RED HERRING PROSPECTUS
Dated February 20, 2010
Please read section 60B of the Companies Act, 1956
100% Book Building Issue

DQ Entertainment (International) Limited

(Our Company was incorporated on April 13, 2007 as "Animation and Multimedia Private Limited" in Hyderabad, Andhra Pradesh. The name of our Company was changed to "DQ Entertainment (International) Private Limited" by a special resolution passed at the EGM held on January 10, 2008. The status of our Company was changed to a public limited company by a special resolution of the members passed at an EGM held on July 25, 2009. The fresh certificate of incorporation consequent on change of status from private to public was granted to our Company on September 10, 2009 by the RoC. For changes in our name and our registered office see "Our History and Certain Corporate Matters" on page no. 92 of this Red Herring Prospectus)

Registered Office: 644, Aurora Colony, Road Number 3, Banjara Hills, Hyderabad 500 034
Tel.: + 91 40 2355 3726/27, Fax: + 91 40 2355 2594
Company Secretary and Compliance Officer: Ms Anita Sunil Shankar Email: investors@dqentertainment.com ; Website: http://www.dqentertainment.com

OUR COMPANY IS PROMOTED BY MR. TAPAAS CHAKRAVARTI AND DQ ENTERTAINMENT (MAURITIUS) LIMITED

PUBLIC ISSUE OF 16,048,011 EQUITY SHARES OF RS. 10 EACH OF DQ ENTERTAINMENT (INTERNATIONAL) LIMITED ("OUR COMPANY" OR "THE ISSUER") FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE) AGGREGATING RS. [●] (THE "ISSUE"). THE ISSUE INCLUDES A RESERVATION OF UP TO 321,011 EQUITY SHARES OF RS. 10 EACH FOR ELIGIBLE EMPLOYEES (THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE LESS THE EMPLOYEE RESERVATION PORTION IS REFERRED TO AS THE "NET ISSUE". THE ISSUE WOULD CONSTITUTE 20.24% OF THE POST ISSUE PAID-UP CAPITAL OF OUR COMPANY AND THE NET ISSUE WILL CONSTITUTE 19.84% OF THE POST ISSUE PAID UP CAPITAL OF OUR COMPANY.

PRICE BAND: RS. [●] TO RS. [●] PER EQUITY SHARE OF FACE VALUE OF RS. 10 EACH
THE FLOOR PRICE IS [●] TIMES OF THE FACE VALUE AND THE CAP PRICE IS [●] TIMES OF THE FACE VALUE

THE PRICE BAND AND THE MINIMUM BID LOT WILL BE DECIDED BY OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGER AND ADVERTISED AT LEAST TWO (2) WORKING DAYS PRIOR TO THE BID/ ISSUE OPENING DATE*

[#] *A discount of upto Rs. [●] to the Issue Price determined pursuant to completion of the Book Building Process has been offered to Eligible Employees (the "Employee Discount")*

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

In terms of Rule 19(2)(b) of the Securities Contracts Regulations Rules, 1957 ("**SCRR**"), the Issue being less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be allocated on a proportionate basis to QIB Bidders. 5% of the QIB Portion (exclusding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. The Company may consider allocation up to 30% of the QIB Portion to Anchor Investors as per the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the "**SEBI (ICDR) Regulations**"). If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net 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. Further, up to 321,011 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO THE FIRST ISSUE

This being the first public issue of Equity Shares of our Company, there has been no formal market for our Equity Shares. **The face value of the Equity Shares is Rs. 10 each. The Floor Price is [•] times of the face value.** The Issue Price (has been determined and justified by the BRLM and the Issuer as stated under the section titled "Basis for Issue Price" on page no. 47 of this Red Herring Prospectus) should not be taken to be indicative of the market price of the Equity Shares after they are listed. No assurance can be given regarding an active or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

IPO GRADING

This Issue has been graded by Fitch Ratings, a credit rating agency registered with SEBI. The Issue has been assigned a grade of 3 (ind) out of a maximum of 5 (ind) indicating average fundamentals through its letter dated February 8, 2010. For details regarding the grading of the Issue and the disclaimer of Fitch Ratings, see the section "General Information" and refer to the "Material Contracts and Documents for Inspection" on page nos. 16 and 294 respectively of this Red Herring Prospectus. No other grading has been obtained for the Issue.

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 SEBI, nor does SEBI guarantee the accuracy or adequacy of the contents of this Red Herring Prospectus. Specific attention of the investors is invited to "Risk Factors" on page no. i of this Red Herring Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Company, 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 make this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed BSE. We have received an 'in-principle' approval from the BSE, for the listing of the Equity Shares pursuant to its letter dated November 5, 2009. For the purposes of the Issue, BSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
SBI Capital Markets Limited	Karvy Computershare Private Limited
SBI Capital Markets Limited 202, Maker Tower 'E', Cuff Parade, Mumbai 400 005 Tel: +91 22 2217 8300 Fax: +91 22 2218 8332 Email: dqe.ipo@sbicaps.com Investor Grievance Email: investor.relations@sbicaps.com Website: www.sbicaps.com Contact Person: Mr. Abhishek Gupta/ Mr.Sandeep Onkar SEBI Registration No.: INM000003531	Karvy Computershare Private Limited Plot No. 17-24, Vittal Rao Nagar Madhapur Hyderabad – 500 081, India Telephone: +91 40 2342 0815 Facsimile: +91 40 2342 0814 Email: dqipo@karvy.com Contact Person: Mr. Murali Krishna Website: www.karvycomputershare.com SEBI registration number: INR000000221

BID/ISSUE PROGRAMME

BID/ISSUE OPENS ON	March 8, 2010	BID/ISSUE CLOSES ON	March 10, 2010

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SECTION I- GENERAL

DEFINITIONS AND ABBREVIATIONS

Term	Description
"We", "us", "our", "Issuer", "the Company" and "our Company"	Unless the context otherwise indicates or implies to include our Subsidiary, refers to DQ Entertainment (International) Limited on a standalone basis

Conventional or General Terms

Term	Description
A/c	Account
Act or Companies Act	Companies Act, 1956, as amended from time to time
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AS 14	Accounting Standard 14 titled "Accounting for Amalgamations"
AY	Assessment Year
BSE	Bombay Stock Exchange Limited
BPLR	Benchmark prime lending rate of the relevant bank
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CESTAT	Central Excise and Service Tax Appellate Tribunal
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996 as amended from time to time
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996
DP ID	Depository Participant's Identity
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ECS	Electronic Clearing Service
EGM	Extraordinary General Meeting
EPS	Unless otherwise specified, Earnings Per Share, i.e., profit after tax for a fiscal year divided by the weighted average outstanding number of equity shares during that fiscal year
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto
FEMA Regulations	FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 and amendments thereto
FII(s)	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investor) Regulations, 1995 registered with SEBI under applicable laws in India
Financial Year/ Fiscal/ FY	Period of twelve months ended March 31 of that particular year
Fiscal	Financial year, beginning on 1 April of an year and ending on 31 March of the subsequent year
FIPB	The Foreign Investment Promotion Board
FVCI	Foreign Venture Capital Investor registered under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000, as amended from time to time
GDP	Gross Domestic Product
GoI/Government	Government of India
HNI	High Networth Individual
HUF	Hindu Undivided Family
IFRS	International Financial Reporting Standards
I.T. Act	The Income Tax Act, 1961, as amended from time to time
Indian GAAP	Generally Accepted Accounting Principles in India

Term	Description
IPO	Initial Public Offering
LIBOR	London Interbank Offered Rate
Mn / mn	Million
NA	Not Applicable
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit and Loss account, divided by number of issued equity shares
NOC	No Objection Certificate
NEFT	National Electronic Fund Transfer
NRE Account	Non Resident External Account
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB	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 (Transfer or Issue of Foreign Security by a Person resident outside India) Regulations, 2000
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number allotted under the Income Tax Act, 1961
PAT	Profit After Tax
PBT	Profit Before Tax
PIO	Persons of Indian Origin
QIBs	Qualified Institutional Buyer(s) as defined in SEBI (ICDR) Regulations
RBI	The Reserve Bank of India
RONW	Return on Net Worth
Re.	One Indian Rupee, the official currency of the Republic of India
RoC	The Registrar of Companies, Andhra Pradesh located at Hyderabad
Rs.	Indian Rupees, the official currency of the Republic of India
RTGS	Real Time Gross Settlement
SAT	Securities Appellate Tribunal
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	The Securities and Exchange Board of India Act 1992, as amended from time to time
SEBI (ICDR) Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended from time to time
Sec.	Section
SIA	Secretariat for Industrial Assistance
Stamp Act	The Indian Stamp Act, 1899, as amended from time to time
STPI	Software Technology Parks of India
State Government	The government of a state of India
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time
UIN	Unique Identification Number
U.S./USA	United States of America
U.S. GAAP	Generally Accepted Accounting Principles in the United States of America
USD/US$	United States Dollars

Term	Description
VCFs	Venture Capital Funds as defined and registered with SEBI under the SEBI (Venture Capital Fund) Regulations, 1996, as amended from time to time

Issue Related Terms

Term	Description
Allotment / Allot	Unless the context otherwise requires, the issue/allotment of Equity Shares, pursuant to the Issue.
Allottee	A successful Bidder to whom the Equity Shares shall be allotted.
Anchor Investor	A Qualified Institutional Buyer, applying in the Anchor Investor Portion, who has Bid for Equity Shares amounting to at least Rs. 100,000,000
Anchor Investor Bid/Issue Period	The date one day prior to the Bid/Issue Opening Date on which bidding by Anchor Investors shall open and shall be completed
Anchor Investor Issue Price	The price at which the Equity Shares shall be allotted to the Anchor Investors under the Anchor Investor Portion
Anchor Investor Margin Amount	An amount representing 25% of the Bid Amount payable by Anchor Investors at the time of submission of their Bid
Anchor Investor Portion	The portion of the Net Issue comprising up to 2,830,860 Equity Shares, being up to 30% of the QIB Portion
Application Supported by Blocked Amount/ASBA	An application, whether physical or electronic, used by an ASBA Bidder to make a Bid authorising a SCSB to block the Bid Amount in their specified bank account maintained with the SCSB
ASBA Bid cum Application Form or ASBA BCAF	The form, whether physical or electronic, used by an ASBA Bidder to make an offer to subscribe for or purchase our Equity Shares and which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus
ASBA Bidder	Any Bidder except a QIB who makes a Bid through ASBA in accordance with the terms of the Red Herring Prospectus
ASBA Public Issue Account	A bank account of the Company opened under Section 73 of the Act, where the funds shall be transferred by the SCSBs from the bank accounts of the ASBA Bidders on the Designated Date
ASBA Revision Form	The form used by the ASBA Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their ASBA Bid cum Application Forms or any previous ASBA Revision Form(s) and which contain an authorisation to block the Bid Amount in an ASBA account
Basis of Allotment	The basis on which Equity Shares will be Allotted to Bidders under the Issue and which is described in "Issue Procedure – Basis of Allotment" on page no. 252 of this Red Herring Prospectus
Bid	An indication to make an offer during the Bidding Period by a Bidder (including an ASBA Bidder) or a Bid made by an Anchor Investor during the Anchor Investor Bid/Issue Period to subscribe to the Equity Shares of our Company 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 cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe for or purchase our Equity Shares (including an ASBA BCAF) and which will be considered as the application for the issue of the Equity Shares pursuant to the terms of the Red Herring Prospectus
Bid/Issue Closing Date	Except in relation to Anchor Investors, the date after which the Syndicate Members and SCSBs (in case of ASBA Bidders) will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a widely circulated Hindi national newspaper and a widely circulated Telugu newspaper
Bid/Issue Opening Date	Except in relation to Anchor Investors, the date on which the Syndicate Members and SCSBs (in case of ASBA Bidders) shall start accepting Bids

Term	Description
	for the Issue, which shall be the date notified in a widely circulated English national newspaper, a widely circulated Hindi national newspaper and a widely circulated Telugu newspaper.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form including an ASBA Bidder and an Anchor Investor
Bidding / Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date (inclusive of both days) and during which Bidders can submit their Bids, including any revisions thereof
Book Building Process	The book building process as provided in Schedule XI of the SEBI (ICDR) Regulations, in terms of which this Issue is being made.
BRLM / Book Running Lead Manager	The book running lead manager to the Issue, in this case being SBI Capital Markets Limited
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 the Book Building Process In relation to Anchor Investors, the note or advice or intimation of allocation of the Equity Shares sent to the successful Anchor Investors who have been allocated the Equity Shares after discovery of the Anchor Investor Issue Price, including any revisions thereof
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
Controlling Branches	Such branches of the SCSB which coordinate with the BRLM, the Registrar to the Issue and BSE and a list of which is available on http://www.sebi.gov.in
Cut-off Price	The Issue Price, being any price within the Price Band finalised by our Company in consultation with the BRLM. Only Retail Individual Bidders and Eligible Employees are entitled to Bid at Cut Off Price. QIBs and Non-Institutional Bidders are not entitled to Bid at Cut-off Price
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Bid cum Application Form used by ASBA Bidders and a list of which is available on http://www.sebi.gov.in
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account or the amount blocked by the SCSB is transferred from the bank account of the ASBA Bidder to the ASBA Public Issue Account, as the case may be, after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful Bidders
Designated Stock Exchange	The Bombay Stock Exchange Limited
Draft Red Herring Prospectus	The draft red herring prospectus issued in accordance with Section 60B of the Companies Act, which does not contain complete particulars on the price at which the Equity Shares are offered and the size (in terms of value) of the Issue.
Eligible Employees	Permanent and full-time employees of our Company, working in India or abroad or a Director, whether Executive or Non-Executive (not including Promoter Directors or members of the Promoter Group) during the Bidding/Issue Period
Eligible NRI	NRIs from jurisdictions outside India where it is not unlawful to make an issue or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe for or purchase the Equity Shares offered thereby
Employee Discount	The difference of upto Rs. [•] between the Issue Price and the differential lower price, subject to such difference not being more than 10% of the Issue Price, at which our Company shall allot the Equity Shares to the Eligible Employees in accordance with Regulation 29 of the SEBI ICDR Regulations
Employee Reservation Portion	The portion of the Issue being up to 321,011 Equity Shares available for allocation to Eligible Employees. The Employee Reservation Portion shall not exceed 5% of the post-Issue capital of the Company

Term	Description
Escrow Account(s)	The accounts opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder (excluding the ASBA Bidders) will issue cheques or drafts in respect of the Margin Amount when submitting a Bid and the remainder of the Bid Amount, if any, collected thereafter
Escrow Agreement	An agreement to be entered into by our Company, the Registrar, BRLM, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable, refunds of the amounts collected to the Bidders (excluding the ASBA Bidders) on the terms and conditions thereof
Escrow Collection Bank(s)	The banks that are clearing members and registered with SEBI as Bankers to the Issue with whom the Escrow Account(s) will be opened and in this case being State Bank of India, Axis Bank Limited, The Hong Kong and Shanghai Banking Corporation Limited and Yes Bank Limited
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or the Revision Form or the ASBA Bid cum Application Form.
Fitch Ratings	Fitch Ratings India Private Limited
Floor Price	The lower end of the Price Band, above which the Issue Price will be finalized and below which no Bids will be accepted.
IDFC	IDFC Investment Advisors Limited, registered with SEBI as a "Portfolio Manager" under the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993
Issue	Public issue of 16,048,011 Equity Shares of Rs. 10 each of the Company for cash at a price of Rs. [•] per Equity Share (include a share premium of Rs. [•] per Equity Share) aggregating Rs. [•]. The Issue comprises a Net Issue to the public of 15,727,000 Equity Shares and an Employee Reservation of upto 321,011 Equity Shares
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Prospectus. The Issue Price will be decided by the Company in consultation with the BRLM on the Pricing Date The Issue Price for Eligible Employees bidding under the Employee Reservation Portion shall be the Issue Price *less* Employee Discount.
Issue Proceeds	The proceeds of the Issue that would be available to our Company after receipt of final listing and trading approvals.
Listing Agreement	The listing agreement to be entered into between the Company and BSE for listing of the Equity Shares
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Mutual Fund Portion	5% of the QIB Portion, equal to 471,810 Equity Shares (to be adjusted for Anchor Investor Portion, if applicable) available for allocation to Mutual Funds only, out of the QIB Portion
Mutual Funds	Mutual fund(s) registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended
Net Issue	The Issue less the Employee Reservation Portion
Net Proceeds	The Issue Proceeds less the Issue expenses. For further information on the use of the Issue Proceeds and the Issue expenses, see "Objects of the Issue" on page no. 35 of this Red Herring Prospectus
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 1,00,000 (but not including NRIs other than Eligible NRIs)
Non-Institutional Portion	The portion of the Net Issue being up to 10% of the Net Issue and comprising up to 1,572,700 Equity Shares available for allocation to Non Institutional Bidders, subject to valid Bids being received at or above the Issue Price
Non-Resident Indian/NRIs	A person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time
Non-Resident/NRs	All eligible Bidders that are persons resident outside India, as defined under FEMA, including Eligible NRIs, FIIs and FVCIs
Pay-in Date	Except with respect to ASBA Bidders, the Bid/Issue Closing Date, or the

Term	Description
	last date specified in the CAN sent to such Bidders, as applicable and which shall with respect to the Anchor Investors, be a date not later than two working days after the Bid / Issue Closing Date
Pay-in-Period	(i) With respect to Bidders (excluding the ASBA Bidders) whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date; and (ii) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date specified in the CAN
Pre-IPO Placing	The private placement to certain selected investors of 3,772,771 Equity Shares for cash consideration of Rs. 68.11 per Equity Share (including a share premium of Rs. 58.11 per Equity Share), issued on a preferential allotment basis
Price Band	Price band of a minimum price (floor of the price band) of Rs. [•] and the maximum price (cap of the price band) of Rs. [•] and includes revisions thereof. The Price Band and the minimum Bid lot size for the Issue will be decided by the Company in consultation with the BRLM and advertised in two national newspapers (one each in English and Hindi) and in one Telegu newspaper with wide circulation at least two working days prior to the Bid/Issue Opening Date
Pricing Date	The date on which our Company in consultation with the BRLM finalises the Issue Price
Prospectus	The Prospectus to be filed with the RoC in terms of Section 60 of the Companies Act, containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Escrow Collection Bank(s) to receive monies from the Escrow Account on the Designated Date
QIB Margin Amount	An amount representing 10% of the Bid Amount, QIB Bidders are required to pay at the time of submission of their Bid
QIB Portion	The portion of the Net Issue being at least 9,436,200 Equity Shares of Rs. 10 each to be allotted to QIBs on a proportionate basis at the Issue Price
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs and sub-account (other than a sub-account which is a foreign corporate or foreign individual) registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law, National Investment Fund and insurance funds set up and managed by the army, navy, or air force of the Union of India as defined in SEBI (ICDR) Regulations
Red Herring Prospectus	This red herring prospectus dated February 20, 2010 issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus has been filed with the RoC at least three (3) days before the Bid / Issue Opening Date and will become a Prospectus upon filing with the RoC after the Pricing Date
Refund Account	The account opened with Escrow Collection Bank(s), from which refunds, if any, of the whole or part of the Bid Amount (excluding to the ASBA Bidders) shall be made
Refund Banker	Axis Bank Limited
Refunds through electronic transfer of funds	Refunds through electronic transfer of funds means refunds through ECS, Direct Credit, RTGS or the ASBA process, as applicable.
Registrar / Registrar to the	Registrar to the Issue, in this case being Karvy Computershare Private

Term	Description
Issue	Limited, having its registered office at Plot No. 17-24, Vittal Rao Nagar Madhapur, Hyderabad – 500 081.
Retail Individual Bidder(s)	Individual Bidders (including HUFs) who have not Bid for Equity Shares for an amount more than Rs. 1,00,000 in any of the bidding options in the Issue (including HUF applying through their Karta and Eligible NRIs)
Retail Portion	The portion of the Net Issue being up to 4,718,100 Equity Shares 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 Amount in any of their Bid cum Application Forms or any previous Revision Form(s)
SBICAPS	SBI Capital Markets Limited
Self Certified Syndicate Bank or SCSB	The Banks which are registered with SEBI under SEBI (Bankers to an Issue) Regulations, 1994 and offers services of ASBA, including blocking of bank account and a list of which is available on http://www.sebi.gov.in
Stock Exchanges	BSE and NSE
Syndicate	The BRLM and the Syndicate Members
Syndicate Agreement	Agreement to be entered into between the Syndicate and the Company in relation to the collection of Bids in this Issue (excluding Bids from the ASBA Bidders)
Syndicate Members	SBICAP Securities Limited, India Infoline Limited and Yes Bank Limited
TRS/ Transaction Registration Slip	The slip or document issued by the Syndicate or the SCSB (only on demand), as the case may be, to the Bidder as proof of registration of the Bid
Underwriters	The BRLM and the Syndicate Members
Underwriting Agreement	The Agreement between the members of the Syndicate and our Company to be entered into on or after the Pricing Date

Company Related Terms

Term	Description
Articles /Articles of Association	Articles of Association of our Company, as amended
Auditors	The statutory auditors of our Company being, Deloitte Haskins and Sells, Chartered Accountants
Board/ Board of Directors	Board of Directors of our Company or a committee constituted thereof
Directors	Directors of our Company, unless otherwise specified
DQE Mauritius	DQ Entertainment (Mauritius) Limited, a company incorporated under the laws of Mauritius, being one of the promoters of the Company.
DQE plc	DQ Entertainment plc, a public limited company incorporated under the laws of the Isle of Man.
Equity Shares	Equity shares of our Company of Rs. 10 each fully paid-up.
Memorandum / Memorandum of Association	Memorandum of Association of our Company, as amended.
Promoter Group	The companies and the individuals mentioned in the chapter titled "Our Promoters and Promoter Group" on page no. 112 of this Red Herring Prospectus.
Promoters	Mr Tapaas Chakravarti and DQE Mauritius.
Registered Office	644, Aurora Colony, Road Number 3, Banjara Hills, Hyderabad 500 034
Subsidiary / DQ Ireland	DQ Entertainment (Ireland) Limited, a company incorporated under the laws of Ireland as a wholly owned subsidiary of our Company.

Abbreviations/Industry related Terms

Term	Description
2D	two-dimentional
3D	three-dimentional
CGI	Computer Generated Imagery

Term	Description
CPM	Critical Path Method
ERP	Enterprise Resource Planning
FMVs	Full Motion Videos
HDTV	High Definition Television
IGCs	In Game Cinematic(s)
IP	Intellectual Property
IEC	Importer-Exporter Code
IT	Information Technology
ITES	Information Technology enabled Services
IPR	Intellectual Property Right
MOCAP	Motion Capture
PERT	Program Evaluation and Review Technique
PS2	PlayStation 2
PS3	PlayStation 3
PSP	PlayStation Portable
SFX	Special Effects
TV	Television
VFX	Visual Effects
GDC	Game Developers Conference

PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

Financial Data

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our restated financial statements prepared in accordance with Indian GAAP and the SEBI (ICDR) Regulations, which are included in this Red Herring Prospectus. Our fiscal year commences on April 1 and ends on March 31 of the next year, so all references to a particular fiscal year are to the twelve-month period ended on March 31 of that year. Our Company only has unconsolidated financial statements for the year ended March 31, 2008 as our Company did not have any subsidiaries during the year ended March 31, 2008. The duration of Fiscal 2008 is from April 13, 2007, i.e., the day of incorporation of our Company to March 31, 2008. We have only one subsidiary, DQ Entertainment (Ireland) Limited, which was incorporated in November 2008 and it commenced its operations in Fiscal 2010.

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

In this Red Herring Prospectus, any discrepancies in any table between the totals and the sum of the amounts listed are due to rounding-off. Any percentage amounts, as set forth in "Risk Factors", "Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Red Herring Prospectus, unless otherwise indicated, have been calculated on the basis of our restated financial statements prepared in accordance with Indian GAAP.

Currency and units of Presentation

All references to "Rupees" or "Rs." or "INR" are to Indian Rupees, the official currency of the Republic of India. All references to "$", "US$", "U.S.$", "USD", "U.S. Dollar(s)" or "US Dollar(s)" are to United States Dollars, the official currency of the United States of America. All references to GBP or "£" are to Pound Sterling, the official currency of the United Kingdom. All references to Euro or "€" are to Euro, the official currency of certain member states of the European Union.

This Red Herring Prospectus contains translations of certain USD, GBP or Euro amounts into Indian Rupees that have been presented solely to comply with the requirements of Clause VIII (G) of Part A, Schedule VIII of the SEBI (ICDR) Regulations.

Unless otherwise specified, all currency translations provided herein have been made based on the RBI reference rate specified as of September 30, 2009 which was US$1.00 = Rs. 48.04, £1.00 = Rs. 76.43 and €1 = Rs. 70.24 *(Source: Reserve Bank of India available at www.rbi.org.in/scripts/ReferenceRateArchive.aspx)*. In case of Singapore Dollars or SGD the reference rate specified as of September 30, 2009 has been taken as and 1 SGD = Rs. 33.8203 *(Source: Monetary Authority of Singapore as of September 30, 2009 available at https://secure.sgs.gov.sg/apps/msbs/exchangeRatesForm.jsp)*. Such translations should not be considered as representation that such foreign currency amounts have been, or could have been or could be converted into Rs. At any particular rate, the rates stated above or at all.

Industry and Market Data

Unless stated otherwise, market and industry data used in this Red Herring Prospectus has generally been obtained or derived from industry publications and sources. These publications typically state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decisions should be made based on such information. Although we believe that industry data used in this Red Herring Prospectus is reliable, it has not been independently verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.

The extent to which the market and industry data used in this Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the animation industry in India and methodologies and assumptions may vary widely among different industry sources.

FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain “forward-looking statements”. These forward looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results and property valuations to differ materially from those contemplated by the relevant statement.

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which we have our businesses and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India, which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in our industry. Important factors that could cause actual results and property valuations to differ materially from our expectations include, but are not limited to, the following:

1. Failure to commence and complete our animation contracts as scheduled;
2. Our inability to effectively diversify our portfolio of projects and to manage our growth or to successfully implement our business plan and growth strategy;
3. Our inability to exploit new delivery channels and failure to keep up with the rapid technological change or alternate forms of entertainment;
4. Prolonged price competition, increased licensing costs or reduced operating margins;
5. The monetary and interest policies of India, inflation, deflation, unanticipated turbulence in interest rates;
6. Foreign exchange rates, equity prices or other rates or prices;
7. The performance of the financial markets in India;
8. General economic and business conditions in India;
9. Changes in laws and regulations that apply to our clients and the media and entertainment sector;
10. Changes in political conditions in India.

For further discussion of factors that could cause our actual results to differ, see the sections titled “Risk Factors” and “Management’s Discussion of Financial Condition and Results of Operations” on page nos. xii and 124 of this Red Herring Prospectus.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor any of the Underwriters nor any of their respective affiliates has any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the BRLM will ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by BSE.

SECTION II- RISK FACTORS

An investment in equity shares involves a degree of risk. You should carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain, a complete understanding of our Company, you should read this section in conjunction with the sections titled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page nos. 64 and 124 of this Red Herring Prospectus as well as the other financial and statistical information contained in the Red Herring Prospectus. If the following risks occur, our business, results of operations and financial condition could suffer, and the price of the Equity Shares and the value of your investment in the Equity Shares could decline.

Risks in relation to our Business Operations

1. Failure to complete animation contracts, which are fixed-price, fixed-time frame in nature, as scheduled may negatively affect our Company's profitability and may result in increased expenses due to repetition of work.

During each of FY 2008, FY 2009 and for the period ended September 30, 2009, our Company has derived over 90% of its earnings from production services on a fixed-price, fixed-time frame basis. In respect of such fixed-time and fixed-price production services, our Company bears the risk of penalty provisions, cost overruns, completion delays and wage inflation in connection with these projects. Our failure to estimate the resources and time required for a project, uncertainties due to creativity issues, may adversely affect our reputation, business, financial condition and results of operations. In addition, our production agreements require that we repeat the production of content that is rejected on grounds of such content not complying with client specifications. Such agreements also provide for penalty clauses where we are liable to pay penalties for any delay in the completion and handover of the material being produced under the agreement.

We cannot assure you that we will always complete the production of material under our production arrangements on time or that such material will be accepted by our clients. Any inability on our part to complete these productions in a timely manner or in accordance with client requirements could adversely affect our reputation business, financial condition and results of operations.

2. Procurement of new contracts is subject to negotiations, financial closure and initial quality tests. Our inability to procure new contracts could affect our future results of operations and cash flows.

The growth of our business depends on us winning new contracts. Generally, it is very difficult to predict whether and when we will be awarded a new contract since many potential contracts involve negotiations with our clients and also financial closure prior to signing to definitive agreements. The process also involves initial quality tests which is normally done by way of pilot productions and has to be approved by the clients. Because the growth of our business will be derived primarily from these contracts, our future results of operations and cash flows can fluctuate materially from period to period depending on the timing of contract awards.

3. In respect of our order book, for some of the orders, definitive agreements are under negotiation and have not been concluded yet. Our inability to conclude definitive agreements in respect of deal memos that form part of our order book could have a material adverse impact on our business and financials.

We have an order book worth approx. USD 95.07 million (Rs. 4,567.16 million approx.) as on date, out of which in respect of orders worth USD 38.74 million (Rs. 1861.07 million approx.) we have executed deal memos outlining the mutual commitments with such prospective clients, however, definitive and binding agreements in this regard are yet to be concluded. Such deal memos comprise 40.75% of our order book. We cannot assure you that definitive and binding agreements in this regard will be concluded. In the event such contracts are not concluded, it could have a material adverse impact on our business and financials.

4. ***One of our production contracts includes a provision for termination without cause and with little or no notice or before completion which could adversely affect its business and reduce its income.***

We have entered into a consulting agreement dated 13 August 2009, with Electronic Arts Inc, ("EA") a Delaware Corporation, wherein it is provided that EA has the right to terminate this agreement in its entirety or in part with respect to any work orders for any reason or for no reason by giving us 30 days' prior written notice. Our estimated contract value for this engagement is US$ 3.19 million (Rs. 153.25 million) and in the event the agreement is terminated by EA, it would adversely affect our business or revenues.

5. ***We have limited experience in IP content creation and as a result may not be able to achieve the high level of growth that we seek.***

We have recently forayed into production ventures focused on developing our own IP content and have produced series like *Balkand, Ravan* and are in the process of completing *The Jungle Book, Omkar, Mysteries of Feluda, Toomai – the Elephant Boy*, we have limited experience in developing our IP content. As on date we do not have sufficient experience that demonstrates our ability to develop our operations in this regard. Any inability to effectively manage our foray into this field could adversely affect our business, prospects, financial condition and results of operations.

6. ***A significant portion of our production revenues are dependent on clients from select geographical regions and any adverse economic impact in such geographical regions could adversely impact our business.***

Our Company currently derives, and believes it will continue to derive, significant portions of its revenues from clients mainly located in select geographical regions, such as the US and the European nations. A large number of our clients are located in such select geographical regions and any adverse economic impact in such regions could have an adverse effect on our business, results of operations and financial condition. The revenues derived from specific clients may vary from year to year, particularly since we typically may not be the only content provider for such clients.

Our revenue contributions from the US and European nations for Fiscal 2009 were 41.57% (40.62% for Fiscal 2008) and 51.18% (58.81% for Fiscal 2008) respectively. The loss of a major client or a reduction in the services performed for such a major client or in the event of a major client going into financial distress could result in a reduction of our revenues. For further details of the geographically diverse locations of our clients, please refer to the chapter titled "Our Business" on page no. 64 of this Red Herring Prospectus.

7. ***All of our production facilities including the SEZ area where we propose to construct our integrated production facility and our registered office are not owned by us and we enjoy only a leasehold right over these properties. In case such lease agreements are not renewed upon expiry, the continuity our business, financial condition and results of operations could be materially and adversely affected.***

All our production facilities including the SEZ area where we propose to construct our integrated production are established on premises that have been leased to us. Upon the termination of the lease, we are required to return the premises to the owners. We may not be able to recover the amount paid as security to the land owners or the costs incurred for the construction and development of our premises. Further, these lease agreements typically have a clause where the lease may, but is not required to, be extended with the consent of the parties. In the event that the owners do not wish to renew the lease agreements, our business, financial condition and results of operations could be materially and adversely affected.

In addition, the premise on which our registered office is situated has been leased to us until June 30, 2010. If the lessor does not renew the lease or decides to terminate the lease, we may suffer a disruption in our operations.

8. ***Our success depends upon our senior management team and skilled personnel and our ability to attract and retain such persons. Our inability to retain such key employees could adversely affect our business.***

Our success depends on our senior management, our directors and other key personnel. Our future performance will depend upon the continued services of these persons. The loss of any of the members of our senior management, our directors or other key personnel may adversely affect our results of operations and financial condition. Global animation industry is growing and is highly competitive and competition in the animation production industry for senior management and qualified employees is intense. Our continued ability to compete effectively in our businesses depends on our ability to attract new employees and to retain and motivate our existing employees. Our inability to hire and retain such employees could adversely affect our business.

9. ***We may be liable to our clients for substantial damages caused by unauthorized disclosure of sensitive and confidential information or breach of intellectual property rights or other terms and conditions through a breach of our sub-contractors or their employees or otherwise. The occurrence of such events could lead to termination of such contracts or initiation of legal proceedings against us, which could affect our reputation or future business potential adversely.***

We are typically required to manage, utilise and store sensitive or confidential client data in connection with the services we provide and to protect our clients' intellectual property rights. Under the terms of the client contracts, we are required to keep such information strictly confidential. The contracts with those clients contain robust provisions relating to confidentiality and data protection. A number of our client contracts can be terminated immediately in the event of a breach of the data protection or confidentiality provisions. We seek to implement measures to protect sensitive and confidential client data and to protect our clients' intellectual property, but notwithstanding these measures, if the client data is mismanaged or misappropriated or a client's intellectual property rights are breached, we could be subject to significant liability and lawsuits from our clients for breaching contractual confidentiality or data protection provisions or privacy laws. The occurrence of such events could have a material adverse impact on our reputation, financials and business operations.

10. ***DQE plc, our Promoter Group company is admitted to trading on AIM and is currently trading at a price below the issue price of its equity shares.***

DQE plc, our Promoter Group company has been admitted to trading on the Alternate Investment Markets of the London Stock Exchange with effect from 18 December 2007. As on February 12, 2010, the closing price of equity shares of DQE plc was 95.50 pence which is below their issue price of 136 pence (approximately Rs. 99.9). The 52 week low price of DQE plc is 57.50 pence and is 42.28% of its issue price.

11. ***In respect of the Scheme of Amalgamation of the erstwhile DQ Entertainment Limited ("Transferor Company") with our Company ("Transferee Company"), the accounting was not in strict compliance with AS 14. In case the accounting were in compliance with the "purchase method" specified in AS 14, amounts aggregating to Rs. 103.17 million would have been credited to Capital Reserve Account.***

The Scheme of Amalgamation, accounted for in accordance with the order of the High Court of Andhra Pradesh dated November 7, 2007 approving the Scheme of Amalgamation of DQ Entertainment Limited with the Company, was not strictly in compliance with the "Pooling of interests" method specified in AS-14, although in substance all the equity shareholders of the transferor company became shareholders of the transferee Company. As per the Scheme of Amalgamation, the consideration was by payment of cash of Rs. 403.28 million and issuance of 629,447 Redeemable Optionally Convertible Non Cumulative Preference Shares having a face value of Rs.10 each, aggregating to Rs.6.29 million. In case we had accounted for the scheme of amalgamation in accordance with the "Purchase" method specified in AS-14:

(a) The difference between the paid up share capital of erstwhile DQ Entertainment Limited and aggregate face value of the shares issue and allotted by the Company amounting to Rs.5.48 million would have been credited to the Capital Reserve of the Company; and

(b) The credit balance in the Securities Premium Account amounting to Rs.116.79 million in the transferor company would have been credited to the Capital Reserve of the transferee Company.

(c) The debit balance in the Profit and Loss Account of Rs.19.10 million would have been adjusted to the Capital Reserve Account.

In respect of the above, Deloitte Haskins and Sells, our statutory auditors have issued a letter dated 23 January 2010 and titled “Accounting for Scheme of Amalgamation vis-à-vis AS 14” which is made available as a “Material Document for Inspection”.

12. Our inability to manage our growth could affect our business and financial results adversely.

A principal component of our strategy is to continue to grow by expanding the size and geographical scope of our businesses, as well as the development of our new business streams. We are in the process of diversifying and expanding our product offerings which may expose us to unknown markets and risks.

This growth strategy will place significant demands on our management, financial and other resources. It will require us to continuously develop and improve our operational, financial and internal controls. Continuous expansion increases the challenges involved in financial management, recruitment, training and retaining high quality human resources, preserving our culture, values and entrepreneurial environment, developing and improving our internal administrative infrastructure.

Any inability on our part to manage such growth or our relative inexperience in these new product offerings could disrupt our business prospects, impact our financial condition and adversely affect our results of operations.

13. Our Company may engage in future acquisitions, mergers, investments, partnerships or other ventures that may compromise its performance and cause it to incur debt or assume contingent liabilities.

As per our growth strategy our Company may acquire or make investments in same or related businesses, subsidiaries, co-productions, original content creation, technologies, services or products, or enter into strategic partnerships with parties who can provide access to those assets. However, we may not be able to identify suitable acquisition, investment or strategic partnership candidates, or we do identify suitable candidates, we may not be able to agree on the commercial terms of any transaction. If our Company acquires another company, or the whole or part of another business, it could have difficulty in assimilating the personnel and operations of the target. Our Company may not be able to retain the services of individuals who are key to the acquired company or business. These difficulties could disrupt our Company’s ongoing business, distract our management and increase our expenses.

14. Others may assert intellectual property infringement claims against us which could have a material adverse impact on our business

Our association with animated productions creates the possibility of claims that our productions and production techniques misappropriate or infringe the intellectual property rights of third-parties with respect to their technology and software, previously developed films, stories, characters, or intellectual property. There can be no assurance that infringement or misappropriation claims (or claims for indemnification resulting from such claims) will not be asserted or prosecuted against us, or that any assertions or prosecutions will not materially adversely affect our business, financial condition or results of operations. We would incur significant costs and diversion of resources with respect to the defense thereof, which could have a material adverse effect on our business, financial condition or results of operations.

Save and except a previous instance, where our Company had filed a suit for permanent injunction before the judicial authorities against Cyber Media (India) Limited (“**Defendant**”), praying that the Defendant be restrained from making groundless threat of initiating legal proceedings against us for alleged trademark violations relating to 'Dataquest' or 'DQ' trademarks, there have been no previous instance of any intellectual property infringements pending or threatened against us. In July 2007, we were granted an absolute injunction in the said matter and till date, we have no received any intimation or notices as regards any appeal being filed by the Defendant in this regard.

15. Our Company's services and product offerings may not be able to meet industry standards in the future. Our inability to keep up with technological advances in the industry may materially impact our business.

The animation market is characterised by rapid changes in licensed software, evolving industry standards and changing customer preferences. The success of our Company will depend on its ability to develop its services and keep abreast or ahead of changes in the industry. We cannot assure that we will be successful in achieving this and our inability to address these developments may materially impact our business.

16. Products can have short lifecycles and may fail to generate significant revenues

We are involved in the creation of animation assets for interactive entertainment. The market for animation entertainment is characterised by short product lifecycles and frequent introduction of new products. We run the risk of committing resources for the creation of such products and eventually fail to realise anticipated revenues. Failure to generate commensurate revenues would adversely affect our revenue and profitability.

17. Piracy of animated content, including digital and Internet piracy, may decrease revenue received from the exploitation of our productions.

Piracy of motion pictures and content is extensive in many parts of the world and is made easier by technological advances and the conversion of motion pictures into digital formats, which facilitates the creation, transmission and sharing of high quality unauthorized copies of motion pictures in theatrical release, on videotapes and DVDs, from pay-per-view through set top boxes and other devices and through unlicensed broadcasts on free TV and the Internet. The proliferation of unauthorized copies and piracy of these products has an adverse affect on our business because these products reduce the revenue we receive from our legitimate products.

There can be no assurance that technological or legal protection measures against piracy will reduce unlicensed replication and distribution of our material effectively or at all. If the above measures are not successful we may lose an indeterminate amount of additional revenue as a result of piracy.

18. Our revenues from our own IP productions is primarily dependent on audience acceptance, which is difficult to predict and therefore inherently risky.

We cannot predict the economic success of our own IP productions because the revenue derived from such productions (which is independent of the cost of the production) depends primarily upon its acceptance by the public, which cannot be accurately predicted. The economic success of such productions also depends upon the public's acceptance of competing productions and the availability of alternative forms of entertainment and leisure time activities, all of which can change and cannot be predicted with certainty.

19. We cannot predict the effect that rapid technological change, alternative forms of entertainment or distribution of content may have on us or the animation industry. Our inability to keep pace with such technological changes may adversely impact our business operations.

The entertainment industry in general, and the animation industry in particular, continue to undergo significant changes, primarily due to technological developments. Due to rapid growth of technology, we cannot accurately predict the overall effect that technological changes, the availability of alternative forms of entertainment or distribution of content may have on the potential revenue from and profitability of our animated productions. Our inability to keep pace with such technological changes may adversely impact our business operations.

20. ***Our industry is experiencing consolidation that may intensify competition and may force us to deploy greater resources to meet such competitive threats and could adversely affect our financial condition and operating results.***

The media and entertainment industry and the animation industry in particular, both domestically and internationally, is undergoing change that has resulted in increasing consolidation and a proliferation of strategic transactions. This consolidation among our competitors could put us at a competitive disadvantage, which could cause us to lose customers, revenue and market share. They could force us to expend greater resources to meet new or additional competitive threats, which could adversely affect our financial condition and operating results.

21. ***We outsource some of our production requirements to third parties and disruption in our production commitments on account of shortage of outsourced manpower or lack of supervision may impact our business adversely.***

The animation industry requires highly creative manpower and continuous access to skilled manpower and production facilities. We outsource some of our production requirements to third party. While we currently share cordial relations with these third parties, we cannot assure that the same will continue even in the future. Any strained relations with these third parties could affect our business requirements, as we may not be able to immediately meet any shortage arising due to this. While we have located onsite supervisors to manage and supervise these parties, we cannot assure you that these parties will always meet our production requirements or our standards and quality. Any disruption in our production commitments on account of such events may impact our business.

Risks in relation to the Objects of the Issue

22. ***The objects of the Issue for which funds are being raised have not been appraised by any bank or financial institution. We have not entered into any definitive agreements to utilise the proceeds of the Issue. Any variation between the estimation and actual expenditure on these projects could result in execution delays or influence our profitability adversely.***

The deployment of funds as stated in the "Objects of the Issue" beginning on page no. 35 of this Red Herring Prospectus is entirely at the discretion of our management and is not subject to monitoring by any independent agency. All the figures included under the "Objects of the Issue" are based on our own estimates. There has been no independent appraisal of the project. We have not entered into any definitive agreements to utilize the proceeds of the Issue towards the purposes mentioned in the chapter titled "Objects of the Issue" on page no. 35 of this Red Herring Prospectus.

23. ***The objects of the Issue include making investments in our unlisted Subsidiary which can be utilised at the discretion of the management of our Subsidiary and no dividends have been assured to us.***

Part of the net proceeds of the Issue and the Pre-IPO Placement, estimated at approximately 10% of the total Issue, is proposed to be utilised to subscribe to the equity capital of DQ Entertainment (Ireland) Limited, our Subsidiary. Such amount would be utilised as per the discretion of the management of our Subsidiary. Our Subsidiary is an unlisted company and as such its activities and records are not subject to public scrutiny. No dividends from our Subsidiary have been assured to us with respect to any of our current and future investments in our Subsidiary.

24. ***The objects of the Issue include expenditure to be incurred for development and construction of office premises and work centre in the SEZ. The lease agreement entered into with the authorities require us to commence construction activities and operations within a stipulated time frame. In case we are not able to meet such stipulations, our lease may be terminated and we might not be able to shift our facilities in the SEZ.***

Part of the net proceeds of the Issue shall be utilised to incur expenditure for development and construction of office premises and work centre in a SEZ. Our estimated expenditure in this regard is Rs. 519.16 million out of which, we proposed to finance Rs. 392.31 million through net proceeds of the Issue. We have acquired leasehold rights over land admeasuring 2.87 acres in the said SEZ. The terms of the lease agreement that we have signed with the Hyderabad Metropolitan Development Authority ("HMDA") in this regard, require us to commence construction activities within 6 months from the date of the possession and commence commercial operations of one-third of the committed built up space) within 18 months from the date of possession, i.e., January 29, 2009. The balance two-third space along with total manpower committed shall be fulfilled by the third year in the second phase. As a condition of the lease agreement, we are required to employ at least 999 IT professionals by the end of 3 years from the date of possession. In case we are not able to meet such stipulations, our lease may be terminated. For further details in this regard, please refer to the chapter titled "Objects of the Issue" on page no. 35 of this Red Herring Prospectus.

25. ***The objects of the Issue include utilisation of Issue proceeds towards general corporate purposes which can be more than 25% of the Issue proceeds and can be utilised at the discretion of our management.***

From the Net Proceeds of the Issue, an estimated Rs. 817.24 million is proposed to be utilised for investment in co-production agreements, focusing on IP content creation; development of office premises and production facilities; and investment in our Subsidiary. The balance proceeds, which may be more than 25% of the Net Proceeds of the Issue shall be utilised towards general corporate purposes. The general corporate purposes may include up-gradation of infrastructure facilities, development of additional facilities and towards investment in acquisitions and contingencies for expansion based on further orders and business opportunities. Such objects have not been firmly tied-up and utilisation of proceeds towards such objects shall be per as the discretion of our management.

