



EVERONN SYSTEMS INDIA LIMITED

(The Company was incorporated as a "Public Limited Company" on 19th April 2000 under the Companies Act, 1956 at Ooty and shifted its Registered Office from Ooty to Chennai on 30th December 2005.)

Registered and Corporate Office: No. 82, IV Avenue, Ashok Nagar, Chennai – 600 083, Tamilnadu, India

Tel: +91-044-23718202-03, **Fax:** +91-044-24717845; **Website:** www.everonn.com

Contact person: Mr. K V Viswanathan - Company Secretary, Mr A V Sridhar - Compliance Officer, Email: ipo@everonn.com

PUBLIC ISSUE OF [●] EQUITY SHARES OF RS. 10/- EACH FOR CASH AT A PREMIUM OF RS. [●] PER SHARE AGGREGATING TO RS. 5000 LACS (HEREINAFTER REFERRED TO AS "THE ISSUE"). THE ISSUE WOULD CONSTITUTE [●] % OF FULLY DILUTED POST ISSUE PAID UP CAPITAL OF THE COMPANY.

PRICE BAND: Rs. 125/- TO Rs. 140/- PER EQUITY SHARE OF FACE VALUE Rs. 10

ISSUE PRICE IS 12.5 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 14 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND

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

The Issue is being made through the 100% book building process wherein not more than 50% of the Issue to the public shall be allocated on a proportionate basis to Qualified Institutional Bidders ("QIBs") (including 5% of the QIB portion that would be specially reserved for Mutual Funds). Further, not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids, being received at or above the Issue Price.

RISK IN RELATION TO FIRST ISSUE

This being the first issue of Equity Shares of Everonn, there has been no formal market for Equity Shares of the Company. **The face value of share is Rs.10 and the Floor price is 12.5 times of the face value and the Cap price is 14 times the face value.** The issue Price (as has been determined and justified by the Book Running Lead Manager and the Company as stated herein under the paragraph on the Basis for the Issue price) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

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

IPO GRADING

The Company has not opted for IPO Grading

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING

The Equity Shares issued through this Red Herring 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 in-principle approvals from these Stock Exchanges for the listing of Equity Shares pursuant to letters No. DCS/SK/MT/28092006-3 dated September 28, 2006 and NSE/LIST/31626-G dated October 19, 2006 respectively.

BOOK RUNNING LEAD MANAGER

CENTRUM

CENTRUM CAPITAL LIMITED

SEBI Regn No. INM000010445

AMBI Reg. No: AMBI/087

59, Krishna Chambers, Sir Vithaldas Thackersey Marg, New Marine Lines, Mumbai - 400 020

Tel: +91-22- 40300500; Fax: +91-22- 40300510

Website: www.centrum.co.in

Email: everonn@centrum.co.in

Contact Person: Mr. Mayank Dalal / Mr. Gaurav Saravgi

REGISTRAR TO THE ISSUE

Cameo Corporate Services Limited

SEBI Regn No. INR 000003753

Subramanian Building, No.1, Club House Road, Chennai - 600 002.

Tel No: +91 44 28460390;

Fax No: +91 44 28460129

E-mail: cameo@cameoindia.com

Website: www.cameoindia.com

Contact Person: Mr. R.D. Ramasamy



BID/ISSUE SCHEDULE

BID / ISSUE OPENS ON : THURSDAY, JULY 05, 2007

BID / ISSUE CLOSES ON : WEDNESDAY, JULY 11, 2007

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SECTION: I: DEFINITIONS AND ABBREVIATIONS

TERM	DESCRIPTION
“The Company” or “Our Company” or “Everonn Systems India Limited” or “Everonn” or “ESIL” or “we” or “our” or “us”	Unless the context otherwise requires refers to Everonn Systems India Limited, a company incorporated under the Companies Act

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
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the rules and regulations framed there under for the time being in force
Financial Year/FY / Fiscal	Period of twelve months ended March 31
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	The Memorandum of Association of Everonn
Non-Resident	A person resident outside India who is not a NRI, OCB, FII or a person resident in India.
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 Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs, including overseas trusts in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Deposit) Regulations, 2000. OCBs are not allowed to invest in this Issue.
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time.
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 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, as amended from time to time.

OFFERING-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.
Applicant/Bidder	Any prospective investor who makes an application pursuant to the terms of this Red Herring 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	ICICI Bank Limited and Deutsche Bank AG.
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to the Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid Closing Date /Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper, a Hindi national newspaper and a Tamil newspaper with wide circulation.
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of the Company and which will be considered as the application for issue of the Equity Shares pursuant to the terms of this Red Herring Prospectus.
Bid Period/Issue Period	Period between the Bid Opening Date/Issue Opening Date and the Bid Closing Date /Issue Closing Date inclusive of both days and during which prospective Bidders can submit their bids.
Book Building Process	Book Building route as provided under chapter XI of the SEBI Guidelines, in terms of which issue is made.
BRLM/Book Running Lead Manager	Centrum Capital Limited
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CAN/Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with Book Building Process.
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted.
CDSL	Central Depository Services (India) Limited.
Cut-off Price	Any price within the Price Band finalized by the Company in Consultation with the BRLM. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band.
Designated Date	The date on which funds are transferred from the Escrow Account of the Company to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful allottees.
Designated Stock Exchange	The Bombay Stock Exchange Limited.
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.
DP/Depository Participant	A depository participant as defined under the Depositories Act.

TERM	DESCRIPTION
Draft Red Herring Prospectus	The Draft Red Herring Prospectus dated August 9, 2006 issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and the number of shares to be issued.
ECS	Electronic Clearing System
Equity Shares	Equity shares of face value of Rs.10/- each of the Company unless otherwise specified in the context thereof.
Escrow Account	Account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount, when submitting a Bid.
Escrow Agreement	Agreement entered into amongst the Company, the Registrar, the Escrow Collection Bank(s) and the BRLM for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders.
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker(s) to the Issue, at which the Escrow Account will be opened.
Face Value	Face Value of Equity Shares of the Company being Rs. 10/- each.
First Bidder	The Bidder whose name appears first in Bid cum Application Form or Revision Form.
Floor Price	The lower end of Price Band, below which the Issue Price will not be finalized and below which no bids will be accepted.
FVCIs	Foreign Venture Capital Investors, as defined and registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000, as amended.
GIR Number	General Index Registry Number.
Fresh Issue/ Issue/ Public Issue	The Issue of Equity Shares at the Issue Price by the Company pursuant to the Red Herring Prospectus.
Issuer	Everonn Systems India Limited
Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Accounts for the Issue on the Designated Stock Exchange.
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. 125/- at lower end of the price band and Rs. 140/- at higher end of the price band aggregating Rs. 5000 lacs by the Company in terms of the Red Herring Prospectus
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of this Red Herring Prospectus.
Margin Amount	The amount paid by Bidder at the time of submission of his/her Bid, which may range between 10% to 100% of the Bid Amount.
Mutual Funds	Mutual Funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended.
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have bid for Equity Shares for an amount more than Rs. 1,00,000/-.
Non Institutional Portion	The portion of this Issue being at least 15% of the Issue i.e. Equity Shares of Rs. 10/- each aggregating to Rs. 750 lakhs available for allocation to Non Institutional Bidders.
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending until the Bid Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid Opening Date and extending up to the date specified in the CAN.

TERM	DESCRIPTION
Person/Persons	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires.
PIO/ Person of Indian Origin	Shall have the same meaning as is described to such term in the Foreign Exchange Management (Investment in Firm or Proprietary Concern in India) Regulations, 2000.
Price Band	The price band with a minimum price (Floor Price) of Rs. 125/- and the maximum price (Cap Price) of Rs. 140/-, including any revisions thereof.
Pricing Date	The date on which the Company in consultation with the BRLM finalize the Issue Price
Prospectus	The prospectus, filed with the RoC after the Pricing Date containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the number of shares to be issued and certain other information.
QIB Portion	The portion of the Issue being not more than 50% of the Issue consisting of [•] Equity Shares aggregating Rs 2500 Lakhs, to be allotted to QIBs on a proportionate basis.
Qualified Institutional Buyers / QIBs	Public financial institutions as defined in Section 4A of the Companies Act, FIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, State Industrial Development Corporations, Insurance Companies registered with the Insurance Regulatory and Development Authority, Provident funds with a minimum corpus of Rs. 2500 lakhs, pension funds with a minimum corpus of Rs. 2500 lakhs, and multilateral and bilateral development financial institutions.
RBI	The Reserve Bank of India.
Registrar /Registrar to the Issue	Registrar to the Issue, in this case being Cameo Corporate Services Limited
Reserve Bank of India Act/ RBI Act	The Reserve Bank of India Act, 1934, as amended from time to time.
Retail Individual Bidders	Individual Bidders (including HUFs) who have Bid for Equity Shares for an amount less than or equal to Rs. 1,00,000 in any of the bidding options in the Issue.
Retail Portion	The portion of the Issue to the public being a minimum of [•] Equity Shares of Rs. 10/- each available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s).
RHP or Red Herring Prospectus	The Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and the number of shares to be issued. The Red Herring Prospectus will be filed with the RoC at least 3 days before the Bid Opening Date and will become a Prospectus after filing with the RoC after the Pricing date.
RoC	The Registrar of Companies, Tamilnadu at Chennai.
Stock Exchanges	BSE and NSE.
Syndicate or members of the Syndicate	The BRLM and the Syndicate Member (s), if any.
Syndicate Agreement	The agreement to be entered into between the Company and the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Member	Centrum Capital Limited
TRS or Transaction Registration Slip	The slip or document issued by the Syndicate Members to the Bidder as proof of registration of the Bid.

TERM	DESCRIPTION
Underwriters	The BRLM and the Syndicate Member (s), if any.
Underwriting Agreement	The agreement among the members of the Syndicate and the Company to be entered into on or after the Pricing Date.
VCFs	Venture Capital Fund as defined and registered with SEBI under the SEBI (Venture Capital Fund) Regulations, 1996, as amended.
YOY	Year on Year.

COMPANY/ INDUSTRY-RELATED TERMS:

TERM	DESCRIPTION
Auditors	The Statutory Auditors of the Company, being M/s P. Chandrasekhar, Chartered Accountants
BFSI	Banking, Financial Services and Insurance
Board of Directors	Board of Directors/Board. The Board of Directors of the Company or a committee constituted thereof.
BOOT	Built Own Operate and Transfer
Compliance Officer	Compliance Officer of the Company in this case being, Mr A V Sridhar
Director(s)	Director(s) of the Company unless otherwise specified.
EMD	Earnest Money Deposit
HCIL	Hughes Communication India Ltd
HECL	Hughes Escorts Communication Limited
HNGE	Hughes Net (Direcway) Global Education
ICT	Instructional Computing Technology
IT	Information Technology
K12	Kindergarten to Class 12
LKG	Lower Kindergarten
PGDCA	Post Graduate Diploma in Computer Application
PGDM	Post Graduate Diploma in Management
Promoter(s)	Person(s) whose name(s) have been inserted as promoters as referred on page 96.
PSB	Post School Business
Registered Office of the Company	The Registered Office of the Company being No.82, IV Avenue, Ashok Nagar, Chennai-600 083, India.
SBU	Strategic Business Unit
TEFL	TEFL Education India Private Ltd
TRPL	Tourism Resorts Private Limited
V-Classroom	Virtual Classroom
VITELS	Virtual and Tech Enabled Learning Solutions
VSAT	Very Small Aperture Terminal

ABBREVIATIONS:

ABBREVIATION	FULL FORM
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
AY	Assessment Year
CAGR	Compounded Annual Growth Rate
Capex	Capital Expenditure
CDSL	Central Depository Services (India) Limited
D/E Ratio	Debt Equity Ratio
DP	Depository Participant
DPID	Depository Participant Identification
EBDITA	Earnings Before Depreciation, Interest, Tax and Amortization
EGM	Extraordinary General Meeting
EPS	Earnings Per Equity Share i.e. profit after tax divided by outstanding number of Equity Shares at the year end.
FCNR/FCNR Account	Foreign Currency Non Resident Account
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations there under and amendments thereto.
FII/FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws.
FIPB	Foreign Investment Promotion Board
FVCI	Foreign Venture Capital Investor registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000
FY / Fiscal	Financial year ending March 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
ICAI	The Institute of Chartered Accountants of India
INR/ Rs	Indian National Rupee
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.
NMIMS	Narsee Monjee Institute of Management Studies
NRE/NRE Account	Non-Resident External Account
NRI	Non-Resident Indian

ABBREVIATION	FULL FORM
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depositories Limited
NSE	National Stock Exchange of India Ltd
OCB	Overseas Corporate Bodies
P. A	Per Annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
QIB	Qualified Institutional Buyer
RoC	Registrar of Companies
RoNW	Return on Net Worth
SEBI	Securities & Exchange Board of India
UT	Union Territories

SECTION II : RISK FACTORS

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from the financial statements prepared in accordance with Indian GAAP and included in this Red Herring Prospectus. The last fiscal year commenced on April 1st 2006 and ended on March 31st 2007.

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

Unless stated otherwise, industry/ market data used throughout this Red Herring Prospectus have been obtained from internal Company reports and other industry publications. Industry publications have been obtained from sources believed to be reliable, but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry/ market data used in this Red Herring Prospectus is reliable, it has not been independently verified.

For additional definitions, please refer the section titled “Definitions and Abbreviations” on page i of this Red Herring Prospectus.

FORWARD-LOOKING STATEMENTS

The Company has included statements in this Red Herring Prospectus, that contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “project”, “shall”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will continue”, “will pursue” and similar expressions or variations of such expressions that are “forward-looking statements”. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding The Company objectives, plans or goals, expected financial condition and results of operations, business, plans and prospects are also forward-looking statements.

These forward-looking statements include statements as to business strategy, revenue and profitability, planned projects and other matters discussed in this Red Herring Prospectus regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Red Herring Prospectus (whether made by us or any third party) involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

All forward-looking statements are subject to risks, uncertainties and assumptions 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 expectations include, among others:

- general economic and business conditions in India and other countries;
- ability to successfully implement strategy, growth and expansion plans and technological initiatives;
- changes in domestic and foreign laws and regulations that apply to our industry;
- changes in political conditions in India; and
- changes in the foreign exchange control regulations in India.
- changes in the Competition landscape

For further discussion of factors that could cause Company’s actual results to differ, see the section titled “Risk Factors” on page viii of this Red Herring Prospectus. By their nature, certain risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. The Company, the members of the Syndicate and their respective affiliates do not have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permission by the Stock Exchanges.

RISK FACTORS

Prospective investors should carefully consider the risks described below, in addition to the other information contained in this Red Herring Prospectus before making any investment decision relating to the Equity Shares. The occurrence of any of the following events could have a material adverse effect on the business, results of operation, financial condition and prospects and cause the market price of the Equity Shares to decline and you may lose all or part of your investment.

Prior to making an investment decision, prospective investors should carefully consider all of the information contained in this Red Herring Prospectus, including the restated financial statements included in this Red Herring Prospectus beginning on page 99. Unless stated otherwise, the financial data in this section is as per the Company restated financial statements prepared in accordance with Indian GAAP.

Unless otherwise stated in the relevant risk factors set forth below, they are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

INTERNAL RISK FACTORS AND RISKS RELATING TO OUR BUSINESS

1. Outstanding Litigations:

Suit filed by Mr Deepak Jain pertaining to our Public Issue

One Mr. Deepak Jain, from New Delhi sent a notice dated September 10, 2006 to SEBI seeking information on the draft red herring prospectus ("DRHP") filed by us with SEBI and uploaded on the SEBI website. Further, based on the DRHP, Mr. Jain sent a letter to SEBI generally alleging that we have not been complying with the Accounting Standards prescribed by the Institute of Chartered Accountants of India. In response to a request from SEBI to provide explanations, we have sent a detailed reply dated September 24, 2006 to SEBI with a copy to Mr. Jain. Similar allegations are also sent to Regional Director (Southern Region) Ministry of Corporate Affairs, Chennai and ROC, Tamilnadu, Chennai.

Mr. Deepak Jain filed a civil suit against SEBI in the Delhi lower civil court seeking a direction to restrain SEBI from issuing the Observation Letter in respect of our DRHP, without making us as a party to the proceedings.

We received the Observation letter from SEBI vide its letter dated April 20, 2007. Subsequently, we understand that Mr. Jain had filed a writ petition in Delhi High Court challenging the Observation Letter issued by SEBI on the Draft Red Herring Prospectus filed by the Company, again, without making the Company or its merchant banker a party to the proceedings. However, we also understand from the official website of Delhi High Court that this writ petition against SEBI has been withdrawn by the Petitioner on May 9, 2007.

Further, our Merchant Bankers M/s Centrum Capital Ltd has received a notice under section 79 of the Information Technology Act, 2000 vide an email dated May 4, 2007 from Mr Deepak Jain. The notice alleges that by hosting the Draft Red Herring Prospectus of Everonn Systems India Ltd on its website, Centrum has become a Network Service Provider under the provisions of Information Technology Act, 2000 and is liable for third party data hosted on its site and that Centrum has not exercised due diligence of data pertaining to the DRHP of Everonn.

Further we also understand that Mr Deepak Jain has filed a Suit in the Delhi High Court against Centrum Capital Ltd, the contents of which are not known as Centrum has not received the summons as on May 18, 2007.

2. Promoters are first generation Entrepreneurs and the investors will be subject to all consequential risk associated with such ventures.

Management Proposal: The Promoters of the Company possess more than 19 years of experience in the education industry and are well supported by a key executive team, which has diverse functional experience to manage the growth of the Company. We have a track record of delivering products and services to the satisfaction of customers.

3. One of our Group Companies has incurred losses during the past years.

Some of the ventures promoted by our promoters have incurred losses in the previous years as follows:

(Rs. in Lakhs)

Name of the Company	Net Profit/Loss for year ended 31.03.2006	Net Profit/Loss for year ended 31.03.2005	Net Profit/Loss ended for year 31.03.2004
Tourism Resorts Private Limited	0.18	(0.20)	(5.31)

Management Proposal: Tourism Resorts Private Limited (TRPL) has cut down the level of operations drastically over the last few years and only minimal activity is continued in the said company. Also, the business activity of TRPL is completely different from ours. Therefore the losses of TRPL will have no impact on the books of our Company.

4. There have been delays in payment of Statutory dues by us including Provident Fund (PF) and Employee State Insurance Scheme (ESIS). The year wise summary for the past four years is mentioned hereunder:

Financial year	Employees State Insurance Scheme (Rs.)	Provident Fund (Rs.)
2006-07	1,53,374	44,17,145
2005-06	78,214	31,30,797
2004-05	1,39,824	47,51,125
2003-04	1,45,490	55,04,297

For further details on the same, please refer page no 124 under the heading “Outstanding Litigations and Material Developments” of the RHP.

Management Proposal: There have been delays in the payment of Statutory dues but we have never defaulted in our payments. However, we have initiated necessary steps to avoid such delays in the payment of the same in future.

5. The Project is not appraised by any Bank or Financial Institution

The proposed activities for which the funds are being raised have not been appraised by any Bank or Financial Institution and the fund requirements are based primarily on Management estimates.

Management Proposal: The use of proceeds of the Issue has been determined based on Management's internal estimates. The implementation schedule is provided under the section – Objects of the Issue. We have also appointed Syndicate Bank as the monitoring agency to monitor the usage of funds raised through this Issue.

6. We are exposed to the risk of fluctuations in our cash flows due to delay in receivables from Government Projects which might have a negative impact on the smooth functioning of our day to day operations.

The payment system with our Government aided projects are exposed to delays due to the systemic procedures in making such payments. Hence, we are subject to the risk of payments being delayed, thereby impacting our working capital requirements.

Management Proposal: In anticipation of this delay we have taken proactive measures to mitigate this risk by having an efficient payment follow up process to minimize the time taken to receive the payments. Besides, our experience shows that there has been no incidence of default from Government projects.

7. We are yet to place orders for equipments and Software amounting to Rs 3316.50 lakhs constituting 82.92% of the proposed equipments cost of Rs 4000 lakhs as mentioned in the Objects of the Issue

Management Proposal: We have received quotations for Capex to be incurred for the Institutional Education and IT infrastructure Services (IEIS) and Virtual and Tech Enabled Learning Solution and have also placed orders for equipments amounting to Rs 672.02 lakhs for IEIS. Also, we are confident of meeting the

implementation schedules by placing orders at the most appropriate time. Besides, we would leverage on and benefit from the experience of setting up our current studio. However the final orders would be placed once the quotations and capabilities have been assessed by the management.

8. We have not identified the target company for the proposed Mergers and Acquisitions and Investment.

Management Proposal: We are in the process of short listing Companies for acquisition/investment. The targets for acquisition/investment could be companies in the field of Education Technology, Content Development or Multimedia/ Animation / Graphic Design. We have planned to deploy a part of the proceeds of the issue to capitalise on any such opportunities of Inorganic growth.

9. Our new initiative relating to Online Web Tutoring is an emerging and evolving segment on which we have no experience, intelligence or market data and hence is prone to the risk of failure.

For our new initiatives such as Online Web Tutoring, no established business model is available. There is no guarantee that this new initiative will lead to sustainable revenue or profits. Hence, to that extent, we are exposed to the risks of investing money in such initiatives.

Management Proposal: We carefully weigh the risks and returns before taking up any new initiative based on our market research and due diligence. We also rely on the experience of our staff and external consultants and advisors. Our decision is based on the competitive price advantage, the size of the market opportunity as well as our experience in education and with teachers.

10. Delay in the Schedule of Implementation might have an adverse impact on our profitability.

Management Proposal: There has been a delay in the planned layout with respect to the formation of Subsidiary and acquisition. However, we have already started deploying funds for capex to be incurred for Institutional Education and Infrastructure Services and for Virtual and Tech Enabled learning solutions.

11. Risk related to default in payment by Schools/Colleges.

We are exposed to the risks of payment defaults by schools, colleges and Corporates, who are our primary customers in the area of virtual and tech enabled learning solutions.

Management Proposal: We protect ourselves by entering into legal contracts and also taking advance payments in the case of private schools/colleges. As a part of our contract, we have the right to take back all the equipments and content in case of a customer default.

12. Our business model is exposed to the risk of piracy and misuse of Content developed by us.

We have developed content for schools/colleges. Our Content module includes courses for Skill Enhancement such as Effective English Communication and Soft Skill Enhancement. Besides this, we have other Career Oriented Programs which includes courses on BFSI, and other IT courses. This content is distributed through VSATs to various Educational Institutions that we serve and is exposed to piracy. In case our Content gets pirated, we run a risk of loss of revenue, because of the infringement of copyrights on the part of our Customers.

Management Proposal: Our authorized legal team keeps a close watch on our products. They take immediate action in case any misuse of copyright is detected. As most of our clients are institutional clients, the possibility of copyright infringement is minimal. However, one of our team members oversees the usage of the product by the client during the contract period, thereby minimizing the piracy risk. The copyright laws, license agreements, confidentiality agreements with employees and, contractual confidentiality requirements imposed on our customers protects our copyrights on the content developed by us. Our employees enter into a non-disclosure clause as part of the appointment letter. We also protect our product by developing in-house software engines, where encryption & decryption takes place in password-protected codes. The uploading and downloading of our content via the communicating satellite within a computer network is also similarly protected.

13. We are venturing in new geographical areas like the Middle East & South East Asian Countries where we do not have prior experience or expertise and hence is subject to business risk.

We have not tried the products and services in the Middle East & South East Asian Countries. We do not have much experience in dealing with global customers and the regulations that prevail in these regions. Hence our operations are subject to the risks of operating in a new market.

Management Proposal: We are developing content that meet global standards, that is in line with the educational requirement in these new markets. Our strengths will be the price advantage we get due to the fact that our development centre is located in India and also on the quality of our product offerings. We plan to mitigate competitive risk by pursuing strategic alliances with credible players in the respective markets and will also explore the possibility of a strategic acquisition in the future.

14. We are dependent on a number of key personnel, and our inability to attract or retain such persons could adversely affect us.

The key management team is responsible for the day-to-day operations and they are indeed the key force in driving the business growth. There is always a risk that we may lose our key management team to our competitors. If one or more members of our management team are unable or unwilling to continue with us, we may find it difficult to replace such people and our business may be adversely affected.

Management Proposal: As we are in Service Industry, our growth and operations are dependent on the Management team. The team of professionals, who are responsible for the day-to-day operations, drive our business growth. We have adopted an ESOP Plan as a method to retain the loyalty of our employees. Our senior management team members have been with us for many years. As a policy, the second tier is being groomed by us to create a broad leadership base within the organization.

15. We do not currently own the premises at which our registered office is located.

We do not currently own the premises at which our registered office and corporate office are located. We have lease arrangement with a third party and pay rent for the occupation of the premises. These leases may be renewed subject to mutual consent of the lessor and ourselves. In the event that the lessor requires us to vacate the premises, we will have to seek new premises at short notice and for a price that may be higher than what we are currently paying, which may affect our ability to conduct business or increase our operating costs.

16. Our Business involves installation of a large number of Computer Systems and other electronic equipments across various geographies. Such electronic equipments are prone to hardware/software malfunction, virus attacks, hacking and technological obsolescence. If any such events occur, we run the risk of disruption of our operations.

Management Proposal: We have in place a security policy that requires complying with certain security obligations, including maintenance of communication and network security, back-up of data, ensuring the network is virus-free and ensuring the credentials of its employees who work with its clients. We do have a backup system for all our operations. The network and the computer systems have the latest security system and employees working on the network has to follow certain rules to ensure the security of the whole system.

17. We have applied for certain Trade Marks which are pending registration. Any delay in granting registration or in obtaining registration could result in loss of brand equity and our right to use those brands.

We have made an application to the Trade Mark Registry, Chennai to register our brands, “Zebra Kross”, “Everonn”. The brands have not yet been registered and are in the process of registration with the Trade Mark Registry. In case we are unable to achieve successful registration of our trade names, we may be subject to financial loss and loss of brand equity.

Management Proposal: As per our Company’s policy, we immediately file for registration for any trade name / logo used in any of our products. We have already applied for registration of both the brand and the same are pending approval.

18. There has been negative net cash flow from investing activities and financing activities

We have negative net cash flow from investing activities in all the financial years mentioned in this Red Herring Prospectus. There has also been negative net cash flow from financing activities for the financial year 2005, 2004.

Management Proposal: The cash flow from investing activities is negative mainly due to purchase of fixed assets. The cash flow from financing activities has been negative due to interest outgo and repayment of borrowings.

19. We have contingent liabilities which may adversely affect our financial conditions

As on March 31, 2007, contingent liabilities not provided for in the restated financial statements aggregated to Rs 318.79 lakhs. These included liabilities relating to the following:

(Rs. in Lakhs)

Particulars	March 31, 2007	March 31 st 2006
Bank Guarantee	318.79	321.45

In the event the above contingent liability materializes, the financial condition and results of operations may be adversely affected.

Management Proposal: A major portion of the outstanding contingent liability is in the form of Bank Guarantees. The management does not envisage any of the contingent liability to materialize and impact the business of the Company significantly.

20. Our Business is seasonal in nature.

Our business is seasonal in nature and the maximum growth is usually registered in the second and fourth quarter of the financial year.

Management Proposal: Our business is closely linked to the academic cycle wherein a large part of revenue is accrued during the second and fourth quarter of the financial year. However, we are also undertaking Corporate and Professional development programmes including summer coaching programmes.

21. High Outstanding of Sundry Debtors

We have a very high level of Sundry Debtors of 7.8 months as on March 31, 2007

Management Proposal: As most of our receivables are from Governments, our debtor outstanding is normally high. Payments from some of our major contracts are on half yearly payment basis which has resulted in increase in debtors. Debtors have further gone up during the current financial year from Rs 1734.50 lakhs in FY 2005-06 to Rs 2796.50 lakhs as we have secured new contract from Karnataka Government in the last quarter of FY 2006-07.

The payment system with our Government aided projects are exposed to delays due to the systemic procedures in making such payments. Hence, we are subject to the risk of payments being delayed, thereby impacting our working capital requirements. However, our experience has shown us that there have been no defaults in payments from the Governments.

22. Heavy upfront Investment in School Infrastructure

The upfront investment in building up school projects is quite heavy. There is a risk of delay in access to investible funds and infrastructure.

Management Proposal: We have contracted and tested business model that ensures an inflow of investible funds. This apart, the relationship with bankers and fund providers developed over a period of time and the clear track record of debt servicing would ensure funds for committed projects.

23. Risk in accepting the Virtual Learning concept

The virtual class room concept is new to India and hence the acceptance from students of this concept may take time.

Management Proposal: Shortage of teachers in most of the institutions, lack of good course content, lack of access to certain courses and programs in many places, all point to the scope for the virtual class room. Our expertise in the last two years has reiterated the efficacy, utility, and demand for this type of education.

24. Restrictive Covenants in Loan Agreements /Other Agreements entered into by us.

We/Directors have entered and propose to enter into a number of agreements in the course of normal business

activity of the Company and such agreements carry/may carry restrictive covenants in the interests of the existing equity shareholders.

Management Proposal: There are no unusual covenants apart from standard covenants imposed to ensure fiscal discipline and they do not restrict our operational efficiency.

25. We are subject to certain restrictions imposed on our Company pursuant to a shareholders agreement.

Pursuant to a Shareholders Agreement dated July 31, 2006 signed by India China Pre-IPO Equity (Mauritius) Ltd and Everonn Systems India Ltd and Mr P Kishore and Mr P K Padmanabhan and Mr P Sarvotham and Mrs Jaya Padmanabhan and M/s Net Equity Ventures (P) Ltd, certain special rights and restrictive covenants have been provided to India China Pre IPO (Mauritius) Ltd, certain actions which require their prior consent, restrictions on transfer of shares, change in capital of the Company, Voting Rights etc. For details, please refer to the section titled "Shareholders Agreements" on page 75 of the Red Herring Prospectus. The agreement shall stand terminated in its entirety immediately upon the listing of any shares or securities of our Company on any stock exchange.

26. Risk related to the expiry of agreement entered into with Hughes Escorts Communication Ltd (now Hughes Communication India Ltd) for providing remote education through satellite.

We have entered into an Agreement with Hughes Escorts Communication Ltd (now Hughes Communication India Ltd) dated March 20, 2002 for a term of 5 years as a Lead partner to help HECL in developing business for remote education and training through satellite broadband technologies. The same has expired and we are yet to renew the same. Failure to renew the contract could have a negative impact on our revenue and profits.

Management Proposal: We are in the advanced stages of getting the contract renewed. Our retail programmes are also run in the same classroom.

27. One of our Directors, Mr R Sankaran was on the Board of a Company which has defaulted in payments to financial institutions.

Mr. R. Sankaran was a non Promoter, non Executive Director on the Board of Tata Constructions and Projects Limited (TCPL), from 29th November 1991 to 19th November 2001. TCPL was declared a sick company under BIFR on 9th February, 1988 even before Mr R Sankaran joined the Board. Further, two rehabilitation schemes were approved by BIFR and it had extended the repayment period for the debentures upto 31st December, 2000. But TCPL had defaulted in redeeming the debentures and interest outstanding to the institutions and the court ordered for winding up of the Company on 29th December 2004.

28. Dependence on IPO proceeds

Our expansion plan is largely funded from this IPO. Any delay/failure of the same, may adversely impact the implementation of the Project.

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

29. We have in the last 12 months issued Equity Shares at a price which is lower than the expected issue price.

We have issued shares to our Directors and other Investors at a price which is lower than the expected Issue price within the past 12 months, the details of which are appearing under the head "Share Capital History of the Company" on page 12 of the Red Herring Prospectus.

30. We have not declared any dividend for FY 2006-07 and may not do so in future.

We have announced dividends @ 50%, 25% and 10% for the financial years 2003-04, 2004-05 and 2005-06 respectively. We had not declared any dividends to our Equity shareholders for FY 2006-07 and prior to financial year 2003-04. Whether or not we pay dividends in the future and the amount of any such dividends, if declared, will depend upon a number of factors, including our results of operations and financial condition,

and other factors considered relevant by our Board of Directors and shareholders. There is no assurance that we will declare and pay, or have the ability to declare and pay, any dividends on our shares at any point in the future.

31. Any further issuance of Equity Shares by us may impact the market price of our Equity Shares.

We may require further issue of Equity Shares to satisfy the capital needs of our 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 Proposal: The major part of capital requirements of the proposed projects are being raised through this IPO and balance through preferential placement 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 necessary shareholders approvals.

32. Valuation Methodology

The valuations in Technology based Education Industry is presently high, which may not be sustainable in future and may also not be reflective of future valuations in the industry. There is no standard valuation methodology or accounting practices in this emerging industry.

EXTERNAL RISK FACTORS

Certain factors beyond our control could have a negative impact on our performance, such as:

1. Education Curriculum changes may affect our business

As our products are closely linked to the prevailing Education Curriculum and systems, any change in the education system may require a substantial change in our products or may be rendered obsolete.

2. Changes in Government policies or reallocation of the Government budget for various states away from education services could impact business prospects.

The Government policies on Education has an impact on our performance to a large extent. Therefore any such changes in Government policies or reallocation of the Government budget away from education services could affect our business prospects.

3. Exchange rate volatility may have an impact on our revenues from international business.

At present export earnings are negligible. However, exchange rate fluctuations may have an impact on our performance in the future. 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 our proposed overseas operations.

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

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, as a result of drought conditions in the country during fiscal 2003, the agricultural sector recorded negative growth for that period. The erratic progress of the monsoon in 2004 affected sowing operations for certain crops. Further prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy, adversely affecting our business and the price of our Equity Shares.

5. Changes in Domestic tax laws

Any change in tax laws in India particularly income tax might lead to increased tax liability of the Company thereby putting pressures on profitability. Due to any increase in taxes, duties, levies etc on computer hardware by the Government there is a risk of increased hardware costs.

6. Investors will not be able to sell immediately any of the Equity Shares purchased in this Issue on the Stock Exchanges.

The Equity Shares will be listed on the National Stock Exchange of India Limited (the “NSE”) and the Bombay Stock Exchange Limited (the “BSE”, and together with the NSE, the “Stock Exchanges”). As required by Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors’ book entries or dematerialised accounts with depository participants in India are expected to be credited within two working days of the date on which the basis of allotment is approved by the designated Stock Exchange. Thereafter, upon receipt of final approval of the Stock Exchanges, trading in the Equity Shares is expected to commence within seven working days of the date on which the basis of allotment is approved by the designated Stock Exchange. There can be no assurance that the Equity Shares allocated earlier to investors will be credited to their dematerialised accounts or that trading will commence within the time periods specified above.

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

The prices of the Equity Shares on the Indian Stock Exchanges may fluctuate after this Issue as a result of several factors, including:

- results of operations and performance;
- perceptions about the future performance;
- performance of the competitors in the Industry and the perception in the market about investments made in new initiatives
- adverse media reports on the Company or the Industry;
- changes in the estimates of the performance or recommendations by financial analysts;
- significant developments in India’s economic liberalisation and deregulation policies
- significant development in India’s fiscal and environmental regulations.
- significant Volatility in the Domestic and Global Equity markets.

There has been no public market for the Equity Shares and the prices of the Equity Shares may fluctuate after this Issue. There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this Issue, or the prices at which the Equity Shares are initially traded will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue. The share price is likely to be volatile and may decline.

Notes to Risk Factors:

- Public Issue of [●] Equity Shares of face value Rs. 10/- each for cash at a price of Rs. [●] per Equity Share aggregating to Rs. 5000 lacs (hereinafter referred to as “this issue”).
- The average cost of acquisition of Equity Shares by the Promoters

Name of the Promoter	Average Cost of Acquisition per share (Rs.)
Mr P Kishore	4.66
Mr P K Padmanabhan	7.34
Mr P Sarvotham	66.08
Mrs Jayalakshmi Padmanabhan	8.18

- The Net worth of the Company as on March 31, 2007, is Rs 3659.41 lakhs as per our restated financials prepared in accordance with Indian GAAP and the Book Value per share is Rs. 42.41 as on that date.

- Investors may please note that in the event of over subscription, allotment shall be made on proportionate basis in consultation with the Bombay Stock Exchange Limited, the Designated Stock Exchange.
- Investors are advised to refer to the paragraph on “Basis for Issue Price” on page 41 of this Red Herring Prospectus before making an investment in this issue.
- Investors are free to contact the BRLM or our Compliance Officer for any clarifications or information relating to the Issue.
- Trading in our Equity Shares for all the Investors shall be in dematerialized form only.
- The Issue is being made through a 100% Book Building Process wherein upto 50% of the Issue will be allocated on a proportionate basis to Qualified Institutional Buyers (“QIBs”) (including 5% thereof to be allocated to Mutual Funds). Further, atleast 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional bidders and atleast 35% of the Issue will be available for allocation on a proportionate basis to the Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
- Except as disclosed in the sections titled “Capital Structure”, “Promoters” on page nos 11 and 96, respectively, none of our Directors and key managerial employees have any interest in the Company except to the extent of remuneration and reimbursement of expenses and to the extent of Equity Shares held by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, trustee and to the extent of the benefits arising out of such shareholding.
- For Related Party transactions refer to the section Annexure XIII on page no. 113 of this Red Herring Prospectus.

SECTION III: INTRODUCTION

SUMMARY

This is only the summary and does not contain all information that you shall consider before investing in Equity Shares. You should read the entire Red Herring Prospectus, including the information on “Risk Factors” and related notes on page x of this RHP before deciding to invest in Equity Shares.

INDUSTRY OVERVIEW

Education in India

School Education

India is one of the largest markets for School Education in the World. India currently has around 1.18 million schools in both Government and Private segment providing education from K-12 (kindergarten – Class 12) to over 200 million students. There are over 5 million teachers across India who need support in training in IT and other subjects.

The approved outlay for elementary education and literacy during the 10th Plan is Rs. 30,000 crores. The approved outlay for secondary education and higher (including vocational training) in the Central sector in the 10th Plan is Rs. 13825 crores.

The Government of India has spent over Rs.10,000 crores (USD 2.2 billion) on Elementary Education in the country during 2005-06 through its various schemes. Besides this the Government has also spent around Rs. 2100 crores on Higher/Secondary Education during 2004-05 and an outlay of Rs 2563 crores for 2005-06. Education in the country is funded through a 2% Education Cess and other Budgetary Allocations.

Source: <http://education.nic.in>

The Education cess @2%p.a on Direct and Indirect Central taxes has been imposed through the Finance (No. 2) Act 2004 so as to fulfil the commitment of the Government to provide and finance universalised quality basic education. The cess is expected to yield Rs. 6000-Rs. 8000 crores p.a. The proceeds from the cess will be used to implement two main programs related to Universal Elementary Education viz. Sarva Shiksha Abhiyan and Mid-Day-Meal. A separate dedicate non-lapsable fund called the Prarambhik Shiksha Kosh has been created to receive the proceeds of the education cess.

Source: Pg-8, Annual Report 2005-06 Department of Elementary Education and Literacy, Department of Secondary and Higher Education, Ministry of Human Resource Development, Government of India

BUSINESS OVERVIEW

We are a fully integrated Knowledge Management, Education and Training Company offering a range of services that include

- Creating Educational and Training Content that is globally relevant
- Designing and executing large learning initiatives.
- Setting up the needed infrastructure for learning and training

We are one of the leading players in setting up Virtual and Interactive Learning classroom networks across India to deliver quality and affordable education. We are developing and integrating content for Indian and global audience in schools, colleges, corporates and retail space.

We are one of the pioneers of computer education in schools and colleges. We have partnered with various State Governments to bridge the digital divide. Computer Lab infrastructure is set up by us inside the School and College and IT Education is imparted through well trained Everonn faculty.

We are a Lead Partner of Hughes Communication India Ltd (HCIL) ((Formerly called Hughes Escorts Communications Ltd) (HECL)) for Hughes Net (Direcway) interactive learning, where management courses from premier management institutes are offered to working executives.

We have two Strategic Business Units (SBUs)

SBU I : Institutional Education and Infrastructure Services	SBU II : Virtual and Technology Enabled Learning Solutions
<p>Setting up IT Education Infrastructure in Schools & Colleges</p> <p>Delivering IT education in Schools & Colleges.</p> <p>Offering Turnkey Education and Software Solutions.</p> <p>Currently have a point of presence in over 1900 schools</p> <p>Spread across 8 states. Everonn employs more than 2000 people</p>	<p>ViTELS focuses on providing specialized content through an Interactive remote delivery mechanism</p> <p>The target audience are</p> <ul style="list-style-type: none"> - Colleges and Schools - Working Professionals - Corporates - Retail segment. <p>Management Education from Premier Institutes on Direcway Platform.</p> <p>Virtual learning through Zebra Kross and Direcway extended to 197 colleges, schools and Retail Centres</p>

THE ISSUE

Equity Shares offered:	
Fresh Issue by the Company	[●] Equity Shares of face value of Rs 10/- each
Of which:	
QIB Portion	Not more than [●] Equity Shares of face value of Rs 10/- each constituting 50% of the Issue to the Public (Allocation on proportionate basis)
Of which:	
Allocation to Mutual Funds	[●] Equity Shares of face value of Rs 10/- each Constituting 5% of the QIB portion. (Allocation on proportionate basis)
Balance for all QIBs including Mutual Funds	[●] Equity Shares of Rs 10/- each (Allocation on proportionate basis)
Non-Institutional Portion	A minimum of [●] Equity Shares of face value of Rs 10/- each constituting 15% of Issue to the Public (Allocation on proportionate basis)
Retail Portion	A minimum of [●] Equity Shares of face value of Rs 10/- each constituting 35% of Issue to the Public (Allocation on proportionate basis)
Equity Shares outstanding prior to the Issue	1,02,78,217 Equity Shares of face value of Rs 10/- each
Equity Shares outstanding after the Issue	[●] Equity Shares face value of Rs 10/- each
Use of proceeds by the Company	See the section titled “Objects of the Issue” on page 20 of this Red Herring Prospectus

Under-subscription, if any, in any of the above categories would be allowed to be met with spill-over *inter-se* from any other categories, at the sole discretion of the Company and BRLM.

SUMMARY OF THE FINANCIAL DATA
Statement of Assets and Liabilities as restated

Rs in Lakhs

PARTICULARS	As At March 31				
	2007	2006	2005	2004	2003
A. Fixed Assets					
Gross Block	5,623.42	5,914.99	3,748.17	3,280.13	3,215.76
Less: Depreciation and amortization	1,971.28	2,711.17	2,254.82	1,667.12	1,141.49
Net Block	3,652.15	3,203.82	1,493.35	1,613.00	2,074.28
Add: Capital WIP	–	–	–	–	–
Total Fixed Assets (A)	3,652.15	3,203.82	1,493.35	1,613.00	2,074.28
B. Investments : (B)	0.12	0.12	0.12	48.12	48.00
C. Current Assets, Loans and Advances :					
Inventories	25.64	26.59	11.08	4.42	3.24
Sundry Debtors	2,796.50	1,734.50	806.78	395.80	556.79
Cash and Bank Balances	422.29	296.53	173.60	120.04	57.52
Loans and Advances	593.79	554.87	301.86	206.54	148.18
Total (C)	3,838.22	2,612.49	1,293.33	726.81	765.73
D. Liabilities and Provisions :					
Secured Loans	2,354.21	2,688.72	1,045.67	924.17	1,380.24
Deferred Tax Liability	544.34	440.11	185.39	92.76	51.91
Current Liabilities	736.07	803.69	206.74	163.32	319.63
Provisions	196.46	103.01	67.57	73.49	(1.54)
Total (D)	3,831.08	4,035.52	1,505.37	1,253.73	1,750.23
E. Share Application Money Pending Allotment (E)	–	–	–	–	–
F. Miscellaneous Expenditure (to the extent not w/off) (F)	–	22.65	50.25	95.19	128.95
G. Net Worth (A+B+C-D-E) :	3,659.41	1,780.90	1,281.43	1,134.20	1,137.77
H. Represented by					
Share Capital	1,027.82	171.37	171.37	171.37	171.37
Reserves and Surplus	2,631.59	1,632.18	1,160.31	1,058.03	1,095.35
Total (H)	3,659.41	1,803.55	1,331.68	1,229.40	1,266.72
I. Net Worth (H-F)	3,659.41	1,780.91	1,281.43	1,134.20	1,137.77

Statement of Profit and Losses as restated

Rs in Lakhs

PARTICULARS	Year Ended March 31				
	2007	2006	2005	2004	2003
Income :					
Education and training income	4,033.98	2813.87	1942.94	1616.42	1601.54
Sale of hardware	270.49	279.15	0.00	0.00	0.00
Other Income	–	0.01	0.01	–	–
Total Income	4304.46	3093.03	1942.95	1616.42	1601.54
Expenditure:					
Manpower	758.96	527.85	443.20	380.53	399.85
Education and training expenses	1,759.56	1100.09	458.65	376.92	427.33
Deferred revenue expenditure	22.65	27.60	44.95	41.80	41.80
Total expenditure	2,541.16	1,655.54	946.79	799.25	868.98
Earnings before interest, depreciation & tax	1,763.30	1,437.48	996.16	817.18	732.56
Interest and finance charges	233.99	155.49	143.96	180.37	171.97
Depreciation & amortization	844.35	456.36	587.69	526.91	489.11
Less: Overheads transferred to fixed assets	(23.52)	–	–	–	–
Earnings before tax and extra ordinary items	708.48	825.63	264.50	109.89	71.48
Provision for taxation					
Current tax	105.63	69.48	20.74	8.45	5.63
Deferred tax	104.21	254.72	92.63	40.85	25.01
Fringe benefit Tax	13.00	10.50	–	–	–
Profit before extra ordinary items	485.64	490.93	151.13	60.59	40.84
Extra ordinary items	0.00	0.00	0.00	0.00	0.00
Adjustment on account of prior period Items	0.00	0.00	0.00	0.00	0.00
Adjusted net profit	485.64	490.93	151.13	60.59	40.84

GENERAL INFORMATION

Everonn Systems India Limited was incorporated on 19th April 2000 as a Public Limited Company under the Companies Act, 1956.

Registered Office of the Company

Everonn Systems India Limited,
No. 82, IV Avenue, Ashok Nagar,
Chennai – 600 083

Registration Number: 18-058466

Registered with: Registrar of Companies, Chennai at Shastri Bhavan, Haddows Road, Chennai- 600 006

Board of Directors

We are currently managed by Board of Directors comprising of 8 directors. Our Board of Directors comprises of the following persons:

Name	Designation	Status
Mr P. Kishore	Managing Director	Executive
Mr R. Kannan	Director cum Consultant	Non-Executive
Ms Sussha John	Whole Time Director	Executive
Mr R. Sankaran	Director	Non-Executive and Independent
Dr V K Vijayaraghavan	Director	Non-Executive and Independent
Mr J Kasiviswanathan	Director	Non-Executive and Independent
Mr Joe Thomas	Director	Non-Executive and Non Independent
Dr K M Marimuthu	Director	Non-Executive and Independent

Brief details of Chairman, Managing Director and Whole Time Directors of the Company:

- **Mr P. Kishore**, 45, is a first generation entrepreneur and has built a business model around computer education in schools. He started Systems Int'l in 1987, which set up computer labs and delivered computer education in top private schools in Nilgiris. Mr P. Kishore sets Everonn's Business mission and strategic vision and is also responsible for Corporate communications.
- **Ms Sussha John**, 41, is an MS – Applied Science (IT) from PSG Tech, having 17 years experience in managing IT education businesses. Ms Sussha John is responsible for overall business operations and planning, Government and Private Schools Contracts, Network operations and Technical Support.

For further details regarding Directors, please refer to “Management” on page 88 of this Red Herring Prospectus.

Company Secretary

Mr K V Viswanathan

Everonn Systems India Limited

No 82, IV Avenue, Ashok Nagar, Chennai - 600083

Tel: +91-44-23718202 / 03

Fax: + 91-44-24717845

E-mail: ipo@everonn.com

Compliance Officer

Mr A V Sridhar

General Manager - Finance

Everonn Systems India Limited

No 82, IV Avenue, Ashok Nagar, Chennai - 600083

Tel: +91-44-23718202 / 03

Fax: + 91-44-24717845

E-mail: ipo@everonn.com

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 of shares in the respective beneficiary account, refund orders etc.

Book Running Lead Manager

Centrum Capital Limited

SEBI Regn No. INM000010445

59, Krishna Chambers, Sir Vithaldas Thackersey Marg,
New Marine Lines, Mumbai – 400 020

Tel: +91-22-40300500

Fax: +91-22-40300510

Email: everonn@centrum.co.in

Website: www.centrum.co.in

Contact Person: Mr. Mayank Dalal / Mr Gaurav Saravgi

Registrar to the Issue

Cameo Corporate Services Limited

SEBI Regn No. INR 000003753

Subramanian Building, No.1,
Club House Road, Chennai – 600 002.

Tel No: +91-44-28460390

Fax No: +91-44-28460129

E-mail: cameo@cameoindia.com

Website: www.cameoindia.com

Contact Person: Mr. R.D. Ramasamy

Legal Advisor to the Issue

Mr. P.H. Arvinth Pandian

Advocate

New No. 115, (First Floor)

Luz Church Road,

Mylapore, Chennai – 600 004

Tel: +91-44-2499 5060

Fax: +91-44-2499 5064

Email: bharathypandian@vsnl.net

Auditors to the Company

P Chandrasekar

Chartered Accountants

S.616, Manipal Centre,

South Block, 47, Dickenson Road

Bangalore – 560 042

Tel: +91-80-2558 5443

Fax: +91-80-2559 7494

Email: partner@pchandrasekhar.com

Bankers to the Company

Syndicate Bank

Mount Road Branch

38, Anna Salai, Chennai – 600 002

Tel: +91-44-2841 2438

Fax: +91-44-2841 9982

Email: brn6002@sancharnet.in

Contact Person: Mr. John Sunder Raj, Chief Manager

Indian Bank

15, First Avenue, Ashok Nagar,

Chennai – 600 083

Tel : +91-44-24892696

Email : ibashok@indianbank.co.in

Indian Overseas Bank

New No 220, Arcot Road,
Kodambakkam Branch,
Chennai – 600 024
Tel : +91-44-24800122

Monitoring Agency**Syndicate Bank**

Mount Road Branch
38, Anna Salai, Chennai – 600 002
Tel: +91-44-2841 2438
Fax: +91-44-2841 9982
Email: brn6002@sancharnet.in

Banker(s) to the Issue and Escrow Collection Bank(s)**Deutsche Bank AG**

SEBI Regn. No: INBI 00000003
Kodak House, 222, Dr D N Road,
Fort, Mumbai – 400 001
Tel: +91-22-66584045
Fax: +91-22-22076553
Email: shyamal.malhotra@db.com
Contact Person: Shyamal Malhotra

ICICI Bank

ICICI Bank Limited
SEBI Regn. No: INBI 00000004
Capital Markets Division
30, Mumbai Samachar Marg,
Mumbai – 400 001
Tel: +91-22-22627600
Fax: +91-22-22611138
Email: sidhartha.routray@icicibank.com
Contact Person: Sidhartha Sankar Routray

Brokers to the Issue

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

Credit Rating

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

IPO Grading

The Company has not opted for grading of this Issue from any Credit Rating Agency

Trustees

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

MONITORING AGENCY

No Monitoring Agency is required to be appointed for the Issue pursuant to Clause 8.17.1 of the SEBI Guidelines. However, we have appointed Syndicate Bank having its office at Mount Road Branch, 38, Anna Salai, Chennai – 600 002 as Monitoring Agency to monitor the utilization of the proceeds of the Issue.

We will disclose the utilization of proceeds of the Issue under a separate head in the Balance Sheet for FY 2007-08 clearly specifying the purpose for which such proceeds have been utilized.

INTER SE ALLOCATION OF RESPONSIBILITIES

Centrum Capital Limited is the sole Book Running Lead Manager to the Issue

APPRAISAL OF THE PROJECT

The project has not been appraised by any Bank or Financial Institution.

BOOK BUILDING PROCESS

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

1. The Company
2. Book Running Lead Manager (BRLM), in this case being M/s. Centrum Capital Limited;
3. Syndicate Members, who are the intermediaries registered with SEBI, and eligible to act as underwriters. Syndicate Members are appointed by the BRLM;
4. The Registrar to the Issue.

SEBI, through its guidelines, has permitted an Issue of securities to the public through the 100% Book Building Process, wherein (i) not more than 50% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers (QIBs). From and out of the QIB portion 5% would be available for allocation to mutual funds registered with SEBI (ii) not less than 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and (iii) not less than 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders whose maximum Bid amount is not more than Rs. 100,000/-, subject to valid Bids being received at or above the Issue Price. The Issue Price will be ascertained after the Bid Closing Date.

Further, out of the QIB Portion, 5% would be available for allocation to Mutual Funds. In case of inadequate demand from Mutual Funds, the Equity Shares would be made available to QIBs other than mutual funds. Valid bids from Mutual Funds would be eligible for allotment from 5% of the QIB Portion as well as from the balance QIB Portion. The subscription for proportionate allotment to QIBs shall be identified after reducing 5% of the total allocation to QIBs or any lesser amount allotted to Mutual Funds.

Steps to be taken by the Bidders for bidding:

- Check whether he/ she is eligible for bidding (refer to the section "Issue Procedure – Who can Bid" on page 143 of this Red Herring Prospectus);
- Ensure that the bidder has a demat account; and
- Ensure that the Bid-cum-Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.
- Ensure that the Bid cum Application Form is accompanied by the PAN, or by Form 60 or Form 61 as may be applicable together with necessary documents providing proof of address. See page 156 of this Red Herring Prospectus for details.

Underwriting Agreements:

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

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

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

Name and Address of the Underwriter	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. Lakh)
Centrum Capital Limited 2 nd Floor, Bombay Mutual Bldg, Dr D N Road, Mumbai – 400 001	[●]	[●]
[●]	[●]	[●]

The above-mentioned amount is indicative underwriting and this would be finalized after pricing and actual allocation. The above Underwriting Agreement is dated [●].

In the opinion of our Board of Directors (based on a certificate given by the Underwriters) and BRLM, the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the Securities and Exchange Board of India Act, 1992 or registered as brokers with the Stock Exchange(s).

Allocation among Underwriters may not necessarily be in proportion to their underwriting commitments.

Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter in addition to other obligations to be defined in the Underwriting Agreement will also be required to procure/subscribe to the extent of the defaulted amount. Allocation to QIB Bidders is proportionate as per the terms of this Red Herring Prospectus.

CAPITAL STRUCTURE

The share capital structure as at the date of filing of the Red Herring Prospectus with SEBI (before and after the proposed Issue) is set forth below:

(Rs. in lakhs)

Share Capital	Aggregate Value at Nominal value	Aggregate Value at Issue Price
A) AUTHORISED CAPITAL 1,60,00,000 Equity Shares of Rs. 10/- each	1,600.00	
B) ISSUED, SUBSCRIBED AND PAID UP EQUITY SHARE CAPITAL 102,78,217 Equity Shares of Rs. 10/- each	1027.82	
C) PRESENT ISSUE IN TERMS OF THIS RED HERRING PROSPECTUS [●] Equity Shares of Rs. 10 each at a premium of Rs. [●] each Of which: Qualified Institutional Buyers upto [●] Equity Shares (5% thereof reserved to be allocated to for Mutual Funds). Non Institutional Portion of at least [●] Equity Shares. Retail Portion of at least [●] Equity Shares.	[●] [●] [●] [●]	[●] [●] [●] [●]
D) EQUITY SHARE CAPITAL AFTER THE ISSUE [●] Equity Shares of Rs. 10 each fully paid up shares	[●]	[●]
E) SHARE PREMIUM ACCOUNT Before the Issue After the Issue		1557.24 [●]

*The Issue in terms of this Red Herring Prospectus has been authorized pursuant to the resolution passed at the General Meeting of the Company shareholders held on 10th May 2006 at Chennai.

DETAILS OF INCREASE IN AUTHORISED CAPITAL

Sr. No.	Particulars of Increase(Amount in Rs.)			Date of Meeting
	By	From	To	
1	1,20,00,000	0	1,20,00,000	Incorporation
2	2,34,00,000	1,20,00,000	3,54,00,000*	30.05.2000
3	10,96,00,000	3,54,00,000	14,50,00,000**	06.04.2006
4	1,50,00,000	14,50,00,000	16,00,00,000	15.07.2006

* Out of Rs. 3,54,00,000, equity capital increase was Rs. 80,00,000 and Rs. 1,54,00,000 was preference share capital.

** Rs.1,54,00,000 Preference Share Capital was converted into equity share capital.

NOTES TO THE CAPITAL STRUCTURE:
1. SHARE CAPITAL HISTORY OF THE COMPANY

Date of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Total Paid up Capital (Rs.)	Cumulative Paid up Capital (Rs)	Cumulative Share Premium a/c (Rs)	Reasons for Allotment
19.04.2000	70	10	10	Cash	700	700	Nil	Allotment to subscribers to the Memorandum
12.06.2000	242715	10	29.79	Cash	2427150	2427850	4802968	Further issue of Capital
12.06.2000	674970	10	36.72	Cash	6749700	9177550	22841247	Further issue of Capital
12.06.2000	435845	10	96.34	Cash	4358450	13536000	60472532	Allotment made to Net Equity Ventures Private Ltd ¹
15.03.2001	30	10	29.79	Cash	300	13536300	60473127	Further issue of Capital
15.03.2001	246400	10	111.51	Cash	2464000	16000300	85484000	Preferential allotment made to Virmac Investments ¹
07.03.2003	113657	10	175.97	Cash	1136570	17136870	104347430	Preferential allotment made to Reeshanar Investments Ltd ¹
31.05.2006	6854748	10	10	Bonus	68547480	85684350	35799950	Bonus 4:1*
31.05.2006	125670	10	20	Cash	1256700	86941050	37056650	Allotment to the Directors
28.06.2006	257053	10	10	Cash	2570530	89511580	37056650	Allotment made to Everonn Employees' Welfare Trust
09.08.2006	1327059	10	106	Cash	13270590	102782170	164454314	Preferential Allotment to India China Pre-IPO Equity (Mauritius) Ltd.

* Out of Accumulated Share Premium of Rs. 10,43,47,430/-, the Company has utilized Share Premium amount to the extent of Rs. 6,85,47,480/- towards the issue of Bonus Shares to the existing shareholders.

¹ Virmac Investments, Net Equity Ventures Private Ltd and Reeshanar Investments Ltd are not SEBI registered Venture Capital Funds.

2. PROMOTERS CONTRIBUTION AND LOCK-IN
a. Allotment/Transfers to Promoters

Name of the Promoter	Date of allotment	Nature of Payment	No. of shares	Less: Transfer	Share-holding	Face Value (Rs)	Issue Price (Rs)
Mr P. Kishore	19.04.2000	Cash	10	0	10	10	10
	12.06.2000	Cash	2,42,715	85,673 ¹	1,57,042	10	29.79
	15.03.2001	Cash	30	0	30	10	29.79
	31.12.2002	Acquired	2,00,000	0	2,00,000	10	—
	31.05.2006	Bonus	14,28,328	2,34,000 ²	11,94,328	10	Nil
					15,51,410		
Mr P Sarvotham	19.04.2000	Cash	10	0	10	10	10
	12.06.2000	Cash	2,24,990	2,00,000 ³	24,990	10	36.72
	31.05.2006	Bonus	1,00,040	0	1,00,040	10	Nil
	24.05.2006	Cash	10	0	10	10	10
					1,25,050		

Name of the Promoter	Date of allotment	Nature of Payment	No. of shares	Less: Transfer	Share-holding	Face Value (Rs)	Issue Price (Rs)
Mr P K Padmanabhan	19.04.2000	Cash	10	0	10	10	10
	12.06.2000	Cash	2,24,990	0	2,24,990	10	36.72
	31.05.2006	Bonus	9,00,000	0	9,00,000	10	Nil
					11,25,000		
Mrs Jayalakshmi Padmanabhan	19.04.2000	Cash	10	0	10	10	10
	12.06.2000	Cash	2,24,990	0	2,24,990	10	36.72
	31.05.2006	Bonus	9,00,000	4,55,000 ⁴	4,45,000	10	Nil
					6,70,000		

1, 2, 3 & 4 The following shares were transferred as under:

Transferor	No. of Shares	Transfer date	Transferee
Mr P Kishore	34,273 ¹	26.10.2004	Mr R Kannan
	46,098 ¹	26.10.2004	Ms Susha John
	5,302 ¹	31.03.2005	Ms Susha John
	2,34,000 ²	28.06.2006	M/s Indusage Management Services Pvt. Ltd
	3,19,673		
Mr P Sarvotham	2,00,000 ³	31.12.2002	Mr P Kishore
	2,00,000		
Mrs Jayalakshmi Padmanabhan	1,00,000 ⁴	28.06.2006	Ms Susha John
	3,40,000 ⁴	28.06.2006	L&M Quality Control Pvt. Ltd
	15,000 ⁴	10.07.2006	Raj Maharaj & Deepika Maharaj
	4,55,000		

b. Final Shareholding of the Promoters

Name of the Promoter	Shares allotted as per the table above	Add: Shares (Rs 10 each) acquired by way other than allotment	Less: Shares (Rs 10 each) Transferred	Pre issue Shareholding
Mr P Kishore	16,71,083	2,00,000	3,19,673	15,51,410
Mr P Sarvotham	3,25,040	10	2,00,000	1,25,050
Mr P K Padmanabhan	11,25,000	0	0	11,25,000
Mrs Jayalakshmi Padmanabhan	11,25,000	0	4,55,000	6,70,000

c. The shareholding of the Promoters that would be locked-in for a period of three years is as under:

Name	Date on which the Equity Shares were allotted / acquired/ transferred	Nature of payment	No. of Equity Shares	Face Value (Rs.)	% of pre issue paid up equity capital	% of post issue paid up equity capital*
Mr P. Kishore	31.05.2006	Bonus	1,1 94,328	10	11.62	[●]
	31.12.2002	Acquired	200,000	10	1.95	[●]
	15.03.2001	Cash	30	10	0.00	[●]
	12.06.2000	Cash	24,000	10	0.23	[●]
		Sub Total	1,418,358		13.80	[●]
Mr P. Sarvotham	31.05.2006	Bonus	100,040	10	0.97	[●]
	24.05.2006	Cash	10	10	0.00	[●]
	12.06.2000	Cash	3,800	10	0.04	[●]
		Sub Total	103,850		1.01	[●]
Mr P. K. Padmanabhan	31.05.2006	Bonus	900,000	10	8.76	[●]
	12.06.2000	Cash	34,000	10	0.33	[●]
		Sub Total	934,000		9.09	[●]
Mrs Jayalakshmi Padmanabhan	31.05.2006	Bonus	445,000	10	4.33	[●]
	12.06.2000	Cash	34,000	10	0.33	[●]
		Sub Total	479,000		4.66	[●]
		Total	2,935,208		28.56	[●]

*In accordance with SEBI Guidelines, 20% of the post-issue capital would be locked in for a period of three years from the date of allotment in this issue. The exact number of Equity Shares to be locked-in for three years would be decided after finalisation of number of Equity Shares to be issued after pricing of Equity Shares. The Equity Shares issued /transferred last shall be locked-in first. The details will be filled in after finalisation of issue price.

The above promoters have given their written consent for lock-in as per the Guidelines. The Equity Shares of the promoters will be locked-in for the period specified above from the date of allotment of Equity Shares in this Issue.

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

As per clause 4.15.1 of the SEBI Guidelines, the locked-in Equity Shares held by the Promoter can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan.

In terms of clause 4.16 (b) of the SEBI Guidelines, Equity Shares held by the promoters may be transferred to and amongst the Promoters/ Promoter Group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

Further, in terms of clause 4.16 (a) of the SEBI Guidelines, Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations, as applicable.

The Promoters' contribution brought by persons defined as promoters under the SEBI Guidelines is not less than the specified minimum lot.

The equity shares held in physical mode and which are subject to lock-in shall carry the inscription "Non Transferable" along with the duration as may be applicable on the face of the Share Certificate.

d. The following Directors hold Equity Shares as of the date of filing the Red Herring Prospectus with SEBI:

Sr. No.	Names of Directors	No. of shares of Rs. 10 each
1.	Mr. P. Kishore	15,51,410
2.	Mr. R. Kannan	2,34,200
3.	Ms. Sussha John	4,19,885
4.	Mr. Joe Thomas	1,71,365

3. Equity Shares held by top ten shareholders:

a. Top ten shareholders as on the date of filing the Red Herring Prospectus with ROC.

S. No.	Name of Shareholders	No. of Shares	%age
1	M/s Net Equity Ventures Private Limited	20,07,860	19.54
2	Mr P. Kishore	15,51,410	15.09
3	M/s India China Pre-IPO Equity (Mauritius) Ltd.	13,27,059	12.91
4	M/s Virmac Investments	12,32,000	11.99
5	Mr P.K.Padmanabhan	11,25,000	10.95
6	Ms Jayalakshmi Padmanabhan	6,70,000	6.52
7	M/s Reeshanar Investments Ltd	5,68,285	5.53
8	Ms Sussha John	4,19,885	4.09
9	Everonn Employee Welfare Trust	2,57,053	2.50
10	Mr R Kannan	2,34,200	2.28

b. Top ten shareholders 10 days prior to the date of filing the Red Herring Prospectus with ROC

S. No.	Name of Shareholders	No. of Shares	%age
1	M/s Net Equity Ventures Private Limited	20,07,860	19.54
2	Mr P. Kishore	15,51,410	15.09
3	M/s India China Pre-IPO Equity (Mauritius) Ltd.	13,27,059	12.91
4	M/s Virmac Investments	12,32,000	11.99
5	Mr P.K.Padmanabhan	11,25,000	10.95
6	Ms Jayalakshmi Padmanabhan	6,70,000	6.52
7	M/s Reeshanar Investments Ltd	5,68,285	5.53
8	Ms Sussha John	4,19,885	4.09
9	Everonn Employee Welfare Trust	2,57,053	2.50
10	Mr R Kannan	2,34,200	2.28

c. Top ten shareholders 2 years prior to the date of filing the Red Herring Prospectus with ROC

S. No.	Name of Shareholders	No. of Shares	%age
1	M/s Net Equity Ventures Private Limited	401,572	23.43
2	Mr P. Kishore	357,082	20.84
3	M/s Virmac Investments	246,400	14.38
4	Mr P. K. Padmanabhan	225,000	13.13
5	Ms Jayalakshmi Padmanabhan	225,000	13.13
6	M/s Reeshanar Investments	113,657	6.63
7	Ms Sussha John	51,410	3.00
8	Mr. Kannan	34,273	2.00
9	Mr Joe Thomas	34,273	2.00
10	Mr P. Sarvotham	25,000	1.46

4. SHAREHOLDING PATTERN OF THE COMPANY PRIOR TO AND POST ISSUE

Category	Pre Issue		Post-Issue	
	No. of Shares of Rs. 10/- each	% holding	No. of Shares of Rs. 10/- each	% holding
Promoters				
Mr P Kishore	1,551,410	15.09	1,551,410	[•]
Mr P Sarvotham	125,050	1.22	125,050	[•]
Mr P K Padmanabhan	1,125,000	10.95	1,125,000	[•]
Mrs Jayalakshmi Padmanabhan	670,000	6.52	670,000	[•]
(Sub Total -A)	3,471,460	33.77	3,471,460	[•]
Promoter Group				
Ms Sussha John	419,885	4.09	419,885	[•]
Mr R Kannan	234,200	2.28	234,200	[•]
Mr Joe Thomas	171,365	1.67	171,365	[•]
Raj Maharaj and Deepika Maharaj	15,000	0.15	15,000	[•]
Jansi Kishore	50	0.00	50	[•]
Sub Total – B	840,500	8.18	840,500	[•]
Total (A) + (B)	4,311,960	41.95	4,311,960	[•]
Non-Promoter				
Bodies Corporate				
IndusAge Management Services Private Ltd	234,000	2.28	[•]	[•]
L&M Quality Control Pvt. Ltd	210,000	2.04	[•]	[•]
Net Equity Ventures (P) Ltd	2,007,860	19.54	[•]	[•]
Reeshanar Investments Ltd	568,285	5.53	[•]	[•]
India China Pre-IPO Equity (Mauritius) Ltd	1,327,059	12.91	[•]	[•]

Category	Pre Issue		Post-Issue	
	No. of Shares of Rs. 10/- each	% holding	No. of Shares of Rs. 10/- each	% holding
Virmac Investments	1,232,000	11.99	[•]	[•]
Everonn Employees Welfare Trust (ESOP Trust)	257,053	2.50	257,053	[•]
Others	130,000	1.26	[•]	[•]
Public	Nil	Nil	[•]	[•]
Sub Total – C	5,966,257	58.05	[•]	[•]
Total Share Capital (A+B+C)	10,278,217	100.00	[•]	100.00

5. Buyback and Standby Arrangements

Neither the Company nor Directors or Promoters, their respective directors or the BRLM have entered into any buyback and/or standby arrangements for the purchase of the Equity Shares from any person other than the agreement entered into by the Promoters with India China Pre-IPO Equity (Mauritius) Ltd as given under the head Shareholders agreement.

- We have not raised any bridge loan against the proceeds of the Issue. For details on use of proceeds, see the section titled “Objects of the Issue” on page 20 of this Red Herring Prospectus.
- Up to 50% of the Issue shall be allocated to QIBs on a proportionate basis (Including 5% thereof reserved for Mutual Funds). Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and the remaining 35% of the Issue will be available for allocation to Retail Individual Bidders, subject to valid bids being received from them at or above the issue price. Under subscription, if any, in the Non-Institutional and Retail Individual categories would be allotted to be met with spill over from any other category at the sole discretion of the Company and the BRLM.
- None of the Promoters have sold or acquired Equity Shares during the period of six months preceding the date on which Red Herring Prospectus is filed with SEBI.
- A bidder cannot make a bid for more than the number of Equity Shares offered in this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
- An over subscription to the extent of 10% of the Issue can be retained for the purpose of rounding off to the nearest multiple of minimum allotment lot while finalizing the basis of allotment.
- As on the date of the RHP, 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 on the exercise of options granted under the Employees Stock Option Plan.

12. Shares issued for consideration other than cash.

Except for Bonus shares, our Company has not allotted any shares for consideration other than cash. The said Bonus Shares were issued on May 31st, 2006 in the ratio of 4:1 (four shares for every one held).

- We have not issued any Equity Shares out of revaluation reserves
- At any given point of time there shall be only denomination of Equity Shares of the Company unless otherwise permitted by law and the Company shall comply with such disclosures and accounting norms specified by SEBI from time to time.
- We have 23 members as of April 30, 2007.
- We presently do not have any intention or proposal to alter its capital structure for a period of six months commencing from the date of opening of this Issue, by way of split/ consolidation of the denomination of Equity Shares or further issue of Equity Shares or securities convertible into Equity Shares, whether on a preferential basis or otherwise, or if we enter in for acquisitions or joint ventures, we may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition and/or participation in such joint ventures.
- We shall not make any further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or public issue or in any other manner, during the period commencing from the submission of the Red Herring Prospectus to SEBI till the securities referred in the Red Herring Prospectus is listed or application money is refunded on account of failure of the issue.

18. ESOP 2006

Employee Stock Option Scheme

Company has constituted an ESOP Trust known as Everonn Employees Welfare Trust. This Trust was constituted on 28.06.2006 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 ESIL. 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/company 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. **OBJECTS OF THE TRUST:**
 - A. The objects of the TRUST among other things are to provide for general welfare, necessities of life, medical care, maintenance, education, foreign travel, general wellbeing including operation of stock/share option scheme to reward, enhance and recognize the talents of the beneficiaries and to facilitate the beneficiaries so chosen in terms of clause (2) to participate in the management of the Company.
 - B. To achieve the above objects, the Trustees are hereby directed to invest the TRUST Funds in such manner as they deem fit and in consultation with the Board of Directors of Everonn. Further, the trustees while doing so in the first instance collect the income and other contributions and after providing for all the outgoings incurred in connection with the management and administration of the properties, determine periodically or such net surplus or deficit of the TRUST and the net results so determined in the first instance be applied towards the objects of the TRUST and for the distribution among beneficiaries and surplus if any shall form part of the corpus of the TRUST.
 - C. The Corpus of the TRUST shall be utilized during the subsistence of the TRUST in making allotments to the beneficiaries directly or on their account or for their individual benefit and towards the objects of the TRUST, under proper documentation.
 - D. Should there be deficit in any year the same shall be recovered from the Company. Further, the trustees are hereby directed to enter into the required arrangement in the form of agreement with the management of the said Company to further the objects of this TRUST. However, it is made clear that no beneficiary of this TRUST shall be liable for any loss and under no circumstances shall the beneficiary be made personally liable for any share of loss.
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 25,70,530/- by way of an interest free loan from the Promoter, Mr P Kishore. The trust invested the entire amount to subscribe 2,57,053 equity shares of Rs.10/- each. The shares were allotted to the Trust on 28th June 2006. The cost of acquisition for the trust is Rs 10/- 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 Everonn and proposed subsidiary companies, Independent & non-promoter Directors.

Salient features of the ESOP -2006 Scheme:

1. Under the ESOP-2006 scheme, options are proposed to be 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 shall be decided by the Trustees from time to time.
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 Everonn Employees Welfare 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)	2,57,053
2	Options Granted (net of options cancelled)	NIL
3	Exercise Price per Equity Share	As determined by Trustees
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.
10	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
11	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.

OBJECTS OF THE ISSUE

The Net Proceeds of the Issue after deducting underwriting and management fees, selling commissions and all other Issue related expenses is estimated at Rs 4619 lacs.

The proceeds from the Issue of shares are intended to be deployed for:

1. Capital expenditure for Institutional Education and IT infrastructure Services.
2. Capital expenditure for Virtual and Tech Enabled learning solutions.
3. Brand Building exercise for the Company
4. Funding the proposed Mergers & Acquisitions activity
5. To invest in the proposed Subsidiary to Retail Educational aids, tools and other products.
6. To meet the expenses of the Issue.

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

Fund Requirements

Sr. No.	Particulars	Amt (Rs. in Lakhs)
1.	Institutional Education and IT Infrastructure Service(CAPEX)	3,000.00
2.	Virtual & Tech Enabled Learning Solutions (CAPEX)	1,725.00
3.	Working Capital*	500.00
4.	Mergers & Acquisitions	800.00
5.	Investment in Subsidiary	100.00
6.	Brand Building	100.00
7.	Issue Expenses	381.00
	Total	6,606.00

* The proceeds from the IPO will not be utilised for Working Capital requirement as the same has already been utilised from the proceeds of India China Pre IPO Equity (Mauritius) Ltd.

Means of Finance

The funding plans proposed by us are as under:

Sr. No.	Particulars	Amount (Rs. in Lakhs)
1.	Public Issue of Equity Shares	5,000.00
2.	Preferential Allotment to India China Pre-IPO Equity (Mauritius) Ltd	1,406.00
3.	Internal Accruals	200.00
	Total	6,606.00

The requirement of the funds is proposed to be funded through this Initial Public Offering substantially. In case of shortfall, if any, the same shall be met out of internal accruals.

Business Segment wise Requirement of Funds

I. Capital Expenditure for Institutional Education – IT Infrastructure Service (Rs 3000 lakhs)

We envisage an increase in number of Educational Institutions that are likely to be covered under the project. These are Build Own Operate & Transfer (BOOT) projects. We would enter into contracts with various Institutions/ Government / Quasi Government bodies for setting up and running computer education centres across the Government schools covered under the contract. These contracts are funded out of Government budgetary allocations made from the Sarva Sikhsha Abhiyan and ICT@Schools. Under the contract, we provide turnkey IT Solution that includes:

- Procurement/Installation of Hardware
- Procurement/Installation of Software
- Employing the necessary faculty
- Building the necessary curriculum
- Delivery of Education and ensuring a minimum pass percentage among the students.

The BOOT Project involves Capital Expenditure (Capex) and Operational Expenditure (Opex). Under these projects, Government allots the space and same needs to be furnished. Each school needs to be provided with Hardware, Software, Furniture, Equipments and Interiors to impart Computer Education as required by the Department of Education of the respective Governments.

We plan to add almost 1000 schools every year. However, we are looking at funding for 750 schools to support our growth initiative. Infrastructure in other 250 schools would be funded either directly by the Governments or our hardware partners.

An MOU has been signed with the Government of West Bengal to take up IT Education in 555 schools. We have already commenced the implementation and have signed the MOUs with 146 schools of which 96 schools are operational.

Brief details of the West Bengal Government contract & MoU with Schools is as under:

We have been selected by the School Education Department, Government of West Bengal to impart computer education to students of Government schools.

As per the said contract, we are required to provide computer education for a period of 6 years under the BOOT Model. We are required to provide all hardware, software and reading materials to the School. At the end of the period, the hardware would be transferred to the school, free of cost.

Based on the same, we have also entered into MoUs with various schools.

We bid for 216 schools in the State of Karnataka and have received the contract for providing certain equipments and services such as Computer hardware, software and connected accessories as per the tender and providing computer education services and Annual Maintenance in 216 Government High Schools under the ICT Project.

Infrastructure in other 250 schools (1000 schools minus 750 schools) would be funded either directly by the contracting authority or our hardware partners.

Facility and Investment in Schools

Each School on an average needs to be provided 10 Computers (10 Thin clients and one server) with licensed software, 1 UPS, other equipments and required furniture. The cost of Computer Systems and other hardware cost are estimated to be Rs 3.5 lakhs per School and Furniture and Fixtures is estimated to be Rs. 0.50 lakhs per school. The Total Capex is estimated to be Rs. 3000.00 lakhs which is as follows:

Overall Cost

Particulars	No of Schools (A)	Capex per School (in Lakhs) (B)	Total Amt in Rs. Lakhs (A) * (B)
i) Computers, Software & Other Hardware Cost	750	3.50	2625.00
ii) Furniture & Fixtures	750	0.50	375.00
Total Capex			3000.00

i) Break-Up of CAPEX -Hardware, Software, Other Equipment per school
Rs. in Lakhs

Particulars	Units	Cost/Unit	Total Cost
Computers – Thin Clients with tft monitor	10	0.173	1.73
Computer – Servers with tft monitor	1	0.42	0.42
UPS	1	0.50	0.50
Software Packages	11	0.05	0.55
Equipments, Peripherals and Networking	1	0.30	0.30
Total CAPEX/School			3.50

ii) Break-Up of CAPEX -Furniture and Fixtures per school
Rs. in Lakhs

Particulars	Units	Cost/Unit	Total Cost
Tables	11	0.025	0.28
Chairs	10	0.008	0.08
White/Black Boards	1	0.01	0.01
Other Furniture and Fixtures	1	0.14	0.14
Total CAPEX/School			0.51

Details of Equipments for which composite orders have been placed

S. No.	Supplier	Invoice/ PO No.	Date	Item Description	Total Amount (Rs. in lakhs)
1	MM Computers	MM/0146/06-07	11/12/06	Computer SystemsAMD Sempron 2800/AMD	23.64
2	MM Computers	MM/0152/06-07	15/12/06	Computer SystemsAMD Sempron 2800/AMD	23.61
3	MM Computers	MM/0112/06-07	20/11/06	Computer SystemsAMD Sempron 2800/AMD	17.86
4	Redington (India) Ltd	PO - 377 A	22/01/07	Computer SystemsAMD Sempron 2800/AMD	21.76
5	New Version India Ltd	N018	02/01/07	Computer Systems Pentium IV 3.06 GHZ	8.33
6	Ingram Micro India Pvt Ltd	02405192	29/11/06	Computer Systems Pentium IV 3.06 GHZ	3.41
7	Ingram Micro India Pvt Ltd	106803158	11/12/06	Computer Systems Pentium IV 3.06 GHZ	1.20
8	New Version India Pvt Ltd	1241	09/11/06	Acer Laptop with carry case	0.58
9	Qmax Systems	627	10/11/06	Acer Laptop with carry case	0.29
10	Numeric Power Systems Limited	3081	11/01/06	5.0 Kva Numeric Ups	0.89
11	MM Computers	MM/0146/06-07	12/11/06	Wipro dot matric ex 330 9 pin	0.79
12	MM Computers	MM/0152/06-07	15/12/06	Wipro dot matric ex 330 9 pin	0.78
13	MM Computers	MM/0112/06-07	20/11/06	Wipro dot matric ex 330 9 pin	0.58

S. No.	Supplier	Invoice/ PO No.	Date	Item Description	Total Amount (Rs. in lakhs)
14	Compuage Infocom Ltd	11601045	23/03/07	Numeric Digital 600 plus	3.82
15	Compuage Infocom Ltd	11601046	23/03/07	Numeric Digital 600 plus	2.63
16	Nilkamal Plastics Ltd	PO - 388	12/02/07	Nilkamal Plastic chairs	3.16
17	Schools Smart Furnishers	PO - 371	18/01/07	Student Table & teacher table	5.64
18	Telenet Systems Pvt Ltd	T/145	21/02/07	8 Port unmanaged switch	0.51
19	Gemini Communications	689/06-07/corp	07/03/07	Server	72.44
20	Gemini Communications	689/06-07/corp	07/03/07	Thin Client	243.22
21	Gemini Communications	689/06-07/corp	07/03/07	3 KVA UPS & Batteries	100.02
22	Gemini Communications	689/06-07/corp	07/03/07	DM Printer	17.86
23	Gemini Communications	689/06-07/corp	07/03/07	Tables	72.26
24	Gemini Communications	689/06-07/corp	07/03/07	Chairs	14.54
25	Gemini Communications	689/06-07/corp	07/03/07	Antivirus Software	4.08
26	Gemini Communications	689/06-07/corp	07/03/07	Operating System Software	13.41
27	Gemini Communications	689/06-07/corp	07/03/07	Networking	9.23
28	Gemini Communications	689/06-07/corp	07/03/07	Transport Cost-Others	5.47
					672.03

Details of Equipments for which quotations have been invited.

S. No	Description	Configuration	Qty	Unit Price In Rs.	Total In Rs. Lakhs	Quotation Details		Ref No.
						Supplier	Date	
1	Computers	1) Thin Client PIV / 256 MB RAM/ 15"/CDD/ FDD	5780	17250	997.052	Ingram micro India Pvt Ltd	14/05/07	IMIL/35
		2) Server PIV/ 512MB RAM/160 GB HDD/15"TFT/ CDD/ FDD	578	42000	242.76	Ingram micro India Pvt Ltd	14/05/07	IMIL/35
2	UPS	3 KVA UPS ugxt Mt Model Liebert system, single phase input and single phase output 230V/50HZ	578	50000	289.00	ITS Interactive Power Solutions Pvt Ltd.	14/05/2007	ITS/SA/ 002/07/08
3	Software Packages	MS Office 2007 OLP NL AE	6358	5000	317.90	Lapsys Infotech	14/05/2007	104
4	Equipments	Epson LX 1170 9 Pin, 136 columns, 337 cps @ 12 cpi, 64 KB buffer, Parallel & Serial Port	578	10560	61.04	Epson India Pvt Ltd	14/05/2007	—
5	Equipments	Epson Perfection 4490 Photo	578	12500	72.25	Epson India Pvt Ltd	14/05/2007	—

S. No	Description	Configuration	Qty	Unit Price In Rs.	Total In Rs. Lakhs	Quotation Details		Ref No.
						Supplier	Date	
6	Equipments	Network Components and Cabling	578	6900	39.88	Gemini Communications Ltd	01/05/2007	—
7	Equipments	Computer Table	6358	2500	158.95	Nandhi Homes & Interiors	07/05/2007	—
8	Equipments	Chairs	6358	800	50.84	Nandhi Homes & Interiors	07/05/2007	—
9	Equipments	White Boards / Black boards	578	1000	5.78	Nandhi Homes & Interiors	07/05/2007	—
10	Equipments	Storage Racks/Cub-Boards/Bureau	578	14000	80.92	Nandhi Homes & Interiors	07/05/2007	—
					2316.37			

II. Capital Expenditure for Virtual and Tech Enabled Learning Solutions (Rs 1725 Lakhs)

Each of the Virtual & Tech Enabled Classrooms is equipped with VSAT (Receiving Terminal), computer system and a projector where the “LIVE AND INTERACTIVE” classes are conducted from the State of Art Studio. The Computer System at the Class Room is connected to the modem gateway that allows reception and transmission of high bandwidth video, audio and data. We use a software which seamlessly integrates broadcast video, high-resolution graphics, full-duplex audio and two-way data interaction (two-way video / two-way audio) providing the most advanced and powerful distributed learning solutions regardless of the number or location of students/participants.

Virtual & Tech Enabled Learning Solutions:-

- Supports the existing curriculum with complementary courses
- Offers other courses on/for non-curriculum job oriented skills,
- Trains students for preparatory and entrance exams and
- Offers training and placement services to the Corporate sector.

Besides this, we will undertake Web-Learning solutions for both domestic and overseas clients.

Presently 101 colleges, 83 schools, and 13 Retail centres are covered under this program. We intend to expand this program to include additional 250 schools and colleges during FY 2007-08.

We plan to make following investments to support our Virtual/Remote learning initiatives

- Establish V-Classrooms in potential Colleges, Schools, Corporates and Retail centres across all states in India.
- Invest in VSAT, LCDs and Other Equipments.
- ‘Build and Deliver’ content to the targeted institutions/locations in Digital & Material format.
- Build and Host a Placement Portal.

CAPEX: Virtual & Tech Enabled Learning Solutions

Rs. in Lakhs

Particulars	No of Colleges /Schools	Cost/Unit	Total Cost
Total No. of Institutions being Added	250		
a. Capex Vitels Infra for Virtual Class Rooms	250	2.50	625.00
b. Capex Content			500.00
c. Capex Advanced Studio			200.00
d. Placement & Portals			100.00
e. Capex Overseas Infrastructure & Expansion			300.00
TOTAL CAPEX -VITELS			1725.00

a. Infrastructure for Virtual Classrooms (V.Class) – Rs 625 Lakhs

We plan to provide curriculum, non-curriculum, supplemental education and Preparatory & Training Courses to Colleges, Schools, Corporate and Retail segment. We have already tied up with 101 colleges, 83 schools and 13 Retail centres. All the programs have received a positive response. We intend to grow our network by another 250 institutions during FY 2007-08. As part of this initiative, we would set up the necessary infrastructure and deliver content developed or acquired to the institutions signed up.

We would bill the institutions on the basis of the number of students enrolled in the courses offered by us and would have to set up the necessary infrastructure at each of the institutions to deliver our content.

Each V.School (Virtual School Class) or V.College (Virtual College Class) needs to be equipped with a VSAT, Computer System, LCD Projector, Speaker and a Mike. The VSAT, Computers, LCD Projector and other equipments are estimated to cost Rs. 2.42 lakhs per Virtual Class Room. The furniture is estimated to cost Rs 0.08 Lakhs per Virtual Classroom. The total cost for 250 V.Class Room is estimated to be Rs. 625.00 lakhs.

Overall CAPEX for Virtual Classrooms

Particulars	No. of Virtual Classes	Capex per Virtual Class	Amt Rs. in Lakhs
i) Computers, Software & Other Hardware Cost	250	2.42	605.00
ii) Furniture & Fixtures	250	0.08	20.00
Total Capex			625.00

Break up of costs

i) Break-Up of CAPEX per/V.Class. -Hardware, Software, Other Equipment

(Rs. in Lakhs)

Particulars	Units	Cost/Unit	Total Cost
VSAT	1	1.10	1.10
Projector	1	0.55	0.55
Computers	2	0.20	0.40
UPS	1	0.25	0.25
Peripherals	1	0.07	0.07
Software Packages	1	0.05	0.05
Total CAPEX/School (A)			2.42

ii) Break-Up of CAPEX per/V. Class -Furniture and Fixtures

Rs in Lakhs)

Particulars	Units	Cost/Unit	Total Cost
Tables	1	0.02	0.02
Chairs	1	0.02	0.02
White/Black Boards	1	0.02	0.02
Other Equipment	1	0.02	0.02
Total CAPEX/School (B)			0.08

Total CAPEX / Institution

Rs in Lakhs

Particulars	Total Cost
Computers and Software	2.42
Furniture & Fittings	0.08
Total CAPEX / School (A) +(B)	2.50

Details of Equipments for which Quotations have been invited

S. No	Description	Configuration	Qty	Unit Price In Rs.	Total In Rs. Lakhs	Quotation Details		Ref No.
						Supplier	Date	
1	VSAT	1) Hughes Net Broadband VSAT 2) Freight Forwarding and Insurance for VSAT	250 250	108000 2000	270.00 5.00	Hughes Network Systems Ltd	15/05/2007	Everonn/ QTO/ 15/05/2007
2	Computers	1) Intel Pentium 4 @ 3.00047Hz Processor (800 FSB, @MB Cache) 2) Intel 915G Chipset Mother Board 3) 256 MB DDR Ram 4) 40GB IDE HDD 5) 52X CDROM Drive 6) Samsung 15" Colour Monitor 7) ATX Cabinet with SMPS	500	20000	100.00	GBS Systems & Services	02/05/2007	REF/GBS/ 0035/2007-08
3	Projector	Acer Projector	250	55000	137.50	GBS Systems & Services	02/05/2007	REF/GBS/ 0035/2007-08
4	UPS	Numeric 2 KVA UPS	250	25000	62.50	GBS Systems & Services	02/05/2007	REF/GBS/ 0035/2007-08
5	Peripherals	Creative Speakers	250	500	1.25	GBS Systems & Services	02/05/2007	REF/GBS/ 0035/2007-08
6	Peripherals	Stand Mike	250	5250	13.13	GBS Systems & Services	02/05/2007	REF/GBS/ 0035/2007-08
7	Peripherals	Head Phone	250	250	0.63	GBS Systems & Services	02/05/2007	REF/GBS/ 0035/2007-08

S. No	Description	Configuration	Qty	Unit Price In Rs.	Total In Rs. Lakhs	Quotation Details		Ref No.
						Supplier	Date	
8	Peripherals	Web Camera	250	1300	3.25	GBS Systems & Services	02/05/2007	REF/GBS/0035/2007-08
9	Software Packages	Microsoft Windows XP Professional	250	4700	11.75	GBS Systems & Services	02/05/2007	REF/GBS/0035/2007-08
10	Equipments	Computer Table	250	1925	4.81	Nandhi Homes & Interiors	07/05/2007	—
11	Equipments	Computer Chair	250	1850	4.63	Nandhi Homes & Interiors	07/05/2007	—
12	Equipments	White Board	250	2250	5.63	Nandhi Homes & Interiors	07/05/2007	—
13	Equipments	Low Storage Rack	250	2100	5.25	Nandhi Homes & Interiors	07/05/2007	—
					625.33			

b. Content Development (Rs 500 Lakhs)

We would have to build necessary content to support our Virtual Learning initiatives. The content developed would be disseminated through the infrastructure built at the institutions and our studio infrastructure. We need to incur necessary Capital Expenditure to build a suitable content repository.

Content preparation is done through the well-equipped “Knowledge Resource Development & Research Department”.

The Content preparation process involves identification of the topic, preparation of content in the form of slides, creation of story board for the relevant animation, preparation of animation, integration with slides, review of content, quality check etc.

We propose to develop Content for V.Schools and V.Colleges. The Content Development for School is for Class VI to Class XII and the number of subjects for which the content is proposed to be developed is 18 (Class VI to Class X – Maths and Science and Class XI and Class XII – Maths, Physics, Chemistry and Biology). The Content Development for Colleges is proposed to be for 9 subjects like Technical Writing, Web Page Designing, Wireless Technology, Dot Net, J2EE and JAVA + C++ etc. The Capex for Schools Content is estimated to be Rs 319.20 lakhs and the Capex for Colleges Content is estimated to be Rs. 180.80 lakhs.

Overall CAPEX for Content Development

Rs in Lakhs		
	Particulars	Total Cost
I	Schools Content	319.20
II	College Content	180.80
	Total	500.00

The duration for content development is expected to take around 7 months. The Content team consists of HOD, Subject Heads, Assistants and Quality Check Executives. The team will be recruited for purpose of content development on consultant basis. The team will work till the completion of assigned task of content development. The consultant fees and Compensation to staff is proposed to be capitalized.

Detailed Break-Up of CAPEX for Developing School Content
Content Development
Rs. in Lakhs

Particulars	Persons	Subjects	Fees per month	Months	Total
Content Head 7.2 L	1	1	0.60	7	4.20
Subject heads	1	18	0.40	7	50.40
Assistants per subject	4	18	0.20	7	100.80
Quality Check per subject	1	18	0.30	7	37.80
School Content Development Cost (A)					193.20

Content Animation
Rs in Lakhs

Particulars	Subjects	No. of subjects	Content hrs per subject	No. of Animation per hr	Rate per Animation	Total
VI Class	Maths & Science	2	50	4	0.035	14.00
VII Class	Maths & Science	2	50	4	0.035	14.00
VIII Class	Maths & Science	2	50	4	0.035	14.00
IX Class	Maths & Science	2	50	4	0.035	14.00
X Class	Maths & Science	2	50	4	0.035	14.00
XI Class	Maths, Physics, Chemistry Biology,	4	50	4	0.035	28.00
XII Class	Maths, Physics, Chemistry Biology	4	50	4	0.035	28.00
School Content Animation Cost (B)						126.00
Total School Content Cost (A) + (B)						319.20

Detailed Break-Up of CAPEX for Developing Colleges Content
Content Development

We propose to develop content for nine subjects for which the details are below

Rs in Lakhs

Particulars	Persons	Subjects	Fees per month	Months	Total
Content Head	1	1	0.75	7	5.25
Subject Head	1	9	0.45	7	28.35
Assistants per subject	3	9	0.25	7	46.40
Quality Check per subject	2	9	0.35	7	44.10
Colleges Content Development Cost (A)					124.10

Content Animation

Rs. in Lakhs

Particulars	Subjects	Hrs per subject	Animations per hr	Rate per Animation	Total
No of Subjects for which content to be developed	9	60	3	0.035	56.70
College Content Animation Cost (B)					56.70
Total College Content Cost (A)+ (B)					180.80

Quotation for Content Animation has been received from Sarvaa Media Works.

Funds Deployed:

We are in the process of developing over 900 hrs of content for school covering Maths & Science for classes VIth to Xth and Maths, Physics, Chemistry and Biology for classes XI and XII.

We have so far spent Rs. 226.75 lakhs towards payment for in-house Knowledge Resource Team, Academic Institutions, Subject experts and Reviewers.

We have also developed over 540 hrs of content for college and other institutions. This includes courses such as Technical Writing, Web Page Designing, Wireless Technology, Dot Net and J2EE, C++ and Java, Banking including Advance Banking, Equity Analysis & Financial Market and Financial Management.

We have spent Rs. 180.80 lakhs towards payment for in-house Knowledge Resource Team, Academic Institutions, Animators, Subject experts, and Reviewers.

c. Advanced Studio Infrastructure (Rs 200 Lakhs)

We have three State of Art Studios from where the Virtual Classes are conducted. As we propose to add 250 Virtual Classrooms (V.Class), to cater to the growing student base, we need to build three more Advanced Studios. The Advanced Studios where "Live and Interactive" classes can be delivered need to be well designed, sound proofed, fully equipped with state of the art equipments, connected with two leased lines for local loop, Virtual Private Network and Satellite Bandwidth. The equipments and furnishing cost is estimated to be Rs 200.00 lakhs and is as follows:

Overall CAPEX for Advanced Studio

(Rs. in Lakhs)

Particulars	Total Cost
Equipments & Others	150.00
Furnishing	50.00
TOTAL CAPEX FOR ADVANCED STUDIO	200.00

Detailed Break-up of Capex for Advance Studio

Studio Complex Equipment Requirement

Rs. in Lakhs

	No of Equipments	No of Studios	Rate	Total
3 CCD Camera	3	3	1.75	15.75
S-VHS Editing Recorder	2	3	4.38	26.25
DVD Player	1	3	0.71	2.13
TBC Generator	1	3	2.84	8.51
Sync Generator	1	3	1.48	4.44
1X6 Video DA	2	3	0.20	1.18
Equalising DA	1	3	0.25	0.74

	No of Equipments	No of Studios	Rate	Total
1X6 Audio DA	3	3	0.20	1.77
16X1 Looping input switcher	2	3	0.76	4.58
Control Panel for Switcher	3	3	0.28	2.52
Telestrator	1	3	2.40	7.21
Vecroscope / Waveform Monitor	1	3	3.11	9.33
40 Watt audio amplifier	2	3	0.43	2.55
150 W 2 way speaker system	2	3	0.09	0.57
Full Range monitor speaker	1	3	0.31	0.92
1X6 Video DA	3	3	0.16	1.46
16 Channel Audio Mixer	2	3	0.87	5.20
Lavalier Microphone	2	3	0.13	0.76
Desktop Microphone	1	3	0.08	0.25
Audio Match box	2	3	0.16	0.97
AGC Leveller	2	3	0.42	2.49
Loudness meter	1	3	0.37	1.10
Compressor / Limiter	1	3	0.35	1.04
Echo Cancellation system	2	3	3.03	18.19
Comp. to Y/C converter	2	3	0.18	1.06
6X1 Video Switcher	1	3	0.16	0.49
1 X 6 Gain Adjustable Audio AD	2	3	0.20	1.23
Audio patch cord	6	3	0.01	0.17
Video patch cord	6	3	0.02	0.28
Video patch bay	1	3	0.58	1.75
Audio patch bay	1	3	1.04	3.12
ITL-4 instructor tool kit	1	3	2.48	7.43
System – Presentation Server	1	3	0.75	2.25
System - Assistant Station	1	3	0.45	1.35
System - Video Encoder	1	3	0.63	1.88
System - Shared Application Server	1	3	0.65	1.95
System - Back up Presentation Server	1	3	0.75	2.25
System - Packeteer Packetshaper	1	3	0.45	1.35
Other Electronic Equipment for studio	1	3	0.82	2.46
Windows 2000 Adv Server	1	3	0.36	1.08
Total Equipment Cost				150.00

Details of Quotations invited for the above Equipments are as under:

S. No	Description	Total Amt. Rs. Lakhs	Quotation Details	
			Supplier	Date
1	Various Equipments (As stated above)	150.03	Gemini Communication Ltd.	01/05/2007
		150.03		

Studio Set-up furniture

Particulars	Rs. in Lakhs
Interior Designing, Sound Proofing & Furnishing	40.00
Air Conditioning & Others	10.00
Total	50.00

Details of quotation invited for above equipments is as under

S. No	Description	Total Amount Rs. Lakhs	Supplier Name	Quotation Date	Ref No.
1	Furniture - Studio 1	16.95	Pelikan	27.04.2007	PEC/EST/077/07-08
2	Furniture - Studio 2	14.94	Pelikan	27.04.2007	PEC/EST/008/07-08
3	Furniture - Studio 3	17.73	Pelikan	27.04.2007	PEC/EST/009/07-08
		49.62			

d. Placement and Portal (Rs 100 lakhs)

We are looking at leveraging our experience in the education arena to build a unique teacher recruitment portal. The domain www.teachersofindia.com has already been registered and a portal will be built that would serve as an exclusive placement portal for teachers.

We would allow all potential candidates looking at a career in the educational field to register on the website. We would market our service offering to large educational institutions for an annual subscription charge with a one-year free trial.

The revenue generation for this portal will be on 2 accounts

- Subscription:** Candidate and Educational Institutions,
- Advertisement:** Educational Institutions & Service Providers

The Capital Expenditure needed to build and host the portal is as follows.

Placement & Portal Capex

Rs in Lakhs

Particulars	Total Cost
Computers and Web Page Expenses	68.00
Electrical and Other equipments	15.00
Furnishing	17.00
Total Portal Capex Cost	100.00

Detailed Break up for Portal Capex Cost

Particulars	No of Units	Rate	Rs in Lakhs
Computers and Web Page Expenses			
Web Server	8	2.00	16.00
Mail Server	2	3.50	7.00
Computers	20	0.30	6.00
Printers	4	0.05	0.20
Port Switch	2	0.10	0.20
UPS	1	0.60	0.60
Initial Expenses for Web Hosting & Web Development	1	38.00	38.00
Total (A)			68.00

Particulars	No of Units	Rate	Rs in Lakhs
Electrical & Other Equipments	1	15.00	15.00
Total (B)			15.00
Furnishing & Fixtures	1	17.00	17.00
Total (C)			17.00
Grand Total (A + B + C)			100.00

Details of the Quotation invited

S. No	Description	Configuration	Qu	Unit Price In Rs.	Total In Rs. Lakhs	Quotation Details	
						Supplier	Date
1	A web based tool developed for online assessment.	Web server -8Mail Server-2Computers-20Printers-4Port Switch -2UPS-2	1	100.00	1	Sukraa Software Solution Pvt Ltd Chennai	April 25, 2007

e. Overseas Infrastructure and Expansion (Rs 300 Lakhs)

We have initiated discussions with Companies in the Middle East and Far East especially in Singapore and Malaysia to take content through a 'Live and Interactive mode' and also through an asynchronous mode. Similarly courses from abroad are also being planned to be introduced to Indian market.

We would initially start delivering LIVE and INTERACTIVE Education from the studios in Chennai. State of the Art studios will also come up in the markets where we intend to penetrate such as in Singapore and Dubai.

Singapore Studio

We have tied up with Centre of Excellence, an affiliate of PMC School of Logistics, Singapore, (PMC - *Premoris Melioris Colisium*, which literally means Distinguished Centre for Competency-based Education) who would be our Strategic alliance partner in taking education to the South East Asian Countries. We are in the process of identifying suitable space for setting up an office cum studio on rent in Singapore. Once set up, PMC would give content in Logistic and Supply Chain Management.

The studio will be integrated with the Indian Studio from where existing course would be taken to the South East Asian markets. This will enable us to access content seamlessly across the Indian and South East Asian markets to start with.

Dubai Sales and Administrative Office

We have plans to set up a Sales & Administrative Office in Dubai to take care of the Middle East Operations. We propose to take up space in Dubai for which we are in the process of identifying the required space on rent.

We have finalized plans to launch Web Enabled Learning initiative covering overseas markets also. We already have a ready reservoir of content and capable teachers. Content is being upgraded to cater to Overseas Customers.

Overall Cost of Overseas Expansion

Particulars	Rs. in Lakhs
Studio Infrastructure at Singapore	75.00
Operational Expenses	
At Singapore Office	175.00
At Dubai Office	50.00
Total Overseas Expansion Cost	300.00

Studio at Singapore

A state of the art studio will be set up in Singapore. This will enable us to originate and serve the customers in this region apart from sourcing content for Indian Market.

We have estimated the following costs for setting up of the Studio in Singapore:

Studio Complex Equipment Requirement

Rs. in Lakhs

	No. of Equipments	No. of Studios	Rate	Total
3 CCD Camera	3	1	1.75	5.25
S-VHS Editing Recorder	2	1	4.38	8.75
DVD Player	1	1	0.71	0.71
TBC Generator	1	1	2.84	2.84
Sync Generator	1	1	1.48	1.48
1X6 Video DA	2	1	0.20	0.39
Equalising DA	1	1	0.25	0.25
1X6 Audio DA	3	1	0.20	0.59
16X1 Looping input switcher	2	1	0.76	1.53
Control Panel for Switcher	3	1	0.28	0.84
Telestrator	1	1	2.40	2.40
Vecroscope / Waveform Monitor	1	1	3.11	3.11
40 Watt audio amplifier	2	1	0.43	0.85
150 W 2 way speaker system	2	1	0.09	0.19
Full Range monitor speaker	1	1	0.31	0.31
1X6 Video DA	3	1	0.16	0.49
16 Channel Audio Mixer	2	1	0.87	1.73
Lavalier Microphone	2	1	0.13	0.25
Desktop Microphone	1	1	0.08	0.08
Audio Match box	2	1	0.16	0.32
AGC Leveller	2	1	0.42	0.83
Loudness meter	1	1	0.37	0.37
Compressor / Limiter	1	1	0.35	0.35
Echo Cancellation system	2	1	3.03	6.06
Comp. To Y/C converter	2	1	0.18	0.35
6X1 Video Switcher	1	1	0.16	0.16
1 X 6 Gain Adjustable Audio AD	2	1	0.20	0.41
Audio patch cord	6	1	0.01	0.06
Video patch cord	6	1	0.02	0.09
Video patch bay	1	1	0.58	0.58
Audio patch bay	1	1	1.04	1.04
ITL-4 instructor tool kit	1	1	2.48	2.48

	No. of Equipments	No. of Studios	Rate	Total
System – Presentation Server	1	1	0.75	0.75
System - Assistant Station	1	1	0.45	0.45
System - Video Encoder	1	1	0.63	0.63
System – Shared Application Server	1	1	0.65	0.65
System - Back up Presentation Server	1	1	0.75	0.75
System - Packeteer Packetshaper	1	1	0.45	0.45
Other Electronic Equipment for studio	1	1	0.82	0.82
Windows 2000 Adv Server	1	1	0.36	0.36
Total Equipment Cost (A)				50.00

Studio Set-up Furniture	Rs. in Lakhs*
Interior Designing, Sound Proofing & Furnishing	20.00
Air Conditioning & Others	5.00
Total Furnishing Cost (B)	25.00
Total (A) + (B)	75.00

* Assumed same cost as at Indian Prices

Details of Quotations invited for the above set-up is as under:

S. No	Description	Total Amt. Rs. Lakhs	Ref No	Quotation Details	
				Supplier	Date
1	Overseas Studio Equipments (As stated above)	49.89	—	Gemini Communications Ltd	01/05/2007
2	Furniture and Others (As stated above)	25.20	PEC/EST /10/07-08	Pelikan	27/04/2007
		75.09			

Office Space in Singapore – Estimates for Operational costs

The Singapore marketing office would help expand operations in ASEAN countries. Following is the break-up of initial Operational costs that has been estimated to be required for the first 12 months of Operations in Singapore.

Man Power

Particulars	No. of Person(s)	Salary (Singapore \$ per month)	Salary Per Annum (Rs in Lakhs)
Salaries			
Marketing In charge	1	7800	25.38
Asst Manager	1	4700	15.30
Support Staff	2	2815	18.32
Total Salaries (A)			59.00

* The Exchange rate is assumed at 1 Singapore \$ = Rs 27.116(As on May 2, 2007)

Source: www.oanda.com

Rent and Other Expenditure at Singapore

Particulars	Amount Per annum (Rs in Lakhs)
Rent @ Singapore \$ 20000 p m	65.08
Travel & Other Administrative Cost @ Singapore \$ 10400 p m	33.84
Marketing & Event Management cost @ Singapore \$ 5000 p m	16.27
Other Expenses @ Singapore \$ 3000 p.a	0.81
Total (B)	116.00
Total Office Cost at Singapore (A) + (B)	175.00

* The Exchange rate is assumed at 1 Singapore \$ = Rs 27.116

Office space in Dubai – Estimates for Operational costs

We have been negotiating with the authorities of Dubai for setting up an office in Dubai. Middle East Asian countries offer a good market for the products that Everonn has developed. We have identified Dubai as the HUB for this market and accordingly are looking out for a place. Courses that originate in our studio in Chennai are to be taken into the schools of that region and Dubai would act as the Administrative and marketing office.

Man Power

Particulars	No. of Persons	Salary (Dirham per month)	Salary for six months (Rs in Lakhs)
Salaries			
Marketing In charge	1	8900	6.00
Asst Managers	2	5550	7.50
Total (A)			13.50

* The Exchange rate is assumed at 1 Dirham = Rs 11.224 (As on May 2, 2007)

Source: www.oanda.com

Rent and Other Expenditure at Dubai.

Rs. in Lakhs

Particulars	Amount for six months
Rent @ Dirham 20800 p m	14.00
Travel & Other Admn. Cost @ Dirham 22300 p m	15.02
Marketing & Event Management cost @ Dirham 11100 p m	7.48
Total (B)	36.50
Total Office Cost at Dubai (A) + (B)	50.00

* The Exchange rate is assumed at 1 Dirham = Rs 11.224 (As on May 2, 2007)

Source: www.oanda.com

III. WORKING CAPITAL REQUIREMENTS (Rs 500 Lakhs)

Our working capital need is substantially in the form of receivables from Various State Governments, Colleges and Schools. Except as mentioned under the para “Financial Indebtedness”, we do not have any facility.

