right to the entirety thereof in the registered holder.

13. Restriction on allotment

The Board shall observe the restrictions on allotment contained in section 69 and 70 of the Act, as the case may be and shall cause to be made the returns as to allotment according to Section 75 of the Act.

14. Shares under the control of Directors

Subject to the provision of Section 81 of the Act and these Articles, the shares in the capital of the company for the time being shall be under the control of the directors who may issue, allot or otherwise dispose of the same or any of them to such person, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of section 79 of the Act) at a discount and at such time as they may from time to time think fit and with sanction of the company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting.

15. Further issue of capital

1. Where at any time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares then:
 - a) Such further shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the company, in proportion, as nearly as circumstances admit, to the capital paid-up on those shares at that date;

- b) The offer aforesaid shall be made by the notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined;
 - c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice referred to in sub-clause (b) shall contain a statement of this right; PROVIDED THAT the directors may decline, without assigning any reason to allot any shares to any person in whose favor any member may renounce the shares offered to him.
 - d) After the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think in their sole discretion fit.
2. Notwithstanding anything contained in sub-clause (1) the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.
- a) If a special resolution to that effect is passed by the company in general meeting, or
 - b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the company.

3. Nothing in sub-clause (c) of (1) hereof shall be deemed:

- a) To extend the time within which the offer should be accepted; or
- b) "To authorize" any person to exercise the right of the renunciation for a second time, on the ground that the person in whose favour of renunciation was first made has declined to take the shares comprised in the renunciation.

4. Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debentures issued or loans raised by the company:

- i) To convert such debentures or loans into shares in the company; or
- ii) To subscribe for shares in the company (whether such option is conferred in these articles or otherwise)

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- a) Either has been approved by the central Government before the issue of debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and
- b) In the case of debentures or loans or other than debentures issued to, or loans obtained from the Government or any institution specified by the Central Government in this behalf, has also

been approved by the special resolution passed by the company in General Meeting before the issue of the debentures or raising of the loans.

16. Right of the Company in General Meeting to give directions regarding issue of new shares

In addition to and without derogating from the powers for that purpose conferred on the Directors under these presents, the Company in General Meeting by special Resolution may determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered in the first instance to existing members in such proportion to the amount of the capital held by them and on such terms and conditions and either at a premium, or at par, or (subject to compliance with the provisions of the Act), at a discount, as such General Meeting shall determine, or make any other provisions as to the issue and allotment of the new shares, and will full power to give to any person (whether a member or holder of debenture of the Company or not) the option to call for or be allotted shares of any class of the Company either at a premium or at par, or subject to compliance with the provisions of the Act), at a discount and such option being exercisable at such times and for such consideration as may be directed by such General Meeting.

17. Directors may allot shares as fully paid-up

Subject to the provisions of the Act and these Articles, the directors may allot and issue shares in the capital of the Company as payment or part payment for any property or assets of any kind whatsoever sold or transferred, goods or machinery supplied or for services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid up or partly paid up otherwise than in cash, and, if so issued, shall be deemed to be fully paid up or partly paid up shares as the case may be.

18. Alteration of Capital

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 amount 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.

19. Modification of Rights attached to Shares

- (i) If at any time the capital, by reason of the issue of preference shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of sections 106 and 107 of the Act, and whether or not the Company is being wound up, be varied with the consent in writing of the holders of not less than three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the issued shares of that class.
- (ii) To every such separate meeting, the provisions of these regulations relating to general meetings shall apply mutatis mutandis. This clause is not derogate from any power which the Company would have had if this Article were omitted. The rights conferred upon the holders of the shares (including Preference Shares, if any) of any class with preferred or other rights or privileges

shall, unless otherwise expressly provided by the terms of issue of shares of that class, be deemed not to be modified, commuted, affected, abrogated, dealt with or varied by the creation or issue of further shares ranking pari passu there with

20. Reduction of Capital

The Company may (subject to the provisions of sections 78, 80 and 100 to 105 of the Act) from time to time by special resolution, reduce its capital, any Capital Redemption Reserve Account and Share Premium Account in any manner for the time being authorised by law, and in particular, capital may be paid off on the footing that it may be called up again or otherwise.

This Article is not to derogate from any power the Company would have if it were omitted.

21. Purchase Of Its Own Shares/Debentures

Subject to compliance of sections 77 A and 77 AA of the Act, Company can buy its own shares and other securities.

22. Sweat Equity Shares

The Board may with consent of Members in General Meeting issue Sweat Equity to its employees and other Directors.

SHARES AND CERTIFICATES

23. Register and Index of Members

The Company shall cause to be kept a Register and Index of Members in accordance with sections 150 and 151 of the Act.

26. Branch Register of Members

The Company shall be entitled to keep in any State or Country outside India a Branch Register of members resident in that State or Country.

27. Shares to be numbered progressively and sub-divided under certain circumstances

The shares in the capital shall be numbered progressively according to their several denominations, and except in the manner hereinbefore mentioned, no share shall be sub-divided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.

28. Acceptance of Shares

Any application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the Register of Members shall, for the purpose of these Articles, be a member.

29. Deposit and call etc. to be a debt payable immediately

The money (if any) which the Board shall on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any shares allotted by them, shall immediately on the inscription of the name of the allottee in the Register of Members as

the name of the holder of such share, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

30. Instalments on Shares to be duly paid

If by the conditions of allotment of any share, the whole or part of the amount or issue price thereof shall be payable by installment, every such installment shall when due be paid to the Company by the person, who, for the time being and from time to time shall be the registered holder of the share or his representative.

31. Liability of Members

Every member, or his heirs, executors or administrators, shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being, remain unpaid thereon, in such amounts, at such time or times and in such manner as the Board shall, from time to time, in accordance with the Company's regulations, require or fix for the payment thereof.

32. Notice of any Trust

The Company shall not enter on the Register of Members or of Debenture holder's notice of any Trust implied as constructive.

33. Dematerialization of Securities

(1) For the purpose of this Article:

'Beneficial Owner' means a person or persons whose name is recorded as such with a depository;

'SEBI' means the Securities and Exchange Board of India;

'Depository' means a Company formed and registered under the Companies Act, 1956, and which has been granted a certificate of registration to act as a depository under the Securities and Exchange Board of India Act, 1992; and

'Security' means such security as may be specified by SEBI from time to time.

"Member" in respect of dematerialized shares means the beneficial owner thereof, i.e. the person or

persons whose name (s) is/are recorded as the beneficial owner in the Register maintained by a Depository

under the Depositories Act, 1996 and in respect of other shares the person or person whose name(s) is/are duly registered as a holder of a share in the Company from time to time and includes the subscribers to the Memorandum of Association.

- (2) Notwithstanding anything contained in these Articles, The Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996 or otherwise.
- (3) Every person subscribing to securities offered by the company shall have the option to receive security certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in

the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.

If a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security and, on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

- (4) All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in sections 153, 153A, 153B, 187B, 187C and 372 of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.
- (5) (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.

(b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.

(c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.
- (6) Notwithstanding anything in the Act or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or discs.
- (7) Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of a depository.
- (8) Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.
- (9) Notwithstanding anything in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held in a depository.
- (10) The Register and Index of Beneficial Owners, maintained by a depository under the Depositories Act, 1996, shall be deemed to be the Register and Index of Members and Security holders for the purpose of these Articles.

34. Joint Holders

- (i) Where two or more persons are registered as the holders of any share, they shall be deemed to hold the same as joint tenants with benefits of survivorship subject to the following and other provisions contained in these Articles.
- (ii) The Company shall be entitled to decline to register more than three persons as the joint-holders of any share.
- (iii) 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.

- (iv) On the death of any such joint holder, the survivor or survivors shall be the only person or persons recognised by the Company as having any title of the share, but the directors may require such evidence of death as they may deem fit and nothing herein contained shall be taken to release the estate of the deceased joint-holder from any liability on shares held by him jointly with other person.
- (v) Any of such joint holders may give effectual receipts for any dividends or other moneys payable in respect of such share.
- (vi) Only the person whose name stands in the Register of Members as the first of the joint holders of any shares shall be entitled to delivery of the certificate relating to such shares or receive documents or notices from the Company, and any document served on or sent to such person shall be deemed service on all the joint holders and any notice given to such person shall be deemed proper notice to all joint holders.
- (vii) Any one of two or more joint-holders may vote at any meeting either personally or by 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 attorney or by proxy then the holder whose name stands first or higher (as the case may be) on the Register of Members in respect of such shares shall alone be entitled to vote in respect thereof. PROVIDED always that a person present at any meeting personally shall be entitled to vote in preference to a person present by proxy. Several executors or administrators of a deceased member in whose (deceased Members) sole name any shares stands shall for the purposes of this sub-clause be deemed joint-holders.

35. Company not bound to recognize any interest in shares

Except as ordered by a court of competent jurisdiction or as required by law, the Company shall not be bound to recognise any equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as the holder thereof but the Board shall be at liberty at their sole discretion to register any share in the joint names of two or more persons or the survivor or survivors of them.

36. Funds etc. of Company may not be applied in purchase of shares of the Company

The Company shall not give, whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of or in connection with the purchase or subscription made or to be made by any person of or for any shares in the Company except in conformity with the provisions of Section 77 of the Act.

UNDERWRITING AND BROKERAGE

37. Payment of commission

- (1) The Company may pay a commission to any person in consideration of :
 - (a) his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares in or debentures or debenture stocks of the Company; or
 - (b) his procuring or agreeing to procure subscriptions, whether absolute or conditional for any shares in or debentures or debenture stocks of the Company, if the following conditions are fulfilled, namely,

-
- (i) the commission paid or agreed to be paid does not exceed in the case of shares five percent of the price at which the shares are issued and in the case of Debentures or Debenture stock two and a half percent of the price at which they are issued or the amount or rate authorized by the Articles which ever is less;
 - (ii) the amount or rate per cent of the commission paid or agreed to be paid is in the case of shares or debentures offered to the public for subscriptions disclosed in the prospectus; and in the case of shares or debentures not offered to the public for subscription disclosed in the statement in lieu of prospectus and filed before the payment of the commission with the Registrar, and when a circular or notice, not being a prospectus inviting subscription for the shares or debentures is issued also disclosed in that circular or notice and
 - (iii) the number of shares or debentures which person have agreed for a commission to subscribe absolutely or conditionally is disclosed in the manner aforesaid
- (2) Save as aforesaid and save as provided in Section 79 of the Act, the Company shall not allot any of its shares or debentures or apply any of its moneys, either directly or indirectly in payment of any commission, discount or allowance, to any person in consideration of :
- (a) his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares or Debentures of the Company; or
 - (b) his procuring or agreeing to procure subscription whether absolute or conditional, for any shares in or debentures of the Company, whether the shares, Debentures or money be so allotted or applied by being added to the purchase money of any property required by the Company or to the contract price of any work, to be executed for the Company or the Company, whether the shares, Debentures or money be so allotted or applied by being added to the purchase money of any property required by the Company or to the contract price of any work, to be executed for the Company or the money be paid out of the nominal purchase money, or contract price, or otherwise.
- (3) Nothing in this Articles shall affect the power of the company to pay such reasonable brokerage as may be lawful.
- (4) A vendor to, promoter of, or other person who receives payment in shares, debentures or money from the Company shall have and shall be deemed always to have had power to apply any part of the shares, debentures or money so received in payment of any commission the payment of which if made directly by the Company would have been legal under this Article.
- (5) The commission may be paid or satisfied (subject to the provisions of the Act and these Articles) in cash or in shares, debentures or debenture stock of the Company.

38. Payment of brokerage

The Company may also, on any issue of shares or debentures, pay such brokerage as may be lawful.

CALLS

39. Board may make calls

The Board may, from time to time, subject to the provisions of the Act and the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by resolution by circulation) make such call as it thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and each member shall pay the

amount of every call so made on him to the Company or where payable to any person other than the Company, to the person and at the time and place appointed by the Board. A call may be made payable by instalments.

40. Calls on shares of same class to be made on uniform basis

Where any calls for share capital are made on shares, such calls shall be made on a uniform basis on all shares falling under the same class. For the purposes of this Article shares of the same nominal value on which different amounts have been paid up shall not be deemed to fall under the same class.

41. Notice of calls

Not less than thirty days notice in writing of any call shall be given by the Company specifying the time and place of payment, and the person or persons to whom such call shall be paid.

42. Call to date from resolution

A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board.

43. Call may be revoked or postponed

A call may be revoked or postponed at the discretion of the Board.

44. Liability of joint holders

The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

45. Board may extend time

The Board may, from time to time at its discretion, extend the time fixed for the payment of any call, and may extend such time as to all or any of the members who on account of residence at a distance or other cause, the Board may deem, to be entitled to such extension, but no member shall be entitled to such extension save as a matter of grace and favour.