26. ***Our management will have flexibility in applying the Net Proceeds received from the Issue and the ultimate deployment may not be as per the deployment schedule.***

We intend to use the Net Proceeds that we receive from the Issue for the purposes described in "Objects of the Issue" on page no. 35 of this Red Herring Prospectus. Our management may determine that it is appropriate to revise our estimated costs, fund requirements and deployment schedule owing to certain factors. Further, in the event of any shortfall of funds for any purposes of the "Objects of the Issue", we may decide to reallocate the Net Proceeds from other purposes of the "Objects of the Issue" to the purposes where such shortfall has arisen.

Pending utilization of the Net Proceeds of the Issue and other financings, we intend to invest such Net Proceeds in interest-bearing liquid instruments including money market mutual funds, bank deposits as approved by our Board. Although the utilisation of the Net Proceeds from the Issue and other financings will be monitored by the Board, there are no limitations on interim investments that we can make using such Net Proceeds. In addition, Rs. [●] million has been allocated to general corporate purposes and will be used at the discretion of the management.

Risk in relation to our Company

27. ***We are subject to restrictive covenants under our credit facilities that could limit our flexibility in managing our business***

There are restrictive covenants in the agreements we have entered into with our lenders. These restrictive covenants require us to maintain certain financial ratios and seek the prior permission of these banks/financial institutions for various activities, including, amongst others, selling, leasing, transferring or otherwise disposing of any part of our business or revenues, affecting any scheme of amalgamation or reconstitution, implementing a new scheme of expansion or taking up an allied line of business. Such restrictive covenants in our loan documents may restrict our operations or ability to expand and may adversely affect our business. Though we have received necessary approvals from our lenders for this Issue, these restrictive covenants may also affect some of the rights of our shareholders. For details of these restrictive covenants, see the section titled "Financial Statements" beginning on page no. 121 of this Red Herring Prospectus.

28. ***Some of our trademarks are pending registration. Our inability or failure to protect our trademarks may adversely affect our business or results of operations.***

As of the date of this Red Herring Prospectus, we have 1 registered trademark (including logos and words) relating to our logo "DQ with Andy mascot". We have also applied for trademark registration of the new logo of DQE which is pending before the trademark registry.

We have incurred marketing and advertising expenses to develop our trademarks and these are important to our business and strategy. In the event any of our trademarks are subject to any challenge or not registered for any reason, or there is a delay in registration, our business and results of operations may be affected adversely.

29. Investors run the risk of being allotted shares pursuant to this IPO at a price which may be higher than the price at which we have allotted shares to other shareholders in the last one year.

We have issued Equity Shares to the persons as described below in the year preceding the date on which this Red Herring Prospectus is filed with SEBI, which may be at a price lower than the Issue Price. We have completed a Pre-IPO placement to certain selected investors for cash consideration at a price of Rs. 68.11 per Equity Share (including a share premium of Rs. 58.11 per Equity Share), which may be at a price lower than the Issue Price.

Name of the Shareholder	Date of Issue	Whether Belongs to Promoter Group	Number of Equity Shares of Rs. 10 each	Issue price per Equity Share (Rs.)	Reasons for Issue
Tapaas Chakravarti*	July 24, 2009	Yes	1	10	Issue of 1 Equity Share each to be held as nominees of DQE Mauritius
Rashmi Chakravarti*	July 24, 2009	Yes	1	10	Issue of 1 Equity Share each to be held as nominees of DQE Mauritius
Nivedita Chakravarti*	July 24, 2009	Yes	1	10	Issue of 1 Equity Share each to be held as nominees of DQE Mauritius
Laxminarayana Nagu*	July 24, 2009	No	1	10	Issue of 1 Equity Share each to be held as nominees of DQE Mauritius
Sumedha Saraogi*	July 24, 2009	No	1	10	Issue of 1 Equity Share each to be held as nominees of DQE Mauritius
DQE Mauritius	August 26, 2009	Yes	27,381	10	Conversion of preference shares into Equity Shares
DQE Mauritius	September 17, 2009	Yes	58,011,680	N.A.	Bonus issue in the ratio of 40:1
Akula Ramakrishna*	September 17, 2009	No	40	N.A	Bonus issue in the ratio of 40:1
Tapaas Chakravarti*	September 17, 2009	Yes	40	N.A	Bonus issue in the ratio of 40:1
Rashmi Chakravarti*	September 17, 2009	Yes	40	N.A	Bonus issue in the ratio of 40:1
Nivedita Chakravarti*	September 17, 2009	Yes	40	N.A	Bonus issue in the ratio of 40:1
Laxminarayana Nagu*	September 17, 2009	No	40	N.A	Bonus issue in the ratio of 40:1
Sumedha Saraogi*	September 17, 2009	No	40	N.A	Bonus issue in the ratio of 40:1
IDFC Investment Advisors Limited	December 23, 2009	No	2,936,427	68.11	Pre-IPO Placing
Rajesh Sachdeva	January 6, 2010	No	251,402	68.11	Pre-IPO Placing
Ajay Sharma	January 6, 2010	No	125,824	68.11	Pre-IPO Placing
Amit Jasani Financial Services Private Limited	January 6, 2010	No	146,968	68.11	Pre-IPO Placing
Nikhil Vora	January 6, 2010	No	146,821	68.11	Pre-IPO Placing
Pradip Doshi	January 6,	No	36,705	68.11	Pre-IPO Placing

Name of the Shareholder	Date of Issue	Whether Belongs to Promoter Group	Number of Equity Shares of Rs. 10 each	Issue price per Equity Share (Rs.)	Reasons for Issue
	2010				
Christo Equities Inc.	January 6, 2010	No	128,624	68.11	Pre-IPO Placing

*Equity Shares held as nominees of DQE Mauritius.

30. ***We may not be able to avail of certain tax benefits, which are presently available to us or recognise the tax benefits claimed in the past. Our inability to avail such tax benefits in the future could adversely affect our profits and results of operations.***

We currently enjoy Section 10A benefits under the Income Tax Act, 1961. As a result of these benefits we are subject to relatively low tax liabilities. The tax benefits under Section 10A under the current provisions will not be available from April 1, 2011. When such tax incentives expire or terminate and in case our proposal to move our production facilities into an SEZ is delayed, our tax expense will materially increase, reducing our profitability. For further details relating to the implementation schedule as regards moving our facilities into SEZ, please refer to the chapters titled "Objects of the Issue and "Statement of Tax Benefits" on page nos. 35 and 50 respectively of this Red Herring Prospectus. Further, the GOI could enact laws in the future that may adversely impact our tax incentives and consequently, our tax liabilities and profits.

We rely on the opinions of tax experts in other jurisdictions in relation to transfer pricing norms and applicability of the relevant provisions of double taxation avoidance agreements. However, the relevant tax authorities may not concur with these opinions and may take an adverse view. In such an eventuality, we may be required to pay additional taxes and/or penalties for prior periods as well as for future period revenues. As on date, we have no such claims in non-Indian jurisdictions. We cannot assure you that certain tax benefits claimed by us in the past will not be denied and that we may be required to pay the amount in relation to the claimed tax benefits to the relevant tax authorities. This could adversely affect our profits and results of operations.

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

We require certain approvals, licences, registrations and permissions for operating our business, some of which may have expired and for which we may have either made or are in the process of making an application for obtaining the approval or its renewal. For more information, please see the section entitled "Government Approvals" on page no. 205 of this Red Herring Prospectus. If we fail to obtain any of these approvals or licences, or renewals thereof, in a timely manner, or at all, our business could be materially and adversely affected.

32. ***Our operations are concentrated in geographically proximate facilities in Hyderabad, and we are vulnerable to natural disasters or other events that could disrupt those operations.***

Substantial parts of our operations are located in geographically proximate facilities in Hyderabad. We are therefore vulnerable to the effects of a natural disaster, such as an earthquake, flood or fire, or other calamity or event that disrupts our ability to conduct our business or that causes material damage to the properties at this location. Our backup facilities are also co located with our production facilities and are likely to be damaged in the event of damage to our production facilities. We do not have business interruption insurance, and we cannot assure you that our property insurance would cover any loss or damage to our assets.

33. ***Our total revenues from related party transactions in Fiscal 2009 and six months ending September 2009 were Rs. 359.64 million and Rs. 99.38 million. There can be no assurance that such transactions will be in the interest of the Company or its shareholders.***

As per our restated consolidated financial statements for six months ending September 2009, we received revenues of Rs. 99.38 million from Method Animation SAS, which is an associate of

DQE plc, our ultimate holding company. In Fiscal 2009, as per our restated financials, we received revenues of Rs. 359.64 million from Method Animation SAS.

The said revenues were on account of animation production carried out by us for various contracted projects of Method Animation SAS. Method Animation SAS has a strategic partnership with DQE plc pursuant to which they have tied up to develop strategic business synergies. We rely upon such parties for such contracted work and there cannot be an assurance that we will continue to derive such benefits. For further details as regards the related party transactions, please refer to the chapter titled "Related Party Transactions" on page no. 119 of this Red Herring Prospectus.

For further details as regards the strategic partnership between DQE plc and Method Animation, please refer to the chapter titled "History and Corporate Structure" on page no. 92 of this Red Herring Prospectus.

34. ***DQE plc, our Promoter Group company has incurred losses since incorporation in 2007 and we cannot assure that our Promoter Group companies will make profits in the future.***

DQE plc, our Promoter Group company incurred losses in Fiscal 2008 (as per its standalone financial statements) as set forth in table below:

Fiscal 2008	Profit (Loss) after Tax	
	In USD	In Rs.
2008	(18,883,000)	(907,139,320)

35. ***There is one outstanding litigation against us and any adverse outcome may adversely affect our reputation, business and operations.***

Our Company is a defendant in a complaint filed by a trainee before the District Consumer Forum, Hyderabad – III, seeking refund of training fee of Rs. 40,000. Any adverse outcome may adversely affect our business and operations. For further details in this regard, please refer to the chapter titled "Outstanding Litigation and Material Developments" on page no. 202 of this Red Herring Prospectus.

36. ***We have certain contingent liabilities as per our restated unconsolidated financial statements, and our profitability could be adversely affected if any of these contingent liabilities materialize.***

As of September 30, 2009 we had contingent liabilities in the following amounts, as disclosed in our restated unconsolidated financial statements. If any of these contingent liabilities materialize, our profitability could be adversely affected.

		(Rs. Millions)	
	30-09-2009	31-03-2009	31-03-2008
a) Bonds executed in favour of customs and excise authorities	37.25	37.25	35.13
b) Letter of Credit	338.92	316.58	268.55
c) Under the scheme of Amalgamation all Assets and Liabilities of the erstwhile company DQ Entertainment Limited were taken over by the company. Consequently the company was liable for all Income tax assessments prior to the date of take over .			
d) Income tax assessment of DQ Entertainment (International) Private Limited has been completed till Assessment Year 2006-07 (financial year 2005-06). Income Tax department has preferred an appeal for the Assessment Years 2004-05 and 2006-07 and is pending before the Income Tax Appellate Tribunal (ITAT). No demand has been raised by the Department on the above.			
e) Claims against the Company not acknowledged as debts is Rs. Rs.9,642,147 (31.03.2009: Rs. 9,642,147l). This comprise of demands raised by the Income Tax department for non deduction of TDS on payments to non residents on which the Company has gone on appeal and the appeal is pending before the Commissioner of Income Tax (Appeals), Hyderabad.			

37. Ms. Rashida Adenwala, Practising Company Secretary– (Head Company Affairs and Investor Relations) acting as advisor to the Company is a member of the Offering Committee and is not a permanent employee of our Company.

Ms. Rashida Adenwala, – ***Practising Company Secretary– (Head Company Affairs and Investor Relations)***, is part of the key management personnel. Ms. Adenwala is responsible for advising the Board and the senior management of the Company on corporate governance and investor relations. Though Ms. Adenwala has been engaged by us for over 20 years, she is not our employee and her advisory services are available to us as a consultant.

Risks Related to investments in our Equity Shares

38. The Promoters will hold a majority of our Equity Shares after the Issue and can therefore determine the outcome of shareholder voting and influence our business such as management decisions on strategy and operations

After the completion of this Issue, the Issuer's principal shareholders, being the Promoters, will hold approximately 75% of the Equity Shares. Consequently, they will be able to exercise a significant degree of influence over us and will be able to control the outcome of any proposal that can be passed with a majority shareholder vote.

In addition, the Promoters have the ability to block any resolution by our shareholders, including the alterations of the Articles of Association, issuance of additional shares of capital stock, commencement of any new line of business and similar significant matters. The Promoters will be able to control most matters affecting us, including the appointment and removal of officers, our business strategies and policies, dividend payouts and capital structure and financing.

The Promoters will also continue to have the ability to cause us to take actions that are not in, or may conflict with, our interests and or the interests of our minority shareholders, and there can be no assurance that such actions will not have an adverse effect on our future financial performance and the price of our Equity Shares.

39. There is no existing market for our Equity Shares, and there can be no assurance that one will develop. Our stock price may be highly volatile after the Issue and, as a result, you could lose a significant portion or all of your investment.

Prior to this Issue, there has been no public market for our Equity Shares, and an active trading market on the Stock Exchanges may not develop or be sustained after the Issue. The Issue Price of the Equity Shares may bear no relationship with the market price of the Equity Shares after the Issue. The market price of the Equity Shares after the Issue may be subject to significant fluctuations in response to, among other factors, variations in our operating results, competitive conditions, general economic, social and political factors, volatility in Indian and global securities market or significant developments in India's fiscal regime. There has been significant volatility in the Indian stock markets in the recent past, and our share price could fluctuate significantly as a result of market volatility. A decrease in the market price of our Equity Shares could cause you to lose some or all of your investment.

40. Any future issuance of Equity Shares by us may dilute your shareholding and adversely affect the trading price of the Equity Shares.

Any future issuance of Equity Shares by us may dilute your shareholding in our Company, adversely affect the trading price of our Equity Shares and our ability to raise capital through an issue of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares. Additionally the disposal, pledge or encumbrance of Equity Shares by any of our major shareholders, or the perception that such transactions may occur may affect the trading price of the Equity Shares. No assurance may be given that we will not issue Equity Shares or that such shareholders will not dispose of, pledge or encumber their Equity Shares in the future.

41. There can be no assurance that our Equity Shares will be listed on the BSE in a timely manner or at all, and any trading closures at the BSE may adversely affect the trading price of our Equity Shares.

In accordance with Indian law and practice, final listing and trading approval of our Equity Shares will not be applied for, or granted until after those Equity Shares have been issued and allotted. There could be a failure or delay in listing our Equity Shares on the BSE.

42. Our Equity Shares pursuant to the Issue will not be listed on the NSE which is one of the exchanges having nationwide terminals and it could affect the trading volumes of our Equity Shares.

We had filed an application dated October 7, 2009 with the NSE seeking an in-principle listing approval for our Equity Shares. However, pursuant to a view of our Board that Mr. Tapaas Chakravarti, our individual Promoter and DQ Entertainment (Mauritius) Limited, our corporate Promoter do not meet the eligibility criteria for listing as stipulated by the NSE; we have duly withdrawn the said application on November 19, 2009. Consequently, our Equity Shares will not be listed on the NSE, which is one of the exchanges having nationwide terminals and it could affect the trading volumes of our Equity Shares.

43. You will not be able to sell immediately on an Indian stock exchange any of the Equity Shares that you purchase in the Issue

Under the SEBI (ICDR) Regulations, we are permitted to allot Equity Shares within 15 days of the Bid/Issue Closing Date. Consequently, the Equity Shares you purchase in the Issue may not be credited to your demat account with Depository Participants until approximately 15 days after the Bid/Issue Closing Date. You can start trading in our Equity Shares only after they have been credited to your demat account and final listing and trading approvals are received from BSE. Further, there can be no assurance that our Equity Shares allocated to you will be credited to your demat account, or that trading in our Equity Shares will commence within the specified time periods.

44. Our revenues and profits are difficult to predict and can vary significantly from period to period, which may impact our ability to pay dividend and which could cause the price of our Equity Shares to fluctuate.

Our revenues are dependent on various factors such as the nature of the productions being undertaken in the relevant accounting period, the extent to which performance milestones have been reached in any of these productions and the degree to which revenue from such products can be recognized under our revenue recognition policies and general market conditions. In addition, the anticipated completion dates for our productions, including those set forth in this Red Herring Prospectus, are estimates based on current expectations and could change significantly, thereby affecting our timing of revenue generation. The combination of these factors may result in significant variations in our revenues and profits and thereby may impact our ability to pay dividends. Therefore, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indicative of our future performance. If in the future our results of operations are below market expectations, the price of our Equity Shares could decline.

45. We may require further equity issuances to satisfy our capital needs, which we may not be able to procure. Further such issuances may lead to a dilution of equity and may affect the market price of our Equity Shares

We may need to raise additional capital from time to time, dependent on business requirements. Some of the factors that may require us to raise additional capital include (i) business growth beyond what the current balance sheet can sustain, (ii) additional capital requirements imposed due to changes in regulatory regime or new guidelines, and (iii) significant depletion in our existing capital base due to unusual operating losses. We may not be able to raise such additional capital at the time it is needed or on terms and conditions favourable to us or to the existing shareholders. Further, fresh issue of shares or convertible securities would dilute existing shareholders.

External Risk Factors

46. Political, economic and social changes in India could adversely affect our business.

The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Our business, and the market price and liquidity of our shares, may be affected by changes in the Government's policies, including taxation. Social, political, economic or other developments in or affecting India, acts of war and acts of terrorism could also adversely affect our business.

Since 1991, successive governments have pursued policies of economic liberalization and financial sector reforms. However, there can be no assurance that such policies will be continued and any significant change in the Government's policies in the future could affect business and economic conditions in India in general and could also affect our business and industry in particular. In addition, any political instability in India or geo political stability affecting India will adversely affect the Indian economy and the Indian securities markets in general, which could also affect the trading price of our Equity Shares.

India has also witnessed civil disturbances in recent years. While these civil disturbances have not directly affected the operations of our project companies, it is possible that future civil unrest, as well as other adverse social, economic and political events in India, could also adversely affect us.

47. A slowdown in economic growth in India or financial instability in Indian financial markets could materially and adversely affect our results of operations and financial condition.

Our performance and the growth of our business is dependant on the performance of the Indian economy. India's economy could be adversely affected by a general rise in interest rates, currency exchange rates. A slowdown in the Indian economy could adversely affect our business, including our ability to implement our strategy and expand our operations. The Indian economy is currently in a state of transition and it is difficult to predict the impact of certain fundamental economic changes upon our business. Conditions outside India, such as slow downs in the economic growth of other countries or increase in the price of oil, has an impact on the growth of the Indian economy, and government policy may change in response to such conditions. The general media and entertainment sector may be impacted by consumer income levels and the extent to which they would be willing to pay, or can be induced to pay for entertainment related activities. Any downturn in the macroeconomic environment in India could adversely affect the price of our shares, our business and results of operations.

48. Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares

Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. The Indian stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges, and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the Equity Shares could be adversely affected.

49. Our ability to raise foreign capital may be constrained by Indian law.

As an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources for our power projects under development or acquisitions and other strategic transactions, and hence could constrain our ability to obtain financing on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that the required approvals will be granted to us without onerous conditions, or at all. Limitations on foreign debt may have a material adverse impact on our business growth, financial condition and results of operations.

50. Fluctuations of the Rupee against foreign currencies may have an adverse effect on our results of operations.

Most of our revenues are currently denominated in foreign currencies, especially in USD and Euros and accordingly, any appreciation of the Rupee against these currencies will result in lower realisation in Rupees. The Rupee depreciated from Rs 39.98 per USD and Rs 66.90 per Euro as of April 2, 2008 to Rs. 48.04 per USD and Rs 69.65 per Euro as of September 30, 2009 respectively as per the RBI reference rate available on the RBI's website. This was one of the factors resulting in higher revenue realisations in Rupees for Fiscal 2009 as compared to Fiscal 2008. In case the Rupee appreciates, it may adversely affect our revenue realisation in Rupees.

We have incurred indebtedness in foreign currencies, especially in USD, to finance our business operations and we bear the exchange rate risk for payments of principal and interest to made in respect of such indebtedness. Accordingly, any depreciation of the Rupee against such currencies will increase the Rupee cost to us of servicing and repaying our foreign currency payables. If we are unable to recover the costs of foreign exchange variations through our tariffs, depreciation of the Rupee against foreign currencies may adversely affect our results of operations and financial condition.

51. If the rate of Indian price inflation increases, our results of operations and financial condition may be adversely affected.

In 2008, India's wholesale price inflation index indicated an increasing inflation trend compared to recent years. An increase in inflation in India could cause a rise in the price of transportation, wages, raw materials or any other expenses. If this trend continues, we may be unable to reduce our costs or pass our increased costs on to our consumers and our results of operations and financial condition may be adversely affected.

52. Any downgrading of India's debt rating by a domestic or international rating agency could adversely affect our business.

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

53. Government regulation of foreign ownership of Indian securities may have an adverse effect on the price of the Equity Shares.

Foreign ownership of Indian securities is subject to Government regulation. Under foreign exchange regulations currently in effect in India, the RBI must approve the sale of the Equity Shares from a non-resident of India to a resident of India if the sale does not meet the requirements of a RBI Circular dated October 4, 2004. The RBI must approve the conversion of the Rupee proceeds from any such sale into foreign currency and repatriation of that foreign currency from India unless the sale is made on a stock exchange in India through a stock broker at the market price. As provided in the foreign exchange controls currently in effect in India, the RBI will approve the price at which the Equity Shares are transferred based on a specified formula, and a higher price per share may not be permitted.

The approval from the RBI or any other government agency may not be obtained on terms favourable to a non-resident investor in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in the Equity Shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

54. Natural calamities could have a negative effect 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 effect on the Indian economy. Prolonged spells of below normal rainfall or other natural calamities could have a negative effect on the Indian economy, adversely affecting our business and the price of our Equity Shares.

Pandemic disease, caused by a virus such as H5N1 the ("avian flu" virus) or H1N1 (the "swine flu" virus), could have a severe adverse effect on our business. The potential impact of such a pandemic on our results of operations and financial position is highly speculative, and would depend on numerous factors, including: the probability of the virus mutating to a form that can be passed from human to human; the rate of contagion if and when that occurs; the regions of the world most affected; the effectiveness of treatment of the infected population; the rates of mortality and morbidity among various segments of the insured versus the uninsured population; our insurance coverage and related exclusions; the possible macroeconomic effects of a pandemic on our asset portfolio; the effect on lapses and surrenders of existing policies, as well as sales of new policies; and many other variables.

Prominent Notes

1. This is a public Issue of 16,048,011 Equity Shares, for cash at a price of Rs. [●] per Equity Share, aggregating Rs. [●]. The Issue includes an Employee Reservation Portion of upto 321,011 Equity Shares for Eligible Employees. The Issue less the Employee Reservation Portion is referred to as the "**Net Issue**". The Issue will constitute 20.24% of the post Issue paid-up capital of our Company and the Net Issue will constitute 19.84% of the post Issue paid-up capital of our Company. Our Company has completed a Pre-IPO Placing of 3,772,771 of Equity Shares with certain selected investors ("**Pre-IPO Placing**") for cash at a consideration of Rs. 68.11 per Equity Share, (including a share premium of Rs. 58.11 per Equity Share) aggregating to Rs. 256,963,433.

2. The net worth of the Company was Rs. 1461.22 million as of March 31, 2009 and Rs. 1562.40 million as of September 30, 2009 as per our restated consolidated financial statements. The book value of each Equity Share was Rs. 1,026.92 as of March 31, 2009 and Rs. 26.28 as of September 30, 2009 as per our restated consolidated financial statements. The net worth of the Company was Rs. 1,461.50 million as of March 31, 2009 and Rs. 1,562.31 million as of September 30, 2009 as per the restated standalone financial statements of the Company. The book value of each Equity Share was Rs. 1,027.12 as of March 31, 2009 and Rs. 26.27 as of September 30, 2009 as per the restated standalone financial statements of the Company. For more information, see the Section titled "Financial Statements" beginning on page no. 121 of this Red Herring Prospectus.

3. The average cost of acquisition of the Equity Shares by our Corporate Promoter, DQE Mauritius, is USD 0.64285 per Equity Share (Rs. 30.8825per Equity Share). Mr. Tapaas Chakravarti, our individual Promoter holds 41 Equity Shares as the nominee of DQE Mauritius. The average cost of acquisition of the Equity Shares by Tapaas Chakravarti is Rs. 4.10 per Equity Share. The average cost of acquisition of Equity Shares by our Promoters has been calculated by taking the average of the amount paid by them to acquire the Equity Shares. For further details, see the Chapter titled "Capital Structure" beginning on page no. 25 of this Red Herring Prospectus.

4. The related party transactions of our Company since incorporation are summarised below. For further details, please see the section and "Financial Statements - Related Party Transactions" beginning on page no. 119 of this Red Herring Prospectus.

			(Rs. Millions except share data)
	Sept'09	**2008-09**	**2007-08**
i) Holding Company and Subsidiary company			
Issue of equity share capital by conversion of Redeemable Optionally Convertible Preference Shares	0.27	-	-
Issue of equity share capital	-	-	9.75
Issue of bonus shares by capitalization from Securities Premium Account	14.50	-	-
Securities premium on issue of equity share capital	-	-	1,059.70
Investment in DQ Entertainment (Ireland) Limited	16.68	0.01	-
Sale of asset to DQ Entertainment (Ireland) Limited	53.62	-	-
Consultancy charges - DQ Entertainment (Mauritius) Limited	11.53	94.68	39.29
Consultancy charges - DQ Entertainment Plc	-	27.06	27.06
Amount payable at year end- DQ Entertainment (Ireland) Limited	-	0.01	-
Amount payable at year end- DQ Entertainment (Mauritius) Limited	106.21	94.68	-

			(Rs. Millions except share data)
	Sept'09	**2008-09**	**2007-08**
ii) Key Management personnel			
Issue of Equity shares in the Company	40	-	-
Issue of bonus shares by capitalization from Securities Premium Account	2,000	-	-
Remuneration	4.20	8.40	7.17
iii) Relative of key Management personnel			
Issue of Equity shares in the Company	10	-	-
Issue of bonus shares by capitalization from Securities Premium Account	400	-	-
Remuneration	1.43	2.85	0.72
iv) Associate of the Ultimate Holding Company			
Revenue from Animation	99.38	359.64	31.92
Amounts owed by related parties	294.47	215.08	83.99

5. For details of transactions in the securities of the Company by the Promoters, the Promoter Group and the Directors in the last six months, see the notes to the Chapter titled "Capital Structure" on page no. 25 of this Red Herring Prospectus.

6. Pursuant to the Scheme of Amalgamation, the erstwhile DQ Entertainment Limited was amalgamated with our Company and the name of our Company was changed to "DQ Entertainment (International) Private Limited". There was no change in the Objects clause of our Memorandum of Association consequent upon change of name. For further details, please refer to the Chapter titled "History and Corporate Structure" on page no. 92 of this Red Herring Prospectus.

7. Except as disclosed in the chapters "Capital Structure", "Our Promoters and Promoter Group" and "Our Management" beginning on pages 25, 112 and 99, respectively, of this Red Herring Prospectus, none of the Promoters, Directors or key managerial personnel has any interest in the Company.

8. Except as stated in the chapter "Capital Structure" on page no. 25 of this Red Herring Prospectus, we have not issued any shares for consideration other than cash.

9. In terms of Rule 19(2)(b) of the SCRR, the Issue being less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process. At least 60% of the Net Issue shall be allotted on a proportionate basis to QIBs. 5% of the QIB Portion (to be adjusted for Anchor Investor Portion, if applicable) shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. The Company may consider allocation up to 30% of the QIB Portion to Anchor Investors as per the provisions of the SEBI (ICDR) Regulations. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net 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. Further, up to 321,011 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price. For further details, see the section "Issue Structure" beginning on page no. 228 of this Red Herring Prospectus.

10. Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLM and the Designated Stock Exchange. Under subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue at the discretion of the BRLM and the Company. In case of under subscription in the Net Issue, spill over to the extent of under subscription shall be permitted from the Employee Reservation Portion subject to the Net Issue constituting 10% of the post-Issue capital of the Company. If at least 60%

of the Net Issue is not allocated to the QIBs, the entire subscription monies shall be refunded. For further details, see "Issue Structure" beginning on page no. 228 of this Red Herring Prospectus.

11. Investors may contact the BRLM or the Company for any clarification or information relating to the Issue, which shall be made available by the BRLM and the Company to the investors at large. No selective or additional information will be available for a section of investors in any manner whatsoever.

12. Investors may contact the BRLM and the Syndicate Members for any complaints pertaining to the Issue.

13. Investors are advised to also refer to the section "Basis for the Issue Price" beginning on page no. 47 of this Red Herring Prospectus.

14. Trading in Equity Shares for all investors shall be in dematerialized form only.

15. There are no financing arrangements whereby the Promoter Group, the Directors of our Company who are the Promoters of our Company, the Directors of our Company and their relatives have financed the purchase by any other person of securities of our Company during the period of six months immediately preceding the date of this Red Herring Prospectus.

SECTION III – INTRODUCTION

SUMMARY OF INDUSTRY

The global animation industry is one of the fast growing components of the global media and entertainment industry. The global animation market was estimated at USD 68 billion in 2008 and is expected to grow at a CAGR of 10 per cent to reach USD 100 billion by 2012.

Source: NASSCOM – E&Y Report titled "*The Animation and Gaming Industry in India*" dated August 2009

The Indian animation industry

The genesis of the Indian animation industry lies in the outsourcing opportunities created during the initial years. During 2002-03, Indian studios and production houses were primarily performing support work like background, wire removal, clean-ups etc. and the important value addition process, such as conceptualization, pre-production, story-boarding etc. were performed almost solely by the studios in the West. Over time, the skill-set of Indian studios and the quality of their work has gained recognition and they have moved up the value-chain to more complex activities.

The entire animation industry in India was estimated at USD 314 million in 2006, USD 494 million in 2008 and is expected to grow at a CAGR of 22 percent between 2008 and 2012 to reach USD 1 billion by 2012.

Increased outsourcing from overseas countries due to India's inherent cost advantage, maturity of international animation studios, emphasis on IP (intellectual property) creation, and attractive domestic opportunities have been the principal growth drivers. Nonetheless, India continues to be dwarfed by the global animation arena where revenues are expected to cross the USD 100 billion mark by 2012.

Growth drivers for the Indian animation industry

- **Cost advantage vis-à-vis global peers**

  Driven by the need to reduce protracted development cycles and high labour cost of developing animation in the West, animation companies are increasingly looking at Asian destinations such as India. Inherent cost advantages such as low cost labour and availability of English speaking employees makes India a favourable destination for the global production houses. The necessity for saving on labour costs has become more prominent of late on account the downturn in the global economic environment.

- **Growing reputation of output quality**

  The Indian animation industry has acquired a critical mass comprising international processes and systems, quality control methods, technological and management infrastructure to create content at par with international standards. The domestic market has steadily evolved and the industry is increasing allocating budgets for the development of production content. Established film production houses are foraying into the animation entertainment industry. The industry has attracted investments from the domestic as well as the international entertainment industry.

- **Improving capabilities of Indian animation production houses**

  Over the years, Indian animation houses have moved into delivering more complex and technology-oriented services to their clients. While earlier, the Indian animation companies typically worked on low-complexity 2D post production and support work, now they are providing highly skilled 3D animation and end-to-end integrated services. The Indian animation companies are increasingly working on skill-based activities such as character based modelling, key frame animation, 3D SFX and composting. They are also developing capabilities for the co-production of full-length animation features and films.

- **Scaling up of the business models**

  Indian animation companies have gradually scaled up from outsourced business opportunities to entering into co-production agreements with IP owners. This allows them a share in the potential upside arising from the final product. Select Indian companies are now moving beyond co-production agreements and are looking at developing IPs of their own.

- **Changing viewership habits leading to increased demand**

  Greater penetration of computers and broadband, coupled with demographic changes in favour of younger viewers in India has resulted in a break away from passive viewing to user defined viewing patterns. Households having graduated to 2-3 television sets and increase in access to internet, media playing applications have facilitated segmented viewing which is set by genre.

- **Increase in popular genres of entertainment content**

  With the demographic changes coupled with steady evolution of the Indian entertainment industry, the genres of entertainment are also increasing. A case for example, is the growing popularity of animation films in India, which has lately been capitalised upon by the Indian animation industry and have motivated the industry to focus on such productions.

SUMMARY OF BUSINESS

OVERVIEW

We are one of the leading producers of animation, visual effects, game art and entertainment content for the Indian as well as global media and entertainment industry. We are a producer of animation videos and creators of game art. We have forayed into production and distribution of live action television and feature films. We have an asset base of over 350 hours of animation content from which we can earn revenues through licensing and distribution activities.

Our Company was incorporated in the year 2007 as "Animation and Multimedia Private Limited" to undertake our present business activities. Our individual Promoter, Mr. Tapaas Chakravarti has been involved in the animation, media and entertainment industry for over a decade. Our corporate Promoter, DQ Entertainment (Mauritius) Limited, is incorporated and registered in Mauritius. It is a wholly-owned subsidiary of DQE plc, an Isle of Man incorporated entity. In December 2007, DQE plc listed on AIM and raised funds for investment in strategic alliances, global and local IP development and partnerships, and foraying into live action and expansion of production facilities and workforce.

Mr. Tapaas Chakravarti had earlier promoted DQ Entertainment Limited (originally incorporated in the year 1987 as "Dataquest Management and Communications Private Limited") which was engaged in the development of animation production services. DQ Entertainment Limited was amalgamated with our Company from the appointed date, i.e., May 2007, pursuant to which DQ Entertainment Limited's entire business and undertaking including all its assets, properties, investments, benefits, employees, debts, liabilities, duties and obligations of any nature were transferred to our Company, and became the business, assets, properties investments, benefits, employees, debts, liabilities, duties and obligations of our Company.

Brief Overview of erstwhile DQ Entertainment Limited

Year	Events
2000	Established an in-house training centre to train production staff to deliver high quality animation productions to European and North American clients.
2002	Established a traditional 2D animation studio.
2003-2004	Established 2D digital pipeline and started securing commissions to produce full animation series.
2004	Established 3D animation production process and the first commercial 3D animation project was a French TV series "*Les Gnoufs*" for Method Animation SAS, France
2007	Began engagement in game assets development
2007	Scheme of Amalgamation sanctioned by the High Court of Andhra Pradesh

Subsequent to the Scheme of Amalgamation, we have continued to strengthen the business of the erstwhile DQ Entertainment Limited and also forayed into development of our own IP in 2009. We launched our first homegrown 3D CGI television series "*The Jungle Book*" based on the Rudyard's Kipling epic novel as well as three special TV features "*Balkand*", "*Omkar*" and "*Ravan*" based on Indian mythology for India and the Indian diaspora across the globe.

We have moved upwards in the animation value chain, gaining greater exposure to IP ownership and distribution by following a co-production model for content development. Within these co-production agreements, we not only continue to receive production revenues generating its usual production margin, but also obtain equity participations, which also provide a share in the license revenues. The focus on co-productions has provided us an opportunity to leverage our already existing expertise in content creation, while at the same time adopting a low-risk approach.

Our production capabilities include 10 production facilities in India (8 in Hyderabad and 1 each in Mumbai and Kolkata) talent pool of over 2,851 employees, and worldwide third-party sales representatives in Paris, Tokyo and Los Angeles.

The *DQ School of Visual Arts* was set up in Fiscal 2008 to address the demand for high quality animation and gaming professionals. It took over from the in-house training division of the erstwhile DQ

Entertainment Limited. The School has, centres at Hyderabad, Mumbai and Kolkata. Since its inception in Fiscal 2008, the School has trained 715 people.

The quality of our work has won us recognition in the form of several awards such as the "Movers and Shakers of 2009". The erstwhile DQ Entertainment Limited which amalgamated with our Company had won awards such as the Day Time EMMY 2007 Award, the Pulicenella Award at 'Cartoons on the Bay', the Red Herring Top 100 Private Companies Asia 2005 and several other nominations at prestigious events.

OUR COMPETITIVE STRENGTHS

Our competitive strengths include well-balanced and diverse geographical location of clientele, quality output, diverse and stable service offerings, advanced infrastructure and highly skilled personnel. We believe that the following are our key strengths.

1. Highly developed production platforms, infrastructure and monitoring systems

We benefit from our investments in creating robust IT, technology and management infrastructure, including our proprietary ERP solution, which we have continuously developed over the past years.

2. Consistent high quality standards leading to new and repeat business

We have been awarded ISO 9001:2000 certification by M/s. Det Norske Veritas, Netherlands, which endorses the high working practices within our organisation and is recognition that we can consistently deliver products or services that meet stringent quality requirements.

3. Innovative animation techniques

We have developed the flexibility to produce different styles of animation including traditional 2D animation, technology based 2D digital and 3D animation. We have developed several in-house animation techniques and technologies, which we believe have given us an advantage over our competitors.

4. Low-risk business model with diversified revenue streams

Our revenue streams comprise production and licensing & distribution revenues and each of the two have various sub-streams. Service revenues comprise revenues from traditional 2D animation, digital 2D animation, 3D animation and 3D game art. IP exploitation revenues comprise revenues from licensing for free and pay televisions, cable television, home videos, DTO, publishing, merchandising and distribution.

We have strategically moved along the animation value chain, gaining greater exposure to intellectual property ownership and distribution. We have adopted a low-risk approach, entering into co-production arrangements. As a result, we not only continue to receive production revenues generating its usual production margin, but also acquire rights to earn license revenues. We are at a strategic advantage to leverage our position within the production chain by acquiring and/or developing intellectual properties through international co-partnerships.

5. Robust Order Book

DQE has a strong order book worth circa USD 95.07 million (Rs. 4,567.16 million approx.), providing high levels of earning visibility. More than 80% of FY10 revenues are identified with over 40% of the order book already in various stages of production & balance to commence during the year. USD 28 million (Rs. 1,345.12 million) are to be executed in FY10 and USD 33 million (Rs. 1,585.32 million approx.) and the balance beyond FY10. The momentum of revenue growth is expected to be maintained for FY10 and FY11.

6. Our diversified client base

We have a client base of over 90 companies which include internationally recognized brands such as, *inter alia*, the Disney Group, Nickelodeon, American Greetings, BBC, Moonscoop Group, ZDF-Germany, Australian Broadcasting Corporation and NBC Universal.

7. Experience Board and highly skilled work force

Our Board consists of 5 Directors who have diverse experience in various fields such as entertainment, finance, banking, project management, investments and corporate finance. We have 2,851 full time employees of which 2,580 employees are directly involved in production. Our access to this substantial workforce helps us to undertake multiple large and manpower intensive projects and complete them within prescribed time limits.

OUR BUSINESS STRATEGY

Our principal strategies to enable us to achieve our objectives and goals are as follows:

1. Capitalise on the growth of the animation industry across the globe including India.

At an estimated size of USD 494 million in 2008, the Indian animation industry is miniscule as compared to the global animation industry with estimated revenues of USD 68 billion in 2008. However, the Indian animation industry has been growing with an estimated CAGR of 25.43 percent during 2006-08 and is estimated to reach a size of about USD 1095 million by 2012. We intend to capitalise on such growth factors by leveraging our international experience and expertise in this sector to the domestic animation industry.

2. Continued efforts to develop our presence in the market for animation services

We would continue to focus on expanding our footprint in the animation production services segment and enlarging our client base in diverse geographical regions of the world.

3. Continued focus on our co-production business model

We are committed to our sustainable business model which we believe is a low-risk model. We would continue to move along the animation value chain, into IP creation and distribution of animation content. We hope to continue:

- entering into co-production agreements with a select number of existing clients to obtain larger percentages of the global, cross platform intellectual property and distribution rights in its productions;
- consolidating our portfolio of co-productions and productions of our own IP content n certain 2D and 3D animated productions by collaborating with well known and award winning storytellers from the US and Europe; and
- continuing to enter into strategic relationships with our existing clients.

4. Backward and forward integration

We intend to diversify our range of offerings to include pre-production and post-production services that will add value to our service offerings and would earn us a larger share of the revenues collected from the IPs we produce/co-produce.

5. Strengthening our games division

We currently provide asset creation services by means of key frame animation in the 3D computer games space. We intend to strengthen our games division by investing in research and development for computer games applications and developing porting and testing facilities for console based games.

6. Acquisitions, strategic investments and joint ventures

We intend to grow through acquisitions of, strategic investments in and joint ventures with creative companies to ensure co-development of global intellectual property on a partnership basis. Our promoter group company, DQE plc recently acquired 20 percent stake in Method Animation SAS, France which owns a robust library of IP’s. As and when opportunities arise we shall make similar strategic investments or enter into joint ventures with content-rich companies.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our restated consolidated financial statements as of and for the year ended March 31, 2009 and for the half-year ended September 30, 2009 and our restated unconsolidated financial statement for the year ended March 31, 2008. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (ICDR) Regulations and are presented in the section titled "Financial Statements" beginning on page no. 121 of this Red Herring Prospectus. The summary financial information presented below should be read in conjunction with our restated consolidated financial statements, the notes thereto and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page no. 124 of this Red Herring Prospectus.