Our expansion plan consists of 1000 Educational Institutions and 250 Virtual Classrooms in Colleges and Schools which requires working capital.

The major components of working capital requirements are

- Receivables
- Other Current Assets consisting EMDs, Performance Security Deposits and Other Deposits
- Sundry Creditors

Inventory has not been considered as the retail business is to be transferred to Subsidiary Company.

Majority of receivables are from State Governments, Colleges and Schools. The terms of credit are built into the contract with respective parties. The receivables are on an average about 6 months.

The Other Current Assets are in form of various Earnest Money Deposits (EMDs) with State Governments for bidding the Tenders, Performance Security Deposits and Retention Money with various State Governments and Various other deposits including Tax Deducted at Source.

Sundry Creditors Singapore substantially consists

- Outstanding for Capital Goods in Projects
- Course Material
- Annual Maintenance Contracts
- Provisions including provision for tax

Particulars	No. of Months
Sundry Debtors	6 months
Other Current Assets consisting EMDs, Performance Security Deposits etc	1 to 2 months
Sundry Creditors	3 to 4 months

Incremental Working Capital

(Rs. in Lakhs)

PARTICULARS	2005-06	2006-07 (Estimated)	2006-07 (Actuals)
Inventories	26.59	–	25.64
Sundry Debtors	1,734.50	2,870.64	2796.50
Other Current Assets consisting EMD, Performance Security Deposits etc	554.87	715.50	593.79
	2,315.96	3,586.14	3415.93
Less : Current Liabilities & Provisions	916.66	1,674.54	932.53
Net Current Assets (except cash)	1,399.30	1,911.60	2483.40
Net Increase	–	512.30	1084.10

The increase in working capital during 2006-07 was projected at **Rs. 512.30** lakhs. However, the actual working capital requirement was Rs 1084.10 lakhs.

The working capital requirement of **Rs. 500.00 lakhs** shown under the head Objects of the Issue has been fully utilised from the proceeds from Preferential Allotment to India China Pre-IPO Equity (Mauritius) Ltd. The balance Working capital requirement of Rs 584.10 lakhs was met through Internal Accruals.

IV. MERGERS AND ACQUISITIONS – (800 lakhs)

We plan to allocate Rs 800 lakhs for M & A activities including Joint Ventures. This would increase the pace of our growth enabling us to secure a higher volume of business. The acquisitions would have strategic relevance to our Company in a wider perspective. If the value of acquisition is in excess Rs 800.00 lakhs, we will meet the same through internal accruals and/or acquisition financing.

Rationale

As the student base is increasing, the demand for varied content is increasing. To satisfy the increased demand for varied content, we are looking for acquisition/joint venture of a suitable Company which has readymade content with it or the infrastructure to develop content. We plan to invest Rs 800 lakhs for the acquisition/joint venture of suitable Company/ Companies in the educational arena. We would be interested in acquiring Companies which are in the Education technology business, multimedia business, development of content so as to give us the geographical spread to expand operations inorganically. Access to wider basket of content would enable us to expand to newer areas and cover newer segments of population.

Targets:

The potential targets for acquisition/Joint ventures are:

- Education Technology Companies
- Content Development Companies
- Multimedia/ Animation / Graphic Design Companies

Benefits:

The potential benefits to the Company from these acquisitions/joint ventures would be:

- More content in the Company's Content Basket
- Faster Geographical and varied segmental reach
- Pursuing various options of content delivery in terms of new technology.
- Cost advantage in terms of faster sourcing of content & experienced teachers.

Though specific Companies for acquisitions have not yet been finalized, we are currently in the process of short listing the target Companies that meets the chosen criteria.

V. Investment in Subsidiary – (Rs 100 lakhs)

We have access to a large number of schools, colleges and students. We intend to take advantage of this large base by setting up a Subsidiary to Retail Educational aids, tools and other products.

The Subsidiary will set up exclusive retail outlets at Schools and Colleges where Everonn has a presence. These retail outlets would sell Educational content in the form of CD/DVDs, Books etc to the Student community. Besides, the Subsidiary proposes to market computers and other IT related products to the students.

We have been generally looking at these opportunities and are confident of growth with added focus. We intend floating a Subsidiary in third quarter of the year and handling the trading activity with a focused team. However, they would be located out of our existing centres and would use our logistical support and available manpower in all locations.

We have presence in 13 states and more than 2000 schools/institutions. We propose to have a retail trading centre to start with in 10 states. An Investment of Rs 7.50 Lakhs in each of these states is proposed in terms of investing in the stocks covering Course materials, Tools, Hardware and Software.

Particulars	Total Investment (Rs in Lakhs)
In Trading Goods	
- Tools, Hardware and Course Materials	75.00
In Trading Expenses	
- Manpower, Overheads, Marketing, Advertising etc	25.00
Total Investment in Subsidiary	100.00

VI. BRAND BUILDING (Rs. 100.00 lakhs)

We have so far been in touch with Government and Government Agencies for sourcing & procuring business. We have been directly sourcing business from Private Institutions also.

We are targeting the Customers directly. There is a need to create a strong brand in the minds of the Customers. Communications will play a key role in building a successful brand. We feel that brand positioning is essentially about Customer perceptions – with an objective to build a clearly defined position in the minds of the target audience.

All elements of the promotional mix would need to be used to develop and sustain Customer perceptions. The challenge initially would be to build awareness, then to develop the brand personality and reinforce the perception.

In this endeavour, we would use our Virtual Classrooms as a tool to build awareness and increase brand recall through proper usage of signage at these Virtual Classrooms at dispersed geographic locations.

Our increasing points of presence would serve as an ideal vehicle to communicate our vision towards education through the organisation of seminars and conferences.

Besides this, we intend to undertake proactive public relations effort through various media like News Print, Radio and Television.

These specific brand building activities coupled with our first mover advantage would aid in building a lasting and recognisable brand in the Education segment. India has joined the bandwagon of “Brand Driven Economies” and increasingly students identify themselves with the Brand. We have earmarked an amount of Rs 100 Lakhs to kick start our brand building exercise during 2007-08.

Particulars	Rs in Lakhs
Expenditure on News Print etc	50.00
Expenditure on TV Commercials and Seminars	50.00
Total	100.00

VII. Issue Expenses (Rs 381 Lakhs)

The expenses to be incurred for the IPO would include Lead Management Fee, Brokerage, Underwriting fees, Fees payable to Registrar, Printing & Stationery Expenses, Advertisement and Marketing Expenses, Fees payable to Regulatory Agencies and Stock Exchanges etc.

The estimated Issue Expenses are as under:

Particulars	Rs in Lakhs	%age of total Issue expenses	% age to the Issue Size
Lead Management Fees/Underwriting & Brokerage	150.00	39.37%	3.00%
Fees payable to Registrar including Postage	20.00	5.25%	0.40%
Printing & Distribution of Stationery	102.50	26.90%	2.05%
Legal Fees	7.50	1.97%	0.15%
Advertising & Marketing	70.00	18.37%	1.40%
Others	31.00	8.14%	0.62%
Total	381.00	100.00%	7.62%

SCHEDULE OF IMPLEMENTATION

Sr. No.	Activity	Start	Completion
1	Institutional Education and IT Infrastructure Service	Already Commenced	March 2008
2	Virtual & Tech Enabled Learning Solutions	Already Commenced	March 2008
3	Mergers & Acquisitions including Joint Ventures.	Jan 2008	June 2008
4	Investment in Subsidiary	April 2008	June 2008
5	Working Capital	September 2006	March 2007
6	Brand Building	September 2007	March 2008

FUNDS DEPLOYED

The total amount spent towards the Objects of the Issue upto April 30, 2007 is Rs 13,85,02,000 /- as certified by Mr P. Chandrasekhar, Chartered Accountants vide their letter dated May 14, 2007. The details of amount spent are as given below:

Sr. No.	Description	Amount (Rs in Lakhs)	
1	Institutional Education and IT Infrastructure Services		
	- Computers, Software and Other Hardware Cost	382.92	
	- Furniture & Fixtures	54.65	437.56
2	Virtual and Tech Enabled Learning Solutions		
	- ViTELS Content		407.55
3	Working Capital Requirements		500.00
4	Issue Expenses		39.90
	Total		1385.02

SOURCES OF FINANCING OF FUNDS ALREADY DEPLOYED

P Chandrasekhar, Chartered Accountants vide letter dt. May 14, 2007 have given a Certificate detailing the amount spent and the sources of financing.

The above mentioned funds deployed have been funded as under:

Rs in Lakhs

Sources of Funds	Amount
Preferential allotment to M/s India China Pre IPO Equity (Mauritius) Ltd	1376.16
Internal Accruals	8.86
	1385.02

DETAILS OF BALANCED FUND DEPLOYMENT
Rs in Lakhs

Particulars	2006 - 2007	2007 - 2008					2008 - 2009		Grand Total
	Already spent	Q1	Q2	Q3	Q4	Total	Q1	Total	
Institutional Education & IT Infrastructure Services	438	–	300	1,500	762	2,562	–	–	3,000
Virtual & Tech Enabled Learning Solutions	408	–	250	475	592	1,317	–	–	1,725
Brand Building	–	–	–	50	50	100	–	–	100
Mergers & Acquisitions	–	–	–	–	350	350	450	450	800
Investment in Subsidiary	–	–	–	–	–	–	100	100	100
Working Capital Requirements	500	–	–	–	–	–	–	–	500
Issue Expenses	40	126	215	–	–	341	–	–	381
TOTAL	1,386	126	765	2,025	1,754	4,670	550	550	6,606

APPRAISAL

The Project has not been appraised by any Bank/Financial Institution.

INTERIM USE OF FUNDS

Pending utilization of funds as stated above, the Company intends to keep the proceeds of the issue in fixed deposits in an escrow account with any of the Scheduled Commercial Bank for the necessary duration.

SHORTFALL OF FUNDS

The shortfall in funds, if any, shall be met by Internal Accruals.

MONITORING UTILISATION OF FUNDS

No Monitoring Agency is required to be appointed by the Company for the Issue pursuant to Clause 8.17.1 of the SEBI Guidelines. However, we have appointed Syndicate Bank, Anna Salai Branch, Chennai as Monitoring Agency to monitor the utilization of the proceeds of the issue. No part of the Issue proceeds will be paid by us as consideration to the Company Promoters, Directors, key management personnel or Companies promoted by the Company Promoters except in the course of normal business.

BASIS FOR ISSUE PRICE

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

Qualitative Factors:

- We have grown in strength and reputation over the last 5 years. The products and services offered have found wide acceptance and have been tested and proven on the ground.
- Our core strength is our base of educationists who are placed in every site to assist comprehension. We presently employ more than 2000 teachers and staff comprising mainly of education, technical and network professionals.
- We are one of the pioneers in this space with a successful and impressive track record. ESIL's Education Centric technology, content and support infrastructure provision to the last mile (schools) has enabled it to successfully create a niche in this sunrise education technology field.
- We are an ISO 9000-2001 Company ensuring quality in the education it imparts.

Quantitative factors

1. Earnings Per Share:

	PAT (Rs in Lakhs)	Weighted Average No of shares	EPS (Rs.)	Weights
Year Ended March 31, 2005	151.13	74,41,627	2.03	1
Year Ended March 31, 2006	490.93	74,41,627	6.60	2
Year Ended March 31, 2007	485.64	86,28,847	5.63	3
Weighted Average EPS			5.35	

Notes:

- The Earning Per share has been computed on the basis of the adjusted profits and losses of the respective years.
- The denominator considered for the purpose of calculating earnings per share is the weighted average number of Equity Shares outstanding during the year.

2. Price /Earning* Ratio in relation to Issue price is [-]

Particulars	P/E at the lower end of Price Band (no. of times)	P/E at the higher end of Price Band (no. of times)
a. Based on year ended March 31, 2007 restated EPS of Rs 5.63	22.20	24.87
b. Based on weighted average restated EPS of Rs 5.35	23.36	26.17

*Would be calculated after discovery of the Issue Price through Book-building

Industry P/E*:

- Highest: 74.40
- Lowest : 12.80
- Industry Composite: 55.10

*P/E based on trailing twelve month earnings for the Computers – Education Industry

Source: Capital Market Vol. XXII/05, May 07 – May 20, 2007 (Industry - Computers Education)

3. Weighted Average Return on Network

Period	RONW %	Weights
Year Ended March 31, 2005	11.79%	1
Year Ended March 31, 2006	27.57%	2
Year Ended March 31, 2007	13.27%	3
Weighted Average Return on Network	17.79%	6

4. Minimum Return on total Network post Issue to maintain Pre Issue EPS is [•]

5. Net Asset Value (NAV)

- NAV per Equity Share after the Issue, based on the higher end of the Price band (Rs 140 per Equity Share) is Rs 62.52
- NAV per Equity Share after the Issue, based on the lower end of the Price band (Rs 125 per Equity Share) is Rs 60.65
- Issue Price per Equity Share is Rs [•]

Period	NAV per share in Rs	Networth (Rs in Lakhs)
Year Ended March 31, 2005	74.78	1281.43
Year Ended March 31, 2006	103.92	1780.91
Year Ended March 31, 2007	35.60	3659.41

Net Asset Value Per Share = Equity Share Capital plus Reserves & Surplus less Miscellaneous Expenditure to the extent not written off /Number of Equity Shares outstanding during the year

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

7. Comparison with Industry Peers

Peers	EPS (Rs.)	RONW %	Net Asset Value per share (Rs)	P/E
Everonn Systems India Ltd ⁽¹⁾	5.63	13.27	42.41	-
Peer Group				
Educomp Solutions ⁽²⁾	17.70	24.50	74.10	74.40
NIIT Ltd ⁽²⁾	12.40	9.60	145.40	145.30

1) Earnings Per Share, Return on Net Worth and Net Asset Value of the Company are based on the last audited restated financial statements for the year ended March 31, 2007.

2) Source: Capital Market Vol. XXII/05, May 07 – May 20, 2007, Industry - Computers Education

8. The face value of Equity Shares of the Company is Rs. 10 and the Issue price is [●] time of the face value.

The Issue price of Rs. [●] is determined by the Company in consultation with the BRLM on the basis of the demand from investors for the Equity Shares through the Book-Building Process and is justified based on the above accounting ratios.

Investors are requested to see the section titled “Risk Factors” on page x of this Red Herring Prospectus and the financials of the Company including important profitability and return ratios, as set out in the Auditors Report on financial statements on page 99 of this Red Herring Prospectus to have a more informed view. Provided however that the Issue Price for the Equity Shares in this Issue has not been determined solely on the basis of such profitability and return ratios, financial statements or other forward looking statements. The Issue Price will be determined on the basis of demand from Investors upon completion of the Book Building process.

STATEMENT OF TAX BENEFITS

The Board of Directors
Everonn Systems India Limited
Chennai

Dear Sirs,

Re: Opinion on Tax Benefits

We hereby report that the enclosed annexure states the possible tax benefits available to Everonn Systems India Limited ("Company") and its shareholders under the Income tax Act, 1961, Wealth Tax Act, 1957 and the Gift Tax Act, 1958, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws.

Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions which, based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the annexure are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance whether:-

- the Company or its shareholders will continue to obtain these benefits in future; or
- the conditions prescribed for availing the benefits have been or would be met with.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to Everonn Systems India Limited for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

Thanking you,

Yours sincerely,

**For M/s P.Chandrasekar
Chartered Accountants**

Sd/-

**K Parthasarathy
Partner**

M No: 9574

**Place: Chennai
Date: 16.05.2007**

I. Special Tax Benefits

The company does not enjoy any special tax benefits.

II. General Tax Benefits

Statement of possible tax benefits available to Everonn Systems India Limited and to its Shareholders

As per the existing provisions of the Income Tax Act, 1961 (the Act) and other laws as applicable for the time being in force, the following tax benefits and deductions are and will, inter-alia be available to M/s Everonn Systems India Limited and its shareholders.

Benefits available to the Company Under the Income Tax Act, 1961

1. In accordance with and subject to the provisions of section 35 of the Income tax Act, the Company will be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business other than expenditure on land.
2. In accordance with and subject to the provisions of section 32, the Company will be entitled to claim depreciation in respect of tangible assets and intangible assets being in the nature of copyrights and trademarks or any other business or commercial rights of similar nature acquired on or after 1 April 1998 at the rates prescribed under the Income tax Rules.
3. By virtue of section 10(34) of the Income Tax Act, dividend income referred to in section 115-0 of the IT Act, will be exempt from tax in the hands of the Company.
4. By virtue of section 10(35) of the Income Tax Act, the following income shall be exempt in the hands of the Company
 - a. Income received in respect of the units of a Mutual Fund specified under clause (23D) of section 10; or
 - b. Income received in respect of units from the Administrator of the specified undertaking; or
 - c. Income received in respect of units from the specified company;
 - d. Provided that this exemption does not apply to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund, as the case may be. For this purpose:
 - i. "Administrator" means the Administrator as referred to in clause (a) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002;
 - ii. "specified company" means a company as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act, 2002;
5. In terms of section 10(38) of the Income tax Act, any long term capital gain arising to the company from the transfer of a long term capital asset being an equity shares in a company or unit of an equity oriented fund on or after the date on which chapter VII of the Finance (No. 2) Act 2004, comes into force and such transaction is chargeable to securities transaction tax, would not be liable to tax in the hands of the company.

For this purpose, "equity oriented fund" means a fund

- a. Where the investible funds are invested by way of equity shares in domestic companies to the extent of more than sixty five per cent of the total proceeds of such fund; and
- b. Which has been set up under a scheme of a Mutual Fund specified under clause (23D)

However the company will not be able to reduce the income to which the provisions of section 10(38) of the Act apply while calculating "book profits" under the provisions of Section 115 JB of the Act and will be required to pay Minimum Alternate Tax @11.22% (including surcharge of 10% and Education cess of 2% on the overall tax) of the book profits determined.

6. The provisions of Section 10 B shall be available to company planning to set up an hundred percent EOU. In terms of section 10 B, in respect of hundred per cent export oriented undertakings, a deduction of such profits and gains as are derived from the export of articles, or things or computer software for a period of ten consecutive assessment years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or product articles or things or computer software, as the case may be, shall be allowed from the total income of the assessee. The deduction under this section shall not be allowed for the assessment year beginning on the first day of April 2010 and subsequent years.

7. In terms of section 111 A of the Income tax Act, any short term capital gain arising to the company from the transfer of a short term capital asset being an equity shares in a company or unit of an equity oriented fund on or after the date on which chapter VII of the Finance (No.2) Act, 2004(i.e. 1st day of October, 2004) comes into force and where such transfer is chargeable to securities transaction tax would be subject to tax at a rate of 10 per cent (plus applicable surcharge and Education Cess)
8. As per section 112 of the Act, taxable long-term capital gains, if any, on sale of listed securities or units or zero coupon bonds (in cases not covered under section 10(38) of the Act) would be charged to tax at the rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits in accordance with and subject to the provisions of section 48 of the Act or at 10% (plus applicable surcharge and education cess) without indexation benefits, at the option of the Company. Under section 48 of the Act, the long term capital gains arising out of sale of capital assets excluding bonds and debentures (except Capital Indexed Bonds issued by the Government) will be computed after indexing the cost of acquisition/improvement.
9. As per 54EC of the Act and subject to the conditions and to the extent specified therein, long- term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

- (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or
- (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

To the Resident Members of the Company

1. In term of section 10(34) of the Income Tax Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003 by the company) is exempt from tax.
2. In terms of section 10(38) of the Income Tax Act, any long term capital gain arising to the members from the transfer of a long term capital asset being an equity shares in a company where such transfer is chargeable to securities transaction tax, would not be liable to tax in the hands of the Shareholders.
3. As per section 88E of the Income tax Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered into in the course of the business would be eligible for deduction from the amount of income tax on the income chargeable under the head "Profits and Gains of Business or Profession" arising from taxable securities transactions, subject to certain limits specified in the section. No deduction will be allowed in computing the income chargeable to tax as "Capital Gains" or under the head "Profits and Gains of Business or Profession" for such amount paid on account of securities transaction tax.
4. As per section 111A of the Act, short term capital gains arising to the shareholder from the sale of equity shares of the Company transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 10% (plus applicable surcharge and education cess).
5. As per section 112 of the Act, if the shares of the Company are listed on a recognized stock exchange, taxable long term capital gains, if any, on sale of the shares of the Company (in cases not covered under section 10(38) of the Act) would be charged to tax at the rate of 20% (plus applicable surcharge and education cess) after considering indexation benefits or at 10% (plus applicable surcharge and education cess) without indexation benefits, whichever is less.
6. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer.

However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

A “long term specified asset” means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

- (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or
- (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.

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

Non-Resident Indians/Non Resident Shareholders (Other than FIIs and Foreign Venture Capital Investors).

1. As per section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the Company is exempt from tax.
2. As per section 10(38) of the Act, long term capital gains arising to the shareholder from the transfer of a long term capital asset being an equity share in the Company, where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the shareholder.
3. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a “long term specified asset” within a period of 6 months after the date of such transfer.

However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

A “long term specified asset” means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

- (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or
 - (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.
4. As per section 54F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from such shares is used for purchase of a residential house property within a period of one year before or 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.
 5. Under section 115-I of the Act, the Non-Resident Indian shareholder has an option to be governed by the provisions of Chapter XIIA of the Act viz. “Special Provisions Relating to Certain Incomes of Non-Residents” which are as follows:
 - (i) As per 115E of the Act, where shares in the Company are acquired or subscribed to in convertible foreign exchange by a Non-Resident Indian, capital gains arising to the nonresident on transfer of shares held for a period exceeding 12 months, shall (in cases not covered under section 10(38) of the Act) be concessional tax at the flat rate of 10% (plus applicable surcharge and education cess) (without indexation benefit but with protection against foreign exchange fluctuation).
 - (ii) As per section 115F of the Act, long-term capital gains (in cases not covered under section 10(38) of the Act) arising to a Non-Resident Indian from the transfer of shares of the company subscribed to in convertible foreign exchange shall be exempt from income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

- (iii) As per section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their only source of income is income from specified investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
 - (iv) As per section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income, for the assessment year in which he is first assessable as a Resident, under section 139 of the Act to the effect that the provisions of the Chapter XIA shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
- 6 The tax rates and consequent taxation mentioned above shall be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the non-resident has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the non-resident.

Benefits available to Foreign Institutional Investors ('FII')

1. As per section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the Company is exempt from tax.
2. As per section 10(38) of the Act, long term capital gains arising to the FIIs from the transfer of a long term capital asset being an equity share in the Company where such transaction is chargeable to securities transaction tax would not be liable to tax in the hands of the FIIs.
3. As per section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under the section 10(38) of the Act at the following rates:

Nature of income Rate of tax (%)

Long term capital gains 10%

Short term capital gains (other than referred to section 111A) 30%

The above tax rates have to be increased by the applicable surcharge and education cess.

In case of long term capital gains, (in cases not covered under section 10(38) of the Act), the tax is levied on the capital gains computed without considering the cost indexation and without considering foreign exchange fluctuation.

4. As per section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer.

However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred or converted into money.

A "long term specified asset" means any bond, redeemable after three years and issued on or after the 1st day of April 2006:

- (i) by the National Highways Authority of India constituted under section 3 of the National Highways Authority of India Act, 1988, and notified by the Central Government in the Official Gazette for the purposes of this section; or
 - (ii) by the Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956, and notified by the Central Government in the Official Gazette for the purposes of this section.
5. The tax rates and consequent taxation mentioned above shall be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the FII has fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the FII.

Benefits available to Mutual Funds

As per section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India would be exempt from income tax, subject to such conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

Benefits available to Venture Capital Companies /Funds

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

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

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

Benefits to shareholders of the Company under the Gift Tax Act, 1958.

Gift made after 1st October 1998 is not liable for gift tax, and hence, gift of shares of the Company would not be liable for gift tax.

The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

Notes:

- (i) All the above benefits are as per the current tax laws.
- (ii) 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 investments in the shares of the company.

No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to Everonn Systems India Limited for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.

Section IV: ABOUT US

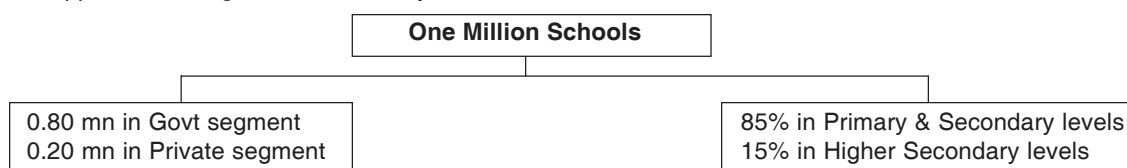
INDUSTRY OVERVIEW

The information in this section is derived from various Government publications and other industry sources. Neither we nor any other persons connected with the Issue have verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but that their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and accordingly, investment decisions should not be based purely on such information.

Education Market Structure and Size

School Education in India

India is currently one of the largest markets for School Education in the World. India currently has over 1 million schools providing education from K-12 (kindergarten – Class 12) to over 200 million students. There are over 5 million teachers across India who needs support in training in IT and delivery of Education.



A uniform structure of School Education, the 10+2 system has been adopted by all the States and Union Territories (UT) of India. However, within the States and the UTs, there remains variations in the number of classes constituting the Primary, Upper Primary, High and Higher Secondary school stages, age for admission to class I, medium of instruction, public examinations, teaching of Hindi and English, number of working days in a year, academic session, vacation periods, fee structure, compulsory education etc.

Stages of school education in India

- A. The Primary Stage consists of Classes I-V, i.e., of five years duration, in 20 States/UTs namely Andhra Pradesh, Arunachal Pradesh, Bihar, Haryana, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Manipur, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, West Bengal, Andaman & Nicobar Islands, Chandigarh, Delhi and Karaikal and Yanam regions of Pondicherry. The primary stage consists of classes I-IV in Assam, Goa, Gujarat, Karnataka, Kerala, Maharashtra, Meghalaya, Mizoram, Nagaland, Dadra & Nagar Haveli, Daman & Diu, Lakshadweep and Mahe region of Pondicherry.
- B. The Middle Stage of Education comprises Classes VI-VIII in as many as 18 States, UTs viz., Arunachal Pradesh, Bihar, Haryana, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Manipur, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, West Bengal, Andaman & Nicobar Islands, Chandigarh, Delhi and Karaikal region of Pondicherry; Classes V-VII in Assam, Goa, Gujarat, Karnataka, Kerala, Maharashtra, Meghalaya, Mizoram, Dadra & Nagar Haveli, Daman & Diu, Lakshadweep and Mahe region of Pondicherry and Classes VI-VII in Andhra Pradesh, Orissa and Yanam region of Pondicherry. In Nagaland Classes V – VIII constitute the upper primary stage.
- C. The Secondary Stage consists of Classes IX-X in 19 States/UTs. Viz., Arunachal Pradesh, Bihar, Haryana, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Manipur, Nagaland, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttar Pradesh, West Bengal, Andaman & Nicobar Islands, Chandigarh, Delhi and Karaikal region of Pondicherry. The High School stage comprises classes VIII to X in 13 States/UTs viz., Andhra Pradesh, Assam, Goa, Gujarat, Karnataka, Kerala, Maharashtra, Meghalaya, Mizoram, Orissa, Dadra & Nagar Haveli, Daman & Diu, Lakshadweep and Mahe & Yanam regions of Pondicherry.

However, the Higher Secondary / Senior Secondary stage of school comprising classes XI-XII (10+2 pattern) is available in all the States/UTs though in some States/UTs these classes are attached to Universities/Colleges.

Source: National Policy on Education, <http://www.education.nic.in/NatPol.asp>

Size of the Indian Education System

In keeping with its billion-plus population and high proportion of the young, India has a large formal Education System. Its target group (children and young persons in the 6-24 years age group) numbered around 411 million in 2003, or about 40% of the country's population.

Following are some indicators of the size of India's Education System (figures pertain to 2003-04, unless otherwise stated):

Target Population (6-24 years age group) (Estimate for 2003)	411 million
Total Enrolments in all Educational Institutions (School to University)	224 million
Number of Educational Institutions - Schools - Colleges (2004-05) - Universities (as on 31.03.05)	1.18 million 17,625 338 (229 Universities +96 Deemed Universities + 13 Institutions of National Importance)
Number of Teachers	6.2 million

(The above figures of enrolment, etc. do not include the non-formal system which aims to educate adult illiterates, above the age of 15 years.)

Source: Ministry of Human Resource Development - Department of Higher Education website

Quantitative Expansion

The following comparative figures show the remarkable growth of Indian Education since India became a republic in 1950:

S. No.	Item	Figure in 1950-51	Figure in 2003-04 (Unless otherwise stated)
1	Literacy Rate	18.3%	64.8% (2001)
2	Female Literacy Rate	8.9%	53.7%
3	Schools	0.23 million	1.18 million
4	General Colleges	370	9427
5	Professional Colleges	208	2751
6	Universities	27	304
7	Gross Enrolment Ratio in Elementary Education	32.1%	84.8%
8	Gender Parity Index at Elementary level	0.38	0.93
9	Public Expenditure on Education as % of GDP	1.5%	3.76%

Source: Ministry of Human Resource Development - Department of Higher Education website

Government Spending on Education

The Government of India has spent over Rs. 10,000 crores on Elementary Education in the country during 2005-06 through its various schemes. Besides this the Government has an outlay of Rs 2563 crores on Higher/Secondary Education during 2005-06. Education in the country is funded through a 2% Education Cess and other Budgetary Allocations.

Source: <http://www.education.nic.in>

Corporate/Industrial Sector – Learning and Skill Enhancement

India's Value Proposition

India offers a unique combination of attributes that have established it as the preferred offshore destination for IT-BPO. Over FY 2001-2006, India's share in global sourcing is estimated to have grown from 62 percent to 65 percent for IT and 39 per cent to 45 percent for BPO. The visibly higher preference for India is driven by its unmatched superiority when measured across a range of parameters that determine the attractiveness of a sourcing location.

Abundant Talent - With over half the population of India aged less than 25 years, India's young demographic profile is a unique and an inherent advantage. This, complemented by a vast network of academic infrastructure and the legacy effects of British colonisation has contributed to an unmatched mix and scale of educated, English-speaking talent.

Notwithstanding the strong fundamentals (of a disproportionately large talent pool), there has been growing concern about parts of the available pool being unsuitable for employment. The Indian IT-BPO sector has taken the lead in ensuring that

requisite remedial actions are undertaken – well in time – to avoid any form of a talent crisis. Training has become a regular and significant component in the induction process of all IT-BPO firms. Several firms have also established dedicated facilities and teams, for employee skill enhancement initiatives.

In addition to firm level efforts that are more focused on the immediate requirements, the industry is also driving a series of concerted efforts to structurally address the talent concerns. NASSCOM has, on behalf of the industry, led the development of a comprehensive skill assessment and certification programme for entry-level talent and executives (low, middle level management) and is organising an image enhancement programme to build greater awareness about the career opportunities in the BPO segment. The industry is also working with the University Grants Commission and the All India Council for Technical Education, to encourage and facilitate greater industry interaction, thus helping them share relevant feedback, stay updated on developments in the industry and giving them an opportunity to incorporate positive changes to their curriculum and pedagogy. Further, it is proposed that a chain of 'finishing schools' be set-up, to supplement the graduate education attained by the next layer of candidates – considered unsuitable for direct employment in the IT sector.

These initiatives are believed to be sufficient to address any potential supply gaps in the medium-term. However, a sustainable solution of the talent suitability issue requires a quantum increase in capacity and improvement in quality of the education system, and it is encouraging to note that this issue is being actively discussed at the highest levels of policy formulation in the country.

Source: NASSCOM IT Review 2007

Corporate & Small and Medium Enterprises (SME)

There are more than 3.57 million Corporates and Small and Medium Enterprises in India (SMEs). The total number of employees in the SMEs alone is around 19.96 million.

Source: www.smallindustryindia.com

BUSINESS OVERVIEW

We are a fully integrated Knowledge Management, Education and Training Company offering a range of services that include

- Creating Educational and Training Content that is globally relevant
- Designing and executing large learning initiatives.
- Setting up the needed infrastructure for learning and training

We are one of the leading players in setting up **Virtual and Interactive Learning** classroom networks across India to deliver quality and affordable education. We are developing and integrating content for Indian and global audience in schools, colleges, corporates and retail space.

We are one of pioneers of computer education in schools and colleges. We have partnered with various State Governments to bridge the digital divide. Computer Lab infrastructure is set by our Company inside the School and College and IT Education is imparted through well trained Everonn faculty.

We are the Lead Partner of Hughes Communication India Ltd (HCIL) for Hughes Net (Direcway) interactive learning, where management courses from premier management institutes are offered to working executives.

We have two Strategic Business Units (SBUs)

SBU I : Institutional Education and Infrastructure Services

Setting up IT Education Infrastructure in Schools & Colleges

Delivering IT education in Schools & Colleges.

Offering Turnkey Education and Software Solutions.

Currently have a point of presence in over 1900 schools

Spread across 8 states. Everonn employs more than 2000 people

SBU II : Virtual and Technology Enabled Learning Solutions

ViTELS focuses on providing specialized content through an Interactive remote delivery mechanism

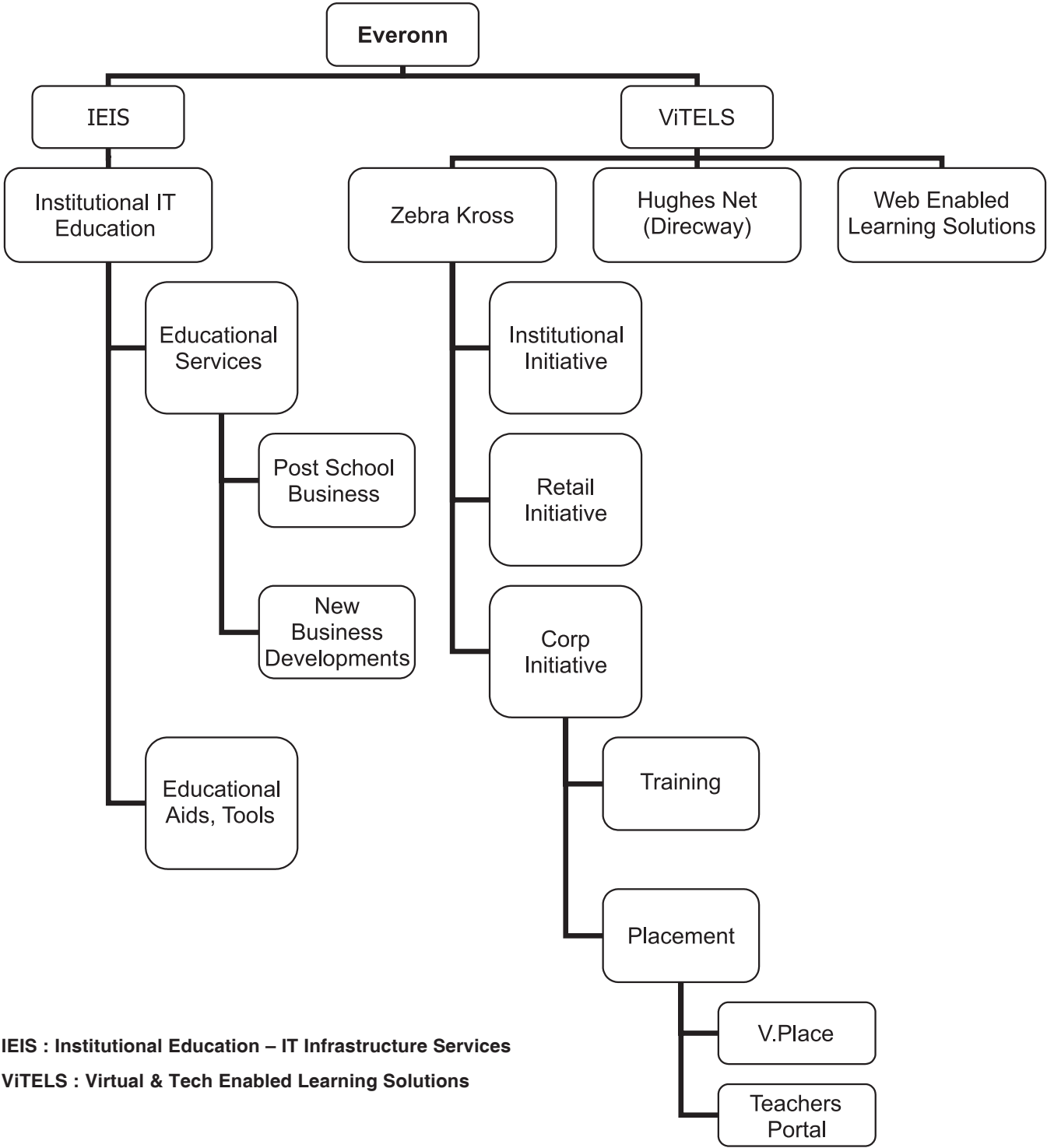
The target audience are

- Colleges and Schools
- Working Professionals
- Corporates
- Retail segment.

Management Education from Premier Institutes on Direcway Platform.

Virtual learning through Zebra Kross and Direcway extended to 197 colleges, schools and Retail Centres

BUSINESS INITIATIVES UNDER STRATEGIC BUSINESS UNITS



INSTITUTIONAL EDUCATION – IT INFRASTRUCTURE SERVICES

We are an Education Service Provider for several State Governments in India, for their Computer Education, Computer Literacy, Computer Aided Learning and Teachers Training projects. With presence in eight States, over 1300 Computer Labs and having trained 1.2 million students, Everonn has built a good brand image with key policy makers for Computer Education in Schools and colleges.

The implementation of IT in Government schools and colleges is likely to go through two phases. The first phase would involve promoting computer literacy in schools. The second phase would involve using computers as a tool for delivering educational content. The Government initiatives are focused on implementation of phase 1. The implementation of phase 2 has started in private schools, higher education institutions and a few Government schools.

Institutional IT Education – Process Flow

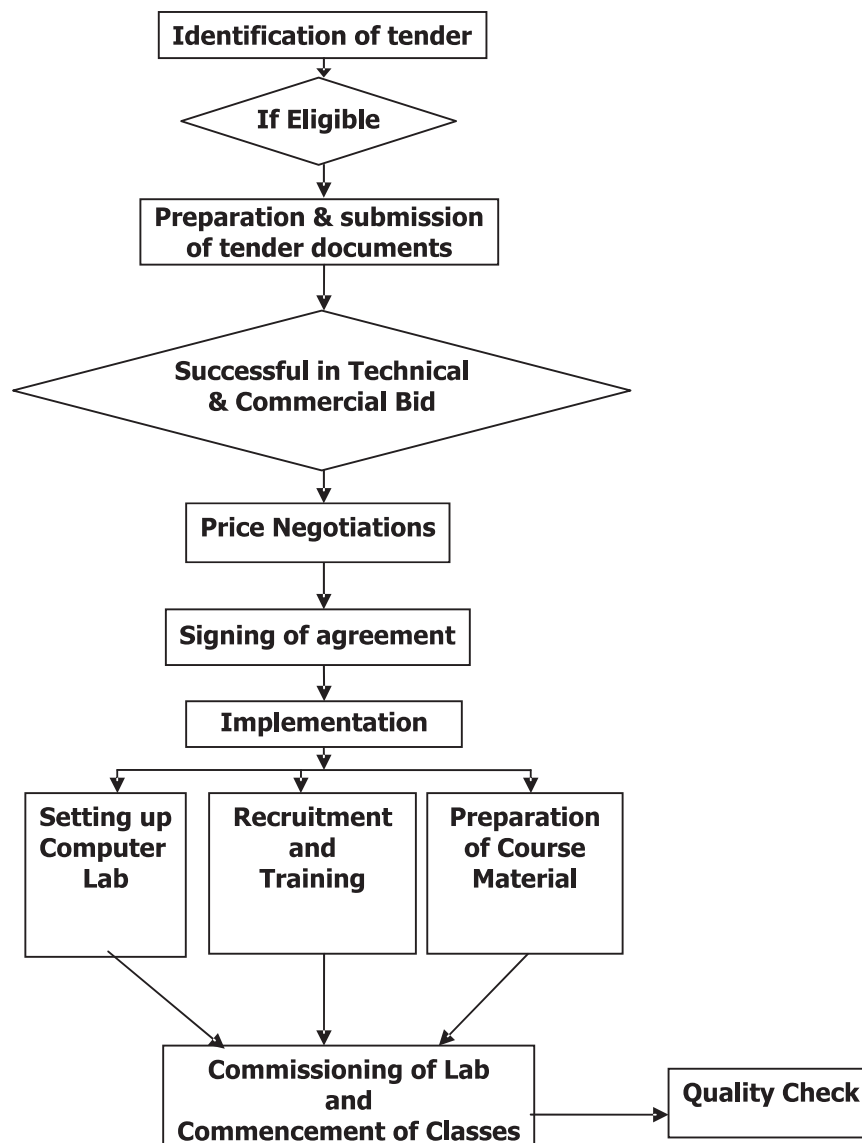
This SBU concentrates in executing IT Education related contracts in schools and colleges. The projects are identified through various Government initiatives. The projects that offer scale and efficiency in terms of numbers are selected. Generally the infrastructure is installed within thirty days of signing the contract with the Government / Government agencies.

The scope of services/engagement usually encompass the following

- Supply of all IT Hardware, Software and other physical infrastructure necessary to provide IT education.
- Provide and maintain in good working condition the infrastructure.
- Teach computer education in English and respective local language if stipulated by the contract.
- Supply adequate stationary and consumables at the centers
- Appoint full time faculty at schools. The normal ratio is 2 instructors for every school. The instructors appointed are full time employees of Everonn.
- Create/build necessary print and multimedia content in English and local language (if necessary) as per the curriculum stipulated by the Government
- Train teachers, headmaster/headmistress in the school on computers and usage of multimedia content.

We enter into long term contracts with Government or Private schools/colleges under which we provide turnkey IT Education Solution for the schools/institutes named under the contract. The contract is usually under BOOT model, meaning the assets are on the books of the company for the contract period and then transferred to the institution at a nominal residual value. We are usually paid on a quarterly or half yearly basis. Besides, being paid by the Government for the contract, we have been allowed in some States to utilize the infrastructure (physical and human) installed after school hours to generate additional revenue. We are required to pay a nominal rent for the utilization of the premises.

Process flow



Tamilnadu School Lab

Typical Contract Terms

1. Implementation period of 30 days for setting up the infrastructure.
2. Five-year period.
3. Quarterly payment of lease rentals, by a nodal agency (e.g. ELCOT in Tamil Nadu) on certification by the Principal/ Headmaster
4. Schools to provide the premises, and Company to provide the specified hardware like computers, UPS, Printers, Software etc.
5. Provision of two teachers by the Company.
6. Company can use the infrastructure to offer courses to outsiders during post-school hours, for which it has to pay a rent of Rs 1000 per month in advance to the school.

Geographical Spread

Institution	State	No of Schools
West Bengal	West Bengal	555
Delhi Government	Delhi	267
UPDESCO	UP	223
Goa Government	Goa	238
Karnataka	Karnataka	216
Jharkhand Government	Jharkhand	206
APDPEP	Andhra Pradesh	183
Andaman Government	Andaman	12
Total		1900

The Institutional Education & IT Infrastructure SBU has two sub-divisions that have emerged as a result of the growth in the number of schools serviced by us. The divisions are:

- i. **Education Services**
- ii. **Educational aids, tools and other product sales.**

- i. **Education services**

Education services are offered in the contracted school space and is sub-divided into two areas of business viz.,

- a. Post School Education Business(PSB),
- b. New Business Development (NBD).

These two businesses ride on the Institutional Contracts provided to the various schools.

- a. **Post School Education Business**

We make use of the IT Infrastructure available at these schools, by utilizing the IT infrastructure to provide IT related courses to the various students of the schools, for a fee. The availability of computers & the infrastructure in the schools facilitate bringing in IT & non – IT training Programmes to the students & neighbourhood community. These courses are conducted out of the school hours and also outside the curriculum. This helps the students acquire knowledge in IT apart from learning the curriculum at school. We also conduct soft skills and other career oriented courses. We plan to strengthen this business wherever there is a potential to do such business. We have about 250 schools covered under PSB currently. Our points of presence will open more opportunities.

Our wide range of products & services are now taking the rural areas by storm. The courses offered after school hours range from simple awareness courses to specialized job oriented diploma courses.

- b. **New Business Development**

Whilst, we are committed to the grassroots business at schools, we are also working closely with key players in the industry through partnerships to form a collaborative intellectual community which would enable students to pursue their innovative education.

We have partnered with Companies like Microsoft Corporation, Sikkim Manipal University, Tally Solutions Inc. etc in several educational and training projects.

To highlight the strategic tie up with Microsoft, both Everonn & Microsoft are working as “Partners in Learning” under “Project Shiksha” with an aim:

- To deliver affordable software solutions & overall comprehensive training to school teachers & students.
- To enable the Government school students get access to computer skills.
- To use this as an opportunity or a tool to penetrate into Government schools and thereafter offer other curriculum support programs.

- To use this as a bigger brand building platform & recall

Having partnered with Microsoft, we have already trained close to 5000 School teachers & 500 IT teachers across South India. Both the organisations would continue with similar efforts across India wherever Everonn has its Network & Infrastructure.

ii. Educational Aids Tools and other products sale:

Our points of presence and access to the students and general community at large, puts us in an ideal position to pursue other business opportunities in the related lines. We market Educational tools including hardware and software in the school. There is enormous scope for marketing educational aids, tools, course material, content, consumables, hardware and software. With marginal investment in terms of core team and investment in stock, a concerted business could be built. We have definite advantage due to the points of presence and the educational role which it plays amongst the students and community in the neighbourhood. We have access to supply of these materials – we ourselves being a big consumer of these materials.

VIRTUAL AND TECH ENABLED LEARNING SOLUTIONS – ViTELS

The ViTELS delivery centers are as on March 31, 2007 available at 101 Colleges and 83 Schools. There are 3 retail centers run by franchisees in Calicut, Salem and Nellore. The retail business has been tested and will be launched shortly.

Particulars	2004-05	2005-06	2006-07
Virtual & Tech Enabled Learning Solutions			
No. of Colleges	22	69	101
No. of Schools	–	2	83
Retail	–	2	3
Corporate	–	–	–
Hughes Net (Direcway) Centers	10	10	10
Total	32	83	197

This SBU has three working units-

1. Live and Interactive Education under the Brand ‘Zebra KrossSM’

We have built on our own capability and resources:

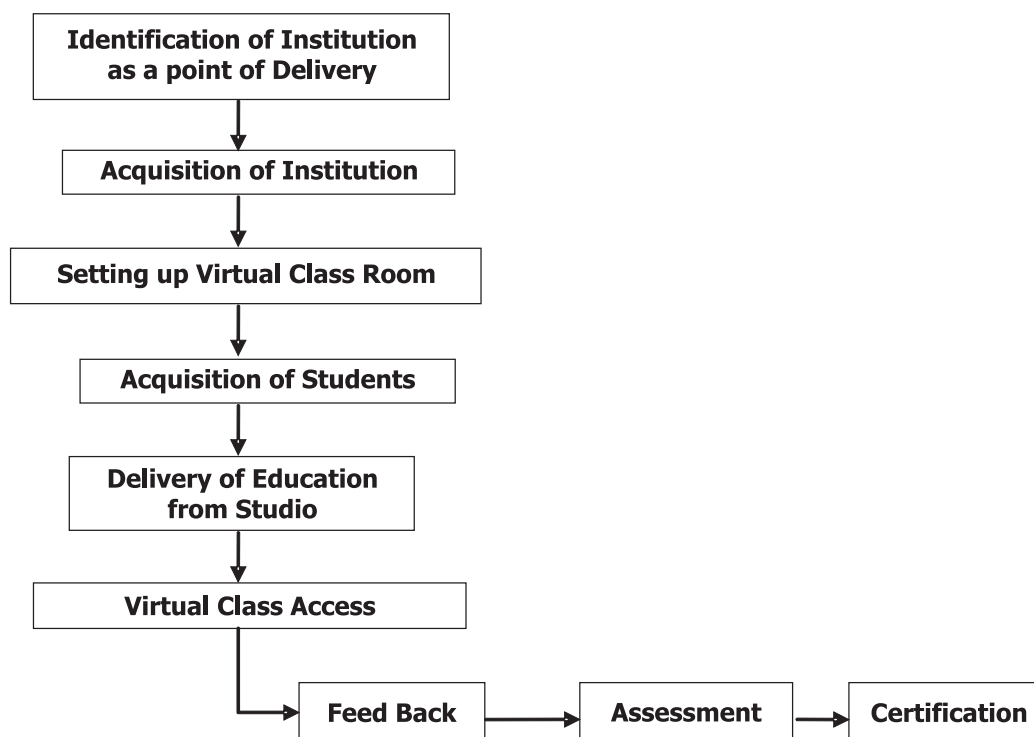
1. A Vibrant Knowledge Resource Pool that develops and has access to quality content.
2. A growing Virtual classroom network across institutions spread over the country. These classes are “Live & Interactive”
3. Three state of art studios from where faculty deliver education to a geographically dispersed learning community.

During the last two years, we have built our own Virtual Learning brand viz. “**Zebra KrossSM**”, V-Schools, V-Colleges and V-Placement and market products under these brands.

This division combines the teaching talent available across various geographies and quality content available, thus giving quality training remotely to the students. This also helps in standardization of education. Students learn amongst a peer group sitting across geographical locations. The “Live & Interactive” platform is used effectively, truly bridging and evening out the Urban / Rural Divide. Technology is used as a leveller and Standard Quality education across distances becomes the hallmark.

Process Flow of ViTELS College/School Acquisition and Delivery of Content

We establish 'Virtual Classrooms' inside institutions and cater to the needs of the students. This is done in partnership with each of the institutions and they have a small revenue share for providing space and students.



2. Hughes Net (Direcway) Global Education (HNGE):

We have tied up with Hughes Communications India Ltd. as a lead partner for their Hughes Net (Direcway) Global Education services for South India. We offer courses of reputed national institutes through remote learning under a franchisee model. HNGE offers various management courses affiliated to various national institutes of repute thus facilitating students from various locations to have the advantage of learning from these institutes and also have access to quality learning systems, teachers and courses. We currently have 10 Centres which are utilized to the extent of 40% of their capacity.

Hughes Net (Direcway) has partnered with several premier management universities and institutions in India & abroad for the best in management education - be it certificate programmes or diplomas. The institutes are:

- Indian Institute of Management (IIMK), Kozhikode
- Indian Institute of Management (IIMB), Bangalore
- Indian Institute of Management (IIMC), Kolkata
- Xavier Labour Research Institute (XLRI), Jamshedpur
- Indian Institute of Foreign Trade (IIFT)
- Narsee Monjee Institute of Management Studies (NMIMS), Mumbai
- Manipal Academy of Higher Education (MAHE), Manipal
- Loyola Institute of Business Administration (LIBA)
- Mudra Institute of Communications, Ahmedabad (MICA)

All the courses come at an affordable price as compared to the course fees and expenses involved in doing the courses in-campus.

Hughes Net (Direcway) has classrooms at around 30 cities throughout India, which allows working executives to pursue the programme uninterrupted even while on move or on getting transferred. The programmes currently have around 2000 students pursuing various courses throughout India.

3. Web Enabled Learning Solutions

We presently have 2000 hrs of 'built content' in a Blended Format in the areas of Curriculum, Non-Curriculum and Skill Enhancers etc., and have access to a varied content pool. The Knowledge Resource Development and Research Department is continuously building Content and Courses. We have expert educationist in our panel who deliver live and interactive education. This 'Dynamic Content' is digitized and used as means for taking it to students through Web Enabled Modes. Students can learn through learn@everonn.com

BUSINESS MODEL - ViTELS

I. 'Zebra KrossSM' – This is Everonn's own brand.

We have a Knowledge Resource and Research Division that does research in Knowledge Products and develops content for various courses. We also source content through various Content partners like Aban, Edurite, AU-KBC, Amity Soft, RJP Infotech etc. We are in the process of signing with more content partners, universities and other content providers. We are identifying and building a repository of content in a blended format that can be effectively delivered Live or otherwise across Real, Virtual and E-Learning platforms.

'Zebra KrossSM' uses state of the art satellite based Very Small Aperture Terminal (VSAT) technology, seamlessly integrating the strengths and advantages of the traditional method of education with the latest in technology. A single instructor can take "Live & Interactive" classes to students located across the country, without compromising on the quality of learning. Our Virtual Initiative thus redefines the very concept of classroom education, retaining all its benefits, improving its reach and enhancing collaborative group learning.

We usually enter into a contract with schools, colleges, higher education institutions, companies etc to provide Education / Training solution which includes content and remote delivery mechanism through its 'Zebra KrossSM' brand. This is also executed as a BOOT model where we are responsible for setting up the needed infrastructure to deliver the specified courses. The student / institution pay us on a bi-monthly /quarterly basis.

We currently have 3 studios from where courses for Virtual Learning are delivered. The courses are delivered with the help of satellite connectivity, Interactive Software and Learning Management System. The platform enables two way audio and video mechanisms.

'Zebra KrossSM' has three *sub divisions* Viz.,

a. Institutional Initiatives covers schools and colleges. Programmes and courses in the areas of curriculum support, non-curricula speciality programmes, job oriented courses, preparatory and entrance exam coaching are delivered through Virtual Class Rooms.

b. Retail Initiatives covering Franchisee and own centers are set in towns and cities. It caters to varied segments of population.

Programmes and courses in the areas of Self and Personality Development, Preparatory, Entrance and Professional Coaching, Lifelong Learning, Languages, diplomas, certification courses etc. form the backbone of revenue streams.

c. Corporate Initiatives – has two departments.

(i) Training Department and

(ii) Placement Department

(i) Training

Programmes catering to the needs of the Corporate, and SME's are designed and delivered through our centres or Virtual Centres set up in the Corporate. Programmes include Training in Corporate products, value adds, diplomas, Management Development Programmes (MDP's) etc.

(ii) Placement

We have direct access to more than one lakh (1,00,000) employable students in the colleges- one fourth of them readily available for employment. Our campus training would make them employable in the job market. We have the opportunity of sourcing this manpower to corporate that have rising appetite for employable personnel. A separate job portal vplace@everonn.com is also being launched apart from a Virtual recruitment facility for corporates. We have a list of Corporates for whom we carry out recruitment services.