46. Sums deemed to be calls

Any sum, which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for the purposes of these Articles be deemed to be a call duly made by the Board by a due notice and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment all the relevant provisions of these Article as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum has become payable by virtue of a call duly made and notified.

47. Calls to carry interest

If any person fails to pay any call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate not exceeding 18% P.A as shall from time to time be fixed by the Board, but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such member.

48. Proof on trial of suit for money due on shares

At the trial or hearing of any action or suit brought by the Company against any member or his representatives for the recovery of any money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the member in respect of whose shares the money is sought to be recovered appears entered on the Register of Members as the holder at or subsequently to the date at which the money sought to be recovered is alleged to have become due on the shares in respect of which such money is sought to be recovered; that the resolution making the calls is duly recorded in the Minute Book; and that notice of such call was duly given to the member or his representatives so sued in pursuance of these Articles; and it shall not be necessary to prove the appointment of the directors who made such call, nor that a quorum of directors was present at the Board at which any call was made, nor that the meeting at which any call was made was duly convened or constituted nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.

49. Judgment, decree or partial payment not to preclude forfeiture

Neither a judgement nor a decree in favour of the Company for call or other moneys due in respect of any shares nor any part payment or satisfaction thereunder nor the receipt by the Company of a portion of any money which shall from time to time be due from any member to the Company in respect of any shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.

50. Payment in anticipation of call may carry interest but not voting rights

The Directors may, if they think fit, subject to the provision of Sections 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The members shall not be entitled to any voting rights in respect of the money so paid by him until the same would but for such payment, become presently payable.

The provision of these articles shall mutatis mutandis apply to the calls on debentures of the company.

LIEN

COMPANY'S LIEN ON SHARES / DEBENTURES:

The company shall have a first and paramount lien upon all the shares / debentures (other than fully paid-up shares / debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares / debentures and no equitable interest in any shares shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares / debentures. Unless otherwise agreed the registration of a transfer of shares / debentures shall operate as a waiver of the company's lien if any, on such shares / debentures. The

Directors may at any time declare any shares / debentures wholly or in part to be exempt from the provision of this clause.

51. Company's lien on shares

(i) The Company shall have a first and paramount lien on every share (other than fully paid-up shares) registered in the name of any member (whether solely or jointly with others) for all moneys (whether presently payable or not) payable at a fixed time in respect of such share:

PROVIDED THAT the Board may, at any time, declare any share to be wholly or in part exempt from the provision of this Article.

(ii) The Company's lien, if any, on a share shall extend to all dividends payable thereon.

(iii) 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, as against the transferor.

52. Enforcement of lien by sale

For the purpose of enforcing such lien as aforesaid, the directors may sell the shares subject thereto in such manner as they shall think fit, but no sale shall be made:

(a) unless a sum in respect of which the lien exists is presently payable; and

(b) until a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists and as is presently payable, has been given to the registered holder for the time being of the share or to the person entitled thereto by transmission, and default shall have been made by him in payment of the sum payable as aforesaid for seven days after such notice.

53. Application of proceeds of sale

The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the persons entitled to the shares at the date of the sale.

FORFEITURE OF SHARES

54. Notice to be given if money payable on shares not paid

If any member fails to pay the whole or any part of any call or installment or any money due in respect of shares either by way of principal or interest on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may at any time thereafter, during such time as the call or installment or any part thereof or other moneys remain unpaid or a judgement or decree in respect thereof remains unsatisfied in whole or in part, give notice to such member or on the person if any, entitled to the share by transmission, requiring him to pay the same together with any interest that may have accrued to the Company by reason of such non-payment

55. Form and terms of Notice

The notice aforesaid shall name a day (not being less than fourteen days from the date of notice) and a place or places on and at which the money (including the interest) is to be paid. The notice

shall also state that in the event of the non-payment of such money on or before the time and at the place appointed, the shares in respect of which the money is owing will be liable to be forfeited.

56. Shares to be forfeited in default of payment

If the requirements of any such notice as aforesaid are not complied with, every or any share in respect of which such notice has been given may, at any time thereafter, but before payment of all calls or instalments, interest be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.

57. Notice of forfeiture to the Member and entry in register

When any share have been so forfeited, notice of forfeiture shall be given to the member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by an omission or neglect to give such notice or to make any such entry as aforesaid.

58. Forfeited share to be property of the Company and may be sold etc.

Any share so forfeited shall be deemed to be the property of the Company, and may be sold, reallocated, or otherwise disposed of, either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.

59. Member still liable to pay calls owing at the time of forfeiture and interest

Any member whose shares have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, on demand, all calls, instalments, interest or in respect of such shares at the time of the forfeiture, together with the interest thereon from the time of the forfeiture until payment, at such rate per annum as the Board may determine, and the Board may enforce the payment thereof, if it thinks fit, but shall not be under any obligation to do so.

60. Forfeiture of shares in respect of non payment of certain amounts payable at fixed times

The provision of these regulations as to forfeiture shall apply in the case of nonpayment of any sum which, by the terms of issue of a share becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

61. Effect of forfeiture

The forfeiture of a share shall involve extinction, at the time of the forfeiture, of all interest in and all claims and demands against the Company, in respect of the share and all other rights incidental to the share, except only such of those rights as by those Articles are expressly saved.

62. Evidence of forfeiture

A declaration in writing that the declarant is a director or secretary of the Company and that certain shares in the Company have been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and such declaration and the receipt of the Company for the consideration, if any, given for the shares on the sale or disposition thereof shall constitute a good title to such share.

63. Surrender of Shares

The Directors to the provision of the Act, accept, a surrender of any share from or by any member desirous of surrendering them on such terms as they think fit.

64. Validity of sale under Articles 46 and 52

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the Register of Member in respect of the shares sold. The purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money, and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

65. Cancellation of share certificate

Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relative shares shall (unless the same on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and of no effect, and the directors shall be entitled to issue a duplicate certificate or certificates in respect of the said shares to the person or persons entitled thereto.

66. Power to annul forfeiture

The Board may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

TRANSFER AND TRANSMISSION OF SHARES AND DEBENTURES

67. Register of Transfers

The Company shall maintain a "Register of Transfers" and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.

68. Transfer not to be registered except on production of instrument of transfer

The instrument of transfer shall be in writing and all provision of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registrations thereof.

(i) The instrument of transfer shall be in writing and in such form as may be prescribed under relevant provisions of the Act in that behalf. The Company shall not charge any fee for registration of the transfer of shares.

(ii) Every instrument of transfer shall be in respect of only one class of shares.

(iii) The Company shall not register a transfer of shares in the Company unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and or on behalf of the transferee in the prescribed form and in accordance with the requirements of Section 108 of the Act has been delivered to the Company along with the certificate relating to the shares, or if no

such certificate is in existence, along with the letter of allotment of the shares. 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 of directors that the instrument of transfer, signed 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 shares in the Company has been transmitted by operation of law.

69. No transfer to minor, persons of unsound mind

No transfer shall be made to a minor or a person of unsound mind.

70. Closure of Register of Members or Debenture holders

The directors shall have power, on giving seven days notice by advertisement as required by Section 154 of the Act, to close the transfer books, Register of Members or Register of Debenture holders of the Company for such period of time not exceeding in the whole 45 days in each year (but not exceeding 30 days at a time) as they may determine.

71. Directors' powers to refuse to register a transfer

Subject to the provision of Section 111A, these Articles and other applicable provision of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company or any account whatsoever except where the Company has a lien on shares.

72. Notice of refusal to be given to transferor and transferee

If the Company refuses to register the transfer of any share or transmission of any right therein the Company shall within one month 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 the person giving intimation of the transmission, as the case may be, and thereupon the provisions of section 111 of the Act or any statutory modification of the said provisions for the time being in force and subject to section 22A of the Securities Contracts (Regulation) Act, 1956 or any statutory modification of the said provisions for the time being in force, shall apply.

73. Application for Transfer

- (i) An application for the registration of transfer of the shares in the Company may be made either by the transferor or the transferee.
- (ii) where, in the case of partly paid shares, an application for registration is made by the transferor, the transfer shall not be registered unless the Company gives notice of the application to the transferee in accordance with the provisions of section 110 of the Act.

74. Instrument of transfer to be executed by transferor and transferee

Every instrument of transfer shall be signed both by or on behalf of the transferor and the transferee and transferor shall be deemed to remain the holder of such share until the name of the transferee shall have been entered in the Register of Members in respect thereof.

75. Custody of instrument of transfer

The instrument of transfer shall after registration be retained by the Company and shall remain in its custody. All instruments of transfer which the directors may decide to register shall on demand be returned to the person depositing the same. The directors may cause to be destroyed all transfer deeds lying with the Company for a period of ten years or more.

76. Death of one or more joint holders of shares

In case of the death of any one of more of the persons named in the Register of Members as the joint holders of any share, the survivor or survivors shall be the only persons recognised by the Company as having any title to or interest in such share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares held by him jointly with any other person.

77. Title of shares of deceased holder

The executors or administrators of a deceased member or the holder of a Succession Certificate in respect of the shares of a deceased member (not being one or two or more joint holders) shall be the only persons whom the Company will be bound to recognise as having any title to the share registered in the name of such member and the Company shall not be bound to recognise such executors or administrators or holders unless such executors, administrators or holders shall have first obtained Probate or letters of administration or Succession Certificate, as the case may be from a duly constituted Court in India PROVIDED THAT the directors may, at their absolute discretion, dispense with production of probate, letter of administration or succession certificate upon such terms as to indemnity or otherwise as they think fit and may enter the name of the person who claims to be absolutely entitled to the shares standing in the name of a deceased members, as a member. The Company shall not charge any fee for registration of any power of attorney, probate, letter of administration or similar document.

78. Transmission clause

Subject to the provisions of the Act, this Article and Articles 68 and 69 any person becoming entitled to any share in consequence of the death, lunacy or insolvency of any member or by any lawful means other than by a transfer in accordance with these Articles, may, with the consent of the directors (which they shall be under no obligation to give) and 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 directors may require, and upon giving such indemnity as the directors may require, either be registered as a member in respect of such shares or elect to have some person nominated by him and approved by the directors registered as a member in respect of such shares PROVIDED 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 these Articles, and until he does so he shall not be free from any liability in respect of such share. This clause is hereinafter referred to as the "Transmission Clause".

A transfer of the share or other interest in a company 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 had been a member at the time of the execution of the transfer.

79. Refusal to register in case of transmission

The directors shall have the same right to refuse to register a person entitled by transmission to any shares or his nominee as if he were the transferee named in the case of a transfer of shares presented for registration.

80. Board may require evidence of transmission

Every transmission of a share shall be verified in such manner as the directors 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 their discretion shall consider sufficient; Provided nevertheless that there shall not be any obligation on the Company or the Board to accept any indemnity.

81. The Company is not liable for disregard of notice prohibiting registration of transfer

The Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer of shares made or purported 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 shares, 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 to it in any book, or attended or given effect to any notice which may have been given to it 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 directors shall so think fit.

82. Rights of successors

A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends' and other advantages to which he would be entitled if he were the registered holder of the shares, except that he shall not, before being registered as a member in respect of the shares, be entitled to exercise any right conferred by membership in relation to meetings of the Company; PROVIDED THAT the directors shall, at the time, give notice requiring any such person to elect either to be registered himself or to transfer the shares, and if the notice is not complied within ninety days the directors may thereafter withhold payment of all dividends, bonus or other moneys payable in respect of the shares until the requirements of the notice have been complied with.

83. Transfer and Transmission of Debentures

The provisions in Regulations 59 to 74 shall apply mutatis mutandis to transfer and transmission of debentures as if the words "share", "shareholder" and Register of Members had been substituted in these regulations by the words "debentures", "debenture holders" and Register of Debenture Holders".

No fee shall be charged for registration of transfer, transmission, probate, succession certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.

BORROWING POWERS

84. Borrowing Powers

Subject to the provisions of sections 292, 293 and 58A of the Act, and these Articles and without prejudice to the other powers conferred by these Articles, the directors shall have power from time to time at its discretion to accept deposits from members, either in advance of calls or otherwise, and generally raise or borrow or secure the payment of any sum or sums of money for the purpose of the Company.

85. Payment or repayment of borrowed moneys

The payment and repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board of directors may think fit, by resolutions passed at a meeting of the Board (but not by circulation) and in particular, by the issue of bonds, debentures or debenture stock of the Company by a mortgage or charge upon all or any part of the property of the Company (both present and future) including its uncalled capital for the time being.