Standalone Restated Statement of Profits and Losses

Non-Consolidated Restated Summary of Profit and Loss			
			(Rs. Millions)
	For the Half year ended 30 September 2009	**For the year ended 31 March 2009**	**For the period from 13 April 2007 to 31 March 2008**
Income			
Sales:			
Animation	612.52	1,356.58	818.23
Gaming	1.22	66.96	65.57
Distribution	43.47	74.63	38.34
Total Sales	**657.21**	**1,498.17**	**922.14**
Other Income	32.90	10.91	23.59
Total Income	**690.11**	**1,509.08**	**945.73**
Expenditure			
Production Expenses	23.56	52.67	50.48
Employee Cost	312.19	693.40	510.32
Administrative, selling and distribution expenses	112.74	296.62	136.05
	448.49	**1,042.69**	**696.85**
Less: Expenditure transferred to capital and other account	13.91	70.76	2.82
Total Expenditure	**434.58**	**971.93**	**694.03**
Profit Before Interest, Depreciation and Tax	**255.53**	**537.15**	**251.70**
Interest and financial charges	25.65	55.60	43.42
Profit Before Depreciation and Tax	**229.88**	**481.55**	**208.28**
Depreciation and Amortisation	122.06	282.19	127.32
Profit Before tax and restatement	**107.82**	**199.36**	**80.96**
Adjustment on account of restatement	0.74	-	-
Profit before tax and extraordinary items	**108.56**	**199.36**	**80.96**
Current Tax	17.72	22.39	8.96
Deferred tax	(12.47)	12.47	-
Fringe Benefit Tax	-	3.00	1.91
Total provision for tax	5.25	37.86	10.87
Profit after tax before extraordinary items	103.31	161.50	70.09
Impact of material adjustments for restatement in corresponding years	(0.74)	0.65	0.09
Extraordinary items (net of tax)	-	-	-
Profit after tax and extraordinary items	**102.57**	**160.85**	**70.00**
Balance brought forward	253.53	92.68	-
Debit balance in Profit and Loss account of erstwhile DQ Entertainment Limited	-	-	(19.10)
Transfer from Debenture Redemption Reserve	-	-	41.78
Transfer to Capital Redemption Reserve	(1.76)	-	-
Profit carried forward as restated	354.34	253.53	92.68

Standalone Restated Statement of Assets and Liabilities

Non-Consolidated Restated Summary of Assets and Liabilities				
				(Rs.Millions)
		As at September 30, 2009	**As at March 31, 2009**	**As at March 31, 2008**
A.	**Fixed Assets**			
	Gross block	1,696.96	1,350.44	1,002.64
	Less: Accumulated Depreciation	666.80	586.83	356.10
	Net Block	**1,030.16**	**763.61**	**646.54**
	Capital Work in Progress	441.60	626.68	357.37
	Total	**1,471.76**	**1,390.29**	**1,003.91**
B.	**Investments**	**16.68**	**0.01**	**-**
C.	**Current assets, Loans and Advances**			
	Sundry Debtors	597.00	415.69	231.34
	Unbilled Revenue	146.35	183.95	208.54
	Cash and bank balances	70.72	105.40	429.32
	Loans and Advances	61.98	93.53	79.18
	Total	**876.05**	**798.57**	**948.38**
D.	**Liabilities and provisions**			
	Secured loans	273.17	364.73	403.70
	Deferred Tax Liability	**-**	12.47	-
	Current Liabilities and Provisions			
	Current Liabilities	440.71	254.65	169.68
	Provisions	88.30	95.52	78.26
	Total Liabilities and Provisions	**802.18**	**727.37**	**651.64**
	Networth (A + B + C-D)	**1,562.31**	**1,461.50**	**1,300.65**
E.	**Represented by**			
	1.Share capital	594.62	16.27	16.27
	2. Reserves & Surplus	967.69	1,445.23	1,284.38
	Networth	**1,562.31**	**1,461.50**	**1,300.65**

Standalone Restated Statement of Cash Flow

Cash Flows as restated				
				(Rs. Millions)
		For the Half year ended 30 September 2009	**For the year ended 31 March 2009**	**For the period from 13 April 2007 to 31 March 2008**
A	**Cash flow from Operating Activities**			
	Profit Before Tax and restatement	107.82	199.36	80.96
	Adjustments for			
	Depreciation and amortization	121.76	282.19	127.32
	Interest Income	(1.20)	(7.11)	(8.90)
	Interest on borrowings	25.65	55.60	43.42
	Share issue expenses	14.55	-	-
	Loss/(gain) on sale of fixed assets	(4.75)	0.18	(0.02)
	Unrealised (gain)/loss due to exchange differences	(12.59)	53.62	(10.49)
	Operating profit before working capital changes	251.24	583.84	232.29
	Adjustments for changes in			
	Trade and other receivables	(82.45)	(560.68)	(280.43)
	Trade payables, other liabilities and provisions	160.58	75.95	131.94
	Income Tax paid	(11.36)	(16.85)	(2.39)
	Net Cash from Operating activities	**318.01**	**82.26**	**81.41**
B	**Cash flow from Investing Activities**			
	Purchase of fixed assets	(230.54)	(262.94)	(502.69)
	Investment in Subsidiary	(16.68)	-	-
	Interest received on deposits with Banks and other deposits etc.,	0.61	9.18	6.66
	Sale of Fixed Assets	5.75	2.28	0.02
	Net Cash used in Investing activities	**(240.86)**	**(251.48)**	**(496.01)**
C	**Cash flow from Financing Activities**			
	Interest and financing charges paid	(26.03)	(40.15)	(43.42)
	Issue of equity shares *	-	-	9.85
	Payments to preference shareholders on redemption	(1.76)	-	(376.81)
	Share Issue expenses	(2.24)		
	Share Premium Receipts	-	-	1,042.28
	Proceeds from Borrowings from Term Loans	30.04	30.00	285.17
	Repayment of Term Loans	(142.74)	(181.26)	(79.41)
	Proceeds on account of Working Capital Loans (Net)	31.14	36.49	(26.28)
	Net Cash (used in)/from Financing activities	**(111.59)**	**(154.92)**	**811.38**
	Net (Decrease)/Increase in cash and cash Equivalents (A+B+C)	**(34.44)**	**(324.14)**	**396.78**
	Cash and bank balances taken over on amalgamation of DQ Entertainment Limited	**-**	**-**	32.04
	Cash and cash equivalents as at the beginning of the period	**105.40**	**429.32**	-
	Net foreign exchange difference	(0.24)	0.22	0.50

Cash Flows as restated				
				(Rs. Millions)
		For the Half year ended 30 September 2009	**For the year ended 31 March 2009**	**For the period from 13 April 2007 to 31 March 2008**
	Cash and cash equivalents as at the end of the period**	**70.72**	**105.40**	**429.32**
	* Issue of Equity shares for half year ended 30.09.2009 amounted to Rs.50. **Including restricted balance of Rs.24.93 millions (31.03.2009: Rs.3.39 millions & 31.03.2008:Rs 329.34 millions)			

Consolidated Restated Statement of Profits and Losses

Summary Statement of Consolidated Profit & Loss, as restated		
		(Rs. Millions)
	For the Half year ended 30 September 2009	**For the year ended 31 March 2009**
Income		
Sales:		
Animation	660.80	1,356.58
Gaming	1.22	66.96
Distribution	43.47	74.63
Total Sales	**705.49**	**1,498.17**
Other Income	32.01	10.91
Total Income	**737.50**	**1,509.08**
Expenditure		
Production Expenses	67.46	52.67
Employee Cost	312.19	693.40
Administrative, selling and distribution expenses	113.60	296.89
	493.25	**1,042.96**
Less: Expenditure transferred to capital and other account	13.91	70.76
Total Expenditure	**479.34**	**972.20**
Profit Before Interest, Depreciation and Tax	**258.16**	**536.88**
Interest and financial charges	26.66	55.60
Profit Before Depreciation and Tax	**231.50**	**481.28**
Depreciation and Amortisation	123.81	282.19
Profit Before tax and restatement	**107.69**	**199.09**
Adjustment on account of restatement	0.74	-
Profit before tax and extraordinary items	**108.43**	**199.09**
Current Tax	18.50	22.39
Deferred tax	(12.47)	12.47
Fringe Benefit Tax	-	3.00
Total provision for tax	6.03	37.86
Profit after tax before extraordinary items	**102.40**	**161.23**
Impact of material adjustments for restatement in corresponding years	(0.74)	0.74
Extraordinary items (net of tax)	-	-
Profit after tax and extraordinary items	**101.66**	**160.49**
Balance brought forward	253.26	92.77
Transfer to Capital Redemption Reserve	(1.76)	-
Profit available for appropriation and carried forward as restated	**353.16**	**253.26**

Consolidated Restated Statement of Assets and Liabilities

Summary statement of Consolidated Assets and Liabilities as restated			
			(Rs. Millions)
		As at September 30, 2009	**As at March 31, 2009**
A.	**Fixed Assets**		
	Gross block	1,753.93	1,350.44
	Less: Accumulated Depreciation	668.55	586.83
	Net Block	**1085.38**	**763.61**
	Capital Work in Progress	441.60	626.68
	Total	**1526.98**	**1,390.29**
B.	**Current assets, Loans and Advances**		
	Sundry Debtors	543.39	415.69
	Unbilled Revenue	196.14	183.95
	Cash and bank balances	76.36	105.40
	Loans and Advances	195.12	89.04
	Total	**1011.01**	**794.08**
C.	**Liabilities and provisions**		
	Secured loans	273.17	364.73
	Unsecured loans	104.93	-
	Deferred Tax Liability	-	12.47
	Current Liabilities and Provisions		
	Current Liabilities	508.37	254.99
	Provisions	89.12	90.96
	Total Liabilities and Provisions	**975.59**	**723.15**
	Networth (A + B - C)	**1562.40**	**1,461.22**
D.	**Represented by**		
	Share capital	594.62	16.27
	Reserves & Surplus	967.78	1,444.95
	Networth	**1562.40**	**1,461.22**

Consolidated Restated Statement of Cash Flow

Summary Statement of Consolidated Cash Flows, as restated			
			(Rs. Millions)
		For the Half year ended 30 September 2009	**For the year ended 31 March 2009**
A	**Cash flow from Operating Activities**		
	Profit Before tax and restatement	107.69	199.09
	Adjustments for		
	Depreciation and amortisation	123.81	282.19
	Depreciation transferred to capital account	(0.30)	-
	Interest Income	(1.20)	(7.11)
	Interest Expenses	26.66	55.60
	Public issue related expenses	14.55	-
	Profit on sale of fixed assets	(0.53)	0.18
	Unrealised (gain)/loss due to exchange differences	(15.97)	53.61
	Operating profit before working capital changes	254.71	583.56
	Adjustments for changes in		
	Trade and other receivables	(265.31)	(560.74)
	Trade payables, other liabilities and provisions	227.88	76.29
	Income tax paid	(11.36)	(16.85)
	Net Cash from Operating activities	**205.92**	**82.26**
B	**Cash flow from Investing Activities**		
	Purchase of fixed assets	(234.44)	(262.94)
	Interest received on deposits with Banks and other deposits etc.,	0.61	9.18
	Sale of Fixed Assets	5.75	2.28
	Net Cash used in Investing activities	**(228.08)**	**(251.48)**
C	**Cash flow from Financing Activities**		
	Interest and financing charges paid	(26.05)	(40.15)
	Issue of Equity shares #	-	-
	Payments to preference shareholders on redemption	(1.76)	-
	Public issue related expenses	(2.24)	-
	Proceeds from Borrowings from Term Loans	30.05	30.00
	Proceeds from Borrowings of unsecured loan from ultimate holding company	103.91	
	Repayment of Term Loans	(142.74)	(181.26)
	Proceeds on account of Working Capital Loans (Net)	31.14	36.49
	Net Cash used in Financing activities	**(7.69)**	**(154.92)**
	Net Decrease in cash and cash equivalents (A+B+C)	**(29.85)**	**(324.14)**
	Cash and cash equivalents as at the beginning of the year	**105.40**	**429.32**
	Exchange difference on translation of foreign currency cash and cash equivalents	0.81	0.22
	Cash and cash equivalents as at the end of the year* * Including restricted balance of Rs.24.93 millions (31.03.2009: Rs.3.39 millions)	**76.36**	**105.40**
	# Issue of equity shares amounting to Rs 50/-		

THE ISSUE

Equity Shares offered:	
Issue by the Company	16,048,011 Equity Shares
Employee Reservation Portion	321,011 Equity Shares[(1)]
Therefore	
Net Issue to the Public	15,727,000 Equity Shares
Of which	
A) Qualified Institutional Buyers (QIB) portion*	At least 9,436,200 Equity Shares
Of which	
Available for allocation to Mutual Funds only	At least 471,810 Equity Shares (to be adjusted for Anchor Investor Portion, if applicable)
Balance for all QIBs including Mutual Fund	Upto 8,964,390 Equity Shares
B) Non-Institutional Portion	Up to 1,572,700 Equity Shares[(1)]
C) Retail Portion	Up to 4,718,100 Equity Shares[(1)]
Pre and post-Issue Equity Shares	
Equity Shares outstanding prior to the Issue	63,234,989 Equity Shares
Equity Shares outstanding after the Issue	79,283,000 Equity Shares
Use of Issue Proceeds	See the section titled "Objects of the Issue" on page no. 35 of this Red Herring Prospectus for information about the use of the Issue Proceeds.

* The Company may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to Anchor Investors. For further details, please see the section entitled "Issue Procedure" on page no. 233 of this Red Herring Prospectus

(1) Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLM and the Designated Stock Exchange. Under subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue Portion, at the discretion of the BRLM and the Company. In case of under subscription in the Net Issue, spill over to the extent of under subscription shall be permitted from the Employee Reservation Portion subject to the Net Issue constituting 10% of the post Issue capital of the Company. If at least 60% of the Net Issue is not allocated to the QIBs, the entire subscription monies shall be refunded.

GENERAL INFORMATION

Our Company was incorporated as Animation and Multimedia Private Limited on April 13, 2007. The name of our Company was changed to DQ Entertainment (International) Private Limited by a special resolution of the members passed at an EGM held on January 10, 2008. The fresh certificate of incorporation consequent to the change of name was granted to our Company on January 17, 2008, by the RoC. The status of our Company was changed to a public limited company by a special resolution of the members passed at an EGM held on July 25, 2009. The fresh certificate of incorporation consequent on change of status from private to public was granted to our Company on September 10, 2009, by the RoC.

Our registered office was shifted from No.101, Sapthagiri Residency, 1-10-98/A, Chikoti Gardens, Begumpet, Hyderabad 500 016 to 644, Aurora Colony Road Number 3, Banjara Hills Hyderabad 500 034 with effect from December 12, 2007 by a resolution of our Board dated December 12, 2007.

Registered Office

644, Aurora Colony
Road Number 3, Banjara Hills
Hyderabad 500 034
Tel: +91 40 2355 3726, 2355 3727
Fax: +91 40 2355 2594
Email: investors@dqentertainment.com
Website: http://www.dqentertainment.com

Registration Number: 053585 of 2007-08
Corporate Identity Number: U92113AP2007PLC053585

Address of Registrar of Companies

Office of the Registrar of Companies, Andhra Pradesh at Hyderabad
2nd Floor, CPWD Building,
Kendriya Sadan, Sultan Bazar,
Koti, Hyderabad – 500 195,
Andhra Pradesh, India

Board of Directors

As per the applicable provisions of the Companies Act and our Articles, our Company cannot have less than 3 and more than 12 Directors. We currently have 5 Directors.

Name, Designation, Occupation	Age	Designation
Mr. Tapaas Chakravarti DIN: 00559533	53	Chairman, Managing Director and Chief Executive Officer
Ms. Rashmi Chakravarti DIN: 02181752	46	Executive and Non-Independent Director
Mr. Kunchithapadam Balasubramanian DIN: 00009132	66	Non-executive and Independent Director
Ms. Theresa Plummer-Andrews DIN: 01029107	65	Non-executive and Independent Director
Mr. Girish Kulkarni DIN: 00062382	43	Non-executive and Independent Director

For further details of our directors, see the section titled "Our Management" on page no. 99 of this Red Herring Prospectus.

Company Secretary and Compliance Officer

Ms Anita Sunil Shankar
644, Aurora Colony
Road Number 3, Banjara Hills
Hyderabad 500 034
Tel: + 91 40 2355 3726 - 27
Fax: + 91 40 2355 2594
Email: investors@dqentertainment.com
Website: www.dqentertainment.com

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

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSBs, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked, ASBA Account number and the Designated Branch of the SCSBs where the ASBA Form was submitted by the ASBA Bidders.

Issue Management Team

Book Running Lead Manager
Name: SBI Capital Markets Limited
202, Maker Tower 'E',
Cuff Parade, Mumbai 400 005
Tel: +91 22 2217 8300
Fax: +91 22 2218 8332
Email: dqe.ipo@sbicaps.com
Investor Grievance Email: investor.relations@sbicaps.com
Website: www.sbicaps.com
Contact Person: Mr. Abhishek Gupta, Mr. Sandeep Onkar
SEBI Registration No.: INM000003531

Syndicate Members
SBICAP Securities Limited
191, Maker Tower 'E',
Cuff Parade, Mumbai 400 005
Tel: +91 22 3027 3309
Fax: +91 22 3027 3402
Email: prasad.chitnis@sbicapsec.com
Website: www.sbicapsec.com
Contact Person: Mr. Prasad Chitnis
SEBI Registration No.:
BSE: INB01105303
NSE: INB231052938

India Infoline Limited
10th Floor, One IBC,
Jupiter Mill Compound
841, S.B.Road, Nr. Elphinstone Road,
Lower Parel, Mumbai – 400 013
Tel. +91 22 4646 4600;
Fax +91 22 4646 4706
Email: dqe.ipo@iiflcap.com
Website: www.iiflcap.com
Contact Person: Mr. Saurabh Shukla
SEBI Registration No.: INM 000010940

Yes Bank Limited
Nehru Centre, 12th Floor,
Discovery of India, Dr. A B Road, Worli,
Mumbai- 400 018
Tel. +91 22 6669 9068
Fax +91 22 2497 4158
Email: dldqeipo@yesbank.in
Website: www.yesbank.in
Contact Person: Mr. Dhanraj Uchil
SEBI Registration No.: MB/INM 0000 10874

Self Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on http://www.sebi.gov.in. For details on designated branches of SCSBs collecting the ASBA Bid cum Application Form, please refer the above mentioned SEBI website.

Legal advisor to the Issue

Khaitan & Co.
One Indiabulls Centre,
13th Floor,
841 Senapati Bapat Marg,
Elphinstone Road
Mumbai 400 013
Tel.: +91 22 6636 5000
Fax: +91 22 6636 5050
Email: capital.markets@khaitanco.com

Registrar to the Issue

Karvy Computershare Private Limited
Plot No. 17-24,
Vittal Rao Nagar
Madhapur,
Hyderabad – 500 081
Tel: +91 40 2342 0815
Fax: +91 40 2342 0814
Email: dqipo@karvy.com
Website: www.karvycomputershare.com
Contact Person: Mr. Murali Krishna
SEBI Registration No.: INR000000221

For all issue related queries and for redressal of complaints, investors may also write to the Registrar to the Issue or the Book Running Lead Manager.

Bankers to the Issue and Escrow Collection Banks

State Bank of India
Capital Market branch, Ground Floor,
Mumbai Main Branch Building,
Mumbai Sanchar Marg,
Fort Mumbai-400001
Tel: +91 22 662133
Fax: +9122 670745
Email: agm.11777@sbi.co.in

Axis Bank Limited
6-3-879/B, First Floor
G. Pulla Reddy Building
Greenlands,
Begumpet Road
Hyderabad – 500 016
Tel : +91 40 2340 5182
Fax: +91 40 2451 6262
Email: hydbr@axisbank.com

The Hong Kong and Shanghai Banking Corporation Limited
Shiv Building, Plot no. 139-140 B,
Western Express Highway, Sahar Road Junction,
Vile Parle (E),
Mumbai-400 057
Tel: +91 44 4391 2165, +91 98217 80250
Email: sumitbkhanna@hsbc.co.in

Yes Bank Limited
Mayank Towers,
Survey # 31, (old), 31/2 (New)
Raj Bhavan Road,
Somajiguda,
Hyderabad – 500 082.
Tel : +91 40 6673 9000
Fax: +91 40 6646 9001
Email: yestouch@yesbank.in

Bankers to the Company

Axis Bank Limited
6-3-879/B, First Floor
G. Pulla Reddy Building
Greenlands,
Begumpet Road

State Bank of India Limited
HACA Bhavan,
Saifabad,
Hyderabad –
Tel : +91 40 2323 1056

Bankers to the Company

Hyderabad – 500 016
Tel : +91 40 2340 5182
Fax: +91 40 2451 6262
Email: shishir.mankad@axisbank.com

Fax: +91 40 2323 3462
Email: dmdge.cb@sbi.co.in

ICICI Bank Limited
1-11-256 Level 1, West Wing
ICICI Bank Towers
Street # 1,
Begumpet,
Hyderabad – 500 016.
Tel : +91 40 2778 4000
Fax: +91 40 6633 5820
Email: icici@icicibank.com

Export -Import Bank of India
Centre One Building
World Trade Centre Complex
Cuffe Parade
Mumbai-400 005
Tel :+91 22 2217 2600
Fax: +91 22 2218 2382
Email: cag@eximbankindia.in

Andhra Bank Limited
First Floor,
Astral Heights,
Road No.1,
Banjara Hills,
Hyderabad- 500 034
Tel: +91 40 23358731
Email: customerser@andhrabank.co.in

Yes Bank Limited
Mayank Towers,
Survey # 31, (old), 31/2 (New)
Raj Bhavan Road,
Somajiguda,
Hyderabad – 500 082.
Tel : +91 40 6673 9000
Fax: +91 40 6646 9001
Email: yestouch@yesbank.in

Refund Bank to the Issue
Axis Bank Limited
6-3-879/B, First Floor
G. Pulla Reddy Building
Greenlands,
Begumpet Road
Hyderabad – 500 016
Tel: +91 40 2340 5182
Fax: +91 40 2451 6262
Email: hydbr@axisbank.com

Statutory Auditors

Deloitte Haskins and Sells
Chartered Accountants
Gowra Grand,
3rd Floor, 1-8-384 & 385
S.P. Road,
Secunderabad 500 003.
India
Tel: +91 40 4031 2600
Fax: +91 40 4031 2714

IPO Grading Agency

Fitch Ratings India Private Limited
6th Floor, Apeejay House
3, Dinshaw Vacha Road
Churchgate
Mumbai – 400 020
Telephone: +91 22 4000 1700
Facsimile: +91 22 4000 1701
Email: nikhil.gupta@fitchratings.com
Contact Person: Mr. Nikhil Gupta, Ms. Priyamvada Balaji
SEBI registration number: IN/CRA/002/1999

IPO Grading

The Issue has been graded by Fitch Ratings as Fitch Ratings Grade '3(ind) of a maximum of 5(ind)', indicating "average" fundamentals through its letter dated February 8, 2010. For details in relation to the report of Fitch Ratings furnishing rationale for the IPO grading, please refer to the Annexure to this Red Herring Prospectus. Attention of the Investors is drawn to the disclaimer of Fitch Ratings appearing on page 6 of the report of Fitch Ratings.

Credit Rating

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

Trustees

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

Experts

Except the report of Fitch Ratings in respect of the IPO grading of this Issue annexed herewith, the Company has not obtained any expert opinions.

Monitoring Agency

There is no requirement for a Monitoring Agency in terms of the SEBI (ICDR) Regulations since the Issue size is less than Rs. 5,000 million. The Audit Committee appointed by our Board of Directors will monitor the utilization of the Issue proceeds.

Inter Se Allocation of Responsibilities between the BRLM

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

S. No	Activities	Responsibility	Coordinator
1.	Capital structuring with relative components and formalities etc.	BRLM	BRLM
2.	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of prescribed formalities with BSE, RoC and SEBI including finalization of Prospectus and RoC filing	BRLM	BRLM
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure etc.	BRLM	BRLM
4	Appointment of intermediaries viz., Printers and Advertising Agency	BRLM	BRLM
5.	Appointment of other intermediaries viz., Registrar and Bankers to the Issue	BRLM	BRLM
6	International Institutional marketing strategy: finalize the list and division of investors for one to one meetings; preparation of road show presentation and FAQs	BRLM	BRLM
7.	Domestic Institutional marketing strategy: finalize the list and division of investors for one to one meetings	BRLM	BRLM
8.	Retail / HNI marketing strategy – Finalize centers for holding conference for brokers etc. – Finalize media, marketing & PR Strategy – Follow up on distribution of publicity and issue	BRLM	BRLM

S. No	Activities	Responsibility	Coordinator
	materials including form, prospectus and deciding on the quantum of the Issue material – Finalize bidding centers – Managing the book and co ordination with Stock Exchanges		
9.	Pricing, in consultation with the Company	BRLM	BRLM
10.	The post bidding activities including management of escrow accounts, co-ordinate non-institutional and institutional allocation, intimation of allocation and dispatch of refunds to bidders etc The Post Issue activities for the Issue will involve essential follow up steps, which include the finalization of basis of allotment, dispatch of refunds, demat of delivery of shares, finalization of listing and trading of instruments with the various agencies connected with the work such as the Registrar(s) to the Issue and Bankers to the Issue. (The merchant banker shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company)	BRLM	BRLM

Book Building Process

Book building, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is finalized after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

1. The Company;
2. The BRLM;
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Syndicate Members appointed by the BRLM;
4. Registrar to the Issue;
5. Escrow Collection Banks; and
6. SCSBs.

In terms of Rule 19(2)(b) of SCRR, the Issue being less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process. At least 60% of the Net Issue shall be allotted on a proportionate basis to QIB Bidders. 5% of the QIB Portion (to be adjusted for Anchor Investor Portion, if applicable) shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. The Company may consider allocation up to 30% of the QIB Portion to Anchor Investors as per the provisions of the SEBI (ICDR) Regulations. If at least 60% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net 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. Further, up to 321,011 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

In accordance with the SEBI (ICDR) Regulations, QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date. QIBs Bidders are required to pay not less than 10% Margin amount upon submission of the Bid-cum-Application Form during the Bidding Period and allocation to QIBs

will be on a proportionate basis (except allocation to Anchor Investors). Please refer to the section titled "Issue Procedure" on page no. 233 of this Red Herring Prospectus for more details.

The Company will comply with the SEBI (ICDR) Regulations and any other ancillary directions issued by SEBI from time to time for this Issue. In this regard, we have appointed the BRLM to manage the Issue and procure subscriptions to the Issue.

The process of Book Building under the SEBI (ICDR) Regulations is subject to change from time to time and the investors are advised to make their own judgment about investment through this process prior to making a Bid or application in the Issue.

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

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

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

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

Steps to be taken by the Bidders for bidding:

- Check eligibility for making a Bid (see section titled "Issue Procedure - Who Can Bid" on page no. 234 of this Red Herring Prospectus);

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

- In accordance with the SEBI (ICDR) Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction;

- 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; and

- Bids by QIBs will have to be submitted to the BRLM or the Syndicate Members only.

Withdrawal of the Issue

Our Company, in consultation with the BRLM, reserves the right not to proceed with the Issue any time after the Bid/Issue Opening Date but before the Allotment of Equity Shares, and if so, the reason thereof shall be given as a public notice, within two days of the closure of the issue, in two national newspapers (one each in English and Hindi) and in one Telegu newspaper.

Bid/Issue Programme

Bidding Period/Issue Period

BID/ISSUE OPENS ON	**March 8, 2010**
BID/ISSUE CLOSES ON	**March 10, 2010**

The Company may consider participation by Anchor Investors in terms of the SEBI (ICDR) Regulations. The Anchor Investor Bid/ Issue Period shall be one day prior to the Bid/ Issue Opening Date.

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 3.00 p.m**. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form. On the Bid/Issue Closing Date, Bids (excluding the ASBA Bidders) shall be uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders and (ii) until 5.00 p.m. or such extended time as permitted by the NSE and the BSE, in case of Bids by Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion. It is clarified that Bids not uploaded in the book, would be rejected. Bids by ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and the BSE.

In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical Bid cum Application Form, for a particular Bidder, the details as per physical application form of that Bidder may be taken as the final data for the purpose of Allotment. In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical or electronic Bid cum Application Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask for rectified data from the SCSB.

Due to limitation of time available for uploading the Bids on the Bid/Issue Closing date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than the times mentioned above on the Bid/Issue Closing Date. All times mentioned in this Red Herring Prospectus are Indian Standard Time. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in pubic offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, the Issuer, BRLM, Syndicate Members and the SCSB will not be responsible. Bids will be accepted only on Business Days, i.e., Monday to Friday (excluding any public holidays).

On the Bid/Issue Closing Date, extension of time may be granted by the Stock Exchanges only for uploading the Bids received by Retail Bidders after taking into account the total number of Bids received upto the closure of the time period for acceptance of Bid cum Application Forms as stated herein and reported by the BRLM to the Stock Exchange within half an hour of such closure.

The Company reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI (ICDR) Regulations provided that the Cap Price is less than or equal to 120% of the Floor Price. The Floor Price can be revised up or down to a maximum of 20% of the Floor Price.

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

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares but prior to the filing of the Prospectus with RoC, we will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM and the Syndicate Members shall be responsible for bringing in the amount devolved in the event that the Syndicate Members does not fulfil its underwriting obligations. The underwriting shall be to the extent of the Bids uploaded by the Underwriters including through its Syndicate/Sub Syndicate. The Underwriting Agreement is dated [•]. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions specified therein.

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

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

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. in million)
[•]	[•]	[•]
[•]	[•]	[•]
[•]	[●]	[●]

The above mentioned is indicative underwriting and this would be finalized after the pricing and actual allocation of the Equity Shares. The Underwriting Agreement is dated [●] and has been approved by the Board of Directors.

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

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

CAPITAL STRUCTURE

Our Equity Share capital before the Issue and after giving effect to the Issue, as at the date of this Red Herring Prospectus with SEBI, is set forth below:

(in Rupees, except share data)

		Aggregate Value at Face Value	Aggregate Value at Issue Price
A.	**Authorized Capital**		
	80,000,000 Equity Shares of face value of Rs. 10 each	800,000,000	
B.	**Issued, Subscribed and Paid-Up Equity Capital before the Issue***		
	63,234,989 Equity Shares before the Issue	632,349,890	
C.	**Present Issue in terms of this Red Herring Prospectus****		
	16,048,011 Equity Shares	160,480,110	**[●]**
	Of which:		
	Employee Reservation Portion of 321,011 Equity Shares	3,210,110	**[●]**
	Net Issue to the Public of 15,727,000 Equity Shares	157,270,000	**[●]**
E.	**Issued, Subscribed and Paid-Up Capital after the Issue**		
	79,283,000 Equity Shares	792,830,000	**[●]**
F.	**Securities Premium Account**		
	Before the Issue	824,526,637***	
	After the Issue	[●]	

* The Company has completed a Pre-IPO Placing of Equity Shares with certain selected investors, pursuant to which has allotted an aggregate of 3,772,771 Equity Shares for cash at a price of Rs. 68.11 per Equity Share (including a share premium of Rs. 58.11 per Equity Share)..

** The present Issue in terms of this Red Herring Prospectus has been authorized by the Board of Directors in their meeting on August 26, 2009 and by the shareholders of our Company at the AGM held on September 15, 2009.

*** The securities premium account includes Rs. 116,789,511 that was received upon amalgamation of the erstwhile DQ Entertainment Limited with our Company.

Changes in the Authorised Capital

a) The initial authorised share capital of Rs. 100,000 divided into 10,000 Equity Shares was increased to Rs. 38,100,000 divided into 3,010,000 Equity Shares and 800,000 1% Redeemable Optionally Convertible Non Cumulative Preference Shares of Rs. 10 each pursuant to a resolution of the shareholders dated December 12, 2007.

b) The authorised share capital of Rs. 38,100,000 divided into 3,010,000 Equity Shares and 800,000 1% Redeemable Optionally Convertible Non Cumulative Preference Shares of Rs. 10 each was reclassified and increased to Rs. 800,000,000 divided into 80,000,000 Equity Shares of Rs.10 each, pursuant to a resolution of the shareholders dated September 15, 2009.

Notes to Capital Structure

1. Share Capital History of our Company

a) Equity Share Capital History

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Name of Allottee	Cumulative No. of Equity Shares	Cumulative Paid-up Equity Share capital (Rs.)	Cumulative Share Premium (Rs.)
April 13, 2007	10,000	10	10	Cash	Subscription to Memorandum	10,000	100,000	-

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Name of Allottee	Cumulative No. of Equity Shares	Cumulative Paid-up Equity Share capital (Rs.)	Cumulative Share Premium (Rs.)
January 29, 2008	293*	10	10	On account of conversion of Preference Shares	M/s Marchmont International Finance Limited	10,293	102,930	
January 29, 2008	61,024*	10	10	On account of conversion of Preference Shares	Euro Soft Limited	71,317	713,170	
January 29, 2008	179,928*	10	10	On account of conversion of Preference Shares	Flordia Properties Limited	251,245	2,512,450	
January 29, 2008	188,369*	10	10	On account of conversion of Preference Shares	International Finance Corporation	439,614	4,396,140	
January 29, 2008	8,110*	10	10	On account of conversion of Preference Shares	IVF (Mauritius) PCC	447,724	4,477,240	
February 18, 2008	975,188	10	1096.67	Cash	DQE Mauritius	1,422,912**	14,229,120	1,059,707,957#
July 24, 2009	5***	10	10	Cash	Tapaas Chakravarti Laxminarayana Nagu Rashmi Chakravarti Nivedita Chakravarti Sumedha Saraogi	1,422,917	14,229,170	1,059,707,957
August 26, 2009	27,381****	10	10	On account of conversion of Preference Shares	DQE Mauritius	1,450,298	14,502,980	1,059,707,957
September 17, 2009	58,011,920 *****	10	_	Bonus Issue	Existing Shareholders	59,462,218	594,622,180	479,588,757
December 23, 2009	2,936,427	10	68.11	Preferential Allotment	IDFC Investment Advisors Limited	62,398,645	623,986,450	650,224,530
January 6, 2010	251,402	10	68.11	Preferential Allotment	Rajesh Sachdeva	62,650,047	626,500,470	664,833,510
January 6, 2010	125,824	10	68.11	Preferential Allotment	Ajay Sharma	62,775,871	627,758,710	672,145,160
January 6, 2010	146,968	10	68.11	Preferential Allotment	Amit Jasani Financial Services Private Limited	62,922,839	629,228,390	680,685,480
January 6, 2010	146,821	10	68.11	Preferential Allotment	Nikhil Vora	63,069,660	630,696,600	689,217,271
January 6, 2010	36,705	10	68.11	Preferential Allotment	Pradip Doshi	63,106,365	631,063,650	691,350,220
January 6,	128,624	10	68.11	Preferential	Christo	63,234,989	632,349,890	698,824,566

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Name of Allottee	Cumulative No. of Equity Shares	Cumulative Paid-up Equity Share capital (Rs.)	Cumulative Share Premium (Rs.)
2010				Allotment	Equities Inc.			

\# The exact amount received towards the share premium is Rs. 1,059,707,957 and the difference of Rs. 413 is on account of rounding off.

* Equity Shares issued on account of conversion of 1% redeemable optionally convertible non-cumulative preference shares of Rs. 10 each ("**Preference Shares**") into Equity Shares in the ratio of 1:1.

** Includes 1 Equity Share held by Akula Ramakrishna as nominee of DQE Mauritius w.e.f December 08, 2007

*** 1 Equity Share each issued to the subscribers, to be held as nominees of DQE Mauritius.

**** Equity Shares issued on account of conversion of 1% Preference Shares into Equity Shares in the ratio of 1:1

***** Issue of Bonus Shares pursuant to capitalisation of the share premium account in the ratio of 40:1

b) Preference Share Capital History

Date of Allotment	Number of Preference Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Name of Allottee	Cumulative No. of Preference Shares	Cumulative Paid-up Preference Share capital (Rs.)	Cumulative Share Premium (Rs.)
December 12, 2007	76,045	10	10	Pursuant to Scheme of Amalgamation#	Tapaas Chakravarti	76,045	760,450	-
December 12, 2007	25,323	10	10	Pursuant to Scheme of Amalgamation#	Rusi Brij	101,368	1,013,680	-
December 12, 2007	1,150	10	10	Pursuant to Scheme of Amalgamation#	Rahul Shah	102,518	1,025,180	-
December 12, 2007	500	10	10	Pursuant to Scheme of Amalgamation#	Shahzaad Dalal	103,018	1,030,180	-
December 12, 2007	1,650	10	10	Pursuant to Scheme of Amalgamation#	Suyash Outsourcing Private Limited	104,668	1,046,680	-
December 12, 2007	1,650	10	10	Pursuant to Scheme of Amalgamation#	Srinavasa Raju	106,318	1,063,180	-
December 12, 2007	5	10	10	Pursuant to Scheme of Amalgamation#	Barun Kumar	106,323	1,063,230	-
December 12, 2007	5	10	10	Pursuant to Scheme of Amalgamation#	Bishwanath Chakravarti	106,328	1,063,280	-
December 12, 2007	5	10	10	Pursuant to Scheme of Amalgamation#	Manoj Jain	106,333	1,063,330	-
December 12, 2007	5	10	10	Pursuant to Scheme of Amalgamation#	Biswanath Das	106,338	1,063,380	-
December 12, 2007	645	10	10	Pursuant to Scheme of Amalgamation#	TL Raj Kumar	106,983	1,069,830	-
December 12, 2007	161	10	10	Pursuant to Scheme of Amalgamation#	PVS Raju	107,144	1,071,440	-
December 12, 2007	113	10	10	Pursuant to Scheme of Amalgamation#	Suman Jain	107,257	1,072,570	-
December 12, 2007	32	10	10	Pursuant to Scheme of Amalgamation#	Akula Ramakrishna	107,289	1,072,890	-
December 12, 2007	81	10	10	Pursuant to Scheme of Amalgamation#	S Shilloi	107,370	1,073,700	-
December 12, 2007	293	10	10	Pursuant to Scheme of Amalgamation#	Marchmont International Finance Limited	107,663	1,076,630	-

Date of Allotment	Number of Preference Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Name of Allottee	Cumulative No. of Preference Shares	Cumulative Paid-up Preference Share capital (Rs.)	Cumulative Share Premium (Rs.)
December 12, 2007	97	10	10	Pursuant to Scheme of Amalgamation#	Arpita Chakravarti	107,760	1,077,600	-
December 12, 2007	14,506	10	10	Pursuant to Scheme of Amalgamation#	Veeyes Investment Private Limited	122,266	1,222,660	-
December 12, 2007	14,506	10	10	Pursuant to Scheme of Amalgamation#	High Grace Investment Private Limited	136,772	1,367,720	-
December 12, 2007	14,506	10	10	Pursuant to Scheme of Amalgamation#	Fincity Investment Private Limited	151,278	1,512,780	-
December 12, 2007	14,506	10	10	Pursuant to Scheme of Amalgamation#	Elem Investment Private Limited	165,784	1,657,840	-
December 12, 2007	61,024	10	10	Pursuant to Scheme of Amalgamation#	Euro Soft Limited	226,808	2,268,080	-
December 12, 2007	179,928	10	10	Pursuant to Scheme of Amalgamation#	Flordia Properties Limited	406,736	4,067,360	-
December 12, 2007	11,187	10	10	Pursuant to Scheme of Amalgamation#	Sara Fund Trustee Co Private Limited	417,923	4,179,230	-
December 12, 2007	188,369	10	10	Pursuant to Scheme of Amalgamation#	International Finance Corporation	606,292	6,062,920	-
December 12, 2007	15,045	10	10	Pursuant to Scheme of Amalgamation#	India Value Fund Trustee Co Private Limited	621,337	6,213,370	-
December 12, 2007	8,110	10	10	Pursuant to Scheme of Amalgamation#	IVF (Mauritius) PCC	629,447	6,294,470	-
January 29, 2008	(293)	10	-	Converted into Equity Shares	Marchmont International Finance Limited*	629,154	6,291,540	-
January 29, 2008	(61,024)	10	-	Converted into Equity Shares	Euro Soft Limited*	568,130	5,681,300	-
January 29, 2008	(179,928)	10	-	Converted into Equity Shares	Flordia Properties Limited*	388,202	3,882,020	-
January 29, 2008	(188,369)	10	-	Converted into Equity Shares	International Finance Corporation*	199,833	1,998,330	-
January 29, 2008	(8,110)	10	-	Converted into Equity Shares	IVF (Mauritius) PCC*	191,723	1,917,230	-
February 18, 2008	3,011	10	750	Cash	Veeyes Investment Private Limited	194,734	1,947,340	2,228,140
February 18, 2008	3,011	10	750	Cash	High Grace Investment Private Limited	197,745	1,977,450	4,456,280
February 18, 2008	3,011	10	750	Cash	Fincity Investment Private Limited	200,756	2,007,560	6,684,420
February 18, 2008	3,011	10	750	Cash	Elem Investment Private	203,767	2,037,670	8,912,560

Date of Allotment	Number of Preference Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Name of Allottee	Cumulative No. of Preference Shares	Cumulative Paid-up Preference Share capital (Rs.)	Cumulative Share Premium (Rs.)
					Limited			
August 26, 2009	(176,386)	10	10	Redemption in cash at par value	All preference share holders except for DQE Mauritius**	27,381	273,810	8,912,560
August 26, 2009	(27,381)	10	10	Conversion into Equity Shares (in the ratio 1:1)	DQE Mauritius***	NIL	NIL	8,912,560

* On account of conversion of the Preference Shares into Equity Shares on January 29, 2008 in the ratio of 1:1.

** On account of redemption of the Preference Shares for cash at par value, pursuant to a resolution of the Board dated August 26, 2009.

*** On account of conversion of the Preference Shares into Equity Shares on August 26, 2009 in the ratio of 1:1.

\# For details on Scheme of Amalgamation, please refer to section titled "History and Corporate structure" on page 92 of this Red Herring Prospectus.

2. Built-up of Promoters Shareholding

Date of Allotment/ Transfer	Nature of consideration	No. of Equity Shares	Face Value (Rs.)	Issue/ Acquisition Price (Rs.)	Nature of Transaction	Cumulative no. of Equity Shares
DQE Mauritius						
December 8, 2007	Cash	10,000*	10	10.00	Transfer from DQ Entertainment plc	10,000
January 29, 2008	Cash	293	10	10.00	Transfer from Marchmont International Finance Limited	10,293
January 29, 2008	Cash	61,024	10	10.00	Transfer from Euro Soft Limited	71,317
January 29, 2008	Cash	179,928	10	10.00	Transfer from Flordia Properties Limited	251,245
January 29, 2008	Cash	188,369	10	10.00	Transfer from International Finance Corporation	439,614
January 29, 2008	Cash	8,110	10	10.00	Transfer from IVF (Mauritius) PCC	447,724
February 18, 2008	Cash	975,188	10	1096.66	Further issue of Equity Shares	1,422,912
July 24, 2009	Cash	5**	10	10	Further issue of Equity Shares	1,422,917
August 26, 2009	Cash	27,381***	10	10	Conversion of Preference Shares into Equity Shares in the ratio 1:1	1,450,298
September 17, 2009	_	58,011,920****	10	-	Bonus Issue in the ratio of 40:1	59,462,218

* includes 1 Equity Share held by the nominee of the DQE Mauritius.

**1 Equity Share each issued to the nominees of DQE Mauritius.

*** 27,381 Preference Shares were acquired by DQE Mauritius from certain shareholders and were subsequently converted into Equity Shares in the ratio of 1:1.

****Includes 40 Equity Shares issued to each of the 6 nominee shareholders of DQE Mauritius.

3. Promoters' Contribution and Lock-in

The Equity Shares that are being locked-in are not ineligible for computation of Promoter's contribution under Regulation 33 of the SEBI (ICDR) Regulations. In this connection, as per Regulation 33 of the SEBI (ICDR) Regulations, the Company confirms the following:

1. The Equity Shares offered for minimum 20% Promoters' contribution are not acquired for consideration other than cash and revaluation of assets or capitalization of intangible assets or bonus shares out of revaluation reserves or reserves without accrual of cash resources or against shares which are otherwise ineligible for computation of Promoters' contribution;

2. The minimum Promoters' contribution does not consist of Equity Shares acquired during the preceding one year, at a price lower than the price at which Equity Shares are being offered to the public in the Issue;

3. The Company has not been formed by the conversion of a partnership firm into a company;

4. The Equity Shares held by the Promoters and offered for minimum 20% Promoters' contribution are not subject to any pledge;

5. The minimum Promoters' contribution does not consist of any private placement made by solicitation of subscriptions from unrelated persons either directly or through any intermediary; and

6. The minimum Promoters' contribution does not consist of Equity Shares for which specific written consent has not been obtained from the respective shareholders for inclusion of their subscription in the minimum Promoters' contribution subject to lock-in.

(a) Details of the Equity Shares forming part of Promoters' contribution, which shall be locked-in for three years:

Pursuant to the SEBI (ICDR) Regulations, an aggregate of 20% of the post-Issue shareholding of the Company held by the Promoters shall be locked-in for a period of three years from the date of Allotment in the Issue. The details of such lock-in are given below:

Name of the Promoter	Date on which the Equity Shares were Allotted/ Acquired	Date when made fully paid-up	Nature of Allotment/ Acquisition	Nature of payment of consideration	Number of Equity Shares locked-in	Face value (Rs.)	Issue/ Acquisition Price (Rs.)	Percentage of pre-Issue share capital (%)	Percentage of post-Issue share capital (%)
DQE Mauritius	September 17, 2009	September 15, 2009	Bonus Issue	N.A.	15,856,600	10	N.A.	25.07	20.00

The Company has obtained specific written consent from DQE Mauritius for inclusion of the above Equity Shares held by it for the lock-in. All Equity Shares held by DQE Mauritius in the Company are free from pledge.

(b) Details of pre-Issue Equity Share capital locked in for one year

In addition to the Equity Shares proposed to be locked-in as part of the Promoters' contribution as stated above, the balance pre-Issue equity share capital of the Company constituting 47,378,389 Equity Shares will be locked-in for a period of one year from the Date of Allotment in the Issue.

As regards the Pre-IPO Placing of 2,936,427 Equity Shares to IDFC, all or part of such 2,936,427 Equity Shares shall be transferred to the beneficiaries of the IDFC Hybrid Infrastructure Portfolio prior to the Date of Allotment. For further details in this regard, please refer to the paragraph titled "Share Subscription Agreement with IDFC" on page no. 96 of this Red Herring Prospectus.

Pursuant to Regulation 39 of the SEBI (ICDR) Regulations, locked-in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided that (i) the pledge of Equity Shares is one of the terms of sanction of the loan; and (ii) if the shares are locked in as Promoters' contribution for three years under Regulation 39(b) of the SEBI (ICDR) Regulations, such Equity Shares may be pledged, only if, in addition to fulfilling the requirements of paragraph (i), the loan has been granted by the banks or financial institutions for the purpose of financing one or more of the objects of the Issue.

In terms of Regulation 40 of the SEBI (ICDR) Regulations, subject to the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 - (i) the Equity Shares held by the Promoters and locked-in as per Regulation 36 may be transferred to another promoter or any person of the promoter group or a new promoter or a person in control of the issuer; and (ii) the Equity Shares held by persons other than promoters and locked-in as per Regulation 37 may be transferred to any other person holding Equity Shares which are locked-in along with the Equity Shares proposed to be transferred; provided that, lock-in on such Equity Shares shall continue for the remaining period with the transferee and such transferee shall not be eligible to transfer them till the lock-in period stipulated in the SEBI (ICDR) Regulations has expired.

(c) Lock in of Equity Shares Allotted to Anchor Investors

Equity Shares, if Allotted to Anchor Investors, in the Anchor Investor Portion, shall be locked in for a period of 30 days from the date of Allotment of Equity Shares in the Issue.

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

Save and except as stated below, there have been no transactions in the Company's Equity Shares by the Promoters/Promoter Group and the Directors of the Company or directors of the Promoters during a period of six months preceding the date of filing of this Red Herring Prospectus with SEBI.

Name of Subscriber	Date of Transaction	No. of Equity Shares	Price per Equity Share (in Rs.)
Tapaas Chakravarti*	July 24, 2009	1	10
Mr. Laxminarayana Nagu*	July 24, 2009	1	10
Ms. Rashmi Chakravarti*	July 24, 2009	1	10
Ms. Nivedita Chakravarti*	July 24, 2009	1	10
Ms. Sumedha Saraogi*	July 24, 2009	1	10
DQE Mauritius	August 26, 2009	27,381	10
DQE Mauritius	September 17, 2009	58,011,920**	10

* 1 Equity Share issued as nominees of DQE Mauritius.