II. HUGHES NET (Direcway) – “Lead partner operations”

We currently have 10 Hughes Net (Direcway) centers located across South India and in Kolkata. We have around 500 working professionals enrolled in these centres. Under this model, the content is developed by premier institutes and delivered by lecturers from these institutes. We function purely as a delivery partner for the Hughes Net (Direcway) courses. The Hughes Net (Direcway) Global Education business is a franchisee model with Everonn as the lead partner for the services.

III. WEB ENABLED LEARNING SOLUTIONS

Our Knowledge Resource and Research Department continuously develops content. Apart from this, content is accessed through partnership with content providers and institutes. Presently 2000 hrs of content is available in a ‘**Blended Format**’ in the areas of Curriculum, Non-Curriculum, Skill Enhancers etc. This ‘Dynamic Content’ is digitized and used as means for taking it to students through Web Enabled Modes. Students can learn through learn@everonn.com. Students who have missed the LIVE classes can access the recorded classes and content through this platform. A Learning Management Solution is being built into the system and would be soon operational.

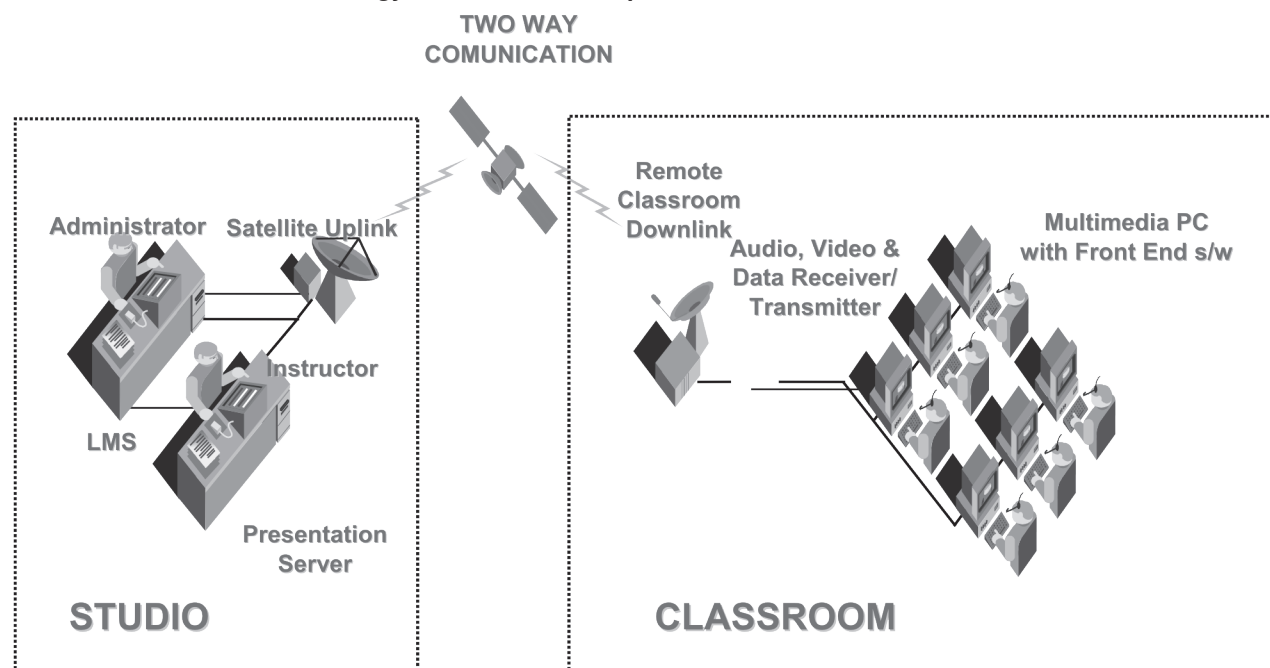
Technology flow:

Virtual & Tech Enabled Learning Solutions

Our Virtual learning platform seamlessly integrates the strengths and advantages of the traditional method of education with the latest in technology. Using a powerful interface, it enables a student to have highly interactive sessions with students & instructors all over the country, using video, voice and data. The instructor is always visible to the students and interactions with the instructors are spontaneous and are as natural as in a regular classroom. A single instructor can thus work with students located across the country, without compromising on the quality of learning.

The system incorporates live video, audio & data, PC is connected to a satellite transceiver that in turn connects to the central studio. The system allows the instructor to use presentations, video, audio, 2D & 3D animation, white boards and telestrators to effectively communicate ideas and interact with the students.

From the technology & Communication point of view the flow would be as below:



The lecturer / Instructor delivers lecture from the studio. It passes through the control room wherein an administrator will manage the presentation. The lecture along with the supporting presentation tools like Video, Power Point, Animation, is encoded and transmitted through to the HUB. From here, signals are sent to the satellite which beams across these signals to a “**Closed User Group Network**” of Virtual Classrooms. Virtual Classrooms are equipped with receiving terminals, computer, LCD Projector, Mike etc. The return signals follow similar path to reach the studio. The classes are LIVE and INTERACTIVE.



Studio



Control Room



Virtual Classroom

Some of the images of our studio, control room and remote end classroom:

Student End School/College/Retail Centres

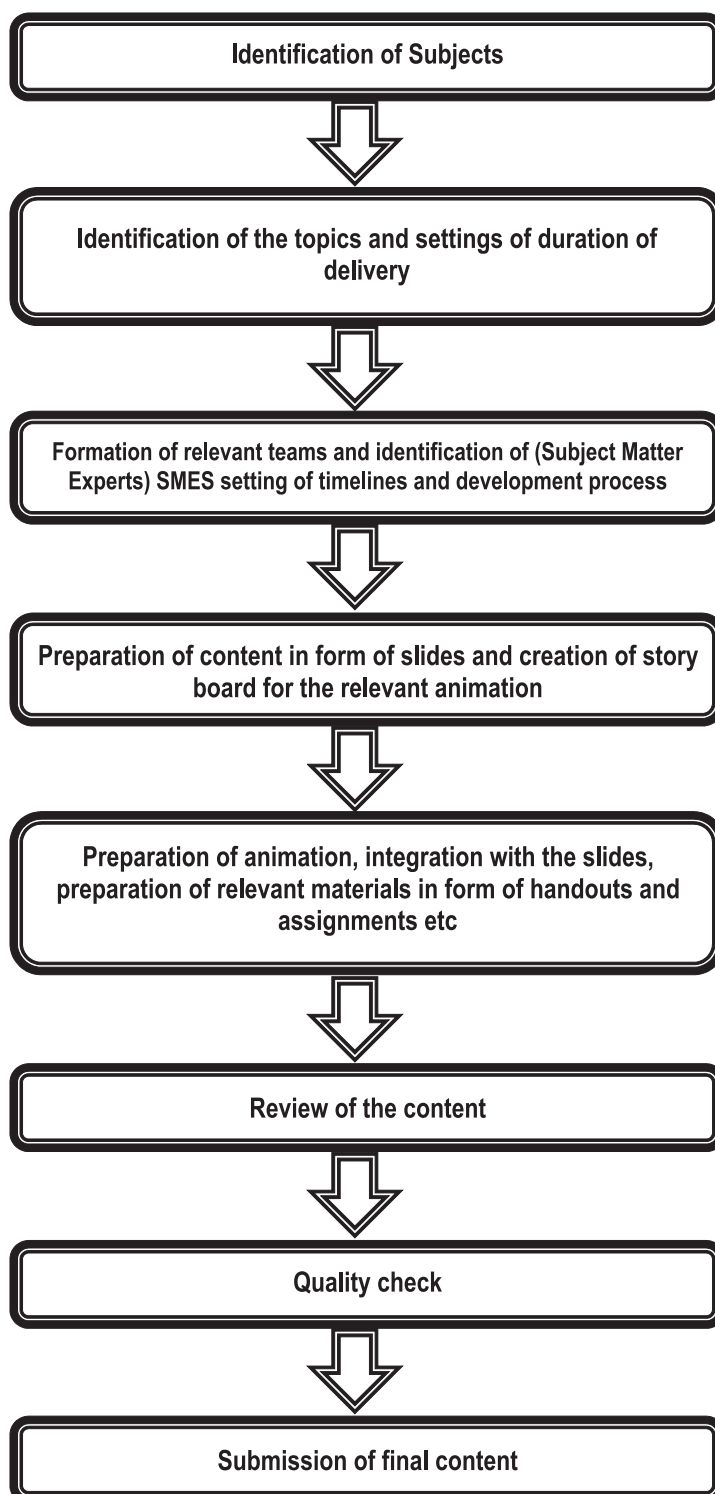
Each classroom is connected to the modem gateway that allows reception & transmission of high bandwidth video, audio and data. Each classroom is also equipped with a Personal Computer with full multimedia capability and a LCD projector. The system seamlessly integrates broadcast video, high-resolution graphics, full-duplex audio, and two-way data interaction, providing the most advanced and powerful distributed learning solution regardless of the number or location of students/ participants.

KNOWLEDGE RESOURCE DEVELOPMENT & RESEARCH

We have a Research Team which carries out extensive Research in the field of Education especially in the area of Knowledge Topic, Teaching Methods, Pedagogy and Effective Delivery. This team is responsible for building the content that would be utilized by ViTELS SBU. This content is delivered through our V-Classrooms.

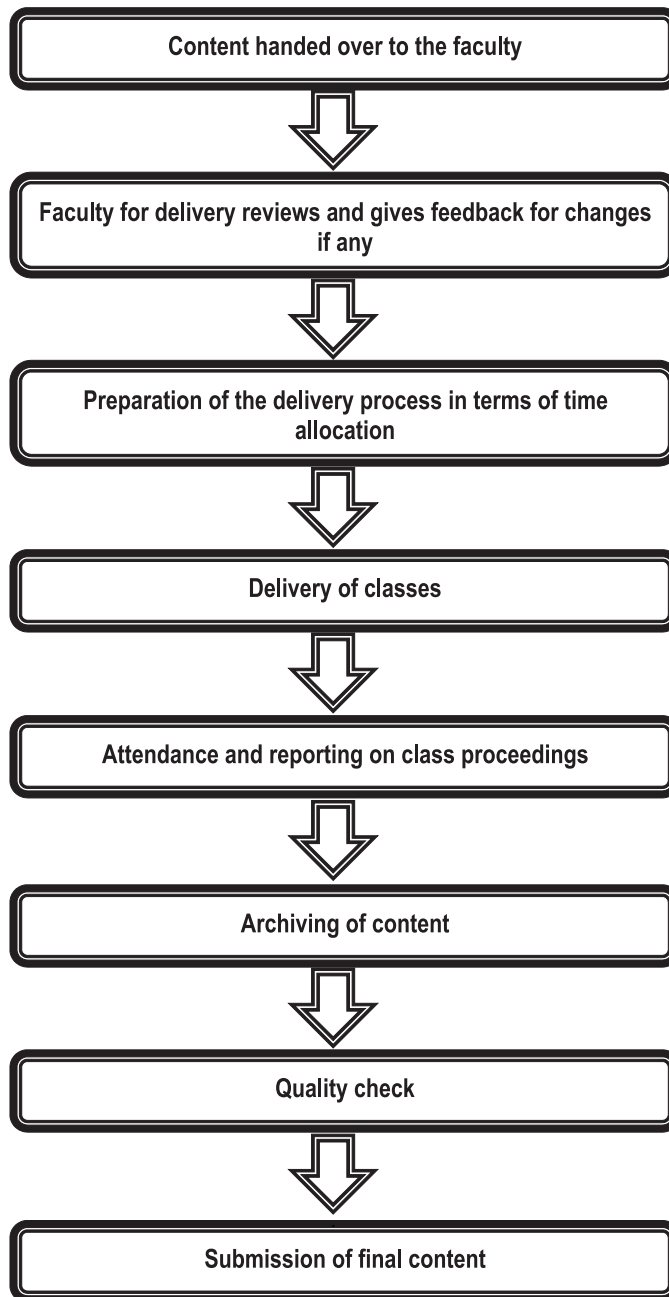
Content Development Process

The content development team consists of leading and experienced educationists. They have been involved in school, college and industry environment for a long time and they understand the usage of technology that maximises effectiveness of learning. Content team has been divided into subject wise departments headed by HODs / head of the Departments. Each team consists of research associates, faculty members and content developers.



Live and Interactive – Content Flow Perspective

Content Delivery Cycle



MANPOWER

We currently have 2423 Personnel as on April 30, 2007 located across thirteen states in India. Out of this, 907 are Permanent Employees comprising of 360 non-teaching staff and 547 faculties. The balance 1516 personnel are employed on contract basis.

COMPETITION

- Institutional Education – IT Infrastructure & Solutions**

Our main competitors are training institutes like NIIT, Aptech Ltd., Educomp etc. We have a competitive advantage of lower administrative overhead achieved through adoption of a unique style of decentralized operational structure and localized training and employment of manpower.

There are a few local institutes who do not focus much on quality of delivery & systems. Our continuous efforts both in quality delivery & value added services to our customers keep us ahead of our competitors.

- **Virtual & Tech Enabled Learning Solutions**

Zebra Kross - Virtual classroom plans of Universities like Anna University could offer competition. Our pedagogy and non-curriculum related courses would be definite differentiators apart from the interactivity that is given in our platform. New players may come into the market and hence the need to exploit the first mover advantage to the maximum.

However in the schools, no visible competition has emerged so far. Our emphasis on own content over a period of time will give us a cost and profit edge over others. Educomp with its Smart Class is currently the closest competitor to Everonn's 'Zebra KrossSM'.

Hughes Net (Direcway) Interactive Learning- There is no real competition in this mode of education. However the Institution's campus education is the major competitor. Since the profiles of our students are little different as compared to campus seeking students, it is not a major concern.

APPROACH TO MARKETING AND PROPOSED MARKETING SET UP

- **Institutional Education – IT Infrastructure Services**

Institutional Education division is focused on servicing large Government Projects. Our marketing team has developed very good relations with the Departments of Education, Departments of Information Technology and other procurement agencies across various states. The team closely tracks and evaluates all Government Proposals and Tenders that are placed by the different states. However, we are one of the few players with experience in executing these BOOT contracts. Once we pass the pre-qualification process, negotiation, execution follows.

Our Marketing/Relationship managers usually interface with the Ministry of Education of State and Central Governments and the marketing thrust is based on the budgetary allocations towards Education and IT Education within different states.

We are one of the pioneers and market leaders in the field of Institutional IT Education and hence:-

- We have been instrumental in evolving new workable models
- We also play a part in advising policy makers on ideal usage of funds allocated for such projects.

We are treated as a trusted partner by the Governments in implementation of the policy of ensuring computer literacy across the nation.

- **VIRTUAL AND TECH ENABLED LEARNING SOLUTIONS - VITELS**

We have our own marketing team headed by a Group Head. Each of the divisions viz., Institutions, Retail and Corporate have a marketing head under whom Regional Heads operate. Marketing Executives spread over the geography report to the Regional Marketing Heads.

Initially institutions are tied up and Virtual Class rooms are set up with enabling equipment in the institutions. Courses are then marketed in these institutions and fees are collected either directly from students or through the institutions themselves. Brochures and product profiles are made for each of the products and marketed to the potential students. Each of the centres has a Customer Support Executive who also markets products at the micro level. Products are marketed on the strength of the value of the Product, Technology and the Faculty.

COLLABORATION

We have not entered into any Collaboration agreement.

BUSINESS STRATEGY

Our strategy is to achieve brand recognition and attract customers through committed qualitative service. We also seek to offer them value added services, which will increase margins and provide them with useful solutions they would not otherwise find.

We plan to expand our marketing efforts and service offerings. We plan to capitalize on the following areas of growth:

- High Demand for quality IT driven Technical and Management Education.
- Implementation of Computer Education in Schools by various State Governments in India.

PRICING MODEL

• INSTITUTIONAL EDUCATION – IT INFRASTRUCTURE SERVICES

We generally opt for a BOOT Model and hence the Infrastructure, Annual Maintenance Contract of the Infrastructure (AMC) and Instructor services are charged and paid in equal monthly / quarterly /half-yearly instalments spread over the tenure of the contract. In certain cases, the infrastructure cost is billed on completion of the installation of the Infrastructure and the teaching and other services are charged over the period of contract.

We work with a range of pricing models that could include

- Per school per month basis payable quarterly / half yearly etc,
- Per student per month basis payable quarterly / half yearly etc.

• VIRTUAL AND TECH ENABLED LEARNING SOLUTIONS –VITELS

The products are priced on per course per student basis. Even when products are identified saleable price of the product is determined. Competitive products price in the market is compared to the cost of running the programmes and accordingly priced. Quality Education at an affordable price is the basic tenet of the company.

CUSTOMERS

Our top 10 clients as on March 31, 2007 include:

Clients	Region
The Commissioner for Public Instruction	Karnataka
Director for Education, Delhi	Delhi
Jharkhand Education Project Council	Ranchi
Department of Education, Government of Goa	Goa
Uttar Pradesh Development Systems Corporation Ltd	Lucknow
District Primary Education Programme	Hyderabad
Pelecon	Pondicherry
Hughes Communication India Ltd	New Delhi
Sanat Technologies Private Ltd	Chennai
Cognizant Technologies Solutions Ltd	Chennai

INSURANCE DETAILS

Sl. No	Name of the Insurer	State	Policy	Period	Premium Amount (Rs)	Insured Amount (Rs)	Policy No
1	United India Insurance Co. Ltd	Andaman & Nicobar	Standard Fire and Special Perils Policy	23.03.2007 - 22.03.2008	3,669	4,085,807	011502/11/06/11/00001213
2	United India Insurance Co. Ltd	Andaman & Nicobar	Burglary BP Policy	23.03.2007 - 22.03.2008	7,797	4,085,807	011502/46/06/04/00000505
3	United India Insurance Co. Ltd	Jharkhand	Burglary BP Policy	25/04/2007 - 24/04/2008	91,960	5,46,21,298	011502/46/07/04/00000024
4	United India Insurance Co. Ltd	Jharkhand	Standard Fire and Special Perils Policy	25/04/2007 - 24/04/2008	49,046	5,46,21,298	011502/11/07/11/00000121
5	United India Insurance Co. Ltd	Goa	Standard Fire and Special Perils Policy	25.04.2007-24.04.2008	29,726	3,31,05,360	011502/11/07/11/00000120

Sl. No	Name of the Insurer	State	Policy	Period	Premium Amount (Rs)	Insured Amount (Rs)	Policy No
6	United India Insurance Co. Ltd	Goa	Burglary, Business Premises Policy	25.04.2007-24.04.2008	55,736	3,31,05,270	011502/46/07/04/00000025
7	United India Insurance Co. Ltd	Studio	Burglary BP Policy	02.11.2006 - 01.11.2007	3,983	70,98,600	012600/46/0604/00000133
8	United India Insurance Co. Ltd	Studio	Standard Fire and Special Perils Policy	02.11.2006 - 01.11.2007	4,781	71,00,000	012600/11/6/11/00000387
9	United India Insurance Co. Ltd	Corporate office	Burglary BP Policy	02.11.2006 - 01.11.2007	1,684	30,00,000	012600/46/06/04/00000136
10	United India Insurance Co. Ltd	Corporate office	Standard Fire and Special Perils Policy	02.11.2006 - 01.11.2007	2,020	30,00,000	012600/11/06/11/00000388
11	ICICI Lombard	Hyundai GLS Accent	Vehicle	23.03.2007-22.03.2008	9,310	311,160	3001/51443071/00/000
12	United India Insurance Co. Ltd	Bajaj CT 100	Two wheeler	25.01.2007 - 24.01.2008	736	28,000	011400/31/06/01/00020728
13	United India Insurance Co. Ltd	Yamaha Crux	Two wheeler	07.02.2007 - 06.02.2008	474	15,000	012600/31/06/01/00031222
14	United India Insurance Co. Ltd	Honda City	Four wheeler	26.11.2006 - 21.11.2007	8,553	450,000	012600/31/05/01/00020268
15	National Insurance Company Ltd	Maruti Baleno	Four wheeler	08.07.2006 - 07.07.2007	15,021	459,966	1204249
16	National Insurance Company Ltd	Maruti Omni	Four wheeler	08.07.2006 - 07.07.2007	6,111	192,662	1204295
17	United India Insurance Co. Ltd	Andhra Pradesh schools	Burglary BP Policy	02.11.2006 - 01.11.2007	8,497	1,51,40,179	012600/46/06/04/00000134
18	United India Insurance Co. Ltd	Andhra Pradesh schools	Standard Fire and Special Perils Policy	02.11.2006 - 01.11.2007	10,196	1,51,40,179	012600/11/06/11/00000390
19	United India Insurance Co. Ltd	Direcway centres	Burglary BP Policy	02.11.2006 - 01.11.2007	8,733	1,55,62,000	012600/46/06/04/00000135
20	United India Insurance Co. Ltd	Direcway centres	Standard Fire and Special Perils Policy	02.11.2006 - 01.11.2007	10,480	1,55,62,000	012600/11/06/11/00000389
21	Royal Sundaram Alliance Insurance Company Ltd.	Everonn Systems India (SW Development Division) - Computers, Laptops, Projectors & UPS	Burglary and Fire Policy	28.02.2007 - 27.02.2008	17,318	5,143,339	YB00003910000100

Sl. No	Name of the Insurer	State	Policy	Period	Premium Amount (Rs)	Insured Amount (Rs)	Policy No
22	TATA AIG General Insurance Company Ltd.	Directors and Officers Liability Insurance	Directors and Officers Liability (With IPO Extension) Insurance	1.11.2006 - 30.10.2007	2,74,988	50,000,000	2300001586

PROPERTY

Purchase of Property

There is no property which the Company has purchased or acquired or proposed to be acquired, which is to be paid for wholly, or in part, from the net proceeds of the present issue or the purchase or acquisition of which has not been completed on the date of this Red Herring Prospectus, other than property in respect of which the Contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the issue nor the issue in consequence of the contracts. The amount of purchase money is not material.

Lease/Rental Details

The following is the list of lease agreements entered into by us

S No	Name & Address of Lessor	Address of Premises	Period	Rent p.m. (in Rs)	Deposit (in Rs)
1	M/s. Lakshmi Srinivasa Enterprises, 27, 4 th Floor, Elephant Rock Road, Jayanagar Nagar, III Block, Bangalore – 560011.	178/5, 24 th B Cross 8 th First Main Road, 3 rd Block, Jaya Nagar, Bangalore	From 15 th May 2002 for 5 Years	Rs 52,080	Rs 4,20,000
2	Mr. A Y Prabhakar No.52 (Old No 51) III Main Road, Gnadhi Nagar, Adyar, Chennai – 600 020.	Door No.6, 1 st Floor, L B Road, Adyar, Chennai – 600 020.	From 1 st July 2004 for 3 Years	Rs 30,250	Rs 2,50,000
3	Mr. Swaminathan 18/9, Marudhu Pandiar Street, K.K Nagar, Madurai – 20	31, Melur Main Road, K K Nagar, Madurai – 20	From 1 st September 2005 for 3 Years	Rs 9,000/-	Rs 75,000
4	Ms. Rajini 10/51, Dr. Balasundaram Road, Chennai – 600 018	1050, Damodar Centre Avanashi Road, Coimbatore – 18.	From 1 st September 2005 for 3 years	Rs 22,638/-	Rs 1,88,650
5	Mrs. Grace Collis & others, Silver Crest, Gandhi Nagar Road, Elamkulam Desom and village, Cochin – 682 020.	Perumah as Cochin Sub Division 2	From 1 st September 2005 for 3 years	Rs 14,580/-	Rs 72,900/-
6	V Krishna Moorthy, 17, Royal Road, Cantonment, Trichy – 620001	“Sathruthi” Ward K Block 17, T S No: 20/2, 17/2, Royal Road, Canhnment Trichy – 620 001	From 11 th September 2005 for 3 Years	Rs 13,800/-	Rs 1,44,000
7	Mrs. Radhika Anil Mangalya Toll Junction, Kowdiar, Trivandram – 695 003	II Floor, T C 9/767(3) of Sasthamangalam Division of City Corporation of Trivandram Balakrishna Building Sasthamangalam Village, Trivandram	From 1 st December 2006 for 11 Months	Rs 23,000	Rs 1,20,000

S No	Name & Address of Lessor	Address of Premises	Period	Rent p.m. (in Rs)	Deposit (in Rs)
11	Dr. Bibhuti Bushan Devroy, CD- 259, Salt Lake City, Sector – I, Kolkata – 700 064	CD- 259, Salt Lake City, Sector – I, Kolkata – 700 064	15 th Feb 2007 for 11 Months	Rs. 9,000/-	Rs 30,000
12	Mr. Chandran Deb. Roy No. CD- 259, Salt Lake City, Sector – I, Kolkata – 700 064	CD- 259, Salt Lake City, Sector – I, Kolkata – 700 064	15 th Feb 2007 for 11 Months	Rs. 6,000/-	Nil
13	Mrs. V Vadivazhagi No. W – 99, II Avenue, Anna Nagar, Chennai – 600 040.	No.W – 100, II Avenue, Anna Nagar, Chennai – 600 040.	25 th July 2006 for 5 Years	Rs. 23,000/-	Rs 2,00,000
14	Mrs. Rehana Khudrathullah No. S 26 “The Golden Enclave” Airport Road, Bangalore – 560 017	III Floor, ‘Prestige Point’ No. 16/16, Haddows Road, Nungambakkam, Chennai – 600 006.	16 th October 2006 for 2 Years	Rs. 33,000/-	Rs 3,00,000
15	Birendra Kumar Singh Ashok Kunj P S Airgaora Dt., Ranchi	R S Plot No.2087/4, Motilla Ashok Kunj Opp. Road, No.III of Ashok Nagar, P S Argora Dt., Ranchi	1 st December 2006 for 11 Months	Rs. 7,500/-	2 Months rent Rs. 15,000/-
16	Smt. K Nalina 17, VOC, Nagar, Behind TVS Nagar, Edayarpalayam, Coimbatore	No.5-G, Srivatsa Gardens, No.9, South Avenue, Srinagar Colony, Saidapet, Chennai	1 st April 2007 for 11 Months	Rs. 14,000/- [Rs. 9,500 (rent) + Rs.4,500 (main)]	Rs 1,40,000
17	S Yasodha New No. 82, (Old No. 76), IV Avenue, Ashok Nagar, Chennai – 600 083	New No. 82, (Old No. 76), IV Avenue, Ashok Nagar, Chennai – 600 083	1 st July 2005 for 5 Years	Rs. 52,900/-	Rs 5,00,000
18	G Subramaniam New No. 82, (Old No. 76), IV Avenue, Ashok Nagar, Chennai – 600 083	New No. 82, (Old No. 76), IV Avenue, Ashok Nagar, Chennai – 600 083	1 st July 2005 for 5 Years	Rs. 32,200/-	Rs 5,00,000
19	Francisco Xavier De Melo, No.2, Landscape by the Bay Miramar Panjim, Goa	No. 4, 18 th June Road, Panjim Goa, III Floor	From 23 rd July 2006 for 11 Months	Rs. 5,500/-	Rs 16,500
20	Mrs. Nawaljit Kaur, D – 144, Anand Niketan, New Delhi – 110 021	No.710, Sarva Priya Apartments, Sarva Priya Vihar, New Delhi – 110 016	15 th December 2005 for 2 Years	Rs. 27,000/-	Rs 20,000
21	P Venkatesa Perumal No.13A, Savarirayala Street, Pondicherry – 605 001	No.4, I Floor & II Floor, 100 Ft. Road, Natesan Nagar, Pondicherry – 605 005	21 st November 2002 for 5 years	Rs. 4,500/-	Rs 45,000
22	Ms Arshiya Irfan, No.11, 43 rd Street, VI Avenue, Ashok Nagar, Chennai – 600 083	1 st Floor, No 22/8, VIII Avenue, Ashok Nagar, Chennai – 600083	1 st January 2007 for 11 months	Rs 35,000/-	Rs 3,20,000
23	Mr Bakthavatchalam, No. 5, IV Avenue, Ashok Nagar, Chennai – 600 083	New No 7, IV Avenue, Ashok Nagar, Chennai – 600 083	27 th October 2006 for 5 years	Rs 2,10,000/-	Rs 20,00,000

S No	Name & Address of Lessor	Address of Premises	Period	Rent p.m. (in Rs)	Deposit (in Rs)
24	Mr K Sharath Chandradu 855-B, Nagari Street, Shri Kalahasthi, Chittoor Dist. AP	Flat No. 204 – A, Chengi Plaza, K T Road, Tirupathy	1 st November 2002 for 11 months, renewal for 5 years with an escalation of rent by 15%	Rs 3,335	Rs 15,000

FINANCIAL INDEBTEDNESS

Name of the Bank	Facility Availed	Sanctioned Amount (Rs in Lakhs)	Interest	Outstanding as on 31.3.2007 (Rs in Lakhs)	Repayment Terms	Primary Securities Offered	Collateral Securities Offered
Syndicate Bank	Term Loan	747.00	12.50%	47.53	15 Qtrly Instalments begins from Sept 03. Instalment amt is Rs. 50.00 lakhs	Hypothecation of Hardware, Equipments and Fixtures at 54 centres in respect of Ap School Project. Hypothecation of hardware, furniture, fixtures, equipments etc at 9 centres in respect of DIRECWAY Project.	Existing UREM of immovable property - at S.No.740 & 693,Loveade Road, Ooty Municipal Limit, Admeasuring 4.54 acres, belonging to M/S L.Loganathan, L.Jayalakshmi, L.Sarojini & L.Varalakshmi. II Charge on the immovable properties mortgaged to IDBI and TIIC IOB and II charge on the hardware, furniture, fixtures and equipment hypothicated to IDBI and TIIC IOB.
Syndicate Bank	Term Loan	769.36	11%	485.91	16 Qtrly Instalments begins from June 05. Instalment amt is Rs. 48.08 lakhs	First Charge on Company's entire Net Fixed Assets, ELCOT Project Assets & RLD Project Assets	Existing UREM of immovable property - at S.No.740, Loveade Road, Ooty Municipal Limit, Admeasuring 336.72 cents, belonging to Ms L.Loganathan, L.Jayalakshmi, L.Sarojini &

Name of the Bank	Facility Availed	Sanctioned Amount (Rs in Lakhs)	Interest	Outstanding as on 31.3.2007 (Rs in Lakhs)	Repayment Terms	Primary Securities Offered	Collateral Securities Offered
							L.Varalakshmi, UREM of Land and Building Measuring app 5000 sq.ft at Ooty bearing S.No.1049/3 belonging to Shri.P.Kishore, managing Director of the Company. UREM of Land measuring 5.88 acres with S.Nos,87,90, 93,94,241,242 and 238 at Masinagudi, Nilgiris, belonging to Ms.Indira Rajan and Ms.Anuradha. UREM of property belonging to M/s Tourism Resorts Private Ltd, Ooty
Syndicate Bank	Term Loan	1031.00	11%	911.53	16 Qtrly Instalments begins from Sept 06. Instalment amt is Rs. 67.68 lakhs	First Charge on Company's whole assets value & receivables	Existing UREM of immovable property - at S.No.740 & 693,Loveade Road, Ooty Municipal Limit, Admeasuring 336.72 cents, belonging to M/s L. Loganathan, L.Jayalakshmi, L.Sarojini & L.Varalakshmi, UREM of Land and Building Measuring app 5886 ft at Ooty bearing S.No.1049/3 belonging to Shri.P.Kishore, managing Director of the Company. UREM Land
Syndicate Bank	Overdraft	52.00	11%	78.24			

Name of the Bank	Facility Availed	Sanctioned Amount (Rs in Lakhs)	Interest	Outstanding as on 31.3.2007 (Rs in Lakhs)	Repayment Terms	Primary Securities Offered	Collateral Securities Offered
							measuring 5.88 acres with S.Nos,87,90, 93,94,241,242 and 238 at Masinagudi, Nilgiris, belonging to Ms.Indira Rajan and Ms.Anuradha. UREM of property belonging to M/s Tourism Resorts Private Ltd, Ooty Admeasuring 0.75 acres
Syndicate Bank	Loan against FD	19.00	11%	19.00		FD for Rs. 20.00 Lakhs	
Syndicate Bank	Loan against FD	35.40	11%	38.74		FD for Rs. 37.50 Lakhs	
Syndicate Bank	Vehicle Loan	5.20	11%	1.51	22 EMI begins from Nov 05. EMI is Rs. 25391.27		
Syndicate Bank	Vehicle Loan	1.86	11.25%	1.62	60 EMI begins from Nov 05. EMI is Rs. 4023.65		
Syndicate Bank	Honda Civic	12.3	10.75%	11.23	Repayable 36 EMI begins from Oct 06. EMI is Rs.41252.98 at 10.75%		
Kotak Mahindra Bank	Business Loan	20.00	17%	12.42	24 EMI begins from June06. EMI is Rs. 98883	Corporate Guarantee by Everonn	
Indian Bank	Term Loan	657.00	10.25%	608.51	18 Qtrly Instalments begins from May 06. Instalment amt is Rs. 39.75 lakhs	Hypothecation of Jharkhand project assets ,Hypothecation of book debts arising out of Jharkhand project & Personal guarantee of Mr. P.Kishore	
Indian Bank	Over Draft	58	10.25%	53.98	Repayable in 18 Qtrly Installments begins from May 06.		

Name of the Bank	Facility Availed	Sanctioned Amount (Rs in Lakhs)	Interest	Outstanding as on 31.3.2007 (Rs in Lakhs)	Repayment Terms	Primary Securities Offered	Collateral Securities Offered
					Installment amt is Rs. 3.25 lakhs at 10.25%.	Hypothecation of Book Debts arising out of Jharkand project	
ICICI Bank	Business Loan	83.98	15%	83.98	Repayable in 36 months begins from.	April 2007 at interest 14%.	Hypothecation of Book Debts arising out of ETS project

Key Industrial Regulations

There are no regulations specific to our industry.

HISTORY AND CORPORATE STRUCTURE

Everonn Systems India Limited was incorporated on 19th April 2000 as a Public Limited Company under the Companies Act, 1956.

The Registered Office of the Company, was shifted from Ooty, Tamilnadu to Chennai, Tamilnadu on December 30, 2005, and is situated at 'No. 82, IV Avenue, Ashok Nagar, Chennai – 600 083, vide a fresh certificate of registration of the Company Law Board under Section 16(3) of the Companies Act, 1956.

The original initiative and expansions were funded by the promoters. In the year 2000, Net Equity Ventures (P) Ltd and Virmac Investments invested to fund a part of the Computer Education Project in Tamilnadu and certain other places.

Origin – IT Education

Mr. Kishore was closely involved in implementing computer literacy projects in the Nilgiri District of Tamilnadu since 1987. The experience gained by Mr. Kishore enabled him to recognise Computer's growing power and relevance in enhancing and aiding the educational process right from the formative years of schooling. We first set up computer centres in residential schools of Ooty, in the Nilgiri hills of Tamilnadu under the BOOT model- at a time when computers had just come into the market and computers were taught only in State Engineering colleges. The success of the program enabled us to take this Education model across Government Schools in Tamilnadu and other States in India. Since 1999, the State Governments have been offering State wide tenders to companies to set up and impart computer education across Government schools. The State Government of Tamilnadu was a pioneer of this model and we received our first Government contract in the year 2000 for 332 schools. We have increased our presence to nearly 1900 schools across thirteen states by 30th April 2007.

1987 - P.Kishore, Promoted Computer Education in few Private Schools

2000 - Computer Education in 332 Schools in Tamilnadu

In 2006 - Computer Education in nearly 1500 Schools

We are responsible for procurement and installation of the necessary Physical and IT Infrastructure across all the schools for which we have been awarded a contract. The State Government provides us with only the necessary space at the schools.

The list of responsibilities to be fulfilled by us under the BOOT model involve offering a turnkey solution with a full range of services that include

- Setting up state-of-the-art computer labs
- Designing curriculum and course material.
- Providing teaching services and;
- Automation of school administration systems.

We have a client list which includes tech savvy States as also reputed schools and colleges. These include the State Governments of Andhra Pradesh, Tamil Nadu, Delhi, Goa and Pondicherry.

Major Events

YEAR	EVENT
2000	Formation of a Public Limited Company viz., Everonn Systems India Limited
2000	Contract for 332 Government Schools in Tamilnadu for Computer Education awarded by State Government of Tamilnadu.
2002	Partnering Hughes Net (Direcway) Global Education and bringing management Education through Virtual classrooms in 7 locations
2004	Launching of 'Zebra Kross SM ' branded Virtual class room network and state of art studio in Chennai. Creating a Knowledge Research & Resource Department and building a reservoir of content to cater to the college segment. Added 2 more Hughes Net (Direcway) Centres
2005	Test Launch of Virtual Learning at schools and Corporates. Added one more Hughes Net (Direcway) Centre.
2006	Launch of Retail Centres to cater to varied segments of customers. Expansion with a second studio. Point of presence has crossed 1500 Institutional Education and Virtual Classrooms
2007	Point of presence has crossed 2000 Institutional Education and Virtual Classrooms.

Awards and Recognition

The constituent schools and Hughes Net (Direcway) Global Education Centres of the company have been recipients of the following awards for computer literacy at schools and Hughes Net (Direcway) Centres respectively

IT Education at Schools - for excellence in computer literacy:

- from Honourable President Dr. A.P.J. Abdul Kalam
- from Honourable Deputy PM of India Mr. L.K. Advani and Honorable CM of Tamilnadu Ms. J. Jayalalitha.

Hughes Net (Direcway) Global Education;

- Performance awards from Hughes Communication India Limited (HCIL) for Best Centre for last three consecutive years.

Main Objects of the Company

1. To carry on the business of imparting computer education and undertaking consultancy and job works in the areas of computer Electronics and information technology.
2. To enter E-commerce, Develop Portals and be an Information Service Provider.
3. To manufacture, market and generally carry on the business in computer hardware, electronic and Information Technology related products.
4. To undertake development and marketing of computer and application software
5. To carry out all these activities necessary for the dissemination of knowledge/ literature in all educational, training and enabling fields and to carry on activities such as publishing, operating, press, and setting up database in all forms.
6. To render organisational development, carry out placement services, establish and operate training centres (data and information centre and bureaus) and to provide services to customers in India and elsewhere by processing their job at data processing centres.

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

Changes in our Memorandum & Articles of Association

<i>Date of alteration</i>	<i>Nature of alteration</i>
30.05.2000	Increase of Authorised Capital of the Company from Rs. 1,20,00,000/- to Rs. 3,54,00,000/-
30.05.2000	Alteration of Articles of Association of the Company in respect of insertion of clause 2a of the Article to issue convertible and non convertible preference shares.
06.04.2006	Increase of Authorised Capital of the Company from Rs. 3,54,00,000/- to Rs. 14,50,00,000/-
06.04.2006	Alteration of Article 2 of the Articles of Association of the Company- New Article 2 says that Table A in Schedule of the Companies Act, 1956 shall not apply to the Company and the regulation herein contained shall be the regulation for the management of the Company.
15.07.2006	Alteration of Object clause to broadbase the activities carried out by the Company in the field of Education.
15.07.2006	Increase of Authorised Capital of the Company from Rs. 14,50,00,000/- to Rs. 16,00,00,000/-

Changes in Registered Office of the Company

The table below shows the changes in the Registered Office of the Company since Incorporation

Previous Address	New Address	Date of Change
167, Padmini Complex, Ettimes Road, Otty-643001.	N.82, IV Avenue, Ashok Nagar, Chennai-600083.	30 th December 2005

SUBSIDIARIES OF THE COMPANY

As on date, we do not have any Subsidiary Company

SHAREHOLDERS AGREEMENTS

We have entered into the following Share Subscription agreements as given below:

1. NET EQUITY VENTURE PRIVATE LTD

The Company has entered into Share Subscription agreement on 25th May 2001 with Net Equity Venture Pvt Ltd, a body corporate incorporated in Bangalore, having its registered office at 211, Commerce House, 9/1, Cunningham Road, Bangalore – 560 001 for subscribing shares of the Company.

Net Equity Venture Pvt Ltd agreed to subscribe 4,35,845 equity shares of Rs. 10/- each at a consolidated price of Rs. 376.31 Lakhs.

Details of Important Terms of the agreement are set out below:

Clause	Terms
Clause 3.7	The Company has amended its Memorandum and Articles of Association to reflect the terms of this agreement, if necessary.
Clause 4.1.13	The Company, its business and the proposed issue of investor securities are in compliance with the Law and have not defaulted under any other law.
Clause 4.1.4	<p>Notice to the Investor Directors for certain transaction, these are:</p> <ul style="list-style-type: none"> Any legal proceeding filed by the Company or against the Company in connection with claim of Rs.1,00,000 or more. When the Company propose to appoint Custodian, Liquidator or receiver. The aggregate of the claims under all legal proceedings filed against the Company is Rs.10,00,000/-. Happening of event like any labour strikes, lockout, shutdown, fires, which likely to have a material adverse effect of business of the Company.
Clause 5.1.14	<p>Issue of Duplicate Share Certificate:</p> <p>The Company shall not issue duplicate share certificate to any promoters without obtaining Declaration, Indemnity and all other relevant documents and notice to the Investor.</p>
Clause 6.1a	<p>Public Issue:</p> <ul style="list-style-type: none"> Either, within two & Half years from the date this agreement, the Company shall make IPO with consent of the Investor. Or After Two & Half years from the date of this agreement, the Company can make IPO only at request of the Investor. In which case, the Promoters shall take steps and do such things as may be necessary to enable the Company to make such issue.
Clause 6.1b	During the term of the agreement, the Company agrees to ensure that the Investor shareholding of the Company at the same percentage of the Company's paid up share capital as that immediately before the issue, in the event of any issue of equity shares being made to others except existing shareholders of the Company.
Clause 7.1	<p>Restriction on transfer of promoters shares:</p> <p>As per this clause, the promoters shall not entitle to sell/ transfer their shares. Following are the exceptions:</p> <ul style="list-style-type: none"> Transfer with prior written approval from the Investor Transfer whereby the aggregate shareholding of the promoters shall not be below 25% of the issued and paid up capital. Inter – se promoter transfer.
Clause 8.2	<p>Transfer of shares by Investor:</p> <p>Where the investor proposing to transfer its shares, before such transfer, it should give atleast 15 days written to the promoters.</p>
Clause 9.7.6	<p>Restriction on Investment by the Company:</p> <p>The Company shall not make investment by way of deposits, loans, options etc, exceeding Rs. 100,000/-</p>

2. INDIA CHINA PRE-IPO EQUITY (MAURITIUS) LTD

We have entered into Share Subscription agreement on July 31, 2006 with **INDIA CHINA PRE-IPO EQUITY (MAURITIUS) LIMITED** of C/o 51 Cuppage Road, #10-03, Starhub Centre, Singapore 229469, an FII registered with Securities & Exchange Board of India (SEBI) vide registration No. IN/FVCI/06-07/45.

INDIA CHINA PRE-IPO EQUITY (MAURITIUS) LIMITED agreed to subscribe 13,27,059 equity shares of Rs.10/- each at a premium of Rs. 96/- per share.

Main Terms of the agreement are set out below:

SHARE CAPITAL

The Company and the Existing Shareholders represent and warrant that the authorized, issued and paid-up Share Capital and the distribution of shareholding in the Company prior to the issue and allotment of the Investor Equity Shares is and shall be as set forth in Schedule I hereto.

MANAGEMENT OF THE COMPANY

- i. The property, business and affairs of the Company shall be managed exclusively by and under the direction of the Board. The Board may exercise all such powers of the Company and do all such lawful acts and things as are permitted under Applicable Law and the Memorandum of Association and Articles of Association of the Company. Notwithstanding any change in the structure, size or composition of the Board, the Investor shall be entitled to nominate one (1) Director on the Board (the “**Investor Director**”) and/or send an observer to attend the Board meetings of the Company. The Investor Director shall not be required to hold any qualification Shares and shall not be liable to retire by rotation.
- ii. The Company and the Existing Shareholders shall take, or cause to be taken, all actions necessary to cause the appointment of the Investor Director as a non-retiring Director on the Board. The Investor agrees that the Investor Director may initially be appointed or inducted as an additional Director by the Board, provided that the Company and the Existing Shareholders shall take all steps to ensure that the Investor Director is appointed as a non-retiring Director by the shareholders of the Company following the Board’s appointment of such Director as the additional Director.
- iii. All expenses incurred by the Investor Director (or his alternate) in the performance of his duties as Director of the Company shall be reimbursed by the Company.
- iv. The Investor Director shall be entitled, at the option of the Investor, to be appointed or co-opted as a member of all committees of the Company, existing and future including but not limited to the audit and/or the compensation/remuneration committees (or by whatever name called) of the Company which are formed by the Board (the “**Committees**”).
- v. The Investor shall be entitled to nominate an alternate Director for the Investor Director in the absence of the original Director. Such appointment of an alternate Director shall take place as the first item of business at the Board meeting next following receipt by the Company of notice of such nomination. Upon his appointment as such alternate, the alternate Director shall be entitled to constitute the quorum, vote, issue consent and sign a written resolution on behalf of the Director for whom he is an alternate.
- vi. The Investor shall be entitled to remove the Investor Director nominated by it, including any alternate Director nominated by it, by notice to such Director and the Company, which removal shall be effective as of the date of notice. Any vacancy occurring with respect to the position of the Investor Director, by reason of death, disqualification, resignation, removal, the inability to act or otherwise, shall be filled only by another nominee specified by Investor.
- vii. The Parties agree that the Existing Shareholders shall disclose the details of each and every transaction between the Company and any Connected Person to the Board for its approval, prior to the Company entering into any such transaction. All transactions between the Company and any Connected Person shall be entered into and carried out on an arm’s length basis. Notwithstanding anything to the contrary contained in this Agreement, the Parties agree that no Director, who is a Promoter or a nominee of any Promoter, shall vote in respect of any transaction between the Company and any Connected Person in which any of the Promoters are interested, and in case such Director does vote, then his vote shall not be counted. However, to the extent permitted by Applicable Law, such Director may be counted towards constitution of a valid quorum.

The Company shall, subject to Section 201 of the Act, indemnify the Investor Director against:-

- a) any act, omission or conduct of or by the Company or its employees or agents as a result of which, in whole or in part, such Investor Director is made a party to, or otherwise incurs any loss pursuant to, any Action, suit, Claim or Proceeding arising out of or relating to any such conduct; or
- b) any action or failure to act undertaken by any Investor Director at the request of or with the consent of the Company; or
- c) contravention of any Indian Law including the Foreign Exchange (Management) Act, 1999, Indian Laws relating to factories, establishments, provident fund, gratuity, labour, environment and pollution; and any Action or Proceedings taken against such Investor Director in connection with any such contravention or alleged contravention.

VOTING RIGHTS

- (i) Notwithstanding any other provision of this Agreement, no obligation shall be entered into and no decision shall be made and no action shall be taken by or with respect to the Company in relation to any of the matters listed hereinafter in this Section (ii) ("Affirmative Vote Matters") without following the procedure set out below:
 - a) the Company shall inform in writing to the Investor and the Investor Director at least twenty-one (21) Business Days (or such shorter period as may be consented to by the Investor and the Promoter in writing) prior to (i) if the matter, decision, action or resolution is proposed to be considered or passed at a meeting of the Board or the shareholders of the Company, such meeting; or (ii) if the matter, decision, action or resolution is proposed to be considered or passed by a resolution by circulation, such circulation; and
 - b) the Affirmative Vote Matters must be approved, (i) if at any meeting of the Company's shareholders, by the authorized representative of the Investor, whether in person or proxy; and (ii) if at a meeting of the Board, or if passed by circulation, by the affirmative vote of the Investor Director, whether in person or proxy.
- (ii) The Affirmative Vote Matters, with respect to the Company, referred to in this Section are as follows:
 - a) any amendment to the Memorandum of Association or Articles of Association;
 - b) any increase, reduction, sub-division, reorganization, reclassification or change of the authorized or paid up capital of the Company; or any direct or indirect issuance, grant, Transfer, repurchase or cancellation of any (i) shares or other securities of the Company or (ii) options (including employee stock options) or warrants for acquiring any shares or other securities of the Company and the terms and conditions of any of the foregoing;
 - c) any transaction or a series of transaction(s) which would entail the sale, lease, Transfer, grant of security, interest in or otherwise dispose of or encumber assets or property in excess of INR 22,000,000 (Indian Rupees Twenty Two Million Only) outside the Ordinary Course of Business in any financial year;
 - d) any merger, acquisition, consolidation, reconstitution, recapitalization, reorganization, amalgamation or other business combination involving the Company or any combination of the above transactions or the disposal or Transfer of substantial part of the assets, business or undertaking, either directly or indirectly;
 - e) issuance of any further shares or new equity or equity-linked instruments;
 - f) incurrence of or early repayment of indebtedness in excess of INR 22,000,000 (Indian Rupees Twenty Two Million Only) outside the Ordinary Course of Business or such higher amount as may be approved by the Investor from time to time;
 - g) creation of any new class of Equity Shares or Preference Shares;
 - h) capital expenditure or investment decisions in excess of INR 22,000,000 (Indian Rupees Twenty Two Million Only) outside the Ordinary Course of Business or such higher amount as may be approved by the Investor from time to time, per financial year, unless specifically provided for in the annual budget for the period in which such transaction is to take place;
 - i) any change in business scope of the Company or participation in any business other than that currently engaged in by the Company or its subsidiaries, or material changes in operating expenses of the Company or any of its subsidiaries or change in budget or adoption of any new business plan, or any change in the current business plan, by the Company or any of its subsidiaries;
 - j) making any investments or the liquidation of any investments in other entities of an aggregate value greater in excess of INR 22,000,000 (Indian Rupees Twenty Two Million Only) outside the Ordinary Course of Business or such higher amount as may be approved by the Investor from time to time;

- k) any change in the structure, size or composition of the Board;
 - l) voluntary, complete or partial liquidation of the Company or any of its Subsidiaries;
 - m) creation or redemption of any mortgage, charge, debenture, pledge, lien or other encumbrance or security interest over any of the assets, property, undertaking or uncalled capital except in the Ordinary Course of Business or in connection with availing of any loan in excess of INR 22,000,000 (Indian Rupees Twenty Two Million Only) outside the Ordinary Course of Business or such higher amount as may be approved by the Investor from time to time, in the aggregate in any financial year, unless specifically provided for in the annual budget for the period in which such transaction is to take place;
 - n) availing of any loan/advance or financial assistance from any bank, financial institution, non-banking financial company or any other person in excess of INR 22,000,000 (Indian Rupees Twenty Two Million Only) outside the Ordinary Course of Business or such higher amount as may be approved by the Investor from time to time, in the aggregate in any financial year unless specifically provided for in the annual budget for the period in which such transaction is to take place;
 - o) creation of any subsidiary by the Company;
 - p) implementation of any new employee stock option scheme by the Company;
 - q) any agreement with a Connected Person;
 - r) approval of the annual budget of the Company;
 - s) appointment, change or removal of any independent director;
 - t) salaries, terms of employment and other compensation and benefits of employees of the Company, including the Managing Director, earning a remuneration in excess of INR 2,000,000 (Rupees Two Million Only) per annum;
 - u) entering into, variation or termination of any agreement or arrangement outside the Ordinary Course of Business;
 - v) any change in the statutory auditors of the Company;
 - w) approval of the annual accounts of the Company;
 - x) any commitment or agreement or delegation of powers to do any of the foregoing.
- (iii) In the event an Affirmative Vote Matter is called out specifically in an annual budget of the Company, that is approved in accordance with (ii) (s) above, the Company shall not be required to adhere to the procedures set forth hereinabove with respect to such Affirmative Vote Matter to the extent specifically provided in such annual budget.

Transferability of Share

The Investor shall, subject to Applicable Law, be entitled, to freely Transfer the Equity Shares held, or the legal or beneficial ownership thereof, to any Person.

Notwithstanding anything contained in this Agreement, any Promoter/Promoters shall, for as long as the securities of the Company are not listed on any stock exchange following an IPO, not Transfer any securities to any Person (other than another Promoter), unless the Promoter/Promoters complies with the Investor's pre-emption rights as set out in Section 10.

BUY BACK OF INVESTOR EQUITY SHARES

The Company and the Promoters shall take or cause to be taken all actions necessary to cause the completion of the IPO on or before September 30, 2009 ("IPO"). The Company and the Promoters agree that in the event of failure on their part to complete the IPO on or before September 30, 2009 ("Event of Default") the Company and/or the Promoters shall Buy Back all the Investor Equity Shares issued to the Investor at the Investment Amount and interest thereon at the rate of 12% per annum compounded from the Closing Date upto the date of payment coupled with all due and unpaid dividends, if any ("Buy Back Price").

The Company and the Promoters irrevocably undertake that the right of the Investor in this Section shall not be impeded in any way and that the Company and the Promoters shall cause the Company to do the following as soon as practicable and in any event not later than thirty (30) days from the occurrence of the event of default.

- a. pass the necessary resolutions to amend the Articles of Association to enable the Company and the Promoters to Buy Back the Investor Equity Shares issued to the Investor;

- b. obtain all waivers, approvals, Consents, Permits and qualifications necessary for the Buy Back of the Investor Equity Shares by the Company and to complete and consummate the transactions contemplated herein and in the other Transaction Documents, on terms satisfactory to the Investor;

Upon occurrence of the Event of Default, the Investor shall have the option to demand the Company and/or the Promoters to Buy Back all the Investor Equity Shares by way of delivering a written notice to the Company and/or the Promoters ("**Default Notice**"). Immediately upon receipt of the Default Notice, the Company and the Promoters shall take or cause to be taken all necessary actions to effect the Buy Back which shall be completed no later than six (6) months from the date of the Default Notice. In the event, the Company is unable (whether legally or financially) to effect the Buy Back, the Promoters shall jointly and severally be obligated to Buy Back all the Equity Shares issued to the Investor at the Buy Back Price as provided in this Section no later than six (6) months from the date of the Default Notice. The Company and the Promoters are jointly and severally liable to effect their obligation of Buy Back under this Section.