86. Securities may be assignable free from equities

Debentures, debenture stock, bonds or other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

87. Terms of issue of Debentures

(i) Any debentures, debenture stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination, and with any privileges and conditions as to redemption, surrender, drawing, allotment of share and attending (but not voting) at general meetings, appointment of directors and otherwise. Debentures with the right to conversion into or allotment of share shall be issued only with the consent of the Company in general meeting accorded by a special resolution.

(ii) Subject to, and in default of the terms of issue of debentures, the provisions in Articles 184 to 186 shall apply mutatis mutandis to debentures as if the words "share", "member" and "dividend" have been substituted in these Articles by the words "debenture", "debenture holder" and "interest".

88. Register of Charges, Mortgages etc. to be kept

The Board shall cause a proper Register to be kept in accordance with the provisions of section 143 of the Act of all mortgages, debentures and charges specifically affecting the property of the Company; and shall cause the requirements of section 118, 125 and 127 to 144 (both inclusive) of the Act in that behalf to be duly complied with, so far as they are required to be complied with by the Company.

89. Register and Index of Debenture holders

The Company shall, if at any time it issues debentures, keep a Register and Index of Debenture holders in accordance with section 152 of the Act. The Company shall have the power to keep in any state or country outside India a branch register of Debenture holders resident in that state or country.

90. Mortgage of uncalled capital

If any uncalled capital of the Company is included in or charged by any mortgage or other security, the directors 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 of security is executed.

91. Indemnity may be given

Subject to provisions of the Act and these Articles, if the directors or any of them or any other person shall incur or be about to incur any liability whether as principal or surety for the payment of any sum primarily due from the Company, the directors may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the directors or person so becoming liable as aforesaid from any loss in respect of such liability.

RESERVES

92. The Directors may before recommending any dividends whether preferential or otherwise carry to reserve out of the profits of the Company such sums as they think proper and may also carry to reserve premia received upon the issue of securities (other than shares) or obligation of the Company. The Directors shall also have power to carry to reserve any surplus realized on the sale of any fixed assets of the Company or arising from a revaluation of the properties or assets of the Company. All sums standing to reserve may be applied in whole or in part from time to time in the discretion of the Directors for meeting depreciation or contingencies or for capitalization and special distribution by way of bonuses for equalizing dividends or for distribution by way of special dividend or bonuses or for repairing, improving, replacing or maintaining any of the property of the Company or for such other purpose as the Directors may in their absolute discretion think conducive to the objects of the Company or any of them and pending such application may at the like discretion either be employed in the business of the Company or be invested in such investments (with power to deal with and vary such investments), or be kept on deposit at any bank as the Directors think fit and that without being kept separate from the other assets of the Company, The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided as they think fit.
93. The income arising from any reserve fund shall be treated as part of the gross profits of the Company.
94. The Directors may also without placing the same to reserve carry over any profits which they may think it not prudent to divide.

GENERAL MEETINGS OF MEMBERS

95. Annual General Meeting and Extra Ordinary General Meeting
The Company shall in each year hold a general meeting as its Annual General Meeting in addition to any other meeting in that year. All general meetings other than annual general meetings shall be called Extraordinary General Meeting .
96. Time limit for holding Annual General Meeting
An annual general meeting of the Company shall be held within six months after the expiry of each financial year ; PROVIDED THAT not more than fifteen months shall elapse between the date of the one annual general meeting and that of the next.

Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of section 166(1) of the Act to extend the time within which any annual general meeting may be held.

97. Annual General Meetings when to be held

- (i) Every annual general meeting shall be called for a time during business hours, on a day that is not a public holiday, and shall be held at the registered office of the Company or at some other place within the City, town or village in which the registered office is situated as the Board may determine and the notices calling the meeting shall specify it as the annual general meeting.
- (ii) The Company may in any one annual general meeting fix the time for its subsequent annual general meeting.

98. Reports and Registers tabled at Annual General Meeting

At every annual general meeting of the Company there shall be laid on the table the directors' Report and Audited Statement of Accounts, Auditors' Report (if not already incorporated in the Audited Statement of Accounts), the Proxy Register with proxies and the Register of director's shareholdings which latter Register shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meetings.

99. Extraordinary General Meeting

- (i) The Directors may call an Extraordinary General Meeting whenever they think fit.
- (ii) The Directors shall on the requisition of such number of members of the Company as specified in sub-section (4) of Section 169 of the Act forthwith call an Extra-ordinary General Meeting of the Company and in respect of any such requisition and of any meeting to be called pursuant thereto, all the provisions of Section 169 of the Act shall apply.
- (iii) Any valid requisition so made by members must state the object or objects of the meeting proposed to be called, and must be signed by the requisitionists and deposited at the office: PROVIDED THAT such requisition may consist of several documents in like form, each signed by one or more requisitionists.
- (iv) Upon the receipt of any such requisition, the Board shall forthwith call an extraordinary general meeting, and if they do not proceed within twenty-one days from the date of the requisition being deposited at the office to cause a meeting to be called on a day not later than forty-five days from date of deposit of the requisition, the requisitionists, or such of their number as represent either a majority in value of the paid-up share capital held by all of them or not less than one-tenth of such of the paid-up share capital of the Company as is referred to in section 169(4) of the Act, whichever is less, may themselves call the meeting, but in either case, any meeting so called shall be held within three months from the date of the deposit of the requisition as aforesaid.
- (v) Any meeting called under the foregoing sub-clause (iii) by the requisitionists shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by the Board.

100. Special Business

- (i) In the case of an annual general meeting all business to be transacted at the meeting shall be deemed special, with the exception of business relating to:

(a) the consideration of the accounts, balance sheet and profit and loss account and the report of the Board of Directors and of the Auditors :

(b) the declaration of dividend;

(c) the appointment of directors in the place of those retiring; and

(d) the appointment and the fixing of the remuneration of auditors.

(ii) In the case of any other meeting all business shall be deemed special.

(iii) Where any item of business to be transacted at the meeting is deemed to be special as aforesaid, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each such item of business including in particular the nature of the concern or interest, if any, therein of every director, and the manager, if any.

Provided however, that where any item of special business as aforesaid to be transacted at a meeting of the Company relates to or affects, any other company, the extent of shareholding interest in that other company of every director and the manager, if any, of the Company shall also be set out in the explanatory statement, if the extent, of such shareholding interest is not less than twenty percent of the paid-up share capital of that other company.

(iv) Where any item of business to be transacted at the meeting of the Company consists of according the approval of the meeting to any document, the time and place where the document can be inspected shall be specified in the explanatory statement.

101. Quorum for the General Meeting

The quorum for the meeting shall be as provided in section 174 of the Act.

102. Body Corporate deemed to be personally present

A body corporate being a member shall be deemed to be personally present if it is represented in accordance with section 174 of the Act.

(a) A body corporate (whether a Company within the meaning of the Act or not) if it is a member or creditor of the Company including a holder of debentures may authorize such person by a resolution of its Board of Directors or other governing body as it thinks fit to act as representative at any meeting of the Company or of any class of members of the Company or at any meeting of creditors of the Company as provided in Section 187 of the Act.

(b) A person authorized by a resolution as aforesaid shall be entitled to exercise the same rights and powers (including the right to vote proxy) on behalf of the body corporate which he represents as that body by could exercise if it were a member, creditor or holder of debentures of the Company. He shall be counted for the purpose of ascertaining whether a quorum of members is present.

(c) The production at the meeting of a copy of such resolution duly signed by one director of such body corporate or by the Managing Agents or other duly authorized officer thereof and certified by him or them as being a true copy of the resolution may on production in at the meeting be accepted by the Company as sufficient evidence of the validity of his appointment.

103. If quorum not present, meeting to be dissolved or adjourned

If, at the expiration of half an hour from the time appointed for holding a meeting of the Company, a quorum is not present, the meeting, if convened by or upon the requisition of

members, shall stand dissolved, but in any other case, the meeting shall stand adjourned to the same day in the next week or, if that day is a public holiday, until the next succeeding day which is not a public holiday at the same time and place, or to such other day and at such other time and place as the Board may determine, and if at such adjourned meeting a quorum is not present at the expiration of half an hour from the time appointed for holding the meeting, the members present shall be a quorum, and may transact the business for which the meeting was called.

104. Chairman of General Meeting

The Chairman (if any) of the Board of Directors shall, preside as Chairman at every general meeting, whether annual or extra-ordinary, but if there be no such chairman, or in case of his absence or refusal, the vice-chairman or in the case of his absence or refusal one of the Directors (if any be present) shall be chosen to be chairman of the meeting.

105. Circumstances in which a member may act as Chairman

If at any meeting a quorum of members shall be present, and the chair shall not be taken by the chairman of the Board or by the vice-chairman or by a director at the expiration of fifteen minutes from the time appointed for holding the meeting or if before the expiration of that time all the directors shall decline to take the chair, the members present shall on a show of hands choose one of their number to be chairman of the meeting.

106. Business confined to election of Chairman whilst chair is vacant

(i) No business shall be discussed at any general meeting except the election of a chairman, whilst the chair is vacant.

(ii) If a poll is demanded on the election of Chairman, it shall be taken forthwith in accordance with the provisions of the Act and these Articles, the chairman elected on a show of hands exercising all powers of the chairman under the Act and these Articles.

(iii) If some other person is elected chairman as a result of the poll he shall be chairman for the rest of the meeting.

107. Chairman with consent may adjourn meeting

The chairman, with the consent of the members, may adjourn any meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

108. Notice not be given where a meeting is adjourned

When a meeting is adjourned it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

109. Question at General Meeting how decided

At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded in accordance with section 179 of the Act; and unless a poll is demanded, a declaration by the chairman that a resolution has on a show of hands, been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Minute Book

of Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution.

110. Chairman to have a casting vote

In the case of an equality of votes, both on a show of hands or at a poll (if any) , the Chairman shall have a casting vote in addition to the vote or votes to which he may be entitled as a member.

111. Demand for poll

Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the chairman of the meeting of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the Company:

(a) which confer a power to vote on the resolution not being less than one tenth of the total voting power in respect of the resolution, or

(b) On which an aggregate sum of not less than fifty thousand rupees has been paid up.

112. Rights of members

Any shareholder whose name is entered in the Register of Members of the Company shall enjoy the same rights and be subject to the same rights and be subject to same liabilities as all other shares holders of the same class .A member is not prohibited from exercising his voting right on the ground that he has not held his share or other interest in the Company for any specified period preceding the date on which the vote is taken, or on any other ground not being a ground set out .

VOTES OF MEMBERS

113. Members in arrears not to vote

No member shall be entitled to vote either personally or by proxy at any general meeting or Meeting of a class of shareholders, either upon a show of hands or upon a poll in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has, and has exercised, any right of lien.

114. Number of votes to which member entitled

Subject to the provisions of these articles and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of shares for the time being forming part of the capital of the Company, every member shall be entitled to be present, and to speak and vote at such meeting. Every member present in person or by proxy shall on a show of hands have one vote and upon a poll the voting right shall be in proportion to his share of the paid up equity share capital of the Company.

PROVIDED, however, if any preference shareholder be present at any meeting of the Company, save as provided in clause (b) of sub-section (2) of Section 87 he shall have a right to vote only on resolutions placed before the meeting which directly affect the rights attached to his preference shares.

115. Casting of votes by a Member entitled to more than one vote

On a poll taken at a meeting of the Company, a member entitled to more than one vote, or his proxy or other person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

116. Vote of Member of unsound mind or who is a minor

A member of unsound mind or in respect of whom an order has been made by any court having jurisdiction, in lunacy, may vote, whether on a show of hands, or on a poll, by his committee or other legal guardian, or by proxy of such committee or other legal guardian. If any shareholder be a minor, the vote in respect of his share or shares shall be by his guardian, or any one of his guardians, if more than one, to be selected in case of dispute by the chairman of the meeting.

117. Votes of joint members

If there be joint registered holders of any shares, any one of such persons may vote at any meeting or may appoint another person (whether a member or not) as his proxy in respect of such shares, as if he were solely entitled thereto but the proxy so appointed shall not have any right to speak at the meeting and, if more than one of such joint holders be present at any meeting, that one of the said persons so present whose name stands higher on the Register shall alone be entitled to speak and to vote in respect of such shares but the other or others of the joint holders shall be entitled to be present at the meeting. Several executors or administrators of a deceased member in whose name shares stand shall for the purpose of these articles be deemed joint holders thereof.

118. Voting in person or by proxy

Subject to the provisions of these articles, votes may be given either personally or by proxy. A body corporate being a member may vote either by proxy or by a representative duly authorised in accordance with section 187 of the Act and such representative shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents as that body could exercise if it were an individual member.

119. Votes in respect of shares of deceased and insolvent Member

Any person entitled under the Transmission Clause (Article 70) to transfer any shares may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares, PROVIDED THAT at least forty-eight hours before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote he shall satisfy the directors of his right to transfer such shares and give such indemnity (if any) as the Directors may require unless the directors shall have previously admitted his right to vote at such meeting in respect thereof.