**Includes 40 Equity Shares issued to each of 6 nominee shareholders of DQE Mauritius.

5. Shareholding pattern of our Company

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

	Pre-Issue		Post-Issue	
	No. of Equity Shares	Percentage of Equity Share capital	No. of Equity Shares	Percentage of Equity Share capital
A) Shareholding of Promoter and Promoter Group				
1)Indian	Nil	Nil	Nil	Nil
2)Foreign				
Bodies Corporate – Others DQE Mauritius	59,462,218	94.03	59,462,218	75.00
Total Holding of Promoters (A1+A2)	59,462,218*	94.03	59,462,218	75.00
B) Public Shareholding				
1) Institutions				
a) Mutual Funds/ UTI	Nil	Nil	Nil	Nil
b) Financial Institutions/ Banks	Nil	Nil	Nil	Nil
c) Central Government/ State Government(s)	Nil	Nil	Nil	Nil
d) Venture Capital Funds	Nil	Nil	Nil	Nil
e) Insurance Companies	Nil	Nil	Nil	Nil
f) Foreign Institutional Investors	Nil	Nil	Nil	Nil
g) Foreign Venture Capital Investors	Nil	Nil	Nil	Nil
h) Any Other Indian Institutional Investor - IDFC Investment Advisors Limited**	2,936,427	4.64	2,936,427	3.70
Sub-Total (B)(1)	2,936,427	4.64	2,936,427	3.70
2) Non-institutions				
a) Bodies Corporate Amit Jasani Financial Services Private Limited	146,968	0.23	146,968	0.19
b) Individuals - i. Individual shareholders holding nominal				

	Pre-Issue		Post-Issue	
	No. of Equity Shares	Percentage of Equity Share capital	No. of Equity Shares	Percentage of Equity Share capital
share capital up to Rs. 1 lakh.				
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.**				
Rajesh Sachdeva	251,402	0.40	251,402	0.32
Ajay Sharma	125,824	0.20	125,824	0.16
Nikhil Vora	146,821	0.23	146,821	0.19
Pradip Doshi	36,705	0.06	36,705	0.05
c) Any Other (Foreign body corporate) Christo Equities Inc.	128,624	0.20	128,624	0.16
Total Public Shareholding (B)= (B)(1)+(B)(2)	3,772,771	5.97	3,772,771	4.76
Eligible Employees (pursuant to the Employee Reservation Portion)	Nil	Nil	321,011***	0.40
Public (pursuant to the Net Issue)	Nil	Nil	15,727,000	19.84
Total	63,234,989	**100.00**	79,283,000	**100.00**

* Includes 246 Equity Shares held by nominees of DQE Mauritius. The said 246 Equity Shares include 41 Equity Share held by Tapaas Chakravarti as nominee of DQE Mauritius.

** The Company has completed a Pre-IPO Placement of 3,772,771 Equity Shares to certain selected investors for cash at a price of Rs. 68.11 per Equity Share (including a share premium of Rs. 58.11 per Equity Share).

*** Assuming that the Employee Reservation Portion is fully subscribed by the Eligible Employees pursuant to the Issue.

6. The list of top ten shareholders of the Company and the number of Equity Shares held by them is as under:

(a). As of the date of this Red Herring Prospectus:

Sr. No.	Name of the shareholder	No. of Equity Shares held	Percentage
1.	DQE Mauritius*	59,462,218	94.03
2.	IDFC Investment Advisors Limited	2,936,427	4.64
3.	Rajesh Sachdeva	251,402	0.40
4.	Ajay Sharma	125,824	0.20
5.	Amit Jasani Financial Services Private Limited	146,968	0.23
6.	Nikhil Vora	146,821	0.23
7.	Christo Equities Inc.	128,624	0.20
8.	Pradip Doshi	36,705	0.06
Total		63,234,989	**100.00**

* includes 41 Equity Shares held by each of the 6 nominees of DQE Mauritius

(b). Top ten shareholders as of ten days prior to the date of this Red Herring Prospectus:

Sr. No.	Name of the shareholder	No. of Equity Shares held	Percentage
1.	DQE Mauritius*	59,462,218	94.03
2.	IDFC Investment Advisors Limited	2,936,427	4.64
3.	Rajesh Sachdeva	251,402	0.40
4.	Ajay Sharma	125,824	0.20
5.	Amit Jasani Financial Services Private Limited	146,968	0.23
6.	Nikhil Vora	146,821	0.23
7.	Christo Equities Inc.	128,624	0.20
8.	Pradip Doshi	36,705	0.06
Total		63,234,989	**100.00**

* includes 41 Equity Shares held by each of the 6 nominees of DQE Mauritius

(c). Two years prior to date of this Red Herring Prospectus:

Sr. No.	Name of the shareholder	No. of Equity Shares held	Percentage
1.	DQE Mauritius*	10,000	100.00
Total		**10,000**	**100.00**

* includes 1 Equity Share held by the nominee of DQE Mauritius.

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

8. None of our Directors or Key Managerial Personnel holds Equity Shares in our Company, except as stated in the section titled "Our Management" beginning on page no. 99 of this Red Herring Prospectus.

9. Our Company, our Directors, our Promoters or the Promoter Group shall not make any, direct or indirect, payments, discounts, commissions or allowances under this Issue, except as disclosed in this Red Herring Prospectus.

10. There have been no transfers of Equity Shares by the Directors, Promoters and the Promoters Group within the last six months from the date of this Red Herring Prospectus.

11. There will be no further issue of Equity Shares, whether by way of issue of bonus shares, preferential allotment, and rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus with SEBI until the Equity Shares have been listed or refund of the application money, as the case may be.

12. The Company shall ensure that transactions in the Equity Shares by the Promoters and the Promoter Group between the date of filing the Red Herring Prospectus with SEBI and the Bid/Issue Closing Date shall be reported to BSE within twenty-four hours of such transaction.

13. The Company presently does not intend or propose to alter the capital structure for a period of six months from the Bid/Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether on a preferential basis or issue of bonus or rights or further public issue or qualified institutional placement or otherwise, except that if we enter into acquisitions, joint ventures or other arrangements, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisitions or participation in such joint ventures.

14. Only Eligible Employees would be entitled to apply in this Issue under the Employee Reservation Portion, on competitive basis. Bid/ Application by Eligible Employees can also be made in the "Net Issue" and such Bids shall not be treated as multiple Bids.

15. Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLM and the Designated Stock Exchange. Under subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue at the discretion of the BRLM and the Company. In case of under subscription in the Net Issue, spill over to the extent of under subscription shall be permitted from the Employee Reservation Portion subject to the Net Issue constituting 10% of the post-Issue capital of the Company. If at least 60% of the Net Issue is not allocated to the QIBs, the entire subscription monies shall be refunded.

    For further details, see "Issue Structure" beginning on page no. 228 of this Red Herring Prospectus.

16. As on the date of this Red Herring Prospectus there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares.

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

18. The Company does not have any employee stock option plan as on the date of this Red Herring Prospectus.

19. There are restrictive covenants in the agreements entered into by the Company with certain lenders for short-term and long-term borrowing. For further details, see the section "Financial Indebtedness" on page no. 194 of this Red Herring Prospectus.

20. Our Promoters and members of our Promoter Group will not participate in this Issue.

21. Except as disclosed in this Red Herring Prospectus, we have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.

22. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

23. As of date of this Red Herring Prospectus, the total number of holders of Equity Shares is 14.

24. The Company has not made any public issue since its incorporation.

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

26. As per the RBI regulations, OCBs are not allowed to participate in the Issue.

27. The Equity Shares issued through this Issue will be fully paid up.

28. We have not issued any Equity Shares out of revaluation reserves. We have not issued any Equity Shares for consideration other than cash except as stated above.

OBJECTS OF THE ISSUE

We intend to utilize the Issue Proceeds, after deducting the underwriting and issue management fees, selling commissions and other expenses associated with the Issue (the "**Net Proceeds**") for the following objects:

I. investment in co-production agreements, focusing on IP content creation;

II. development of office premises and production facilities; development of infrastructure and additional facilities at the SEZ Unit, Kokapet Village, Rangareddy District, Andhra Pradesh;

III. investment in our subsidiary, DQ Entertainment(Ireland) Limited; and

IV. general corporate purposes.

The main objects clause of our Memorandum of Association enables us to undertake the activities proposed pursuant to the objects of the Issue, for which the funds are being raised pursuant to this Issue. Our existing activities are within the ambit of the objects clause of the Memorandum of Association of our Company.

Proceeds of the Issue

The details of the Proceeds of the Issue are summarized in the table below:

(*In Rs. Million*)

Particulars	Estimated Amount
Gross Proceeds of the Issue	[●]
Issue related expenses#	[●]
Net Proceeds of the Issue*	[●]

#The details of Issue related expenses are provided later within this section
** To be finalised upon determination of the Issue Price*

Financing Plan and Use of Net Proceeds of the Issue

The means of financing, use of Net Proceeds of the Issue and the proceeds of the Pre-IPO Placement for each of the objects of the Issue is set out in the following table:

(*In Rs. Million*)

S. No.	Particulars	Estimated requirement of Funds	Amount to be financed from the Net Proceeds & Pre IPO	Amount to be financed through third parties	
				Debt	Internal accruals
1	Investment in co-production agreements, focusing on IP content creation	1,049.67	549.58	456.37	43.72
2	Development of office premises and production facilities; Development of infrastructure and additional facilities at the SEZ Unit, Kokapet Village	519.16	392.31	112.50	14.35
3	Investment in our Subsidiary, DQ Entertainment (Ireland) Limited	145.90	129.22	-	16.68
4	General Corporate Purposes*	[●]	[●]	[●]	[●]
	Total	[●]	[●]	[●]	[●]

* To be completed at the time of filing of the Prospectus with the ROC

Our assessment of the fund requirements and deployment is based on management estimates. The actual costs may vary from the above estimates. Our business, by its nature, is dynamic and competitive, which may necessitate changes in our business plan to avail of new opportunities or to meet competitive threats, including those that we may not currently envisage. The changes, if any, in our business plan, shall be made keeping in mind the interests of investors. In case of shortfall in the Net Proceeds to meet the aforesaid objects of the Issue, we propose to meet the same through internal accruals, borrowings and/or further issue of capital.

In case of any variation in the actual utilization of funds earmarked for the above activities, including on account of cost overruns in the project for which the investment is being made, increased fund deployment for a particular activity may be met with surplus funds, if any, available in the other activities, or from internal accruals, debt or equity.

Deployment Schedule

The deployment schedule for our Object of the Issue is set out in the following table:

(*In Rs. Million*)

Particulars	Proposed funds deployment						Amount deployed as on January 18, 2010
	Fiscal 2010		Fiscal 2011		Total		
	Debt	Equity	Debt	Equity	Debt	Equity	
Investment in co-production agreements, focusing on IP content creation	286.37	212.56	170.00	380.74	456.37	593.30	210.13
Development of office premises and production facilities; Development of infrastructure and additional facilities at the SEZ Unit, Kokapet Village	112.50	86.89	-	319.77	112.50	406.66	98.16*
Investment in our subsidiary, DQ Entertainment (Ireland) Limited	-	114.14	-	31.76	-	145.90	104.14
Total	**398.87**	**413.59**	**170.00`**	**732.27**	**568.87**	**1145.86**	**412.43**

* Out of the required amount Rs 14.35 million has been incurred prior to Fiscal 2010.

Details of use of Net Proceeds

I. Investment in co-production agreements, focusing on IP content creation

In line with our objective to explore new markets and create our own IP content, the focus of our global IP division is to expand exploring own and joint international IP developments and productions.

We have strategically moved along the animation value chain, gaining greater exposure to IP ownership and distribution. The focus on content production has provided us an opportunity to leverage our already existing expertise in content creation. Entering into co-productions with a select number of our existing clients has also enabled us to adopt a low-risk approach. Within these co-production agreements, we not only continue to receive production revenues generating its usual production margins, but also obtain equity participations, which also provide right in the license revenues.

As at September 30, 2009, we had invested an amount of Rs. 830.15 million in co-productions which have been completed and are generating revenue, and an amount of Rs. 439.08 million in co-productions which are currently under development. We have further identified various opportunities in co-production arrangements, for which we have already entered into contractual arrangements. For further details on our contractual arrangements, please refer to the chapter titled "Our Business" page no. 64 of this Red Herring Prospectus.

We estimate that our fresh investment in the next two years in the above identified opportunities for which we have already entered into contractual arrangements will amount to Rs. 1,049.67 million.

Details of estimated investments in Co-productions											
Sl. No.	**Project**	**Parties to Agreement**	**Date of Agreement**	**Estimated Period of completion as per the Company production schedule**	**Estimated Total Cost of Project (Global Budget)**	**Company's estimated investment in the Project**	**Funds deployed by the Company**	**Balance to be deployed by the Company**	**Issue proceeds and Pre-IPO Placement**	**Internal Accruals**	**Debt**
				FY	**(Rs. Mn)**	**(Rs. Mn)**	**(Rs. Mn)**	**(Rs. Mn)**	**(Rs. Mn)**	**(Rs. Mn)**	**(Rs. Mn)**
1	Ironman	Method Films SAS, France	2-May-07	2009-10	622.76	117.45	2.89 + 11.19 retained with banks as margin money	103.37	-	-	103.37
2	Casper	Moonscoop Corporation France	13-Aug-07	2009-10	430.56	156.63	7.13	149.5	149.50	-	-
3	Pinky Perky	Pinky Perky Enterprises UK, Method Films France	5-Apr-07	2009-10	411.77	56.75	29.46+ 22.24 retained with banks as margin money	5.06	-	5.06	
4	Little Prince	Method Animation SAS France	15-Apr-09	2011-12	1196.00	59.80	-	59.80	59.80	-	-
5	Sandra	Imira Entertainment S.L Spain	30-Oct-07	2009-10	335.02	59.65	39.53	20.12	-	19.49	0.63
6	Large Family (Season 2)	GO-N Productions SA France, Inde Kids International Ltd UK	18-Jul-08	2009-10	158.65	12.04	6.96	5.08	1.12	3.96	-
7	And yet It Moves (Series 4)	Gruppo Alcuni S.r.l, Italy	Sep-09	2010-11	33.65	7.74	-	7.74	7.74	-	-

Details of estimated investments in Co-productions											
Sl. No.	Project	Parties to Agreement	Date of Agreement	Estimated Period of completion as per the Company production schedule	Estimated Total Cost of Project (Global Budget)	Company's estimated investment in the Project	Funds deployed by the Company	Balance to be deployed by the Company	Issue proceeds and Pre-IPO Placement	Internal Accruals	Debt
				FY	(Rs. Mn)	(Rs. Mn)	(Rs. Mn)	(Rs. Mn)	(Rs. Mn)	(Rs. Mn)	(Rs. Mn)
8	Twisted Whiskers	Cloudco Inc (Subsidiary of American Greetings Corporation) USA, Taffy Productions Llc USA	12-Oct-07	2009-10	380.51	113.09	108.88	4.21	-	4.21	-
9	Mikido	Method Films Srl France	2-Apr-06	2009-10	354.90	94.36	90.21	4.15	-	4.15	-
10	Little Nick	M6 Studios France, Method Animation France	5-Jan-09	2010-11	565.57	1.28	0.38	0.78	-	0.78	-
11	Tara Duncan	Moonscoop SAS France	27-Feb-09	2010-11	416.00	97.50	-	97.50	97.50	-	-
12	Pet Pals (Season IV)	Gruppo Alcuni Srl Italy	11-Dec-07	2010-11	709.80	15.10	13.63	1.47		1.47	-
13	Maryoku Yummy	Cloudco Inc (Subsidiary of American Greetings Corporation) USA	1-Jun-07	2009-10	259.34	152.17	142.78	9.39	4.80	4.59	
14	Galactic Football	Alphanim SA France	28-Jul-09	2010-11	448.50	26.96	-	26.94	26.94		
	Sub Total				**6,323.03**	**970.52**	**475.28**	**495.11**	**347.40**	**43.71**	**104**

Details of estimated investments in Co-productions											
Sl. No.	**Project**	**Parties to Agreement**	**Date of Agreement**	**Estimated Period of completion as per the Company production schedule**	**Estimated Total Cost of Project (Global Budget)**	**Company's estimated investment in the Project**	**Funds deployed by the Company**	**Balance to be deployed by the Company**	**Issue proceeds and Pre-IPO Placement**	**Internal Accruals**	**Debt**
				FY	**(Rs. Mn)**	**(Rs. Mn)**	**(Rs. Mn)**	**(Rs. Mn)**	**(Rs. Mn)**	**(Rs. Mn)**	**(Rs. Mn)**
15	Others -third Party Co-productions	Different parties	under discussions	under discussions	4,140.59	462.94	-	462.94	139.44	0.01	323.49
16	Own IP Productions	NA	NA		579.22	92.12	0.50	91.62	62.74	-	28.88
	Grand Total				**11,042.84**	**1,525.58**	**475.78**	**1049.67**	**549.58**	**43.72**	**456.37**

Note: Actual amount of deployment could vary from the above estimate based on the exchange rate prevailing on the date of deployment

II. Development of office premises and production facilities; Development of infrastructure and additional facilities at the SEZ Unit, Kokapet Village, Rangareddy District, Andhra Pradesh

We are proposing to move major portions of our office premises and work centre to new premises located in a SEZ. Our work centre shall be located in the SEZ at Kokapet Village, Rangareddy District, Andhra Pradesh. Our estimates of the break up of the costs are as follows:

(*In Rs. Million*)

S. No.	Particulars	Area (in square feet)	Estimated Expenditure
1	Land, Development and construction (including parking area)	90,000	182.02
2	Interiors and furnishing work	16,500	29.93
3	Development of infrastructure and additional facilities		307.21
	Total		**519.16**

Pursuant to a lease agreement dated 6 October 2008 with the Hyderabad Metropolitan Development Authority ("**HMDA**"), we have acquired leasehold rights over land admeasuring 2.87 acres situated in SEZ at Kokapet Village. The leasehold rights permit us to construct building facilities at the site, subject to our Company complying with the norms of the Special Economic Zone, and subject to diligence. Under the terms of the lease we are permitted to use the land and buildings only for IT/ITES services. The tenure of the lease is 33 years with a renewal option for a further period of 33 years. As required by the lease agreement, our Company has already paid a lease premium to HMDA at the rate of Rs. 2,500,000 per acre towards land cost and Rs. 2,500,000 per acre towards development charges, the total amount aggregating to Rs. 14,350,000.

The terms of the lease agreement require us to commence construction activities within 6 months from the date of taking over the possession and commence commercial operations of one-third of the committed built up space) within 18 months from the date of possession. The balance two-third space along with total manpower committed shall be fulfilled by the third year in the second phase. As a condition of the lease agreement, we are required to employ at least 999 IT professionals by the end of 3 years from the date of possession.

We expect the additional facilities at Kokapet Village to be implemented as per the following schedule:

Sl. No.	Nature of work	Expected period of completion
1	Appointment of architect, preparation of layout plans and submission for miscellaneous regulatory clearances	June, 2010
2	Commencement of construction, laying of basement, pillars, car parking area & completion of basic structure, including labour facilities	November, 2010
3	Completion of Slabs, internal wall, wiring, plastering, electrical fittings, laying of telephone & other networking equipment	December, 2010
4	Completion of interiors, painting & miscellaneous works	February, 2011

Construction of our development centre

We propose to construct infrastructure to establish our production facilities catering to our overseas clients. We propose to incur expenditure for the development and construction activities relating to building work, development of shell space and inclusive of the land sub-lease premium. We are required to pay for the building (which is yet to be constructed), Rs. 2,022/- per sq. ft for the shell space and inclusive of the land sub-lease premium. Our estimates of the break up of costs are as follows:

(*In Rs. Million*)

S. No.	Particulars	Estimated Expenditure
1.	Lease rent and one time development payment made to HMDA	14.35
2.	Cost of Development & Construction (including Parking Area)	167.67
	Total	**182.02**

Our estimate of the above costs is based from a quote dated September 11, 2009 taken from M/s. Raga Architects, of which Rs. 135,000,000 is the estimate towards construction costs and Rs. 32,670,000 towards construction of parking are.

Furnishing the interiors of our work centre

We estimate that a total expenditure of approximately Rs. 29.93 million would be required by us towards the furnishing the interiors of our work centre.

The details of cost of furnishing our interiors include costs for workstations, furniture, partitions, false ceilings, carpets, false flooring, chairs, anti static vinyl flooring, blinds, signage and graphics, audio visual solutions, electrical works, UPS, panels, light fixtures and lamps, public address system, security system, generators, air conditioners, design fees, and construction management fees etc.

Our estimate of the above costs is based from a quote dated September 11, 2009 taken from M/s. Raga Architects of which Rs. 29,931,000 is the estimate towards interiors cost.

Development of infrastructure and additional facilities

In order to further improve our service offerings and to meet the technological needs due to expansion in our business lines including our shifting to the proposed SEZ unit, we are required to develop our infrastructure and additional facilities at our SEZ unit for our expanding business divisions. The expenditure will be towards infrastructure, technology platforms and systems, back-office platform and for server consolidation.

We estimate a total expenditure of approximately Rs. 307.21 Million towards the up gradation of our infrastructure facilities and development of additional facilities. The expenditure estimates includes the cost of hardware equipments like workstations and servers, storage, networking and miscellaneous hardware equipments. The estimates also include the cost of acquisition of animation and visual effects application software and other miscellaneous software. Our estimates of the break up of the costs based on the quotations received from various suppliers are as follows:

(*In Rs. Million*)

S. No.	Particulars	Estimated expenditure	Name of the Suppliers from whom quotations have been obtained
1	Workstations & Servers	131.12	▪ M/s P. L. Computers ▪ M/s Icon Resources & Technologies Pte. Ltd. ▪ Axigen
2	Storage	24.92	▪ M/s P.L. Computers ▪ M/s Icon Resources & Technologies Pte. Ltd.
3	Networking and miscellaneous hardware	3.68	▪ M/s Icon Resources & Technologies Pte. Ltd.
4	Animation and visual effects application software	132.73	▪ M/s Macro IT Systems Private Ltd. ▪ M/s Domain 2000 Pte. Ltd. ▪ www.softforali.com

S. No.	Particulars	Estimated expenditure	Name of the Suppliers from whom quotations have been obtained
5	Other miscellaneous software	14.76	▪ M/s Macro IT Systems Private Ltd. ▪ Toon Boom Animation Inc.
	TOTAL	**307.21**	

Estimates in the case of other miscellaneous equipment are based on internal management estimates.

III. Investment in our Subsidiary, DQ Entertainment (Ireland) Limited

DQ Entertainment (Ireland) Limited is our wholly owned subsidiary. One of our key business strategies is to strengthen our IP content creation and global IP portfolio. In our view, the talent for creation of global IPs in India is still nascent when compared to the European and other Western markets. Accordingly, investments in the Subsidiary, which is strategically located in Europe, will enable us to expand our European footprint and pursue growth opportunities in pre-production and post-production services, one of our key business strategies. Through the Subsidiary, we can also pursue acquisitions, joint ventures or partnerships, whenever such opportunities arise.

We intend to invest an amount of up to Rs. 145.90 million, comprising of Rs. 129.22 million financed from the Net Proceeds and proceeds of the Pre-IPO Placement and Rs.16.68 million from internal accruals to invest in DQ Entertainment (Ireland) Limited. This investment is to fund the development of the project “The Jungle Book”. We shall invest the entire Rs. 145.90 million, one of the Objects of the Issue, for investment in the Subsidiary, in the form of equity investments only. Such equity investments shall be made over Fiscal 2010 and Fiscal 2011.These funds will be used for continued investments in strengthening our IP creation, strengthening our European footprint to exploit and pursue growth opportunities related to production and distribution, either in India or abroad, including through acquisitions, joint ventures or partnerships.

We believe that we will derive benefits from our investment in DQ Entertainment (Ireland) Limited, including consolidating our portfolio of animation series and product profile and our consolidated financial performance.

No dividends from DQ Entertainment (Ireland) Limited have been assured to us with respect to any of our current and future investments in the equity shares of DQ Entertainment (Ireland) Limited. Any loans that the Company may extend to DQ Entertainment (Ireland) Limited through the Net Proceeds of the Issue, will be unsecured and at prevailing market interest rates.

IV. General Corporate Purposes

We, in accordance with the policies set up by our Board, will have flexibility in applying the remaining Net Proceeds of this Issue, for general corporate purposes which may include up gradation of infrastructure facilities, development of additional facilities and towards investment in acquisitions and contingencies for expansion based on further orders and business opportunities.

As at the date of this Red Herring Prospectus, we have not obtained any quotations for upgrading and developing our infrastructure facilities nor have we entered into any letter of intent or any other commitment or definitive agreements for any such strategic initiatives and acquisitions. Our Board of Directors typically reviews various opportunities periodically.

Our management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently our funding requirement and deployment of funds may also change. This may also include rescheduling the proposed utilization of Net Proceeds and increasing or decreasing expenditure for a particular object vis-à-vis the utilization of Net Proceeds. In case of a shortfall in the Net Proceeds of the Issue, our management may explore a range of options including utilizing our internal accruals or seeking debt from future lenders. The management expects that such alternate arrangements would be available to fund any such shortfall.

Funding Arrangements

The aggregate funds required for the Objects of the Issue are approximately Rs. 1,714.73 million. 75% of the funds required, excluding funds to be raised through the Issue have been arranged as follows:

Sr. No.	Particulars	In Rs. Million
1.	Aggregate funds required for the Objects of the Issue	1,714.73
2.	Funding through the Net Proceeds of the Issue and Pre-IPO Placement	1,071.11
3.	Funds required excluding the Net Proceeds of the Issue	643.62
4.	75% of the funds required excluding the proceeds Issue	482.72
Arrangements regarding 75% of the funds required excluding the proceeds of the Issue		
1.	Funded through existing equity/Internal Accruals	74.75
2.	Funded through third party debt	
	Loan Agreements	447.50
	Sanction Letters	156.13
	Total Debt	603.63
	Grand Total	**678.38**

Following are the details of loans/ sanction letters/underwriting letters from banks and financial institutions availed:

Sr. No.	Bank/Financial Institution	Nature of Credit Facility	Total Sanctioned Amount (In Rs. million)	Amount outstanding as of January 31, 2010 (In Rs. Million)
1.	Loan Agreement dated September 18, 2009 from Andhra Bank.	Term Loan for a tenor of 5 years inclusive of gestation period of 1 year from the date of disbursement.	112.50	83.81
2.	Loan Agreement dated November 6, 2009 from Axis Bank Limited.	Rupee/Foreign Currency Term Loan for a tenor of 4 years and 3 months.	335.00	Nil
3.	Sanction letter dated November 4, 2009 from Export- Import Bank of India (EXIM).	Standby Letter of Credit (SBLC) for a maximum period of 24 months.	156.13	Nil
Total			**603.63**	**83.81**

The purpose of the term loan facility from Axis Bank & Exim Bank Limited is for investment in co-production activities and for meeting normal capital requirement. The purpose of the term loan facility from Andhra Bank is to acquire software and hardware technology items. In terms of the regulation 4(2)(g) of the SEBI (ICDR) Regulations, we hereby confirm the firm arrangements of finance through verifiable means towards hundred per cent of the stated means of finance excluding the amount to be raised through proposed issue and internal accruals have been made.

A) Deployment of Funds

M/s Sheshadri and Co., Chartered Accountants, have issued a certificate dated January 30, 2010 for the deployment of funds stating that an amount of Rs. 412.43 million has already been spent on the proposed objects of the issue under the relevant heads of activity set out below as on January 18, 2010.

(*In Rs. Million*)

Particulars	Amount deployed as on January 18, 2010
A) Deployment of Funds	
Investment in co-production agreements, focusing on IP content creation	210.13
Development of office premises and production facilities; Development of infrastructure and additional facilities at the SEZ Unit, Kokapet Village	98.16
Investment in our subsidiary, DQ Entertainment (Ireland) Limited	104.14
Total	**412.43**
B) Sources of Funds	
Equity (Pre IPO)	253.87
Debt	83.81
Internal Accruals	74.75
Total	**412.43**

Loan Agreements

For further details of our loan agreements, please refer to the section titled "Financial Indebtedness" on page no. 194 of this Red Herring Prospectus.

Issue Expenses

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

(In Rs. Million)

Particulars	Expenses*	%ge of Issue size*
Book Running Lead Manager	[•]	[•]
Registrar to the Issue	[•]	[•]
Domestic and International Legal Advisors to the Issue	[•]	[•]
Bankers to the Issue	[•]	[•]
Underwriting commission, brokerage and selling commission	[•]	[•]
SCSB's commission	[•]	[•]
Advertising and Marketing expenses	[•]	[•]
Printing and stationery	[•]	[•]
Others (SEBI filing fee, listing fee, etc.)	[•]	[•]
TOTAL	[•]	[•]

* *Will be incorporated after finalisation of the Issue Price*

Interim use of funds

Pending utilization for the purposes described above, we intend to temporarily invest the funds from the Issue in interest bearing liquid instruments including deposits with banks and investments in mutual funds and other financial products, such as principal protected funds, derivative linked debt instruments, other fixed and variable return instruments, listed debt instruments and rated debentures. Our Management, in accordance with the policies established by our Board of Directors from time to time, will have flexibility in deploying the Net Proceeds of the Issue.

Bridge Financing Facilities

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

Monitoring of Utilisation of Funds

As the Net Proceeds of the Issue will be less than Rs. 5 billion, in compliance with the provisions of SEBI (ICDR) Regulations, we have not appointed a monitoring agency to monitor utilization of Issue proceeds.

Our Company undertakes to disclose the utilization of proceeds in its financial statements. We will disclose the utilization of proceeds under a separate head in our Company’s balance sheet for Fiscal 2010 and 2011 clearly specifying the purpose for which such proceeds have been utilized. We shall, in our balance sheet for fiscal year 2010 and 2011, provide details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue.

No part of the proceeds of this Issue will be paid as consideration to our Promoters, Directors, key managerial employees, our promoter group individuals or companies promoted by our Promoters, except in the normal course of our business.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by the Company in consultation with the BRLM on the basis of the assessment of market demand for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares of the Company is Rs. 10 each and the Issue Price is [●] times of the face value at the lower end of the Price Band and [●] times the face value at the higher end of the Price Band.

Investors should review the entire Red Herring Prospectus, including the sections “Risk Factors”, “Our Business” and “Financial Statements” beginning on page nos. xii, 64 and 121, respectively, of this Red Herring Prospectus to get a more informed view before making the investment decision.

Qualitative Factors

Some of the qualitative factors which form the basis for computing the price are:

- Highly developed production platforms, infrastructure and monitoring systems;
- Consistent standards leading to new and repeat business;
- Innovative animation techniques;
- Low-risk business model with diversified revenue streams
- Robust Order Book
- Our diversified client base
- Experienced Board and executive management team;
- Large, highly skilled work force.

For detailed discussion on the qualitative factors which form the basis for computing the price, please see, “Our Business” and “Risk Factors” beginning on page nos. 64 and xii, respectively, of this Red Herring Prospectus.

Quantitative Factors

The information presented in this section for the years ended March 31, 2008 and 2009 and for the six months ended September 30, 2009 is derived from our unconsolidated audited restated financial statements prepared in accordance with Indian GAAP. Investors should evaluate the Company taking into consideration its earnings and based on its growth strategy. Some of the quantitative factors which may form the basis for computing the Issue Price are as follows:

1. Earnings Per Share (EPS)

On a standalone basis:

Financial Period	Earning Per Share (Rs.)	Diluted Earning Per Share (Rs.)	Weight
April 13, 2007 to March 31, 2008	350.72	313.16	1
Year ended March 31, 2009	113.04	98.88	2
Weighted Average	192.27	170.30	

The EPS (Basic and Diluted) for the six months ended September 30, 2009 is Rs. 1.75(not annualized)

Note:

(a) EPS calculations have been done in accordance with Accounting Standard 20-“Earning per share” issued by the Institute of Chartered Accountants of India.
(b) EPS is the adjusted profit after tax, as restated, divided by the weighted average number of Equity Shares outstanding as on the date specified.
(c) Diluted EPS is the adjusted profit after tax, as restated, divided by the weighted average number of dilutive Equity Shares outstanding as on the date specified.
(d) Diluted EPS for Fiscal 2008 was based on weighted average no. of Equity Shares. The weighted average no. of Equity Shares of 223,529 reported under Fiscal 2008 represents 1,626,679 Equity Shares allotted at various intervals of time.
(e) During the period ended September30, 2009, there is an increase in Equity Shares as a result of :

a. *27,381 Redeemable Optionally Convertible Preference Shares were converted into 27,381 equity shares and 5 new equity shares were issued; and*
b. *58,011,920 bonus shares issued (40 equity shares issued for every 1 equity share held,*

(f) Our Company has issued 3,772,771 Equity Shares to certain investors post September 31, 2009. The total outstanding number of Equity Shares of our Company as on date is 63,234,989. Based on the current outstanding Equity Shares as on date, our earning per share for the year ended March 31, 2009 and six months ended September 30, 2009 would have been Rs. 2.54 and Rs. 1.62 respectively.

2. Price/Earning (P/E) ratio in relation to Issue Price of Rs. [●] per share of Rs. 10 each.

(a).

Financial Period	As per Basic Earning Per Share (Rs.)	As per Diluted Earning Per Share (Rs.)
Standalone basis		
Based on EPS for the year ended March 31, 2009	**[●]**	**[●]**
Based on weighted average EPS	**[●]**	**[●]**

(b). Industry P/E

(i).	Highest:	110.6 times
(ii).	Lowest:	1.2 times
(iii).	Industry Composite Average:	24.8 times

Source: Capital Markets Online (accessed on February 15, 2010)

3. Return on Net Worth (RoNW):

On a standalone basis:

Financial Period	RoNW %	Weight
April 13, 2007 to March 31, 2008	**5%**	1
Year ended March 31, 2009	**11%**	2
Weighted Average	**9%**	

Return on Average Net Worth for the six months ending September 30, 2009 is 7% (not annualized)

Note:
(a) RoNW is the adjusted profit after tax, as restated, divided by net worth as restated at the end of year/period.

4. Minimum Return on Increased Net Worth Required to Maintain Pre-Issue EPS

The minimum return on increased net worth required to maintain pre-Issue EPS of Rs. **[●]** is **[●]**% at the lower end of the price band and **[●]**% at the higher end of the price band.

Note:
(a) Net Worth is the sum total of the share capital, the reserves and the surplus

5. Net Asset Value (NAV) per Equity Share of face value of Rs. 10 each

NAV per Equity Share is as follows:

As on	Net Asset Value per Equity Share (Rs.)
March 31, 2008 (standalone)	914.08
March 31, 2009 (standalone)	1027.12

As on	Net Asset Value per Equity Share (Rs.)
September 30, 2009 (standalone) (refer note on Earnings Per Share for details on movement on number of equity shares)	26.27

NAV after the Issue will be [●]*

The Issue Price is Rs. [●]*

* Issue Price and the NAV after the Issue will be determined on conclusion of Book Building Process.

Note:

(a) NAV is the net worth as restated divided by Equity Shares at the end of the specified period, if any.

(b) Our Company has issued 3,772,771 Equity Shares to certain investors post September 31, 2009. The total outstanding number of Equity Shares of our Company as on date is 63,234,989. Based on the current outstanding Equity Shares as on date, our NAV per Equity Share for the six months ended September 30, 2009 would have been Rs 24.71.

6. Comparison of Accounting Ratios with Industry Peers

We have chosen the companies which we believe are our peers. The comparison of Accounting Ratios with Industry Peers is as follows:

Sr. No.	Name of the company	Face Value (Rs. per Share)	EPS (Rs.) TTM	P/E Ratio TTM	RoNW (%) #	BVPS (Rs.) #	Sales (Rs. Million) #
	DQ Entertainment (International) Limited *	10	113.04		5	1027.12	1498
1.	Crest Animation Studios Limited **	10	0.65	--	--	51.3	374
2.	Compact Disc India Limited **	10	49.15	1.2	68.8	80.2	1871
3.	UTV Software Communications Limited **	10	11.76	42.76	3.32	261.6	2512
4.	Balaji Telefilms Limited **	2	--	--	7.08	59.6	2949

RoNW and Sales are as per Fiancial year ended 31 March 09
*Our EPS, RoNW, BVPS and Sales are as per our audited restated financial statements for the financial year ended 31 March 2009
** Source: Capital Markets Online (accessed on February 15, 2010)

The Issue Price of Rs. [●] has been 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.

The BRLM believes that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative factors. For further details, please see the section "Risk Factors" beginning on page no. xii of this Red Herring Prospectus and the section "Financial Statements" including important profitability and return ratios, as set out in the Auditor's Report stated on page no. 121 of this Red Herring Prospectus to have a more informed view.

STATEMENT OF TAX BENEFITS

The Board of Directors
DQ Entertainment (International) Limited
644, Aurora Colony, Road No.3
Banjara Hills
Hyderabad- 500034

Dear Sirs,

We hereby report that the enclosed annexure states the possible tax benefits available to DQ Entertainment (International) Limited (the "Company") and its shareholders under the Income-tax Act, 1961 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 up 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 below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

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

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

For **Deloitte Haskins & Sells**
Chartered Accountants

Ganesh Balakrishnan
Partner
Membership No.: 201193

Secunderabad
Dated: February 9, 2010

The following key direct tax benefits are available to the Company and the prospective shareholders under the current direct tax laws in India.

The tax benefits listed below are the possible benefits available under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which, based on business imperative it faces in the future, they may or may not choose to fulfill. This statement is only intended to provide the tax benefits to the Company and its shareholders in a general and summary manner and does not purport to be a complete analysis or listing of all the provisions or possible tax consequences of the subscription, purchase, ownership or disposal etc. of shares. In view of the individual nature of tax consequence and the changing tax laws, each investor is advised to consult their own tax advisor with respect to specific tax implications arising out of their participation in the issue.

I. SPECIAL TAX BENEFITS

1. Special benefits available to the Company under the Income-tax Act, 1961 (the Act)

(a) Tax Holiday under section 10A of the Act

Tax benefits available to the Company for operating an undertaking registered with Software Technology Parks of India (STPI), are dependent on the Company fulfilling the conditions prescribed under the Act as well as subject to the overall compliance of the conditions laid down by STPI.

One of the divisions of the company, Animation Division, is an undertaking registered with STPI. In respect of profits and gains derived by Animation Division and related services, the Company is eligible for deduction under section 10A of the Act, subject to compliance with conditions prescribed therein. This deduction can be claimed for a period of 10 consecutive years starting from the year in which such undertaking starts manufacturing or producing such articles or things or computer software as the case may be. However, this deduction is available only until the FY 2010-11.

(b) Tax Holiday under section 10AA of the Act

The Company has entered into a contract with Hyderabad Metropolitan Development Authority (HMDA) for setting up a unit in the HMDA IT Special Economic Zone (SEZ) at Kokapet, Rangareddy District, Andhra Pradesh.

Once the unit in SEZ is established, subject to fulfillment of specific conditions laid down in this regard, the Company will be eligible to claim deduction under section 10AA of the Act:

- For the first 5 consecutive assessment years (AY) beginning from the AY relevant to the previous year in which the unit begins to manufacture or produce such article or thing or provide services as the case may be - in respect of 100% of profits and gains derived from exports of articles or things manufactured or services provided from such SEZ unit.
- For the next 5 consecutive AY's – in respect of 50% of such profits.
- For the next 5 consecutive AY's – a deduction of amount not exceeding 50% of profit as is transferred to a prescribed reserve account to be created in this regard.

Further, a unit in SEZ is not liable to Minimum Alternate Tax under the provisions of section 115JB of the Act.

The operations are expected to start from the FY 2011-12 and accordingly would be eligible for tax holiday from the said FY.

2. Special benefits available to the shareholders of the Company under the Act.

There are no special benefits available to the shareholders of the Company.

II. GENERAL TAX BENEFITS

1. General benefits available to the Company under the Act:

(A) Business Income

(a) Depreciation:

The Company is entitled to claim depreciation on specified tangible and intangible assets owned by it and used for the purpose of its business under section 32 of the Act.

In case of new machinery or plant (other than ships and aircrafts), that is acquired and installed by the Company, it is entitled to additional deprecation equal to twenty per cent of the actual cost of such machinery or plant subject to conditions specified in section 32 of the Act.

Unabsorbed deprecation, if any, for an assessment year can be carried forward and set off against income from any source in subsequent assessment years in accordance with section 32 of the Act.

(b) Amalgamation Expenses:

The Company is entitled to claim deduction in accordance with provisions of section 35DD of the Act in respect of expenditure incurred wholly or exclusively for the purposes of amalgamation or demerger of an amount equal to $1/5^{th}$ of such expenditure for each of the 5 successive years beginning with the year in which the amalgamation or demerger takes place.

(c) Deduction for interest on borrowed capital:

In accordance with the provisions of section 36(1)(iii) of the Act and subject to the conditions mentioned therein, the Company is eligible for a deduction for interest paid by it in respect of capital borrowed for the purposes of the business and profession.

(d) Set off of business losses:

In accordance with and subject to conditions mentioned in section 71 of the Act, the Company is eligible to set off business loss against income under any other head except capital gains.

(e) Carry forward of unabsorbed business losses:

The Company is entitled to carry forward unutilized business loss (except speculation loss) for set off against business income of subsequent assessment years, under the provisions of section 72 of the Act for a period of eight succeeding assessment years.

(f) MAT credit

As per section 115JAA(1A) of the Act, the Company is eligible to claim credit for MAT paid for any assessment year commencing on or after April 1, 2006 against income-tax payable under the normal provisions of the Act in subsequent assessment years. MAT credit shall be allowed for any assessment year to the extent of difference between the tax payable as per the normal provisions of the Act and the tax paid under section 115JB for that assessment year. Such MAT credit is available for set-off upto 10 years immediately succeeding the assessment year in which the MAT credit becomes allowable.

(B) CAPITAL GAINS:

(a) Long Term Capital Gain (LTCG)

Capital Gains arising from the transfer of a capital asset being shares held in a company or any other security listed in a recognized stock exchange in India or unit of the Unit Trust of India or a unit of a mutual fund specified under section 10(23D) of the Act or a zero coupon bond held by an assesses for more than 12 months will be long term in nature.

In respect of any other capital assets, LTCG means capital gain arising from the transfer of an asset, held by an assessee for more than 36 months.

(b) Short Term Capital Gain (STCG)

STCG means capital gain arising from the transfer of capital asset being Share held in a company or any other security listed in a recognized stock exchange in India or unit of the Unit Trust of India or a unit of a mutual fund specified under section 10(23D) of the Act or a zero coupon bonds, held by an assessee for 12 months or less.

In respect of any other capital assets, STCG means capital gain arising from the transfer of an asset, held by an assessee for 36 months or less.

(c) Tax Treatment

(i.) LTCG arising on transfer of equity shares of a company or units of an equity oriented fund (as defined which has been set up under a scheme of a mutual fund specified under section 10(23D)) of the Act are exempt from tax under section 10(38) of the Act provided the transaction is chargeable to securities transaction tax (STT) and subject to conditions specified therein.

(ii.) Income by way of LTCG exempt under section 10(38) of the Act is to be taken into account in computing the book profit and income tax payable under section 115JB of the Act.

(iii.) As per section 48 of the Act and subject to the conditions specified in that section, LTCG arising on transfer of capital assets, other than bonds and debentures (excluding capital indexed bonds issued by the Government) and depreciable assets, is to be computed by deducting the indexed cost of acquisition and indexed cost of improvement from the full value of consideration.

(iv.) As per section 112 of the Act, LTCG is taxed @ 20% (plus applicable surcharge and cess).

(v.) However, if such tax payable on transfer of listed securities or units or Zero coupon bonds exceed 10% of the LTCG, without indexation benefit, the excess tax shall be ignored for the purpose of computing the tax payable by the assessee.

(vi.) As per section 111A of the Act, STCG arising on sale of equity shares or units of equity oriented mutual fund (as defined, which has been set up under a scheme of a mutual fund specified under section 10(23D)), are subject to tax at the rate of 15% (plus applicable surcharge and cess) provided the transaction is chargeable to STT. No deduction under chapter VI-A of the Act shall be allowed from such income.

(vii.) STCG arising on sale of equity shares or units of equity oriented mutual fund (as defined, which has been set up under a scheme of a mutual fund specified under section 10(23D) of the Act), where such transaction is not chargeable to STT, shall be taxable at the rate of 30% (plus applicable surcharge and cess).

(viii.) As per section 71 read with section 74 of the Act, short term capital loss arising during a year is allowed to be set-off against STCG well as LTCG. Balance loss, if any, shall be carried forward and set-off against any capital gains arising during subsequent 8 years.

(ix.) As per section 71 read with section 74 of the Act, long term capital loss arising during a year is allowed to be set-off only against LTCG. Balance loss, if any, shall be carried forward and set-off against LTCG arising during subsequent 8 years.

(x.) As per section 54EC of the Act, capital gains arising from the transfer of a long term capital asset shall be exempt from capital gains tax if such capital gains are invested within a period of 6 months after the date of such transfer in specified bonds issued by the following and subject to the conditions specified therein:

- National Highway Authority of India constituted under section 3 of National Highway Authority of India Act, 1988;

- Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956

If only part of the capital gains is reinvested, the exemption shall be available on a proportionate basis.

(C) OTHER INCOME:

(a) Dividend Income:

Dividend (both interim and final), if any, received by the Company on its investments in shares of another Domestic Company shall be exempt from tax under section 10(34) read with section 115-O of the Act.

(b) Income from Mutual Funds:

Income received in respect of units of a mutual fund specified under section 10(23D) of the Act (other than income arising from transfer of such units) shall be exempt from tax under section 10(35) of the Act.

2. General benefits available to the Members of the Company under the Act.

(A) Resident Members

(a) Dividend income:

Dividend, (both interim and final), if any, received by the resident shareholders from a Domestic Company shall be exempt from tax under section 10(34) read with section 115-O of the Act.