Investor's Rights of First Refusal

- (i) For as long as the securities of the Company are not listed on any stock exchange following an IPO, if any Promoter proposes to Transfer the Promoter Shares, then such Promoter shall (a) disclose to the Investor the identity of such proposed transferee and the price and the terms and conditions on which it proposes to Transfer the Promoter Shares to such proposed transferee; and (b) first offer such Promoter Shares to the Investor, at the same price and on the same terms and conditions as offered to such proposed transferee ("**Promoter Notice**").
- (ii) The Investor shall have the right, within a period of thirty (30) days from the date of receipt of the Promoter Notice ("**Offer Period**") to accept such offer of the Promoter to purchase the Promoter Shares. In the event that the Investor chooses to accept such offer of the Promoter, it shall convey such acceptance to the Promoter by way of a written notice (the "**Investor Acceptance Letter**") and the Parties shall take all steps to cause the Transfer of the Promoter Shares on the terms mentioned in the Promoter Notice and in accordance with the Investor Acceptance Letter within a period of thirty (30) days following the date of receipt of the Investor Acceptance Letter by the Promoter. The Parties agree that the time required for obtaining necessary approvals from the Government of India or for compliance with any requirements of Law shall be excluded in calculating the foregoing period of thirty (30) days.
- (iii) In the event the Promoter does not receive any Investor Acceptance Letter in accordance with this Section (ii) mentioned above, the Promoter may Transfer the securities on terms no more favourable than those mentioned in the Promoter Notice to the transferee mentioned therein within thirty days (30) of the expiry of the Offer Period.
- (iv) If the Promoter Shares are not sold within thirty (30) days of the expiry of the Offer Period, the Investor's rights under Section (i) mentioned above shall again take effect with respect to any sale of Shares held by the Promoters, and so on from time to time.
- (v) Notwithstanding any provision contained herein, the Promoters shall be required to furnish to the Investor necessary documentation evidencing the completion of the sale of the securities on terms no more favourable than those mentioned in the Promoter Notice to the transferee mentioned therein within thirty days (30) of the expiry of the Offer Period.
- (vi) All notices under this Section shall be given concurrently to the Company.

Company's representations, warranties and covenants

The Company shall not recognize or register any Transfer of Equity Shares unless effected in accordance with the provisions of this Agreement.

The Company shall, to the extent commercially and legally possible, own all Proprietary Assets in relation to its business.

The Company shall not issue any shares in future nor attach rights to any existing shares or shareholders of the Company, which would have any preference over those issued to the Investor, or grant rights to any other Person which are superior to those of the Investor as contained in the Share Purchase Agreement and this Agreement.

Promoter's representations, warranties and covenants

The Promoter represents, warrants and covenants that:

The Promoter covenants that the Company shall not, and it shall ensure that the Company shall not, issue any shares in future nor attach rights to any existing shares or shareholders of the Company which would have any preference over those issued to the Investor or grant rights to any other Person which are superior to those of the Investor as contained in the Share Purchase Agreement and this Agreement.

The representations and warranties of the Promoter in the Share Purchase Agreement are true and correct and shall continue to be true and correct for the periods stipulated therein.

OTHER AGREEMENTS

1. BUSINESS CONTRACTS / AGREEMENTS – INSTITUTIONAL CONTRACTS

We have entered into Agreements with various State Governments for providing Computer Lab facilities along with an Instructor. The list of the Agreements along with the important terms of the said Agreements are as follows:

State Government	AP Government Schools
Date of Agreement & Period	18-July-2002 for 5 Yrs
No of Colleges / Schools	183 [145+38]

Union Territory	Goa Government Schools – Phase I
Date of Agreement & Period	1-Sep-2005 for 4 yrs
No of Colleges / Schools	129

State Government	UP Government Schools – Phase I
Date of Agreement & Period	4-May- 2005 for 5 yrs
No of Colleges / Schools	124

Union Territory	Goa Government Schools – Phase II
Date of Agreement & Period	01-October–2005 to 15 – April-2009
No of Colleges / Schools	109

State Government	Jharkhand Government Schools
Date of Agreement & Period	9-Dec-2005 for 5 yrs
No of Colleges / Schools	206

Union Territory	Government Schools in A & N
Date of Agreement & Period	5 -Nov-2005 for 5 yrs
No of Colleges / Schools	12

State Government	Delhi Government Schools
Date of Agreement & Period	20- Feb 2006 for 4 yrs
No of Colleges / Schools	267

State Government	UP Government Schools
Date of Agreement & Period	21-March-2006 for 5 yrs
No of Colleges / Schools	32

State Government	West Bengal Government Schools
Date of Agreement & Period	1-April-2006 for 6 yrs
No of Colleges / Schools	555

State Government	Karnataka Government Schools
Date of Agreement & Period	19-Feb- 2007 for 5 years
No of Colleges / Schools	216

State Government	UP Government Schools – Phase VI
Date of Agreement & Period	06 -Sept -2006 for 5 years
No of Colleges / Schools	67

2. BUSINESS CONTRACTS / AGREEMENTS – VITELS ZEBRA KROSS

We have entered into the following types of Agreements for the VITELS division

- (a) Agreement with various **Content Partners** wherein the Company uses their content and conducts the courses.
- (b) Agreement with various **Colleges / Institutions** for delivery of the courses offered by the Company.

The details of these agreements are set out below:

a. AGREEMENT WITH CONTENT PARTNERS

Sl No	Content Partner	Type of Courses	Date of Agreement
1	AmitySoft Technologies Pvt. Ltd.	Certificate Course in Software Testing	13 th Jan 2006
2	Aban Informatics Private Limited	Curriculum Support for Schools & Other additional course towards orientation of exam	06 th October 2005
3	Aid- India	Fun with Science (Ariviyal Anandam)	20 th April 2005
4	Visu	GRE, GMAT, SAT, IELTS, TOEFL	31 st Aug 2004
5	RJP Infotek	Certificate Course in System Administration	20 th June 2006
6	i2K Solutions	IIT Jee Courses	17 th February 2007

The important terms of these Agreements are set out below:

Content Partner	Important Terms of the Agreement
ABAN Informatics (P) Ltd.	<ul style="list-style-type: none"> ● Everonn will be responsible for collection of payments from the students and issuing receipts to the students and maintaining accounts. ● Everonn guarantees ABAN that during the entire contract period, it shall pay ABAN its share of fees as received from each student. ● It shall pay on monthly basis on or before 15th day of the next month. Failure of which will be treated as breach of contract. ● Infrastructure will be provided by ESIL. ● Everonn shall provide the necessary faculty with good experience and expertise to handle classes effectively. ● Term of this agreement shall be valid for 3 years from the date of signing the agreement ● In case of contract, tort including negligence will be limited to the recovery of actual damages to the maximum amount of Rs.50,000/-
AID India	<ul style="list-style-type: none"> ● Everonn will be responsible for collection of payments from the students and issuing receipts to the students and maintaining accounts. ● Everonn guarantees AID India that during the entire contract period, it shall pay AID India its share of fees as received from each student irrespective of the course completion as per the predefined payment mode basis. ● Everonn will pay the AID India on a quarterly basis on or before 7th day of succeeding month. ● Everonn shall provide the necessary faculty & will bear the cost towards the same for Fun with science. ● In case of contract, tort including negligence will be limited to the recovery of actual damages to the maximum amount of Rs.50,000/- ● Infrastructure will be provided by ESIL.

Content Partner	Important Terms of the Agreement
VISU	<ul style="list-style-type: none"> ● Everonn will be responsible for collection of payments from the students and issuing receipts to the students and maintaining accounts. ● Everonn guarantees VISU India that during the entire contract period, it shall pay VISU, its share of fees as received from each student irrespective of the course completion as per the predefined payment mode basis. ● Everonn will pay the VISU on a monthly basis. ● The term of the agreement is valid for 2 years. ● Infrastructure will be provided by ESIL. ● In case of contract, tort including negligence will be limited to the recovery of actual damages to the maximum amount of Rs.50,000/- ● Everonn will pay VISU share of revenue within 1 month after commencement of the project launch ● Revenue will be shared between the parties on registration & collection basis depending on the number of enrolments.
RJP Infotek Pvt. Ltd	<ul style="list-style-type: none"> ● Everonn is responsible for complete infrastructure, sales and marketing, collection of payments from students and issuing receipt, maintain accounts and copies of all courseware made and use them as authorized, making payment to RJP based on fee collected, maintain proper books of accounts. It will bear all responsibilities and expenses relating to workshop program. ● RJP will provide the content and faculty and shall bear the program costs.
i2K Solutions	<ul style="list-style-type: none"> ● Everonn will be responsible for marketing, distributing and promoting the Preparatory courses for IIT JEE. ● Administer the enrollment, registration, implementation of procedures according to i2k guidelines to ensure that its customers are prevented from using the services without paying due fee.

b. AGREEMENT WITH COLLEGES / INSTITUTIONS FOR OFFERING COURSES OF THE COMPANY

The following are the MOUs, which have been signed by us with various colleges for imparting various courses through satellite. The colleges will provide the necessary infrastructure and VSAT facilities and we will develop the content using animation, power point presentation etc, and deliver it through our teaching faculties.

The Colleges and the Company share the revenues which are generated out of the courses offered.

Sr. No	College Name	Agreement Date
1	Samyuktha Educational Institutions	19th April 2005
2	V.P.Muthaiah Pillai Meenakshi Engg. College for Women	23rd May 2005
3	Jayaraj Annpackiam College for Women	27th June 2005
4	Mar Athanasius College	3rd June 2005
5	MEA Engineering College	14th Feb 2006
6	Vasavi Mahila Kalasala, Sri Vasavi Vidyalaya	20th March 2006
7	P.S.G R. Krishnammal College for Women	22nd March 2006
8	C.M.S. College	19th May 2006
9	St. Xavier's College for Women	21st March 2006
10	Baselious Poulouse II Catholicos College	23rd March 2005
11	Union Christian College	27th March 2006

Sr. No	College Name	Agreement Date
12	Lady Doak College	17th September 2004
13	Sethu Institute of Technology	12th August 2004
14	Periyar Maniammai College of Technology for Women	19th August 2004
15	P.S.G CAS	24th November 2004
16	Sakthi Mariamman Engg. College	15th December 2004
17	Annai Mathammal Sheela Engg. College	23rd Dec 2004
18	St. Junior College for Women.	24th January 2005
19	K.S.R Educational Institutions	18th January 2005
20	Mahendra Engineering College	19th January 2005

The salient features of some of the MoUs are set out below:

Party	Salient Features
Samyuktha Educational institution	<ul style="list-style-type: none"> ● The said Institution shall provide the necessary equipments prescribed by the ESIL within a period of 1 week from the date of signing the MOU. ● An initial amount of Rs. 50,000 shall be paid along with this MoU. ● All material cost related to the conduct of the course would be borne by ESIL. ● Payments will be made by ESIL every quarter, within 1 month from the quarter ending date. ● However all initial amount would be adjusted towards the amount payable to ESIL as per point no: 2, & only after the completion of the same would the amount be paid to the Institution. Until such time the VSAT equipment supplied would continue to remain as the property of ESIL & the same shall be transferred in the name of Institution by ESIL. ● The MoU shall be in force for the period of 5 years.
V.P. Muthaiah Pillai Meenakshi Engineering College for Women	<ul style="list-style-type: none"> ● The said Engineering College shall provide the necessary equipments prescribed by the ESIL within a period of 1 week from the date of signing the MOU. ● All material cost related to the conduct of the course would be borne by ESIL. ● Payments will be made by ESIL every quarter. ● The MoU shall be in force for the period of 5 years.
Jayaraj Annapackiam College for Women	<ul style="list-style-type: none"> ● The said Jayaraj College shall provide the necessary equipments prescribed by the ESIL within a period of 1 week from the date of signing the MOU. ● All material cost related to the conduct of the course would be borne by ESIL. ● Payments will be made by ESIL every quarter. ● The MoU shall be in force for the period of 5 years.
Mar Athansius College, Kothamangalam	<ul style="list-style-type: none"> ● The said Mar Athansius College shall provide the necessary equipments prescribed by the ESIL within a period of 1 week from the date of signing the MOU. ● All material cost related to the conduct of the course would be borne by ESIL. ● Payments will be made to ESIL every quarter. ● The MoU shall be in force for the period of 5 years.

Apart from the above, we have also received the letter of acceptance/permission from another 173 Colleges/Schools for imparting various courses through satellite. These colleges/schools will provide the basic infrastructure to run the program. Everonn will install the VSAT dish and develop and deliver educational content and services through its studios.

3. BUSINESS CONTRACTS / AGREEMENTS – VITELS DIRECWAY

We have entered into an Agreement with Hughes Escorts Communication Ltd (HECL) (now Hughes Communication India Ltd) as a Lead partner to help HECL in developing business for remote education and training through satellite broad band technologies.

HECL is engaged in the business of providing training or education in Management and technology. To popularise and spread Management and Technology education, HECL has evolved a scheme of appointing the Lead Partners, who shall set up centers in various places on behalf of HECL.

Accordingly, we have entered into Lead Partner Agreement on 20th day of March 2002 with Hughes Escorts Communication Ltd (HECL), a company registered under the Indian Companies Act, 1956 and having registered office at B. 25, 2nd Floor, Nirlac Centre(s), Qutab Institutional Area, New Delhi.

The salient features of Lead Partner Agreement are set out below:

Section	Terms and Conditions
Section 3,	<p>Establishment of centers:</p> <ul style="list-style-type: none"> ● The Lead partner agrees that the centers will be set up in accordance with the HECL specialized standardized designs ● Any default in adherence to and in performance ,deemed to be a ground for termination§ Lead partner shall take prior approval from HECL for all statutory materials use by it. ● Lead partner shall not shift the operation without the prior written consent of the HECL ● The entire cost of running of the centers shall be borne only by the Lead Partner. The lead partner shall not require HECL to reimburse the same ● The lead partners shall use only the licensed software. ● Non-compliance of the above is a ground for termination. ● Lead partner should insure the premises, they should pay the premium properly.
Section 5	<p><u>Non-exclusive rights:</u></p> <ul style="list-style-type: none"> ● Lead partner is a non-exclusive basis. HECL can open its own center or appoint any franchisees. Lead partner shall not object this.
	<ul style="list-style-type: none"> ● HECL at it own discretion may offer the lead partner for opening an new center, the lead partner should sign the agreement and pay the sign up fee within 15 days of the offer
Section 8	<p><u>Confidentiality:</u></p> <ul style="list-style-type: none"> ● Each party shall not disclose any confidential information to any third party. ● The confidentiality obligations of each party will survive the expiration or termination of this agreement.
Section 9	<p><u>Trade marks & Trade names:</u></p> <ul style="list-style-type: none"> ● Lead partner should obtain prior written approval from HECL for usage of Trade marks. ● Regarding the resale of the course materials as granted to it by HECL, shall terminate on the expiry of this agreement. ● HECL has the right to terminate in case of Lead partner questions, disputes or attacks the right, title, interest of the HECL.
Section 10	<p>Sub license:</p> <ul style="list-style-type: none"> ● The lead partner shall not sub-delegate the rights, failing of which HECL has the liberty to terminate this agreement

Section	Terms and Conditions
Section 10 (D)	<p>Transfer:</p> <ul style="list-style-type: none"> ● The lead partner agrees that students of lead partner shall be entitled to join with another center with the prior approval of HECL. ● In the vent of transfer the revenue share will be on pro rata basis in terms of duration whether it may be a full payment or installment.
Section 10(M)	<p>Indemnification:</p> <ul style="list-style-type: none"> ● he lead partner shall indemnify the HECL from any losses caused due to the act of any employee, officers, relative or associate.
Section 10(N)	<p>Undertaking:</p> <ul style="list-style-type: none"> ● The lead partner undertakes that it will comply all the conditions of this agreement
Section 11(B)	<p>Course books:</p> <ul style="list-style-type: none"> ● HECL shall provide course books, forms, materials. The HECL shall pay such prices for the materials as may be fixed by the HECL.
Section 11 (C)	<p>Advertisement:</p> <ul style="list-style-type: none"> ● HECL shall prescribe the manner of advertisement, publicity campaign to the lead partner. The lead partner shall carry it on its own cost. ● If HECL prepare specific publicity and advertisement materials on the request of lead partner, the cost shall be reimbursed to HECL. ● HECL shall raise invoices on lead partners for their proportionate shares of such advertisement and publicity expenditure. The amount shall be debited by HECL from the amount due to the Lead Partner.
Section 12	<p>Course fee:</p> <ul style="list-style-type: none"> ● The lead partner should collect the fees from the students and paid it to HECL. The lead partner shall grant reduction in the amount, only when HECL has issued the discount.
Section 16	<p><u>Terms and Termination:</u></p> <ul style="list-style-type: none"> ● By efflux of time, by any willful default, any winding up order made in respect of the Lead partner etc. If the course is not being conducted satisfactorily by Lead partner then HECL may terminate this agreement. ● Not withstanding any termination due to efflux of time or sooner determination, the lead partner will be liable to pay all the amounts due and payable to HECL.
Section 17	<p><u>Indemnification:</u></p> <ul style="list-style-type: none"> ● The lead partner should indemnify HECL against all the losses or damages. It shall not claim any damages from HECL.
Section 18	<p><u>Arbitration:</u></p> <ul style="list-style-type: none"> ● For all disputes and differences during its term or after expiry or prior to termination shall be settled by arbitration, shall be made by a sole arbitrator, appointed by HECL. The venue shall be at New Delhi
Section 18 (D)	<p><u>Force Majeure:</u></p> <ul style="list-style-type: none"> ● If any act of omission beyond the reasonable control of the parties eg: act of God, war etc, neither party shall have claim for damages. ● The agreement shall postponed for the event and if it continues for more than 8 weeks, either party will have the right to terminate upon providing 30 days written notice.

4. BUSINESS CONTRACTS / AGREEMENTS – DEPT OF YOUTH RESOURCE & SPORTS GOVT OF NAGALAND

Everonn has entered into this MOU dated 9th November 2004 with Department of youth resources & Sports, Government of Nagaland to assist undertaking necessary survey of avenues for employment opportunity, prepare training modules and train youth to capture the employment.

The salient features of agreement are set out below

Clause	Terms
General Covenants	<ul style="list-style-type: none"> ● The Company may outsourcing the required hardware through a local Company. ● Completion work ends with completion of placement of trained youth. ● The beneficiary will pay an advance of 50% alongwith work order ● The balance will be paid only after offering placement to the trained youth. ● Majority of faculty should be appointed from Nagaland.
Operational Terms & Payments	<ul style="list-style-type: none"> ● The Company shall use only licensed versions of the software. ● The complete infrastructure required to install will be provided by the Company ● The number to be trained in a single batch will not be more than 15 or 20 participants. First payment on submission of detailed project report. The Company has to give bank guarantee for amount demanded valid until the completion of that respective work order. ● The second payment will be made only on completion of training and committed placement with proof for placement.
Arbitration & Force Majeure	<ul style="list-style-type: none"> ● Any dispute/difference arising out of or in connection with this agreement shall be referred to the arbitration forum. it will consist three persons appointed by the party. ● Otherwise the dispute shall be submitted to the exclusive jurisdiction of the court in Kohima in the state of Nagaland. ● Neither party shall be considered in default in the performance of their obligations which implies acts of god, war, riots, civil commotions etc and force not within the control of the parties.

5. BUSINESS CONTRACTS/AGREEMENT – CORPORATE CONTRACTS - COGNIZANT TECHNOLOGIES SOLUTIONS PRIVATE LIMITED

We have received purchase order from Cognizant Technologies Solutions Private Limited for providing in- campus training through VSAT.

The main terms of the Contract are as under:

Date of the Agreement & Period	13 th January 2007 for 6 months
Services to be provided	In campus training through V-SAT
Consideration (in Rs)	6,80,000
Payment Terms	30 days from the date of Completion of services

6. BUSINESS CONTRACT/AGREEMENT – CORPORATE CLIENTS – TEFL EDUCATION (INDIA) PRIVATE LIMITED.

We have entered into a Business Agreement with TEFL EDUCATION (INDIA) PRIVATE LIMITED for transferring the exclusive rights for operating and marketing the brand “TEFL INTERNATIONAL” along with all the existing franchisees for the professional programs in languages, teachers Training and pre school for the area covering India including Andaman and Nicobar Islands.

TEFL is a Company based in USA, conducting Pre school education, Teachers training and English language programs in India through its Subsidiary Company called TEFL Education (India) Private Limited.

The Salient features of the agreement are set out below.

Date of the Agreement	6 th November 2006
Terms & Conditions	TEFL Education (India) Private Limited (TEIPL) would allow the usage of its brands “TEFL International “ Language School”, “TEFL International Pre School” and “TEFL international Teachers Training School”, along with its existing franchisee.
	TEIPL will Support Everonn by providing updated program curriculum, program, program details, development of study materials, academic inputs, training in newly developed curriculum in accordance with market demands.
	Others:
	<ul style="list-style-type: none"> Everonn shall have no relation whatsoever with other activities of TEFL. This agreement shall not be misconstrued as an agency agreement. Everonn shall use the brand name of TEFL within the ambit of this agreement.
	<ul style="list-style-type: none"> At the initial stage TEFL shall also give training to Everonn’s staffs free of cost about their products.
	<ul style="list-style-type: none"> TEFL shall run one own center and will conduct training programme for “ENGLISH LANGUAGE & TEACHERS TRAINING OF TEFL” and this model will be used as research and development base of TEFL to support Everonn. Everonn shall have no claim over the revenue earning from the own center of TEFL.

7. FRANCHISEE AGREEMENT:

Before entering into business agreement with Everonn, TEFL had entered into a franchisee agreement with 11 centres for marketing the TEFLs products. Now the franchisee agreements with 11 centers got transferred in the name of Everonn through proper agreements and the details of the same are set out below.

SL. No.	Name of the Franchises	Product	Date of Agreement	Period of Agreement
1	Franchisor International, Raipur.	Pre- School	19/12/2006	Open
2	Prakash Ghosh, Murshidabad	Pre- School	29/11/2006	Open
3	SMA Educe, Bhubaneshwar.	Pre- School	29/11/2006	Open
4	Little Steps Montessori, Kolkatta.	Pre- School	29/11/2006	Open
5	Mrs. Hema, Patna.	Pre- School	19/12/2006	Open
6	Techno Global, Kolkatta.	Language School	29/11/2006	Open
7	Pranab Banerjee – Burdhaman, West Bengal.	Language School	29/12/2006	Open
8	Amitava Nandi & Manatosh Dutta, Mangalpur.	Language School	19/12/2006	Open
9	Indiana Academy, Durgapur.	Language School	29/12/2006	Open
10	Mrs. Shilpi Deb, Siliguri – West Bengal.	Pre- School	19/12/2006	Open
11	Prakash Ghosh, Murshidabad.	Language School	29/12/2006	Open

Note:

- The present franchisee agreement is drafted in order to transfer the franchisees from the name of TEFL to Everonn.
- The franchisee agreement is in the form of tri-party agreement i.e. between TEFL, Everonn and the franchisee.

- Pre-School – It is basically a course conducted for children before LKG level.
- Language School – It is course which teaches one the method of learning the ENGLISH language. It is applicable to everyone.
- The terms and conditions of the agreement are almost similar to all the cases, except for consideration. Few of the terms and conditions as set out below.
 1. The Franchisee is willing to accept Everonn as the franchisor henceforth for all the purposes of the said agreement.
 2. TEFL transfers all the rights & obligations to Everonn under the original franchisee agreement.
 3. On the expiration of the original franchisee agreement between TEFL & FRANCHISEE, Everonn will have the power to enter into a fresh franchise agreement with FRANCHISEE for a further period on the mutual agreement between Everonn & FRANCHISEE.
 4. All payments and royalties to be made by FRANCHISEE in their capacity as franchisee will be paid by them to Everonn.

8. OTHER BUSINESS AGREEMENTS

Agreement between i2k Solutions and Everonn

Everonn has entered into an Agreement on 17th day of February 2007 with i2k, a Partnership firm located at Mumbai, as a partner to offer courses and product offerings delivered over the internet and offline modes for the customers to access it.

STRATEGIC PARTNERS

We do not have any Strategic partners

FINANCIAL PARTNERS

We do not have any other Financial partners other than as mentioned under the heading “Shareholders Agreement”.

MANAGEMENT

BOARD OF DIRECTORS

We are a professionally managed organization. Our Company functions under the control of Board consisting of professional Directors. The day-to-day matters are looked after by qualified key personnel.

The details of the Board of Directors appear as under:

Name	Date of appointment	Qualification	Other Directorship	Date of Expiration of current term of office
Mr. P. Kishore Managing Director S/o. Mr. P K Padmanabhan No.1, Shalom Apartments, Josier Street, Nungambakkam, Chennai - 600 034. Age – 45 yrs, DIN-00190586	19.04.2000	Diploma in Commerce	1. Mistair Realtys Private Limited 2. CelebrateIndia Tourism Limited 3. Acorn Commodity Exchange and Holdings Private Limited	31.03.2011
Mr. R. Kannan Director cum Consultant S/o. Mr. N Ramanujam 5-G, Srivatsa Gardens, No.9, South Avenue, Sri Nagar Colony, Saidapet, Chennai – 600 015 Age - 44 Yrs, DIN-00190637	20.02.2002	B.Com., FCA	1. G.K.Management Services India Pvt Ltd, 2. Infratech Infrastructure Services Pvt Ltd	31.03.2011
Mrs. Susha John Whole Time Director W/o. Mr. John4-B, Ryans Apartments, 8, West Mada Street, Sri Nagar Colony, Saidapet, Chennai- 600 015 Age – 42 Yrs, DIN-00190693	05.03.2001	MS - Applied Science (IT)	Nil	31.03.2011
Mr. Joe Thomas Director S/o. Mr. M E Thomas Building No.6, NO.A -305, Shobha Garnet, Sarjapur Road, Bangalore Age – 49 Yrs, DIN-00468077	20.02.2002	M. Sc. Chemistry	NOUS Systems Private Ltd	Retirement by rotation
Dr. V. K. Vijayaragavan Independent Director S/o Krishnaswamy Old No.12, New No.23, East Spur Tank Road, Chennai – 600 039 Age – 72 Yrs, DIN-00984456	10.07.2006	Phd Post Doctoral Research Fellow – USA	Nil	Retirement by rotation

Name	Date of appointment	Qualification	Other Directorship	Date of Expiration of current term of office
Mr. R. Sankaran Independent Director S/o Rajagopalan Flat GB, "SIVEDHA" New No. 27, III Avenue, Besant Nagar, Chennai – 600 090 Age – 73 Yrs, DIN-00076532	10.07.2006	FCA	1. Kernex Microsystems (India) Limited 2. Amrita Lakshmi Realtors (P) Ltd 3. G.K. Management Services India (P) Ltd.,	Retirement by rotation
Mr. J. Kasi Viswanathan Independent Director S/o Jagannathan 18, 5 th Cross, Brindhavan Road, Fairlands, Salem – 636 016 Age - 66 yrs, DIN-00019324	10.07.2006	B.Com, MBA, CAIIB	1. Salem Food Products Ltd., 2. OPG Industries Limited 3. Canos Trading Private Limited	Retirement by rotation
Dr. K. M. Marimuthu Independent Director S/o. Magudapathy 55 (Old No.26) First Main Road, Indira Nagar, Chennai - 600 020. Age – 76 yrs, DIN-00983325	10.07.2006	M. Tech, Phd.	Nil	Retirement by rotation

Brief Profile of Directors

- **Mr P. Kishore**, 45, is a first generation entrepreneur and has built a business model around computer education in schools. He started Systems Int'l in 1987, which set up computer labs and delivered computer education in top private schools in Nilgiris. P. Kishore sets Everonn's Business mission and strategic vision and is also responsible for Corporate communications.
- **Mr R. Kannan**, 44, is a Chartered Accountant having 19 years post qualification experience in Project Funding, Taxation and Audit in different industries. He is overall responsible for Corporate Finance and Accounts and Virtual & Tech Enabled Learning Solutions SBU.
- **Ms Susha John**, 41, is an MS – Applied Science (IT) from PSG Tech, having 17 years experience in managing IT education businesses. Susha John is responsible for overall business operations and planning, Government and Private Schools Contracts, Network operations and Tech. Support
- **Mr R Sankaran**, 73, is a Chartered Accountant and was a Senior Financial Advisor of Tata Iron and Steel Company Ltd. He has over 40 years of experience in financial management and held the position of Joint Financial Advisor and Chief Accounts Officer of Rourkela Steel Plant, financial advisor and Chief Accounts officer of Salem Steel Ltd and Hindustan Steel Works Construction Ltd. Kolkatta.
- **Mr Joe Thomas**, 49, a Post Graduate in Chemistry. He has served in different capacities in Procter & Gamble and had headed Marketing Division in South Asia. He is President – Strategic Business Development at Strides Arcolab Ltd.
- **Mr J Kasi Viswanathan**, 66, is a Banker who started his career with State Bank of India. He joined the Tamilnad Mercantile Bank as General Manager Operations and was later appointed as Chairman & Chief Executive officer of the Bank for a period of 3 years. He also served as Senior General Manager in Vysya Bank Limited. Later he was appointed as Chairman of the Lord Krishna Bank, Cochin for a period of 5 years.
- **Dr K M Marimuthu**, 76, is an M.Tech from IIT Kharagpur and is a Ph. D in Genetics & Cytology from Mc Master, Hamilton, Canada. He was formerly Vice Chancellor of Bharatiar University having the distinction holding the post for two terms. Currently he is professor Emeritus at University of Madras, Chennai. He has served in many universities in India and abroad. He has authored many books and research papers.

- **Dr V K Vijayaragavan**, 72, is a Ph. D from Bombay University and holds a Post Doctoral Research Fellowship from the University of Notre Dame Indiana, USA. He was in the Pharmaceutical Division of Rallis India Ltd and later on was the Executive Director of Protein Products of India. He was a Director - Fine Chemicals - Rallis India Ltd, a TATA Group Company.

DETAILS OF BORROWING POWERS

Vide a Resolution passed at the Extra Ordinary General Meeting of the company held on Wednesday, 6th April 2006, the members of the Company have passed the following resolution authorizing the company to borrow upto Rs. 150 Crores.

“Resolved that pursuant to Section 293(1)(d) and other applicable provisions if any of the Companies Act, consent of the Company be and is hereby accorded to the Board of directors to borrow and raise such sums of money from time to time, as may be required for the purpose of the business of the company notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained by the company from its Bankers in the ordinary course of business) may exceed the aggregate of the paid up share capital of the Company and its free reserves that is to say, reserves not set part for any specific purpose, provided however that the total amount that may be so borrowed shall not exceed a sum of Rs. 150,00,00,000 (Rupees One Hundred and Fifty Crores only) at any point of time”.

REMUNERATION OF DIRECTORS

Terms of Appointment & Compensation of Whole time Director/Managing Director

1. Appointment of Mr. P Kishore as Managing Director (EGM dated 10.06.2006)

“Resolved that Subject to the provisions of Sec 198, 269, 309, 310 Schedule XIII and other applicable provisions if any, of the Companies Act.1956, approval of the company be and is hereby accorded for the reappointment Mr. P. Kishore as Managing Director of the Company for a period of 5 years from 1st April 2006 on the terms and condition agreed and on the remuneration as detailed below;

Salary : Rs 1,00,000 per month

Medical reimbursement upto Rs.1250 per month

HRA: Rs 40,000

Other allowance: Rs 96,750

Leave travel allowance up to one month's salary, which can be availed once in two years.

Contribution to super annuation fund will be as per the act or Companies policy in force.

In addition he is also entitled for the encashment of leave to One-month salary.

Personal accident insurance premium for a sum of Rs. 10.00 lacs and the premium not to exceed Rs.4,000.

Subscription for two clubs is allowed and not life subscription.

Company car with a driver, telephone at residence etc will be provided to him

Leave and other benefits as may be applicable to other employees of the company from time to time

“Resolved further that Board be and is hereby authorised to increase, vary or amend the terms of the appointment from time to time subject to the condition that the revised remuneration shall also be in conformity with and within the ceiling of Part II of Schedule XIII to the Companies Act, 1956 and other applicable guidelines on managerial remuneration issued from time to time.”

2. Appointment of Ms. Sussha John as Whole Time Director (EGM dated 10.06.2006)

Vide Resolution passed at the EGM dated 10.06.2006, subject to the provisions of Sec 198, 269, 309, 310 Schedule XIII and other applicable provisions if any, of the Companies Act 1956, Ms Sussha John was reappointed as Whole time Director of the Company for a period of 5 years from 1st April 2006.

The Shareholders vide resolution passed at the Annual General Meeting held on 26th May, 2007 have revised the remuneration which shall be effective from 1st April, 2007 and same has been mentioned below:

Salary: Rs 98,000 per month

HRA: Rs 49,000 per month

Medical reimbursement: Rs 8,167 per month with a total of Rs 98,000/-

Leave travel allowances: Rs 98,000 (One month's salary for a year) Contribution to Provident Fund : Rs 11,760 per month. Total monthly package : Rs 1,75,093/-

"Board of Directors is further authorised to increase, vary or amend the terms of the appointment from time to time subject to the condition that the revised remuneration shall also be in conformity with and within the ceiling of Part II of Schedule XIII to the Companies Act, 1956 and other applicable guidelines on managerial remuneration issued from time to time."

3. Appointment of Mr. R. Kannan as Director – Consultant (EGM dated 10.06.2006)

"Resolved that subject to the approval of the shareholders at the General Meeting and the provisions of Sec 314 and other applicable provisions if any, of the Companies Act 1956, remuneration payable as retainer for Mr R. Kannan, Director, as Consultant of the Company at Rs. 2,50,000 per month on retainer basis with effect from 1st April 2007.

"Resolved further that Board be and is hereby authorised to increase, vary or amend the terms of the appointment from time to time subject to the condition that the revised remuneration shall also be in conformity with and within the ceiling of provisions of Companies Act, 1956 and other applicable guidelines on holding an office of profit issued from time to time."

CORPORATE GOVERNANCE

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares with the Stock Exchanges. We have complied with the corporate governance code in accordance with Clause 49 (as applicable), especially in relation to broad basing of our board, constitution of committees. The Company undertakes to take all necessary steps to comply with all the requirements of Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges.

The Company stands committed to good Corporate Governance – transparency, disclosure and independent supervision to increase the value of the Company stakeholders. 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, shareholders/Investor Grievances, Audit, etc, details of which are as follows:

The Company has undertaken steps to comply with SEBI guidelines on Corporate Governance to the extent set forth below.

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

The terms of the Audit Committee comply with the requirements of Section 292A of the Companies Act and Clause 49 of the listing agreement to be entered into with the Stock Exchanges. The Audit Committee of the Company currently comprises of following three Directors as members;

Sl No	Name	Designation	Status
1	Mr. R Sankaran	Chairman	Non Executive and Independent Director
2	Mr. Joe Thomas	Member	Non Executive Director
3	Mr. J Kasi Viswanathan	Member	Non Executive and Independent Director

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 improprieties in matters of financial reporting, financial control or other matters;
- Review management's and internal auditor's reports on the effectiveness of the systems for internal financial control, financial reporting and risk management;
- Monitor the integrity of 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.

REMUNERATION COMMITTEE

The Remuneration Committee consists of Non-Executive Directors, with the Chairman of the Compensation Committee being an Independent Director. The Remuneration Committee of the Company currently consists with the following Directors as members;

Sr. No.	Name	Designation	Status
1	Mr. Joe Thomas	Chairman	Non Executive Director
2	Mr. R Sankaran	Member	Non Executive and Independent Director
3	Dr. K M Marimuthu	Member	Non Executive and Independent Director

The Committee determines and 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 the Company. The Committee will review recommendations made to it by the Company and others and is authorized to investigate any activity within its terms of reference, seek any information from any employee of the Company and obtain independent professional advice.

SHAREHOLDERS / INVESTOR GRIEVANCE AND SHARE TRANSFER COMMITTEE

The Shareholders / Investor Grievance and Share Transfer Committee of the Company comprises of the following Directors as members;

Sr. No.	Name	Designation	Status
1	Mr. J Kasi Viswanathan	Chairman	Non Executive and Independent Director
2	Dr. V K Vijayaraghavan	Member	Non Executive and Independent Director
3	Dr. K M Mari Muthu	Member	Non Executive and Independent Director

The Investor Grievances and Share Transfer Committee looks into redressal of shareholder and investor complaints, issue of duplicate/ consolidated share certificates, allotment and listing of shares and review of cases for refusal of transfer/ transmission of shares and debentures and reference to statutory and regulatory authorities. The scope and functions of the Investor Grievances and Share Transfer Committee are as per Clause 49 of the Listing Agreement.

SHAREHOLDING OF THE DIRECTORS

The Articles of Association 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 on the date of filing of this Red Herring Prospectus with SEBI:

Sr. No.	Name of the Shareholder	Number of equity shares held
1	Mr P Kishore	15,51,410
2	Mr R Kannan	2,34,200
3	Ms Sussha John	4,19,885
4	Mr Joe Thomas	1,71,365

INTERESTS OF DIRECTORS

Except as stated in “Related Party Transactions” on page 113 of the Red Herring 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.

All Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a Committee there as to the extent of other remuneration, reimbursement of expenses payable to them under the Articles of Association. The Directors will be interested to the extent of remuneration paid to them for services rendered by them as officers or employees of the Company.

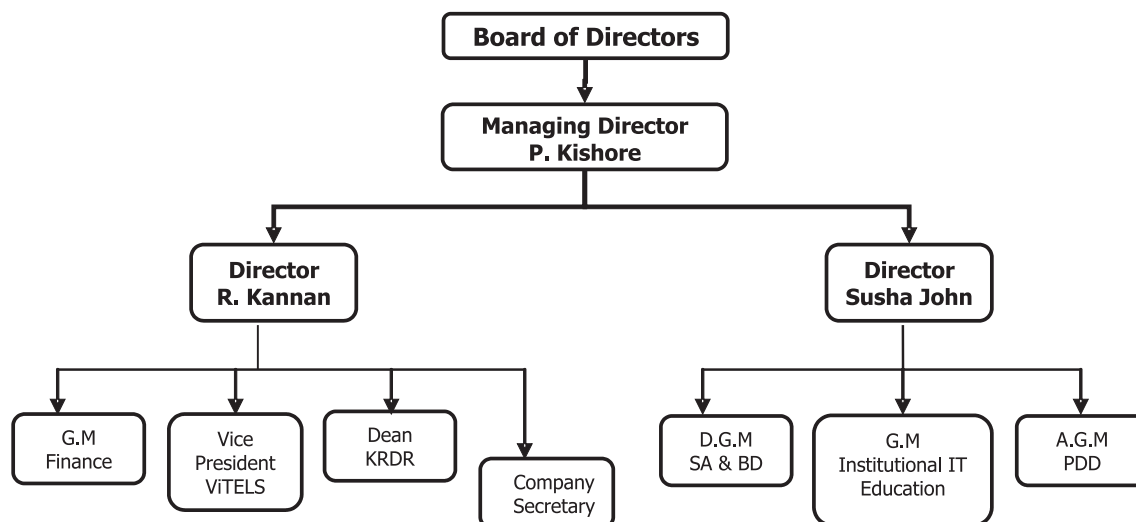
All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by the Company with any company in which they hold Directorships or any partnership firm in which they are partners as declared in their respective declarations.

CHANGES IN THE BOARD OF DIRECTORS IN THE LAST 3 YEARS

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

Sr. No.	Name	Date of Appointment	Date of Cessation	Reason
1	Mr. Arun Kumar	16.01.2006	10.07.2006	Resignation
2	Mr. K R Ravishankar	20.03.2002	10.07.2006	Resignation
3	Mr J Kasi Viswanathan	10.07.2006	—	Appointment
4	Dr K M Marimuthu	10.07.2006	—	Appointment
5	Dr V K Vijayaragavan	10.07.2006	—	Appointment
6	Mr. R. Sankaran	10.07.2006	—	Appointment

MANAGEMENT ORGANISATION CHART



G.M	General Manager
D.G.M	Deputy General Manager
A.G.M	Assistant General Manager
ViTELS	Virtual & Tech Enabled Learning Solutions
KRDR	Knowledge Resource Development & Research
SA & BD	Strategic Acquisition and Business Development
PDD	Product Development Department

KEY MANAGERIAL PERSONNEL OF THE COMPANY

The key managerial personnel and their designations are as under:

Sr. No	Name	Designation (Years)	Qualification	Experience	Date of Joining	Previous Employment	Gross Salary Paid during 2006-07 in Rs
1	Mr. M. Sivakumar	Vice President	FCA	20	18.11.2005	M/s. Ghanati Couture (Dubai)	9,75,000
2	Dr. Vijayakumar V S R	Dean	PhD in Psychology	24	15.05.2006	ICFAI	9,50,000
3	Mr. Chandra Banu	G.M– Operations	B.L. PG in HR	19	01.07.2000	Practising Lawyer	7,63,000
4	Mr. A.V.Sridhar	G.M – Finance	Chartered Accountant	15	09.07.2001	Lovelock & Lewis	8,10,000
5	Mrs. Bindu Dijendranath	DGM– Corporate Initiative	M.B.A	22	01.08.2005	Intex Designer Tiles Private Ltd	5,42,000
6	Mr. Narasimha Bharathi	DGM	MBA	16	01.12.2000	Princeton Review	5,42,000

The persons whose name appears as Key Managerial Personnel are on our rolls as permanent employees.

BRIEF PROFILES OF KEY MANAGERIAL PERSONNEL

Mr. M. Sivakumar, 43 – Vice President- VITELS, formerly headed M/s. Ghanati Couture as its CEO in Dubai. He has over a decade of experience working in Gulf countries, i.e. Muscat & Dubai and has a proven track record in running profit centres with expertise in achieving marketing & operational excellence. He is a Fellow Member of Institute of Chartered Accountants of India (FCA). He acted as consultant for various public limited companies in South India. He currently heads the Virtual & Tech Enabled Learning Solutions, a Strategic Business Unit at Everonn.

Dr. Vijayakumar. V.S.R, 53 -Dean – Knowledge Resource Development & Research, Started his career as a Professor with PSG Arts after obtaining his Doctorate in Psychology from the University of Madras in 1983. A complete academician, he brings with him 24 years of experience in the areas of Research, Teaching and Content Development with reputed Institutions & business schools. Expert in Designing specific products for the School & College segments. Held the position of Associate Dean with ICFAI University. He is responsible and in charge of the content development and educational research at Everonn.

Mr. M. Chandrabanu, 41 – General Manager – Network Operations, is a law graduate and has practised for three years. He holds a Management Degree from IIM(C). He has been with us since inception in April 2000 and has held various positions and portfolios. He has more than 15 years of experience in personnel management and systematic implementation of procedures and practices in the organisation. He is currently in charge of Institutional IT Education.

Mr. A.V.Sridhar, 42 – General Manager – Finance & Accounts, a Chartered Accountant having 15 years of post qualification experience in Finance and Accounts. He worked for Banks and International Audit Firm – Lovelock & Lewes during his tenure in various capacities. His expertise in mobilizing funds & financial planning capability is an advantage for the organization. He has a functional experience in handling Finance and Accounts and also has overseas exposure.

Mrs. Bindu Dijendranath, 44 – Deputy General Manager - Corporate Initiatives, An MBA from Madras University with 22 years of experience in Customer Relations, Public Relations, Business Development, Market Support & Market Research, Channel & Concept Sales in various capacity. In her capacity as Market Support Manager she was actively involved in all promotional activities of Sify's premier Women's Portal Sitagita.com. She is currently looking after Corporate Initiative within the VITELS Strategic Business Unit and is also responsible for Training and Placement programmes of Everonn.

Mr. Narasimha Bharathi, 39 – Deputy General Manager – Strategic Alliance & Business Development, is a MBA-Marketing Management. He started his career as a Business Development Executive in Computer Education and Training Sector. He has had successful stints with First Computers, Brilliant, Lakhotia, Princeton Review etc., and brings with him around 16 years of experience in Institutional Marketing, Corporate Selling, Franchisee and Channel Management. He has a track record in Building Strategic Alliances. He currently is in charge of building strategic partnerships with both public and private institutions and heads the Post School Business & New Business Developments of Institutional Education – IT Infrastructure.

SHAREHOLDING OF THE KEY MANAGERIAL PERSONNEL

None of the key managerial personnel of the Company is holding any shares of the Company.

EMPLOYEE STOCK OPTION SCHEME

For details, please refer page no 18 of Red Herring Prospectus.

BONUS OR PROFIT SHARING PLAN FOR THE KEY MANAGERIAL PERSONNEL

We do not have any Bonus or Profit Sharing Plan for the key managerial personnel of our Company.

INTEREST OF KEY MANAGERIAL PERSONNEL

The key managerial personnel of our Company do not have any interest in our Company other than to the extent to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them in the Company, if any.

CHANGES IN THE KEY MANAGERIAL PERSONNEL SINCE LAST THREE YEARS

S No	Name	Designation	Date of Joining	Date of Resignation
1	Mr Ganesh.B	Dy. General Manager – Products	05.01.2004	30.07.2005
2	Mr Balachandran.H	General Manager - S R E	14.01.2004	30.09.2005
3	Mr Surendra Madhavan	Dy. General Manager – Operations	07.05.2004	03.08.2005
4	Mr Karthikeyan.V	Dy. G M-Education Initiatives	10.06.2004	30.07.2005
5	Ms. Swapna Abraham	AGM Support Service	03.03.2005	03.06.2005
6	Mr Vijay Balakrishnan	Manager - Education Initiative	27.06.2005	30.04.2006
7	Ms Bindu Dijendranath	Dy General Manager	01.08.2005	—
8	Mr M Sivakumar	Vice President	18.11.2005	—
9	Mr Vijayakumar V S R	Chief General Manager	15.05.2006	—

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

INDIVIDUALS

Mr. P. KISHORE – MANAGING DIRECTOR



Permanent Account Number	AFRPK5443B
Passport Number	F7484012
Bank Account Number	Syndicate Bank – 60022010047472
Address:	No 4, Shalom Apartments, No 1, Josier Street, Nungambakkam, Chennai – 600 034

Mr P. Kishore, 45, is a first generation entrepreneur with a Diploma in Commerce. After his schooling in Ooty he did his initial college education in Coimbatore and started his career in Synergistic Software and Management Consultants and after three years embarked on pioneering an innovative project of taking Computer Education to schools in 1987. Systems International, a Partnership Firm was born with one faculty and 4 students. Systems International grew to be in all top Public Schools of the District of Nilgiris in two years. Over the next 10 years, Systems International spread its wings to other parts of Tamil Nadu, Kerala and Karnataka. Mr P. Kishore sets Everonn's Business mission and strategic vision and is also responsible for Corporate communications and Government relations.

He was also involved in social activities as the Secretary of the Nilgiris Civil Rights Society and as the President of the Nilgiris Deaf and Dumb Association for over 5 years.

He played a key role in attaining the contract for Systems International for implementing IT Education at all the 17 schools of Nilgiris District in the year 1999.

Mr. P. SARVOTHAM



Permanent Account Number	BFGPS0969L
Passport Number	A8435209
Bank Account Number	ICICI Bank - 007701509226
Address:	43, Belmont Terrace, Tiger Hill Road, Ooty – 643 001

P. Sarvotham, 42, initially started his career in the field of Marketing with a Private Company in Ooty and rose to become the backbone of Systems International. He was instrumental in getting school contracts in all the Southern States of India which in course of time has taken giant strides. He has experience in marketing the real estate business in the Gulf Countries to NRI clientele. He was also the President of the social organization Round Table Of India at the National level.

Mr. P. K. PADMANABAN



Permanent Account Number	AFOPP2817B
Passport Number	A9332624
Bank Account Number	SBI – 01190027125
Address:	43, Belmont Terrace, Tiger Hill Road, Ooty – 643 001

P. K. Padmanabhan, 80, a high school pass out joined the Cincona Department controlled by the Central/ State Governments as early in the 1940's and put in a service of more than 5 decades ultimately retiring from service as Superintendent. He was a driving force behind his sons Mr P. Kishore and Mr P. Sarvotham in inspiring them to become very successful entrepreneurs and possesses a wide knowledge of administrative skills.

Mrs JAYALAKSHMI PADMANABHAN

Permanent Account Number	AIDPP3554B
Passport Number	A9332626
Bank Account Number	60022010055394 – Syndicate Bank, Chennai
Address:	43, Belmont Terrace, Tiger Hill Road, Ooty – 643 001

Mrs Jayalakshmi Padmanabhan, 69 is the wife of Mr.P.K.Padmanabhan (Promoter – Everonn Systems India Limited) and mother of Mr P. Kishore (Managing Director of Everonn Systems India Limited). She is settled in Ooty for more than 5 decades.

DECLARATION

We confirm that the Pan No, Passport Number, Voter ID and Bank Account Number of Mr. P. Kishore, Mr. P. Sarvotham, Mr. P. K. Padmanaban and Mrs Jayalakshmi Padmanabhan are being submitted to the Stock Exchanges on which Equity Shares are proposed to be listed at the time of filing Red Herring Prospectus with them.

RELATIONSHIP BETWEEN THE PROMOTERS, DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr P K Padmanabhan and Mrs Jayalakshmi Padmanabhan are the parents of Mr P Kishore and Mr P Sarvotham. Mr P Kishore and Mr P Sarvotham are brothers. Except as stated otherwise, there is no relation between any Promoters, Directors and Key Managerial Personnel of the Company.

COMMON PURSUITS

There are no common pursuits in the business of the Company and other companies promoted by the Promoter.

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

Save as stated in this Red Herring Prospectus neither the Promoters nor the firms or companies in which they are members have any interest in the business of our Company, except to the extent of investments made by them and their group/ investment companies in Everonn Systems India Limited 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 Red Herring 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 our 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 of Whole Time Director / Managing Directors” on page no 90 of this Red Herring Prospectus, and dividend, if any declared on the Equity Shares, there are no payment or benefit to promoters of the Company.

RELATED PARTY TRANSACTIONS

The details of related party transactions please refer of Annexure XIII of the Financial Statements on page 113.

CURRENCY OF PRESENTATION

In this Red Herring Prospectus, all references to “Rupees” and “Rs.” are to the legal currency of India, all references to “U.S. Dollar”, and “US\$” are to the legal currency of the United States Of America, and all references to “Dirham” are to the legal currency of the Dubai and all references to “Singapore Dollar” are to the legal currency of Singapore.

Any percentage amounts, as set forth in “Risk Factors”, “Business”, “Management’s Discussion” and “Analysis of Financial Condition and Results of Operations” and other headings in this Red Herring Prospectus, unless otherwise indicated, have been calculated on the basis of financial statements prepared in accordance with Indian GAAP.

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 Summary of dividends declared by us is as follows:

Year Ended	31.03.2003	31.03.2004	31.03.2005	31.03.2006	31.03.2007
Face value of Equity Share (Rs. per share)	10.00	10.00	10.00	10.00	10.00
Dividend (in Rs. lakhs)	0.00	85.68	42.84	17.14	0.00
Dividend Tax (in Rs. lakhs)	0.00	12.23	6.01	1.92	0.00
Dividend per equity Share (Rs.)	0.00	5.00	2.50	1.00	0.00
Dividend Rate (%)	0.00 %	50 %	25 %	10 %	0.00 %

SECTION V: FINANCIAL STATEMENTS

We, the Lead Manager to the Issue confirm that all the Notes to Accounts, significant accounting policies as well as Auditor's qualification, if any, have been incorporated.

Auditor's Report

To,
The Board of Directors,
Everonn Systems India Limited
82, IV Avenue,
Ashok Nagar,
Chennai – 600083

Dear Sirs,

- A. We have examined the annexed financial information of Everonn Systems India Limited, ("the Company") for the five Financial Years ended March 31, 2003, 2004, 2005, 2006 and 2007 being the last date to which the accounts of the Company have been made up and audited by us. The financial information has been approved by the Board of Directors of the Company for the purpose of disclosure in the Offer Document being issued by the Company in connection with the public issue of Equity Shares in the Company (referred to as ' the issue ') in accordance with the requirements of
 - i. Part II of Schedule II of the Companies Act. 1956 (" the Act ")
 - ii. The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (' the SEBI Guidelines ') issued by the Securities and Exchange Board of India (' SEBI ') on January 10, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments and
 - iii. Our terms of reference with the Company Letter dated July 28, 2006 requesting us to carry out work in connection with the Offer Document as aforesaid.
- B. We report that the restated assets and liabilities of the Company as at March 31, 2003, 2004, 2005 2006 and 2007 are as set out in **Annexure I** to this report after making such adjustments and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies as appearing in Annexure IV and Notes to the Statements appearing in Annexure V of this report.
- C. We report that the restated profits of the Company for the Financial Years ended March 31, 2003, 2004, 2005 2006 and 2007 are as set out in **Annexure II** to this report. These profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are subject to the Significant Accounting Policies as appearing in Annexure IV and Notes to the Statements appearing in **Annexure V** of this report.
- D. We report that the Cash Flows from restated Financial Statements of the Company for the Financial Year ended March 31, 2003, 2004, 2005 2006 and 2007 are as set out in **Annexure III** to this report after making such adjustments and regrouping as in our opinion are appropriate and are subject to the Significant Accounting Policies as appearing in Annexure IV and Notes to the Statements appearing in Annexure V of this report.
- E. We have also examined the following financial information relating to the Company and as approved by the Board of Directors for the purpose of inclusion in the Offer Document.
 - i. Statement of Dividends paid for the last five Financial Years as appearing in Annexure VI to this report.
 - ii. Accounting Ratios as appearing in Annexure VII to this report.
 - iii. Details of Sundry Debtors as appearing in Annexure VIII to this report.
 - iv. Details of Loans and Advances as appearing in Annexure IX to this report.
 - v. Details of Secured Loans as appearing in Annexure X to this report.
 - vi. Capitalisation Statement as at 31st March, 2007 as appearing in Annexure XI to this report.
 - vii. Statement of Tax Shelters as appearing in Annexure XII to this report.
 - viii. Details of Related Party Transactions as appearing in Annexure XIII to this report.
 - ix. Details of Contingent Liabilities as appearing in Annexure XIV to this report.

In our opinion the above financial information of the Company as stated in Para B, C, D and E read with Significant Accounting Policies enclosed in Annexure IV to this report, after making adjustments/restatements and re-grouping as considered appropriate and subject to certain matters as stated in Notes to the Accounts enclosed in Annexure V to this report, has been prepared in accordance with Part II of Schedule II of the Companies Act, 1956 and the SEBI Guidelines.