120. Appointment of proxy

Every proxy (whether a member or not) shall be appointed in writing under the hand of the appointer or his attorney, or if such appointer is body corporate under the common seal of such corporation, or be signed by an officer or any attorney duly authorised by it, and any committee or guardian may appoint such proxy. The proxy so appointed shall not have any right to speak at the meetings.

121. Proxy either for specified meeting or for period

An instrument of proxy may appoint a proxy either for the purpose of a particular meeting specified in the instrument and any adjournment thereof or it may appoint for the purpose of every meeting of the Company, or of every meeting to be held before a date specified in the instrument and every adjournment of any such meeting.

122. Votes by members present or by proxy

A member present either in person or by proxy shall be entitled to vote both on show of hands and on a poll.

123. Deposit of instrument of appointment

(i) The instrument appointing a proxy and the power of attorney or other authority (if any), under which it is signed or a notarially certified copy of that power of authority, shall be deposited at the office of the Company or such places as may be specified for that purpose in the notice convening the meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. Such deposit shall be made not later than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote and in default, the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.

(ii) Notwithstanding that a power of attorney or other authority has been registered in the records of the Company, the Company may give notice in writing addressed to the member or the holder of the attorney given at least fourteen days before the meeting requiring him to produce the original power of attorney or authority and unless the same is thereupon deposited with Company not less than forty-eight hours before the time fixed for the meeting the attorney shall not be entitled to vote at such meeting unless the directors in their absolute discretion excuse such non-production and deposit.

124. Time for objection to vote

No objection shall be made to the validity of any vote, except at the meeting or poll at which such vote shall be tendered, and every vote whether given personally or by proxy, not disallowed at such meeting or poll, shall be deemed valid for all purposes of such meeting or poll whatsoever.

125. Chairman of the meeting to be the judge of the validity of every vote

The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

126. Circulation of Members Resolution

- (i) The Company shall comply with the Provisions of Section 188 of the Act relation to Circulation of member's Resolution.
- (ii) Where by any provision contained in the Act, Special Notice is required for any Resolution, the Company shall comply with the provisions of Section 190 of the Act relating to resolution requiring Special Notice.

Resolution passed at Adjourned Meeting

The provisions of Section 191 of the Act shall apply to resolutions passed at an adjourned meeting of the Company or the holders of any class of shares in the Company and or the Board of Directors of the Company and the resolution shall be deemed for all purposes to be passed on the date on which in fact it was passed and shall not be deemed to have been passed on any earlier date.

DIRECTORS

127. (a) Number of Directors

Unless otherwise determined by a general meeting of the Company and subject to the provisions of section 252 of the Act, the number of directors (excluding alternate directors) shall not be less than three and not more than twelve.

(b) First Directors

The first Directors of the Company shall be :

1. Krishna P. Nangegadda
2. D. R. R. Swaroop

128. Special Directors and terms of their office

Notwithstanding anything to the contrary contained in these Articles so long as any moneys remain owing by the Company to the Industrial development Bank of India (IDBI), Industrial Finance Corporation of India (IFCI), the Industrial Credit and Investment Corporation of India Limited (ICICI) The Industrial Reconstruction Corporation of India Limited (IRCI), Life Insurance Corporation of India (LIC), Unit Trust of India (UTI), General Fire and General Insurance Company (GIC), National Assurance Company Limited (NIC), The Oriental Fire and general Insurance Company Limited (OFGI), The New India Assurance Company Limited (UI) or a State Financial Corporation or any financial institution owned or controlled by the Central Government or a State Government or the Reserve Bank of India or by two or more of them or by Central Government or State Government by themselves (each of the above is hereinafter in this Article referred to as "the Corporation") out of any loans /debenture assistance granted by them to the Company or so long as the Corporation holds or continues to hold Debentures/shares in the Company as a result of underwriting or by direct subscription or private placement, or so long as any liability of the Company arising out of any Guarantee furnished by the Corporation on behalf of the Company remains outstanding, the Corporation shall have a right to appoint from time to time, any person or persons as a Director or Directors, whole-time or non-whole-time, (which director or directors, is/are hereinafter referred to as "Nominee Director/s") on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his or their place/s.

The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be required to hold any share qualification in the Company. Also at the option of the Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. The Company agrees that if the Board of Directors of the Company has constituted or proposes to constitute any management committee or other committee(s) it shall, if so required by the Corporation include the Nominee Director as a member of such management committee or other committee(s). Subject as aforesaid, the Nominee Directors/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation and so long as the Corporation holds or continues to hold Debentures/shares in the Company as a result of underwriting or by direct subscription or private placement or the liability of the Company arising out of the guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall ipso facto vacated such office immediately the moneys owing by the Company to the Corporation are paid off or on the Corporation ceasing to hold Debentures/shares in the Company or on the satisfaction of the liability of the Company arising out of the guarantee furnished by the Corporation.

The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all general Meetings, Board Meetings and of Meetings of the Committee of which the Nominee Director/s is/are member/s as also the minutes of such meetings. The Corporation shall also be entitled to receive all such notices and minutes.

The Nominee Director/s shall be entitled to the same sitting fees, commission, remuneration and expenses as are applicable to other Director of the Company. The Company shall pay the sitting fees and other expenses to the Nominee Director/s directly, but the commission, remuneration or other monies and fees to which the Nominee Director/s is/are entitled shall accrue to the Corporation and shall accordingly be paid by the Company directly to the Corporation.

PROVIDED THAT if any such Nominee Director/s is an officer of the Corporation the sitting fees, in relation to such Nominee Director/s shall also accrue to the Corporation and the same shall accordingly be paid by the Company directly to the Corporation.

Any expenses that may be incurred by the Corporation or such Nominee Director/s in connection with their appointment or Directorship shall also be paid or reimbursed by the Company to the Corporation or, as the case may be, to such Nominee Director/s.

Provide also that in the event of the Nominee director/s being appointed as whole time Director/s, such Nominee Director/s shall exercise such powers and duties as may be approved by the Corporation and have such rights as are usually exercised or available to a whole time director in the management of the affairs of the Company. Such whole time director/s shall be entitled to receive such remuneration, fees, commission, and monies as may be approved by the Corporation.

129. Provision to appoint Debenture Directors

If it is provided by the trust deed, secured or otherwise, in connection with any issue of debentures of the Company, that any person or persons shall have power to nominate a director of the Company, then in the case of any and every such issue of debentures, the person or persons having such power may exercise such power from time to time and appoint a Director accordingly. Any director so appointed is herein referred to as "Debenture Director". A debenture director may be removed from office at any time by the person or persons in whom for the time

being is vested the power under which he was appointed and another Director may be appointed in his place.

130. Appointment of Alternate Director

The Board may appoint an alternate director to act for a director (hereinafter called "the original director") during his absence for a period of not less than three months from the State in which meetings of the Board are ordinarily held.

131. Additional Directors

Subject to the provisions of sections 260 and 264, the Board shall have power at any time and from time to time to appoint any other qualified person to be an additional director, but so that the total number of directors shall not at any time exceed the maximum fixed under Article 133. Any such additional director shall hold office only up to the date of the next annual general meeting.

132. Casual vacancies

Subject to the provisions of sections 262 and 264 of the Act, the Board shall have power at any time and from time to time to appoint any other qualified person to be a director, to fill a casual vacancy. Any person so appointed shall hold office only up to the date up to which the director in whose place he is appointed would have held office if it had not been vacated by him.

133. Qualification Shares

A director shall not be required to hold any qualification share.

134. Remuneration of Directors

(i) Subject to the provisions of the Act, a director, who is neither in the whole time employment nor a managing director, or all such directors collectively, may be paid remuneration either:

(a) by way of monthly, quarterly, or annual payment with the approval of the Central Government ; or

(b) by way of commission if the Company by a special resolution authorises such payment.

Such remuneration, if payable collectively to more than one directors, shall be divided amongst the directors in such proportion and manner as the Board may from time to time determine; and in default of such determination shall be divided among the Directors as they may mutually decide.

(ii) A director for attending a meeting of the Board or committee thereof shall be entitled to a fee at such rate as may be permitted by the provisions of the Companies Act, 1956, PROVIDED that the Company may in general meeting decide that a director shall not be entitled to any sitting fee for attending meetings of the Board or committee thereof for a specified period or otherwise.

135. Director/s may act notwithstanding vacancy

The continuing director/s may act notwithstanding any vacancy in their body, but so that, subject to the provisions of the Act, if the number falls below the minimum above fixed and notwithstanding the absence of a quorum , the continuing director/s may act for the purpose of

increasing the number of directors to the fixed for the quorum or for summoning a general meeting of the Company.

136. . When the office of Director to become vacant

Subject to sections 283(2) and 314 of the Act, the office of a director shall become vacant if :

- (a) he fails to obtain within the time specified in sub-section (1) of section 270 of the Act, or at any time thereafter ceases to hold, the share qualifications, if any required of him by the Articles ;
- b. he is found to be of unsound mind by a court of competent jurisdiction ; or
- c. he applies to be adjudicated as insolvent ; or
- d. he is adjudged an insolvent ; or
- e. he fails to pay any call made on him in respect of shares of the Company held by him, whether alone or jointly with others, within six months from the date fixed for the payment of such call unless the Central Government has, by notification in the Official Gazette, removed the disqualification incurred by such failure ; or
- f. he absents himself from three consecutive meetings of the directors or from all meetings of the directors for a continuous period of three months, whichever is longer, without leave of absence from the Board ; or
- g. he becomes disqualified by an order of the Court under section 203 of the Act; or
- h. he is removed in pursuance of section 284 ; or
- i. he (whether by himself or by any person for his benefit or on his account), or any firm of which he is a partner, or any private company of which he is a director, accepts a loan, or any guarantee or security for a loan, from the Company in contravention of section 295 of the Act; or
- j. he acts in contravention of section 299 of the Act; or
- k. he is convicted by a Court of an offence involving moral turpitude and is sentenced in respect thereof to imprisonment for not less than six months ; or
- l. having been appointed a director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company; or
- m. he resigns his office by a notice in writing addressed to the Company.

137. Resignation

Subject to the provisions of the Act a Director may resign his office at any time by notice in writing addressed to the Company or to the Board of Directors.

138. Directors may contract with Company

(i) Except with the consent of the Board of Directors of the Company, a director of the Company or his relative, a firm in which such director or relative is a partner, any other partner in such a firm, or a private company of which the director is a member or director, shall not enter into any contract with the Company:

- (a) for the sale, purchase or supply of any goods, materials or services; or
- (b) for underwriting the subscription of any shares in, or debentures of the Company.

(ii) Nothing contained in sub-clause (a) of clause (1) shall affect:

- (a) the purchase of goods and materials from the Company, or the sale of goods and materials to the Company, by any director, relative, firm, partner or private company as aforesaid for cash at prevailing market prices ; or

(b) any contract or contracts between the Company on the one side and such Director, relative, firm, partner or private company on the other for sale, purchase or supply of any goods, materials and services in which either the Company or the director, relative, firm, partner or private company, as the case may be regularly trades or does business: PROVIDED THAT such contract or contracts do not relate to goods and materials the value of which or services the cost of which, exceed five thousand rupees in the aggregate or such sum as specified in section 297 of the Companies Act, 1956 in any year comprised in the period of the contract or contracts.

(iii) Notwithstanding anything contained in sub-clauses (i) and(ii)of this article, a director, relative, firm, partner or private company as aforesaid may, in circumstances of urgent necessity, enter, without obtaining the consent of the Board, into any contract with the Company for the sale, purchase or supply of any goods or materials or services, even if the value of such goods or cost of such services exceeds five thousand rupees in the aggregate in any year comprised in the period of the contract; but in such a case, the consent of the Board shall be obtained at a meeting within three months of the date on which the contract was entered into.

(iv)Every consent of the Board required under this article shall be accorded by a resolution passed at a meeting of the Board and not otherwise and the consent of the Board required under sub-clause (i) of this Article shall not be deemed to have been given within the meaning of that sub-clause unless the consent is accorded before the contract is entered into or within three months of the date on which it was entered into.

(v)If the consent is not accorded to any contract under this article, anything done in pursuance of the contract shall be voidable at the option of the Board.

139. Disclosure of interest

(i) Every director of the Company, who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into, by or on behalf of the Company, shall disclose the nature of his concern or interest at a meeting of the Board of Directors in the manner set out in section 299 of the Act.

(ii)Nothing in sub-clause (i) of this Article shall apply to any contract or arrangement entered into or to be entered into between the Company and any other Company, where any of the Directors of the Company or two or more of the Directors together holds or hold not more than two per cent of the paid-up share capital in the other Company.