(b) Capital gains:

(i.) Benefits outlined in Paragraph 1(B) of section 2 above are also applicable to resident shareholders.

(ii.) In addition, a resident shareholder, being an individual or a Hindu Undivided Family (HUF) will be entitled to exemption under section 54F of the Act. Under this section, LTCG arising from transfer of shares shall be exempt from tax if net consideration from such transfer is utilized within a period of one year before, or two years after the date of transfer, for purchase of a new residential house, or for construction of residential house within three years from the date of transfer and subject to conditions and to the extent specified therein.

(B) Non-Resident Indians/ Members Other than FIIs and Foreign Venture Capital Investors

(a) Dividend Income:

Dividend (both interim and final), if any, received by the non-resident shareholders from a Domestic Company shall be exempt from tax under section 10(34) read with section 115-O of the Act.

(b) Capital gains:

Benefits outlined in paragraph 2(A) above are also available to a non-resident shareholder except that as per first proviso to section 48 of the Act, the capital gains arising on transfer of shares of an Indian Company need to be computed by converting the cost of acquisition, expenditure incurred in connection with such transfer and full value of the consideration received or accruing as a result of the transfer, into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on dates stipulated. Further, the benefit of indexation as provided in second proviso to section 48 is not available to non-resident shareholders.

(c) Benefits under Double Taxation Avoidance Agreements (DTAA):

As per section 90 of the Act, the non-resident shareholder can claim relief in respect of double taxation, if any, as per the provision of the applicable DTAA entered into by the Government of India with the country of residence of the non-resident investor.

(d) Special provisions in case of non-resident Indians in respect of income/ LTCG from specified foreign exchange assets under Chapter XII-A of the Act.

(i.) Non-Resident Indian (NRI) means a citizen of India or a person of Indian origin who is not a resident. A person is deemed to be of Indian origin if he, or either of his parents or any of his grand parents, were born in undivided India.

(ii.) Specified foreign exchange assets include shares of an Indian company which are acquired/ purchased/ subscribed by NRI in convertible foreign exchange.

(iii.) As per section 115E of the Act, and subject to conditions mentioned therein, income (other than dividend which is exempt under section 10(34)) from investments and LTCG (other than gain exempt under section 10(38)) from assets (other than specified foreign exchange assets) shall be taxable @ 20% (plus applicable cess).

(iv.) As per section 115E of the Act, LTCG arising from transfer of specified foreign exchange assets shall be taxable @ 10% (plus applicable surcharge and cess).

(v.) As per section 115F of the Act, LTCG arising on transfer of a foreign exchange asset shall be exempt in case net consideration from such transfer is invested in the specified assets or savings certificates within six months from the date of such transfer, subject to the extent and conditions specified in that section.

(vi.) As per section 115G of the Act, in case total income of a NRI consists only of income/ LTCG from such foreign exchange asset/ specified asset and tax thereon has been deducted at source in accordance with the Act, then, it shall not be necessary for a NRI to file return of income under section 139(1) of the Act.

(vii.) As per section 115H of the Act, where a person who is a NRI in any previous year, becomes assessable as a resident in India in respect of the total income of any subsequent year, he may furnish a declaration in writing to the assessing officer, along with his return of income under section 139 of the Act for the assessment year in which he is first assessable as a resident, to the effect that the provisions of the chapter XII-A of the Act shall continue to apply to him in relation to investment income derived from the specified assets for that year and subsequent years until such assets are transferred or converted into money.

(viii.) As per the provisions of section 115-I of the Act, the NRI may elect not to be governed by the provisions of Chapter XII-A of the Act for any assessment year under section 139 of the Act, declaring therein that the provisions of Chapter XII-A of the Act shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

(C) Foreign Institutional Investors (FIls)

(a) Dividend Income:

Dividend (both interim *and* final), if any, received by the FII shareholder from the domestic company shall be exempt from tax under section 10(34) read with section 115O of the Act.

(b) Capital Gains:

(i.) As per section 115AD of the Act, income (other than income by way of dividends referred to section 115O) received in respect of securities (other than units referred to in section 115AB) shall be taxable at the rate of 20% (plus applicable surcharge and cess). No deduction in respect of any expenditure/ allowance shall be allowed from such income.

(ii.) As per section 115AD of the Act, capital gains arising from transfer of securities shall be taxable as follows:

- As per section 111A of the Act, STCG arising on transfer of securities where such transaction is chargeable to STT shall be taxable at the rate of 15% (plus applicable surcharge and cess), STCG arising on transfer of securities where such transaction is not chargeable to STT, shall be taxable at the rate of 30% (plus applicable surcharge and cess).
- LTCG arising on transfer of a long term capital asset, being an equity share in a company or a unit of an equity oriented fund, where such transaction is chargeable to STT is exempt from tax under section 10(38) of the Act,
- LTCG arising on transfer of securities where such transaction is not chargeable to STT shall be taxable at the rate of 10% (plus applicable surcharge and cess). The indexation benefit shall not be available while computing the capital gains.

(iii.) Benefit of exemption under section 54EC of the Act shall be available as outlined in Paragraph l (B)(c)(x.) above.

(c) Benefit under DTAA:

As per section 90 of the Act, a FII shareholder can claim relief in respect of double taxation, if any, as per the provision of the applicable DTAA entered into by the Government of India with the country of residence of the FII shareholder.

(D) Mutual Funds

As per the provisions of section 10(23D) of the Act, any income of mutual funds registered under the Securities and Exchange Board of India, Act, 1992 or Regulations made 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 the prescribed conditions.

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

Shares in a company, held by a shareholder are not treated as an asset within the meaning of section 2(ea) of the Wealth Tax Act, 1957; hence, wealth tax is not applicable on shares held in a company.

Notes:

a) The above said general benefits are available to all the Companies/ shareholders of any company upon fulfillment of prescribed conditions under respective sections of the Act.

b) All the above benefits are as per the current tax law and will be available only to the sole/ first names holder in case the shares are held by joint holders.

c) In respect of non-resident investors, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the relevant DTAA, if any, between India and the country of residence of the non-resident investor.

SECTION IV: ABOUT THE COMPANY

INDUSTRY OVERVIEW

The global animation industry

The global animation industry is one of the fast growing components of the global media and entertainment industry. The global animation market was estimated at USD 68 billion in 2008 and is expected to grow at a CAGR of 10 per cent to reach USD 100 billion by 2012.

Source: NASSCOM – E&Y Report titled "*The Animation and Gaming Industry in India*" dated August 2009

Trends and drivers of growth for the global animation industry

The fast-paced growth of the global animation industry can be attributed to the following factors.

- Wider availability of dissemination mediums for accessing film and entertainment content that includes increasing number of TV channels, increase in broadcasting hours, new digital media formats like digital and satellite services, mobile phones, internet access, advertising and direct-to-home formats.

- Rapidly advancing technology and software applications have facilitated animation to become more life-like and realistic. The quality of animation movies has greatly improved with incorporation of 3D, VFX effects that enhance visual appeal, for example, films like Ratatouille, Finding Nemo and The Incredibles. Movies are increasingly relying on animation production capabilities like CGI animation and VFX for superior quality special effects.

- Widening spectrum of target audience. In the past, animation series were aimed mainly at children and were inspired by and based on comic book characters such as Mickey Mouse, Superman, Spiderman, He-Man etc. With successive generations having grown up on animation, such content is finding acceptability as complete family entertainment and targeted towards teenagers, adults and the whole family. The appeal of animation content having gone beyond children is demonstrated by box office revenues of animated movies like Ratatouille, Finding Nemo and The Incredibles. Many animated series have also been aired on primetime TV.

- Animation is increasingly being used in the gaming industry. Several characters that were originally produced for gaming are now being cast in movies and tele-series. For example, in the case of Japan, several successful games have now been developed into animated series such as Pokemon, Monster Farm, Power Stone and Detective Conman.

- Attracted by box office successes, several mainstream film studios have steadily focused on pure animation content films and allocated substantial production budgets therefore. Since 1994, more than 15 animated movies with budgets over USD 100 million have been produced. *Shrek 3*, with production costs of USD 200 million is the most expensive animation film ever made, which places it in the league of mega-budget live action movies.
  Source: *NASSCOM – E&Y Report titled "The Animation and Gaming Industry in India" dated August 2009*

- Critical mass, dedicated viewership and extremely valuable IP have enabled the IP owning companies to focus on multiple revenue streams which include setting up of licensing, publication, distribution and merchandising divisions.

- Another key trend being witnessed is the outsourcing of animation production content to Asia. This market is increasingly being tapped by North American and European film and television program producers. The major factor behind this shift of computer animation production to the Asia/Pacific region continues to be the availability of low cost, powerful computer animation platforms and availability of skill-sets at much lower labour rates in the Asian and Pacific region countries compared to North America and Europe. It is expected that as Indian animation studios mature, outsourcing to low-cost countries such as India will increase significantly in future.

The animation industry in India

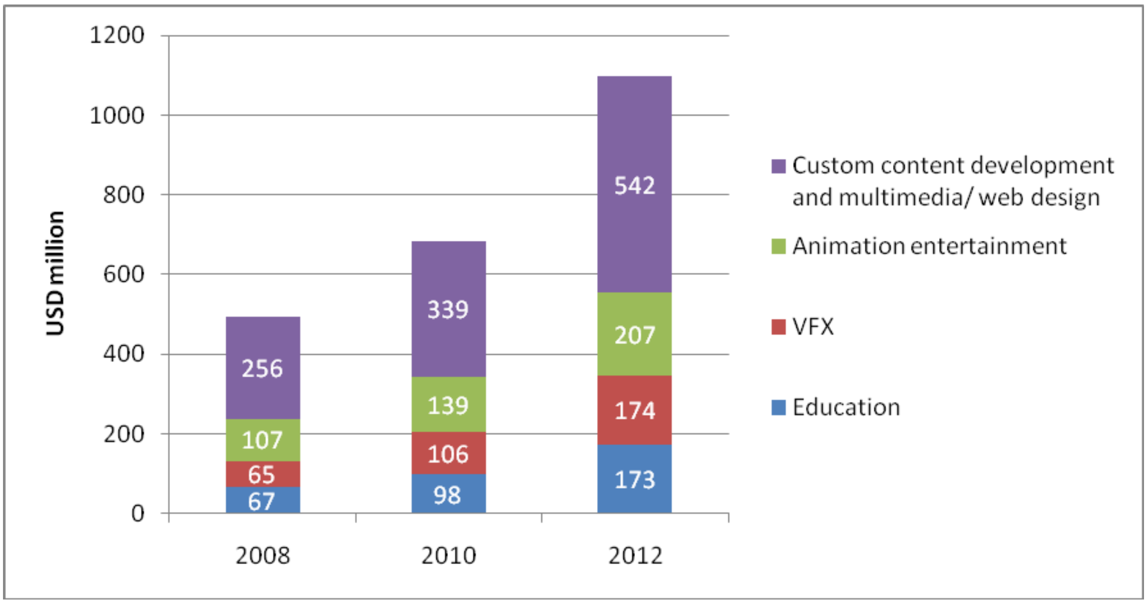
The genesis of the Indian animation industry lies in the outsourcing opportunities created during the initial years. During 2002-03, Indian studios and production houses were primarily performing support work like background, wire removal, clean-ups etc. and the important value addition process, such as conceptualization, pre-production, story-boarding etc. were performed almost solely by the studios in the West. Over time, the skill-set of Indian studios and the quality of their work has gained recognition and they have moved up the value-chain to more complex activities.

Size of the Indian Animation Industry

The entire animation industry in India was estimated at USD 314 million in 2006, USD 494 million in 2008 and is expected to grow at a CAGR of 22 percent between 2008 and 2012 to reach USD 1 billion by 2012.

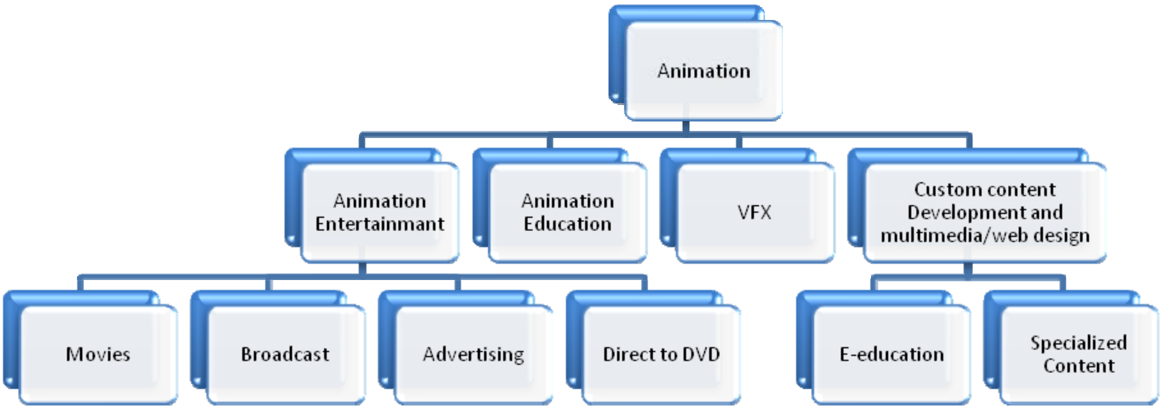
Increased outsourcing from overseas countries due to India's inherent cost advantage, maturity of international animation studios, emphasis on IP (intellectual property) creation, and attractive domestic opportunities have been the principal growth drivers. Nonetheless, India continues to be dwarfed by the global animation arena where revenues are expected to cross the USD 100 billion mark by 2012.

	2008	2010	2012
Education	**67**	**98**	**173**
VFX	**65**	**106**	**174**
Animation entertainment	**107**	**139**	**207**
Custom content development and multimedia/ web design	**256**	**339**	**542**
Total	**494**	**682**	**1095**



(Source: *NASSCOM – E&Y Report titled "The Animation and Gaming Industry in India" dated August 2009*)

The animation industry in India has blossomed over the last two decades, achieving proficiency in terms of international processes and systems, with the technology necessary to generate world-class animation services and to facilitate IP creation. The animation industry in India can be classified into following key segments: animation entertainment, animation education, custom content development and multimedia/web design and VFX. In absolute terms, custom content development and multimedia/web design are the largest segments today. A segmental split of the Indian animation industry is as below:



Source: *NASSCOM – E&Y Report titled "The Animation and Gaming Industry in India" dated August 2009*

Animation Process

I. IP development:

IP development involves identifying an existing property or creating a new one which can be commercially exploited. IP rights are a bundle of exclusive exploitative rights to a variety of intangible assets, such as musical, literary, and artistic works.

II. Pre-production:

Pre-production involves translating the basic idea into an outline that can be used to produce the animated project. This stage involves the preparation of the script, character design, story-board development and layout development. Based on the basic IP, characters are developed, a script is written and a storyboard is prepared. In parallel, detailed character designs and layouts are created. These determine the camera angles, lighting and the shadows of characters and layouts. Once the detailed character designs are complete, actors are cast for the voices. Frequently a scratch dialogue track is recorded to help determine the timing of each scene.

III. Production:

The production stage of a project represents the actual creation of the animated content. This process will vary considerably depending on the type of animation used.

- Traditional 2D animation is extremely labour intensive, with animators physically drawing the individual characters and layouts. That said, modern computing techniques enable animators to reduce the number of individual pictures that need to be drawn by hand. Intermediate frames are automatically generated by computer.

- Digital 2D animation involves the creation of animation using computer generated 2D layers. Since it is more software intensive than 2D, it uses fewer resources and is also less time consuming to produce. Production material can be re-used and so second and subsequent series projects tend to enjoy better margins than the original.

- 3D animation makes extensive use of animation software. Three-dimensional characters/ objects are digitally created and software is used to modify texture, lighting and colour of the object. Rigging sets animation control points that allow the model to move. Virtual cameras are used to zoom, focus, illuminate and resize characters, props and layouts. 3D game art utilises many of the processes and skills used to produce 3D animation. The process requires a detailed technical understanding of the various gaming platforms used.

At the end of the project, testing is undertaken to ensure it is compatible with the chosen platform.

IV. Post-production:

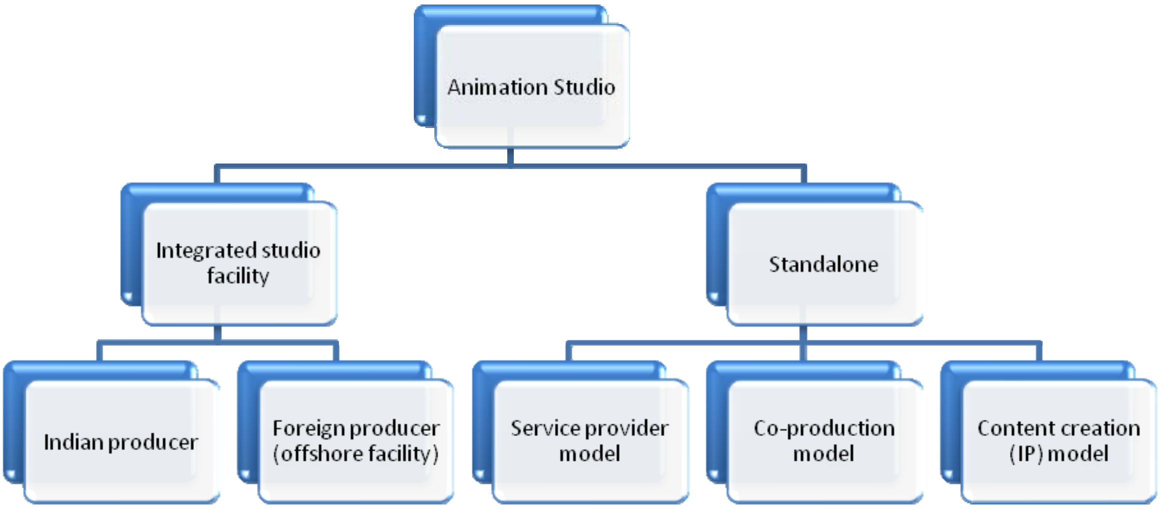
Post-production involves the final editing of pictures as well as overlaying the audio sound track. As with pre-production, these final post-production stages of the creative process tend to be tightly controlled by clients. This is because they require discretion on the part of the operatives. Decisions made at this stage can still greatly affect the feel of a project. However, as animators gain the trust of their clients, they are starting to move into post-production. Once a product has been edited and the sound has been incorporated, the final cut is translated into the finished media ready for distribution (e.g. broadcasting tapes, theatrical reels and DVDs).

V. Distribution:

Once the creative process is complete the final product is ready for distribution. Larger production houses undertake a large proportion of product distribution themselves. It is general practise to use local/regional specialists for distribution for this purpose.

Industry structure by business model

Animation studios in India are broadly divided into two major segments: integrated facility and stand-alone studios.



Develop content that is owned, distributed and managed by the parent company

Pure service delivery model

Develop content for other studios or producers and receive share of collections from certain territories

Content with full ownership, share in collections royalty for all licensing and merchandizing

(Source: *NASSCOM – E&Y Report titled "The Animation and Gaming Industry in India" dated August 2009*)

1. Integrated studios

Integrated studios are the state-of-the-art units that have high-tech amenities to enable individual companies and other animation film production houses to produce and develop all aspects of animation films, from conceptualization and IP development to the post-production stage, at a single location. Till now, integrated studios in India were owned by international animation houses that were present in India to leverage the low-cost advantages offered. Lately, Indian animation companies have emerged that have specialised integrated studios. Such companies also produce content that is specifically focused on the Indian markets.

2. **Standalone providers**
Standalone studios follow a slightly upgraded form of typical "service provider" model, wherein they service a certain part of the animation value chain and offer specialised services such as custom content development, co-produce content in association with other studios or create their own IP.

Growth drivers for the Indian animation industry

- **Cost advantage vis-à-vis global peers**

  Driven by the need to reduce protracted development cycles and high labour cost of developing animation in the West, animation companies are increasingly looking at Asian destinations such as India. Inherent cost advantages such as low cost labour and availability of English speaking employees makes India a favourable destination for the global production houses. The necessity for saving on labour costs has become more prominent of late on account the downturn in the global economic environment.

- **Growing reputation of output quality**

  The Indian animation industry has acquired a critical mass comprising international processes and systems, quality control methods, technological and management infrastructure to create content at par with international standards. The domestic market has steadily evolved and the industry is increasing allocating budgets for the development of production content. Established film production houses are foraying into the animation entertainment industry. The industry has attracted investments from the domestic as well as the international entertainment industry.

- **Improving capabilities of Indian animation production houses**

  Over the years, Indian animation houses have moved into delivering more complex and technology-oriented services to their clients. While earlier, the Indian animation companies typically worked on low-complexity 2D post production and support work, now they are providing highly skilled 3D animation and end-to-end integrated services. The Indian animation companies are increasingly working on skill-based activities such as character based modelling, key frame animation, 3D SFX and composting. They are also developing capabilities for the co-production of full-length animation features and films.

- **Scaling up of the business models**

  Indian companies have gradually moved up the value chain. Most animation houses spent their first few years thriving on outsourced business from more established American and European animation studios. Gradually, many have started entering into co-production agreements with IP owners. This model allows Indian production houses to share the potential upside arising from the final product. Typically under the co-production model, Indian companies undertake a segment of animation production work; foreign partners provide them with territorial rights for India or other geographical regions depending on their negotiation capabilities. Now, select Indian companies are moving beyond co-production agreements and are looking at developing IPs of their own.

- **Changing viewership habits leading to increased demand**

  Greater penetration of computers and broadband, coupled with demographic changes in favour of younger viewers in India has resulted in a break away from passive viewing to user defined viewing patterns. Households having graduated to 2-3 television sets and increase in access to internet, media playing applications have facilitated segmented viewing which is set by genre.

- **Potential to create global IPs**

  The successful run of global animation movies that have released globally including India recently have demonstrated the scope and commercial appeal of IPs which could be used in animation. This reinforces the significant potential for Indian animation companies to develop their own global IPs. The market for such global animation properties is huge as witnessed by the popularity of the animation movies.

- **Increase in popular genres of entertainment content**

  With the demographic changes coupled with steady evolution of the Indian entertainment industry, the genres of entertainment are also increasing. A case for example, is the growing popularity of animation films in India, which has lately been capitalised upon by the Indian animation industry and have motivated the industry to focus on such productions. Some of the animation productions that have been released recently are:

Productions	Producer/Animation Studio	Year of Release
Hanuman	Silvertoons	2005
Krishna	ECATS, Media Solutions	2006
My Friend Ganesha	Radiant Animation	2007
Bal Ganesh	Shemaroo Entertainment	2007
Hanuman Returns	Percept Picture Company	2007
My Friend Ganesha II	Radiant Animation	2008
Roadside Romeo	Yash Raj Films, Walt Disney Pictures	2008
Balkand	DQ Entertainment	2009
Ravan	DQ Entertainment	2009

Challenges faced by the Indian animation industry

- **Categorization as a service industry**

  A major challenge of the Indian animation industry is the fragmentation of the animation companies spread across the value chain. Most of the small and medium Indian companies are satisfied with providing outsourced services. Hence, the collective capacity of the industry is tended to be categorised as a service industry and not as a product industry.

- **Low promotional spend and lack of funding**

  While its Asian counterparts have been making significant investments to develop their animation sectors, the Indian animation industry should be able to attract local as well as foreign investors in order to boost its infrastructure development. Many small and medium companies are unable to attract institutional funding or bank lending due to the nature of the animation industry. Traditionally, the marketing and promotion spends on animated movies have been lower than on traditional movies. For the industry to grow, it is imperative that high budget allocations are made for promotional spends.

- **Lack of adequate infrastructure to generate and nurture suitable talent pool**

  The industry also faces the challenge of investing more to improve its local talent and meet the needs of the animation industry for more skilled workers. Despite the large number available graduates to work in the industry, the industry experts believe that a large proportion of such people are not employment ready and do not have the requisite skill sets. Considerable investment in time and resources are needed to overcome such shortages. A consequence of the shortage of skill sets is the high attrition rate which is on the rise. This attrition rate impacts salary costs and project continuity, which can also result in the companies losing their competitiveness.

- **Excessive dependence on the outsourcing model**

  Excessive dependence on the outsourcing model exposes the Indian industry to the risk that it may lose a significant portion of its revenues if outsourcing dips or other alternative outsourcing hubs emerge or if India begins to lose its cost advantage due to higher talent costs because of talent demand outstripping supply.

- **Absence of co-production treaties**

  While certain geographies like France, China, Korea and Singapore have enjoyed governmental support and subsidies for promotion of their domestic animation industry, Indian animation companies do not enjoy tax exemptions or governmental subsidies. A case in point is France, where a fund has been created out of their entertainment tax corpus to support co-production treaties where at least 40% of the production work is carried out within France.

OUR BUSINESS

OVERVIEW

We are one of the leading producers of animation, visual effects, game art and entertainment content for the Indian as well as global media and entertainment industry. We are a producer, co-producer and global distributor of TV series, direct-to-home videos and feature films. We are also creators of game art for online, mobile and next-generation consoles. We have forayed into production and distribution of live action television and feature films. We have an asset base of over 350 hours of animation content from which we can earn revenues through licensing and distribution activities.

Our Company was incorporated in the year 2007 to undertake our present business activities. For further details as regards our history and corporate structure, please refer to the chapter titled "History and Corporate Structure" on page no. 92 of this Red Herring Prospectus.

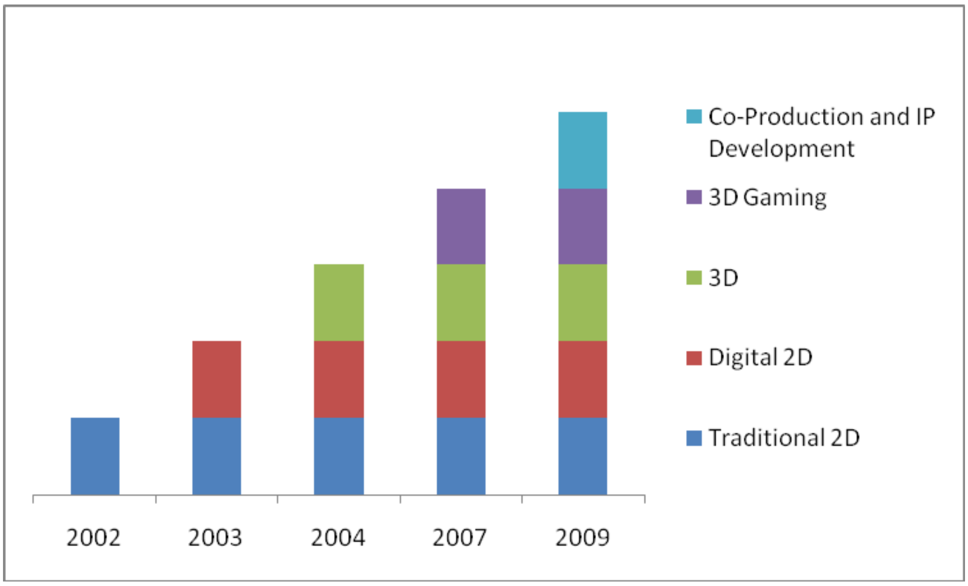
Our individual Promoter, Mr. Tapaas Chakravarti has been involved in the animation, media and entertainment industry for over a decade. Our corporate Promoter, DQE Mauritius, is incorporated and registered in Mauritius. It is a wholly-owned subsidiary of DQE plc, an Isle of Man incorporated entity. In December 2007, DQE plc listed on AIM and raised funds for investment in strategic alliances, global and local IP development and partnerships, and foraying into live action and expansion of production facilities and workforce. For further details on our Promoters, please refer to the chapter "Our Promoters and Promoter Group" on page no. 112 of this Red Herring Prospectus.

Mr. Tapaas Chakravarti had earlier promoted DQ Entertainment Limited (originally incorporated in the year 1987 as "Dataquest Management and Communications Private Limited") which was engaged in the development of animation production services. DQ Entertainment Limited was amalgamated with our Company from the appointed date, i.e., May 2007, pursuant to which DQ Entertainment Limited's entire business and undertaking including all its assets, properties, investments, benefits, employees, debts, liabilities, duties and obligations of any nature were transferred to our Company, and became the business, assets, properties investments, benefits, employees, debts, liabilities, duties and obligations of our Company.

Brief Overview of the erstwhile DQ Entertainment Limited

Year	Events
2000	Established an in-house training centre to train production staff to deliver animation productions to European and North American clients.
2002	Established a traditional 2D animation studio.
2003-2004	Established 2D digital pipeline and started securing commissions to produce full animation series.
2004	Established 3D animation production process and the first commercial 3D animation project was a French TV series "*Les Gnoufs*" for Method Animation SAS, France
2007	Began engagement in game assets development
2007	Scheme of Amalgamation sanctioned by the High Court of Andhra Pradesh

Subsequent to the Scheme of Amalgamation, we have continued to strengthen the business of the erstwhile DQ Entertainment Limited and also forayed into development of our own IP in 2009. We launched our first homegrown 3D CGI television series "*The Jungle Book*" based on the Rudyard Kipling's novel as well as three special TV features "*Balkand*", "*Omkar*" and "*Ravan*" based on Indian mythology for India and the Indian diaspora across the globe.



We have moved upwards in the animation value chain, gaining greater exposure to IP ownership and distribution by following a co-production model for content development. Within these co-production agreements, we not only continue to receive production revenues generating its usual production margin, but also obtain equity participations, which also provide a share in the license revenues. The focus on co-productions has provided us an opportunity to leverage our already existing expertise in content creation, while at the same time adopting a low-risk approach.

Our production capabilities include 10 production facilities in India (8 in Hyderabad and 1 each in Mumbai and Kolkata) talent pool of over 2,851 employees, and worldwide third-party sales representatives in Paris, Tokyo and Los Angeles.,

The *DQ School of Visual Arts* was set up in Fiscal 2008 to address the demand for animation and gaming professionals. The *DQ School of Visual Arts* took over from the in-house training division of the erstwhile DQ Entertainment Limited. The School has, centres at Hyderabad, Mumbai and Kolkata. Since its inception in Fiscal 2008, the School has trained 715 people.

The quality of our work has won us recognition in the form of several awards such as the "Movers and Shakers of 2009". The erstwhile DQ Entertainment Limited which amalgamated with our Company had won awards such as the Day Time EMMY 2007 Award, the Pulicenella Award at 'Cartoons on the Bay', the Red Herring Top 100 Private Companies Asia 2005 and several other nominations at prestigious events.

OUR COMPETITIVE STRENGTHS

Our competitive strengths include well-balanced and diverse geographical location of clientele, quality output, diverse and stable service offerings, advanced infrastructure and skilled personnel. We believe that the following are our key strengths.

1. Modern production platforms, infrastructure and monitoring systems

We benefit from our investments in creating IT, technology and management infrastructure, including our proprietary ERP solution, which we have continuously developed over the past years. We use such systems for resource management, production planning, production schedule management, quality control and to generate data for effective scheduling of goals and workloads. These operation efficiencies enable us to optimize our costs and output.

2. Consistent quality standards leading to new and repeat business

We have been awarded ISO 9001:2000 certification by M/s. Det Norske Veritas, Netherlands, which endorses the working practices within our organisation and is a recognition that we can consistently deliver products or services that meet stringent quality requirements.

In recognition of our performance standards, a number of our clients have kept coming back to us to renew our engagement on either fresh or continuation series. Following our association with Walt Disney Television Animation for the production Season 1 of "Mickey Mouse Club House (MMCH)", they have also engaged us for its Seasons 2 and 3 and DVD release. Method Animation SAS, France has engaged us for three serials: "*Les Gnoufs*", "*Skyland*" and "*Mikido*".

3. Innovative animation techniques

We have developed the flexibility to produce different styles of animation including traditional 2D animation, technology based 2D digital and 3D animation. We have developed several in-house animation techniques and technologies, which we believe have given us an advantage over our competitors. For example, the series '*Delta State*' utilised a combination of flash animation and rotoscopy to enable lifelike animation and was awarded the Best Animated Episode award at the BAF 2004 awards and was declared the most outstanding television series at the Annecy 2004 animation film festival. Further, Mickey Mouse, which had historically been produced in traditional 2D animation, was produced in 3D for the first time by us. We have also used motion capture (MOCAP) techniques to produce 'Skyland', an action and adventure television series for Method Animation SAS, broadcasted by Nickelodeon.

4. Low-risk business model with diversified revenue streams

Our revenue streams comprise production and licensing & distribution revenues and each of the two have various sub-streams. Service revenues comprise revenues from traditional 2D animation, digital 2D animation, 3D animation and 3D game art. IP exploitation revenues comprise revenues from licensing for free and pay televisions, cable television, home videos, DTO, publishing, merchandising and distribution.

We have strategically moved along the animation value chain, gaining greater exposure to intellectual property ownership and distribution. We have adopted a low-risk approach, entering into co-production arrangements. As a result, we not only continue to receive production revenues generating its usual production margin, but also acquire rights to earn license revenues. We are at a strategic advantage to leverage our position within the production chain by acquiring and/or developing intellectual properties through international co-partnerships.

5. Robust Order Book

DQE has a strong order book worth circa USD 95.07 million (Rs. 4,567.16 million approx.), providing high levels of earning visibility. More than 80% of FY10 revenues are identified with over 40% of the order book already in various stages of production & balance to commence during the year. USD 28 million (Rs. 1,345.12 million) are to be executed in FY10 and USD 33 million (Rs. 1,585.32 million approx.) and the balance beyond FY 10. The momentum of revenue growth is expected to be maintained for FY10 and FY11.

6. Our diversified client base

We have a client base of over 90 companies which include internationally recognized brands such as, *inter alia*, the Disney Group, Nickelodeon, American Greetings, BBC, Moonscoop Group, ZDF-Germany, Australian Broadcasting Corporation and NBC Universal.

7. Experienced Board and executive management team

Our Board consists of 5 Directors who have diverse experience in various fields such as entertainment, finance, banking, project management, investments and corporate finance. We believe the varied experiences of our Board would assist us in maintaining our growth momentum.

8. Large and skilled work force

We have 2,851 full time employees of which 2,580employees are directly involved in production. Our access to this substantial workforce helps us to undertake multiple large and manpower intensive projects and complete them within prescribed time limits. Access to a large, skilled workforce also gives us the flexibility to compensate for any anticipated production delays and shortfalls by re-deploying additional manpower in projects, thus deriving economies of scale. To have a fresh pool of animators available for employment, we have set up training schools in partnership with the Government of Madhya Pradesh at Bhopal and Gwalior and the Government of Rajasthan in Jaipur. We have established *DQ School of Visual Arts* in Andhra Pradesh and have an arrangement with the Webel Animation Academy, an initiative by the Government of West Bengal, whereby we have the first right to recruit graduates. In addition, our in-house animation training centres ensure a certain level of competency and enable us to tie-in staff through long-term contracts; thereby avoiding skill-shortage problems in an industry where trained manpower is scarce.

OUR BUSINESS STRATEGY

Our vision is to be a world class animation, game and entertainment content production and distribution company with Indian operations, a global client-partner base with strong revenue visibility and deliver shareholder value and satisfaction. Our principal strategies to enable us to achieve our objectives and goals are as follows:

1. Capitalise on the growth of the animation industry across the globe including India.

At an estimated size of USD 494 million in 2008, the Indian animation industry is miniscule as compared to the global animation industry with estimated revenues of USD 68 billion in 2008. However, the Indian animation industry has been growing with an estimated CAGR of 25.43 percent during 2006-08 and is estimated to reach a size of about USD 1095 million by 2012*. Increased emphasis on IP creation and attractive domestic opportunity have been the principal growth drivers for the animation production services.

*****Source: *NASSCOM – E&Y Report titled "The Animation and Gaming Industry in India" dated August 2009*

We intend to capitalise on such growth factors by leveraging our international experience and expertise in this sector to the domestic animation industry. We intend to continue co production of IPs for India and Indian Diaspora across the globe and also exploit international properties for the worldwide audience.

2. **Continued efforts to develop our presence in the market for animation services**

Outsourcing from overseas countries is likely to continue due to an inherent cost advantage and the increasing maturity of Indian animation studios in enabling creation of quality content. We would continue to focus on expanding our footprint in the animation production services segment and enlarging our client base in diverse geographical regions of the world.

3. **Continued focus on our co-production business model**

We are committed to our sustainable business model which we believe is a low-risk model. We would continue to move along the animation value chain, into IP creation and distribution of animation content. We hope to continue:

- entering into co-production agreements with a select number of existing clients to obtain larger percentages of the global, cross platform intellectual property and distribution rights in its productions;
- consolidating our portfolio of co-productions and productions of our own IP content certain 2D and 3D animated productions by collaborating with well known and award winning storytellers from the US and Europe; and
- continuing to enter into strategic relationships with our existing clients.

4. **Backward and forward integration**

Our activities are currently focused on the production of animated content either on an outsourced basis or a co-production basis. We believe that offering pre-production and post-production services will add value to our service offerings and would earn us a larger share of the revenues collected from the IPs we produce/co-produce. We therefore intend to diversify our range of offerings to include such services.

As part of this strategy we have set up DQ Entertainment (Ireland) Limited, our Subsidiary in Ireland which provides a gateway to large access of talent for pre-production and post production services.

5. **Strengthening our games division**

We currently provide asset creation services by means of key frame animation in the 3D computer games space. We intend to strengthen our games division by:

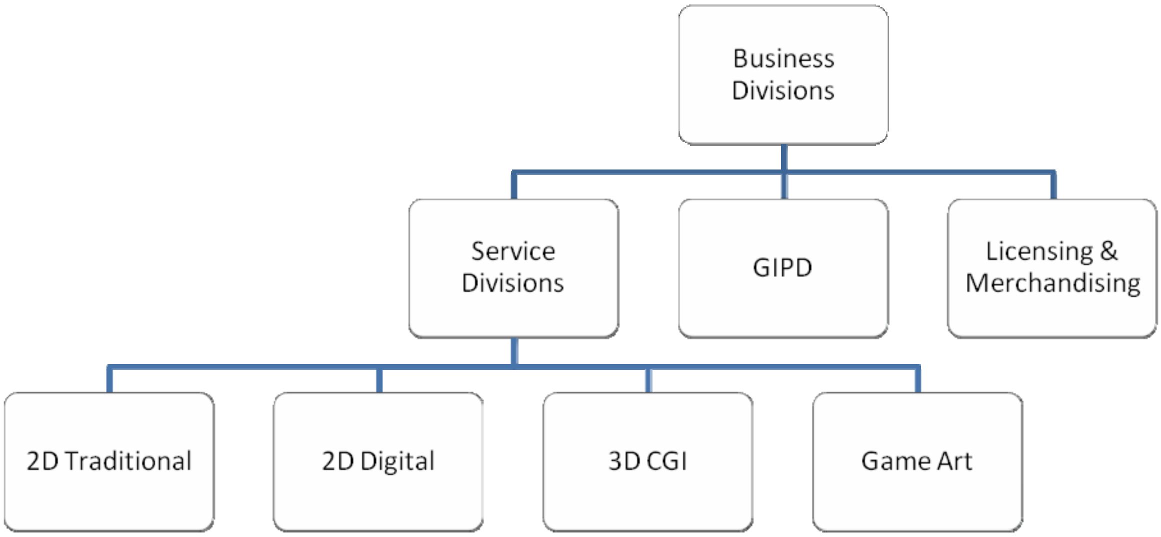
- investing in research and development for computer games applications to make the production process more efficient,
- developing porting and testing facilities for console based games, and
- engaging in the next generation of game asset development.

6. **Acquisitions, strategic investments and joint ventures**

We intend to grow through acquisitions of, strategic investments in and joint ventures with creative companies to ensure co-development of global intellectual property on a partnership basis. Our promoter group company, DQE plc recently acquired 20 percent stake in Method Animation SAS , France which owns a robust library of IP's.

As and when opportunities arise, we shall make similar strategic investments or enter into joint ventures with content-rich companies.

OUR BUSINESS DIVISIONS



I. SERVICE DIVISIONS

We have developed the flexibility to produce different styles of animation including traditional 2D animation; digital and technology based 2D digital and 3D animation. We have expanded our product offering across various methodologies of animation, VFX, game art, porting and testing, as well as licensing and merchandising, IP creation and new media. Each business division is committed to delivering our objectives through product and service portfolio that is coherent with international trends and market needs. Our business divisions comprise the following:

A. 2D Traditional Animation

2D Animation is the classical method of animation in which each frame is drawn by hand by an artist. For traditional 2D assignments, the Company receives a script and a storyboard from clients which guide the production process.

a. Script**:** It is a detailed document about the plot of the story along with the character dialogues and description of locations involved.

b. Rough Storyboard**:** Is a pictorial representation of the story, giving additional information such as camera movement, etc.

Processes carried out at the Company

a. **Character Build up based on the script and the Rough Story Board:** Here the character posing is developed based on the action and with the timing of the scene, various poses are created for a scene.

b. **Layout / Background build up based on the script and the story board:** Layouts are developed by giving details to the background. This is the location were the character's action is going to take place in the scene.

c. **Environment / Background** are then build up based on the Light Direction & story.

d. **Key Animation** frames are drawn up denotes the acting and action required within a scene.

e. **Clean-up by drawing Sample frames:** It is the process of cleaning up of the key frames drawn in animation. Cleaned up lines are the final outlines that one gets to see on screen.

f. **Inbetweening:** Between two key poses drawn by the Key Animator, in-between drawings are created to fill in the movement of the characters or props and make movement smoother. At this stage, a line test is conducted to check the overall animation; whether it is as per storyboard, x-sheets specified and whether it meets the scene requirements.

g. **Image Processing for Line quality:** Image processing is removal of the dust that could come while scanning; it is improved through by adjusting the contrast values of the drawing scanned.

h. **Inking** is a process of colouring the outline of the drawing which was scanned as a black line. Colouring is done to impart colours to the characters, props as per colour values pre-defined.

i. **Colour Compositing:** All the elements of the scene which are drawn separately on different pages are composited. Camera movements, digital effects such as blur and glow are added. The composited movie files are then sent for review by the client. If any retakes are deemed necessary, they are carried out and then sent for render.

j. **Final Render** can be done as per requirements which maybe in PAL, NTSC, HDTV and in 2K resolution.

We are the one of the studios, which undertake hand drawn 2D Traditional Animation in India with a skilled and experienced work force that has produced over 9,000 minutes of world class 2D animation. Some of the projects executed / under execution are:

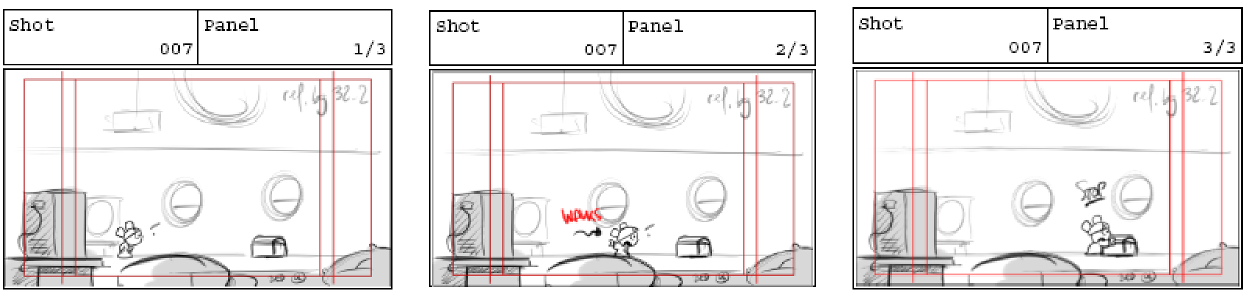
- *Curious George* for Universal Studios, USA
- *Tutenstein* (Emmy Award Winner) with Porchlight Entertainment, USA
- *Fantastic Four* for Moonscoop SAS, France
- *Pet Pals* with Gruppo Alcuni s.r.l, Italy
- *Leonardo* with Gruppo Alcuni, s.r.l ,Italy and RAI Fiction, Italy
- *Large Family* with Go-N productions, France and Inde Kids, UK
- *And Yet It Moves* with Gruppo Alcuni s.r.l, Italy
- *Postcards From Buster* with 9 Story Entertainment Inc., Canada
- *Galactic Football* with Gaumont-Alphanim, France (this series also has elements of 3D animation)

B. Digital 2D Animation

2D digital animation is a process by which animation similar to traditional 2D animation is done digitally using software such as Flash, etc. Since it is done digitally, there are no drawings rendered manually by hand as is done in traditional 2D. All the animation is created using initially created assets, which are stored on a central server library and available to all the animators involved in production. This makes re-use possible making Digital 2D animation more economical for production in comparison with traditional hand drawn 2D animation.

a) Script**:** It is a detailed document about the plot of the story along with the character dialogues and description of locations involved.

b) Rough Storyboard**:** which shows the acting, dialogue and the timing required for the scene.



Processes carried out at the Company:

a) **Background Layout:** The background layout and the location is hand drawn

ii) **Clean up:** The Background layout is then cleaned up. The lines are the final lines on which the colouring will happen. In case of simple backgrounds without textures, Adobe *Flash* suffices. For more complex backgrounds, Adobe *Photoshop* is used.

iii) **Rigging:** The characters are dissected into body parts. Each body part, when assembled together and moved, provides animators flexibility to animate a character.

iv) **Staging of the Characters:** Characters are placed as per the storyboard references and acting required into the layout background. These are Key Poses. This helps the animators decide the entry points and additional poses that may be required.

v) **Animating the Characters with In-between poses:** A little different than the 2D process, the Key poses of staging are used directly and the animator creates in-between poses and animates the scene. The in-between poses make the action much smoother.
Different In-between poses used for one character in the scene.

vi) **Compositing:** All the elements of animation, including background and overlay are composited together along with camera moves. Blur, soft edging, shadows, etc. are added at this stage. The composited movie files are sent for client approval, if any retakes they are carried out and then sent for render.

vii) **Final Render** can be done in 2k, HDTV, standard resolution depending on project requirements.