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

Thanking You,

Yours Faithfully,

For P.Chandrasekar
Chartered Accountants

Sd/

K Parthasarathy

Membership No.: 9574

Partner

Place: Chennai

Date: 16.05.2007

Annexure I : STATEMENT OF ADJUSTED ASSETS AND LIABILITIES

The assets and liabilities of the Company at the end of Financial Year /period i.e. March 31, 2007, March 31, 2006, March 31, 2005, March 31, 2004 and March 31, 2003 audited by us after making such adjustments and subject to the notes appearing hereinafter are set out below:

Rs. In lakhs

PARTICULARS	As At March 31				
	2007	2006	2005	2004	2003
A. Fixed Assets					
Gross Block	5,623.42	5,914.99	3,748.17	3,280.13	3,215.76
Less: Depreciation and amortization	1,971.28	2,711.17	2,254.82	1,667.12	1,141.49
Net Block	3,652.15	3,203.82	1,493.35	1,613.00	2,074.28
Add: Capital WIP	–	–	–	–	–
Total Fixed Assets (A)	3,652.15	3,203.82	1,493.35	1,613.00	2,074.28
B. Investments : (B)	0.12	0.12	0.12	48.12	48.00
C. Current Assets, Loans and Advances :					
Inventories	25.64	26.59	11.08	4.42	3.24
Sundry Debtors	2,796.50	1,734.50	806.78	395.80	556.79
Cash and Bank Balances	422.29	296.53	173.60	120.04	57.52
Loans and Advances	593.79	554.87	301.86	206.54	148.18
Total (C)	3,838.22	2,612.49	1,293.33	726.81	765.73
D. Liabilities and Provisions :					
Secured Loans	2,354.21	2,688.72	1,045.67	924.17	1,380.24
Deferred Tax Liability	544.34	440.11	185.39	92.76	51.91
Current Liabilities	736.07	803.69	206.74	163.32	319.63
Provisions	196.46	103.01	67.57	73.49	(1.54)
Total (D)	3,831.08	4,035.52	1,505.37	1,253.73	1,750.23
E. Share Application Money Pending Allotment (E)	–	–	–	–	–
F. Miscellaneous Expenditure (F)					
(to the extent not w/off)	–	22.65	50.25	95.19	128.95
G. Net Worth (A+B+C-D-E) :	3,659.41	1,780.90	1,281.43	1,134.20	1,137.77
H. Represented by					
Share Capital	1,027.82	171.37	171.37	171.37	171.37
Reserves and Surplus	2,631.59	1,632.18	1,160.31	1,058.03	1,095.35
Total (H)	3,659.41	1,803.55	1,331.68	1,229.40	1,266.72
I. Net Worth (H-F)	3,659.41	1,780.91	1,281.43	1,134.20	1,137.77

The accompanying significant accounting policies and notes are integral part of this statement.

Annexure - II RESTATED PROFIT AND LOSS ACCOUNT

Rs. In lakhs

PARTICULARS	Year Ended March 31				
	2007	2006	2005	2004	2003
Income :					
Education and training income	4,033.98	2813.87	1942.94	1616.42	1601.54
Sale of hardware	270.49	279.15	0.00	0.00	0.00
Other Income	–	0.01	0.01	–	–
Total Income	4304.46	3093.03	1942.95	1616.42	1601.54
Expenditure:					
Manpower	758.96	527.85	443.20	380.53	399.85
Education and training expenses	1,759.56	1100.09	458.65	376.92	427.33
Deferred revenue expenditure	22.65	27.60	44.95	41.80	41.80
Total expenditure	2,541.16	1,655.54	946.79	799.25	868.98
Earnings before interest, depreciation & tax	1,763.30	1,437.48	996.16	817.18	732.56
Interest and finance charges	233.99	155.49	143.96	180.37	171.97
Depreciation & amortisation	844.35	456.36	587.69	526.91	489.11
Less: Overheads transferred to fixed assets	(23.52)	–	–	–	–
Earnings before tax and extra ordinary items	708.48	825.63	264.50	109.89	71.48
Provision for taxation					
Current tax	105.63	69.48	20.74	8.45	5.63
Deferred tax	104.21	254.72	92.63	40.85	25.01
Fringe benefit Tax	13.00	10.50	–	–	–
Profit before extra ordinary items	485.64	490.93	151.13	60.59	40.84
Extra ordinary items	0.00	0.00	0.00	0.00	0.00
Adjustment on account of prior period Items	0.00	0.00	0.00	0.00	0.00
Adjusted net profit	485.64	490.93	151.13	60.59	40.84
Balance brought forward from previous year	518.45	95.67	8.49	51.88	37.94
Dividend on shares	–	17.14	42.84	85.68	0.00
Tax on dividend	–	1.92	6.01	12.23	0.00
Transfer to general reserve	41.00	49.09	15.11	6.06	0.00
Deferred tax liability	–	0.00	0.00	0.00	(26.90)
Balance carried to balance sheet	963.09	518.45	95.67	8.49	51.88

Note: Deferred Tax Liability calculated for the first time in the year ending 31.3.03, was a transitional provision and the deferred tax liability accrued upto 31.03.2002 amounting to Rs. 26.90 lakhs was adjusted against the opening balance of the Surplus in Profit and loss account.

Annexure - III CASH FLOW STATEMENT

Rs. In lakhs

PARTICULARS	Year Ended March 31,				
	2007	2006	2005	2004	2003
Cash Flows from Operating Activities					
Net Profit Before Taxation	708.48	825.63	264.50	109.89	71.48
Adjustments for:					
Depreciation	844.35	456.36	587.69	526.91	489.11
Overheads charged to fixed assets	(23.52)	–	–	–	–
Interest/Dividend Income	–	0.01	0.01	–	–
Loss on Sale of Asset	–	0.43	–	0.98	–
Profit on Sale of Asset	–	–	–	–	–
Preliminary expenses Written off	22.65	27.60	44.95	41.80	41.80
Interest Paid	241.46	155.02	126.12	171.71	150.88
Exchange Gain	–	–	–	–	–
Operating Profit before Working Capital Changes	1,793.42	1,465.05	1,023.28	851.29	753.26
Change in Trade and Other Receivables	(1,051.20)	(1,142.53)	(506.30)	102.63	(260.86)
Change in Inventories	0.95	(15.50)	(6.66)	(1.18)	58.39
Change in Other Current Assets					
Change in Current Liabilities	(53.30)	604.87	28.85	(142.78)	96.35
Income- taxes paid	(70.20)	(48.69)	(23.91)	(11.04)	(0.34)
Net Cash Flow from Operating Activities	619.68	863.18	515.25	798.92	646.80
Cash Flow from Investing Activities					
Purchase of Fixed Assets	(1,269.10)	(2,172.31)	(468.04)	(69.07)	(867.97)
Sale of Fixed Assets	–	5.05	–	2.45	0.58
Purchase of Investments	–	–	–	(0.12)	(13.00)
Sale of Investments	–	–	48.00	–	–
Pre Operative Expenses	–	–	–	(8.04)	(87.57)
Net Cash Flow from Investing Activities	(1,269.10)	(2,167.26)	(420.04)	(74.78)	(967.95)
Cash Flows from Financing Activities					
Changes in Borrowings	(334.51)	1,643.05	135.64	(456.07)	481.52
Share Capital Raised	1,370.21	–	–	–	–
Share Application Money	–	–	–	–	–
Interest Paid	(241.46)	(155.02)	(126.12)	(171.71)	(150.88)
Exchange Gain	–	–	–	–	–
Dividend Paid	(19.06)	(61.02)	(51.17)	(33.84)	–
Net Cash Flow from Financing Activities	775.18	1,427.01	(41.65)	(661.62)	330.65
Net increase in cash and cash equivalents	125.76	122.93	53.56	62.52	9.49
Cash and Cash Equivalents (Op. Balance)	296.53	173.60	120.04	57.52	48.03
Cash and Cash Equivalents (Cl. Balance)	422.29	296.53	173.60	120.04	57.52

Annexure IV

I. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of accounting

Financial statements are prepared on an accrual basis following historical cost convention in accordance with the generally accepted accounting principles and in compliance with the applicable Accounting Standards prescribed by the Institute of Chartered Accountants of India.

2. Fixed Assets

Fixed Assets are carried at cost less accumulated depreciation. Cost includes related duties, taxes, freight installation and other costs directly attributable to put the assets into use.

3. Intangible Assets

The company has implemented Accounting Standard 26 (dealing with Intangible Assets) issued by Institute of Chartered Accountants of India, whereby amounts spent for creation and development of knowledge resource and course content has been capitalized. Accordingly, the company has also formulated a policy to amortize this amount of intangibles over a period of 5 years, in equal installments.

4. Depreciation and Amortization

Until the year ending March 31, 2006, depreciation on all fixed assets is provided on Straight Line Method at the rates and in the manner specified in the Schedule XIV of the Companies Act, 1956. In order to follow the prudent accounting principles and based on our past experience, during the year ended March 31, 2007, the Company has adopted change in depreciation policy i.e. for assets installed at and used in Government Projects, by providing depreciation over the number of years of the contract and for the rest of the assets depreciation is provided on straight line method as per the rates prescribed in schedule XIV on the Companies Act 1956. Due to above change in policy, the additional depreciation amount provided during the year amounted to Rs. 227.74 lakhs comprising of current year additional depreciation of Rs. 130.31 lakhs and that of earlier years depreciation of Rs. 97.43 lakhs. Consequently Profit before tax is less by Rs. 227.74 lakhs.

5. Revenue Recognition

The Company generally follows mercantile system of Accounting and recognizes significant items of income on accrual basis. Education and training income is recognized on rendering of services over the period of instruction.

In respect of fixed price contracts, revenue is recognized as per the proportionate completion method.

Revenue in respect of sale of courseware content and knowledge resource is recognized on the basis of dispatch/delivery to the customers.

Revenue in respect of sale of hardware is recognized when substantial risks and rewards of ownership is transferred to the buyer under the terms of the contract. / Revenue is recognized on the delivery of the hardware and fulfillment of the contractual obligation.

Dividend income is recognized when the right to receive is established.

6. Inventories

Inventory as at year end consist of VSAT Equipments only. Inventories are valued at lower of cost or net realizable value.

7. Investments

Long-term investments are carried at cost.

8. Retirement Benefits

Contribution to defined contribution schemes such as PF is charged to the profit and loss account on accrual basis. The company also provides for retirement benefits in the form of Gratuity and Leave Encashment, which are based on valuations at balance sheet date.

9. Provisions and Contingent Liabilities

A provision is recognized when there is a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made.

Contingent liabilities are not provided for and are disclosed by way of notes.

10. Borrowing Cost

Borrowing costs that are attributable to the acquisition or construction of qualifying fixed assets are capitalized as part of the cost of such assets till such time as the asset is ready for its intended use or sale. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use or sale and other borrowing costs are recognized as an expense in the period in which they are incurred.

11. Income-Tax

The accounting treatment for Income Tax in respect of the Company's income is based on 'Accounting for Taxes on Income' (AS22) issued by the Institute of Chartered Accountants of India. The provision made for Income Tax in the accounts comprises both, the current tax (including Fringe Benefit Tax) and deferred tax. The current tax (including fringe benefits tax) is determined based on the provision of Income Tax Act, 1961. The deferred tax assets and liabilities for the year, arising on account of timing differences, are recognized in the Profit and Loss Account; and the cumulative effect thereof is reflected in the Balance Sheet. The major components of the respective balances of deferred tax assets and liabilities are disclosed in the Accounts.

12. Foreign Currency Translations

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions and from the translations of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

13. Share Issue Expenses

Expenditure relating to issue of shares is adjusted against the Securities Premium Account.

14. Segmental Reporting

The Company has only one main line of business – imparting education and training through various modes of delivery. Hence, segmental reporting as required by AS-17, issued by The Institute of Chartered Accountants of India is not applicable.

15. Impairment of Assets

The Company has not noticed any obsolescence as all the assets are fully in use and hence impairment as per AS 28 has not been considered for the year.

Annexure V
SIGNIFICANT NOTES TO ACCOUNTS
1. Changes in Accounting Policies
There is a change in depreciation policy during the year ended March 31, 2007

Until the year ending March 31, 2006, depreciation on all fixed assets is provided on Straight Line Method at the rates and in the manner specified in the Schedule XIV of the Companies Act, 1956. In order to follow the prudent accounting principles and based on our past experience, during the year ended March 31, 2007, the Company has adopted change in depreciation policy i.e. for assets installed at and used in Government Projects, by providing depreciation over the number of years of the contract and for the rest of the assets depreciation is provided on straight line method as per the rates prescribed in Schedule XIV of the Companies Act 1956. Due to above change in policy, the additional depreciation amount provided during the year amounted to Rs. 227.74 lakhs comprising of current year additional depreciation of Rs. 130.31 lakhs and that of earlier years depreciation of Rs. 97.43 lakhs. Consequently Profit before tax is less by Rs. 227.74 lakhs.

The profit and loss account and statement of affairs have been restated adopting the changes made in the depreciation policy. Due to the change in policy, the restated profit after tax for the following years is as follows:

Rs. Lakhs

Particulars	Year Ended March 31				
	2007	2006	2005	2004	2003
Restated profit after tax	485.64	490.93	151.13	60.59	40.84
Profit after tax before restatement	407.73	404.16	181.25	78.08	84.53
Change in profit after tax	77.91	86.78	(30.12)	(17.49)	(43.69)

There are no changes in Accounting Policies during the Financial Years ended March 31, 2003, 2004, 2005 and 2006.

2. Deferred Tax

The year-wise restated Deferred Tax Calculations are as under:

Rs. in Lakhs

COMPUTATION OF DEFERRED TAX LIABILITY (AS RESTATED)					
	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
Deferred Tax Assets					
On Account of Fiscal Differences	–	–	–	–	–
Expenses Allowable for Tax Purposes When Paid	5.03	1.01	2.48	0.91	–
Expenses Allowable for Tax Purposes When Withholding Tax is Paid	–	29.42	67.64	0.36	–
On Account of Carried Forward Losses	–	–	–	272.40	330.18
Total	5.03	30.43	70.12	273.67	330.18
Deferred Tax Liability					
On Account of Timing Differences	549.38	470.53	255.51	366.43	382.09
Total	549.38	470.53	255.51	366.43	382.09
Net Deferred Tax Liability	544.34	440.11	185.39	92.76	51.91

- Estimated Value of contract remaining to be executed on Capital Account and not provided for is NIL for the financial years 2002-03, 2003-04, 2004-05 & 2005-06.
- Income of Rs. 46.01 Lakhs, which is an amount for maintaining hardware and systems at ELCOT Phase 2 Schools (332 Nos. spread over different districts of Tamil Nadu) has been recognized based on estimates by Management in the year 2005 – 2006.

5. The year-wise Remuneration to Directors including Perquisites is given below:

Rs. in Lakhs

Particulars	Mar 31 2007	Mar 31 2006	Mar 31 2005	Mar 31 2004	Mar 31 2003
Managing Director	30.00	16.79	11.15	11.15	11.15
Whole Time Directors	28.28	23.78	15.89	15.22	16.32
Total	58.28	40.57	27.04	26.37	27.47

Annexure VI - DETAILS OF DIVIDEND POLICY

Rs in Lakhs

PARTICULARS	Year Ended March 31									
	2007		2006		2005		2004		2003	
Share Capital	1027.82		171.37		171.37		171.37		171.37	
Dividend Declared:	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.
Interim Dividend	0.00%	0.00	0.00%	0.00	0.00%	0.00	25.00%	42.84	0.00%	0.00
Final Dividend	0.00%	0.00	10.00%	17.14	25.00%	42.84	25.00%	42.84	0.00%	0.00
Total	0.00%	0.00	10.00%	17.14	25.00%	42.84	50.00%	85.68	0.00%	0.00

Annexure - VII Statement of Accounting Ratios

Earnings per share (Rs.)

Particulars	Year Ended March 31,				
	2007	2006	2005	2004	2003
Restated net profit as per profit and loss account for computation of EPS (Rs. in Lacs) (A)	485.64	490.93	151.13	60.59	40.84
Weighted average number of equity shares outstanding during the period (B)	8,628,847	1,713,687	1,713,687	1,713,687	1,713,687
Weighted average number of equity shares outstanding during the period for Adjusted EPS* (C)	8,628,847	7,441,627	7,441,627	7,441,627	7,441,627
Basic earning per share of face value of Rs. 10 Rs. (A / B)	5.63	28.65	8.82	3.54	2.38
Adjusted earning per share of face value of Rs. 10 Rs. (A / C)	5.63	6.60	2.03	0.81	0.55

*Bonus shares issued during the year ended 31st Mar 2007 have been considered for computation of “Adjusted earning per share” for previous years.

Net Asset value per share (Rs.)

Particulars	Year Ended March 31,				
	2007	2006	2005	2004	2003
Net Worth excluding revaluation reserve at the end of the period/year (Rs. Lakhs) (A)	3,659.41	1,780.91	1,281.43	1,134.20	1,137.77
Weighted average number of equity shares outstanding during the period (B)	8,628,847	1,713,687	1,713,687	1,713,687	1,713,687
Net asset value per share (Rs.) (A / B)	42.41	103.92	74.78	66.18	66.39

Return on Net Worth (%)

Particulars	Year Ended March 31,				
	2007	2006	2005	2004	2003
Restated net profit as per profit and loss account for computation of EPS (Rs. in Lacs) (A)	485.64	490.93	151.13	60.59	40.84
Net Worth excluding revaluation reserve at the end of the period/year (Rs. in Lacs) (B)	3,659.41	1,780.91	1,281.43	1,134.20	1,137.77
Return on Net Worth (%) (A / B)	13.27%	27.57%	11.79%	5.34%	3.59%

Annexure - VIII STATEMENT OF SUNDRY DEBTORS

Rs. In lakhs

Particulars	Year Ended March 31,				
	2007	2006	2005	2004	2003
(Unsecured, considered doubtful)					
- Outstanding for a period less than six months	–	–	–	–	–
- Outstanding for a period exceeding six months	6.50	–	–	–	–
(Unsecured, considered good)					
- Outstanding for a period less than six months	1,956.05	1,323.35	671.10	358.64	511.79
- Outstanding for a period exceeding six months	840.45	411.15	135.68	37.17	45.00
Less: Provision for Doubtful debts	6.50	–	–	–	–
Total	2,796.50	1,734.50	806.78	395.80	556.79

Note: There are no receivables due from promoters/Promoters' group/Directors

Annexure - IX STATEMENT OF LOANS AND ADVANCES

Rs. In lakhs

Particulars	Year Ended March 31,				
	2007	2006	2005	2004	2003
Advances Recoverable in Cash or in Kind or for the value to be received					
- From Directors	–	–	–	–	–
- From Others	339.78	412.45	145.27	100.64	71.63
Tax Deducted At Source	101.36	95.45	77.99	51.71	20.99
Accrued Interest Income	13.46	9.86	0.75	8.03	9.39
Deposits	139.19	37.11	77.85	46.16	46.17
Total	593.79	554.87	301.86	206.54	148.18

Note: There are no loans and advances due form promoters/Promoters' group/Directors

Annexure – X Details of Secured Loans Outstanding

Name of the Bank	Facility Availed	Sanctioned Amount (Rs in Lakhs)	Interest	Outstanding as on 31.3.2007 (Rs in Lakhs)	Repayment Terms	Primary Securities Offered	Collateral Securities Offered
Syndicate Bank	Term Loan	747.00	12.50%	47.53	15 Qtrly Instalments beginning from Sept 03. Instalment amt is Rs. 50.00 lakhs	Hypothecation of Hardware, Equipments and Fixtures at 54 centres in respect of Ap School Project. Hypothecation of hardware, furniture, fixtures, equipments etc at 9 centres in respect of DIRECWAY Project.	Existing UREM of immovable property - at S.No.740 & 693, Loveade Road, Ooty Municipal Limit, Admeasuring 4.54 acres, belonging to M/S L. Loganathan, L. Jayalakshmi, L. Sarojini & L. Varalakshmi. II Charge on the immovable properties mortgaged to IDBI and TIIC/ IOB and II charge on the hardware, furniture, fixtures and equipment hypothecated to IDBI and TIIC/ IOB.
Syndicate Bank	Term Loan	769.36	11%	485.91	16 Qtrly Instalments beginning from June 05. Instalment amt is Rs. 48.08 lakhs	First Charge on Company's entire Net Fixed Assets, ELCOT Project Assets & RLD Project Assets	Existing UREM of immovable property - at S.No.740, Loveade Road, Ooty Municipal Limit, Admeasuring 336.72 cents, belonging to M/S L.Loganathan, L.Jayalakshmi, L.Sarojini & L.Varalakshmi, UREM of Land and Building Measuring app 5000 sq.ft at Ooty bearing S.No.1049/3 belonging to Shri.P.Kishore, managing Director of the Company. UREM of Land measuring 5.88 acres with S.Nos,87, 90, 93, 94, 241, 242

Name of the Bank	Facility Availed	Sanctioned Amount (Rs in Lakhs)	Interest	Outstanding as on 31.3.2007 (Rs in Lakhs)	Repayment Terms	Primary Securities Offered	Collateral Securities Offered
							and 238 at Masinagudi, Nilgiris, belonging to Ms.Indira Rajan and Ms.Anuradha. UREM of property belonging to M/s Tourism Resorts Private Ltd, Ooty
Syndicate Bank	Term Loan	1031.00	11%	911.53	16 Qtrly Instalments beginning from Sept 06. Instalment amt is Rs. 67.68 lakhs	First Charge on Company's whole assets value & receivables	Existing UREM of immovable property - at S.No.740 & 693, Loveade Road, Ooty Municipal Limit, Admeasuring 336.72 cents, belonging to M/S L.Loganathan, L.Jayalakshmi, L.Sarojini & L.Varalakshmi, UREM of Land and Building Measuring app 5886 ft at Ooty bearing S.No.1049/3 belonging to Shri. P. Kishore, managing Director of the Company. UREM of Land measuring 5.88 acres with S.Nos,87,90,93, 94,241,242 and 238 at Masinagudi, Nilgiris, belonging to Ms.Indira Rajan and Ms. Anuradha. UREM of property belonging to M/s Tourism Resorts Private Ltd, Ooty Admeasuring 0.75 acres
Syndicate Bank	Overdraft	52.00	11%	78.24			
Syndicate Bank	Loan against FD	19.00	11%	19.00		FD for Rs. 20.00 Lakhs	

Name of the Bank	Facility Availed	Sanctioned Amount (Rs in Lakhs)	Interest	Outstanding as on 31.3.2007 (Rs in Lakhs)	Repayment Terms	Primary Securities Offered	Collateral Securities Offered
Syndicate Bank	Loan against FD	35.40	11%	38.74		FD for Rs. 37.50 Lakhs	
Syndicate Bank	Vehicle Loan	5.20	11%	1.51	22 EMI beginning from Nov 05. EMI is Rs. 25391.27		
Syndicate Bank	Vehicle Loan	1.86	11.25%	1.62	60 EMI beginning from Nov 05. EMI is Rs. 4023.65		
Syndicate Bank	Honda Civic	12.3	10.75%	11.23	Repayable 36 EMI beginning from Oct 06. EMI is Rs. 41252.98 at 10.75%		
Kotak Mahindra Bank	Business Loan	20.00	17%	12.42	24 EMI beginning from June 06. EMI is Rs. 98883	Corporate Guarantee by Everonn	
Indian Bank	Term Loan	657.00	10.25%	608.51	18 Qtrly Instalments beginning from May 06. Instalment amt is Rs. 39.75 lakhs	Hypothecation of Jharkhand project assets ,Hypothecation of book debts arising out of Jharkhand project & Personal guarantee of Mr. P.Kishore	
Indian Bank	Over Draft	58	10.25%	53.98	Repayable in 18 Qtrly Installments beginning from May 06. Installment amt is Rs. 3.25 lakhs at 10.25%.	Hypothecation of Book Debts arising out of Jharkand project	
ICICI Bank	Business Loan	83.98	15%	83.98	Repayable in 36 months beginning from April 2007 at interest 14%.	Hypothecation of Book Debts arising out of ETS project	

Annexure - XI CAPITALISATION STATEMENT
Rs. In lakhs

Particulars	Pre-Issue as at 31.03.2007	Post Issue *
Borrowings:		
Long-term Debt	2354.21	[•]
Total Debt	2354.21	[•]
Shareholder's Funds :		
Equity Share Capital	1027.82	[•]
Reserves and Surplus	2678.18	[•]
Total Shareholder's Funds	3706.00	[•]
Long-term Debt/Equity ratio (%)	63.52%	[•]

*Note: Share capital and reserves and surplus post issue can be ascertained only on conclusion of the book building process.

Annexure - XII STATEMENT OF TAX SHELTER

Particulars	Year Ended March 31,				
	2007	2006	2005	2004	2003
Tax Rate%	33.66%	33.66%	36.59%	35.88%	36.75%
Mat Tax %	11.22%	8.42%	7.84%	7.69%	7.88%
Profit/Loss before tax as per restated accounts	708.48	825.63	264.50	109.89	71.48
Tax at Notional Rate (A)	238.48	277.91	96.78	39.43	26.27
Adjustments:					
Export Profits	—	—	—	—	—
Difference between Tax Depreciation and Book Depreciation	257.68	638.81	(242.76)	(60.95)	79.12
Other Adjustments	137.01	(5.22)	-	(2.50)	0.00
Net Adjustments	394.68	633.60	(242.76)	(63.45)	79.12
Tax on above (B)	132.85	213.27	(88.83)	(22.77)	29.08
Net Tax (C) = (A- B)	105.62	64.64	185.61	62.20	(2.81)
MAT (tax) (D)	79.49	69.48	20.74	8.45	5.63
New Tax payable (C or D which is higher)	105.62	69.48	185.61	62.20	5.63

Annexure - XIII RELATED PARTY TRANSACTIONS

	Year Ended March 31,				
Particulars	2007	2006	2005	2004	2003
Associate Company	Tourism Resorts (P) Ltd.	Tourism Resorts (P) Ltd.	Tourism Resorts (P) Ltd.	Tourism Resorts (P) Ltd.	Tourism Resorts (P) Ltd.
Nature of Transaction	Corporate Guarantee in favour of the Company for Rs. 50 Lakhs towards Collateral to obtain Term Loan from Syndicate Bank.	Corporate Guarantee in favour of the Company for Rs. 50 Lakhs towards Collateral to obtain Term Loan from Syndicate Bank.	Corporate Guarantee in favour of the Company for Rs. 50 Lakhs towards Collateral to obtain Term Loan from Syndicate Bank.	Corporate Guarantee in favour of the Company for Rs. 50 Lakhs towards Collateral to obtain Term Loan from Indian Overseas Bank /Syndicate Bank.	Corporate Guarantee in favour of the Company for Rs. 50 Lakhs towards Collateral to obtain Term Loan from Indian Overseas Bank.
Key Managerial Personnel	Mr. P. Kishore Mr. R. Kannan Ms. Sussha John	Mr. P. Kishore Mr. R. Kannan Ms. Sussha John	Mr. P. Kishore Mr. R. Kannan Ms. Sussha John	Mr. P. Kishore Mr. R. Kannan Ms. Sussha John	Mr. P. Kishore Mr. R. Kannan Ms. Sussha John
Remuneration to Key Managerial Personnel	Rs. 5827760/-	Rs. 4057200/-	Rs. 2703890/-	Rs. 2637400/-	Rs. 2747000/-

Annexure XIV DETAILS OF CONTINGENT LIABILITIES
Rs. In lakhs

	Year Ended March 31,				
Particulars	2007	2006	2005	2004	2003
Guarantees Given by Banks on Behalf of the Company	318.79	321.45	285.43	217.98	217.98
Total	318.79	321.45	285.43	217.98	217.98

FINANCIAL INFORMATION OF GROUP COMPANIES

None of the Group/ Associate Companies mentioned hereinafter have become sick company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1995 or is under winding up.

For Outstanding Litigations and Defaults of Other Group Companies / Ventures of the Promoters, please refer Para on Outstanding Litigations and Defaults on Page 124.

GROUP / ASSOCIATE COMPANIES

1. TOURISM RESORTS PRIVATE LTD

The Company was incorporated as a Private Limited Company on January 9, 1990. The Company was promoted by Mr. P. Kishore. The main object of the Company is to establish hotels, Motels, Restaurants Houses, Boat houses, Guest Houses, Holiday Resorts and to develop tourism in general.

The authorized share capital of the company is Rs. 40,00,000/- comprising 4,000 equity shares of face value Rs 1,000/- each and paid up share capital is Rs 6,50,000/- comprising of 650 equity shares of Rs.1,000/- each:

BOARD OF DIRECTORS AS ON MARCH 31, 2007

Sr. No	Name	Designation
1.	Mr. P. K. Padmanabhan	Managing Director
2.	Mr. P. Sarvotham	Director

SHAREHOLDING PATTERN AS ON MARCH 31, 2007

Name of the Shareholder	No. of Shares	% Holding
Mr P. Kishore	325	50%
Mr P. Sarvotham	325	50%
Total	650	100%

Brief Financial Performance

(Rs. in Lakhs)

Particulars	For the year ended as at 31 st March		
	2006	2005	2004
Sales	22.96	149.63	470.70
Equity Share Capital	6.50	6.50	6.50
Reserves (Excluding Revaluation Reserve)	—	—	—
Net Worth	(5.80)	(5.98)	(5.78)
EPS (FV Rs 1000)	27.69	(29.30)	(816.92)
PAT	0.18	(0.20)	(5.31)
NAV per share in Rs	—	—	—

The Company does not fall under the definition of a sick company within the meaning of the Sick industrial Companies (Special Provisions) Act, 1995 or is under winding up.

The Company has incurred losses for the financial year ended March 2005, 2004 as stated above.

There are no defaults in meeting any statutory/bank/institutional dues. No proceedings have been initiated for economic offences against the Company and its Directors.

The Company has the following bank facilities:

Nature of facility/loan availed	Name of financial institution/bank	Amount availed (Rs. in Lakhs)
Term Loan	South Indian Bank	32.07

As on 5th July 2006, the Company has repaid the loan fully.

2. MISTAIR REALTYS PRIVATE LTD

The Company was incorporated as a Private limited Company on October 28, 2005. The Company was promoted by Mrs. Jayalakshmi Padmanabhan and Mr. Kishore. The main object of the company is to design, build, own, operate, lease, service and offer consultancy and support services for all types of projects like hotels, serviced apartments, housing complexes, resorts, spas, water and sewage treatment plants, roads and ways, tourism & health related activities, laboratories, malls, hospitals, town ships, amusement park, Multiplexes, IT parks, Bio-parks and educational research institutions etc.

The authorized share capital of the Company is Rs. 10,00,000/- comprising 1,00,000 equity shares of face value Rs. 10/- each and paid up share capital is Rs. 1,00,000/- comprising of 10,000 equity share of Rs.10 each:

Name of the Shareholders	Number of equity shares	% holding
Mrs. Jayalakshmi Padmanabhan	5,000	50%
Mr. P.Kishore	5,000	50%
Total	10,000	100%

THE BOARD OF DIRECTORS COMPRISES:

S. No	Name of the Director	Designation
1	Mrs Jayalakshmi Padmanabhan	Managing Director
2	Mr P Kishore	Director

BRIEF FINANCIAL PERFORMANCE

Since the Company has not commenced any business operations, no financials have been prepared.

BANK FACILITIES

The Company has not availed of any Bank facilities

3. Acorn Commodity Exchanges and Holdings Private Limited

The Company was incorporated as a Private limited Company on February 21, 2007. The Company was promoted by Mr. P Kishore and Ms Keerthi Kishore. The main object of the company is to carry on the business dealing, selling, buying and trading of Commodities through the Commodity exchanges in India.

The authorized share capital of the Company is Rs. 10,00,000/- comprising 1,00,000 equity shares of face value Rs. 10/- each and paid up share capital is Rs. 1,00,000/- comprising of 10,000 equity share of Rs.10 each:

Name of the Shareholders	Number of equity shares	% holding
Mr. P.Kishore	5,000	50%
Ms Keerthi Kishore	5,000	50%
Total	10,000	100%

THE BOARD OF DIRECTORS COMPRISES:

S. No	Name of the Director	Designation
1	Mr P Kishore	Director
2	Ms Keerthi Kishore	Director

BRIEF FINANCIAL PERFORMANCE

Since the Company was incorporated in Feb 2007 and has not commenced any business operations, no financials have been prepared.

BANK FACILITIES

The Company has not availed of any Bank facilities

4. CELEBRATEINDIA TOURISM LIMITED

The Company was incorporated as a Public limited Company on February 21, 2007. The Company was promoted by Mr. P Kishore and Ms Keerthi Kishore. The main object of the Company is to promote the Tourism in India at a low cost, at all the major tourist centres by way of building, promoting low cost affordable tourist accommodation, boarding and lodging facilities in all the major towns and villages important tourist, heritage and pilgrimages centres.

The authorized share capital of the Company is Rs. 1,00,00,000/- comprising 10,00,000 equity shares of face value Rs. 10/- each and paid up share capital is Rs. 5,00,000/- comprising of 50,000 equity share of Rs. 10 each:

Name of the Shareholders	Number of equity shares	% holding
Mr. P.Kishore	20,000	40%
Ms Keerthi Kishore	7,500	15%
Mr P K Padmanabhan	5,000	10%
Mrs Jayalakshmi Padmanabhan	5,000	10%
Mrs Jansi Kishore	7,500	15%
Mr P Sarvotham	4,000	8%
Mrs K V Meenakshi	1,000	2%
Total	50,000	100%

THE BOARD OF DIRECTORS COMPRISES:

S. No	Name of the Director	Designation
1	Mr P Kishore	Director
2	Ms Keerthi Kishore	Director
3	Mr P K Padmanabhan	Director

BRIEF FINANCIAL PERFORMANCE

Since the Company was incorporated in Feb 2007 and has not commenced any business operations, no financials have been prepared.

BANK FACILITIES

The Company has not availed of any Bank facilities

DISASSOCIATION BY THE PROMOTERS

None of the promoters have disassociated themselves from any of the companies/firms during three years except

Mr P Kishore, having resigned from M/s Tourism Resorts Private Limited as Director w.e.f April 16, 2006. However, he still continues to hold shares in the Company.

STATEMENT IN TERMS OF CLAUSE 6.10.3.5 OF DIP GUIDELINES

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" as mentioned under Annexure XIII of the Auditors' Report appearing on page 113 of this Red Herring Prospectus.

CHANGE IN ACCOUNTING POLICIES IN THE LAST THREE YEARS

In order to follow the prudent accounting principles and based on our past experience, during the financial year 2006-07, we have adopted change in depreciation policy i.e. for assets installed at and used in Government Projects by providing depreciation over the number of years till the completion of the period of the contract and for the rest of the assets, depreciation is provided on straight line method as per the rates prescribed in Schedule XIV of the Companies Act 1956.

SUNDRY DEBTORS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with financial statements included in this Red Herring Prospectus. You should also read the section titled "Risk Factors" beginning on page x of this Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition and results of operations.

The following discussions are based on restated financial statements for the financial year ended March 31, 2003; March 31, 2004; March 31, 2005; March 31, 2006 and March 31, 2007 which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (DIP) Guidelines and on information available from other sources.

The Directors confirm that there have been no events or circumstances since the date of the last financial statements which materially and adversely affect or are likely to affect the profitability of the Company or the value of its assets or its ability to pay its liabilities within the next twelve months.

Overview

Everonn Systems India Limited was promoted as a Public Limited Company on 19th April 2000 in the State of Tamil Nadu under the Companies Act, 1956

We are a fully integrated Knowledge Management, Education and Training company offering a range of services viz creating knowledge resources, designing and delivering Learning and training programs and setting up infrastructure and delivery platform for enabling the same.

We are a Lead partner of Hughes Escorts Communication Ltd (HECL) (now Hughes Communication India Ltd) for Hughes Net (Direcway) Interactive learning where Management courses are offered.

We are developing and integrating content for Indian and global audience in the school, college, corporate and retail space.

We are an ISO 9000-2001 certified company and is a winner of National level computer literacy excellence awards and best center awards from HECL for the last three years.

We have two Strategic Business Units (SBUs) viz.,

- I. Institutional Education and Infrastructure Services and
- II. Virtual and Technology Enabled Learning Solutions.

SBU I: Institutional Education and Infrastructure Services

This Division concentrates in,

- Setting up IT Education Infrastructure in institutions viz Schools and colleges and delivering IT education in Schools
- Offering Turnkey Education and software Solutions.

SBU II: Virtual and Technology Enabled Learning Solutions

ViTELS focuses on providing specialized content through an Interactive remote delivery mechanism

The target audiences are

- Institutions especially Colleges and Schools
- Working Professionals
- Corporates

Management Education from Premier Institutes on Hughes Net Platform is offered in ten centers.

Virtual learning through Zebra Kross and HughesNet is extended to 115 centers currently.

We are one of the leading providers of technology enabled education solutions for the K-12 (Kindergarten to Class 12) institutions in the country. We are present across 13 states in the country through our Institutional IT Education and Virtual & Technology Enabled Learning Solutions.

We started our business operations by capitalizing the Computer's growing power and relevance in enhancing and aiding the educational process right from the formative years of schooling. We first set up computer centres in a few of the prestigious residential schools of Ooty, in the Nilgiri hills of Tamilnadu under the BOOT model - at a time when computers had just come

into the market and computers were taught only in State Engineering colleges. The success of the program enabled us to take this Education model across Government Schools in Tamilnadu and other States in India.

Significant Developments after March 31, 2007 that may affect our future Results of Operations

In compliance with AS 4, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in the Red Herring Prospectus which materially and adversely affect or are likely to affect, the trading and Profitability of the Company, or the value of our assets or their ability to pay their material liabilities within the next 12 months.

Factors that may affect Results of the operations

- Changes in Government spending policies on Education.
- Competition
- VITELS being a new concept, acceptance of the same by students.
- Borrowing Capacity
- Change in Hardware costs.

COMPARATIVE ANALYSIS OF FINANCIAL CONDITIONS & RESULTS OF OPERATIONS

Rs. In lakhs

PARTICULARS	Year Ended March 31				
	2007	2006	2005	2004	2003
Income :					
Education and training income	4,033.98	2813.87	1942.94	1616.42	1601.54
Sale of hardware	270.49	279.15	0.00	0.00	0.00
Other Income	–	0.01	0.01	–	–
Total Income	4304.46	3093.03	1942.95	1616.42	1601.54
Expenditure:					
Manpower	758.96	527.85	443.20	380.53	399.85
Education and training expenses	1,759.56	1100.09	458.65	376.92	427.33
Deferred revenue expenditure	22.65	27.60	44.95	41.80	41.80
Total expenditure	2,541.16	1,655.54	946.79	799.25	868.98
Earnings before interest, depreciation & tax	1,763.30	1,437.48	996.16	817.18	732.56
Interest and finance charges	233.99	155.49	143.96	180.37	171.97
Depreciation & amortisation	844.35	456.36	587.69	526.91	489.11
Less: Overheads transferred to fixed assets	(23.52)	–	–	–	–
Earnings before tax and extra ordinary items	708.48	825.63	264.50	109.89	71.48
Provision for taxation					
Current tax	105.63	69.48	20.74	8.45	5.63
Deferred tax	104.21	254.72	92.63	40.85	25.01
Fringe benefit Tax	13.00	10.50	–	–	–
Profit before extra ordinary items	485.64	490.93	151.13	60.59	40.84
Extra ordinary items	0.00	0.00	0.00	0.00	0.00
Adjustment on account of prior period Items	0.00	0.00	0.00	0.00	0.00
Adjusted net profit	485.64	490.93	151.13	60.59	40.84

Comparison of FY 2007 with FY 2006

Income:

Our Income has risen by 39.16% to Rs. 4304.46 Lakhs in FY 2006-07 from Rs. 3093.03 Lakhs in FY 2005-06. The increase in revenue was due to new contracts like Jharkhand and Delhi that were added only during the last quarter of FY 2005-06, being operational for the full year in FY 2006-07. In addition, the projects at Goa and Andaman also had full year of operations during FY 2006-07 as against FY 2005-06 during which they were operational only from the second half.

Further, new contract acquired from Government of Karnataka during the last quarter of FY 2006-07 has also contributed to the growth in revenue.

Income has gone up as number of colleges under ViTELS division has increased significantly coupled with launching of new courses. We have also generated additional revenue by leasing out our studio infrastructure. We also generated some revenue from the sale of hardware to a corporate house. During the year, we have also entered into tie ups' with Education Testing Services (ETS) to conduct TOFEL & GRE tests.

Expenditure

Manpower Costs

Our manpower cost has increased by 43.78% to Rs. 758.96 Lakhs in FY 2006-07 from Rs 527.85 lakhs in FY 2005-06. The increase was due to full year of operations in the contracts like Jharkhand, Delhi, Goa and Andaman. The rise was also due to the induction of additional manpower to support our Virtual Learning initiatives. As per the contract, minimum of two faculties for each school need to be provided by us together with the supervisory team including head of operations for each state. There are about 1550 faculties supervised by about 60 co-ordinators guided by 4 Managers. Besides, there was an average hike of 15% in the existing salaries. Increase in the number of colleges has also resulted in increase in manpower cost.

Education and Training Expenses

Education and Training expenses constitutes Course execution and delivery expenses and administration and other expenses. Education Training Expenses increased by 59.95% to Rs. 1759.56 Lakhs in FY 2006-07 from Rs. 1100.09 in FY 2005-06. Due to expansion of the points of presence, we have seen an increase across all Education and Training Expense.

Operating Margin (EBIDTA)

Operating Profits has risen by 22.67% to Rs. 1763.30 Lakhs in FY 2006-07 as against Rs. 1437.48 Lakhs in FY 2005-06 due to strong increase in revenues. However, the EBIDTA margins have dropped to 40.64% in FY 2006-07 from 46.47% in FY 2005-06. A major contributor to the 550 basis point drop was the entire infrastructure cost pertaining to Karnataka Government Schools' contract being charged to revenue. Further, EBIDTA margins was under pressure as many of the new initiatives taken under ViTELS division like opening of corporate initiatives, placement division to support the colleges and new school division have been charged off to revenue as per Accounting Standard – 26. The margin on the sale of hardware has also dwindled during FY 2006-07 which also had an impact on EBIDTA margins.

Interest Cost

We have also experienced an increase in our interest cost and financial charges, which was Rs. 233.99 Lakhs in FY 2006-07 as against Rs. 155.49 in FY 2005-06. The increase of 50.48% in interest cost and finance charges was due to the rising interest rates during the current financial year and delays in receivables from the Government. The increase in the number of points of presence and their geographical dispersion has also led to an increase in bank charges due to higher fund transfer costs.

Depreciation

The depreciation has risen by 85% to Rs. 844.35 Lakhs from Rs. 456.36 Lakhs in FY 2005-06. The increase in depreciation cost is attributed to the depreciation of assets of Government contracts viz Delhi, Goa, Jharkhand and Andaman& Nicobar Islands that have been provided with full year of depreciation as against earlier years where they were operational only during the later part of the year.

Profit after tax (PAT)

PAT has declined to Rs. 485.64 lakhs in FY 2006-07 from Rs. 490.93 lakhs in FY 2005-06. The 1.08% decline was due to the additional operating expenditure and the increased depreciation during FY 2006-07.

Increase in Debtors: Debtors have increased from Rs 1734.50 lakhs in 2005-06 to Rs 2796.50 lakhs in 2006-07. This increase was mainly due to addition of new contracts from Karnataka and West Bengal Governments amounting to Rs 733 lakhs.

Comparison of FY 2006 with FY 2005

Income

Our income in FY 2005-06 rose to Rs. 3093.03 Lakhs from Rs. 1942.95 Lakhs in FY 2004-05. This 59.19% increase in income was primarily due to new contracts executed during the second half of FY 2005-06 in Goa, Jharkhand, Delhi, Andaman and Uttar Pradesh. The ViTELS division also witnessed a full year of operations in FY 2005-06. The revenues from this division were far higher during FY 2005-06 as compared to FY 2004-05 since the ViTELS division commenced operations during the later half of FY 2004 – 2005.

Expenditure

Manpower

The manpower cost increased by 19.10% to Rs. 527.85 Lakhs in FY 2005-06 from Rs. 443.20 Lakhs in FY 2004-05. The increased cost was due to additional manpower recruited for the new contracts for IT Education in schools with State Governments like Goa, Jharkhand and Uttar Pradesh. Further ViTELS division saw an increase in number of personnel due to full year of operation during FY 2005-06 as compared to half year operation of FY 2004-05.

Education & Training Expenses:

There was a significant increase in the Education and Training Expenses, by 139.85% to Rs. 1100.09 Lakhs in FY 2005-06 from Rs. 458.65 Lakhs in the FY 2004-05. The primary reason for the rise in expenditure during FY 2005-06 was the increase in bandwidth charges because of a full year of operations for the ViTELS division. Further, course material cost supporting our government contracts has also gone up with an increase in the number of students due to the new contracts in Goa, Delhi, Jharkhand, Andaman, Uttar Pradesh. Our contract model in Uttar Pradesh does not involve any investment but the cost of educational training is higher. We also incurred additional expenditure on the development of course material for students who undergo Everonn courses in the colleges under ViTELS division. Further, increase in fee and revenue share paid out to content partners and franchisee's contributed to the increase in education and training expenses.

EBIDTA:

Operating profits grew by 44.30% to Rs. 1437.48 Lakhs in FY 2005-06 from Rs. 996.16 Lakhs in FY 2004-05. However, our Operating Margin declined to 46.47% in FY 2005-06 from 51.27% in FY 2004-05. The 480 bps drop in operating margins was due to negligible margins from the sale of hardware that is far lower than margins from our core business as well as contract models such as UP.

Depreciation

Depreciation during FY 2005-06 declined to Rs. 456.36 Lakhs from Rs. 587.69 lakh. The reduction was due to the transfer of assets from Elcot Project back to the schools.

Interest and Finance Charges

There was no significant change in the interest and finance charges incurred by us during FY 2005-06. It stood at Rs. 155.49 lakh in FY 2005-06 as compared to Rs. 143.96 lakh in FY 2004-05 since a significant increase in the loans took place only during the last quarter of FY 2005-06. Besides, we have also enjoyed interest savings due to contract model adopted in UP.

Profit after Tax (PAT):

There has been a significant increase in PAT by 224.83% to Rs. 490.93 Lakhs in FY 2005-06 from Rs. 151.13 Lakhs in FY 2004-05. PAT has gone up due to increase in overall income by 59.19% and a reduction in depreciation caused by transfer of the Elcot project assets back to the schools. Further, in some school contract projects, there was no need for investment that resulted in saving of both interest and depreciation for us thereby having a positive impact on our PAT.

Increase in Fixed Assets: There was an increase in Fixed Assets from Rs 1493.35 lakhs in FY 2004-05 to Rs 3203.82 lakhs in FY 2005-06, the same was on account of purchase of Computer equipments, furniture & fixtures for projects implemented in the states of Goa, Jharkhand, Delhi for 206, 273 and 250 schools respectively.

Increase in Debtors: Debtors constitute mainly dues from various state Governments and institutions. The increase in debtors from Rs 806.78 lakhs as on 31.03.05 to Rs 1734.50 lakhs as on 31.03.06 was due to increase in business and due to new contracts implemented for the first time in Delhi, Goa and Jharkhand during last quarter of FY 2005-06 which resulted in increase in debtor of Rs 712.26 lakhs coupled with increase in receivables from AP State Government.

Increase in Inventories: The increase in inventory from Rs 11.08 lakhs in FY 2004-05 to Rs 26.59 in FY 2005-06 was on account of fresh purchase of VSAT Equipments.

Comparison of FY 2005 with FY 2004

Income:

The total income for the FY 2004-05 increased by 20.20% to Rs. 1942.95 Lakhs from Rs. 1616.42 Lakhs in FY 2003-04. We have also generated some income from the ViTELS division which commenced operations during the second half of FY 2004-05.

Expenditure

Manpower Cost

Manpower cost went up by 16.46% to Rs. 443.20 Lakhs in FY 2004-05 from Rs. 380.53 Lakhs in FY 2003-04. Our manpower cost structure did not see any significant change during FY 2004-05. A part of this increase was due to addition in personnel in the ViTELS division.

Education and Training Expenses:

Education and Training Expenses rose by 21.68% to Rs. 458.65 Lakhs in FY 2004-05 from Rs. 376.92 in FY 2003-04. Education and Training Expenses increased almost in proportion to the revenue since there was no major change in our operational cost structure. However, we incurred additional bandwidth and consultancy charges for setting up studios to support our new ViTELS division in the second half of 2004-05.

EBIDTA:

Our Operating profits grew by 21.90% to Rs. 996.16 lakhs in FY 2004-05 from Rs. 817.18 lakhs. Our EBIDTA margins for FY 2004-05 was 51.27% which was marginally better than 50.55% earned in FY 2003-04. Our EBIDTA growth during FY 2004-05 was in line with the growth in revenues.

Depreciation:

Depreciation increased by 11.53% to Rs. 587.69 Lakhs in FY 2004-05 from Rs. 526.91 Lakhs in FY 2003-04. Depreciation cost increased due to additions made to infrastructure for setting up a Studio to support the ViTELS division.

Interest and Financial Charges

Interest Cost decreased by 20.18% to Rs. 143.96 Lakhs in FY 2004-05 from Rs. 180.37 in FY 2003-04. The reduction in interest cost was due to the repayment of significant portion of a higher interest loan taken for ELCOT contract with Tamil Nadu Government. The overall secured loans increased due to fresh loan availed during the second half of 2004-05 for setting up infrastructure for ViTELS division.

PAT

PAT stood at Rs 151.53 Lakhs in FY 2004-05 compared to Rs 60.59 Lakhs in FY 2003-04. This represents an increase of 149.43% over the previous financial year. The significant increase in PAT was due to Post School Business (PSB) with the Government schools under contract. The PSB has significantly higher margin since it utilizes the existing infrastructure deployed at Government schools i.e. no fresh investment is required. Further savings in interest cost also contributed to the rise in PAT.

Comparison of FY 2004 with FY 2003

Income:

The total income increased by a marginal 0.93% to Rs. 1616.42 lakhs in FY 2003-04 from Rs. 1601.54 lakhs in FY 2002-03. Income was static since no fresh contracts were added during FY 2003-04.

Expenditure

Manpower Cost

Manpower costs decreased by 5.07% to Rs. 380.53 lakhs in FY 2003-04 from Rs. 399.85 lakhs in FY 2002-03. There was no significant increase in manpower during FY 2003-04 since the business remained static.

Education and Training Expenses

We managed to bring about a significant decrease in operating expenses which fell by 11.79% to Rs. 376.92 lakhs in FY 2003-04 from Rs. 427.33 lakhs in FY 2002-03 by adopting stringent cost control measures.

EBIDTA

Operating Profit increased by 11.55% to Rs. 817.18 lakhs in FY 2003-04 from Rs. 732.56 lakhs in FY 2002-03. EBIDTA margins also improved to 50.55% in FY 2003-04 as against 45.74% in FY 2002-03. Increase in operating profits and improvement in EBIDTA margins was due to significant savings made by us in manpower and operational costs.

Interest and Financial Charges

The interest and financial charges has seen a marginal rise to Rs. 180.37 lakh in FY 2003-04 as compared to Rs. 171.97 lakh in FY 2002-03

Depreciation:

Depreciation has increased by 7.73% to Rs. 526.91 Lakhs in FY 2003-04 from Rs. 489.11 Lakhs in FY 2002-03.

PAT:

PAT has increased by 48.36% to Rs. 60.59 Lakhs in FY 2003-04 from Rs. 40.84 in FY 2002-03. PAT has increased due to savings in manpower cost and in education and training expenses, as a result of better cost control mechanism brought in during the period of operation.

INFORMATION REQUIRED AS PER CLAUSE 6.10.5.5 OF SEBI DIP GUIDELINES

Unusual or infrequent events or transactions

There are no unusual or infrequent events or transactions that have significantly affected our business.

Significant economic changes that materially affected or are likely to affect income from continuing operations:

The applicability of service tax in many areas like Bandwidth, Fees collection in Colleges, Schools, etc has increased our cost.

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

Delay in tender finalisation / release of Letter of Intent by the Government department will have adverse effect on our revenue.

Future changes in relationship between costs and revenue, in case of events such as future increase in labour or material costs or prices that will cause a material changes are known

Our contracts are usually for a period of 4 / 5 years. Abnormal increase in employee costs will affect the profitability.

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

Sales have increased due to increase in number of contracts and increase in sign up of colleges under VITELS segment.

Total turnover of each major industry segment in which the Company operated

We being in a service industry, the same is not applicable.

Status of any publicly announced new products or business segment

We have launched curriculum programs in schools for classes IX and X. In the college segment, Placement Support Program have been initiated.

The extent to which business is seasonal

Our business is closely linked to the academic cycle wherein a large part of revenue is accrued during the second and forth quarter of the financial year. The summer vacation is considered to be a lean period. However, we try to make best use of the period by launching various short term courses.

Any significant dependence on a single or few suppliers or customers

In the contract segment, previously our main share of revenue was from ELCOT, Tamilnadu Government. However, we have spread geographically and now we have new contracts in Jharkhand, Goa, Delhi, Uttar Pradesh and Andaman and Nicobar. Under the VITELS segment, with regard to Direcway, we are dependent on Hughes Communication India Ltd towards the revenue. However the total revenue share is not significant to overall revenue of the Company. The percentage share is approximately 3% of the total revenue.

Competitive conditions

We are one of the pioneers as far as VITELS segment is concerned. There is no significant competition currently. In the Institutional Contract segment, there are only few players like NIIT, Aptech and Educomp at National level. However, the opportunity is large and our competitiveness in terms of price, efficiency and quality would be a differentiator.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND MATERIAL DEVELOPMENT

The Company certifies that except as mentioned herein below there are no:

- Pending litigations against the company.
- Outstanding litigations, defaults etc pertaining to matters 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 except as mentioned under the heading Outstanding Litigation of the Promoter/Director/Group Companies
- 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.