Disclosure of Interest in contracts appointing Manager/Managing Director

Whenever the Company enters into a contract for the appointment of a Manager or Managing Director of the Company is directly or indirectly concerned or interested or varies and such existing contract, the Company shall in accordance with Section 302 of the Act, within 21 days from the date of entering into the contract sent an abstract of the terms of such contract or variations, as the case may be together with a memorandum clearly indicating the nature of the interest of the Director in such contract, or in such variation, to every member of the Company, and the contract shall open to the inspection or any member at the office and in his connection all other provisions of Section 302 of the Act shall be duly complied with.

140. General notice of interest

A general notice given to the Board by the director to the effect that he is a director or member of a specified body corporate or is a member of specified firm and is to be regarded as concerned or interested in any contract or arrangement which may, after the date of the notice, be entered into with that body corporate or firm, shall be deemed to be a sufficient disclosure of concern or interest in relation to any contract or arrangement so made. Any such general notice shall expire at the end of the financial year in which it is given but may be renewed for a further period of one financial year at a time by a fresh notice given in the last month of the financial year in which it would have otherwise expired. No such general notice, and no renewal thereof, shall be of effect unless it is given at a meeting of the Board or the director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.

141. Interested Directors not to participate or vote in Board's proceedings

No director shall, as a director, take any part in the discussion of, or vote on any contract or arrangement entered into, by or on behalf of the Company, if he is in any way, whether directly or indirectly, concerned or interested in such contract or arrangement; nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void; PROVIDED, however, that nothing herein contained shall apply to -

(a) any contract of indemnity against any loss which the Directors, or any one or more of them, may suffer by reason of becoming or being sureties or a surety for the Company;

(b) any contract or arrangement entered into or to be entered into with a public company or a private company which is a subsidiary of a public company in which the interest of the director consists solely -

(i) in his being-

(a) a director of such company, and

(b) the holder of not more than shares of such number or value therein as is requisite to qualify him for appointment as a Director thereof, he having been nominated as such director by the company ;or

(ii) in his being a member holding not more than 2 per cent of its paid-up share capital

142. Register of contracts in which Directors are interested

The Company shall keep a register in accordance with section 301(1) of the Act and shall within the time specified in section 301(2) of the Act enter therein such of the particulars as may be relevant having regard to the application thereto of section 297 or section 299 of the Act as the case may be. The Register aforesaid shall also specify, in relation to each director of the Company, the names of the bodies corporate and firms of which notice has been given by him under section 299. The Register shall be kept at the office of the Company and shall be open to inspection at such office, and extracts may be taken therefrom and copies thereof may required by any member of the Company to the same extent, in the same manner, and on payment of the same fee as in the case of the Register of members of the Company and the provisions of section 163 of the Act shall apply accordingly.

143. Directors may be Directors of Companies promoted by the Company

A director may be or become a director of any Company promoted by the Company, or in which it may be interested as a vendor, shareholder, or otherwise, and no such director shall be accountable for any benefits received as director or shareholder of such Company except in so far as section 309(6) or section 314 of the Act may be applicable.

144. Directors not to hold office or place of profit

Except with the consent of the Company accorded by a Special Resolution:

- (a) no Director of the Company shall hold any office or place of profit and;
- (b) no partner or relative of such a Director, no firm in which such a Director or a relative is a partner, no private Company of which such a Director is a Director or member, and no Director or manager. Of such a private Company shall hold any office or place of profit carrying a total monthly remuneration of Rupees Five Hundred or more excepts than of Managing Director, Manager, Legal or Technical Adviser, banker or Trustee for the holders of debentures of the Company:
 - (i) under the Company or
 - (ii) under any subsidiary of the Company, unless the remuneration received from such office or place of profit is paid over to the Company or its holding Company.

Provided that it shall be sufficient if the Special Resolution according to the consent of the Company is passed at the general meeting of the Company held for the first time after such holding of such office or place of profit. The conditions, limitations or restriction and the exemptions contained in the Section 314 of the Act, shall apply"

ROTATION OF DIRECTORS

145. Retirement and rotation of Directors

At every annual general meeting of the Company one-third of such of the directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three the number nearest to one-third, shall retire from office. The non-retiring directors appointed under Article 134 shall not be taken into account in determining the rotation or retirement or the number of directors to retire.

146. Ascertainment of Directors retiring by rotation and filling of vacancies

Subject to section 284(5) of the Act, the directors to retire by rotation under Article 153 at every annual general meeting shall be those who have been longest in office since their last appointment, but as between persons who became directors on the same day those who are to retire shall in default of and subject to any agreement among themselves be determined by lot.

147. Eligibility for re-appointment

A retiring director shall be eligible for re-appointment.

148. Company to appoint successors

Subject to section 258 and 261 of the Act the Company at the general meeting at which a director retires in manner aforesaid may fill up the vacated office by electing the retiring director or some other person thereto.

149. Provision in default of appointment

(i) If the place of the retiring director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a public holiday, till the next succeeding day which is not a public holiday, at the same time and place.

(ii) If at the adjourned meeting also, the place of the retiring director is not filled up and that meeting also has not expressly resolved not to fill the vacancy the retiring Director shall be deemed to have been re-appointed at the adjourned meeting, unless -

(a) at that meeting or at the previous meeting resolution for the re-appointment of such director has been put to the meeting and lost;

(b) the retiring director has, by a notice in writing addressed to the Company or its Board, expressed his unwillingness to be so re-appointed;

(c) he is not qualified or is disqualified for appointment;

(d) a resolution, whether special or ordinary, is required for the appointment or re-appointment by virtue of any provisions of the Act; or

(e) the proviso to sub-section (2) of section 263 of the Act is applicable to the case.

150. Company may increase or reduce the number of Directors

Subject to section 259 of the Act, the Company may, by special resolution, from time to time, increase or reduce the number of directors.

Removal of Director

(a) The Company may, by a special resolution, remove a Director before the expiry of his period of office.

(b) Special notice shall be required of any resolution to remove a Director under this Article, or to appoint somebody instead of a Director so removed at the meeting at which he is removed.

(c) A vacancy created by the removal of a Director under this Article may, if he had been appointed by the Company in general meeting or by the Board in pursuance of Section 260 or 262 of the Act, be filled by the appointment of another director, by special resolution in his stead by the meeting at which he is removed provided special notice of the intended appointment has been given under sub clause (b) above A Director so appointed shall hold office if he had not been removed as aforesaid ;

(d) If the vacancy is not filled under sub-clause (c) above it may be filled as a casual vacancy in accordance with the provisions so far as they may be applicable, of Section 262 of the Act,

and all the provisions of that Section shall apply accordingly; provided that the Director who was removed from the office shall not be re-appointed as a Director by the Board.

151. Notice of candidature for office of Director

(i) No person other than a retiring director, shall be eligible for appointment to the Office of director at any general meeting unless he or some member intending to propose him has not less than fourteen days before the meeting, left at the office of the Company a notice in writing under his hand signifying his candidature for the office of director or the intention of such member to propose him as a candidate for that office.

(ii) Every person (other than a director retiring by rotation or otherwise, or a person who has left at the office of the Company a notice under section 257 of the Act signifying his candidature for the office of a director) proposed as a candidate for the office of a Director, shall sign and file with the Company, the consent in writing to act as a director, if appointed.

(iii) A person other than

(a) A director reappointed after retirement by rotation or immediately on the expiry of his term of office, or

(b) An additional or alternate director or a person filling a casual vacancy in the office of a director under section 262 of the Act, appointed as a director or reappointed as an additional or alternate director, immediately on the expiry of his term of office;

shall not act as a director of the Company, unless he has within thirty days of his appointment signed and filed with the Registrar his consent in writing to act as such director.

152. Register of Directors etc. and notification of change to Registrar

(i) The Company shall keep at its office a Register, as required by section 303 of the Act, and shall otherwise comply with the provision of said section in all respects.

(ii) The Company shall in respect of each of its director also keep at its office a Register, as required by section 307 of the Act, and shall otherwise duly comply with the provisions of the said section in all respects.

PROCEEDINGS OF THE BOARD OF DIRECTORS

153. Meeting of Directors

The directors may meet together as a Board for the despatch of business from time to time, and shall so meet at least once in every three months and at least four such meetings shall be held in every year. The directors may adjourn and otherwise regulate their meetings, as they think fit.

154. Notice of Directors' meeting

Notice of every meeting of the Board shall be given in writing to every director whether in or outside India. In the case of directors residing outside India, notice shall be sent by cable or telex or fax.

155. Quorum at Board Meeting

Subject to section 287 of the Act, the quorum for a meeting of the Board shall be one-third of its total strength excluding directors, if any, whose places may be vacant at the time and any fraction contained in that one-third being rounded off as one, or two directors whichever is higher, PROVIDED THAT where at any time the number of interested directors exceeds or is equal to two-thirds of the total strength, the number of the remaining directors, that is to say, the number of directors who are not interested, present at the meeting being not less than two, shall be the quorum during such time.

PROVIDED FURTHER THAT and notwithstanding anything to the contrary contained herein where the Board includes any director appointed under Article 134, no quorum for a meeting of the Board shall be constituted unless at least one such director or his alternate is present through out such meeting.

156. Adjournments of meeting for want of quorum

If a meeting of the Board could not be held for want of quorum, then, the meeting shall automatically stand adjourned to the same day, place and time in the next week, unless otherwise decided by the Directors.

157. When meeting to be convened

A director may at any time, and the secretary shall, as and when directed by the directors to do so, convene a meeting of the Board by giving a notice in writing to every other director as provided in Article 162.

158. Chairman /Vice Chairman

The Board of Directors may elect the Chairman and Vice-chairman of their meetings and determine the period for which they are to hold office and if such chairman and/or vice-chairman are not elected or if at any meeting the Chairman and the Vice Chairman are not present within half an hour of the time appointed for holding the same, the senior most in office among the directors present shall be the chairman of such meeting.

159. Questions at Board Meetings how to be decided (casting vote)

Questions arising at meetings of the Board of Directors or a committee thereof shall be decided by a majority of the votes and in the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

160. Powers of Board in Meetings

A meeting of the Board for the being at which a quorum is present shall be competent to exercise all or any of the authorities, powers, and discretion which by or under the Act or the articles of the Company are for the time being vested in or exercisable by the Board generally.

161. Directors may appoint Committees

(i) Subject to the restrictions contained in section 292 of the Act, the Board may delegate any of their powers to committees of the Board consisting of such members or member of its body as it thinks fit.

(ii) The Board may, from time to time revoke and discharge any such committee of the Board either wholly or in part and either as to persons or purposes, but every committee of the Board so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed on it by the Board. All acts done by any such committee of the Board in conformity with such regulations and in fulfillment of the purposes of their appointment but not otherwise, shall have the like force and effect as if done by the Board.

162. Meeting of Committee how to be governed

The meetings and proceedings of any such committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the directors, so far as the same are applicable thereto and are not superseded by any regulation made by the directors under the last preceding article.

163. Resolution by circulation

(i) Subject to the provisions of section 292 and the other applicable provisions of the Act a resolution passed by circulation without a meeting of the Board or any such committee of the Board appointed under Article 168 shall subject to the provisions of sub-clause(2) hereof and the Act be as valid and effectual as a resolution duly passed at a meeting of the Directors or of a committee duly called and held.

(ii) No resolution shall be deemed to have been duly passed by the Board or by a committee thereof, by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the directors, or to all the members of the committee, then in India (not being less in number than the quorum fixed for a meeting of the Board or committee, as the case may be) and to all other directors or members of the Committee, at their usual address in India and has been approved by such of the Directors or members of the committee as are then in India, or by a majority of such of them, as are entitled to vote on the resolution.

164. Acts of Board or Committee valid notwithstanding defect in appointment

All acts done by any meeting of the Board, or by a committee of the Board, or by any person acting as a director shall notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of any of such director or person acting as aforesaid, or that they, or any of them were disqualified or had vacated office or that the appointment of them had been terminated by virtue of any provisions contained in the Act or these articles, be as valid as if every such person had been duly appointed, and was qualified to be a director and had not vacated his office or his appointment has not been terminated: PROVIDED THAT nothing in this article shall be deemed to give validity to acts done by a director after his appointment has been shown to the Company to be invalid or to have determined.

165. Minutes of proceedings of the Board

The Company shall cause minutes of all proceedings of every meeting of the Board and committee thereof in accordance with section 193 of the Act.