We have handled variety of a number of internationally recognised properties. Our team has worked on productions such as:

- *Todd World I & II* with Discovery Kids, USA and MikeYoung Productions, USA
- *Delta State* with Alphanim SA, France
- *Maryoku Yummy* with American Greetings Properties, USA
- *Sandra* with Imira Entertainment SL, Spain

C. 3D CGI Animation

3D computer animation (in contrast to 2D animation) uses a three-dimensional representation of characters and properties. 3D animation creates more life-like animations. It is more technology and resource intensive but has gained wider popularity over classical animation.

As with 2D animation, 3D projects start with a script and rough story board. The script describes the whole series about the characters and the shots. The rough storyboard shows the acting, dialogue and timing required.

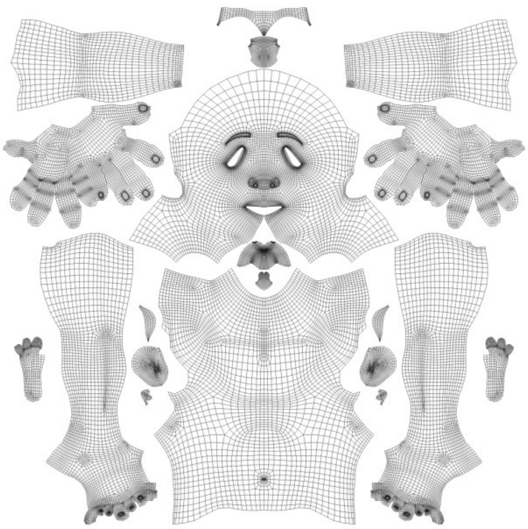
Creating a 3D animation:

Asset creation: Before the individual frames of the animation can be drawn, computer models of the characters, sets and props are generated. The character models are built according to the designs supplied by the client.

Set and Prop modelling: The set and prop models are also designed according to the specifications from the client.

2D reference design **3D model**

UV unwrapping/Texturing: To add colour and surface texture to the 3D models, their surface is 'unwrapped'. This process presents the 'XYZ' coordinates of the surface of the three dimensional model as a flat surface ('UV' co-ordinates), much as a map of the world represents the 3D surface of the earth as a flat picture. After the UV map is coloured and textured, it is converted back into a colour 3D model.



Rigging: After the characters have been modelled, they undergo a process called rigging. This adds a skeleton to the model, and defines how the visible surface of the character is aligned to the skeleton. 3D animators set the position of their character's skeleton (e.g. the placing of the feet, the angles of the elbow joint, knuckle joints, etc) in each frame, and a computer then generates a 3D image of the character's skin around the skeleton.

Animating 3D assets: There are three stages involved in 3D animation:

- In the **blocking** stage, the character is positioned according to the storyboards and the primary poses of the characters are set as per the requirement of each shot.
- In the **primary** stage, the breakdowns and in-betweens are completed. This defines the movement of the characters.
- The character's facial expressions are applied in the **secondary** stage. All "secondary animations" such as ears, tails, etc. which completes the animation are also drawn during this stage.

Lighting and rendering: After the animation has been approved, light sources are added to the 3D model for each scene. The master light rigs are determined by the mood of the shot. The characters, backgrounds visual effects etc are lit separately. Each of these components of a shot is known as a layer. The 3D model and lighting information is then sent to a special high-power computer known as a renderer. The rendering process generates an image of each layer from the required camera angle for each frame of the animation.

Compositing: The many layers of a shot, such as characters, background, props, visual effects, shadows, etc are combined together during the compositing stage.

Editing: The final composited frames are then collated to complete the shot. Once the audio synchronisation of the shot has been checked and scenes edited together, the animation process is complete.

DQE has grown the 3D division starting with simple 3D shows and moving on to handling complex CGI pipelines to produce CGI animation. We have produced and delivered over 8,000 minutes of animation in CGI which includes brands like:

- *Mickey Mouse Club House* with Walt Disney Television Animation, USA
- *Iron Man* with Marvel Character Inc., USA and Method Animation SAS, France
- *Casper* in co-production with Harvey Entertainment, USA and Moonscoop Productions, France
- *Pinky and Perky* with Pinky and Perky Enterprises, and Method Animation,
- *Little Nick* with M6 Studio, France and Method Animation, SAS,, France,
- *The Penguins of Madagascar* and *Fan Boy and Chum Chum* with Nickelodeon Animation Studios Inc., USA
- *Little Prince* with LPPTV, France and Method Animation SAS, France
- *Twisted Whiskers* with Cloud Co Inc.(Subsidiary of American Greetings, Inc.) and Taffy Productions LLC
- *The Jungle Book*; DQE's 100% home grown production.
- *Mikido* with Method Animation SAS, France, France 3 and other USA broadcasters.
- *Lassie* for classic media INC, New York, USA.
- *Donkey Ollie* with Car Angel, USA and Boat Angel.
- *Hive* with Lupus Films. UK

3D Game Art and Full Motion Videos

We are working with entities in the gaming industry and have delivered assets, level designs, In Game Cinematic (IGCs) and Full Motion Videos (FMVs) for various kinds of projects for all platforms such as PS2, PS3, PSP, XBOX 360, Wii, DS, and PC. These include certain recognised titles such as:

- *Battleforge PC*, Electronic Arts - Phenomics, Germany
- *The Simpsons Game*, Electronic Arts, Redwoodshores, USA
- *The Godfather II*, Electronic Arts, Redwood shores, USA
- *Sims Animals* -Wii, Electronic Arts - Redwoodshores, USA
- *FIFA 2009*, Electronic Arts, Canada
- *NBA 2009*, Electronic Arts, Canada
- *Zubo*, Electronic Arts, UK
- *SIMS 3*, Electronic Arts, USA.
- *Maestro*, Chevy Soft, USA
- *CSI*, Telltale Games, USA
- *Monkey Island*, Telltale Games, USA
- *Wallace & Gromit*, Telltale Games, USA
- *Sam & Max*, Telltale Games, USA
- *Chariots*, Candella Systems, UK
- *Burn Out Paradise*, Electronic Arts, UK.
- *Burn Out Dominator*, Electronic Arts, UK.
- *Medal of Honor*, Electronic Arts, USA.

Game animation process:

Asset is a collective term representing various elements such as Characters, Environments and Props in 3D terminology. Asset creation is the process of creating a 3D object using specialized software consisting of:

- **Modelling** – Creation of mathematical, wireframe representation of 3D object.
- **Texturing** – Method of adding detail, surface texture, colour to a 3D model.
- **Rigging** – Method of giving a digital skeletal structure to the 3D model used to control the mesh.

In the asset development process, inputs received in the form of Photographs/2D Drawings/Concept Sketches are built into a 3D asset as stringent technical specifications.

These 3D assets are further used in the Game Engine which gives the real-time output of the asset when the game is played.

Game animations primarily make use of Motion capture technique and also Key frame animation technique.

Motion capture is the process of recording movement and translating that movement onto a digital model. In filmmaking it refers to recording actions of human actors, and using that information to animate digital character models in 3D animation.

Key Frame animation enables us to choreograph and build an animation by arranging objects and taking snapshots of them at key moments during a sequence of movement or change. These key moments or key frames become the fixed points in time through which the animation passes. Animation between these key frames is calculated by the software.

II. Global IP Division ("GIPD")

The focus of GIPD is to develop IPs, either on our own or through joint-participation with other animation production companies. We would want to produce and distribute these IPs in the Indian and Asian markets as also to the Indian diasporas across the globe.

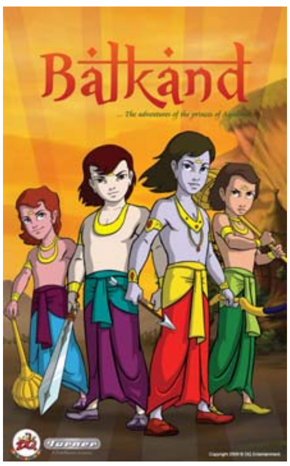
In order to have a presence in the European markets and exploit opportunities there, in 2008, we formed a wholly owned subsidiary in Ireland.

a) ***Own IP Development***

Indian Content

Our GIPD team is producing and developing 4 animated TV features of Indian content. We have concluded contracts for producing 3 of these features with Turner Entertainment Networks Asia, Hong Kong (TENA) which runs children entertainment channels like "Cartoon Network", "POGO" etc. Two such animated features, *Balkand* and *Ravan* have already been premiered on "POGO" channel in India in August 2009 and one of them, being *Omkar* is under production.

The animated TV features of Indian content are:



Balkand

Balkand features the first act of the *Ramayana*. It depicts the tale of four princes, Ram and brothers Lakshman, Shatrughan, and Bharat, growing up in palaces and their journey from Ayodhya to the Ashrams of Muni Vashista. This adaptation was delivered to TENA within the scheduled time and was aired on Turner's children's channel, Pogo in India on August 09, 2009.

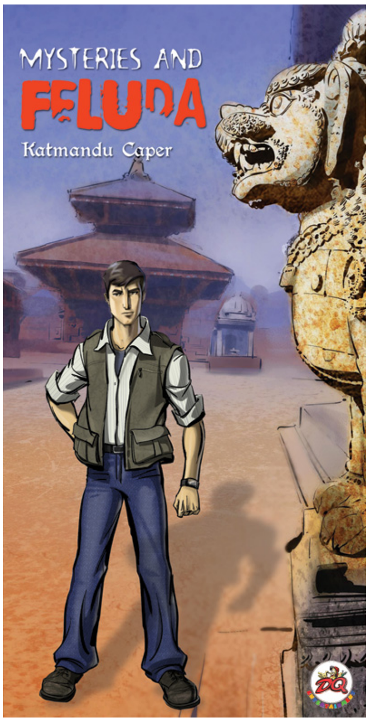
Based on the success of the first feature, Turner has requested us to produce two more sequels of 70 minutes each.

Ravan

Ravan is based on the story of Dashanan, a daitya son with super natural powers who was later named as Ravan, a great scholar who shares a strong relationship with his siblings. The feature is a funny and dramatic display of Ravan and his powers. This feature has also been delivered to TENA and was aired on TENA's leading children's channel POGO on 30th August 09.

Omkar

Omkar tells the tales of Shiva and his greatness narrated by Parvati – Shiva's wife, Nandi, Narad Muni and few others, much to the amazement of Ganesha and Kartikeya – Shiva's sons. This series is currently in production.



Mysteries and Feluda

Mysteries and Feluda is based on the detective stories written by the Nobel Prize and Oscar winner Satyajit Ray. We have concluded a deal with Buena Vista International Inc. (a Disney Group company), for broadcasting the 70 minutes TV feature on the Disney channels in India and South Asia.

<u>Global Content</u>

The Jungle Book

The Jungle Book is an animated TV series of 52 episodes of 11 minutes each and a 60 minute TV feature in 3D HDTV CGI.

The Jungle Book is being developed and produced by us with a global budget of Euro 9.2 million (Rs. 646.21 million) to be launched world-wide by Q3 2010. The first episode of The Jungle Book was premiered in Cannes. We have initiated third party world-wide TV and video pre-sale and merchandising discussions and certain deals have been signed.

Adapted from the original writings of Rudyard Kipling, this global co-production is led by us with majority global rights for all platforms of distribution, including home video, VOD, publishing, merchandising and all forms of licensing that include apparels, toys, furnishings, stationery, back- to-school products, et al.

We have signed co-production and distribution agreements for The Jungle Book with the ZDF Group, Germany; Moonscoop, France together with French broadcaster TF-1.

Charlie Chaplin:

DQE, in collaboration with Method Animation, France and MK2, France will produce and preside over worldwide distribution and brand commercial opportunities for 104 six-minute episodes.

DQE and Method Animation are committed to preserving the sense of humour and the emotional values present in all of Charlie Chaplin's 70 films, all the while bringing out the quirky, burlesque and comic tone of the character he created.

With a global production budget of approximately Euro 8 million, the first series will be developed in colour creating an atmosphere allowing younger generations to identify with the Charlie Chaplin character. In keeping with the spirit of Chaplin, the short episodes will be presented without dialogue allowing the famous character's talents to take centre stage. Music and sound design, will add to the laughter and emotion of the adventures of the legendary tramp.

b) ***Global IP with Co-productions***

We have entered into a co-production agreement with M6 Studio, France and Method Animation SAS, France for production of a CGI TV series based on *Le Petit Nicolas (Little Nick)*.

We have also entered into another co-production agreement with LPPTV, France and Method Animation SAS, France for production of a CGI TV series *Little Prince*, backed by French television studio, France 3. *Little Prince* is based on the books of Antoine de Saint-Exupery.

We, along with Classic Media Inc., USA are co-developing the TV series *Lassie,* and it would be co-produced by M6 Studio, France, ZDF Group, Germany and Australian Broadcasting Corp. Australia. *Lassie* made its debut on television in 1954 with Lassie®, an Emmy Award winning television series, and it ran for 19 seasons making it the longest run TV Series.

We, along with Method Animation SAS, France and MK2, France are co-developing 104 six-minutes episodes of CGI TV series of Charlie Chaplin in an animated form.

c) ***Live Action***

The Feature film *Meerabai Not Out* our first foray into Bollywood with SPE Films India (Private Limited (a part of Sony Group) and Pritish Nandy Communications Limited, was released on December 05, 2008.

We are working on the production of *Toomai – The Elephant Boy* in a 52 x 11' live action TV series, to be co-produced with the ZDF Group, Germany and Australian Broadcasting Corp., Australia. It is an extract from *The Jungle Book* by Rudyard Kipling, under development as 26 x 22' Adventure Drama Children's Live Action television series, and a 90 minute Live Action feature film. Toomai is a young 12 year old boy born with a winning way with elephants. Born in a mahout family in modern India,

III. Licensing and Distribution ("L&D")

We are currently engaged in certain international productions such as *The Jungle Book*, *Tara Duncan*, *Iron Man*, *Little Nick*, *Casper*, *Pinky & Perky*, *Twisted Whiskers* etc. Such international productions as well as several of our previous co-productions have enabled our L&D division to create a library of over 350 hours of international animated programs for revenue exploitation.

The Jungle Book, a 52 episode animated series and a 60 minute TV feature is being co-produced with the ZDF Group, Germany, TF1 Group, France. NBC Universal, UK and Buena Vista International Inc. (a Disney Group company), Australian Broadcasting Corporation, Australia, for broadcasting the same in their respective territories. With respect to The Jungle Book, we have signed the following licensing and broadcasting deals: - (i) with NBC Universal, UK for home video distribution in the UK, France, Japan, Australia and New Zealand; (ii) exclusive deal with USA based Buena Vista International Inc, the distribution arm of Walt Disney Company for broadcasting in 27 countries pan-Asia including Japan; (iii) with ABC Television, Australia for free-to-air TV broadcasting; (iv) with Noga TV Israel for pay TV in Israel; (v) with TV 12, Singapore for free-to-air TV. and (vi) with Al Jazeera Children's channel 'JCC' in 22 Arabic speaking nations for exclusive TV rights.

Iron Man, a 3D animated series (52 x 11'), has been acquired under an exclusive broadcasting deal by Turner Entertainment Network Asia (TENA) for broadcasting in South and South east Asia excluding China, Korea and Japan. We have also entered into a free-to-air broadcasting deal with Metropolois TV Inc. for South East Asia.

The L&D division has also bagged three in-line content deals with Turner Entertainment Network Asia (TENA) for SAARC countries on the Indian mythological animated TV features namely *Balkand, Ravan* and *Omkar*, all exclusively produced by us. The non-exclusive distribution rights to Season 1 of the animated TV series *ToddWorld* (26 x 22') have also been sold to JIM JAM TV via Taffy Entertainment LLC.

Twisted Whiskers, a CGI animated TV series, 52x11', co-produced by us with American Greetings Corp., USA and Mike Young productions, USA has been acquired by Disney, Singapore and Disney Channel, India for South East Asian countries and the Indian sub-continent respectively.

Ratman, an animated TV series in traditional 2D animation, 52x11', co-produced by us with Stranemani, Italy has been acquired by Disney Channel India for Indian sub-continent.

Maryoku Yummy, an animated TV series (2D Digital) co-produced with American Greetings has been acquired by TV 12, Singapore for free to air.

Todd World(Season 2) co-produced with Mike Young Productions LLC, has been acquired by TV-12, Singapore for free TV .

Sandra an animated TV series in Digital animation format, 52x11', co-produced by DQE with Imira Entertainment, Spain has been acquired by Disney Channel India for the Indian sub-continent.

Casper's Scare School, an animated TV series co-produced by us with Classic Media Inc., USA and MoonScoop SAS, France has been acquired by Nickelodeon (a part of Viacom 18 group) for broadcast in the Indian sub-continent.

We have entered into home video distribution deal with Sony Pictures Home Entertainment (SPHE) for TV series including *Casper*, *Twisted Whiskers*, *Sandra*, *Iron Man*, *Todd World* (seasons 1 and 2), and our owned Indian IP series, *Balkand, Ravan* and *Omkar for India, Pakistan, Nepal and Bhutan.*

Our Production Arrangements

We produce our animated content pursuant to contractual arrangements entered into with various production houses. These contractual arrangements broadly fall within two categories:

A. Outsourced production arrangements

Under our outsourced production arrangements, we carry out the production of designated animated productions on the basis of certain pre-production inputs provided to us by the production houses engaging our services. We produce animated content of designated quality and duration based on these inputs. This content is reviewed and approved by the above production houses. In case the delivered animation content does not satisfy the requirements of the production houses commissioning the content, we are required to rework on the content without any additonal remuneration. We are remunerated on a fixed fee basis for the content produced by us. All intellectual property in content produced under the outsourced production mechanism is ordinarily owned by the production house commissioning such production.

Some of the prominent production houses which have commissioned us to produce content are Walt Disney Television Animation, Nickelodeon and Electronic Arts.

B. Co Production Arrangements

We also co-produce animated content in conjunction with other production houses. Under such arrangements, we generally obtain distribution rights for certain geographies. Under these co-production arrangements, we undertake the production of animation and are remunerated on a fixed fee basis. Our co-production arrangements require us to invest a certain percentage of the overall cost of producing the complete series in exchange for the grant of distribution rights under them. On the other hand, some of our co production arrangements allow us to retain intellectual property in the material produced under them.

We believe that the co production model of animation production allows us increase our gains from the animation process and permits us to own intellectual property in our animated creations and consequently seek to move a majority of our productions from our outsourced production arrangements to our co production arrangements.

OUR EMPLOYEES AND TRAINING METHODOLOGY

We have 2,851 full time employees including around 2,580 employees directly involved in production. We believe that our access to this substantial workforce helps us undertake multiple large and manpower intensive projects and complete them within prescribed time limits.

Since inception, we have invested in the training of our employees to impart them with creative skill sets and we have thus created capabilities to execute productions confirming to quality standards. To address the increasing demand for animation and gaming professionals, we have set up the *DQ School of Visual Arts* where the curriculum and teaching methodologies have been derived from our own experiences in executing international productions. Such commitment to training has helped us overcome skilled-manpower bottlenecks.

In tune with global human resource practices, we have started a dedicated cell which undertakes efforts to impart training programs to our employees to enhance their performance levels. We have launched an intranet portal, “iLEAD (I Learn, Experience, Enable And Develop)” which serves as an interactive training platform for our emloyees.

Our Technology Infrastructure and Management Systems

We have invested in our technology infrastructure and management systems and we believe that such systems help us to achieve operation efficiencies and enable us to optimize our costs and output. We also believe that we are well equipped to migrate to more advanced systems without incurring substantial time requirements and high capital expenditures.

IT Infrastructure

Our computing hardware and proprietary ERP systems enable us to increase our capacity and output per employee. We use such systems for resource management, production planning, production schedule management, quality control and to generate data for the human resources and payroll departments. This enables us to perform the functions of scheduling and resource management across projects and functions and to set goals and workloads for each individual animation artist. We feel that these operational efficiencies have enabled us to take on growing workloads.

Modern animation production is a technology-intensive operation and we have made significant investments in our IT hardware. Our infrastructure enables our clients to submit partially completed work to us in industry-standard electronic formats. Further, our disaster-recovery systems give confidence to our clients working on time-critical projects. A web-based tracking system allows us to monitor the performance of each animation artist as well as the status of projects.

Technology Infrastructure

Animations are created on *Multi Core Xeon Processor* based workstations with Windows and Linux operating systems. All workstations are connected to central storage repository to enable smooth and quick workflow. The animators’ images are completed on a processor-intensive render farm and then stored on a 20 Terabyte Storage Area Network with built-in disaster recovery hardware. Binary data of the animation is converted to image sequence using *Multi Core Xeon Processor* based Blade Servers during the process of rendering. Image data is stored again on the central storage server, which is a fully redundant.

We use industry-standard 3D and 2D animation software tools, e.g. Maya, Combustion, Animo, Media Pegs and Flash. Workstations are equipped with Professional ISV certified NVIDIA Graphics Accelerator Cards capable of supporting Dual Monitors. The render farm consists of IBM and Intel Blade-servers with *Quad Core Xeon Processors* and over 840 Gigabytes of memory.

The primary clustered storage has over 30 Terabytes of disk space. We take backups daily using fully automatic robotic tape libraries and redundant power supplies and dual SAN fabric paths. In addition to the daily incremental backups, all project assets and image data is backed-up completely every week. We also have an off-site storage facility as part of disaster recovery management. In an event of data loss from the server, we have a data disaster plan which recovers data in less than 8 hours depending on the size of the data.

Management Infrastructure

We have implemented an ERP software, developed in-house, for various production management functions, including: production scheduling, technical breakdown, costing, production process management, production tracking management, wage management, inventory management, etc. This software ensures optimum utilization of all resources as a common pool, for different divisions located at multiple locations.

Part of the Net Proceeds shall be used for the development of our technology infrastructure and management systems and for details thereof, please refer to the chapter titled “**Objects of the Issue**” on page no. 35 of this Red Herring Prospectus.

Sales and Marketing set up

Our business development strategy has been to focus on specific industry festivals viz. Kidscreen Summit, Tokyo International Anime Fair, Annecy, MIPTV, MIPCOM and GDC. These international events attract decision-makers from the TV, film, digital media and advertising industries and are platforms to network for co-producing, buying, selling, financing and distributing entertainment content across all platforms.

Our independent sales representatives from Paris, London, Los Angeles and Tokyo have been generating strategic business leads that have gone on to convert into successful contracts for service as well as co-productions. Our arrangement with such independent representative in these markets has helped to keep abreast of future trends, current flavour of genres and provided a platform to highlight our products/ offerings, identify and target potentials customers – broadcasters, distributors in specific target markets.

These efforts are by branding and positioning through well-known animation industry focused publications and portals worldwide. Our focus has been to communicate our business offering as a company with track record of delivering animation content through service agreements and co-productions with international partners. These efforts have played on the strengths of the organization to close major co-production and service deals.

Marketing and business development is directly overseen by the CEO and are supported by the sales, business development and licensing and distribution teams in India. The branding and public relations teams in Hyderabad also support our marketing efforts. We have concertedly built our image and brand in the global markets, reinforced our Brand with current and past clients, resulting in repeat business on several productions and provided thrust to the Licensing and distribution of our properties in available territories. The company’s strategy has resulted in sustainable, long-term growth moving forward.

OUR PRODUCTION FACILITIES

Our operations are spread across 10 production facilities in India (8 in Hyderabad and one each in Mumbai and Kolkata).

	Type of Property/Location	**Primary Use**
1.	Municipal Nos. 8-2-268/1/A and 8-2-268/1/A/2N, Road No 3, Banjara Hills, Hyderabad 500034	Registered office/Corporate Office
2.	Plot No 546, Aurora Colony, Road No 3, Banjara Hills, Hyderabad 500034	Production Centre
3.	Plot No 31, Road No 5, Jubilee Hills, Hyderabad 500033	Production Centre
4.	House No 8-3-1077, Plot No 58, Srinagar Colony, Hyderabad 500034	Production Centre
5.	My Home Hub, 1st Floor, Survey No 79 Block III, Madhapur, Ranga Reddy Dist 500081	Production Centre
6.	Flat No 1 & 2, 1st and 2nd Floor, House No 8-2-288/1A/6/K Road No 3, Aurora Colony, Banjara Hills, Hyderabad 500034	*Production Centre/DQ School of Visual Arts*
7.	Municipal No 8-2-2-268/1/C Plot No 2, Road No 3, Banjara Hills, Hyderabad 500034	*Production Centre/DQ School of Visual Arts*
8.	Municipal No 8-2-268/10/D/1, Plot No 554, Aurora Colony, Road No 3, Banjara Hills, Hyderabad 500034	Production Centre
9.	Module No 312-315, SDF Building, Salt Lake Electronics Complex, Software Technology Park Zone, Sector V, Bidhan Nagar, Kolkata 700091	*Production Centre/DQ School of Visual Arts*
10.	2nd Floor BEST Building, Best Commercial Complex, Andheri (West), Mumbai	*Production Centre/DQ School of Visual Arts*

DQE Technology and Knowledge Campus

One of the objects of the Issue is to develop a technology and knowledge campus to house the entire workforce for animation, VFC and gaming production in a 2.87 acre land acquired at Kokapet, near

Hyderabad, under the Special Economic Zone from the Government of Andhra Pradesh under its IT policy. For further details of the 'Objects of the Issue', please refer to page no. 35 of this Red Herring Prospectus.

For details of our properties, please see the section titled "**Properties**" on page no. 84 of this Red Herring Prospectus.

COMPETITION

We face competition from international animation production companies, especially ones based out of the US and Europe. Our major competitors include Aardman Animation, The Moonscoop Group, Porchlight Entertainment, etc. However, we also collaborate with some of these entities for as co-production partners. Indian entities that undertake projects similar to ours include Crest Animation Studios Limited, Toonz Animation India Pvt. Ltd., Compact Disc India Ltd. and other smaller animation studios. Due to comparable cost structures, we also face competition from animation production companies based out of south-east Asia, like Korea, Taiwan and Philippines.

In our distribution business, we are likely to face competition from corporate production houses like UTV Software Communications Ltd., Balaji Telefilms Ltd. and other players in the media and entertainment industry. With the growing popularity of animation content within the country, we expect greater competition from existing and new entities in the future.

INTELLECTUAL PROPERTY

We have a number of intellectual property rights that we seek to protect to the fullest extent practicable. We believe that we are not dependent on any of our intellectual property rights individually, although collectively, they are of material significance to our business. We have 1 registered trademark (including logos and words) relating to our logo "DQ with Andy mascot". We have also applied for the registration of our new logo "DQ Entertainment" and await the receipt of registration certificate for the same.

In addition, we also have 86 copyrights registered with the Registrar Of Copyrights, India, which include copyright registrations for our mascot Andy and our in house Enterprise Resource Planning software '2DQ Trackz', 3DQ Trackz' as well all the characters of our own IP's, our story board, backgrounds, etc that has been developed in-house.

For further details of our intellectual properties, please refer to the chapter titled "**Government Approvals**" on page no. 205 of this Red Herring Prospectus.

DOMAIN NAME REGISTRATION

We have registered our domain name www.dqentertainment.com

AWARDS AND RECOGNITIONS

Some of the award ceremonies where we have won recognitions are as below. Some of these awards have been bestowed on Mr. Tapaas Chakravarti, our Chairman and CEO and the erstwhile DQ Entertainment.

Awards/Nominations for our Company

Year	Award/Festival	Category	Award/Nominations
2010	Ernst & Young, Entrepreneur of the Year – 2009 India Awards	Entrepreneur of the year	Tapaas Chakravarti, Chairman and CEO has been short-listed as one of the 18 finalists from a total of 310 nominees from different industry segments for the prestigious **Ernst & Young's** annual business award this year. **(Shortlisted)**
2010	The UK Broadcast Awards 2010	Best Children's Series	*The Pinky & Perky* TV series, co-produced with Method Animation SAS for CBBC and

Year	Award/Festival	Category	Award/Nominations
			France 3 (**Nominated**)
2010	Sichuan TV Festival International "Gold Panda" Awards	Best Playright	*Sky Land* series, co-production with Method Animation SAS (**Nominated**)
2009	24 FPS Awards	Movers & Shakers of 2009	*DQE won the Movers & Shakers Award 2009 at the 24 FPS Awards* (**Awarded**)
2009	International Academy of Television Arts and Sciences	Lifetime Membership	Tapaas Chakravarti, Chairman and CEO inducted as a lifetime member of the board of the International Academy of Television Arts and Sciences
2009	Annecy 2009, International Animation Film Festival		*The Pinky & Perky* TV series, co-produced with Method Animation SAS for CBBC and France 3 (**Nominated**)
2009	CIAK Junior Film Festival, Italy	Jury Award for Traditional Category	*Dreams Come True*, a live action short film, produced by us (**Awarded**)
2009	Pulcinella Awards, at Cartoons on the Bay, Italy	TV Series for Teen Generation	*Pinky and Perky* TV series, co-production for CBBC and France 3 (**Nominated)**
2009	Pulcinella Awards, at Cartoons on the Bay, Italy	Crossmedia Project category	*Twisted Whiskers,* co-produced with American Greetings Corp., USA and Taffy Productions LLC (**Nominated)** *Pet Pals*, co-produced Gruppo Alcuni, Italy (**Nominated**)
2008	BAF Awards	Contribution to animation industry	Tapaas Chakravarti, Chairman and CEO was bestowed with a special award at the FICCI Frames event for his contribution to the Indian animation industry
2008	The Daytime Emmy Awards	Outstanding Special Class Animated Program	Mickey Mouse Club House *series,* produced for Walt Disney Television Animation (**Nominated**)
2008	AIM Awards Dinner 2008	Best Newcomer Category	DQE plc, our ultimate holding company was nominated for this award (**Nominated**)
2008	BAF Awards (organised by FICCI)		*Fantastic Four* series, service production for Moonscoop, France (**Nominated**) *Sky Land* series, co-production for Method Animation SAS (**Nominated**) *Tak* TV series, service production for Nickelodeon (**Nominated**)

Year	Award/Festival	Category	Award/Nominations
			Mickey's Great Club House Hunt series (**Nominated**)
2008	BAF Awards (organised by FICCI)	Special Award	Tapaas Chakravarti, CMD and CEO, bestowed with a special award at the 2008 FICCI BAF for his contribution to the Indian Animation Industry

Awards/Nominations for the erstwhile DQ Entertainment Limited

Year	Award/Festival	Category	Award/Nominations
2007	The Daytime Emmy Awards	Outstanding Special Class Animated Program	*Tutenstein* TV series, co-produced with Porchlight Entertainment, USA for Discovery Kids, USA (**Awarded**) *Toddworld* TV series, co-produced with Mike Young Productions, USA for Discovery Kids and BBC (**Nominated**) *Curious George* TV series, produced for NBC Universal and PBS Kids (**Nominated**)
2007	Deloitte Technology Fast 500-Asia Pacific	Fast 500 Asia Pacific	Deloitte Technology Fast 500 Asia Pacific 2007 Program
2007	BAF Awards (organised by FICCI)	Best VFX in TV series category	*Sky Land* series, co-production for Method Animation SAS (**Awarded**)
2007	International Manga and Anime Festival		*Skyland* TV series, co-production for Method Animation SAS (**Nominated**)
2007	Redemptive Film Festival Award, USA	Professional Film Category	*Shipwrecked - Adventures of Donkey Ollie,* a full length 77 minutes animated CGI feature, co-produced with Car Angels, USA **(Awarded)**
2007	Gemini Awards, Canada	Best Animated Program	*Skyland* TV series, co-produced with Method Animation SAS and 9 Story Entertainment (**Awarded**)
2006	Deloitte Technology Fast 500-Asia Pacific	Fast 500 Asia Pacific	Deloitte Technology Fast 500 Asia Pacific 2006 Program
2006	Deloitte Technology Fast 50 India Program	Fast 50 India	Deloitte Technology Fast 50 India 2006 Program
2005	Best Entrepreneur of the Year(Organised by the Hyderabad Management Association,	Best Entrepreneur of the Year	Tapaas Chakravarti was awarded the *Best Entrepreneur of the Year* award by the Hyderabad Management Association, Hyderabad

Year	Award/Festival	Category	Award/Nominations
	HMA, Hyderabad, India)		
2005	The Red Herring 100 Private Companies Asia		We were recognised amongst the 500 top companies throughout Asia. These awards are a prestigious annual award and a leading indicator of next wave of promising private technology companies in Asia. The evaluation is through a careful analysis of financial data and subject criteria including the technology, business model, financials and funding.
2005	The NZ Screen Awards	Best Animated Comedy Program Best Comedy Script	*Bro'town* series, screened on TV 3, New Zealand (**Awarded**)

PROPERTIES

The following table sets forth the location and other details of our leasehold commercial properties in India. We do not own any commercial properties.

Leased premises in the SEZ situated at Kokapet village, Rangareddy District, Andhra Pradesh

Name of the Lessor and date of Agreement	Premises Leased and area	Term of the Lease
Hyderabad Metropolitan Development Authority October 6, 2008	Plot No.9, Survey No.239 and 240 (P) and 454/1 (P) situated at Kokapet Village, Rajendranagar Mandal, Rangareddy District, Andhra Pradesh 2.87 acres	33 years

Hyderabad, Andhra Pradesh

S. No.	Name of the Lessor and date of Agreement	Premises Leased and area	Term of the Lease
1	Mr Arsalan Azam July 1, 2008	Municipal Nos.8-2-268/10/D/1, Plot No.554, Aurora Colony, Road No.3, Banjara Hills, Hyderabad 500 034 Registered Office/Corporate Office 2,000 square feet	2 years from July 1, 2008
2	Mrs. Kazimunissa	Municipal Nos.8-2-268/1/A and 8-2-268/A/2N, Road No.3, Banjara Hills, Hyderabad	2 years from May 12, 2008

S. No.	Name of the Lessor and date of Agreement	Premises Leased and area	Term of the Lease
	Begum May 12, 2008	500 034 Registered Office/Corporate Office 5,600 square feet	
3	Dr. Sameena Khan September 1, 2009	Plot No.546, Aurora Colony, Road No.3, Banjara Hills, Hyderabad 500 034 Production Centre II 4,000 square feet	3 years from September 1, 2009
4	K. Vasudeva Rao and Dr. A.Ramadevi. July 2, 2009	Plot No.31, Road No.5, Jubilee Hills, Hyderabad Production Centre I 10,045 square feet	11 months from July 24, 2009
5	D. Udayashankar and D. Nagendra Prasad. April 29, 2005	House No. 8-3-1077, Plot No. 58, Srinagar Colony, Hyderabad 500 034. 26,130 square feet Production Centre II	5 years from July 1, 2005
6	P. Samarjith and P. Anand February 13, 2008	Flats No.1 & 2, 1st and 2nd floor, H.No.8-2-288/1A/6/K, Road No.3, Aurora Colony, Banjara Hills, Hyderabad *DQ School of Visual Arts I*	3 years from March 1, 2008
7	Smt. V Venkata Krishna Bhavani and Mr. VJV Shyam April 25, 2008	House Bearing Municipal no.8-2-2-268/1/C, Plot no.2, Road No.3, Banjara Hills, Hyderabad. 422.18 square meters *DQ School of Visual Arts II*	2 years from April 25, 2008
8	Mrs. Narmatha Donthineni and Mr. Janardhan Rao Donthineni July 2, 2008	1st floor, My Home Hub, Survey No.79, Block III, Madhapur, Ranga Reddy District, 500 081. Production Centre IV 17,553 sq. ft.	8 years from July 1, 2008
9	M/s. Bharat Electronics August 13, 2009	Plot No. 5/A, APIIC, Industrial estate, Prashant Nagar, Kukatpally, Hyderabad. Godown 3820 sq. feet	11 months from August 13, 2009

Kolkata, West Bengal

S. No.	Name of the Lessor and date of Agreement	Premises Leased and area	Term of the Lease
1	West Bengal Electronics Industry Development Corporation Limited [sub-tenancy agreement] February 1, 2008	Module No.312 to 315, SDF Building, Salt Lake electronics Complex, Software Technology Park Zone, Sector V, Bidhannagar, Kolkata 700 091. *Production Centre/DQ School of Visual Arts* 4,000 sq. ft.	3 years from February 1, 2008
2	WEBEL Electro optics Limited December 18, 2008	Eastern Central Hall, Southern Central Hall of the 1st floor of Western Central Hall and conference room, 1st floor, Plot No.5, Block BP, Sector V, Salt Lake, Bidhannagar, Kolkata 700 091. 8,800 sq. ft.	3 years from April 01, 2008

Mumbai, Maharashtra

S. No.	Name of the Lessor and date of Agreement	Premises Leased and area	Term of the Lease
	M/s. R Jhamb Business Centre April 29, 2009	2nd floor, BEST Building, Best Commercial Complex, Andheri (West), Mumbai. *Production Centre/DQ School of Visual Arts* 2,270 sq. ft	3 years from March 12, 2009

CORPORATE SOCIAL RESPONSIBILITY

We are associated with several charitable foundations like Ashraya Akruti (for the hearing impaired), Swayam Krushi (for the mentally impaired girl child) and the Apollo Group supporting SACH "Save A Child's Heart", Prajapita Brahmakumaris, Valmiki Foundation and Roshan Vikas Foundation.

Recognising the importance of their social and civic responsibilities, the employees of the Company have volunteered themselves to form a nonprofit entity namely DQ Smile Foundation with the objective to support charitable foundations such as *Home for the Aged* and *Missonaries for Charity*, amongst others. We also organise periodical health check-ups and blood donation camps.

REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies as prescribed by the Government of India. The information detailed in this chapter has been obtained from the various local legislations and the bye laws of the respective local authorities which are available in the public domain. The regulations set out below are not exhaustive, and is only intended to provide general information to the Investors and is neither designed nor intended to be a substitute for professional legal advice.

In carrying on the business as described in the section titled "Our Business" on page no. 64 of this Red Herring Prospectus, the Company is regulated by the following legislations in India. For details of such approvals please see the section titled "Government Approvals" on page no. 205 of this Red Herring Prospectus.

Laws in relation to Information Technology

Software Technology Parks Scheme

Software Technology Parks of India ("**STPI**") is a society set up by the Ministry of Communication and Information Technology, Government of India, with an objective of encouraging, promoting and boosting the software exports from India. Through notification no. 33/(RE)/ 92-97, dated March 22, 1994 Ministry of Commerce notified the scheme, in exercise of the powers conferred under sub-section (1) of section 3 of the Foreign Trade (Development and Regulation) Act, 1992. The EXIM Policy further provides that units undertaking to export their entire production of goods and services may be set up under the Export Oriented Unit ("**EOU**") Scheme, Export Processing Zone Scheme, Electronic Hardware Technology Park ("**EHTP**") Scheme or the Software Technology Park ("**STP**") Scheme.

The STP Scheme is a 100% export oriented scheme for undertaking software development / IT enabled services for export using data communication links or in the form of physical exports including export of professional services for rendering consultancy services and development of software.

The registration under this scheme is for establishing a 100% EOU developing computer software for export. The following activities are covered under the scheme:

1. Manufacture/Development of software in India for exports.
2. Onsite Consultancy Services for development of software at the client's site abroad.
3. IT enabled products or services such as back office operations, call centers, content development or animation, data processing, engineering and design, geographic information system services, human resource services, insurance claim processing, legal databases, medical transcription, payroll, remote maintenance, revenue accounting support centers and website services, provided payments for such services are received in free foreign exchange.
4. Sales in the domestic market are also permitted to extent of 50% on FOB value of exports with prior permission

<u>Scheme benefits and highlights:</u>

- Approvals are given under single window clearance scheme.
- A company can set up STP unit anywhere in India.
- Income Tax holiday as per Section 10A of the Income Tax Act, 1961.
- Customs duty exemption in full on imports.
- Central excise duty exemption in full on indigenous procurement.
- Central sales tax reimbursement on indigenous purchase.
- All relevant equipment / goods including second hand equipment can be imported (except prohibited items).
- Equipment can also be imported on loan basis / lease.
- 100% foreign equity is permitted and approved by jurisdictional director of STPI.
- All the imports of hardware and software in the STP units are completely duty free.
- Import of second-hand capital goods is also permitted.
- Unit shall be a positive net foreign exchange earner. Net Foreign Exchange Earnings ("**NFE"**) shall be calculated cumulatively in blocks of five years, starting from the commencement of production

- Use of computer system for commercial training purposes is permissible subject to the condition that no computer terminals are installed outside the STP premises.
- The sales in the Domestic Tariff Area (DTA) shall be permissible up to 50% of the export in value terms.
- STP units are exempted from payment of corporate income tax up to Fiscal 2011.
- The capital goods purchased from the Domestic Tariff Area (DTA) are entitled for benefits like exemption of excise Duty and reimbursement of Central Sales Tax (CST).
- Capital invested by Foreign Entrepreneurs, Know-How Fees, Royalty, Dividend etc., can be freely repatriated after payment of Income Taxes due on them, if any.
- Repartition of foreign currency for payments can be freely done.

Setting up of a STP Unit:

An application is required to be made by the company desirous of setting up a unit as an STP to the Director of the STP, which approval is ordinarily granted within 15 days of such application being made subject to (a) items to be manufactured or exported are not restricted or prohibited; (b) the location is in conformity with the prescribed parameters; (c) the export obligation laid down in the STP Scheme is fulfilled; and (d) the unit is amenable to bonding by the Customs and all manufacturing operations are carried out in the same premises. The registration as an STP is location specific. The applicant company pursuant to the requirements of the STP approval would be required to execute an agreement with the Government of India agreeing to comply with conditions prescribed in the STP approval, inter alia, the export obligations and customs bonding of the premises.

FDI Regulations in the STP scheme

In order to provide impetus to the electronics industry, to enhance its export potential and to develop an efficient electronic component industry, EHTP and STP schemes offer a package of incentives and facilities like duty free imports on the lines of the EOU Scheme, deemed exports benefits and tax holidays.

FDI up to 100% is allowed under the automatic route in the film industry and for software development. Such investment is required to be by actual remittance of money in foreign exchange provided it meets the eligibility criteria as cleared and approved by the STPI within 2 weeks from the date of making such an application.

IT Software industry is exempted from zoning regulations for the purpose of establishing the industry. Therefore the STP unit can be established in any location. The units can be established in the STPI Complex/Hi-tech City or in owned or leased accommodation anywhere within the jurisdictional area of the STPI and the customs circle and the premises of the unit would be amenable to customs bonding.

Under the automatic route, automatic approval may be accorded in respect of STP proposals if:

(a) the relevant industry does not attract compulsory licensing. The following industries are said to require compulsory industrial license: (i) Distillation and brewing of alcoholic drinks; (ii) Cigars and cigarettes of tobacco and manufactured tobacco substitutes; (iii) Electronic Aerospace and defence equipment; (iv) Industrial explosives, including detonating fuses, safety fuses, gun powder, nitrocellulose and matches; (v) Hazardous chemicals such as hydrocyanic acid and its derivatives, phosgene and its derivatives, isocyanides and di-isocyanates of hydrocarbon, not elsewhere specified etc.

(b) the location of the said industry is in conformity with the prescribed parameters as provided in the FDI policy;

(c) the said industry is amenable to bonding by the Customs, and if all the manufacturing operations are carried out in the same premises and the proposal does not envisage sending out of the bonded area any raw material or intermediate products for any other manufacturing or processing activity.

Special Economic Zones

Special Economic Zones Act, 2005

The Government of India has enacted the Special Economic Zone Act, 2005 (the "SEZ Act") for the establishment, development and management of special economic zone (the "SEZs") for the promotion of exports. An SEZ is a specifically delineated duty free enclave, deemed to be a foreign territory for the purposes of trade as well as duties and tariffs. A Board of Approval ("SEZ Board") has been set up under the SEZ Act, which is responsible for promoting the SEZ and ensuring its orderly development. The SEZ Board has various powers, including the authority to approve proposals for the establishment of an SEZ, the operations that may be carried out in the SEZ by the developer, monitoring foreign collaborations and foreign direct investments in SEZs.

SEZs may be established under the SEZ Act, either jointly or severally by the Government of India, state government or any other person. On receipt of an application, the SEZ Board may, subject to certain conditions approve the proposal and communicate it to the Government of India. The Government of India may, within 30 days of receipt of communication, grant the letter of approval, which may be subject to certain additional conditions. The Government of India initially grants the letter of approval to the proposals for setting up of SEZs, referred to as the 'in-principle approval', which is valid for a period of one year or three years, as the case may be. The developer of the SEZ is required to take effective steps for implementation of the SEZ project within the said validity period. The developer is required to furnish intimation of fulfilment of conditions specified in the 'in-principle' approval to Department of Commerce, Ministry of Commerce and Industry, Government of India (the "DoC") within the specified validity period of the 'in-principle' approval. The DOC, on being satisfied with the proposal and compliance of the developer with the terms of the approval, issues a notification declaring the specified area as an SEZ.