Names of Small Scale Undertakings or Creditors having an outstanding balance for more than 30 days as on March 31, 2007 are:

Name of the Company	Amount (Rs)
Tera Software Ltd	4,930,740
Ingram Micro India Pvt Ltd	2,136,903
Alpha Datatech India Pvt Ltd	1,052,664
Info Park Technologies	1,037,475
Indus Age Advisors Private Ltd	705,354
Team Computers Pvt Ltd	470,363
Team Computers Pvt Ltd - EXP	437,341
Orient Electric Company	257,300
Lapsys Infotec	200,994
Bakthavatchalam.K	174,657
Madhu Ads	163,729
Reliance Communication India Ltd.,	143,106
Intelsys Technologies Pvt Ltd	109,000
Multi Overseas (I) Pvt Ltd.	107,776
Focus Computers (P) Ltd - EXP	106,080
Balaji Printers	100,159
Total	12,133,641

Except as described below and in the notes to the financial statements in this Red Herring Prospectus, there are no contingent liabilities not provided for, outstanding litigation, suits or criminal or civil prosecutions, proceedings or tax liabilities against the Company, non-payment or overdue of statutory dues, institutional/ bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on the Company's business.

A. Litigation filed against our Company

NIL

B. Miscellaneous Notices/legal notices against our Company

• **Suit filed by Mr Deepak Jain pertaining to our Public Issue**

One Mr. Deepak Jain, from New Delhi sent a notice dated September 10, 2006 to SEBI seeking information on the draft red herring prospectus ("DRHP") filed by us with SEBI and uploaded on the SEBI website. Further, based on the DRHP, Mr. Jain sent a letter to SEBI generally alleging that we have not been complying with the Accounting Standards prescribed by the Institute of Chartered Accountants of India. In response to a request from SEBI to provide explanations, we have sent a detailed reply dated September 24, 2006 to SEBI with a copy to Mr. Jain. Similar allegations are also sent to Regional Director (Southern Region) Ministry of Corporate Affairs, Chennai and ROC, Tamilnadu, Chennai.

Mr. Deepak Jain filed a civil suit against SEBI in the Delhi lower civil court seeking a direction to restrain SEBI from issuing the Observation Letter in respect of our DRHP, without making us as a party to the proceedings.

We received the Observation letter from SEBI vide its letter dated April 20, 2007. Subsequently, we understand that Mr. Jain had filed a writ petition in Delhi High Court challenging the Observation Letter issued by SEBI on the Draft Red Herring Prospectus filed by the Company, again, without making the Company or its merchant banker a party to the proceedings. However, we also understand from the official website of Delhi High Court that this writ petition against SEBI has been withdrawn by the Petitioner on May 9, 2007.

Further, our Merchant Bankers M/s Centrum Capital Ltd has received a notice under section 79 of the Information Technology Act, 2000 vide an email dated May 4, 2007 from Mr Deepak Jain. The notice alleges that by hosting the Draft Red Herring Prospectus of Everonn Systems India Ltd on its website, Centrum has become a Network Service Provider under the provisions of Information Technology Act, 2000 and is liable for third party data hosted on its site and that Centrum has not exercised due diligence of data pertaining to the DRHP of Everonn.

Further we also understand that Mr Deepak Jain has filed a Suit in the Delhi High Court against Centrum Capital Ltd, the contents of which are not known as Centrum has not received the summons as on May 18, 2007.

C. Litigations filed by our Company

The Company was a party in a case pending in Supreme Court filed by Assam Electronic Development Corporation Ltd and NIIT Ltd, (against the order passed by Division bench of the Guwahati High Court in favour of the Company and others) in relation to a contract awarded by Assam Electronics Development Corporation Ltd, in favour of NIIT Ltd., for execution of contractual work in the 4th phase of Rajiv Gandhi Computer Literacy Programme in 300 schools in the State of Assam and for not disclosing the evaluation procedure for evaluation of bids in the notice inviting tender dated November 23, 2005.

The Supreme Court vide its final order dated 24th January 2007 directed that:

- Educomp consortium (of which Everonn is a member) will provide services in 100 Government Schools.
- NIIT consortium will provide services in 200 Government schools.
- Assam Electronics Development Corporation should drop the black listing process adopted by it against the Company and other members of the consortium.

With this ruling of the Supreme Court, the litigation has ended with no further right of appeal.

In the above Educomp consortium, Everonn Systems India Ltd will provide services in 50 Schools. As of date, Everonn has not entered into any agreement with AMTRON

D. Delay in Payment of Statutory Dues

There have been delays in payment of Statutory dues by us including Provident Fund (PF) and Employee State Insurance Scheme (ESIS). The details relating to the same for the current financial year and for the previous three financial years are hereunder:

Employees State Insurance Payments

Month	Due Date	Actual Date of Payment	Total Amount (Rs)
FY 2006-07			
April 2006	20 th May 2006	25 th May 2006	36,357
May 2006	20 th June 2006	25 th June 2006	36,908
June 2006	20 th July 2006	21 st July 2006	38,555
July 2006	20 th August 2006	22 nd August 2006	41,554
FY 2005-06			
April 2005	20 th May 2005	21 st May 2005	21,328
October 2005	20 th November 2005	21 st November 2005	24,168
March 2006	20 th April 2006	18 th May 2006	32,718
FY 2004-05			
June 2004	20 th July 2004	20 th September 2004	17,269
July 2004	20 th August 2004	20 th September 2004	18,224
August 2004	20 th September 2004	21 st September 2004	18,470
September 2004	20 th October 2004	03 rd December 2004	18,910
October 2004	20 th November 2004	03 rd December 2004	20,836
December 2004	20 th January 2005	15 th February 2005	21,982
March 2005	20 th April 2005	22 nd April 2005	24,133
FY 2003-04			
April 2003	20 th May 2003	18 th September 2003	23,751
May 2003	20 th June 2003	18 th September 2003	22,720
June 2003	20 th July 2003	14 th November 2003	21,769
July 2003	20 th August 2003	14 th November 2003	21,113
August 2003	20 th September 2003	14 th November 2003	18,259
September 2003	20 th October 2003	14 th November 2003	18,622
October 2003	20 th November 2003	4 th December 2003	19,256
FY 2006-07			
May 2006	15 th June 2006	24 th August 2006	478,698
June 2006	15 th July 2006	24 th August 2006	475,035
July 2006	15 th August 2006	24 th August 2006	490,626
September 2006	15 th October 2006	16 th October 2006	495,308
December 2006	15 th January 2007	19 th January 2007	586,423

Provident Fund Payments

Month	Due Date	Actual Date of Payment	Total Amount (Rs)
January 2007	15 th February 2007	17 th February 2007	626,119
February 2007	15 th March 2007	22 nd March 2007	648,780
March 2007	15 th April 2007	20 th April 2007	616,156
FY 2005-06			
April 2005	15 th May 2005	21 st May 2005	514,091
July 2005	15 th August 2005	29 th December 2005	495,440
August 2005	15 th September 2005	29 th December 2005	441,553
September 2005	15 th October 2005	29 th December 2005	500,015
October 2005	15 th November 2005	29 th December 2005	534,841
November 2005	15 th December 2005	29 th December 2005	502,989
December 2005	15 th January 2006	15 th February 2006	141,868
FY 2004-05			
April 2004	15 th May 2004	23 rd August 2004	458,601
May 2004	15 th June 2004	23 rd August 2004	451,994
June 2004	15 th July 2004	07 th October 2004	450,553
July 2004	15 th August 2004	07 th October 2004	463,997
August 2004	15 th September 2004	07 th October 2004	467,531
October 2004	15 th November 2004	03 rd December 2004	483,325
November 2004	15 th December 2004	17 th December 2004	492,998
December 2004	15 th January 2005	15 th February 2005	492,831
February 2005	15 th March 2005	18 th March 2005	481,902
March 2005	15 th April 2005	13 th May 2005	507,393
FY 2003-04			
April 2003	15 th May 2003	20 th August 2003	486,119
May 2003	15 th June 2003	04 th December 2003	473,324
June 2003	15 th July 2003	12 th January 2004	470,718
July 2003	15 th August 2003	12 th January 2004	458,733
August 2003	15 th September 2003	12 th January 2004	444,453
September 2003	15 th October 2003	16 th February 2004	450,281
October 2003	15 th November 2003	16 th February 2004	454,652
November 2003	15 th December 2003	16 th February 2004	445,276
December 2003	15 th January 2004	25 th February 2004	445,294
January 2004	15 th February 2004	31 st March 2004	454,606
February 2004	15 th March 2004	31 st March 2004	460,350
March 2004	15 th April 2004	11 th May 2004	460,491

E. Outstanding Litigation of the Promoter/Director/Group Companies/Director of the Promoters

None of our Promoter/ Director/Group Company/Director of the Promoters has any outstanding litigation towards tax liabilities, criminal/civil prosecution for any offences (irrespective of whether they are specified under paragraph (i) of Part 1 of Schedule XIII of the Companies Act), disputes, defaults, non-payment of statutory dues, in their individual capacity or in connection with the Company and other Companies with which the Directors are associated except Mr R Sankaran, being the Independent Director on our Board whose name appears in the list of RBI's willful defaulter, the details of which are mentioned hereunder

Mr. R. Sankaran was a non Promoter, non Executive Director on the Board of Tata Constructions and Projects Limited (TCPL), from 29th November 1991 to 19th November 2001. TCPL was declared a sick company under BIFR on 9th February, 1988 even before Mr R Sankaran joined the Board. Further, two rehabilitation schemes were approved by BIFR and it had extended the repayment period for the debentures upto 31st December, 2000. But TCPL had defaulted in redeeming the debentures and interest outstanding to the institutions and the court ordered for winding up of the Company 29th December 2004.

Information required as per clause 6.11.1.5 of SEBI DIP Guidelines

We confirm that there have been no fresh litigation post the filing of the Draft Red Herring Prospectus with SEBI except one of Mr Deepak Jain which has been disclosed above under the head "Miscellaneous Notices/legal notices against our Company".

MATERIAL DEVELOPMENTS SINCE THE LAST BALANCE SHEET DATE

In the opinion of the Board of Directors of the Company, there have not arisen, since the date of the last financial statements disclosed in this Red Herring Prospectus, any circumstance that materially or adversely affect or are likely to affect the profitability of the Company or the value of its consolidated assets or its ability to pay its material liabilities within the next twelve months other than as disclosed in the Red Herring Prospectus.

GOVERNMENT APPROVALS

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 other approvals are required by the Company for carrying on the present 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 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.	Superintendent Service Tax	CAI/CHENNAI-II/350/STC	Service Tax
2.	Superintendent Service Tax	CTC/CHENNAI –III/356/STC	Service Tax
3.	Superintendent Service Tax	MRA/CHENNAI/701/STC	Service Tax
4.	Commissioner Sales Tax Pondicherry	D1/205161/2002-2003	Pondicherry Sales Tax
5.	Income Tax Department	AAACE8362L	PAN No
6.	Income Tax Department	CHEEO2329F	TAN No
7.	Regional Provident Fund Commissioner	49354	Provident Fund
8.	ESI Commissioner	51/77210/66	ESI
9.	Central Sales Tax	13895/PRC	Central Sales Tax
10.	Provident Fund	PF Code No.49354	Provident Fund
11.	Tamilnadu Government	R. Dis. No 120/06 dated 15.04.06	Shops & Establishment Act

Pending approvals

Sr. No.	Issuing Authority	Application No.	Nature of License	Registration/ Date of Application
1.	Trade Mark Registry – Chennai	Applied For	Everonn	January 10, 2006
2.	Trade Mark Registry – Chennai	Applied For	Zebra Kross	June 16, 2005

SECTION VII: OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue of Equity Shares in this Issue by the Company has been authorised by the resolution of the Board of Directors passed at their meeting held on April 17, 2006 subject to the approval of shareholders through a special resolution to be passed pursuant to Section 81(1A) of the Companies Act. The shareholders approved the Issue at the General meeting of the Shareholders of the Company held on May 10, 2006 and May 26, 2007 at Chennai.

Prohibition by SEBI

The Company, its Promoters, Directors or any of the Company's Associates or Group Companies with which the Directors of the Company are associated as Directors or Promoters have not been prohibited from accessing the capital markets under any order or direction passed by SEBI.

Eligibility for the Issue

As per Clause 2.2.1 of SEBI Guidelines, the Company may make an Initial Public offering of Equity Shares, as to meet the following conditions; with eligibility criteria calculated in accordance with unconsolidated financial statements under Indian GAAP:

- The Company has net tangible assets of at least Rs. 300 lakhs in each of the preceding three full years (of 12 months each) of which not more than 50% are held in monetary assets.
- The Company has a track record of distributable profits as per Section 205 of Companies Act, for at least three out of immediately preceding five years.

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

- The Company has a net worth of at least Rs.100 lakhs in each of the preceding three full years of 12 months each;
- The Company has not changed its name within the last one year, and at least 50% of the revenues for the preceding one full year is earned by the Company from the activity suggested by the existing name; and
- The aggregate of the proposed Issue and all previous issues made in the same financial year in terms of size (i.e. public issue by way of a prospectus + firm allotment + promoters contribution through offer document) does not exceed five (5) times its pre-issue net worth as per the audited balance sheet of the last financial year.

(Rs. in lakhs)

	Fiscal 2007	Fiscal 2006	Fiscal 2005	Fiscal 2004	Fiscal 2003
Net Tangible Assets *	3781.34	1924.36	1293.09	1058.79	1082.62
Monetary Assets **	422.29	296.53	173.60	120.04	57.52
Net Profits as restated	485.64	490.93	151.13	60.59	40.84
Net Worth	3659.41	1780.91	1281.43	1134.20	1137.77

(*) Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), trade investments, current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities)

(**) Monetary assets include cash on hand and bank and quoted investments including units in open ended mutual fund schemes at cost, net of provisions for diminution in value

Networth = Equity Share Capital + Reserves & Surplus (Excluding revaluation reserves) – Miscellaneous Expenditure

In addition to these, the Company shall ensure that the number of allottees getting Equity Shares is not less than one thousand in number.

We are eligible for Initial Public Offering at fixed price, yet in order to discover appropriate pricing, the Issue is being made voluntarily through Book Built route.

Disclaimer Clause of SEBI

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, CENTRUM CAPITAL LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, CENTRUM CAPITAL LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED, JULY 31, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING 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 ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.
3. WE CONFIRM THAT
 - THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
 - ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE 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 DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;
 - BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND
 - WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.”
4. THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE DRAFT RED HERRING PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE DESIGNATED STOCK EXCHANGE IN ACCORDANCE WITH APPLICABLE LAW, AS ALSO ANY GUIDELINES, INSTRUCTIONS, ETC., ISSUED BY SEBI, GOI AND ANY OTHER COMPETENT AUTHORITY.”

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

Disclaimer Clause from Company and Book Running Lead Manager

The Company, Directors and the BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in any advertisements or any other material issued by or at instance of the above-mentioned entities and anyone placing reliance on any other source of information, including the Company's website, www.everonn.com, would be doing so at his or her own risk.

Caution

The BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLM and the Company dated July 14, 2006 and the Underwriting Agreement to be entered into among the Underwriters and us.

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

We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in Respect of Jurisdiction

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

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

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Disclaimer Clause of the BSE

As required, a copy of this Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter No. DCS/SK/MT/28092006-3 dated September 28, 2006, permission to the Company to use BSE's name in this Red Herring Prospectus as one of the stock exchanges on which this Company's further securities are proposed to be listed. BSE has scrutinized this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. BSE does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; or
2. Warrant that this Company's securities will be listed or will continue to be listed on BSE; or
3. Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company; and it should not for any reason be deemed or construed to mean that this Red Herring Prospectus has been cleared or approved by BSE. Every Person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of this Red Herring Prospectus has been submitted to NSE. NSE has given in its letter No. NSE/LIST/31626-G dated October 19, 2006 permission to this Company to use NSE's name in this Red Herring Prospectus as one of the Stock Exchanges on which this Company's further 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. 1000 lakhs and the market capitalization shall not be less than Rs.2500 lakhs at the time of listing). The NSE has scrutinised this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that this Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its Promoters, its management or any scheme or project of this Company. Every Person who desires to apply for or otherwise acquires any of this Company's securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against 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 accept full responsibility for the accuracy for the information given in the Red Herring 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 Red Herring Prospectus misleading and the Company further confirm that the Company has 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 the Red Herring 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

A copy of this Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, SEBI Bhavan, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Mumbai – 400 051.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered along with copies of material contracts and other documents for registration to the RoC, Chennai and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC.

Listing

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

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight (8) days after the Company becomes liable to repay it, i.e., from the date of refusal or within 70 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of eight (8) days, be liable to repay the money, with interest at the rate of 15.0% per annum on application money, as prescribed under Section 73 of the Companies Act.

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

Impersonation

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

“Any person who:

- a. makes in a fictitious name, an application to a company for acquiring or 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: the Directors, the Company Secretary and Compliance Officer, the Auditors, Legal Advisors, the Banker to the Issue, Bankers to the Company, Book Running Lead Manager, Monitoring Agency, Syndicate Members, Escrow Collection Bank(s) and Registrar to the Issue, to act in their respective capacities, have been obtained and shall be filed along with a copy of the Red Herring Prospectus with the RoC, Chennai and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

P. Chandrasekhar, Auditors of the company, have given their written consents to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus.

Expert Opinion

Except as stated in this Red Herring Prospectus, the Company has not obtained any expert opinions.

Expenses of the Issue

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

Particulars	Rs in Lacs	As % of Total Issue Expenses	As % of Total Issue Size
Lead Management Fees/Underwriting & Brokerage	150.00	39.37%	3.00%
Fees payable to Registrar including Postage	20.00	5.25%	0.40%
Advertising and Marketing expenses	70.00	18.37%	1.40%
Printing & Distribution of Stationery	102.50	26.90%	2.05%
Others expenses	31.00	8.14%	0.62%
Legal Fees	7.50	1.97%	0.15%
Total Estimated Issue expenses	381.00	100.00%	7.62%

Fees Payable to the Book Running Lead Manager, Brokerage and Selling Commission

The total fees payable to the BRLM including brokerage and selling commission for the Issue will be as per the Memorandum of Understanding executed between the Company and BRLM dated July 14, 2006, a copy of which are 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 Registrar' Memorandum of Understanding dated June 28, 2006 copies of which is available for inspection at the Registered Office of the Company.

Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

Particulars Regarding Rights and Public Issues during the last five years

This is the first issue of the Company. We have not made any public issue previously.

Previous Issue of Shares otherwise than for Cash

We have not issued any shares for consideration other than for cash except as mentioned in the section titled "Capital Structure" on page 17 of this Red Herring Prospectus.

Commission and Brokerage on Previous Issue

Except as stated in the Red Herring Prospectus, no sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares of the Company.

However, the Company has incurred Rs. 40.71 lacs towards syndication fee for preferential allotment made to India China Pre-IPO Equity (Mauritius) Limited.

Companies under the same Management

There are no listed companies under the same management within the meaning of Section 370 (1) (B) of the Companies Act, 1956 and we have not made any previous issue.

Outstanding Debenture or Bond Issue or Preference Shares

As of date, the Company does not have any outstanding debentures or bond issue or redeemable preference shares or other instruments.

Stock Market Data for the Equity Shares of the Company

This being the initial public issue of the Company, the Equity Shares of the Company are not listed on any stock exchange.

Promise vs. Performance

The Company has not made any public issue of shares since its incorporation.

Servicing Behavior

There has been no default in payment of statutory dues or of interest or principal in respect of the Company borrowings or deposits.

Mechanism for Redressal of Investor Grievances

We have appointed the Registrar to the issue, to handle the investor grievances in coordination with the Compliance Officer of the Company. All grievances relating to the Issue may be addressed to the Registrar to the Issue, Cameo Corporate Services Limited giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the Syndicate Member or collection center where the application was submitted. We will monitor the work of the Registrar to ensure that the Investor grievance will be settled expeditiously and satisfactorily.

The Registrar to the issue, Cameo Corporate Services Limited will handle Investors grievances pertaining to the Issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to us. We would also be co-ordinating with the Registrar to the issue in attending to the grievances of the investor. We assure that the Board of Directors in respect of complaints, if any, to be received shall adhere to the following schedules:

	Nature of complaint	Time Table
1.	Non-receipt of 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 the Issue	Within 7 days of receipt of complaint with all relevant details

We have appointed Mr. A V Sridhar 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 pre-issue/ post-issue related problems. The Compliance Officer would be available at the Corporate Office of the Company. He may be contacted at the following address:

Mr. A V Sridhar
Compliance Officer
Everonn Systems India Limited
 No 82, IV Avenue, Ashok Nagar,
 Chennai – 600 083
Tel.: 91-44-23718202, 23718203
Fax: 91-44-24717845
Website: www.everonn.com
E-mail: ipo@everonn.com

Changes in Auditors during the last three years

There have been no changes in the Auditors of the Company during the past three years.

Capitalization of Reserves or Profits during the last five years

During the year 2006-07, the Company has issued Bonus shares in the ratio of 4 (four) equity shares for every 1 (One) share held be capitalizing Rs 685.47 lakhs out of Free Reserves.

Revaluation of Assets during the last five years

There has been no Revaluation of Assets during the last five years.

SECTION VIII: ISSUE RELATED INFORMATION

TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, the Memorandum and the Articles of Association of the Company, the terms of this Red Herring Prospectus, the Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advice and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government, Stock Exchanges, RBI, 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 Companies Act, the Memorandum and Articles of Association of the Company and shall rank *pari passu* in all respects with the existing Equity Shares of the Company, including rights in respect of dividends and other corporate benefits, if any, declared by the Company after the date of allotment.

Mode of payment of dividend

Dividend shall be paid only in cash or as permitted under applicable laws. The declaration and payment of dividends will be recommended by the Company's Board of Directors and the Shareholders in their discretion and will depend on a number of factors, including but not limited to the earnings, capital requirements and overall financial conditions.

Face Value and Issue Price

The Equity Shares with a face value of Rs. 10/- each are being offered in terms of this Red Herring Prospectus at a total price of Rs. [•] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

The face value of the shares is Rs. 10 and the Floor Price is 12.5 times of the face value and the Cap Price is 14 times of the face value.

Rights of the Equity Shareholder

Subject to applicable laws, the Equity Shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and the Company's Memorandum and Articles.

For a detailed description of the main provisions of Articles relating to, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission see the section titled "Main Provisions of the Articles of Association" on page 166 of this Red Herring Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. As per the existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialized form for all investors. Since trading of Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment through this Issue will be done only in electronic form in multiples of one Equity Share subject to a minimum allotment of 50 Equity Shares. For details of allocation and allotment, see the section titled "Issue Procedure – Basis for Allotment" on page 158 of this Red Herring Prospectus.

Nomination Facility to the Investor

In the nature of the rights specified in Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder, may nominate any one Person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death

of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A Person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall 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 Corporate Office of the Company or Registered Office of the Company or at the Registrar and Transfer Agents of the Company.

In the nature of the rights stated in Section 109B of the Companies Act, any Person who becomes a nominee in the manner stated above, shall upon the production of such evidence as may be required by the Board of Directors, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board of Directors may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, the Board of Directors may there after 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.

Notwithstanding anything stated above, since the allotment in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with the Company. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require to change the nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue to the public to the extent of the amount payable on application, including devolvement on Underwriters, if any, within 60 days from the Bid Closing date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Company become liable to pay the amount (i.e., 60 days from the Bid Closing Date), Company shall pay interest prescribed under Section 73 of the Companies Act.

Withdrawal of the Issue

The Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime including after the Bid 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 bidding, indicating the reasons for withdrawal of Issue in the newspapers in which the bid advertisement appeared earlier. The Company shall also inform the Stock Exchanges on which the shares are proposed to be listed.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (“the Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulations under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

Arrangement for Disposal of Odd Lots

The Company’s shares will be traded in dematerialized form only and therefore the marketable lot is 1 share. Therefore there is no possibility of odd lots

Restriction, if any, on transfer and transmission of shares and their Consolidation/ Splitting

There are no restrictions on transfer and transmission of shares and their consolidation/splitting other than those mentioned in the Article of Association of the Company.

Subscription by Non-Residents/NRI/FIIs/Foreign Venture Capital Fund/ Multilateral and Bilateral Development

Financial Institutions

As per RBI regulations, OCBs cannot participate in the Issue. There is no reservation for any non-residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and such non-residents, NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions will be treated on the same basis with other categories for the purpose of allocation. The allotment of Equity Shares to non-residents, NRIs, FIIs, foreign venture capital investors shall be subject to the conditions as may be prescribed by the Government of India, Ministry of Finance and Company Affairs Department (Department of Economic Affairs) and the RBI while granting such permissions.

As per notification no. FEMA/20/2000-RB dated May 3, 2000, as amended from time to time, under automatic route of the Reserve Bank; the Company is not required to make an application for issue of Equity Shares to NRIs/ FIIs with repatriation benefits. However the, allotment /transfer of the Equity Shares to NRIs/FIIs shall be subject to the 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.

Application in the Issue

Equity shares being issued through this Red Herring Prospectus can be applied for in the dematerialized form only.

Bidding Period / Issue Period

BID / ISSUE OPENS ON : THURSDAY, JULY 05, 2007

BID / ISSUE CLOSES ON : WEDNESDAY, JULY 11, 2007

Bids and any revision in Bids shall be accepted only between the 10 a.m. and 5 p.m. (Indian Standard Time) during the Bidding Period/Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid Closing Date, the Bids shall be accepted only between the 10 a.m. and 1 p.m. (Indian Standard Time) and uploaded till such time as permitted by the BSE and NSE. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

The Company reserves the right to revise the Price Band during the Bidding Period/Issue Period in accordance with SEBI Guidelines. The Cap price should not be more than 20% of the Floor Price. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

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

Designated Date and allotment of Equity Shares

- a. The Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, we would ensure the credit to the successful Bidders' depository accounts within two working days of the date of allotment.
- b. As per SEBI Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, in the manner stated in the Depositories Act.

ISSUE STRUCTURE

Present Issue of [●] Equity Shares Rs. 10 each, at a price of Rs. [•] for cash aggregating Rs. 5,000 lacs is being made through the 100% Book Building Process.

Particulars	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares*	Issue less allocation to Non- Institutional Bidders and Retail Individual Bidders subject to maximum of [•] Shares	Minimum of [•] Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum of [•] Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders.
Percentage of Issue Size available for allocation	Up to 50% of Issue or, Issue less allocation to Non- Institutional Bidders and Retail Individual Bidders. This includes 5% to be allocated to mutual funds.	Minimum 15% of Issue or, Issue less allocation to QIB Bidders and Retail Individual Bidders.	Minimum 35% of Issue or, Issue less allocation to QIB Bidders and Non Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 50 Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs.1,00,000 and in multiples of 50 Equity Shares thereafter.	50 Equity Shares and in multiples of 50 Equity Share thereafter.
Maximum Bid	Such number of Equity Shares not exceeding the Issue, subject to applicable Limits.	Such number of Equity Shares not exceeding the Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 1,00,000.
Mode of allotment	Compulsorily indematerialised form.	Compulsorily indematerialised form.	Compulsorily indematerialised form.
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2,500 lakhs and pension funds with minimum corpus of Rs. 2,500 lakhs in accordance with applicable law.	NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Individuals (including HUFs, NRIs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 1,00,000 in value.

Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Member.
Margin Amount	Atleast 10% of the Bid Amount on bidding	Full Bid Amount on Bidding	Full Bid Amount on Bidding

*Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any portion, would be allowed to be met with spillover from any other portions at the discretion of the Company, in consultation with the BRLM subject to applicable provisions of SEBI Guidelines.

In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form

After the Bid/Issue Closing Date, depending on the level of subscription, additional margin amount, if any, may be called for from the QIB Bidders.

ISSUE PROCEDURE

Book Building Procedure:

The Issue is being made through the 100% Book Building Process under clause 2.2.2 of SEBI (DIP) Guidelines, 2000, wherein atleast 50% of the issue to the public shall be available for allocation on a proportionate basis to QIBs (**out of which 5% shall be allocated to mutual funds**). Further, not less than 35% of the issue to the public shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the members of the Syndicate. Further, QIB Bids can be submitted only through the BRLM. The Company in consultation with the BRLM reserves the right to reject any Bid procured by any or all members of the Syndicate without assigning any reason therefore from QIBs. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be transferred to all successful allottees only in the dematerialized form. Bidders will not have the option of Allotment of Equity Shares in physical form. The Equity Shares, on allotment, shall be traded only in the dematerialized segment of the Stock Exchanges.

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

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

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1000	23	1,500	50.00%
1500	22	3,000	100.00%
2000	21	5,000	166.67%
2500	20	7,500	250.00%

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

Steps to be taken for bidding:

- Check whether he/she is eligible for bidding, see the section titled "Issue Procedure-Who Can Bid?" on page no. 143 of this Red Herring Prospectus;
- Ensure that the Bidder has a demat account; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.
- Ensure that the Bid cum Application form is accompanied by the PAN or by Form 60 or Form 61 as may be applicable together with necessary documents providing proof of address. See page 156 of this RHP.

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue to the public shall be available for allocation on a proportionate basis to Qualified Institutional Bidders ("QIBs") (including 5% of the QIB portion that would be specifically reserved for Mutual Funds). Further not less than 35% of the Issue to the public shall be available for allocation on a proportionate basis to the Retail Individual Bidders and not less than 15% of the Issue to the public shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.

Investors should note that allotment to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment in physical form. The Equity Shares, on allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the Confirmation of Allotment Note ("CAN"), and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form.

Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in this Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed column of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Indian public including resident QIBs, Non Institutional Bidders and Retail Individual Bidders or Eligible NRIs applying on a non-repatriation basis	White
Eligible non-residents including NRIs, FVCIs or FIIs applying on a repatriation basis	Blue

Who can Bid?

- Indian nationals resident in India who are not minors, in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the Equity Shares;
- Indian Mutual Funds registered with SEBI;
- Indian Financial Institutions, scheduled commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations, as applicable);
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
- State Industrial Development Corporations;
- Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts and who are authorised under their constitution to hold and invest in Equity Shares;
- Eligible NRIs on a repatriation basis or a non-repatriation basis subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
- FIIs registered with SEBI, on a repatriation basis, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
- Scientific and/or Industrial Research Organisations authorised to invest in Equity Shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs. 2500 lakhs and who are authorised under their constitution to hold and invest in Equity Shares;
- Pension Funds with minimum corpus of Rs. 2500 lakhs and who are authorised under their constitution to hold and invest in Equity Shares;

- Multilateral and Bilateral Development Financial Institutions; and
- **Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.**

Participation by Associates of BRLM and Syndicate Member

The BRLM and Syndicate Member shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation. However, associates and affiliates of the BRLM and Syndicate Member may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis.

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.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Application by Mutual Funds

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made. The applications made by the asset management companies or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which the application is being made for.

5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

Application by Eligible NRIs

- (a) Bid-cum-Application Forms have been made available for Eligible NRIs at the registered office of the Company, Syndicate Member or the Registrar to the Issue.
- (b) Eligible NRI applicants may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. The Eligible NRIs who intend to make payment through Non-resident Ordinary (NRO) accounts shall use the Bid-cum-Application Form meant for resident Indians (white in colour).

Application by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

Foreign Institutional Investors ("FIIs") including institutions such as pension funds, mutual funds, investment trusts, insurance and reinsurance companies, international or multilateral organizations or their agencies, foreign governmental agencies, foreign central banks, asset management companies, investment managers or advisors, nominee companies and institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realize capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

The issue of Equity Shares to a single FII should not exceed 10% of post-Issue issued capital (i.e. 10% of [•] Equity Shares of Rs.10 each). In respect of an FII investing in 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.

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 in the Company 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.

Pursuant to a recent amendment to the SEBI Guidelines, the shares owned by venture capital funds and foreign venture capital investors registered with SEBI in a company prior to an initial public offering by the Company, are exempt from the lock-in requirements only if the shares have been held by them for at least one year prior to the time of filing of the draft prospectus with SEBI.

The above information is given for the benefit of Bidders. The Company and the BRLM are not liable for any amendments or modification or changes in applicable laws and regulations, which may occur after the date of this Red Herring Prospectus, whether prospectively or retrospectively. Bidders are advised to make their independent investigations and ensure that their number of Equity Shares bid for do not exceed the applicable limits under laws and regulations.

Maximum and Minimum Bid Size

- a. **For Retail Individual Bidders:** The Bid must be for a minimum of 50 Equity Shares and in multiples of 50 Equity Share thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs.1,00,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs.1,00,000. In case the Bid Amount is over Rs.1,00,000 due to revision of the Bid or revision of the Price Band or on exercise of cut-off option, the Bid would be considered for allocation under the Non Institutional Bidders portion. The cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.
- b. **For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 50 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB Bidder should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid Closing Date/Issue Closing Date and is required to pay the QIB Margin Amount upon submission of the Bid.**

In case of revision in Bids, the Non Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs.1,00,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs.1,00,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIBs are not allowed to Bid at 'cut-off'.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Information for the Bidders

- a. The Company will file the Red Herring Prospectus with the RoC at least three days before the Bid Opening Date/ Issue Opening Date.
- b. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
- c. Investors who are interested in subscribing for the Company's Equity Shares should approach any of the BRLM or Syndicate Member or their authorized agent(s) to register their Bid.
- d. Any investor (who is eligible to invest in the Company's Equity Shares according to the terms of this Red Herring Prospectus and applicable law) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from the Corporate Office of the Company or from any of the members of the Syndicate.

- e. The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms which do not bear the stamp of the members of the Syndicate will be rejected.

Method and Process of Bidding

- a. The Company, the BRLM shall declare the Bid Opening Date/Issue Opening Date, Bid Closing Date/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with the RoC and also publish the same in two widely circulated national newspapers (one each in English, Hindi) and a regional newspaper circulated at a place where the registered office of the Company is situated. This advertisement, subject to the provisions of Section 66 of the Companies Act, shall be in the format prescribed in Schedule XX-A of the SEBI Guidelines, as amended by the SEBI Circular No. SEBI/CFD/DIL/DIP/17/2005/11/11 dated November 11, 2005. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement.
- b. The Bidding Period shall be a minimum of three (3) working days and not exceeding seven (7) working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English, Hindi) and a regional newspaper circulated at a place where the registered office of the Company is situated and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding ten working (10) days.
- c. Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details see the section titled "Issue Procedure-Bids at Different Price Levels" on page 146 of this Red Herring Prospectus) within the Price Band and specify the demand (i.e. the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- d. The Bidder cannot bid on another Bid cum Application Form after Bid(s) on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Issue Procedure-Build up of the Book and Revision of Bids" on page 149 of this Red Herring Prospectus.
- e. The Syndicate Member will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Bidder should make sure that they ask for a copy of the computerized TRS for every Bid Option from the Syndicate member. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
- f. During the Bidding Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids.
- g. Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the section titled "Issue Procedure-Terms of Payment and Payment into the Escrow Accounts" on page 154 of this Red Herring Prospectus.

The Syndicate Members shall compulsorily take the bid form in writing from prospective investors.

Bids at Different Price Levels

1. The Price Band has been fixed at Rs. 125 to Rs. 140 per Equity Share of Rs.10 each, Rs. 125 being the Floor Price and Rs. 140 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re. 1 (Rupee One)
2. In accordance with SEBI Guidelines, the Company reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.
3. In case of revision in the Price Band, the Issue Period will be extended for three additional working days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding Period/ Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English, Hindi and a regional Newspaper), and also by indicating the change on the websites of the BRLM and at the terminals of the members of the Syndicate.

4. The Company, in consultation with the BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.
5. Bidders can bid at any price within the Price Band. Bidders have to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 1,00,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non-Institutional Bidders and such Bids from QIB Bidders and Non Institutional Bidders shall be rejected.
6. Retail Individual Bidders who bid at the Cut-off Price agree that they shall purchase the Equity Shares at the Issue Price, as finally determined which may be any price within the Price Band. Retail Individual Bidders bidding at Cut-off Price shall deposit the Bid Amount based on the Cap Price in the respective Escrow Accounts. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who Bid at Cut-off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut off Price, shall receive the refund of the excess amounts from the respective Escrow Accounts/refund account(s).
7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 1,00,000 if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 1,00,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to the revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the respective Escrow Accounts/refund account(s).
9. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 50 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000. The issuer company, in consultation with the merchant banker, shall stipulate with minimum application size (in terms of number of shares) falling within the aforesaid range of minimum application value.

Option to Subscribe

Equity Shares being offered through this Red Herring Prospectus can be applied for in dematerialized form only. Bidders will not have the option of getting allotment of physical form. The Equity Shares, on allotment, shall be traded only in the dematerialized segment of the Stock Exchange.

Escrow Mechanism

The Company shall open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the respective Escrow Account. The Escrow Collection Bank(s) will act in terms of this Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Accounts shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the monies from the Escrow Accounts to the Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Escrow Accounts/refund account(s) as per the terms of the Escrow Agreement and this Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Company, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

In case of Non-Institutional Bidders and Retail Individual Bidders, each Bidder with the submission of the Bid cum Application Form should draw a cheque or demand draft for the maximum amount of his/her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details see the section titled "Issue Procedure-Payment Instructions" on page 154 of this Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Accounts, as per the terms of the Escrow Agreement, into the Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled to refunds on the Designated Date, and not later than 15 days from the Bid Closing Date/Issue Closing Date, the Escrow Collection Bank(s) shall refund all monies to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

In case of QIBs, the members of the Syndicate may, at their discretion, waive such payment at the time of the submission of the Bid cum Application Form. Where such payment at the time of submission of the Bid cum Application Forms waived at the discretion of the members of the Syndicate, the Issue Price shall be payable for the allocated Equity Shares no later than the date specified in the CAN, which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favoring the appropriate Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be rejected. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the bid form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had Bid for, the excess amount paid on bidding, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid Closing Date/Issue Closing Date as disclosed under "Disposal of Applications and Applications Money and Interest in Case of Delay in Dispatch of Allotment Letters/Refund Orders" on page 162 of Red Herring Prospectus, failing which we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

- (a) The Syndicate Members will register the Bids using the on-line facilities of NSE and BSE. There will be at least one on-line connectivity in each city, where a stock exchange centre is located in India, and where Bids are being accepted.
- (b) NSE and BSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Syndicate Members and its authorised agents during the Bidding Period/Issue Period. Syndicate Member can also set up facilities for off-line electronic registration of Bids subject to the condition that it will subsequently download the off-line data file into the on-line facilities for book building on regular basis. On the Bid Closing Date/ Issue Closing Date, the Syndicate Member shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) The aggregate demand and price for Bids registered on the electronic facilities of NSE and BSE will be downloaded on a regular basis, consolidated and displayed on-line at all bidding centers. A graphical representation of the consolidated demand and price would be made available at the bidding centers and the websites of the Stock Exchanges during the Bidding Period/Issue Period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
 - Name of the investor (Investors should ensure that the name given in the Bid cum Application form is exactly the same as the name in which the Depository Account is held. In case the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.);
 - Investor Category –Individual, Corporate, FII, NRI or Mutual fund, etc.;
 - Numbers of Equity Shares Bid for;
 - Bid price;
 - Bid cum Application Form number;
 - Whether payment is made upon submission of Bid cum ApplicationForm; and
 - Depository Participant identification number and client identification number of the demat account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

- (g) In case of QIB Bidders, the members of the Syndicate also have the right to accept the Bid or reject it without assigning any reason. In case of Bids under the Non-Institutional Portion and Bids under the Retail Portion, Bids would not be rejected except on the technical grounds listed in this Red Herring Prospectus.
- (h) It is to be distinctly understood that the permission given by NSE and BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by us or the BRLM are cleared or approved by NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, Promoter, the management or any scheme or project of Company.
- (i) It is also to be distinctly understood that the approval given by NSE and BSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the NSE and BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus, nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and BSE.

Build Up of the Book and Revision of Bids

1. Bids registered by various Bidders through any Syndicate Member shall be electronically transmitted to the NSE or BSE mainframe on an online basis. Data would be uploaded on a regular basis.
2. The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
3. During the Bidding Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
4. Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed, in the Revision Form unchanged. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
5. The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.
6. Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate may at their sole discretion waive the payment requirement at the time of one or more revisions by the QIB Bidders.
7. When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
8. In case of discrepancy of data between NSE or BSE and the members of the Syndicate, the decision of the BRLM, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.
9. The primary responsibility of building the book shall be that of the Book Running Lead Manager.

Price Discovery and Allocation

- (a) After the Bid Closing Date/Issue Closing Date, the BRLM will analyse the demand generated at various price levels and discuss pricing strategy with the Company.
- (b) The Company, in consultation with the BRLM, shall finalise the "Issue Price", the number of Equity Shares to be allocated in each investor category.
- (c) The allocation for QIB Bidders for up to 50% of the Issue (including 5% specifically reserved for Mutual Funds), the allocation to Non-Institutional Bidders for minimum of 15% and Retail Individual Bidders of not less than 35% each of the Issue would be on proportionate basis, in the manner specified in the SEBI Guidelines, in consultation with Designated

Stock Exchange, subject to valid Bids being received at or above the Issue Price. QIB Bidders will be required to deposit a margin of 10% at the time of submitting of their Bids. After the Issue Closing Date/Bid Closing Date, the level of subscription in the various categories shall be determined. Based on the level of subscription, additional margin money, if any, may be called for from the QIB. The QIB shall pay such additional margin money within a period of two days from the date of the letter communicating the request for such additional margin money.

- (d) Allocation to NRIs or FIIs or Foreign Venture Capital Fund registered with SEBI applying on repatriation basis will be subject to the terms and conditions stipulated by the FIPB and the RBI.
- (e) The BRLM, in consultation with the Company shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (f) The Company reserves the right to cancel the Issue any time after the Bid Opening Date/Issue Opening Date without assigning any reasons whatsoever, but before the allotment of the Equity Shares.
- (g) In terms of SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid Closing Date/Issue Closing Date.
- (h) Under-subscription, if any, in any category would be allowed to be met with spill-over from any of the other categories, at the Company sole discretion, in consultation with the BRLM.

Signing of Underwriting Agreement and RoC Filing

- a. The Company, the BRLM, and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation (s) to the Bidder.
- b. After signing the Underwriting agreement, the Company would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue Size underwriting agreements and would be complete in all material respect.
- c. The Company will file a copy of the Prospectus with the ROC in terms of Section 56, 60 and 60B of the Companies Act.

Announcement of the pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall after receiving final observations, if any, on this Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI Guidelines in two national newspapers (one each in English and Hindi) and a regional language newspaper circulated at the place where the registered office of the Company is situated.

Advertisement regarding Issue Price and Prospectus

The Company will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information, that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between Red Herring Prospectus and the Prospectus will be included in such statutory advertisement.

Issuance of CAN

- (a) The BRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue.
- (b) The BRLM or members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid into the Escrow Accounts at the time of bidding shall pay in full the amount payable into the Escrow Accounts by the Pay-in Period specified in the CAN.
- (c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be a deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

Designated Date and allotment of Equity Shares

- (a) The Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid Closing Date/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders depository account within two working days from the date of allotment.

- (b) As per SEBI Guidelines, **Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares, if they so desire, in the manner stated in the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allotted to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

- Check if you are eligible to apply;
- Read all the instructions carefully and complete the Resident Bid cum Application Form (White in Colour) or Non-Resident Bid cum Application Form (Blue in Colour), as the case may be;
- Ensure that you bid only in the Price Band;
- Ensure that DP account is activated;
- Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;
- Ensure that the name given in the Bid cum Application form is exactly the same as the name in which the Depository Account is held. In case, the Bid cum Application Form is submitted in joint names, investors should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form;
- Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;
- Ensure that you have been given a TRS for all the Company Bid options;
- Submit Revised Bids to the same member of the Syndicate through whom the Original Bid was placed and obtain a revised TRS;
- Ensure that you mention the Permanent Account Number (PAN) allotted under the I-T Act where the Bid is for a total value of Rs. 50,000 or more and attach a copy of the PAN Card with the Bid cum Application Form. In case the PAN has not been allotted, mention "Not Allotted" in the appropriate place. Attention of Investors is invited to the contents of SEBI circulars MRD/DoP/SE/Cir -8/2006 dated July 13, 2006 and MRD/DoP/Dep/Cir-09/06 dated July 20, 2006 and MRD/DoP/Dep/SE/Cir-13/2006 dated September 26, 2006 regarding submission of PAN card.
- Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.

Don'ts:

- Do not Bid for lower than the minimum Bid size;
- Do not Bid/ revise Bid price to less than the lower end of the price band or higher than the higher end of the Price Band;
- Do not Bid on another Bid cum Application Form after you have submitted a Bid to the member of the Syndicate;
- Do not pay the Bid Amount in cash;
- Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;
- Do not Bid at Cut-off Price (for QIB Bidders, Non-Institutional Bidders, for whom the Bid Amount exceeds Rs.1,00,000);
- Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- Do not submit Bid accompanied with Stockinvest.
- Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

- Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white Colour for Resident Indians and blue Colour for NRIs or FIIs or Foreign Venture Capital Fund applying on repatriation basis)
- Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- The Bids from the Retail Individual Bidders must be for a minimum of 50 Equity Shares and in multiples of 50 thereafter subject to a maximum Bid Amount of Rs. 1,00,000.
- For Non-institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of 50 Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.
- In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- Thumb impressions and signatures other than in the languages specified in the Eighth Schedule of the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Bank Account Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. **These bank account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the depository participant.** Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidder's sole risk and neither the BRLM nor the Company shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice/NEFT or RTGS and printing of bank particulars on the refund order or making refunds electronically and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for these purposes by the Registrar.

Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Bid cum Application Form, Bidder would have deemed to authorise the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund Orders (where refunds are not being made electronically)/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of CANs/refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Escrow Collection Bank(s) nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay. **In case of refunds through electronic modes as detailed in this Red Herring Prospectus, Bidders may note that refunds may get delayed if bank particulars obtained from the DP are incorrect.**

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made pursuant to a power of attorney by FIIs, Mutual Funds, Venture Capital Fund and Foreign Capital Investors, registered with SEBI, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made by Insurance Companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

In case of Bids made by provident funds with minimum corpus of Rs. 2500 lakhs and pension funds with minimum corpus of Rs. 2500 lakhs, a certified copy of certificate from a Chartered Accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason.

The Company, is in absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that the Company and the BRLM may deem fit.

The Company, in the absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Bids by Non Residents, NRIs FIIs, Foreign Venture Capital Funds registered with SEBI on a repatriation basis

NRIs, FIIs and Foreign Venture Capital Funds bidders to comply with the following:

- Individual NRI bidders can obtain the Bid cum Application Forms from the Registrar to the Issue or BRLM whose addresses are printed on the cover page of this prospectus.
- NRI bidders may please note that only such bids as are accompanied by payment in free foreign exchange shall be considered for allotment under the NRI category.
- The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for resident Indians.

Bids and revision to Bids must be made:

- On the Bid cum Application Form or the Revision Form, as applicable (blue in color), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

- In a single name or joint names (not more than three).
- By FIIs for a minimum of such number of Equity Shares and in multiples of 50 thereafter that the Bid Amount exceeds Rs. 100,000. For further details see section titled “Issue Procedure-Maximum and Minimum Bid Size” on page 145 of this Red Herring Prospectus.
- In the names of individuals, or in the names of FIIs, or in the names of foreign venture capital funds registered with SEBI, multilateral and bilateral development financial institutions, but not in the names of minors, OCBs, firms or partnerships, foreign nationals (including NRIs) or their nominees.
- Bid by NRIs for a Bid amount of upto Rs 100,000 would be considered under the Retail portion for the purpose of allocation and Bids by NRIs for a Bid amount of more than Rs 100,000 would be considered under the Non-Institutional portion for the purpose of allocation.
- Refunds, dividends and other distributions, if any, will be payable in Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Rupee drafts purchased abroad, such payments in Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs, FIIs and Foreign Venture Capital Funds. All Non Residents, NRIs, FIIs and Foreign Venture Capital Funds will be treated on the same basis with other categories for the purpose of allocation.

As per the existing policy of the Government of India, OCBs cannot participate in this issue.

Payment Instructions

The Company shall open Escrow Account with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Account

- The Bidders for whom the applicable Margin Amount is equal to 100% shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favor of the Escrow Account and submit the same to the members of the Syndicate.
- In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
- The payment instruments for payment into the Escrow Account should be drawn in favour of:
 - In case of Resident QIB Bidders: **“Escrow Account – Everonn Systems Public Issue – R – QIB”**
 - In case of Non-Resident QIB Bidders: **“Escrow Account – Everonn Systems Public Issue – NR – QIB”**
 - In case of Resident Non-Institutional and Retail Individual Bidders: **“Escrow Account - Everonn Systems Public Issue – R – Non QIB”**
 - In case of Non-Resident Non-Institutional and Retail Individual Bidders: **“Escrow Account - Everonn Systems Public Issue – NR – Non QIB”**
- In case of bids by NRIs applying on a repatriation basis, the payments must be made through 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 the NRE Accounts or the Foreign Currency Non-Resident 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 the Non Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to the NRE Account or the Foreign Currency Non-Resident Account.

- In case of Bids by FIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.
- Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Escrow Accounts.
- The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
- On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue.
- On the Designated Date and no later than 15 days from the Bid Closing Date/Issue Closing Date, the Escrow Collection Bank(s) shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques /bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/money orders/postal orders will not be accepted.

Payment by Stock invest

In terms of Reserve Bank of India Circular No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stock invest instrument in lieu of cheques or bank drafts for payment of bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this issue.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid cum Application Forms. Each member of the Syndicate may, at its sole discretion, waive the requirement of payment at the time of submission of the Bid cum Application Form and Revision Form in the case of QIB Bidders, provided however that the Syndicate Member shall collect the QIB Margin and deposit the same in a special Escrow Account.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

Other Instructions

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is the same person. In this regard, illustrations of certain procedures which may be followed by the Registrar to the Issue to detect multiple applications are provided below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which will serve as a multiple master document.
2. In this master document, a check will be carried out for the same PAN/GIR numbers. In cases where the PAN/GIR numbers are different, the same will be deleted from this master.
3. The Registrar will obtain from the depositories, details of the applicants' addresses based on the DIP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master document.

4. The addresses of all the applicants in the multiple master document will be strung from the address master document. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of addresses and pin code will be converted into a string for each application received and a photo match will be carried out among all the applications processed. A print-out of the addresses will be taken to check for common names. Applications with the same name and address will be treated as multiple applications.
5. The applications will be scrutinized for similar DP ID and Beneficiary Account Numbers. In case where applications bear the same DP ID and Beneficiary Account Numbers, they will be treated as multiple applications.
6. After consolidation of all the masters as described above, a print out of the multiple master document will be taken and applications will be physically verified to tally signatures and the name of father's or husband's. On completion of this, applications will finally be identified as multiple applications.

Procedure for Application by Mutual Fund

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple bids provided that the Bids clearly indicate the name of the scheme concerned for which the Bid has been made. The application made by the AMCs or custodians of a mutual fund shall clearly indicate the name of the concerned scheme for which application is being made. The Company reserves the right to reject, in its absolute discretion, all or any multiple bids in any or all portion.

Permanent Account Number or PAN

Where Bid(s) for Equity Shares by a Bidder is for the total value of Rs. 50,000 or more, i.e. the actual numbers of Equity Shares bid for multiplied by the bid price is Rs. 50,000 or more, the Bidder or, in the case of a Bid in joint names, each of the Bidders should mention his or her Permanent Account Number (PAN) allotted under the I-T Act and also submit a photocopy of the PAN card(s) or a communication from the Income Tax authority indicating allotment of PAN ("PAN Communication") along with the application for the purpose of verification of the number. Bid cum Application Forms without this photocopy/ PAN Communication/ declaration will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the Joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable" the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to provide a declaration in Form 60 (Form of declaration to be filed by a person who does not have a PAN 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 01, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61 as the case may be.**

Unique Identification Number –MAPIN (UIN)

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/ quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of this Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

Company's right to Reject Bids

The Company and the members of the Syndicate reserve the right to reject any Bid without assigning any reason therefore in case of QIB Bidders. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, the Company has a right to reject Bids on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on among others on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;
- Age of First Bidder not given;
- In case of partnership firms, shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;
- Bids by Persons not competent to contract under the Indian Contract Act, 1872, including minors, insane persons;
- PAN photocopy/ PAN Communication/ Form 60/Form 61 declaration along with the documentary evidence in support of address in the declaration, not given if Bid is for Rs. 50,000 or more;
- Bids for lower number of Equity Shares than specified for that category of investors;
- GIR number furnished instead of PAN;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;
- Bids by QIBs not submitted through members of the Syndicate;
- Bids for number of Equity Shares, which are not in multiples of 50;
- Category not ticked;
- Multiple Bids;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stock invest/money order/postal order/cash;
- Signature of sole and /or joint Bidders missing;
- Bid cum Application Forms does not have the stamp of the BRLM or the Syndicate Member;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not submitted by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid Opening Date/Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Issue Procedure–Bids at Different Price Levels" at page 146 of this Red Herring Prospectus;
- Bids by OCBs; and
- Bids by US Persons other than "qualified institutional buyers" as defined in Rule 144A under the Securities Act or other than in reliance on Regulation S under the Securities Act;
- Bids by any persons outside India if not in compliance with applicable foreign and Indian laws, or by any persons who are not eligible to acquire Equity Shares of the Company, in terms of all applicable laws, rules, regulations, guidelines and approvals.

- Bids in respect whereof the Bid cum Application Forms do not reach the Registrar prior to the date of finalization of basis of Allotment.
- Bids in respect whereof clear funds are not available in the escrow account upto the date of receipt of final certificates from escrow collection banks.

Basis of Allotment

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allotment to Non-Institutional Bidders and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this portion is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their demand.
- If the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 50 equity Shares and in multiples of 50 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [•] Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than [•] Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 50 equity Shares and in multiples of 50 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the QIB Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and Retail Individual Bidders shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- The allocation would be on proportionate basis
- However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Funds Portion. After completing proportionate allocation to Mutual Funds for an amount of upto [•] Equity Shares (the Mutual Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with the Bids by other QIBs, in the remainder of the QIB Portion (i.e. after excluding the Mutual Fund Portion). For the method of allocation in the QIB Portion please see the paragraph titled "Illustration of Allotment to QIBs" appearing below. If the valid Bids by Mutual Funds is less than [•] Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and allocated proportionately to the QIB Bidders. In the event that the valid Bids in the QIB Portion has been met, under subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with BRLM and Designated Stock Exchange. For the purposes of this paragraph it has been assumed that QIB Portion for the purposes of the Issue amounts to 50% of the Issue size, i.e. [•] Equity Shares.
- **Allotment shall be undertaken in the following manner:**
 - (a) In the first instance allocation to Mutual Fund for 5% of the QIB Portion shall be determined as follows:

- (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion
- (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid Bids received above the Issue Price.
- (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Fund shall be available to all QIB Bidders as set out in (b) below;
- (b) In the second instance allocation to all QIBs shall be determined as follows:
 In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
 - (i) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB.
 - (ii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on the proportionate basis.