166. Certain Powers to be exercised at Meeting only

The Boards of Directors, of the Company shall exercise the following powers on behalf of the Company, and it will do so only by means of resolutions passed at a meeting of the Board by a majority of so many votes as equal to or come nearest to three quarters of the votes of all Directors;

- (a) The power to make calls on shareholders in respect of money unpaid on their shares;
- (b) The power to issue debentures;
- (c) the power to borrow moneys otherwise than on debentures;
- (d) the power to invest the funds of the Company;
- (e) the power to make loans;

Provided that the Board by a majority of so many votes as equal to or come nearest to three quarters of the votes of all Directors delegate the power specified in clauses (c), (d) and (e) of this Article, in accordance with the provision of Section 292 of the Act.

167. Restriction on powers of the Board

The Board of Directors of the Company shall not except with the consent of the Company by special resolution in General Meeting,

- (a) sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company owns more than one undertaking, or the whole or substantially the whole of any such undertaking;
- (b) remit, or give time for repayment of any debt, due by a Director;
- (c) invest, otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it cannot be carried on only with difficulty or only after a considerable time;
- (d) borrows moneys, where the moneys to be borrowed, together with the money already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) will 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 purposes;
- (e) contribute to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed twenty five thousand rupees or five percent of its average net profits as determined in accordance with the provisions of Section 349 and 350 of the Act during the three financial year immediately preceding whichever is greater, provided that no contribution to any political party or for any political purpose to any individual or body shall be made except in accordance with the provisions of Section 293A of the Act.

Due regard and compliance shall be observed in regard to matters dealt with by or served in the Explanations contained in Sub-section (1) of Section 293 of the Act and in regard to limitations on the powers of the Company contained in Section 293A, of the Act.

168. General Powers of the Board

(i) Subject to the provisions of the Act and these articles, the Board of Directors of the Company shall be entitled to exercise all such powers and to do all such acts and things as the company is authorised to exercise and do; Provided that the Board shall not exercise any power or do any act or thing which is directed or required, whether by the Act or any other Act or by the Memorandum or these Articles or otherwise to be exercised or done by the Company in general meeting; Provided further that in exercising any such power or doing any such act or thing the Board shall be subject to the provisions contained in that behalf in the Act or in the memorandum or in these articles or in any regulations not inconsistent therewith and duly made thereunder including regulations made by the Company in general meeting ;

(ii) No regulation made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made ;

(iii) Without prejudice to the general powers conferred by the preceding sub-clause but subject to the restrictions contained in the Act, it is hereby declared that the directors shall have the following powers, that is to say, power -

(a) to pay the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company ;

(b) to pay and charge to the capital account of the Company any commission or interest lawfully payable under the provisions of sections 76 and 208 of the Act ;

(c) subject to sections 292 and 297 of the Act, to purchase or otherwise acquire for the Company any property, rights or privileges which the Company is authorised to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit; and in any such purchase or other acquisition to accept such title as the directors may believe or may be advised to be reasonably satisfactory ;

(d) at their discretion and subject to the provisions of the Act, to pay for any property, rights or privileges acquired by, or services rendered to the Company, either wholly or partially, in cash or in shares, bonds, debentures, mortgages, or other securities of the Company, and any such shares may be issued either as fully paid-up or with such amount credited as paid-up thereon as may be agreed upon ; and any such bonds, debentures, mortgages or other securities may be either specifically charged upon all or any part of the property of the Company and its uncalled capital, or not so charged;

(e) to secure the fulfillment of any contract or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the time being or in such manner as they may think fit;

(f) to accept from any member, as far as may be permissible by law, a surrender of his shares or any part thereof, on such terms and conditions as shall be agreed ;

(g) to appoint any person to accept and hold in trust for the Company any property belonging to the Company, in which it is interested, or for any other purposes ; and to execute and do all such deeds and things as may be required in relation to any such trust, and to provide for the remuneration of such trustee or trustees ;

(h) to institute, conduct, defend, compound, or abandon any legal proceedings by or against the Company or its officers, or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due and of any claim or demand by or against the Company and to refer any differences to arbitration, and observe and perform any awards made thereon ;

(i) to act on behalf of the Company in all matters relating to bankrupts and insolvents ;

(j) to make and give receipts, releases, and other discharges for moneys payable to the Company and for the claims and demands of the Company ;

(k) subject to the provisions of sections 292, 295, 370 and 372 of the Act, to invest and deal with any moneys of the Company not immediately required for the purposes thereof upon such security (not being shares of this Company), or without security and in such manner

as they may think fit, and from time to time to vary or realise such investments. Save as provided in section 49 of the Act, all investments shall be made and held in the Company's own name ;

(l) to execute, in the name and on behalf of the Company, in favour of any director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit of the Company, such mortgages of the Company's property (present and future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon ;

(m) to determine from time to time who shall be entitled to sign, on the Company's behalf bills, notes, receipts, acceptances, endorsements, cheques, dividend warrants, releases, contracts and documents and to give the necessary authority for such purpose ;

(n) to distribute by way of bonus amongst the staff of the Company a share or shares in the profits of the Company, and to give to any officer or other person employed by the Company a commission on the profits of any particular business or transaction ; and to charge such bonus or commission a part of the working expenses of the Company ;

(o) to provide for the welfare of Directors or ex-directors or employees or ex-employees of the Company and their wives, widows and families or the dependents or connections of such persons, by building or contributing to the building of houses, dwellings or chawls, or by grants of money, pension, gratuities, allowances, bonus or other payments, or by creating, and from time to time subscribing or contributing to provident and other funds, associations, institutions or trusts and by providing or subscribing or contributing towards places of instruction and recreation, hospitals and dispensaries, medical and other attendance and other assistance as the Board shall think fit; and to subscribe or contribute or otherwise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or other institutions or objects which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation, or of public and general utility or otherwise ;

(p) before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to a Depreciation Fund, or to an Insurance Fund, or as a Reserve Fund or Sinking Fund, or any Special Fund to meet contingencies or to repay debentures or debenture-stock, or for special dividends or for equalising dividends or for repairing, improving, extending and maintaining any of the property of the Company and for such other purposes (including the purpose referred to in the preceding clause), as the Board may, in their absolute discretion, think conducive to the interest of the Company, and subject to section 292 of the Act, to invest the several sums so set aside or so much thereof as required to be invested, upon such investments (other than shares of the Company) as they may think fit, and from time to time to deal with and vary such investments and dispose of and apply and expend all or any part thereof for the benefit of the Company, in such manner and for such purposes as the Board, in their absolute discretion think conducive to the interest of the Company, notwithstanding that the matters to which the Board apply or upon which they expend the same, or any part thereof, may be matters to or upon which the capital moneys of the Company might rightly be applied or expended; and to divide the Reserve Fund into such special funds as the Board may think fit, with full power to transfer the whole or any portion of a Reserve Fund or division of a Reserve Fund to another Reserve Fund or division of a Reserve Fund and with full power to employ the assets constituting all or any of the above funds, including the Depreciation Fund, in the business of the Company or in the purchase or repayment of debentures or debenture-stock, and without being bound to keep the same separate from the other assets, and without being bound to pay interest on

the same with power however to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper ;

(q) to comply with the requirements of any local law which in their opinion it shall in the interest of the Company be necessary or expedient to comply with ;

(r) to appoint, and at their discretion remove or suspend such general managers, managers, secretaries, assistants, supervisors, clerks, agents and servants for permanent, temporary or special services as they may from time to time think fit, and to determine their powers and duties and fix their salaries or emoluments or remunerations, and to require security in such instances and to such amounts as they may think fit. And also from time to time to provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think fit; and the provisions contained in the three next following sub-clauses shall be without prejudice to the general powers conferred by this sub-clause ;

(s) from time to time and at any time to establish any local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any person/persons to be members of such local Boards, and to fix their remuneration ;

(t) subject to the provisions of the Act, from time to time and at any time, to delegate to any such local Board, or any member or members thereof or any managers or agents so appointed, any of the powers, authorities, and discretions for the time being vested in the Board, and to authorise the members for the time being of any such local Board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation under the preceding and this sub-clause may be made on such terms and subject to such conditions as the Board may think fit, and the Board may at any time remove any person so appointed, and may annul or vary any such delegation ;

(u) at any time and from time to time by power of attorney under the seal of the Company, to appoint any person or persons to be the attorney or attorneys of the Company, for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these presents and excluding the power to make calls and excluding also, except in their limits authorised by the Board, the power to make loans and borrow moneys) and for such period and subject to such conditions as the Board may from time to time think fit; and any such appointment may (if the Board thinks fit) be made in favour of the members or any of the members of any local Board, established as aforesaid or in favour of any Company, or the shareholder, directors, nominees, or managers of any Company or firm or otherwise in favour of any fluctuating body or person whether nominated directly or indirectly by the Board and any such power of attorney may contain such powers for the protection or convenience of persons dealing with such attorney as the Board may think fit, and may contain powers, enabling any such delegates or attorneys as aforesaid to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them ;

(v) subject to sections 292 and 297 of the Act, for or in relation to any of the matters aforesaid or otherwise for the purposes of the Company, to enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient ;

(w) to fix rules and principles for the drawing up of the annual balance sheet and the profit and loss account especially concerning the evaluation and depreciation, and

(x) to determine the remuneration of the Directors for extras services.

(y) from time to time, to make, vary and repeal bye-laws for the regulations of the business of the Company, its officers and servants.

169. General Restrictions

The restriction contained in Section 292, 293, 295, 297, 299, 300, 356 to 360, 369, 370 and 372 shall be observed in regard to matters therein mentioned so far as the same be applicable to the Company.

MANAGING DIRECTOR/ WHOLE-TIME DIRECTOR

170. (i) Appointment of Managing Director by the Board

The Board may, from time to time, and subject to the provisions of the Act appoint one of their body to be managing director of the Company for such term not exceeding five years at a time and upon such conditions as they any think fit to manage the affairs and business of the Company and may from time to time (subject to the provisions of any contract between him and the Company) remove or dismiss him from office and appoint another in his place.

(ii) Appointment of Whole-time Director

Subject to the provisions of the Act and of these articles the directors may from time to time appoint one or more of their body to be whole-time director or whole-time directors of the Company for such term not exceeding five years at a time and subject to such conditions as they may think fit.

(iii) Provisions to which Managing Director and Whole-time Director would be subject to

Subject to the provisions of the Act and these Articles, the managing director or the whole-time director shall not while he continues to hold that office, be subject to retirement by rotation. He shall, subject to the provisions of any contract between him and the Company and of these articles, be subject to the same provisions as to resignation and removal as the other directors of the Company and he shall ipso facto and immediately cease to be a managing director or whole-time director, as the case may be, if he ceases to hold the office of director for any reason.

Provided that if at any time the total number of directors (including managing director and whole-time director) as are not subject to retirement by rotation shall exceed one-third of the total number of directors for the time being, then such of the non-retiring directors (including managing director and whole time directors) as the Board may from time to time determine shall be liable to retirement by rotation in accordance with the provisions of these articles to the intent that the total number of directors not liable to retirement by rotation shall not exceed one-third of the total number of directors for the time being.

(iv) Remuneration of Managing or Whole-time Director(s)

The remuneration of the managing director or whole-time director shall, subject to Section 309 and other applicable provisions of the Act and of these articles and of any contract between him and the Company, be fixed by the directors, from time to time, and may be by way of fixed salary and/or perquisites or commission on profits of the Company or by participation in such profits, or by fee for each meeting of the Board or by and/or all these modes or any other mode not expressly prohibited by the Act.

171. Certain persons not to be appointed as Managing Directors

The Company shall not appoint or employ, or continue the appointment or employment of, any person as its Managing or Whole-time Directors who

- (a) Is an undischarged insolvent, or has at any time been adjudged an insolvent.
- (b) suspends, or has at any time suspended payment to his creditors, or makes, or has at any time made, a composition with them; or
- (c) is, or has at any time been, convicted by a Court of an offence involving moral turpitude.

172. POWERS AND DUTIES OF MANAGING AND/OR WHOLE-TIME DIRECTOR(S)

Subject to the superintendence, control and direction of the Board, the day to day management of the Company shall be in the hands of the managing director and the whole-time director(s) appointed under these articles with power to the Board to distribute such day to day management functions among such director(s) in any manner as deemed fit by the Board and subject to the provision of the Act and these articles, the Board may by resolution vest in any such managing or whole-time director or directors such of the power hereby vested in the Board generally as it thinks fit and such power may be made exercisable for such period or periods and upon such conditions and subject to such restrictions as the Board may determine and the Board may, subject to the provisions of the Act and these articles, confer such power either collaterally with or to the exclusion of or in substitution for all or any of the powers of the directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers.

173. Restriction on powers of Managing Director

The Managing Directors shall not exercise the powers to:-

- (1) to make calls on shareholders in respect of moneys unpaid on the shares in the Company;
- (2) issue debenture; and
- (3) except as may be delegated by the Board under Section 292 of the Act. invest the funds of the Company, or make loans and borrow moneys.