On an area being notified as an SEZ, the Government of India appoints a development commissioner for the said SEZ who is responsible for monitoring and ensuring strict adherence to the legal framework and the day-to-day operations of the SEZ.

The Special Economic Zone Rules, 2006

The Special Economic Zone Rules, 2006 (the "SEZ Rules") have been enacted to effectively implement the provisions of the SEZ Act. The SEZ Rules provide for a simplified procedure for a single window clearance from the Government of India and state governments for setting up of SEZs and a 'unit' in an SEZ. The SEZ Rules also prescribe the procedure for the operation and maintenance of an SEZ, for setting up and conducting business therein, with an emphasis on 'self certification', and the terms and conditions subject to which entrepreneur and developer shall be entitled to exemptions, drawbacks and concessions etc. The SEZ Rules also provide for the minimum area requirement for various categories of SEZs.

The Special Economic Zones (Amendment) Rules, 2009

The Government of India issued the Special Economic Zones (Amendment) Rules, 2009, vide notification dated February 3, 2009. Pursuant to the amendment, the the Government of India has allowed establishment of multi product special economic zones, wherein the units may be set up for manufacture of goods falling in two or more sectors or rendering of services falling in two or more sectors or any combination thereof including trading and warehousing.

Intellectual Property Laws

Copyright Act, 1957

Being a company dealing with production and export of animations and e-gaming, the intellectual property laws have a material bearing on our assets and rights and liabilities. Our products and creations are subject to the Copyright Act, 1957, wherein, in the absence of any contract to the contrary and subject to certain conditions, the copyrights in all animated works, created by the employees of the Company vest with the Company. However, where the animation/drawing/picture/cinematographic film was created at the instance of another for a valuable consideration, therein, in the absence of a contract to the contrary, the copyrights would vest with such person. It is irrelevant that the same has been registered with Registrar of Copyrights, as a copyright exists by the virtue of authorship and not registration. Hence, the company would retain a copyright even if the same has not been registered. The company, retains, for all copyrights owned by it the right to assign/license the same to any person it may deem fit. As per the Copyright Act, 1957 any unauthorized reproduction/use/exhibition/etc. of any copyrighted work in public or for commercial benefit amounts to a copyright infringement. Hence, the company runs the risk of being liable for any such infringement while also being entitled to initiate action against any person found to be infringing the copyright of the company.

The Prasar Bharati (Broadcasting Corporation of India) Act, 1990

Pursuant to the enactment of the Prasar Bharati (Broadcasting Corporation of India) Act, 1990 (the "**Prasar Bharati Act**"), the Prasar Bharati was set up as a statutory autonomous body on November 23, 1997. The Corporation is the public service broadcaster in India and the primary duty of Prasar Bharati is to organise and conduct public broadcasting to inform, educate and entertain the public and to ensure a balanced development of broadcasting on radio and television. Prasar Bharati is also empowered to manage on behalf of the Central Government the broadcasting of external services and monitoring of broadcasts made by organisations outside India.

Prasar Bharati has other objectives, some of which include upholding the unity and integrity of the country and the values enshrined in the Constitution of India, safeguarding the citizen's right to be informed freely, truthfully and objectively on all matters of public interest, national or international, and presenting a fair and balanced flow of information including contrasting views without advocating any opinion or ideology of its own, and providing comprehensive broadcast coverage through the choice of appropriate technology and the best utilisation of the broadcast frequencies available and ensuring high quality reception and expanding broadcasting facilities by establishing additional channels of transmission at various levels.

Trade Marks Act, 1999

Under the Trade Marks Act, 1999 any company/person using any mark which may be graphically represented and is capable of distinguishing the goods or services of one from another may register the same as a trade mark with the Registrar of Trade Marks as per the provisions of the Trade Marks Act, 1999. Any attempt by any person or company to use the same or a deceptively similar mark amounts to an infringement of the Trade Mark and is a criminal offense. However, an unregistered mark can not be infringed. Nevertheless, an action for "passing off" may be brought so as to prevent the person from continuing use of the mark and pass off his goods/services as that of the owner of the unregistered mark. Both the registered and the unregistered marks may be assigned.

Indian Cinematograph Act, 1952 and The Cinematograph (Certification) Rules, 1983

The Cinematograph Act provides for the certification of the films, which are used for the purposes of public exhibition, so as to regulate its intended viewership. An exhibitor of a film is required to make an application to the Board of Film Certification (the "Board") for the said certificate. The examining committee is appointed by the Regional Officer and makes a determination for the grant of the said certificate, based on the appropriateness of viewership by different categories of viewers. On its recommendation, the Board issues the certificate, which is valid for a period of 10 years from the date on which it is granted. The exhibitor is required to ensure that it shall not contravene any restrictions specified by the Board. A person aggrieved by the decision of the Board has a right to appeal to the Appellate Tribunal.

Films certified for public exhibition may be re-examined by the Board if any complaint is received in respect of the same. All advertisements of films displayed by the producer/ distributor/ exhibitor in any form including hoardings, handbills, newspapers and trailers are required to indicate that the film has been certified for public exhibition. If films are exhibited contrary to restrictions specified by the Board, the exhibitor is liable for punishment with imprisonment and/or a fine.

The certificate may provide restrictions in respect of viewership or, the Board may direct the applicant to carry out any modifications, as it may think fit. The obligation to obtain such certificate is on the producer of a film. The duplicate copy of the same has to be provided to the distributor or the exhibitor according to the Cinematograph (Certification) Rules, 1983.

The Cinematograph Film Rules, 1948 (the "Cinematograph Rules")

The Cinematograph Rules provide for grant of license for storage of films. The license granted under the Rules is valid for a period of one year and may be renewed annually. The licensee may, at any time before the expiry of the license, apply for permission to transfer the said license to another person. The licensing authority is also empowered to cancel a license in the event any provision of the Petroleum Act, 1934 is contravened. The Cinematograph Rules ensure compliance in respect of transportation, storage and handling of films.

The Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981

The Act provides for the regulation of conditions of employment of certain cine workers and cinema theatre workers and for matters connected therewith. The Act makes the Payment of Gratuity Act, 1972, and the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 applicable to the employees of cinema theatres in which five or more persons are employed.

The Andhra Pradesh Cinemas (Regulation) Act, 1955

The Andhra Pradesh Cinemas (Regulation) Act, 1955 (the "AP Act") provides that no person can give a cinematograph exhibition elsewhere than in a place licensed under the AP Act. Licenses to cinemas are granted by the local District Collector, upon being satisfied that the rules under the AP Act have been complied with and adequate safety precautions have been taken in the cinema. In addition, licenses may contain such terms and conditions as the licensing authority deems fit.

The Andhra Pradesh Entertainments Tax Act, 1939

The Andhra Pradesh Entertainments Tax Act, 1939 (the "AP Entertainment Act") being administered by the Commercial Tax Department, Government of Andhra Pradesh, imposes taxes on "entertainment" in the state of Andhra Pradesh, which term has been defined to include cinematography exhibitions to which persons are admitted on payment. The tax is levied on admission charges.

Labour Legislations

In addition to the above and the Company is required comply with other applicable labour laws and regulations, which include the following and the details of which are provided in the section entitled "Government Approvals" on page no. 205 of this Red Herring Prospectus.

- Industrial Disputes Act, 1947;
- Payment of Wages Act, 1936;
- Payment of Bonus Act, 1965;
- Employees' State Insurance Act, 1948;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Shops and Commercial Establishments Act.

HISTORY AND CORPORATE STRUCTURE

Our History

Our Company was incorporated as "Animation and Multimedia Private Limited" on April 13, 2007 with Corporate Identity Number U92113AP2007PLC053585. The name of our Company was changed to "DQ Entertainment (International) Private Limited" by a special resolution of the members passed at an EGM held on January 10, 2008. The fresh certificate of incorporation consequent to the change of name was granted to our Company on January 17, 2008 by the Registrar of Companies, Andhra Pradesh at Hyderabad.

Subsequent to the Scheme of Amalgamation sanctioned by the Hon'ble High Court of Andhra Pradesh, the name of our Company was changed to "DQ Entertainment (International) Limited".

Subsequently, pursuant to a special resolution of the members passed at an EGM on July 25, 2009, our Company became a public limited company. A fresh certificate of incorporation consequent to conversion of our Company from private to public was granted on September 10, 2009 by the Registrar of Companies, Andhra Pradesh at Hyderabad.

Subsequent to the Scheme of Amalgamation sanctioned by the Hon'ble High Court of Andhra Pradesh, our Company acquired the registered office of the erstwhile DQ Entertainment Limited, which amalgamated with our Company. Accordingly, our registered office was shifted from No. 101, Sapthagiri Residency, 1-10-98/A, Chikoti Gardens, Begumpet, Hyderabad 500 016 to 644, Aurora Colony Road Number 3, Banjara Hills Hyderabad 500 034 with effect from December 12, 2007 by a resolution of our Board dated December 12, 2007.

Scheme of Amalgamation

In the year 1987, Mr. Tapaas Chakravarti, our individual Promoter established the erstwhile DQ Entertainment Limited, a limited company (originally incorporated as *Dataquest Management and Communications Private Limited*). It was initially established as a financial and management consultancy and subsequently moved into animation production in the year 2000. In the period between the years 2000 to 2007, DQ Entertainment Limited forayed into and established the entire animation production and related business.

Pursuant to a scheme of amalgamation sanctioned by the Hon'ble High Court of Judicature of Andhra Pradesh on November 7, 2007, DQ Entertainment Limited was amalgamated with our Company ("**Scheme of Amalgamation**"). In terms of the Scheme of Amalgamation, with appointed date May 2007, DQ Entertainment Limited's entire business and undertaking including all its assets, contracts, properties, investments, benefits, employees, debts, liabilities, duties and obligations of any nature were transferred to our Company, and became the business, assets, contracts, properties investments, benefits, employees, debts, liabilities, duties and obligations of our Company. On the Effective Date, the erstwhile DQ Entertainment Limited was dissolved without being wound up.

Subsequent to the Scheme of Amalgamation as above, we have continued to strengthen the business of the erstwhile DQ Entertainment Limited and have also forayed into and expanded our business activities, including development of our own IP, licensing and distribution business.

Listing of DQE plc, our ultimate holding company

In the year 2007, our ultimate holding company, DQE plc, a public limited company incorporated in the Isle of Man, listed on the AIM Market of the London Stock Exchange and raised funds for investment in strategic alliances, global and local IP development and partnerships, and foraying into live action and expansion of production facilities and workforce.

Major Events

Year	Events
In relation to our Company	

Year	Events
2007	Our Company entered into the Scheme of Amalgamation pursuant to which the erstwhile DQ Entertainment Limited was amalgamated with our Company.
2008	Co-production agreement of *Little Nick* signed Co-production agreement of *Large Family* signed Broadcast agreement with Turner Entertainment Networks Asia, Hong Kong (TENA) for own IP content, i.e., *Balkand* and *Ravan* Service production agreement with Nickelodeon for production of *Fanboy* & *Chum Chum* and *Madagascar: The Penguins* Set up subsidiary in Ireland by name DQ Entertainment (Ireland) Limited Broadcast agreement with Walt Disney Television International India for *Twisted Whiskers, Ratman and Sandra* Issued ISO 9001:2000 "Quality Management System Standard" certification by Det Norske Veritas
2009	Launch of own international IP – *The Jungle Book* Co-production agreement of *Little Prince* signed Broadcast agreement with Turner Entertainment Networks Asia, Hong Kong (TENA) for own IP content, i.e., *Omkar* Co-production agreement of *The Jungle Book* signed with Moonscoop France Broadcast agreement with Turner Entertainment Networks Asia, Hong Kong (TENA) for *Ironman* Co-production agreement of *Tara Duncan* signed with Moonscoop France Conversion of our Company from private to public status Broadcast agreement with Viacom 18 for *Casper* Agreement with Gaumont-Alphanim, France for co-production of *Galactic Football Season 3*, a TV series Agreement with ABC Television, Australia for free-to-air TV broadcasting of *The Jungle Book* *Won Movers & Shakers Award 2009* Completed a Pre-IPO Placing of 3,772,771 Equity Shares with certain selected investors for cash at a price of Rs. 68.11 per Equity Share (including a share premium of Rs. 58.11 per Equity Share).
2010	Launch of Charlie Chaplin, animated TV series
In relation to our Promoter Group companies, our Subsidiary and DQ Entertainment Limited (which was amalgamated with our Company)	
DQE plc	
2007	Listing at the Alternative Investment Markets of the London Stock Exchange on December 18, 2007
2008	Acquisition of 20% stake in Method Animation SAS, France in January 2008
DQ Entertainment Limited	
1993	Ventured into IT Training and Consultancy
2000	Forayed into the animation business
2002	Commencement of 2D animation production services

Year	Events
	Establishment of training facility (now, *DQ School of Visual Arts*) to train fresh fine arts graduates and upgrade skills of experienced animators in India
	Establishment of Techno-commercial alliance with ToonBoom Technologies Inc. (Canada), a large 2D Animation digital software company
	Our first major order in 2D – *Potato and Dragons* from Alphanim, France
2003	Our first major order in 2D digital - *Delta State*, a 2D digital rotoscopic animation project
2004	Commencement of commercial operations of the 3D animation division
	Introduction of our proprietary ERP based Production Tracking System
2005	Recognized among Asia's Top 100 private companies by the Red Herring Magazine
	Commencement of commercial production of the Gaming division
	Inauguration of our Company's "House of Animation" by late Dr. Rajasekhar Reddy, the Hon'ble Chief Minister of Andhra Pradesh and Barry Blumberg, President, Disney Entertainment Group
2007	Quantum leap in 3D animation pipeline. The production team was increased from 822 to 1591.
	Won the prestigious 2007-Day Time Emmy in the Outstanding Special Class Animated Program for the second season of Television Series, "Tutenstein" Co-produced with Porchlight Entertainment, USA for DSC Kids, USA.

Main Objects of the Company

The main objects of our Company as contained in its Memorandum of Association are:

1. To carry on the business of information technology enabled products or services such as content development of 2D/ 3D animation for television, CD Rom, video, 35/70 mm movie, web and other media, multimedia software development in various media, back office operations, call centers, data processing, engineering and design, geographic information system services, human resources services, insurance claim processing, legal databases, medical transcription, pay roll, remote maintenance, revenue accounting, support centers and web site services.

2. To carry on the business of production, development, distribution and exhibition of games including mobile games, console gaming, gaming engines, 2D/3D animation for games; to produce, co-produce, merchandise, distribute, exhibited animated or real action TV Series, DVD's movies, Direct to Home videos, games, cinematographic films, ad films, video films, 2D and/or 3D films and all other movies, pictures, films, toys and to acquire, sell any rights in relation to and carry on the advertising business in all its branches, syndication, publication, printing and distribution of multimedia, 2D characters, 3D characters, paintings, cartoons, caricatures, comics, stickers, greeting cards and such other special or general publishing or printing activities and to carry on as exporters and importers and distributors of cartoon and other films, television ads, television films, portals, stickers, and to form cartoon syndicate.

3. To develop, acquire, exchange, sell or export computer software systems and sub-systems and application packages, enter into collaborations for technical know how and production process and establish, provide, maintain, conduct or otherwise subsidize data centers for data processing, scientific, commercial and on line computer applications.

Amendments to our Memorandum of Association

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

Date	Nature of Amendment
December 12, 2007	The authorized share capital of our Company was enhanced from Rs. 100,000 to Rs. 38,100,000 comprising 3,010,000 Equity Shares and 800,000 1% optionally convertible redeemable non cumulative preference shares of Rs. 10 each.
January 10, 2008	Change of name to "DQ Entertainment (International) Private Limited"
July 25, 2009	The word "private" was deleted from the name of our Company pursuant to the conversion of the Company from a private limited to a public limited company.
September 15,	The authorised share capital of Rs. 38,100,000 divided into 3,010,000 Equity Shares

2009	and 800,000 1% optionally convertible redeemable non cumulative preference shares of Rs. 10 each was reclassified and increased to Rs. 800,000,000 divided into 80,000,000 Equity Shares.

Total number of our shareholders

The total number of shareholders is fourteen (14). For further details, please refer to the section immediately below.

DQ Entertainment (Mauritius) Limited, our holding company

DQ Entertainment (Mauritius) Limited is our corporate Promoter and our holding company. For further details of DQE Mauritius, please refer to the chapter titled "Our Promoters and Promoter Group" on page no. 112 of this Red Herring Prospectus.

Our Company is a subsidiary of DQE Mauritius. For further details of our shareholding pattern, please refer to the chapter titled "Capital Structure" on page no. 25 of this Red Herring Prospectus.

DQ Entertainment (Ireland) Limited, our Subsidiary

Our Company has a wholly owned subsidiary, DQ Entertainment (Ireland) Limited ("**DQ Ireland**") which is incorporated in Ireland. DQ Ireland was incorporated under the Companies Acts 1963-2006 on November 12, 2008 with the registration number 4643371. The registered office of DQ Ireland is located at Mazars Place, Salthill, Galway, Ireland.

DQ Ireland is engaged in the business of content development for animation and live action for TV series, movies and various other media.

Shareholding Pattern

The shareholding pattern of DQ Ireland as on date is as follows:

Name of the shareholders	Number of equity shares held	%
DQ Entertainment (International) Limited	250,000	100%

Board of Directors

The Board of Directors of DQ Ireland comprises:

1. Sanjay Choudhary, Chairman
2. Dominic Poole, Director and Company Secretary

Financial Performance

The following table sets forth the summary financial data of DQ Ireland:

		(in Rs. Million, except Share Data)
Particulars	**For the period ended September 30 2009**	**For the year ended March 31 2009**
Equity Capital	17.56	0.01
Reserves (excluding revaluation reserves) and Surplus	3.03	(0.29)
Income (including Other Income)	53.00	-
Profit / (Loss) after Tax	3.32	(0.29)
Earnings per Share (Rs.) *	13.28	(2914.52)

(in Rs. Million, except Share Data)		
Particulars	**For the period ended September 30 2009**	**For the year ended March 31 2009**
Net Asset value per share (Rs.)	82.36	(2,724.17)
No. of Shares	250,000	100
Note 1 : *Face Value of each Equity Share is approximately Rs. 70.24*		
Note 2 : *Conversion Rate : 1 Euro = Rs. 70.24*		
Note 3: *The Company was incorporated in the year 2008-09 and hence, this is the second year of operations.*		

DQE Ireland is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company, is not under winding up and does not have negative net worth.

Shareholders Subscription Agreement with IDFC Investment Advisors Limited

Our Company has entered into a shareholders subscription agreement with IDFC Investment Advisors Limited ("**IDFC**") on December 23, 2009 ("**Share Subscription Agreement**"), pursuant to which IDFC has subscribed to 2,936,427 Equity Shares of our Company for cash at a price of Rs. 68.11 per Equity Share (including a share premium of Rs. 58.11 per Equity Share) and total consideration aggregating to Rs. 200,000,043. The 2,936,427 Equity Shares ("**IDFC Shares**") issued to IDFC represent 3.7% of the total post-Issue paid-up capital of the Company. IDFC has subscribed to the IDFC Shares through its IDFC Hybrid Infrastructure Portfolio ("**IDFC Portfolio**").

The key terms of the Share Subscription Agreement are as below:

Representations of IDFC:

IDFC has represented to the Company that it is registered with SEBI as a "**Portfolio Manager**" under the Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993. In accordance with the applicable SEBI regulations, IDFC is the Portfolio Manager to the IDFC Portfolio and that the IDFC Portfolio is in compliance with the applicable SEBI regulations.

IDFC has further represented to the Company that the subscribers to the IDFC Portfolio ("**Beneficiaries**") have signed a portfolio management services agreement ("**PMS Agreement**") and have also executed a power of attorney in favour of IDFC. By virtue of the PMS Agreement and the said power of attorney, IDFC is the duly constituted attorney to open, operate, manage and close the dematerialised accounts of the Beneficiaries.

***Transfer of IDFC Shares to the Beneficiaries*:**

Pursuant to the above representations, IDFC has proposed and the Company has agreed that the IDFC Shares will be transferred to the Beneficiaries as per the following mechanism. Immediately after Bid/Issue Closing Date, but prior to the Date of Allotment, IDFC shall transfer all or part of the IDFC shares to the Beneficiaries. Such transfer shall be subject to the following –

- the Company shall inform IDFC in writing immediately upon the Date of Allotment being finalised;

- IDFC shall complete all formalities as regards the transfer of IDFC Shares to the Beneficiaries at least 4 Business Days prior to the Date of Allotment; and

- IDFC shall provide all requisite details to the Company as regards the Beneficiaries at least 4 Business Days prior to the Date of Allotment to enable the Company to forward such details to Registrar and getting such transfers duly recorded.

In the event the transfer of IDFC Shares to the Beneficiaries as above is not completed prior to the Date of Allotment, the IDFC Shares shall not be transferred to the Beneficiaries and no remedy shall lie against the Company, save and except if such delay is on account of acts or omissions of the Company.

Lock-in of IDFC Shares for one year from the Date of Allotment

In accordance with the SEBI (ICDR) Regulations, the IDFC Shares shall be locked-in for a period of one year from the Date of Allotment in the respective accounts of the Beneficiaries. In this regard, IDFC has represented that by virtue of the said power of attorney, IDFC is not required to obtain any consent from the Beneficiaries as regards such lock-in.

Undertaking from DQE Mauritius*:*

Pursuant to the terms of the Share Subscription Agreement, DQE Mauritius has provided an undertaking to IDFC that in the event the listing of Equity Shares pursuant to the Issue does not take place by June 30, 2010, DQE Mauritius shall enter into a shareholders' agreement with the Company and IDFC. The said shareholders' agreement shall be in a form satisfactory to IDFC and shall provide the regular minority investor protection rights as are available to a financial investor. DQE Mauritius has further agreed that in case any amendments to the Memorandum or Articles are required to give effect to the shareholders' agreement, DQE Mauritius shall use its voting rights to ensure that such amendments are duly made.

Termination:

This Share Subscription Agreement shall terminate forthwith without any act or further deed by the Parties upon (i) listing of the Equity Shares; or (ii) mutual consent of the Parties in writing

Strategic Partners – investment and relationship with Method Animation SAS (formerly known as "Method Films SAS"), a French animation company

Our Company and Method Films SAS, a French animation company ("**Method Animation**") have closely worked on multiple co-production assignments like TV animated series such as Skyland, Jet Groove and the Gnoufs. In order to further strengthen the business ties to develop strategic synergies and facilitate a stronger participation and fabrication process DQE plc, our ultimate holding company has acquired a 20% stake in Method Animation. In order to achieve the said objectives, our Company and DQE plc have entered into a subscription agreement with the promoters ("**Promoters**") of Method Animation and the existing investors ("**Existing Investors**") of Method Films SAS on January 23, 2008 ("**Subscription Agreement**"). Pursuant to the Subscription Agreement, DQE plc has subscribed to 353 fully paid-up shares of Method Films for a total subscription price of Euros 2,500,299 (Rs. 175.62 million approx.).

In terms of the relationship, in case of any animated TV series, being – (i) developed and produced by Method Animation as a delegate producer; and (ii) fabricated by Method Animation; we shall be offered the first right to enter into production services agreement with Method Animation.

Reciprocally, in the event of any new animated TV series project being initiated, developed and produced by us, Method Animation shall be offered the first right to enter into production services agreement.

The abovementioned parties have also entered into a shareholders agreement dated January 23, 2008 ("**Shareholders Agreement**") to regulate their relationship. Following are the key terms thereof –

(i) **Transfer restrictions** - save and except permitted transfers to own affiliates, the shareholders shall not be entitled to freely transfer their shares; (ii) transfer of shareholding shall be subject to pre-emptive rights, i.e., a first priority pre-emptive right to the Promoters and Existing Investors; and a second priority pre-emptive right to DQE plc.;

(ii) **Tag-along rights** - in the event the Promoters seek to transfer at least 15% of their shareholding in one or several transactions, DQE plc and the Existing Investors shall be entitled to proportionate tag-along right at the same price and terms and conditions;

(iii) **Anti-dilution** - save an except in case of issuance of shares for – (a) an acquisition/external growth operation; or (b) for consideration other than cash, DQE plc shall have anti-dilution rights to maintain 20% shareholding in Method Films;

(iv) **Management rights –** out of the total members of the board, DQE plc shall appoint one director and the Promoters shall appoint three directors;

(v) **Change of control** – if our Company is no longer controlled by DQE plc or if our Company is ever controlled by an entity which directly or indirectly holds any interest in activities relating to production, distribution, broadcasting, licensing of TV animated series, the Promoters and Existing Investors shall have the right to purchase DQE plc's shareholding at a negotiated price not less than Euro 7,083 per share and to terminate the relationship;

(vi) **Non-compete –** during the term of the agreement and for 18 months after a Promoter ceases to be a shareholder, the Promoters shall not engage in any competing activity;

(vii) **Term –** the agreement between the parties shall be for a term of 10 years and may be terminated earlier in case Method Films is listed on a regulated stock exchange or sale of entire shareholding in Method Films to third parties;

(viii) **Indemnification** – the Promoters and Method Films shall indemnify and keep DQE plc indemnified from and against all damages, losses, that the Indemnified Persons may suffer or incur arising out of or in connection with any material breach of warranties that lead to DQE plc being compelled to pay for any claims or damages or provide indemnity in relation thereto;

(ix) **Governing laws and dispute resolution** – the agreement between the parties shall be governed by the laws of the Republic of France and any dispute shall be submitted to the sole jurisdiction of the Commercial Court of Paris.

OUR MANAGEMENT

Board of Directors

Under our Articles of Association we are required to have not less than 3 Directors and not more than 12 Directors. We currently have 5 Directors on our Board.

The following table sets forth details regarding our Board as on the date of this Red Herring Prospectus:

S. No	Name, Father's Name, Address, Occupation and Term, and DIN	Nationality	Age	Designation	Other Directorships
1.	**Mr. Tapaas Chakravarti** S/o Late Mr. Biswanath Chakravarti Plot No. 724/A. H. No. 8-2-293/82/A, Road No. 37, Jubilee Hills, Hyderabad – 500 033 Date of appointment as Director, Chairman and Managing Director and Chief Executive Officer: December 11, 2007 Date of re-appointment: August 18, 2009 Term as Managing Director and Chief Executive Officer: upto August 17, 2014 *Business* DIN: 00559533	Indian	53	Chairman, Managing Director, Non-Independent Director	DQ Entertainment Plc DQ Entertainment (Mauritius) Limited Zenithal Private Limited
2.	**Ms. Rashmi Chakravarti** D/o Mr. Abhilash Saxena Plot No. 724/A. H. No. 8-2-293/82/A, Road No. 37, Jubilee Hills, Hyderabad – 500 033 Date of Appointment: May 25, 2009 Term: liable to retire by rotation *Service* DIN: 02181752	Indian	46	Non Independent Director Executive Director	NIL
3.	**Mr. Kunchithapadam Balasubramanian** S/o Ramamrutham Kunchithapadam Sharanya, 38 Rukmini Road,	Indian	66	Independent Director Non-Executive Director	Coromandel Fertilisers Limited DQ Entertainment plc Easy Access Financial Services Limited GMR Holdings Private Limited

S. No	Name, Father's Name, Address, Occupation and Term, and DIN	Nationality	Age	Designation	Other Directorships
	Kalakshetra Colony, Chennai, Tamil Nadu 600 090 Date of Appointment: August 26, 2009 Term: liable to retire by rotation *Service* DIN: 00009132				GMR Varalakshmi Foundation Grow Talent Company Limited GMR Industries Limited Raxa Security Services Limited
4.	**Ms. Theresa Plummer-Andrews** W/o Mr. Plummer Andrews 15A, Blythe Hill Lane London – SE64UP, United Kingdom Date of Appointment: August 26, 2009 Term: liable to retire by rotation *Service* DIN: 01029107	United Kingdom	65	Independent Director Non-Executive Director	DQ Entertainment plc
5.	**Mr. Girish Kulkarni** S/o Mr. Nilkanth Kulkarni 701, Saket apartment, 104 M. B. Raut Marg, Shivaji Park, Dadar (West) Mumbai Maharashtra - 400 028 Date of appointment: August 26, 2009 Term: liable to retire by rotation *Entrepreneur* DIN: 00062382	Indian	43	Independent Director Non-Executive Director	KSK Energy Ventures Limited GNS Outsourcing Private Limited Topwave Trading Company Private Limited Suyash Outsourcing Private Limited CBay Systems (India) Private Limited Sansera Engineering Private Limited Bill Forge Private Limited Servion Global Solutions Limited Enzen Global Solutions Limited

Brief Biographies of our Directors

Mr. Tapaas Chakravarti is one of the Promoters of our Company. He is also our Chairman, Managing Director and Chief Executive Officer and holds a Bachelors' degree in science from the Gorakhpur University and a postgraduate in Business Management from Banaras Hindu University (BHU), Varanasi, India. He has over 23 years of experience in across various industries both national and multinational. He has previously worked with Sandoz India Limited, STP Limited, Coats of India and the Sriram Group. As the Chairman, Managing Director and CEO of our Company, he is responsible for the overall development, control and monitoring the implementation of various projects. He is a member on the board of the Indo-British Partnership and a member of the Young Presidents Organisation. He has been recently elected as a member of EMMY – the Academy of Television Arts and Science, Los Angeles, USA. He is also a member of the committee set up by FICCI under the aegis of the Ministry of Commerce to address the needs of the animation industry in the country. He has been awarded the 'Entrepreneur of the Year' award for 2004-05 by the Hyderabad Management Association**.** In the year 2009 he has been nominated for the 'Ernst & Young, Entrepreneur of the year 2009 India Awards'**.**

Ms. Rashmi Chakravarti is our Executive and Non-Independent Director. Rashmi Chakravarti holds bachelors degree in fine arts from the Calcutta University followed by bachelor's degree in education for multimedia. As the Director – Vice President, Training of our Company, she heads the entire operations of the training division of our Company. She founded the *DQ School of Visual Arts* and has been instrumental as the principal of the school and head of the training division to train and produce over 2000 students since 1999 who are high quality employees of the Company. For the last 11 years she has been dedicated to the development of training programs/modules of International standards for various forms of animation and acting skills. She has helped the Company to expand its training facilities in Hyderabad, Mumbai and Chennai including public/private partnership in Kolkata with Government of West Bengal, two training units in collaboration with the Government of Madhya Pradesh, one training unit with the Government of Rajasthan.

In another initiative under the "Train the Trainers Program" she has now trained over 70 mentors of international quality who are not only mentoring new students time to time but also helping existing employees to upgrade technical skills.

Ms. Theresa Plummer-Andrews is our Non-executive and Independent Director. She is a member of Royal Television Society. She has over 40 years of experience in the creation and production of children's programming. She started her career from Portman Productions, UK as a Production Manager with a domain spanning over Asia, Australia and UK, Theresa rose to the position of global Production Manager. In 1974, she became Head of Production for Global Television to look after ABC, Australia and TVNZ, New Zealand, Scottish Television and Southern TV Limited. In 1986, she joined British Broadcasting Communication ("BBC") as an Executive Producer for Children's Programming. Her role was extended as Head of Acquisitions and Creative Development for BBC Children's International programming. She was responsible for BBC World-Wide, while retaining her role as Head of Acquisitions and Co-Productions at BBC. She is also a director at LEG Group UK, Plum Trees TV Limited and Entara Limited.

Mr. Kunchithapadam Balasubramanian is our Non-executive and Independent Director. He is a graduate in Commerce from University of Madras and has done an advanced Management Program from the Harvard Business School. He has close to 40 years of experience in international banking and finance. After working in India with two Indian banks for approximately 10 years, he joined American Express Bank in 1973. He held senior positions in marketing, credit, risk management and general management in several countries across Asia (Singapore, Hong Kong, Korea and Indonesia) and Europe (Italy and the U.K) during his 25 years with American Express. His last three assignments with American Express Bank were Country Head for Korea (1988-1991), Country Head-India (1992- 1994) and Chief Credit Officer for Asia, Pacific and Indian Sub Continent (1994 – 1997). He was an Advisor to National Bank of Kuwait, between 1997 and 2001 and subsequently the Managing Director and CEO of ING Vysya Bank (2001-2002). He is also associated with GMR Group.

Mr. Girish Kulkarni is our Non-Executive and Independent Director. Girish received a Bachelors Degree in Engineering from the Indian Institute of Technology, Mumbai, India in 1987 and a Masters Degree in Business Administration from the Indian Institute of Management at Ahmedabad, India in 1989. Girish Kulkarni is the Founder and Managing Director of Suyash Advisors, the advisors to Monsoon Capital, an India dedicated alternative asset fund, managing USD 500 million for investment in Indian publicly traded equities, private unlisted companies and real estate. He is also the Founder and Managing Director of TDA Capital India, which manages the India Technology Fund, an early stage venture fund, invested in IT and BPO Services companies. Girish has a total of 20 years operating and investment experience in different aspects of the Indian capital markets. He started his professional career as a Project Finance Officer with ICICI where he was involved in leading term lending transactions with more than 30 Indian corporations. After that, he was head of Equity Sales, Trading and Research at ICICI Securities, then a joint venture between ICICI and JP Morgan. Girish was responsible for founding and leading a team of 40 professionals that made proprietary investments, raised equity capital for corporate clients and advised institutional investors in their investment decisions. Girish also had shared responsibility for asset allocation across different asset classes (equity and fixed income). He has extensive public markets experience, having been involved in more than 30 IPOs in the Indian capital market and several Mergers and Acquisition assignments. He serves on the Board of Directors of Bill Forge, Cbay Systems, Enzen Global Solutions, Sansera Engineering, Servion Global Solutions, and KSK Energy Ventures.

Relationship between Directors

None of our Directors have any family relationships, save and except Ms. Rashmi Chakravarti and Mr. Tapaas who are spouses.

Shareholding of our Directors in the Company

Save and except Mr. Tapaas Chakravarti and Ms. Rashmi Chakravarti, who hold 41 Equity Shares each in our Company as the nominees of DQE Mauritius, none of our Directors hold any Equity Shares in our Company.

As per our Articles of Association, none of the Directors are required to hold any Equity Shares in our Company.

Interests of Directors

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by them or allotted to them under the Employee Reservation Portion or that be subscribed by or allotted to the companies in which they are interested as directors, members, and promoters, pursuant to this Issue. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Except as stated in this section "Our Management" or the chapter titled "Related Party Transactions" on page no. 119 of this Red Herring Prospectus, our Directors do not have any other interest in our business.

Our Directors have no interest in any property acquired by our Company within two years of the date of this Red Herring Prospectus.

Remuneration of our Directors

Mr. Tapaas Chakravarti, Chairman, Managing Director and Chief Executive Officer

Mr. Tapaas Chakravarti was appointed as our Chairman, Managing Director and Chief Executive Officer pursuant to Section 269 and other applicable provisions of the Companies Act, 1956 for a period of five years with effect from December 11, 2007, pursuant to a resolution of our Board dated December 11, 2007.

The board resolution dated December 11, 2007 provided that he will be paid an overall gross remuneration not exceeding Rs. 8,400,000 per annum, inclusive of perquisites and benefits. In this regard, it must be noted that the board of directors of the erstwhile DQ Entertainment Limited (which amalgamated with our Company pursuant to the Scheme of Amalgamation) had passed a resolution dated 12 August 2005 to increase Mr. Tapaas Chakravarti's gross remuneration upto Rs. 8,400,000 per annum. Upon the Scheme of Amalgamation being effective, his overall gross remuneration subject to the same specified limits was approved by our Board *vide* its resolution dated December 11, 2007.

In the meeting of the Board held on August 18, 2009, Mr. Tapaas Chakravarti was re-appointed as the Chairman and Managing Director and the Chief Executive Officer of our Company upto a period of five years and his remuneration was revised to an overall gross remuneration not exceeding Rs. 12,831,165 per annum, inclusive of perquisites and benefits.

Ms. Rashmi Chakravarti, Director and Vice President-Training

Ms. Rashmi Chakravarti was appointed as an additional Director with effect from May 25, 2009 pursuant to a resolution of our Board dated May 25, 2009 and her appointment as Director was confirmed by the shareholders at the AGM dated September 15, 2009. She is being paid remuneration in her capacity as the Vice President-Training of the Company.

The significant terms of her remuneration with effect from April 01, 2008, as revised by the resolution of our shareholders passed at the Extraordinary General Meeting of our Company held on March 29, 2008:

Period	Cost to company (per month)
From April 2008 to March 2009	Upto Rs.237,500
From April 2009 onwards	Upto Rs.300,000

In addition to the above, Ms. Rashmi Chakravarti shall be entitled to receive any other perquisite or allowance or benefit as may be applicable from time to time.

Except the Executive Directors who are entitled to statutory benefits upon termination of their employment in the Company, no other Director is entitled to any benefit upon termination of their employment with the Company.

In addition, the Company will, subject to the provisions of the Companies Act and other applicable laws and regulations, pay each non-executive Director sitting fees to attend meetings of the Board and any committee of the Board. The Company will also reimburse such Directors for out-of-pocket expenses to attend such meetings and perform their role as a Director. These Directors may also be paid commissions and any other amounts as may be decided by the Board in accordance with the provisions of the Articles of Association, the Companies Act and other applicable laws and regulations.

Changes in our Board of Directors during the last three years

Name	Date Of Appointment	Date of Cessation	Reason
Mr. Sanjay Saxena	August 26, 2009	September 17, 2009	Resignation
Mr. Rusi Brij	December 11, 2007	May 20, 2009	Death
Mr. Akula Ramakrishna	First Directors	August 26, 2009	Resignation
Mr. Laxminarayana Nagu	First Directors	August 26, 2009	Resignation
Ms. Theresa Plummer-Andrews	August 26, 2009		Appointment
Mr. Kunchithapadam Balasubramanian	August 26, 2009		Appointment
Mr. Girish Kulkarni	August 26, 2009		Appointment
Ms. Rashmi Chakravarti	May 25, 2009		Appointment
Mr. Tapaas Chakravarti	December 11, 2007		Appointment

Borrowing powers of the Board

Our Articles, subject to the provisions of the Act, authorise our Board, at its discretion, to generally raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. Pursuant to a resolution passed by our shareholders at the AGM held on September 15, 2009, our Board has been authorised to borrow any sum or sums of monies in excess of our aggregate paid-up capital and free reserves, provided that the total amount which may be so borrowed and outstanding shall not exceed four times the networth of our Company.

Corporate Governance

The provisions of the listing agreement to be entered into with BSE ("**Listing Agreement**") with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares with BSE. As of the date of this Red Herring Prospectus, the Company has taken steps to comply with the provisions of Clause 49 of the Listing Agreement, including with respect to the appointment of independent directors, the constitution of the Audit, Remuneration and Shareholders/Investors Grievance committees.

The Chairman of the Board is an executive and non-independent director. The Board of Directors comprise five directors, of which three are independent directors. There are three non-executive Directors on the Board. Accordingly, the Company has a majority of independent Directors on the Board.

In addition, Ms. Theresa Plummer-Andrews and Mr. Kunchithapadam Balasubramanian, non-executive and independent directors of our Company, are also non-executive and independent directors on the board of DQ Entertainment plc, which is one of promoter group companies and listed on the AIM market of the London Stock Exchange.

In accordance with Clause 49 of the Listing Agreement, the Company has constituted the following committees:

Audit Committee

The Audit Committee was constituted at our Board meeting held on August 26, 2009. The Audit Committee was reconstituted on September 17, 2009 and on October 12, 2009 as under. The purpose of the Audit Committee is to ensure the objectivity, credibility and correctness of our financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters. The Audit Committee comprises:

(i) Mr. K Balasubramanian, Chairman;
(ii) Ms. Theresa Plummer-Andrews;
(iii) Mr. Girish Kulkarni;
(iv) Mr. Tapaas Chakravarti.

Mr. Sanjay Choudhary, Financial Controller of the Company shall be a permanent invitee to the Audit Committee at all the meetings.

The terms of reference of the Audit Committee are as follows:

Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information disclosed.

(i) recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services;
(ii) discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
(iii) reviewing the financial statements and draft audit report, including quarterly / half yearly financial information;
(iv) reviewing with management the annual financial statements before submission to the Board, focusing primarily on:

    (a) any changes in accounting policies and practices;
    (b) major accounting entries based on exercise of judgment by management;
    (c) qualifications in draft audit report;
    (d) significant adjustments arising out of audit;
    (e) the going concern assumption;
    (f) compliance with the Indian GAAP;

(v) reviewing with the management, external and internal auditors, and the adequacy of internal control systems;
(vi) reviewing the adequacy of internal audit function, including the audit charter, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
(vii) discussion with internal auditors of any significant findings and follow-up thereon;

(viii) reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
(ix) looking into the reasons for substantial defaults in payments to the shareholders (in case of non-payment of declared dividends) and creditors; and
(x) reviewing compliances as regards the Company's whistle blower policy.

Shareholder/Investors Grievance Committee

The Investor Grievance Committee was constituted at our Board meeting held on August 26, 2009. This Committee is responsible for the redressal of shareholder grievances. The Investor Grievances Committee comprises:

(i) Ms. Girish Kulkarni, Chairman;
(ii) Mr. Tapaas Chakravarti; and
(iii) Mr. K Balasubramanian.

The Committee performs *inter alia* the role/functions as set out in Clause 49 of the listing agreements with the Stock Exchanges and includes:

(i) investor relations and redressal of shareholders grievances in general and relating to non receipt of dividends, interest, non- receipt of balance sheet etc.;
(ii) oversee the performance of Registrar and Transfer Agent; and
(iii) such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

Remuneration Committee

The Remuneration Committee was constituted at our Board meeting held on August 26, 2009. The Remuneration Committee comprises:

(i) Ms. Theresa Plummer-Andrews, Chairman;
(ii) Mr. K Balasubramanian.

The Remuneration Committee has been empowered with the role and function as per the provisions as specified under Annexure I D(2) of the Corporate Governance Code under Clause 49 of the Listing Agreement including the appointment and finalizing the remuneration of senior level employees of our Company.

Offering Committee

This Committee is responsible for dealing with all matters in relation to the initial public offering of the Company. Pursuant to this, the Committee has been authorized by the Board pursuant to a resolution dated August 26, 2009, to carry out and decide upon all activities in connection with the Issue, including any Pre-IPO Placing. The Offering Committee comprises:

(i) Mr. Tapaas Chakravarti, Chairman
(ii) Mr. Sanjay Choudhary, Financial Controller
(iii) Mr. Niranjan Prasad H, Vice-President-Finance & Corporate Affairs
(iv) Ms. Rashida Adenwala, Practicing Company Secretary (Head- Company Affairs and Investor Relations)
(v) Ms. Anita Sunil Shankar, Company Secretary
(vi) Ms. V S L Prasanna, Assistant Company Secretary

The functions of the committee in connection with the Issue include but are not limited to:

(i) Amendments to the memorandum of association and the articles of association of the Company;
(ii) Approving all actions required to dematerialize the Equity Shares of the Company;

(iii) Approving the Draft Red Herring Prospectus, the Red Herring Prospectus (the "RHP"), the Prospectus (the "Prospectus"), the preliminary and final international wrap, and any amendments, supplements, notices or corrigenda thereto, together with any summaries thereto;

(iv) Finalizing and arranging for the submission of the statement-in-lieu of prospectus, the DRHP, the RHP, the Prospectus and the preliminary and final international wrap and any amendments, supplements, notices or corrigenda thereto, to appropriate government and regulatory authorities, institutions or bodies;

(v) Approving a code of conduct as may be considered necessary by the Board or the Offering Committee or as required under applicable laws, regulations or guidelines for the Board, officers of the Company and other employees of the Company;

(vi) Approving a suitable policy on insider trading as required under applicable laws, regulations and guidelines;

(vii) Approving any corporate governance requirement that may be considered necessary by the Board or the Offering Committee or as may be required under applicable laws, regulations or guidelines in connection with the Offering;

(viii) Deciding on the number of Equity Shares to be offered or issued and allotted in the Offering, including any Pre-IPO Placing, Reservation, Green Shoe Option, and any rounding off in the event of any oversubscription as permitted under the SEBI (ICDR) Regulations;

(ix) Appointing book running lead managers, lead managers, syndicate members, placement agents, bankers to the Offering, registrar to the Offering, bankers to the Company, managers, underwriters, guarantors, escrow agents, accountants, auditors, legal counsel, depositories, trustees, custodians, credit rating agencies, monitoring agencies, advertising agencies and all such persons or agencies as may be involved in or concerned with the Offering, including any successors or replacements thereof;

(x) Opening bank accounts, share/securities accounts, escrow or custodian accounts, in India or abroad, in rupees or in any other currency, in accordance with applicable laws, rules, regulations, approvals and guidelines;

(xi) Remunerating all such book running lead managers, lead managers, syndicate members, placement agents, bankers to the Offering, the registrar to the Offering, bankers of the Company, managers, underwriters, guarantors, escrow agents, accountants, auditors, legal counsel, depositories, trustees, custodians, credit rating agencies, monitoring agencies, advertising agencies, and all other agencies or persons as may be involved in or concerned with the Offering, if any, by way of commission, brokerage, fees or the like;

(xii) Seeking the listing of the Equity Shares on the Stock Exchanges, submitting listing applications to the Stock Exchanges and taking all such actions as may be necessary in connection with obtaining such listing, including, without limitation, entering into the Listing Agreements;

(xiii) Seeking the admission of the Company's Equity Shares into the Central Depository Services (India) Limited and the National Securities Depository Limited and taking any further action as may be necessary or required for the dematerialization of the Company's Equity Shares;

(xiv) Seeking, if required, the consent of the Company's lenders, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in India or outside India, and any other consents that may be required in connection with the Offering, if any;

(xv) Determining the price at which the Equity Shares are offered or issued/allotted to investors in the Offering;

(xvi) Determining the price band for the purpose of bidding, any revision to the price band and the final Offering price after bid closure;

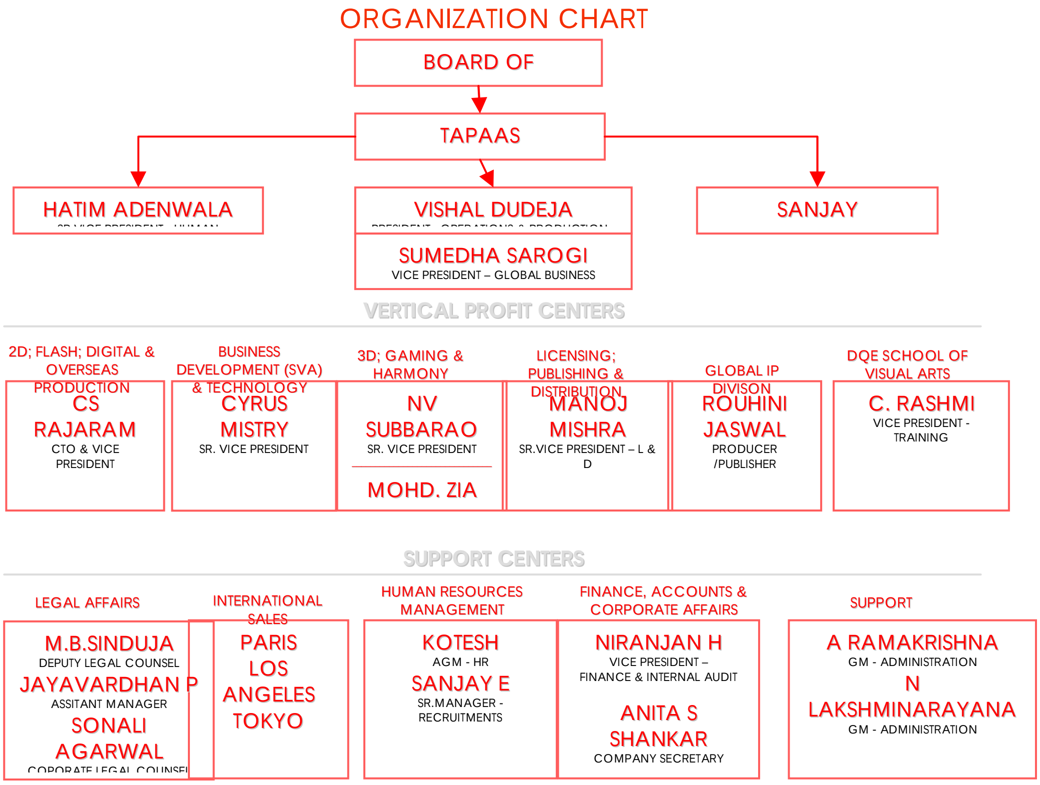
(xvii) Determining the bid opening and closing dates;

(xviii) Finalizing the allotment/transfer of Equity Shares to retail investors/non-institutional investors/qualified institutional buyers in consultation with the book running lead managers, the Stock Exchanges and/or any other entity;

(xix) Allotment/transfer of the Equity Shares; and

(xx) Opening with the bankers to the Offering, escrow collection banks and other entities such accounts as are required under the SEBI (ICDR) Regulations and any other applicable laws, regulations, policies and guidelines.