Except for any shares allocated to QIB Bidders due to under-subscription in the Retail Portion and/or Non Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis up to a maximum of [•] Equity Shares.

Method of Proportionate basis of allocation in the Issue

In the event of the Issue being over subscribed, the Company shall finalise the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

- (a) Bidders will be categorized according to the number of Equity Shares applied for by them.
- (b) The total number of Equity Shares to be allotted to each portion as a whole shall be arrived at on a proportionate basis, being the total number of Equity Shares applied for in that portion (number of Bidders in the portion multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, being the total number of Equity Shares applied for by each Bidder in that portion multiplied by the inverse of the over-subscription ratio.
- (d) If the proportionate allotment to a Bidder is a number that is more than 50 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.
- (e) In all Bids where the proportionate allotment is less than 50 Equity Shares per Bidder, the allotment shall be made as follows:
 1. Each successful Bidder shall be Allotted a minimum of 50 Equity Shares; and
 2. The successful Bidders out of the total Bidders for a portion shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that portion is equal to the number of Equity Shares calculated in accordance with (b) above;
- (f) If the Equity Shares allocated on a proportionate basis to any portion are more than the Equity Shares allotted to the Bidders in that portion, the remaining Equity Shares available for allotment shall be first adjusted against any other portion, where the Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that portion. The balance Equity Shares, if any, remaining after such adjustment will be added to the portion comprising Bidders applying for minimum number of Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds (“MF”)
A. Issue details

Sr. No.	Particulars	Issue Details
1	Issue Size	200 million Equity Shares
2	Allocation to QIB (50% of the Issue)	100 million Equity Shares
	Of which:	
	a. Reservation for Mutual Funds (5%)	5 million Equity Shares
	b. Balance for all QIBs including Mutual Funds	95 million Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied	500 million Equity Share

B. Details of QIB Bids

S. No	Type of QIB bidders*	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	TOTAL	500

*A1-A5: P (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/Applicants

(Number of equity shares in million)

Type of QIB Bidders	Share bid for (in million)	Allocation of 5 million Equity Shares to MF proportionately (please see note below)	Allocation of 95 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	50	0	9.60	0
A2	20	0	3.84	0
A3	130	0	24.95	0
A4	50	0	9.60	0
A5	50	0	9.60	0
MF1	40	1	7.48	8.48
MF2	40	1	7.48	8.48
MF3	80	2	14.97	16.97
MF4	20	0.5	3.74	4.24
MF5	20	0.5	3.74	4.24
	500	5	95	42.42

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled "Issue Structure" beginning on page 140.
2. Out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 shares in the QIB Portion.
3. The balance 95 million Equity Shares [i.e. 100 - 5 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 500 Equity Shares (including 5 Mutual Fund applicants who applied for 200 Equity Shares).
4. The figures in the fourth column titled "Allocation of balance 95 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:
 - For QIBs other than Mutual Funds (A1 to A5) = Number of Equity Shares Bid for X 95 / 495
 - For Mutual Funds (MF1 to MF5) = [(No. of shares bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 95/495
 - The numerator and denominator for arriving at allocation of 95 million Equity Shares to the 10 QIBs are reduced by 5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Equity Shares in Dematerialised Form with NSDL or CDSL

The allotment of Equity Shares in this Issue shall be only in a de-materialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

- a tripartite agreement dated July 7, 2006 with NSDL, Company and Registrar to the Issue; and
- a tripartite agreement dated October 31, 2006 with CDSL, Company and Registrar to the Issue. This is to be executed prior to the filing of the Red Herring Prospectus with the RoC.

The ISIN No. allotted to the Company is INE678H01010.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
- Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- Non-transferable allotment advice or refund orders will be directly sent to the Bidders by the Registrar.
- If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
- It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Disposal of Applications and Applications Money and Interest in case of delay

The Company shall ensure dispatch of allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) 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, Bhubaneshwar, 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 only at the sole or First Bidder'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 Bidder'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 15 days of the Bid Closing Date/Issue Closing Date;
- Dispatch refund orders within 15 days of the Bid Closing Date/Issue Closing Date would be ensured; and
- The company agrees that allotment of the Equity Shares offered to the public shall be made not later than 15 days of the closure of the Issue. The Company further agrees that it shall pay interest at 15% per annum (for any delay beyond the 15 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 15 day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the Stock Exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Bank(s) and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Delay in Dispatch of allotment Letters/Refund Orders

The Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors 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 prescribed manner and/or demat credits are not made to investors within 15 days from the Bid/ Issue Closing Date.

The Company will provide adequate funds required to the Registrar to the Issue for making refunds in the manner described below or for dispatch of allotment advice.

Refunds will be made in the manner described below and bank charges, if any, for cashing cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

The Company shall not have recourse to the Issue proceeds until the approvals for trading of the Equity Shares has been received from the Stock Exchanges.

REFUNDS

Payment of Refunds

Bidders must note that on the basis of a Bidder's name, the Depository Participant's name, the Depository Participant's Identification number, the Beneficiary Account number provided by the Bidder in the Bid-cum-Application Form, the Registrar will obtain from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in the dispatch of refund orders or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the concerned Bidder's sole risk and neither the Company, the Registrar, the Escrow Collection Banks, the Bankers to the Issue nor the BRLM shall be liable to compensate such Bidders for any losses caused to them due to any such delay or be liable to pay any interest for such delay.

Manner of Making Refunds

The payments of refunds, if any, would be done through following modes:

1. **ECS:** Payment of refunds will be done through ECS for applicants having an account at any of the following fifteen (15) centres: Ahmedabad, Bangalore, Bhubaneswar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. Only applicants having a bank account at any of these 15 centers where clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes details in herein.

This method of payment of refunds will be subject to the availability of the Bidder's complete bank account details, including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds through ECS is mandatory for applicants having a bank account at any of the abovementioned fifteen centres, except where the applicant, being eligible, opts to receive the refund through direct credit or RTGS.

The Company, in consultation with the BRLM, may decide to use the National Electronic Funds Transfer ("NEFT") facility for payment of refunds.

2. **Direct Credit:** Applicants having bank accounts with the Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Bankers to the Issue for the same will be borne by the Company.
3. **RTGS:** Applicants having a bank account at any of the abovementioned fifteen centres and for whom the refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants, who indicate their preference to receive refund through RTGS, are required to provide the Indian Financial System Code in the Bid-cum-Application Form. In the event the code is not provided, refund shall be made through ECS. Charges, if any, levied by the Bankers to the Issue for the same will be borne by the Company. Charges, if any, levied by the applicant's bank that receives the credit will be borne by the applicant.
4. **Refund Orders:** For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to Rs. 1,500 and through speed post or registered post for refund orders of Rs 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received, Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Interest on Refund of Excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched or, where refunds are being made electronically, refund instructions are not provided to the clearing system, within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Undertakings by the Company

The Company undertakes the following:

- i. That the complaints received in respect of this Issue shall be attended to by the Company expeditiously and satisfactorily;
- ii. That all steps will be taken for the completion of the necessary formalities for listing and the commencement of the trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- iii. That the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by the company;

- iv. that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 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;
- v. That the refund of the order or allotment advice to the successful Bidder shall be dispatched within specific time;
- vi. That no further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc .

The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Utilisation of Issue Proceeds

The Board of Directors of the Company certifies that:

- all monies received out of the Issue to the public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested;
- 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.

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 there under 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 24% 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.

Investment by FIIs/NRI/VCF

Under present regulations, the maximum permissible FII investment in our Company is restricted to 24% of our total issued capital. This can be raised to 100% by adoption of a Board resolution and special resolution by our shareholders; however, as of the date hereof, no such resolution has been recommended to Board or our shareholders for adoption.

The allotment/ transfer of Equity Shares of NRIs, FIIs, Foreign Venture Capital Investors registered with SEBI shall be subject to the conditions as may be prescribed by the Government of India or RBI while granting such approvals.

Under the FEMA, FIIs and NRIs are permitted to subscribe for shares of an Indian Company making a public offer without prior RBI approval.

It is to be distinctly understood that there is no reservation for Non-Residents, NRIs and FIIs and all Non-Resident, NRI and FII applicants will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

SECTION IX: DESCRIPTION OF EQUITY SHARES AND TERMS OF THE ARTICLES OF ASSOCIATION

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 Memorandum and Articles.

For a detailed description of the main provisions of Articles relating to, among other things, voting rights, dividend, forfeiture and lien, transfer and transmission see the section titled “Main Provisions of the Articles of Association” on page 166 of this Red Herring Prospectus.

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

SHARE CAPITAL

3. The Authorised Share Capital of the company shall be as specified in clause V of the Memorandum of Association of the Company.
4. Subject to the provisions of these Articles and of the Act, the shares shall be under the control of the Board of Directors, who may allot or otherwise dispose off the same to such persons, on such terms and conditions and at such time as they think fit and with full power to give any person the option to call or be allotted shares of the Company of any class, either at a premium or at par or at a discount and for such time and for such consideration as the Board of Directors think fit (subject to the provisions of Sections 78 and 79 of the Act), provided that option or right to call of shares shall not be given to any person except with the sanction of the Company in General Meeting, The Board shall cause to be made the returns as to allotment provided for in Section 75 of the Act.
5. Any application signed by or on behalf of an applicant for shares in the Company, followed by allotment of any shares 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 shall, for the purposes of the Articles, be a member.
6. (1) If at any time the share capital is divided into (Afferent classes of shares, the rights 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 three fourths of the issued shares of that class or with a sanction of a resolution passed at a separate meeting of the holders of the shares of that class.
(2) Subject to the provisions of Sections 170 (2) (a) and (b) of the Act, to every such separate meeting, the provisions of these regulations relating to meetings shall mutatis mutandis apply, but so that the necessary quorum shall be five persons at least holding or representing by proxy or one-third of the issued shares of the class in question.
- 6A. The Company shall have the power to issue shares with differential voting rights.
7. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not unless otherwise provided by the terms of issue of the shares of that class be deemed to be varied by the creation or issue of further shares ranking paripassu therewith.
8. (1) The company may exercise the powers of paying commissions conferred by Sections 76 of the Act, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Section.
(2) The rate of commission shall not exceed the rate of 5% (five percent) of the price at which the shares in respect whereof the same is paid are issued or an amount equal to 5% (five percent) of such price, as the case may be and in the case of debentures in respect whereof the same is paid are issued or an amount equal to 2.5% (two and a half percent) of such price, as the case may be.
(3) The commission may be satisfied by payment in cash or by allotment of fully or partly paid shares or partly in one way and partly in the other.
(4) The Company may also, on any Issue of shares, pay such brokerage as may be lawful.
9. Subject to section 187-C of the Act, 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 recognized (even when having notice thereof) any equitable, contingent future or partial interest in any share or any interest in any fractional part of a share or any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.
10. (1) Every person whose name is entered as a member in the register of members shall be entitled to receive within three months after allotment (or within such other period as the conditions of issue shall provide) or within one month after the application for the transfer of registration is received by the Company.
 - a. One certificate for all his shares without payment, or
 - b. Several certificates, each for one or more of his shares, provided that any subdivision, consolidation or splitting of certificates required in marketable lots shall be done by the Company free of any charges.(2) Every certificate shall be under the seal and shall specify the shares to which it relates and the amount paid up thereon.

- (3) In respect of any share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders.
11. The Company agrees, that it will not charge any fees exceeding those, which may be agreed upon with the Stock Exchange.
- (i) For issue of new certificate in replacement of those that are torn, defaced, lost or destroyed.
 - (ii) For subdivision and consolidation of shares and debenture certificates and for subdivision of Letters of Allotment and Split, Consolidation, Renewal and Pucca Transfer Receipts into denominations other than those fixed for the market units of trading.
12. The Company may issue such fractional certificates as the Board may approve in respect of any of the shares of the Company on such terms as the board thinks fit as to the period within which the fractional certificate are to be converted into share certificates.
13. If any share stands in the names of two or more persons, the person first named in the register of members shall, as regards receipt of dividends, the service of notices and subject to the provisions of these Articles, all or any other matter connected with the Company except the issue of share certificates, voting at meeting and the transfer of the share, be deemed the sole holder thereof.

DEMATERIALIZATION OF SECURITIES

13A. For the purpose of this article:

Beneficial owner means a person or persons whose name is recorded as such with a depository.

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.

SEBI means Securities and Exchange Board of India.

Security means such security as may be specified by SEBI from time to time.

1. Dematerialization of Securities: Notwithstanding anything contained in these Articles, the company shall be entitled to dematerialize /rematerialize its securities and to offer the securities in the dematerialized form pursuant to Depositories Act, 1996 and the rules framed there under.
2. Option for Investors: Every person subscribing to the securities offered by the company shall have the option to receive security certificate or to hold 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 certificate of securities.
3. 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 the depository, on receipt of the information, shall enter in its record the name of the allottee as the beneficial owner of the security.
4. Securities to be in Fungible Form: All securities held by a depository shall be dematerialized and be in a fungible form. Nothing contained in sections 153, 153A, 153B, 187A, 187B, 187C and 372 of the Act shall apply to a depository in respect securities held by it on behalf of the beneficial owners.
5. Rights of Depositories and Beneficial Owners: 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 securities on behalf of the beneficial owner.
6. Save as otherwise provided above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of securities held by it.
7. 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 these securities which are held by a depository.

8. Service of Documents: Notwithstanding anything to the contrary contained in the Act or these Articles, 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.
9. Transfer of Securities: Nothing contained in section 108 of the Act or these Articles shall apply to a transfer of securities affected by a transferor or transferee both of who are entered as beneficial owners in the records of the depository.
10. Allotment of Securities dealt with in a Depository: Notwithstanding anything contained 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 securities.
11. Distinctive number of Securities held in a Depository: Notwithstanding anything contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the company shall apply to the securities held with a depository.
12. Register and Index of Beneficial Owner: The register and index of beneficial owners maintained by a depository under the Depositories Act, 1956, shall be deemed to be the Register and Index of members and Security holders for the purpose of these Articles

LIEN

14. (1) The Company shall have a first and paramount lien upon every share (not being a fully paid up share), for all money (whether presently payable or not) called or payable at a fixed time in respect of that share. Unless otherwise agreed the registration of a transfer of a share shall operate as a waiver of the Company's lien if any, on such shares. The Board of Directors may at any time declare any shares to be wholly or in part to be exempt from the provisions of this article.
- (2) The Company's lien, if any, on a share shall extend to all dividends payable thereon, subject to section 205A of the Act.
15. The Company may sell, in such manner as the Board thinks fit, any share on which the Company has a lien provided that no sale shall be made
 - (a) Unless a sum in respect of which the lien exists is presently payable; or
 - (b) Until the expiration of thirty days after a notice in writing demanding payment of such part of the amount, in respect of which the lien exists as is presently payable, have been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency and stating that amount so demanded if not paid within the period specified at the Registered Office of the Company, the said shares shall be sold.
16. (1) To give effect to any such sale, the Board may authorize some person to transfer the shares sold to the purchaser thereof.
- (2) The purchaser shall be registered as the shareholder of the shares comprised in any such transfer.
- (3) The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the sale.
17. (1) The proceeds of the sale shall be received by the Company and applied in payment of the whole or a part of the amount in respect of which the lien exist as is presently payable.
- (2) The residue, if any, shall, subject to a like lien for sums not presently payable as existed upon the shares at the date of sale, be paid to the person entitled to the shares at the date of the sale.
- (3) The fully paid shares shall be free from all lien and that in case of partly paid shares the issuer's lien shall be restricted to moneys called payable at a fixed time in respect of such shares;

CALLS OF SHARES

18. (1) The Board of Directors may, from time to time, make calls upon the members in respect of money unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the condition of allotment thereof made payable at fixed times.
- (2) Each member shall, subject to receiving at least thirty days notice specifying the time or times and place of payment of the call money pay to the Company at the time or times and place so specified, the amount called on his shares.
- (3) A call may be revoked or postponed at the discretion of the Board.

19. A call shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed. Call money may be required to be paid by installments.
20. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
21. (1) If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment at such rate of interest as the Board may determine.
(2) The Board shall be at liberty to waive payment of any such interest wholly or in part.
22. In case of non-payment of such sum, all the relevant provisions of these regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
23. Subject to the provisions of Section 92 and 292 of the Act, the Board:-
 - a. May, if it thinks fit, receive from any member willing to advance all or any part of the money uncalled and unpaid upon any shares held by him; and
 - b. If it thinks fit, may pay interest upon all or any of the moneys advanced on uncalled and unpaid shares (until the same would but for such advance become presently payable) at such rate not exceeding, unless the Company in general meeting shall otherwise direct, 9% (nine percent) per annum as may be agreed upon between the Board and the members paying the sums or advances. Money so paid in advance shall not confer a right to dividend or to participate in profits.
- 23A. 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 shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.
24. On the trial or hearing of any suit or proceedings brought by the Company against any member or his representative to recover any debt or money claimed to be due to the Company in respect of his share, it shall be sufficient to prove that the name of the defendant is or was, when the claim arose, on the Register of members of the Company as a holder or one of the holders of the number of shares in respect of which such claim is made and that the amount claimed is not entered as paid in the books of the Company and it shall not be necessary to prove the appointment of Directors who resolved to make any call, not that a quorum of Directors was present at the Board Meeting at which any call was resolved to be made, nor that the meeting at which any call was resolved to be made was duly convened or constituted nor any other matter, but the proof of the matters aforesaid shall be conclusive evidence of the debt.
25. Neither 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 his 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.

TRANSFER AND TRANSMISSION OF SHARES

26. The company shall keep a "Register of Transfers", and therein shall fairly and distinctly enter particulars of every transfer or transmission of any share.
27. (1) The instrument of transfer of any share in the Company shall be executed by or on behalf of both the transferor and the transferee.
(2) The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.
28. The instrument of transfer shall be in writing and all the provisions of Section 108 of the Companies Act, 1956 and of any modification thereof for the time being shall be complied with in respect of all transfers of shares and registration thereof.
29. Unless the Directors decide otherwise, when an instrument of transfer is tendered by the transferee, before registering any such transfer, the, Directors shall give notice by letter sent by registered acknowledgment due post to the registered holder that such transfer has been lodged and that unless objection is taken the transfer will be registered. If such registered holder fails to lodge an objection in writing at the office within ten days from the posting of such notice of him, he shall be deemed to have admitted the validity of the said transfer. Where no notice is received by the registered holder, the Directors shall be deemed to have decided not to give notice and in any event the non-receipt by the registered

holder of any notice shall not entitle him to make any claim of any kind against the Company or the Directors in respect of such non-receipt.

29A. The Company shall use a common form for share transfer;

TRANSFER OF SHARES

30. The Board of Directors may, subject to the right of appeal conferred by Section 111 of the Companies Act, 1956, decline to register: -

- (a) The transfer of a share not being a fully paid up share, to a person of whom they do not approve; or
- (b) Any transfer of the share on which the Company has a lien, provided that the registration of transfer shall not be refused on the ground of transferor being either alone or jointly with any person or persons indebted to the Company on any account except a lien.
- (c) Notice of refusal to transfer shares to transferor or transferee shall be sent within 30 days.

31. The Board may also decline to recognise any instrument of transfer unless:

- (a) The instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and
- (b) The instrument is in respect of only one class of shares.

32. All instruments of transfer, which shall be registered, shall be retained by the Company, but may be destroyed upon the expiration of such period as the Board may from time to time determine. Any instrument of transfer which the Board declines to register shall (except in any case of fraud) be returned to the person depositing the same.

33. (a) the registration of transfers may be suspended at such times and for such periods as the Board may, from time to time, determine:

provided that such registration shall not be suspended for more than forty-five days in the aggregate in any year or for more than thirty days at any one time.

(b) There shall be no charge for:

- I. Registration of shares or debentures;
- II. Sub-division and /or consolidation of shares and debenture certificates and subdivision on Letters of Allotment and split consolidation, renewal and pucca transfer receipts into denominations corresponding to the market unit of trading;
- III. Sub-division of renounceable Letters of Right;
- IV. Issue of new certificates in replacement of those which are decrepit or worn out or where the cages on the reverse for recording transfers have been fully utilized;
- V. Registration of any Powers of Attorney, Letter or Administration and similar other documents.

(c) No transfer shall be made to a minor or a person of unsound mind.

(d) Notwithstanding anything in the Articles elsewhere, every holder of shares in, or holder of the debentures of, the company may, at any time, nominate, in the manner prescribed by section 109A & 109B of the Companies Act, 1956 as amended, a person to whom his shares in, or debentures of, the company shall vest in the event of his death.

(e) The registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person indebted to the issuer on any account whatsoever;

TRANSMISSION OF SHARES

34. (1) On the death of a member, the survivor or survivors where the member was a joint holder and his legal representative where he was a sole holder shall be the only person recognized by the Company as having any title to his interest in the shares.

(2) Nothing in clause (1) shall release the estate of a deceased joint holder from any liability in respect of any share, which had been jointly held by him with other persons.

35. (1) Any person becoming entitled to a share in consequence of the death or insolvency of a member may, upon such evidence being produced as may from time to time properly be required by the Board and subject as hereinafter provided, elect, either:
- (a) To be registered himself as holder of the share; or
 - (b) To make such transfer of the shares as the deceased or insolvent member could have made.
- (2) The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased or insolvent member had himself transferred the share before his death or insolvency.
36. (1) If the person so becoming entitled, shall elect to be registered as holder of the share himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.
- (2) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share.
- (3) All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfers of share shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice of transfer were a transfer signed by that member.
37. On the transfer of the share being registered in his name 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 was the registered holder of the share and that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company;
- Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share and if the notice is not complied with within 90 (ninety) days, the Board may thereafter withhold payment of all dividends, bonus or other moneys payable in respect of the share, until the requirements of the notice have been complied with.
38. Where the Company has knowledge through any of its principal officers within the meaning of Section 2 of the Estate Duty Act, 1953 of the death of any member or of debenture holder in the Company, it shall furnish to the Controller within the meaning of such section, the prescribed particulars in accordance with that Act and the rules made there under and it shall not be lawful for the Company to register the transfer of any shares or debentures standing in the name of the deceased, unless the transferor has acquired such shares for valuable consideration or a certificate from the Controller is produced before the Company to the effect that the Estate Duty in respect of such shares or debentures has been paid or will be paid or that none is due, as the case may be.
39. The Company shall incur liability whatever in consequence of its registering or giving effect, to any transfer of share made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the register of members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said 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 thereto, in any book of the Company, and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability 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 though not bound so to do, shall be at liberty to regard and attend to any such notice and give effect thereto if the Board shall so think fit.

FORFEITURE OF SHARES

40. If a member fails to pay any call or installment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid together with any interest which may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.
41. The notice aforesaid shall: -
- (a) Name a further day not earlier than the expiry of 30 (thirty days from the date of service of notice) on or before which the payment required by the notice is to be made; and
 - (b) State that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made, will liable to be forfeited.

42. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time, thereafter before the payment required by the notice has been made, be forfeited by a resolution of the Board of that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the date of forfeiture, which shall be the date on which the resolution of the Board is passed forfeiting the shares.
43. (1) A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.
(2) At any time before a sale or disposal, as aforesaid, the Board may annul the forfeiture on such terms as it thinks fit.
44. (1) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which, at date of forfeiture, were presently payable by him to the Company in respect of the shares together with interest thereon from the time of forfeiture until payment at the rate of 9% (nine percent) per annum.
(2) The liability of such person shall cease if and when the Company shall have received payments in full of all such money in respect of the shares.
45. (1) A duly verified declaration in writing that the declarant is a director or the secretary of the Company and that a share in the company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts stated therein stated as against all persons claiming to be entitled to the share.
(2) The Company may receive the consideration, if any, given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of.
(3) The transferee shall thereupon be registered as the holder of the share.
(4) Transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.
46. The provisions of these regulations as to forfeiture shall apply, in the case of non-payment 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.
47. The forfeiture of a share shall involve the extinction of all interest in and also of all claims and demands against the Company in respect of the share, and all other rights incidental thereto except only such of those rights as by these Articles are expressly saved.
48. Upon any sale, after forfeiture or for enforcing a lien in purported exercise of powers herein before 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 in respect of the shares sold and the purchaser shall not be bound to see to the regularity of the proceeding or to the application of the purchase money and after his name has been entered in the Register in respect of such shares, the validity, of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.
49. Upon any sale, re-allotment or other disposal under the provisions of these Articles relating to lien or to forfeiture, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall 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. When any shares, under the powers in that behalf herein contained are sold by the Board and the certificate in respect thereof has not been delivered up to the Company by the former holder of such shares, the Board may issue a new certificate for such shares distinguishing it in such manner as it may think fit, from the certificate not so delivered.
50. The directors may, subject to the provisions of the Act, accept from any member on such terms and conditions as shall be agreed, a surrender of his shares or stock or any part thereof.

CONVERSION OF SHARES INTO STOCK

51. The company may, by an ordinary resolution:
- (a) Convert any paid-up shares into stock; and
- (b) Re-convert any stock into paid-up shares of any denomination authorised by these regulations.

52. The holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same regulations under which, the shares from which the stock arose might before the conversion have been transferred or as near thereto as circumstances admit:

Provided the Board may, from time to time, fix the minimum amount to Stock transferable, so, however, that such minimum shall not exceed the nominal amount of the shares from which the stock arose.

53. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regard dividends voting and meeting of the Company, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.
54. Such of the regulations of the Company (other than those relating to share warrants), as are applicable to paid-up shares shall apply to stock and the words 'share' and 'shareholders' in those regulations shall include 'stock' and 'stockholders' respectively.

SHAREWARRANTS

55. The Company may issue share warrant, subject to and in accordance with, the provisions of Sections 114 and 115 of the Act and accordingly the Board may in its discretion, with respect to any share which is fully paid up, on application in writing signed by the person registered as holder of the share and authenticated by such evidence (if any) as the Board may, from time to time, require as to the identity of the person signing the application and on receiving the certificate (if any) of the share: and the amount of the stamp duty on the warrant and such fee as the Board may, from time to time, require, Issue a share warrant.
56. (1) The bear or of a share warrant may at any time deposit the warrant at the office of the Company and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company and of attending and voting and exercising, the other privileges of a member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the register of members as the holder of the shares included in the deposited warrant.
- (2) Not more than one person shall be recognized as depositor of the share warrant.
- (3) The company shall, on two days written notice, return the deposited share warrant to the depositor.
57. (1) Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling meeting of the Company or attend or vote or exercise any oilier privilege of a member at a meeting of the Company or be entitled to receive any notice from the Company.
- (2) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he was named in the register of member as the holder of the shares included in the warrant and he shall be deemed to be a member of the Company in respect thereof.
58. The Board may, from time to time, make rules as to the terms on which ('if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case defacement, loss or destruction of the original.

ALTERATION OF CAPITAL

59. The Company may, from time to time, by ordinary resolution increase its share capital by such sum, to be divided into shares of such amount, as the resolution shall specify
60. The Company may by ordinary resolution in general meeting
- (a) Consolidate and divide all or any of its capital into shares of larger amounts than its existing shares:
- (b) Sub-divide its shares or any of them, into shares of smaller amounts than is fixed by the Memorandum of Association, so however, than in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived:
- (c) Cancel any share which, at the date of the passing of the resolution in that behalf, 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.
61. The Company may, from time to time, by special resolution and on compliance with the provisions of Section 100 to 105 of the Act, reduce its share capital and any capital reserve fund or share premium account.

62. The Company shall have power to establish Branch Offices, subject to the provisions of Section 8 of the Act or any statutory modifications thereof.
63. The Company shall have power to pay interest out of its capital on so much of shares, which were issued for the purpose of raising money to defray the expenses of the construction of any work or building or the provisions of any plant for the Company in accordance with the provisions of Section 208 of the Act.
64. The Company, if authorised by a special resolution passed at a General Meeting may amalgamate or cause itself to be amalgamated with any other person, or body corporate, subject however, to the provisions of Section 391 to 394 of the Act.
- 64A. Notwithstanding anything contained in the Articles of Association, the company shall have the power to buy back its shares or other securities in accordance with the provisions of section 77A, 77AA and 77B and other provisions of the Companies Act, 1956 from its existing shareholders or the holders of other securities on a proportionate basis or by purchase of the shares or securities issued to the employees of the company pursuant to a scheme of stock options or sweat equity.

GENERAL MEETINGS

65. All General Meetings other than the Annual General Meetings of the Company shall be called Extraordinary General Meetings.
66. (1) The Board may, whenever it think fit call an Extra Ordinary General Meeting.
- (2) If at any time there are not within India Directors capable of acting who are sufficient in number to form a quorum, any Director or any two members of the Company may call an extraordinary general meeting in the same manners, as nearly as possible, to that in which such a meeting may be called by the Board.

CONDUCT OF GENERAL MEETINGS

67. No general meeting, annual or extraordinary, shall be competent to enter upon, discuss or transact any business, which has not been stated in the notice by which it was convened or called.
68. (1) No business shall be transacted at any general meeting, unless a quorum of members is present at the time when the meeting proceeds to business.
- (2) Save as otherwise provided in Section 174 of the Act, a minimum of five members present in person shall be the quorum. A body corporate, being a member, shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act.

CONDUCT OF MEETINGS

69. The Chairman, if any, of the Board shall preside as Chairman at every general meeting of the Company.
70. If there is no such Chairman or If he is not present within fifteen minutes of the time appointed for holding the meeting or is unwilling to act as Chairman of the meeting, the Directors present shall elect one of their members to be the Chairman of the meeting.
71. If at any meeting no Director is willing to act as Chairman or if no Director is present within 15 (fifteen) minutes of the time appointed for holding the meeting, the members present shall choose one of their members to be the Chairman of the meeting.
72. No business shall be discussed at any general meeting except the election of a Chairman, whilst the chair is vacant.
- 72A. If no quorum is present, the meeting shall stand adjourned to the same day in the next week at the same time and place.
73. (1) The Chairman may with the consent of any meeting at which a quorum is present and shall, if so directed by the meeting, adjourn the meeting, from time to time and place to place.
- (2) No business shall be transacted at any adjourned meeting, other than the business left unfinished at the meeting from which the adjournment took place.
- (3) When a meeting 'is adjourned for thirty days or more, fresh notice of the adjourned meeting shall be given as in the case of an original meeting.
- (4) Save as aforesaid, it shall not be necessary to give any notice of any adjournment or of the business to be transacted at an adjourned meeting.

74. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.
75. Any business other than that upon which a poll has been demanded, may be preceded with, pending the taking of the poll.

VOTE OF MEMBERS

76. Subject to any rights or restrictions for the time being attached to any class or classes of shares
- (a) On a show of hands, every member present in person shall have one vote:
- and
- (b) On a poll, the voting rights of members shall be as laid down in Section 87 of the Act.
77. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other Joint holders. For this purpose, seniority shall be determined by the order in which the names of joint holders stand in the Register of members.
78. 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, and any such committee or guardian may on a poll, vote by proxy, provided that such evidence as the Board may require of the authority of the person claiming to vote shall have been deposited at the office no less than 24 hours before the time of holding the meeting or adjourned meeting at which such person claims to vote on poll.
79. No member shall be entitled to vote at any general meeting unless all calls, and other sums presently payable by him in respect of shares in the Company or in respect of shares on which the Company has exercised and right of lien, have been paid.
80. (1) No objection shall be raised to the qualification of any voter, except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes.
- (2) Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision thereon shall be final and conclusive.
81. The instrument appointing a proxy and the power of attorney or other authority, if any under which it is signed or a naturally certified copy of that power or authority shall be deposited at the registered office of the Company, not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated valid.
82. An instrument appointing a proxy shall be in either of the forms in Schedule IX to the Act or in a form as near thereto as circumstances admit.
83. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or the authority under which the proxy was executed or the transfer of the shares in respect of which the proxy is given, if no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

BOARD OF DIRECTORS

84. The number of Directors of the Company shall not be less than three and not more than twelve.
85. The following shall be the first directors of the Company.
1. P.KISHORE
 2. P.SARVOTHAM
 3. P.K.PADMANABHAN
86. 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 in accordance with the provisions of Section 255 of the Act or if their number is not three or a multiple of three, then the number nearest to one third shall retire from office in accordance with the provisions of Section 256 of the Act.

87. (1) Subject to the provisions of the Companies Act, 1956 and Rules made there under, each Director including a Managing Director shall be paid sitting fees for each meeting of the Board or a committee thereof, attended by him.
 - (2) Subject to the provisions of Sections 309, 310 and 314 of the Act, the Directors shall be paid such further remuneration, whether in the form of monthly payment or by a percentage of profit or otherwise, as the Company in General meeting may, from time to time, determine and such further remuneration shall be divided among the Directors in such proportion and in such manner as the Board may, from time to time, determine and in default of such determination, shall be divided among the Directors equality or if so determined paid on a monthly basis.
 - (3) The remuneration of the Directors shall, in so far as it consists of a monthly payment, be deemed to accrue from day to day.
 - (4) Subject to the provisions of Sections 198, 309, 310 and 314 Act, if any Director be called upon to perform any extra services or make special exertions or efforts (which expression shall include work done by a Director as a member of any committee formed by the Directors) the Board may pay such Director special remuneration for such extra services or special exertions or efforts either by way of a fixed sum or by percentage of profit or otherwise and may allow such Director at the cost and expense of the Company such facilities or amenities (such as rent free house, free medical aid and free conveyance) as the Board may determine from time to time.
 - (5) In addition to the remuneration payable to them in pursuance of the Act, the Directors may be paid in accordance with Company's rules to be made by the Board all travelling, hotel and other expenses properly incurred by them:
 - (a) In attending and returning from meetings or adjourned meeting of the Board of Directors or any committee thereof:
or
 - (b) In connection with the business of the Company.
88. The Directors shall not be required to hold any qualification shares in the company.
89. The Board of Directors shall have power to appoint additional Directors in accordance with the provisions of Section 260 of the Act.
90. If it is provided by any trust deed securing 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 every such issue of debentures, the 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 a 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. A Debenture Director shall not be liable to retire by rotation, but he shall be counted in determining the number of retiring Directors.
91. In the course of its business and for its benefit the Company shall, subject to the provisions of the Act, be entitled to agree with any person, firm corporation, Government, financing institution or other authority that he or it shall have the right to appoint his or its nominee on the Board of Directors of the Company upon such terms and conditions as the Directors may deem fit. Such nominees and their successors in office appointed under this Article shall be called Special Directors. Special Directors shall be entitled to hold office until requested to retire by the Government, authority, person, firm, institution or corporation who may have appointed them and will not be bound to retire by rotation. As and whenever a Special Director vacates office whether upon request as aforesaid or by death, resignation or otherwise the Government, authority, person, firm, institution or corporation who appointed such Special Director may if the agreement so provide, appoint another Director in his place. But he shall be counted in determining the number of retiring Directors.
92. Subject to the provisions of Section 313 of the Act, the Board of Directors shall have power to appoint an alternate Director to act for a 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.
93. 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. Such Director before receiving or enjoying such benefits in cases in which the provisions of Section 314 of the Act are attracted will ensure that the same have been complied with.
94. Every nomination, appointment or removal of a Special Director shall be in writing and accordance with the rules and regulations of the Government, corporation or any other institution. A Special Director shall be entitled to the same rights and privileges and be subject to same obligations as any other Director of the Company.

95. The office of a Director shall become vacant:

- (i) On the happening of any of the events provided for in Section 283 of the Act;
- (ii) On contravention of the provisions of Section 314 of the Act, or any statutory modifications, thereof;
- (iii) If a person is a Director of more than twenty Companies at a time.
- (iv) In the case of alternate Director on return of the original Director to the State, in terms of Section 313 of the Act; or
- (v) On resignation of his office by notice in writing and is accepted by the Board.

96. Every Director present at any meeting of the Board or a committee thereof shall sign his name in a book to be kept for that purpose, to show his attendance thereat.

POWERS OF BOARD OF DIRECTORS

97. The Board of directors may pay all expenses incurred in the formation, promotion and registration of the Company.

98. The Company may exercise the powers conferred by Section 50 of the Act, with regard to having an official seat for use abroad and such powers shall be vested in the Board.

99. The Company may exercise the powers conferred on it by Section 157 and 158 of the Act with regard to the keeping of a foreign register; and the Board may (subject the provisions of those Sections) make and very such regulations as it may think fit with respect to the keeping of any such register.

100. The Directors may enter into contracts or arrangements on behalf of the Company subject to the necessary disclosures required by the Act being made whenever any Director is in any way, whether directly or indirectly concerned or interested in the contract or arrangement.

BORROWING POWER

101. Subject to the provisions of sections 58 A, 292 and 293 of the Act, and Regulations made there under and directions issued by the R.B.I, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge 'its undertaking, property (both present and future) and uncalled capital, or any part thereof and to issue debentures, debenture-stock and other securities whether outright or a security for any debt, liability or obligation of the Company or of any third party.

102. The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board may think fit and in particular by a resolution passed at a meeting of the Board (and not by circulation) by the issue of debenture or debenture stock of the Company, charged upon all or any of the property of the Company (both present and future) including its uncalled capital for the time being.

103. Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise, may be made assignable free from any equities between the Company and person to whom the same may be 'issued and may be issued on the condition that they shall be convertible into shares of any authorised denomination, and with privileges and conditions as to redemption, surrender, drawings, allotment of shares, attending (but not voting) at general meetings, appointment of Directors and otherwise, provided that debentures with the right to allotment of or conversion into shares shall not be issued except with the sanction of the Company in General Meeting.

104. All cheques, promissory notes, drafts, hundies, bills of exchange and other negotiable instrument and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, by such person and in such manner as the Board may, from time to time, by resolution determine.

PROCEEDINGS OF THE BOARD

105. Subject to Section 287 of the Act, the quorum for a meeting of the Board of Directors shall be one third of its total strength (any fraction contained in that one third being rounded off as one) or two Directors, whichever is higher; 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.

106. If a meeting of the Board could not be held for want of quorum, whatever number of Directors, not being less than two, shall be present at the adjourned meeting, notice whereof shall be given to all the Directors, shall form a quorum.

107. (1) save as otherwise expressly provided in the Act, questions arising at any meeting of the Board shall be decided by a majority of vote.

(2) In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

108. The continuing Directors may act notwithstanding any vacancy in the Board, but if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing Directors or Director may act for the purpose of increasing the number of Directors to that fixed for the quorum or for summoning a General Meeting of the Company, but for no other purpose.
109. (1) Save as provided in Article 93, the Board may elect one of its members as Chairman of its meetings and determine the period for which he is to hold office as such.
- (2) If no such Chairman is elected or if at any meeting the Chairman is not present within fifteen minutes after the time appointed for holding the meeting, the Directors present may choose one of their members to be Chairman of the meeting.
110. Subject to the restrictions contained in Section 292 and 293 of the Act, the Board may delegate any of its powers to committees of the Board consisting of such member or members of its body as it thinks fit and it may, from time to time, revoke such delegation 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.
111. 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 regulations made by the Directors under the last proceedings Article.
112. (1) A committee may elect a chairman of its meetings.
- (2) If no such chairman is elected or if at any meeting the chairman is not present within five minutes of the time appointed for holding the meeting, the members present may choose one of their members to be chairman of the meeting.
113. (1) A committee may meet and adjourn as it thinks proper.
- (2) Questions arising at any meeting of a committee shall be determined by a majority of votes of the members, present and in case of an equality of votes, the-Chairman shall have a second or casting vote.
114. All acts done by any meeting of the Board or by a committee thereof or by any person acting as a Director shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment or continuance in office of any such Director or persons acting as aforesaid; or that they or any of them were disqualified or had vacated office or were not entitled to act as such, or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed, had duly continued in office, was qualified, had continued to be a Director, his appointment had not been terminated and he had been entitled to be a Director provided that nothing in this Article shall be deemed to give validity to any act done by a Director after his appointment has been shown to the Company to be invalid or to have terminated.
115. Subject to Section 289 of the Act and except a resolution which the Act requires specifically to be passed in any board meeting, a resolution in writing signed by the majority members of the Board or of a committee thereof, for the time being entitled to receive notice of a meeting of the Board or committee, shall be as valid and effectual as if it had been passed at a meeting of the Board or committee, duly convened and held.

MANAGING DIRECTOR (S) AND WHOLE TIME DIRECTOR (S)

116. Subject to provisions of Sections 197 A, 269,198 and 309 of the Act, the Board of Directors may, from time to time, appoint one or more of their body to the office of Managing Director/s or whole time Director/s for a period not exceeding 5 (five) years at a time and on such terms and conditions as the Board may think fit and subject to the terms of any agreement entered into with him, may revoke such appointment, and in making such appointments the Board shall ensure compliance with the requirements of the Companies Act, 1956 and shall seek and obtain such approvals as are prescribed by the Act, provided that a Director so appointed, shall not be whilst holding such office, be subject to retirement by rotation but his appointment shall be automatically determined if he ceases to be a Director. However, he shall be counted in determining the number of retiring Directors.
117. The Board may entrust and confer upon Managing Director/s or Whole Time Director/s any of the powers of management which would not otherwise be exercisable by him upon such terms and conditions and with such restrictions as the Board, may think fit, subject always to the superintendence, control and direction of the Board and the Board may, from time to time, revoke, withdraw, alter or vary all or any of such powers.

SECRETARY

118. (1) Subject to section 383 A of the Act, a Secretary of the Company may be appointed by the Board on such terms, at such remuneration and upon such conditions as may think fit, and any Secretary so appointed may be removed by the Board.
- (2) A Director may be appointed as a Secretary.
119. Any provision in the Act or these regulations requiring or authorizing a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in place of the Secretary.

THE SEAL

120. (1) The Board shall provide a common seal for the purposes of the Company and shall have power, from time to time, to vary or cancel the same and substitute a new seal in lieu thereof. The Board shall provide for the safe custody of the seal for the time being.
- (2) Subject to any statutory requirements as to Share Certificates or otherwise, the seal of the Company shall not be affixed to any instrument except by authority of a resolution of the Board or of a Committee of the Board authorised by Kin that behalf and except in the presence of at least one Director and of the Secretary or of two Directors who shall sign every instrument to which the seal of the Company to so affixed in their presence. This is, however, subject to Rule 6 of the Companies (Issue of Share Certificates) Rules, 1960.
- (3) The Board 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. The Company shall, however, comply with Rule 6 of the Companies (Issue of Share Certificates) Rules, 1960.

DIVIDENDS AND RESERVES

121. The Company in General meeting may declare dividends but no dividend shall exceed the amount recommended by the Board.
122. The Board may, from time to time, pay to the members such interim dividends as appear it to be justified by the profits earned by the Company.
123. (1) The Board may, before recommending any dividend, set aside out of the profits of the Company, such sums, as it may think proper, as reserve or reserves which shall at the discretion of the Board, be applicable for any of the purposes to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalizing dividends and pending such applications may at the like discretion either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may, from time to time, think fit.
- (2) The Board may also carry forward and profits which 'it may think prudent not to divide, without setting them aside as a reserve.
124. (1) Subject to the rights of the persons, if any, holding shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid.
- (2) No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulation as having been paid on the share.
- (3) 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.
125. The Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company subject to section 205A of the Act.
126. (1) Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post direct to the registered address of the holders or, in case of joint holders, to the registered address of that one of the joint holder who is first named on the register of members, or to such person and to such address as the first named holder or joint holders may in writing direct.
- (2) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

127. Any one of two or more joint holders of a share may give effectual receipts for any dividends, bonus or other moneys payable in respect of such share.
128. Notice of any dividend that may have been declared shall be given to the persons entitled to share therein in the manner mentioned in the Act.
129. No dividend shall bear interest against the Company, irrespective of the reason for which it has remained unpaid.
- 129A. The unclaimed dividends, if any, shall not be forfeited unless barred by Law and such forfeiture, if effected, shall be annulled in appropriate cases.

ACCOUNTS

130. (1) The Board shall cause proper books of accounts to be maintained under section 209 of the Act.
- (2) 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 or them, Shall be open to the inspection of members not being Directors.
- (3) Subject to provisions of section 209 A of the Act, no member (not being a Director) shall have any right of inspection any account or book or document of the Company, except as conferred by law or authorised by the Board or by the Company in General Meeting.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

131. Balance sheet and Profit and Loss Account of the Company will be audited once in a year by a qualified auditor for Correctness as per provisions of the Act.

AUDIT

132. (1) The first auditor of the Company shall be appointed by the Board of Directors within one month after its incorporation who shall hold office till the conclusion of the First Annual General Meeting.
- (2) The Board of Directors may fill up any Casual Vacancy in the office of the Auditors.
- (3) The remuneration of the auditors shall be fixed by the Company in the annual general meeting except that remuneration of the first or any auditors appointed by the directors may be fixed by the directors.

CAPITALISATION OF PROFITS

133. (1) The Company in General Meeting may, upon the recommendation of the Board resolve:
- (a) That it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the Profit and Loss Account, or otherwise available for distribution: and
- (b) That such sum be accordingly set free for distribution in the manner specified, in clause (2) among the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.
- (2) The sum aforesaid shall not be paid-in cash, but shall be applied, subject to the provisions contained in clause (3), either in or towards:
- (i) Paying up any amounts for the time being unpaid on any shares held by such members respectively;
- (ii) Paying up in full, unissued shares of the Company to be allotted and distributed, credited as fully paid up, to and amongst such members In the proportions aforesaid; or
- (iii) Partly in the way specified in sub-clause (i) and partly in that is specified in f sub-clause (ii).
- (3) Any share premium account and any capital redemption reserve fund may, for the purpose of this regulation, only be applied in the paying up of un-issued share to be issued to members of the Company as fully paid bonus shares.
- (4) The Board shall give effect to the resolution passed by the Company in pursuance of this regulation.
134. (1) whenever such a resolution as aforesaid shall have been passed, the Board shall:
- (a) Make all appropriations and applications of the undivided profits resolved to be capitalized thereby and allotment and issue of fully paid shares, if any; and

- (b) Do all acts and things required to give effect thereto.
- (2) The Board shall have full power;
 - (a) To make such provision, by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit in the case of shares becoming distributable in fractions; and also
 - (b) To authorize any person to enter, on behalf of all the members entitled thereto, into an agreement with the Company providing for the allotment to him respectively, credited as fully paid up, of any further shares to which that may be entitled upon such capitalization or (as the case may require) for the payment by the company on their behalf, by the application thereto of their respective proportions of the profit resolved to be capitalized, of the amounts or any part of the amounts remaining unpaid on their existing shares.
- (3) Any agreement made under such authority shall be effective and binding on all such members.

SECRECY

135. Subject to the provisions of law of land and the Act, no member or other person (not being a Director) shall be entitled to visit or inspect the Company's works without the permission of the Board of Directors or the Managing Director to require discovery of any information respecting any details of the Company's business, trading or customers of any matter which is or may be in the nature of a trade secret, mystery of trade or secret process or any other matter which may relate to the conduct of the business of the Company or which in the opinion of the Directors, it will be inexpedient in the interest of the Company to disclose.

WINDING UP

136. (1) 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.
- (2) For the purpose aforesaid, the liquidator may set such values as it deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.
- (3) The liquidator may, with the like sanction, vest the whole or any part 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.

INDEMNITY

137. Subject to the provisions of Section 201 of the Act, every Director, auditor, secretary and other officer or servant of the Company (all of whom are hereinafter referred to as officer or servant) shall be Indemnified by the Company and it shall be duty of the Directors out of the funds of the Company to pay, all bonafide costs, losses and expenses which any such officer or servant may incur or become liable to by reason of any contract entered into or act or thing done or omitted by him as such officer or servant or in any way in the discharge of his duties: and in particular and so as not to limit the generality of the foregoing provisions, against any liability incurred by such officer or servant in defending any bonafide proceedings whether civil or criminal in which a judgement 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. The amount for which such indemnity is provided shall immediately attach as a charge on the property of the Company.

SECTION X: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary the business carried by the Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company between 10.00 am to 4.00 pm on working days from the date of this Red Herring Prospectus until the Bid Closing Date/Issue Closing Date.

Material Contracts

1. Proposal Letter dated April 19, 2006 executed with Centrum Capital Limited appointing them as BRLM.
2. Memorandum of Understanding between the Company and the BRLM dated July 14, 2006
3. Memorandum of Understanding executed by the Company and the Registrar to the Issue dated June 28, 2006
4. Escrow Agreement dated May 9, 2007 among the Company, the BRLM, Escrow Collection Bank(s) and the Registrar to the Issue.
5. Syndicate Agreement dated May 9, 2007 among the Company and the BRLM.
6. Underwriting Agreement dated [•], 2007 among the Company, the BRLM and the Syndicate Members.

Material Documents

1. Certified true copies of the Memorandum and Articles of Association of the Company as amended from time to time.
2. Certificate of Incorporation of the Company dated April 19, 2000.
3. Resolution of the members of the Company passed at the Extra Ordinary General Meeting of the Company held on June 10, 2006 appointing Mr. P Kishore as Managing Director, Ms Sussha John as Whole Time Director and Mr R Kannan as Consultant of the Company (Director holding office of Profit) and approving the remuneration payable to him, alongwith form 25C with RoC fee receipts for Mr P Kishore and Ms Sussha John.
4. Copy of the Share Subscription Agreement between Everonn Systems India Ltd and Net Equity Venture Pvt Ltd dated May 25, 2001.
5. Copy of the Board Resolution authorizing the allotment to M/s India China Pre-IPO Equity (Mauritius) Ltd dated 9th August 2006 and copy of the shareholders agreement dated July 31, 2006.
6. Resolutions of the Board of Directors dated April 17, 2006 in relation to this Issue under Section 81 (1A) of the Companies Act.
7. Copy of Resolution of the Members of the Company passed at the Annual General Meeting held on May 10, 2006 and May 26, 2007 pursuant to Section 81 (1A) of the Companies Act.
8. Copy of the Resolution of the members of the Company passed at the Extra Ordinary General Meeting held on April 6, 2006 under Section 293 (1) (a) and 293 (1) (d) of the Companies Act
9. Resolution of the meeting of the Board of Directors dated May 31, 2006 approving the ESOP and copy of the ESOP Trust deed, dated June 28, 2006 and ESOP scheme.
10. Copies of the Board Resolution dated March 29, 2007 regarding appointment of the Company Secretary and Compliance officer.
11. Reports of the Statutory Auditors, M/s P Chandrasekhar, Chartered Accountants, dated May 16, 2007 prepared as per Indian GAAP and mentioned in this Red Herring Prospectus.
12. Letter dated May 16, 2007 from the Statutory Auditors of the Company M/s P Chandrasekhar, Chartered Accountants confirming Tax Benefits and Certificate regarding Deployment of Funds dated May 14, 2007, as mentioned in this Red Herring Prospectus.
13. Copies of Annual Reports of the Company for the last five years and of Group Companies for last three years.
14. Consents of the Auditor being M/s. P Chandrasekhar, Chartered Accountants for inclusion of their report on accounts in the form and context in which they appear in this Red Herring Prospectus.

15. Copy of due diligence letter dated May 14, 2007 from P H Arvindh Pandian as Legal Advisors to the Issue for vetting and approval of Red Herring Prospectus.
16. General Power of Attorney of the company executed by the Directors of the Company in favour of Mr P Kishore for signing and making necessary changes to this Red Herring Prospectus and other related documents.
17. Resolution of the Meeting of the Board of Directors held on July 10, 2006 for the formation of the Company's Audit Committee, Investors Grievances Committee and Remuneration Committee.
18. Consents of BRLM, Syndicate Member, Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue, Bankers to the Company, Monitoring Agency, Legal Advisor to the Issue, Directors, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
19. Copies of MOUs/Lease Agreements entered into with various parties as mentioned in the Red Herring Prospectus under the heading "Lease /Rental Details".
20. Copies of all Government/Statutory Approvals mentioned under the heading "Government Approvals"
21. Copies of all Loan Agreements mentioned under the heading "Financial Indebtedness"
22. Copies of Insurance Policies as mentioned in the Red Herring Prospectus.
23. Copy of agreement dated June 16, 2006 entered into with Premoris Melioris Colisium (PMC)
24. Copies of Equipment for which the quotations have been invited and equipments for which Purchase orders have been placed.
25. Initial listing applications dated August 16, 2006 filed with NSE and BSE.
26. In-principle listing approvals dated October 19, 2006 and September 28, 2006 from NSE and BSE, respectively.
27. Tripartite agreement between NSDL, the Company and the Registrar to the Issue dated July 7, 2006.
28. Tripartite agreement between CDSL, the Company and the Registrar to the Issue dated October 31, 2006.
29. Due diligence certificate dated July 31, 2006 and June 5, 2007 to SEBI from BRLM.
30. SEBI observation letter no. CFD/DIL/PB/AC/91619/2007 dated April 20, 2007 and reply to the same dated May 21, 2007.
31. No Objection Certificate from Net Equity Ventures Private Limited.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the applicable laws.

DECLARATION

This is to confirm that all the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government or the guidelines issued by the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Offer Document is contrary to the provisions of the Companies Act, 1956 or the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. All the legal requirements connected with this 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.

We, the Directors of Everonn Systems India Limited and the Issuer(s), 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 Offer Document 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 Red Herring 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 RHP are true and correct.

SIGNED BY

For Everonn Systems India Limited,

Mr. P. Kishore, Managing Director	
Ms Susha John, Whole Time Director	
Mr. R. Kannan, Director cum Consultant	
Mr. Joe Thomas, Director	
Dr.V.K.Vijayaragavan, Director	
Mr R. Sankaran, Director	
Mr. J. Kasi Viswanathan, Director	
Dr. K.M.Marimuthu, Director	

SIGNED BY COMPLIANCE OFFICER

Mr. A V Sridhar, Compliance Officer

Place: Chennai

Date: June 4, 2007

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