THE SECRETARY

174. Appointment and duties of Secretary

Subject to the provisions of section 2(45) and section 383A of the Act, the directors may appoint any individual as a secretary of the Company for such term at such remuneration and upon such conditions as they may think fit; and any secretary so appointed may be removed by them. The directors may appoint any temporary substitute for the secretary who shall, for the purpose of these present, be deemed to be the secretary. The secretary shall be responsible for maintaining registers required to be kept under the Act, for getting the necessary documents registered with the Registrar and for carrying out all other administrative and ministerial acts, duties and functions which a secretary of a Company is normally supposed to carry out, such as giving the necessary notices to the members, preparing minutes of the meeting of members and of directors and of any committee of directors and maintaining minutes books and other statutory documents and he shall carry out and discharge such other functions and duties as the directors or the managing director or manager may from time to time require him to do.

THE SEAL

175. The Seal, its custody and use and execution of deeds

- (i) The Board shall provide a common seal for the purposes of the Company, and shall have power, from time to time, to destroy the same and substitute a new seal in lieu thereof, and the Board shall provide for the safe custody of the seal for the time being, and the seal shall never be used except by the authority of the Board or a committee of the Board previously given.

(ii) The Company shall also be at liberty to have an official seal in accordance with section 50 of the Act, for use in any territory, district or place outside India.

(iii) Every deed or other instrument, to which the seal of the Company is required to be affixed, shall, unless the same is executed by a duly constituted attorney, be signed by two directors or one director and secretary or some other person appointed by the Board for the purpose; PROVIDED THAT in respect of the share certificate, the seal shall be affixed in accordance with Article 26.

DIVIDEND

176. Division of profits and dividends in proportion to amount paid-up

(i) The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these articles and subject to the provisions of these articles, shall be divisible among the members in proportion to the amount of capital paid-up or credited as paid-up on the shares held by them respectively.

(ii) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such share shall rank for dividend accordingly.

177. The Company in General Meeting may declare a dividend

(i) The Company in general meeting may declare dividends to be paid to members according to their respective rights and interest in profits.

(ii) No dividends shall exceed the amount recommend by the Board, but the Company in general meeting may declare a smaller dividend.

178. Dividends only to be paid out of profits

(i) No dividend shall be declared or paid by the Company for any financial year except out of its profits arrived at in the manner set out in section 205 of the Act and the declaration of the director's as to the amount of the net profits of the Company shall be conclusive.

(ii) The Board may also carry forward any profits which it may think prudent not to divide, without setting them aside as a reserve.

(iii) Where owing to inadequacy or absence of profits in any year, the Company proposes to declare dividend out of the accumulated profits earned by it in previous years and transferred to reserves, such declaration of dividend shall not be made except in accordance with such rules as may be made in that behalf by the Government, and where any such declaration is not in accordance with such rules, it shall not be made except with the previous approval of the Government.

179. Interim dividend

The Board may, from time to time, pay to the members such interim dividend as in their judgment the position of the Company justifies.

180. Capital paid-up in advance at interest not to earn dividend

Where capital is paid in advance of calls such capital may carry interest but shall not in respect thereof confer a right to dividend or participate in profits.

181. Retention of dividends until completion of transfer under Articles 69 and 70

Subject to the provisions of the Act, the Board may retain the dividends payable upon shares in respect of which any person is, under Articles 69 and 70 entitled to become a member, or which any person under those articles is entitled to transfer, until such person shall become a member in respect of such shares or shall duly transfer the same.

182. Dividend etc. to joint holders

Any one of several persons who are registered as the joint holders of any share may give effectual receipts for all dividends or bonus and payments on account of dividends or bonus or other moneys payable in respect of such shares.

183. No Member to receive dividend whilst indebted to the Company and Company's right of reimbursement thereof

No member shall be entitled to receive payment of any interest or dividend in respect of his share of shares, whilst any money may be due or owing from him to the Company in respect of such shares or shares or otherwise howsoever, either alone or jointly with any other person or persons; and the Board may deduct from the interest or dividend payable to any member all sums of money so due from him to the Company.

184. Transfer of shares must be registered

A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer, and subject to the provisions of these Articles, no dividend shall be payable to any person whose name does not appear on the register of members except with the authority special or general, of the Directors.

185. No restriction on capitalization of profits

Dividends shall be payable in cash or in the manner specified in Article 215 hereof, Provided that nothing herein contained shall be deemed to prohibit the capitalization of profits or reserves of a company for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any shares held by the members of the Company.

186. No interest on unpaid dividends

Subject to the provisions of the Act, no unpaid dividend shall bear interest as against the Company.

187. Set off of dividend and call

Any general meeting declaring a dividend may, on the recommendation of the directors, make a call on the members of such amount as the meeting fixes but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend, and the dividend may, if so arranged between the Company and the member, be set off against the calls.

Unclaimed dividend

No unclaimed dividend shall be forfeited and all unclaimed dividends shall be dealt with in accordance with the provisions of section 205A and section 205B or other provisions, if any, of the Act.

188. Rights to Dividend, rights shares to be held in abeyance pending registration of transfer of shares.

Where any instrument of transfer of shares has been delivered to the Company for registration and the transfer of such shares has not been registered by the Company, it shall notwithstanding anything contained in any other provisions of the Act or of these articles:

a) transfer the dividend in relation to such shares to the Unpaid Dividend Account of the Company as required under section 205A of the Act, unless the Company is authorised by the registered holder of such shares in writing to pay such dividend to the transferee specified in such instrument of transfer ; and

b) keep in abeyance in relation to such shares any offer of rights shares under clause (1) of sub-section (2) of Section 81 and any issue of 7 up bonus shares in pursuance of sub-section (3) of section 205 of the Act

CAPITALISATION

189. Capitalisation

(i) Any general meeting of the Company may resolve that any amounts standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account or any moneys, investments or other assets forming part of the undivided profits (including profits or surplus money arising from the realisation and where permitted by the law, from the appreciation in value of any capital assets of the Company) standing to the credit of the General Reserve , or any other Reserve or Reserve Fund or any other fund of the Company or in the hands of the Company and available for dividend be capitalised:

(a) by the issue and distribution, as fully paid-up, of shares, and to the extent permitted by the Act, debentures, debenture-stock, bonds or other obligations of the Company ; or

(b) by crediting shares of the Company, which may have been issued and are not fully paid-up with the whole or any part of the sum remaining unpaid thereon:

PROVIDED THAT any amount standing to the credit of the Share Premium Account or the Capital Redemption Reserve Account shall be applied only in crediting the payment of capital on shares to be issued to members as fully paid bonus shares.

(ii) Such issue and distribution under sub-clause (i)(a) of this Article and payment to the credit of unpaid share capital under sub-clause (i)(b) of this article shall be made to, among and in favour of the members or any class of them or any of them entitled thereto and in accordance with their respective rights and interests and in proportion to the amount of capital paid up on the shares held by them respectively in respect of which such distribution under sub-clause (i)(a) above or payment shall be made , on the footing that such members become entitled thereto as capital.

(iii) The directors shall give effect to any such resolution and shall apply such profit, general reserve, other reserve or any other fund or account as aforesaid or any portion thereof as may be required for the purpose of making payment in full of the shares, debentures, debenture-stock, bonds or other obligations of the Company so distributed under sub-clause (i)(a) of this article or (as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully paid-up under sub-clause (i)(b) above: PROVIDED THAT no such distribution or payment shall be made unless recommended by directors and if so recommended such distribution and payment shall be accepted by such members as aforesaid in full satisfaction of their interest in the said capitalised sum.

(iv) For the purpose of giving effect to any such resolution, the directors may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient, and, in particular, they may issue fractional certificates or coupons and may fix the value for distribution of any specific asset and may determine that such payment be made to any members on the footing of the value so fixed and may vest any such cash, shares, debentures, debenture-stock, bonds or other obligations in trustees upon such trusts for the persons entitled thereto as may seem expedient to the directors, and generally make such arrangement for the acceptance, allotment and sale of such shares, debentures, debenture-stock, bonds or other obligations and fractional certificates or otherwise as they may think fit.

(v) When deemed requisite, a proper contract shall be filed in accordance with the Act and the Board may appoint any person to sign such contract on behalf of the members entitled as aforesaid and such appointment shall be effective.

(vi) Subject to the provisions of the Act and these articles, in cases where some of the shares of the Company are fully paid and others are partly paid, such capitalisation may be effected by the distribution of further shares in respect of the fully paid shares and by crediting the partly paid shares with the whole or part of the unpaid liability thereon, but so that as between the holders of the fully paid shares and the partly paid shares, the sums so applied in the payment of such further shares and in the extinguishment or diminution of the liability on the partly paid shares, shall be applied pro-rata in proportion to the amount then already paid or credited as paid on the existing fully paid and partly paid shares respectively.

ACCOUNTS

190. Directors to keep true accounts

(i) The Company shall keep at the office or at such other place in India as the Board thinks fit, proper books of accounts in accordance with section 209 of the Act with respect to-

- (a) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure take place;
- (b) all sales and purchases of goods by the Company;
- (c) the assets and liabilities of the Company.

(ii) Where the Board decides to keep all or any of the books of account at any place other than the office of the Company, the Company shall within seven days of the decision file with the Registrar a notice in writing giving the full address of that other place.

(iii) The Company shall preserve in good order the books of accounts relating to a period of not less than eight years preceding the current year together with the vouchers relevant to any entry in such books of account.

(iv) Where the Company has a branch office, whether in or outside India, the Company shall be deemed to have complied with this article if proper books of accounts relating to the transactions effected at the branch office are kept at the branch office and proper summarised returns, made up-to-date at intervals of not more than three months, are sent by the branch office to the Company at its office or other place in India, at which the Company's books of accounts are kept as aforesaid.

(v) The books of account shall give a true and fair view of the state of the affairs of the Company or branch office, as the case may be, and explain its transactions. The books of account and other books and papers shall be open to inspection by any Director during business hours.

191. Inspection of accounts or books by Members

The Board shall, from time to time, determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members not being directors, and no member (not being a director) shall have any right of inspecting any accounts or books or documents of the Company except as conferred by law or authorised by the Board.

192. Statement of Accounts to be furnished to General Meeting

The directors shall, from time to time in accordance with sections, 210, 211, 212, 215, 216 and 217 of the Act, cause to be prepared and to be laid before the Company in general meeting, such balance sheets, profit and loss accounts and reports as are required by these sections.

193. Accounts, etc. shall be sent to each Member

A copy of every such profit and loss account and balance sheet, so audited, (including the auditor's report and every other document required by law to be annexed or attached to the balance sheet) shall, at least twenty-one days before the meeting at which same are to be laid before the members, be sent:

- (a) to the members of the Company ;
- (b) to trustees for the holders of such debentures ; and
- (c) to all persons entitled to receive notices of general meeting of the Company.

Provided that, the above requirement shall not apply to the following:

(a) to a member , or holder of debentures of the Company, who is not entitled to have notices of general meetings of the Company sent to him and of whose address the Company is unaware;

(b) to more than one of the joint holders of any shares or debentures none of whom is entitled to have such notices sent to him ;

(c) in case the shares of the Company are listed on a recognised stock exchange, if the copies of the documents aforesaid are made available for inspection at the registered office during working hours for a period of twenty-one days before the date of the meeting and a statement containing the salient features of such documents in the form prescribed under the Act or copies of the documents aforesaid, as the Board may deem fit, is sent to every member of the Company and to every trustee for the holders of any debentures issued by the Company not less than twenty-one days before the date of the meeting.

AUDIT

194. Accounts to be audited

The Company shall appoint an Auditor or Auditors at each Annual General Meeting and the provisions of Sections 224 to 230 of the Act with regard to the appointment, remuneration, removal, qualifications, disqualifications, power and duties, audits of Branch Office and signature of Audit Report and reading and inspection of the Report shall apply so far as the same be applicable to the Company. The Company shall comply with the provisions of those sections so far as the same may be applicable to the Company. The Company and the Directors as the case may be, may fix the remuneration of the Auditor or Auditors as the Company or the Directors as the case may be, may think fit subject to any provisions of the Act in that behalf and may pay the same.

195. Every account when audited and approved by a General Meeting shall be conclusive except as regards any error therein discovered within three months next after the approval thereof. Whenever any such error is discovered within that period, the accounts shall forthwith be corrected and thenceforth shall be conclusive.

DOCUMENT AND NOTICES

196. Manner of service of documents or notices on Members by Company

A document (which expression for this purpose shall be deemed to include and shall include any summons, notices, requisition, process, order, judgment or any other documents in relation to or in the winding up of the Company) may be served or given by the Company on or to any member either personally or by sending it by post to him to his registered address or (if he has no registered address in India) to address, if any, in India supplied by him to the Company for the service of documents or notices on him.

196. When notices of documents served on members

Where a document or notice is sent by post:

(i) service of the document or notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the document or notice: PROVIDED THAT where a member has intimated to the Company in advance that documents or notices should be sent to him under a certificate of posting or by a registered post with or without acknowledgment due and has deposited with the Company a sum sufficient to defray the expenses of doing so, services to documents or notice shall not be deemed to be effected unless it is sent in the manner intimated by the members, and

(ii) such service shall be deemed to have been effected :

(a) in case of a notice of a meeting at the expiration of forty-eight hours after the letter containing the document or notice is posted ; and

(b) in any other case, at the time at which the letter would be delivered in the ordinary course of post.

197. Computation of number of days

Where a given number of days notice or notice .extending over any other period Is required to be given, in computing such number of days or other period, the day on which service is made or deemed to have been made, whichever is earlier, shall be excluded, but the day for which notice is given shall be included.

198. Service by advertisement

Subject to Article 199 and 200 a document or notice advertised in a newspaper circulating in the neighbourhood of the office shall be deemed to be duly served or sent on the day on which the

advertisement appears, on or to every member who has no registered address in India and has not supplied to the Company an address within India for the serving of documents on or the sending of notices to him.

199. Service on joint holders

A document or notice may be served or given by the Company on or to the joint holders of a share by serving or giving the document or notice on or to the joint holder named first in the Register of Members in respect of the share.

200. Service on personal representatives etc.

A document or notice may be served or given by the Company on or to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in prepaid letter addressed to them by name or by the title of representative of the deceased, or assignee of the insolvent or by any like description, at the address (if any) in India supplied for the purpose by the persons claiming to be entitled or until such an address has been so supplied by serving the document or notice in any manner in which the same might have been given if the death or insolvency had not occurred.

201. Service of Notice in case of operation of law, transfer etc

Every person who by operation of law, by transfer or by other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share which previously to his name and address being entered on the Register shall be duly given to the person from whom he derives his title to such share.

202. Persons entitled to Notice of General Meetings

Subject to the provisions of the Act and these Articles, notices of every general meeting shall be given:

(a) to members of the Company as provided by Article 95 in any manner authorised by Articles 199 or 201 as the case may be or as authorised by the Act.

(b) to the persons entitled to a share in consequence of the death or insolvency of a member as provided by Article 203 or as authorised by the Act.

(c) to the auditors for the time being of the Company in any manner authorised by Article 199 or the Act as in the case of any member or members of the Company.

203. Members bound by documents or notices served on or given to previous holders

Every person who, by operation of law, transferred or other means whatsoever, shall become entitled to any share, shall be bound by every document or notice in respect of such share, which previously to his name and address being entered on the Register of Members, shall have been duly served on or given to the person from whom he derived his title to such shares.

204. Documents or notice by Company and signature thereto

Any document or notice to be served or given by the Company may be signed by a director or secretary or some other person duly authorised by the Board of Directors for such purpose and the signature thereto may be written, printed or lithographed.

205. Serving of documents or notice by Member

All documents or notices to be served or given by members on or to the Company or any officer thereof shall be served or given by sending it to the Company or officer at the office by post under a certificate of posting or by registered post.

WINDING UP

206. Distribution of assets

Upon the winding of the Company , the holders of the equity shares shall be entitled to be repaid the amount of capital paid up or credited as paid up on such shares, and all surplus assets, thereafter shall belong to the holders of the equity shares in proportion to the amount paid up or credited as paid up on such equity shares respectively at the commencement of the winding up. If the assets shall be insufficient to repay the whole of the paid up equity capital such assets, shall be distributed so that as nearly as may be, the losses shall be borne by the members holding equity shares in proportion to the capital paid up or which ought have been paid up on equity shares held by him respectively at the commencement of the winding up other than the amounts paid by them in advance of calls.

207. Distribution in specie and kind

- (i) If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the members, in specie or kind, the whole or any part of the assets of the Company whether they shall consist of property of the same kind or not.
- (ii) For the purpose aforesaid , the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such divisions shall be carried out as between the members or different classes of members.
- (iii) The liquidator may, with the like sanction, vest the whole or any of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction shall think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

208. Rights of Shareholders

Subject to the provisions of the Act, a special resolution sanctioning a sale to any other Company duly passed, may, in like manner as aforesaid, determine that any shares or other consideration receivable by the Liquidators be distributed amongst the members otherwise than in accordance with their existing rights and any such determination shall be binding upon all the members subject to the rights of dissent and consequential rights, if any, such rights be given by the Act.

INDEMNITY AND RESPONSIBILITY

209. Directors' and others' right of indemnity

- (i) Subject to provisions of section 201 of the Act, every director, managing director, manager, secretary and other officer or employee of the Company and the trustees (if any) for the time being acting in relation to any affairs of the Company against, and it shall be the duty of directors out of funds of the Company to pay all costs, losses and expenses (including travelling expenses) which any such Directors, managing director or officer or employee may incur or become liable to by reason of any contract entered into or act or deed done by them or him as such directors, managing director, officer or employee or in any way in the discharge of his duties.

(ii) Every officer or duly authorised agent for the time being of the Company shall be indemnified out of the assets of the Company against all liability incurred by him in defending any proceedings arising out of his position as an officer or as such agent of the Company, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or discharged or in connection with any application under section 633 of the act in which relief is granted to him by the Court.

SECRECY CLAUSE

210. Secrecy Clause

(i) Every director, manager, secretary, auditor, treasurer, Trustee, member of a committee, officer, servant, agent, accountant or other person employed in the business of the Company shall, if so required by the directors, before entering upon his duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions and affairs of the Company with the customers and the state of the accounts with individuals in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the directors or by law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents contained.

(ii) No members shall be entitled to visit or inspect any work of the Company without the permission of the directors or to require discovery of or any information respecting any details of the Company's trading, or any matter which is or may be in the nature of a trade secret process or any other matter which may relate to the conduct of the business of the Company and which in the opinion of the directors, it would be inexpedient in the interest of the Company to disclose.

SECTION X: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTIONS

The following Contracts (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years before the date of this Draft Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These Contracts, copies of which have been attached to the copy of this Draft Prospectus, delivered to the Registrar of Companies, Hyderabad, Andhra Pradesh for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office of the Company situated at, 4th floor, Sufi Chambers, Road No 1, Banjara Hills, Hyderabad – 500 034. India from 10.00 a.m. to 4.00 p.m. from the date of this Draft Prospectus until the date of Closing of the Issue.

A) Material Contracts:

1. Letter of appointment of M/s. Centrum Capital Limited as Lead Manager dated February 17th 2006.
2. Memorandum of Understanding entered into with M/s. Centrum Capital Limited dated May 22nd 2006 to act as Lead Manager to the Issue.
3. Memorandum of Understanding dated March 27th 2006 entered into with M/s. Big Share Services Private Limited to act as Registrar to the Issue.
4. Copy of tripartite agreement among NSDL, the Company and the Registrar, M/s Big Share Services Private Limited dated [●]
5. Copy of tripartite agreement among CDSL, the Company and the Registrar, M/s. Big Share Services Private Limited dated [●];
6. Copies of Lease Agreements as mentioned in the Draft Prospectus.

B) Material Documents

1. Memorandum and Articles of Association of the Company as amended from time to time;
2. Certificate of incorporation dated 28.01.1999 issued by the Registrar of Companies, Kendriya Sadan, Koti, Hyderabad, Andhra Pradesh.
3. Fresh Certificate of Incorporation of the Company consequent to the name change dt. 21.01.2003 and further change in the name dt. 12.03.2004, 22.07.2004 and 16.03.2005.
4. Fresh Certificate of Incorporation of the Company consequent to the name change due to conversion into Public Limited Company dated 31.03.2006.
5. Copy of the resolution passed at the meeting of the Board of Directors held on 13.04.2006 and resolution passed under section 81(1A), 293(1)(d) of the Companies Act, 1956 at the Extra Ordinary General Meeting of the Company held on 21.04.2006 authorising the issue.
6. Copies of Annual reports of the Company for the year ended 31st December 2002, 2003, 2004, 2005 and for 15 months ended 31st March 2006.
7. Resolution passed by the Company at AGM held on 21.04.2006 for appointment and affixing the remuneration of Mr Bhaskar Panigrahi, Chairman and Mr Krishna Nangegadda, Whole Time Director of the Company. The company vide its letter dated 24th May 2006 has applied to the Ministry of Company affairs for seeking approval for appointment for Mr Bhaskar Panigrahi and Mr Krishna Nangegadda
8. Report of the Auditor M/s Narven Associates, Chartered Accountants, dated May 2, 2006 as mentioned in the Draft Prospectus.

9. Certificate from M/s Narven Associates, Chartered Accountants dated 24th May 2006 regarding the sources and deployment of funds and amount committed.
10. Copy of the Board Resolution dated 28th March 2006 regarding appointment of the Company Secretary.
11. Copy of the Board Resolution dated 28th March 2006 regarding appointment of the Compliance Officer.
12. Consents of Auditors, Bankers to the Company, Lead Manager Legal Advisors, Directors, Company Secretary, Compliance Officer, Registrars and to include their names in the Draft Prospectus to act in their respective capacities.
13. Copy of letter dated May 29, 2006 from V S Raju as Legal Advisor to the Issue for vetting and approval of Draft Prospectus.
14. Resolution of the meeting of the Board of Directors held on 3rd May 2006 for the formation of the company's Audit committee, Investor Grievances Committee and Remuneration Committee.
15. In principle listing approvals from BSE and NSE dated [●] and [●];
16. Due Diligence Certificate dated May 29, 2006 to SEBI from M/s. Centrum Capital Limited.
17. SEBI observation letter No. [●] dated [●] and reply of the Lead Manager to the same dated [●].
18. Copies of Quotations/Bills received for Machineries for which order has not been placed as mentioned in Draft Prospectus.
19. No Objection certificates from the banks & financial institution who have sanctioned (CC/OD/Term Loan) to carry on the proposed public issue.
20. Power of Attorney in favour of Mr. Swaroop D R R for signing and making necessary changes to the Draft Prospectus.
21. Copies of Government Approvals as mentioned in Draft Prospectus.
22. Copies of Insurance Policies
23. No Objection Certificate and Consent from UTI Bank to act as a Monitoring Agency dated 18th May 2006
24. Copy of ESOP Trust Deed dated 18th March 2006
25. Copies of Annual Report of Group Companies
26. Valuation report on Cambridge Technology Inc, US (then a subsidiary of CellExchange Inc) done by Pricewaterhouse Coopers, Hyderabad (PWC) dated 11th April 2006. This valuation report is required to comply with RBI regulations for acquisition of a foreign company for cash, and has to be done as an arm's length transaction.
27. Agreement copy between Cell Exchange Inc and Cambridge Technologies Enterprises Limited for purchase of shares of Cell Exchange Inc, by investing Rs 200 Lakhs (Rupees Two Crores) to subscribe to 2,66,670 shares of CTEL, par value Rs 10/- at a premium of Rs 65/-.
28. Buy back agreement dated 15.04.2002
29. Copy of UTI Bank Limited for sanction of term Loan dated May 24, 2006
30. Appraisal Letter of UTI Bank dated May 27, 2006.

DECLARATION

This is to confirm that all the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government have been complied with and no statement made in this Draft Prospectus is contrary to the provisions of the Companies Act, 1956 and rules made there under. 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.

The Directors of Cambridge Technology Enterprises Limited declare and confirm that no information/material likely to have a bearing on the decision of the investor in respect of the equity shares offered in terms of this Draft Prospectus have been suppressed/withheld and/or incorporated in a manner that would amount to misstatement/misrepresentation and in the event of it transpiring at any point of time till Allotment/refund, as the case may be, that any information/material has been suppressed/withheld and/or amounts to misstatement/misrepresentation, we undertake to refund the entire application moneys to all the subscribers within seven days thereafter, without prejudice to the provisions of Section 63 of the Act.

Since the date of last financial statement disclosed in this Draft Prospectus, there have been no circumstances that materially and adversely affects or is likely to affect the profitability of the Company or the value of its assets or its ability to pay off its liabilities within a period of next twelve months.

The Directors of the Company certify that all disclosures made in the Draft Prospectus are true and correct.

SIGNED BY

Sr. No.	Name of the Directors	Signature
1	Mr Bhaskar Panigrahi*	
2	Mr Krishna P Nangegadga	
3	Mr Swaroop Dharani	
4	Mr H K Katti	
5	Mr Pavan D S Chahal*	
6	Mr R Natarajan	
7	Mr Y Ramesh Reddy (Chief Financial Officer)	

* Through their constituted Attorney Mr Dharani R R Swaroop

Place: Hyderabad
Date: May 30, 2006