Managerial Organizational Structure



Key Managerial Personnel

The profiles of our key managerial personnel are as follows:

Mr. Tapaas Chakravarti (Chairman and Managing Director and Chief Executive Director) - Please refer to the section titled "Our Management – Brief Biographies of our Directors" on page no. 100 of this Red Herring Prospectus.

Ms. Rashmi Chakravarti (Director and Vice-President-Training) - Please refer to the section titled "Our Management – Brief Biographies of our Directors" on page no. 100 of this Red Herring Prospectus.

Mr. Vishal Dudeja, **(President – Production Operations)** aged 39 years, is a costs and works accountant and holds bachelors degree in law from Meerut University. Vishal's experience spans over 15 years as profit centre head, business and strategy development, project and production planning, supply chain/operations management, vendor development and management and imports, with some of the major corporations of India such as DCM Shriram Consolidated Limited, Amway India Enterprises Private Limited, Dabur India Limited and Daewoo Motors India Limited. Vishal heads the overall Production Operations of the Company and joined the Company in November 2005. The gross compensation paid to him in Fiscal 2009 was Rs.2,738,000.

Mr. Sanjay Choudhary, (Financial Controller) age 44 years, is a Chartered Accountant, Company Secretary and holds a degree in Commerce from Calcutta University. Sanjay has over 19 years of experience spread cross various industries including Engineering, FMCG, Packaging and Media, involving all aspects of finance and accounts covering accounting, audit and foreign exchange transactions management, budgeting and MIS, syndication of funds from banks and financial institutions and tax and company law management. His past association includes Birla VXL Limited and Cosmo Films Limited. Sanjay joined the Company in August 2000 and heads the overall finance and accounts department of the Company and advises the Board on the long term and short-term goals for the Company. The gross compensation paid to him in Fiscal 2009 was Rs. 2,839,200.

Mr. Hatim Adenwala, (Sr. Vice President – Human Resources) age 49 years, holds a Bachelors degree in Commerce and a Masters Degree in Business Administration (Personnel Management) from Osmania University. Hatim has over 25 years experience in the Human Resources (HR) domain covering diverse sectors including manufacturing, retailing and consultancy services. His specialization also includes in the field of training, HR development, recruitment and career planning. Hatim joined the Company in July 2003 prior to which he worked with Kaybee Montessori Manufacturing India, Technical Trading Company Oman, Paramount Management Consultancy Dubai. As part of the core management team in the Company, he has spearheaded HR strategy and planning, HR operations and training and development. During his tenure the Company grew from a approximately 700 employees to over 3,000. The gross compensation paid to him in Fiscal 2009 was Rs. 2,388,000.

Ms. Sumedha Saraogi, (Vice President – Management Office and After Sales) age 46 years, is a graduate in Electrical Engineering and holds a Masters Degree in Business Administration from Symbiosis University. Sumedha has over 15 years of experience in the fields of product management, business management and international sales and marketing in the manufacturing and service sectors. Her work experience includes working with Apollo Hospitals Enterprise Limited, Range Apparels Limited and Voltas Limited. As head of management office she is responsible for integrating the entire production activities and after sales activities with clients. She is instrumental together with other production heads in deciding on pricing for small to large projects including terms of licensing deals. Sumedha joined the Company in March 2005. The gross compensation paid to her in Fiscal 2009 was Rs. 1,836,000.

Ms. Rouhini Jaswal (**Sr. Line Producer**) aged 29 years, holds a Masters degree in Advertising and Sales with extensive experience in Television and Film Production. She heads the production division responsible for our own Intellectual Property (IP) creation from Concept to final delivery. Rouhini is the senior producer presently handling creation of Indian and International IP's and concepts, designs, animation for projects such as Balkand, Ravan, Omkar all 70 minutes television feature. for Cartoon Network. Currently working on very large projects such as The Jungle Book CGI series 52 x 11' , LASSIE Television Series 26 x 22' CGI production with Global partners. In pipeline are projects like Peter Pan TV series a 52 x 11' TV series and Toomai- A story of an elephant boy (live action 26 x 26') with global partners. All projects have global partners which includes writing and partial creative work mostly done in UK, USA and France while entire production takes place in India. As head of GIPD, she directly interacts along with creative and production team with our overseas partners. The gross compensation paid to her in Fiscal 2009 was Rs.921,250.

Mr. Cyrus Mistry, (Sr. Vice President – Business Development and Technology) age 45 years, is a Bachelor of Commerce from Mumbai University. Cyrus has over 22 years of experience in the Indian entertainment industry in the fields of filmmaking and animation, technical and production pipeline management. He has in the past been associated with Convergence Media Private Limited India, as Senior Vice President - Operations and Planning and UTV Toons India. Cyrus heads and advises the group on latest technological advances and processes including quality management audit systems under ISO 9001:2000. Cyrus joined the Company March 2003. The gross compensation paid to him in Fiscal 2009 was Rs.2,688,000.

Mr. Rajaram C S, (**CTO and Vice President)** age 38 years, holds a Bachelors degree in Physics from Madras University and a Post Graduate Diploma in Computer Applications from Sikkim Manipal University. Rajaram's work experience spans over 15 years in the field of 2D and 3D digital animation, hi-end digital compositing for animation, VFX/SFX for live action movies. His previous employment includes L V Prasad studio (in their live action and digital post division) and Tata Elxsi Group as Technical Director. Rajaram apart from being the CTO also heads the Company's 2D and overseas production. He joined the Company in July 2000. The gross compensation paid to him in Fiscal 2009 was Rs. 1,824,000.

Mr. Niranjan Prasad H, **(Vice President-Finance and Corporate Affairs)**, age 46 years, is a Chartered Accountant and hold a degree in Commerce from Osmania University. Niranjan has over 20 years of experience in finance covering banking, accounting and audit, costing, working capital and term loan management, operational tax Issues, systems implementation and control. His earlier employment includes VDO Mannesmann (now Siemens) as Head of Costing and has also worked with Coca Cola at various locations in India. He currently heads the Corporate Affairs along with the Costing Division and facilitates strategic management decisions in respect of economic activities for the Company. Niranjan joined the Company in January 2004. The gross compensation paid to him in Fiscal 2009 was Rs. 2,503,200.

Mr. Subbarao N V, **(Vice President – Production 3D)** age 41 years, holds a masters degree in Engineering from Bangalore University. Subbarao has 14 years experience in film making especially animation and special effects. He has the expertise in line production and technical management in 3D and gaming. He has in the past been associated with Pentamedia Limited, Jadoo Works and Tata Elxsi. He currently heads the 3D production division of the Company and is responsible for planning and analysis, production efficiencies, customer relations, technical and team management and on time deliveries Subbarao joined the Company in September 2005. The gross compensation paid to him in Fiscal 2009 was Rs. 2,510,000.

Mr. Manoj Mishra (**Vice President – Licensing and Distribution**) age 36 years, is a Bachelor of Commerce from Calcutta University and holds a postgraduate diploma in Marketing and Sales Management as well as Public Relations from Bhartiya Vidya Bhavan, Calcutta, and M.B.A from IISWBM, Calcutta University. Manoj has over 15 years' of experience in sales, operations and services in the field of gaming and animation solutions. His past experience include working with Wipro Technologies and Netguru Inc. He heads the Licensing and Distribution division of the Company and is responsible for formulating strategies to market and exploit the properties of the Company in India and globally. He joined the Company in April 2008. The gross compensation paid to him in Fiscal 2009 was Rs. 2,560,909.

Ms. Anita Sunil Shankar (**Company Secretary**) aged 28 years, is a Company Secretary and holds a bachelor's degree in Law from Mumbai University. Anita has around 10 years of experience in handling various secretarial, compliance and legal functions spread across various industries having operations in India and overseas. She has worked with the Aditya Birla Group, Mumbai and the Karvy Group, Hyderabad. She joined the Company in November 2006. The gross compensation paid to her in Fiscal 2009 was Rs. 1,140,000.

Ms. Sinduja Balachander (**Deputy Legal Counsel**) aged 28 years is the head of the legal department. She is a Master in Business Law by qualification and is pursuing her Company Secretaryship course and has around 5 years of experience and specialises in sales and licensing contract for media industry. She has worked with Integrated Property Management Services (IPMSL), a wholly owned subsidiary of the Integrated Leasing and Financial Services (IL&FS) for a little more than 1 year and was also working with the Citi Group for one and a half years. She joined the Company in October 2006. The gross compensation paid to her in Fiscal 2009 was Rs. 289,662.

Advisors to the Company

Ms. Rashida Adenwala Practicing Company Secretary (Head- Company Affairs and Investor Relations) aged 45 years is a practicing Company Secretary and Bachelor of Law by profession and is with the group since inception. She has over 22 years of experience handling various compliance, legal and secretarial matters. She has handled over 18 IPOs. She is responsible for advising the Board and the Senior Management of the Company on corporate governance and investor relations with her vast experience from the field where she has been advising various companies in India and abroad. The consulting fee paid to her firm for Fiscal 2009 was Rs. 1,320,000.

Family relationships between Key Managerial Personnel

All our Key Managerial Personnel as disclosed above are our permanent employees, and none of the Directors and Key Managerial Personnel are related to each other, save and except Ms. Rashmi Chakravarti who is the spouse of Mr. Tapaas Chakravarti, our Chairman, Managing Director and CEO; Ms. Rashida Adenwala, Practising Company Secretary (Head Company Affairs and Investor Relations) is the member of the Offering Committee and she is the spouse of Mr. Hatim Adenwala – Sr. Vice President-Human Resources of the Company.

Shareholding of the Key Managerial Personnel

None of the Key Managerial Personnel holds our Equity Shares, save and except, Mr. Tapaas Chakravarti, Ms. Rashmi Chakravarti and Ms. Sumedha Saraogi, each of whom holds 41 Equity Shares in their capacity as nominees of DQE Mauritius.

Bonus or profit sharing plan of the Key Managerial Personnel

The Company does not have a performance linked bonus or a profit sharing plan for the Key Managerial Personnel.

Interest of Key Managerial Personnel

The Key Managerial Personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business. The key management personnel may be regarded as interested in the Equity Shares that may be subscribed by or allotted to them under the Employee Reservation Portion. All of the Key Managerial Personnel may also be deemed to be interested to the extent of any dividend payable to them and other distributors in respect of the said Equity Shares.

Payment of Benefits to Officers of the Company

Except as disclosed in this Red Herring Prospectus, and other than statutory payments and remuneration, in the last two years the Company has not paid or has intended to pay any sum to its employees in connection with superannuation payments and ex-gratia/rewards and has not paid or has intended to pay any non-salary amount or benefit to any of its officers. None of the beneficiaries of loans and advances and sundry debtors are related to the Directors.

Changes in the Key Managerial Personnel

The changes in the Key Managerial Personnel of the Company in the last three years are as follows:

Name of the Key Managerial Person	Designation	Date of Joining	Date of Leaving	Reason
Mr. Biswanath Das	Sr. Vice President - Operations (2D Operations, Infrastructure Development, IT Parks & Labour Relations)		January 9, 2010	Death
Mr. Manoj Mishra	Vice President, Licensing and Distribution	April 1, 2009	-	Appointment

Mr. Srikanth Pottekula	Chief Technical Officer – 3D	October 27, 2003	February 9, 2009	Resigned due to personal reasons

OUR PROMOTERS AND GROUP COMPANIES

Our Promoters

Our Promoters are Mr. Tapaas Chakravarti and DQ Entertainment (Mauritius) Limited. DQ Entertainment (Mauritius) Limited is wholly owned by DQE plc, a public company listed on the Alternative Investment Market ("**AIM**") of the London Stock Exchange, which is ultimately promoted by Mr. Tapaas Chakravarti, who is therefore the ultimate promoter of our Company.

The details of our promoters are as follows:

Mr. Tapaas Chakravarti, 53, is our Promoter, Chairman, Managing Director and Chief Executive Officer. He is a resident Indian national.

For further details please refer to the section titled "Our Management - Brief Biographies of our Directors" on page no. 100 of this Red Herring Prospectus.

His Passport Number is Z 1865998issued by the Government of India. His Permanent Account Number is ACRPT9036A. His driving license number is DLRAP009305022008. His Voter's ID No. is TDZ0088542.

We confirm that our Company has submitted the details of the Permanent Account Number, Bank Account Numbers, and Passport Number of Mr. Tapaas Chakravarti to BSE.

DQ Entertainment (Mauritius) Limited

Corporate Information

DQ Entertainment (Mauritius) Limited ("**DQE Mauritius**"), was incorporated in Mauritius with registration number 073822 on August 23, 2007. DQE Mauritius is registered with the registrar of companies located at Port Louis, Mauritius. The registered office of DQE Mauritius is located at 2nd Floor, ABC Centre, Military Road, Port Louis, Republic of Mauritius.

Upon incorporation, DQE Mauritius was granted a Global Business License Category 1 ("**GBL 1**") by the Financial Services Commission, Mauritius. The license is valid unless suspended or revoked.

As per the constitution of DQE Mauritius, its main objects are to engage in qualified global business as permitted by the law for the time being in force in the Republic of Mauritius.

Shareholding Pattern

DQE Mauritius is a wholly owned subsidiary of DQE plc, a company incorporated under the laws of the Isle of Man. For further details of DQE plc, see the section "Promoter Group" below. The shareholding pattern of DQE Mauritius as on dateis as follows:

Name of the shareholders	**Number of equity shares held**	**%**
DQE plc	5,500	100

Promoter of DQE Mauritius

The promoter of DQE Mauritius is DQE plc.

Board of Directors

The board of directors of DQE Mauritius comprises:

1. Mr. Tapaas Chakravarti
2. Mr. Li Fap Kien Kam Young

3. Mr. Marc Yan Fook Cheong

Except as disclosed below, there have been no changes in the management of DQE Mauritius since its incorporation:

Name	Date of appointment	Date of cessation	Reason
Mr. Patrice Nanette	August 23, 2007	August 12, 2009	Resignation
Mr. Marc Yan Fook Cheong	August 12, 2009	-	Appointment

Financial Performance

The following table sets forth the summary financial data of DQE Mauritius:

(in Rs. Million, except Share Data)		
	For the period ended	
Particulars	**March 31 2008**	**March 31 2009**
Equity Capital	0.26	0.26
Reserves (excluding revaluation reserves) and Surplus	913	1,151
Income (including Other Income)	966	322
Profit / (Loss) after Tax	913	239
Earnings per Share (Rs.) *	165,948	43,373
Net Asset value per share (Rs.)	165,996	209,369
No. of Shares	5,500	5,500
Note 1 : *Face Value of each Equity Share is approximately Rs.48.04*		
Note 2 : *Conversion Rate : 1 USD = Rs.48.04*		
Note 3 : *The Company was incorporated in the year 2007-08*		

DQE Mauritius is an unlisted private limited company and it has not made any public or rights issue since its incorporation. It has not become a sick company, is not under winding up and does not have negative net worth.

Our Company confirms that the Tax Residence Certificate, bank account number and company registration number of DQE Mauritius and the address of the registrar of companies at Mauritius have been submitted to the Stock Exchanges at the time of filing the Draft Red Herring Prospectus with the Stock Exchanges. Our Company confirms that the permanent account number of DQE Mauritius shall be submitted to the Stock Exchanges at the time of filing of the Red Herring Prospectus with the Stock Exchanges.

Interests of Promoters and Common Pursuits

DQE Mauritius is interested to the extent of its shareholding in the Company. Our individual Promoter is also the promoter and shareholder (held through Zenithal Private Limited) of DQE plc, which is the holding company of DQE Mauritius, our corporate Promoter.

Further, through Zenithal Private Limited, our individual Promoter has entered into a performance incentive agreement with certain existing shareholders of DQE plc pursuant to which such existing shareholders have agreed to transfer 1,690,895 ordinary shares of their shareholding to Zenithal Private Limited, in the event, the quoted price of DQE plc's ordinary shares is above specified thresholds; the said 1,690,895 ordinary shares shall be transferred to Zenithal Private Limited at par value. In such an event, the ultimate shareholding of our individual Promoter in our Company may increase. For further details, please refer to the section titled "Our Promoter and Promoter Group" on page no. 114 of this Red Herring Prospectus.

Further, our individual Promoter is also a Director of our Company and may be deemed to be interested to the extent of fees, if any, payable to him for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration payable or reimbursement of expenses to him. Our individual Promoter may also be deemed to be interested to the extent of Equity Shares that may be subscribed for and allotted to him in the present Issue in terms of this Red Herring Prospectus and also to the extent of any dividend payable to him and other distributions in respect of the said Equity Shares. Our individual Promoter is also a director on the boards of DQE Mauritius and DQE plc, our Promoter Group entities and he may be deemed to be interested to the extent of the payments made by our Company, if any, to these Promoter Group entities. For the payments that are made by our Company to certain Promoter Group entities, see the section "Related Party Transactions" beginning on page no. 119 of this Red Herring Prospectus.

Except as stated otherwise in this Red Herring Prospectus, we have not entered into any contract, agreements or arrangements in which our Promoters are directly or indirectly interested and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be made with them including the properties purchased by our Company other than in the normal course of business.

Further, except as disclosed in this section our Promoters do not have any interest in any venture that is involved in any activities similar to those conducted by us.

Payment of benefits to our Promoters

Except as stated in the section titled "Related Party Transactions" on page no. 119 of this Red Herring Prospectus, there has been no payment of benefits to our Promoters.

Confirmations

Further, none of our Promoters has been declared as a willful defaulter by the RBI or any other governmental authority and there are no violations of securities laws committed by our Promoters in the past or are pending against them. None of our Promoters, Promoter Group entities or persons in control of our Promoters or bodies corporate forming part of the Promoter Group has been (i) prohibited from accessing the capital markets under any order or direction passed by SEBI or any other authority or (ii) refused listing of any of the securities issued by such entity by any stock exchange, in India or abroad.

GROUP COMPANIES

In addition to our Promoters named above, the following natural persons and companies are part of our Promoter Group.

The natural persons who are part of our Promoter Group (due to their relationship with our Promoters), other than our Promoters named above are as follows:

Relatives of Promoters

Relatives of Mr. Tapaas Chakravarti, our individual Promoter who form part of the Promoter Group under Regulation 2(1)(zb)(ii) of the SEBI (ICDR) Regulations *are:*

Name of the Person	Relationship with the Promoter	No. of Equity Shares held in the Company	% of Shares held in the Company
Mr. B N Chakravarti (Expired on 26/07/09)	Father	Nil	NA
Ms. Rashmi Chakravarti	Wife	41	0.0000648
Ms. Nivedita Chakravarti	Daughter	41	0.0000648
Mr. Barun Kumar Chakravarti	Brother	Nil	NA
Mr. Praveen Chakravarti	Brother	Nil	NA
Ms. Arpita Chakravarti	Sister	Nil	NA

Name of the Person	Relationship with the Promoter	No. of Equity Shares held in the Company	% of Shares held in the Company
Ms. Bashobi Chakravarti	Sister	Nil	NA
Mr. Sanjay Saxena	Wife's Brother	Nil	NA

Companies forming part of our Promoters Group

Companies forming part of the Promoter Group that under Regulation 2(1)(zb)(iii) and (iv) of the SEBI (ICDR) Regulations are:

Sr. No.	Name of the company
1.	DQ Entertainment plc
2.	Zenithal Private Limited

Listed Companies

DQ Entertainment plc

DQ Entertainment plc ("**DQE plc**") was incorporated and registered in the Isle of Man on 19 April 2007 under the Isle of Man Companies Act 1931 – 2004 with company number 119526C. On 31 August 2007 the Company was re-registered under the Isle of Man's amended corporate laws pursuant to Section 149 of the Companies Act, 2006. DQE plc is a company limited by shares under the said Act with registration number 001503V. The registered office of DQE plc is located at 15-19, Athol Street, Douglas, Isle of Man IM1 1LB.

The business of DQE plc is to engage in any activity permitted by law.

Shareholding Pattern

The shareholding pattern of DQE plc as on January 31, 2010 is as follows:

Name of the shareholder	No. of ordinary shares	Percentage of holding
Promoters/directors		
Zenithal Private Limited	4,554,429	12.66
Anthony Good	12,400	0.03
Public shareholders (prior to Admission on AIM)		
International Finance Corporation	4,168,662	11.59
Flordia Properties Limited	4,147,722	11.53
Mr. Prasant Raju Gokaraju	1,686,699	4.69
Others	1,680,574	4.67
Public shareholding (pursuant to Admission on AIM)	19,715,561	54.82
Total	**35,966,047**	**100.00**

Certain existing shareholders of DQE plc, being, International Finance Corporation, Flordia Properties and iLabs ("**Vendors**") entered into a performance incentive agreement with Zenithal (a wholly owned company belonging to our individual Promoter) with regard to a portion of their shareholding in DQE plc. As per the terms thereof, the Vendors have agreed to transfer an aggregate of 1,690,895 ordinary shares ("**Performance Incentive Shares**") to Zenithal Private Limited. The agreement stipulates that the Performance Incentive Shares shall be transferred to Zenithal at par value if either of the following performance criteria are met by DQE plc: (i) the closing market price of the DQE plc's ordinary shares being at or above a certain percentage of the placing price ("**Threshold Price**") for a consecutive period of 30 days; or (ii) a *bonafide* purchase offer being made for all of the ordinary shares held by the Vendors at or above the Threshold Price. The agreement provided that such performance criteria shall be met within 13 months from the date of DQE plc's admission to AIM or such extended period as the parties may agree.

Upon the expiry of 13 months from the date of DQE plc's admission to AIM, on March 6, 2009, Zenithal wrote to the Vendors to extend the period for a further 13 months. In case the said performance criteria are met, Zenithal's shareholding in DQE plc shall increase accordingly.

Board of Directors

The Board of Directors of DQE plc comprises:

1. Mr. Tapaas Chakravarti
2. Mr. Kunchitapadam Balasubramanian
3. Ms Theresa Plummer-Andrews
4. Mr. Anthony BM Good
5. Mr. Sanjay Saxena

Financial Performance

			(in Rs. Million, except Share Data)
Particulars	**March 31 2008**	**March 31 2009**	**September 30 2009**
Equity Capital	3.51	3.51	3.51
Reserves (excluding revaluation reserves) and Surplus	2,658.10	2,869.37	2,923.04
Income (including Other Income)	1,197.45	1,637.90	724.55
Profit / (Loss) after Tax	345.17	211.29	47.60
Earnings per Share (Rs.) *	9.60	5.87	1.32
Net Asset value per share (Rs.)	71.79	62.13	68.21
No. of Shares	35,966,047	35,966,047	35,966,047
Note 1: *Face Value of each Equity Share is approximately Rs. 0.07643*			
Note 2 : *Conversion Rate : 1 USD = Rs.48.04*			
Note 3 : *The Company was incorporated in the year 2007-08 and hence, this is the first year of operations.*			

DQE plc has not become a sick company, is not under winding up and does not have negative net worth.

Share Price Information

The equity shares of DQE plc were listed on December 18, 2007 on the Alternative Investment Market of the London Stock Exchange.

The monthly high and low of the market price of the equity shares of DQE plc having a face value of 0.1 pence or 0.001 GBP each (approximately Rs. 0.08) on the Alternative Investment Market of the London Stock Exchange for the last six months are as follows:

Month	High (in GBP pence)	Low (in GBP pence)
August 2009	96.5	86.0
September 2009	111.5	97.5
October 2009	111.5	107.0
November 2009	107.0	102.5
December 2009	105.5	101.0
January 2010	103.5	94.0

The market capitalization of DQE plc as on February 05, 2010 was GBP 34.35 million (Rs.2,625.37 million).

Details of the public issue by DQE plc

The initial public offering of 19,727,961 equity shares having a face value of GBP 0.001 (approximately Rs. 0.08) each aggregating GBP 26.8 million (Rs. 2,048 million) took place in December 2007 at an issue price of 136 pence (approximately Rs. 99.9) per equity share.

The objects of the issue were:

1. Expansion of production facilities and workforce
2. Investment into global intellectual property partnerships (co-production)
3. Acquisitions, strategic investments and joint ventures.

DQE plc has utilized the net proceeds arising out of the issue for the above stated objects.

Mechanism for redressal of investor grievances

The board of directors of DQE plc has not constituted a shareholder/investor grievance committee as applicability of the Combined Code on Corporate Governance published by the Financial Reporting Council is optional. However, there is a regular dialogue with shareholders and DQE plc maintains an investor relations section on the website, www.dqentertainment.com to facilitate communication with it shareholders.

As on January 31, 2010, DQE plc has no outstanding complaints from the shareholders.

Unlisted Companies

Zenithal Private Limited

Zenithal Private Limited ("**Zenithal**") was originally incorporated under the name and style of "**DQ Holding Private Limited**", under the Singapore Companies Act (Chapter 50) on April 26, 2007 with registration number 200707152W. As permitted by the terms of its incorporation, Zenithal has the status of an "Exempt Private Company" and is exempted from having its accounts audited. The registered office of Zenithal is located at 112 Robinson Road # 11-03, Singapore 068902.

Zenithal is permitted to engage in any activity permitted by law.

Shareholding Pattern

Zenithal has been promoted by our individual Promoter who is also its sole shareholder. The shareholding pattern of Zenithal as on January 31, 2010 is as follows:

Name of the shareholders	**Number of equity shares held**	**Percentage**
Tapaas Chakravarti	14,671	100

Board of Directors

The Board of Directors of Zenithal comprises:

1. Tapaas Chakravarti
2. Liew AI Choo

Financial Performance

The following table sets forth the summary financial data of Zenithal:

(In Rs. Million, except share data)

Particulars	For the year ending March 31, 2009	For the year ending March 31, 2008
Equity Capital	0.68	0.00
Reserves (excluding revaluation reserves) and surplus	(0.69)	(0.47)
Income (including other income)	Nil	Nil
Profit After Tax	(0.22)	(0.47)
Earning Per Share (in Rs.)*	(14.78)	(473,653.30)
Net asset value per share (in Rs.)	(0.92)	(473,585.66)

Note 1 Face Value of each equity share is approximately Rs. 48.04.
Note 2: Conversion Rate: 1 SGD = Rs. 33.8203

Zenithal is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company, is not under winding up and does not have negative net worth.

Defunct Promoter Group Companies

There are no defunct Promoter Group Companies.

Companies with which our Promoters have disassociated in the last three years

Pursuant to a Scheme of Amalgamation under Section 394 of the Companies Act, approved by the Hon'ble High Court of Judicature of Andhra Pradesh at Hyderabad by its Order dated November 7, 2007, DQ Entertainment Limited was amalgamated with our Company and pursuant to the aforesaid Order, DQ Entertainment Limited was dissolved without winding-up.

DQ Entertainment Limited was promoted by our individual Promoter who also held substantial shares in DQ Entertainment Limited.

Apart from the above, our Promoters have not disassociated from any company in the last three years.

RELATED PARTY TRANSACTIONS

For details of the related party transactions, see "Financial Statements – Related Party Transactions" on page no. 137 of this Red Herring Prospectus.

DIVIDEND POLICY

The declaration and payment of dividend will be recommended by our Board and approved by the shareholders of the Company at their discretion and will depend on a number of factors, including the results of operations, earnings, capital requirements and surplus, general financial conditions, contractual restrictions, applicable Indian legal restrictions and other factors considered relevant by the Board. Further, pursuant to the terms of the term loans obtained by the Company, prior written consent of the lenders of the Company is required to pay any dividends. The Board may also from time to time pay interim dividend. All dividend payments are made in cash to the shareholders of the Company.

We have not declared any dividend on the Equity Shares since inception.

Our dividend policy in the past is not necessarily indicative of our dividend policy or dividend amounts in the future.

SECTION V: FINANCIAL STATEMENTS

AUDITORS' REPORT

(as required by Part II of Schedule II of the Companies Act, 1956)

The Board of Directors,
DQ Entertainment (International) Limited
644, Aurora Colony, Road No. 3
Banjara Hills
Hyderabad – 500 034

Dear Sirs,

1. We have examined the financial information of DQ Entertainment (International) Limited ('the Company') (Formerly DQ Entertainment (International) Private Limited) and its wholly owned subsidiary (collectively referred as "the Group") annexed to this report and initialled by us for identification. The said financial information has been prepared by the Company in accordance with the requirements of paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the "ICDR Regulations") and in terms of our arrangement agreed with you in accordance with our arrangement letter dated September 2, 2009 and the amendment to the arrangement letter dated January 7, 2010 in connection with its Proposed Initial Public Offer ("IPO") of Equity Shares. The financial information has been prepared by the Company and approved by the Board of Directors.

2. **Financial Information as per Audited Financial Statements**

   We have examined the attached 'Non-Consolidated Restated Summary Statement of Assets and Liabilities' of the Company as of 30 September 2009, 31 March, 2009 and 2008 (Annexure 2) and the attached 'Non-Consolidated Restated Summary Statement of Profit and Loss' (Annexure 1) for each of the period/year ended 30 September 2009, 31 March 2009 and 2008 together referred to as 'Restated Summary Statements'. These Restated Summary Statements have been extracted from the financial statements of the Company as of and for the period/year ended 30 September 2009, 31 March, 2009 and 2008 and have been approved/adopted by the Board of Directors/members for those respective years. Audit for the period ended 30 September, 2009, year ended 31 March, 2009 and period ended 31 March, 2008 was conducted by us. Based on our examination of these summary statements, we state that:

   i. The 'Restated Summary Statements' have to be read in conjunction with the notes given in Annexure 4 to this report.

   ii. The 'Restated Summary Statements' of the Company have been restated with retrospective effect to reflect the significant accounting policies being adopted by the Company as of 30 September 2009, as stated in the Notes forming part of the restated Summary Statements vide Annexure 4 to this report.

   iii. The restated profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate in the period/year to which they relate as described in Annexure 4 (II) (1) (b).

   iv. There are no extraordinary items that need to be disclosed separately in the Restated Summary Statements

   v. As explained in Annexure 4 II (c), the accounting for the scheme of amalgamation between DQ Entertainment Limited and Animation and Multimedia Private Limited (since renamed as DQ Entertainment (International) Private Limited and further renamed as DQ Entertainment (International) Limited), the Company is not strictly in compliance with Accounting Standard (AS) 14.

   vi. There are no qualifications in the auditors' report that require adjustments to the Restated Summary Statements.

3. **Other Financial Information**

We have examined the following Non-Consolidated information (restated) relating to the Company in respect of the period ended 30 September 2009, year ended 31 March 2009 and period ended 31 March 2008 and Consolidated information (restated) relating to the Company in respect of the period ended 30 September 2009 and year ended 31 March 2009 proposed to be included in the offer document, as approved by the Board of Directors and annexed to this report:

vii. Cash Flows Statement as restated for the period/year ended 30 September 2009, 31 March 2009 and 2008 (Annexure 3)

viii. Details of Other Income as restated for the period/year ended 30 September 2009, 31 March 2009 and 2008 (Annexure 5)

ix. Details of Employee cost as restated for the period/year ended 30 September 2009, 31 March 2009 and 2008 (Annexure 6)

x. Details of Administrative and Other Expenses as restated for the period/year ended 30 September 2009, 31 March 2009 and 2008 (Annexure 7)

xi. Details of Interest and Financial Charges as restated for the period/year ended 30 September 2009, 31 March 2009 and 2008 (Annexure 8)

xii. Details of Fixed Assets as restated as of 30 September 2009, 31 March 2009 and 2008 (Annexure 9)

xiii. Details of Investments as restated as of 30 September 2009, 31 March 2009 and 2008 (Annexure 10)

xiv. Details of Current Assets, Loans and Advances as restated as of 30 September 2009, 31 March 2009 and 2008 (Annexure 11)

xv. Details of Secured Loans as restated as of 30 September 2009, 31 March 2009 and 2008 (Annexure 12)

xvi. Details of Current Liabilities and Provisions as restated as of 30 September 2009, 31 March 2009 and 2008 (Annexure 13)

xvii. Details of Share Capital as restated as of 30 September 2009, 31 March 2009 and 2008 (Annexure 14)

xviii. Details of Reserves and Surplus as restated as of 30 September 2009, 31 March 2009 and 2008 (Annexure 15)

xix. Summary of Accounting Ratios for the period/year ended as of 30 September 2009, 31 March 2009 and 2008 (Annexure 16)

xx. Capitalisation Statement of the Company as of 30 September 2009 (Annexure 17)

xxi. Statement of Tax shelters (Annexure 18)

xxii. Summary Statement of Consolidated Assets and Liabilities as restated as of 30 September 2009 and 31 March 2009 (Annexure – 20 and 20 a to 20 g)

xxiii. Summary Statement of Consolidated Profit and Loss as restated for the period/year ended 30 September 2009 and 31 March 2009 (Annexure – 19 and 19a to 19 d)

xxiv. Summary Statement of Consolidated Cash Flows as restated for the period/year ended 30 September 2009 and 31 March 2009 (Annexure 21)

xxv. Summary of Significant Accounting Policies and Notes on Financial statements (Annexure – 22).

xxvi. Summary of Consolidated Accounting Ratios for the period/year ended as of 30 September 2009 and 31 March 2009 (Annexure 23).

The Consolidated Summary Statements as referred in Serial Nos. xxii to xxvi above have been extracted from the Consolidated Financial Statements of the Company as of and for the period/year ended 30 September 2009 and 31 March 2009.

4. The consolidated financial statements of the Company as of and for the period/ year ended 30 September 2009 and 31 March 2009 which have been audited by us are subject to the following. We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets of Rs. 243,796,152 as of 30 September 2009 and Rs. 61,261 as of 31 March 2009, total revenue of Rs. 51,605,779 for the period ended 30 September 2009 and Rs. Nil for the year ended 31 March 2009 and cash flows amounting to Rs. 4,584,392 for the period ended 30 September 2009 and Rs. Nil for the year ended 31 March 2009 as considered in the consolidated financial statements. These financial statements and other financial information have been audited by another auditor whose report has been furnished to us and our opinion in so far as it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditor.

5. In our opinion, the 'Financial Information as per Audited Financial Statements' and 'Other Financial Information' mentioned above for the period/year ended 30 September 2009, 31 March 2009 and 2008 have been prepared in accordance with Part IIB of Schedule II of the Act and the ICDR Regulations 2009.

6. This report should not be construed as a new opinion on any of the financial statements referred to herein.

7. We did not perform audit tests for the purpose of expressing an opinion on individual balance account or summaries of selected transactions and accordingly, we express no such opinion thereon.

8. We have no responsibility to update our report for events and circumstances occurring after the date of report.

9. This report is intended solely for your information and for inclusion in offer document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

for DELOITTE HASKINS & SELLS
Chartered Accountants

Ganesh
Balakrishnan
Partner
Membership No. 201193

Secunderabad
Dated: February 9, 2010

DQ Entertainment (International) Limited

Annexure 1: Non-Consolidated Restated Summary of Profit and Loss

(Rs. Millions)

	For the Half year ended 30 September 2009	For the year ended 31 March 2009	For the period from 13 April 2007 to 31 March 2008
Income			
Sales:			
Animation	612.52	1,356.58	818.23
Gaming	1.22	66.96	65.57
Distribution	43.47	74.63	38.34
Total Sales	657.21	1,498.17	922.14
Other Income	32.90	10.91	23.59
Total Income	690.11	1,509.08	945.73
Expenditure			
Production Expenses	23.56	52.67	50.48
Employee Cost	312.19	693.40	510.32
Administrative, selling and distribution expenses	112.74	296.62	136.05
	448.49	1,042.69	696.85
Less: Expenditure transferred to capital and other account	13.91	70.76	2.82
Total Expenditure	434.58	971.93	694.03
Profit Before Interest, Depreciation and Tax	255.53	537.15	251.70
Interest and financial charges	25.65	55.60	43.42
Profit Before Depreciation and Tax	229.88	481.55	208.28
Depreciation and Amortisation	122.06	282.19	127.32
Profit Before tax and restatement	107.82	199.36	80.96
Adjustment on account of restatement	0.74	-	-
Profit before tax and extraordinary items	108.56	199.36	80.96
Current Tax	17.72	22.39	8.96
Deferred tax	(12.47)	12.47	-
Fringe Benefit Tax	-	3.00	1.91
Total provision for tax	5.25	37.86	10.87
Profit after tax before extraordinary items	103.31	161.50	70.09
Impact of material adjustments for restatement in corresponding years	(0.74)	0.65	0.09
Extraordinary items (net of tax)	-	-	-
Profit after tax and extraordinary items	102.57	160.85	70.00
Balance brought forward	253.53	92.68	-
Debit balance in Profit and Loss account of erstwhile DQ Entertainment Limited	-	-	(19.10)
Transfer from Debenture Redemption Reserve	-	-	41.78
Transfer to Capital Redemption Reserve	(1.76)	-	-
Profit available for appropriation and carried forward as restated	354.34	253.53	92.68

DQ Entertainment (International) Limited

Annexure 2: Non-Consolidated Restated Summary of Assets and Liabilities				
				(Rs.Millions)
		As at September 30, 2009	**As at March 31, 2009**	**As at March 31, 2008**
A.	**Fixed Assets**			
	Gross block	1,696.96	1,350.44	1,002.64
	Less: Accumulated Depreciation	666.80	586.83	356.10
	Net Block	**1,030.16**	**763.61**	**646.54**
	Capital Work in Progress	441.60	626.68	357.37
	Total	**1,471.76**	**1,390.29**	**1,003.91**
B.	**Investments**	**16.68**	**0.01**	**-**
C.	**Current assets, Loans and Advances**			
	Sundry Debtors	597.00	415.69	231.34
	Unbilled Revenue	146.35	183.95	208.54
	Cash and bank balances	70.72	105.40	429.32
	Loans and Advances	61.98	93.53	79.18
	Total	**876.05**	**798.57**	**948.38**
D.	**Liabilities and provisions**			
	Secured loans	273.17	364.73	403.70
	Deferred Tax Liability	**-**	12.47	-
	Current Liabilities and Provisions			
	Current Liabilities	440.71	254.65	169.68
	Provisions	88.30	95.52	78.26
	Total Liabilities and Provisions	**802.18**	**727.37**	**651.64**
	Networth (A + B + C-D)	**1,562.31**	**1,461.50**	**1,300.65**
E.	**Represented by**			
	1.Share capital	594.62	16.27	16.27
	2. Reserves & Surplus	967.69	1,445.23	1,284.38
	Networth	**1,562.31**	**1,461.50**	**1,300.65**

DQ Entertainment (International) Limited

Annexure 3: Cash Flows Statement as restated				
				(Rs. Millions)
		For the Half year ended 30 September 2009	**For the year ended 31 March 2009**	**For the period from 13 April 2007 to 31 March 2008**
A	**Cash flow from Operating Activities**			
	Profit Before Tax and restatement	107.82	199.36	80.96
	Adjustments for			
	Depreciation and amortization	121.76	282.19	127.32
	Interest Income	(1.20)	(7.11)	(8.90)
	Interest on borrowings	25.65	55.60	43.42
	Share issue expenses	14.55	-	-
	Loss/(gain) on sale of fixed assets	(4.75)	0.18	(0.02)
	Unrealised (gain)/loss due to exchange differences	(12.59)	53.62	(10.49)
	Operating profit before working capital changes	251.24	583.84	232.29
	Adjustments for changes in			
	Trade and other receivables	(82.45)	(560.68)	(280.43)
	Trade payables, other liabilities and provisions	160.58	75.95	131.94
	Income Tax paid	(11.36)	(16.85)	(2.39)
	Net Cash from Operating activities	**318.01**	**82.26**	**81.41**
B	**Cash flow from Investing Activities**			
	Purchase of fixed assets	(230.54)	(262.94)	(502.69)
	Investment in Subsidiary	(16.68)	-	-
	Interest received on deposits with Banks and other deposits etc.,	0.61	9.18	6.66
	Sale of Fixed Assets	5.75	2.28	0.02
	Net Cash used in Investing activities	**(240.86)**	**(251.48)**	**(496.01)**
C	**Cash flow from Financing Activities**			
	Interest and financing charges paid	(26.03)	(40.15)	(43.42)
	Issue of equity shares *	-	-	9.85
	Payments to preference shareholders on redemption	(1.76)	-	(376.81)
	Share Issue expenses	(2.24)		
	Share Premium Receipts	-	-	1,042.28
	Proceeds from Borrowings from Term Loans	30.04	30.00	285.17
	Repayment of Term Loans	(142.74)	(181.26)	(79.41)
	Proceeds on account of Working Capital Loans (Net)	31.14	36.49	(26.28)
	Net Cash (used in)/from Financing activities	**(111.59)**	**(154.92)**	**811.38**
	Net (Decrease)/Increase in cash and cash Equivalents (A+B+C)	**(34.44)**	**(324.14)**	**396.78**
	Cash and bank balances taken over on amalgamation of DQ Entertainment Limited	**-**	**-**	32.04
	Cash and cash equivalents as at the beginning of the period	**105.40**	**429.32**	-
	Net foreign exchange difference	(0.24)	0.22	0.50

Annexure 3: Cash Flows Statement as restated				
				(Rs. Millions)
		For the Half year ended 30 September 2009	For the year ended 31 March 2009	For the period from 13 April 2007 to 31 March 2008
	Cash and cash equivalents as at the end of the period**	**70.72**	**105.40**	**429.32**
	* Issue of Equity shares for half year ended 30.09.2009 amounted to Rs.50. **Including restricted balance of Rs.24.93 millions (31.03.2009: Rs.3.39 millions & 31.03.2008:Rs 329.34 millions)			

DQ Entertainment (International) Limited

Annexure 4
Summary of significantAccounting policies and notes on financial statements

I. Significant Accounting Policies

a) **Basis for Preparation of Financial Statements:**

The financial statements have been prepared under the historical cost convention on an accrual basis of accounting in accordance with Generally Accepted Accounting Principles, Accounting Standards notified under section 211(3C) of the Companies Act, 1956 and the relevant provisions thereof.

b) **Fixed Assets:**

Fixed Assets are valued at cost inclusive of freight, installation cost, finance cost, duties and taxes and other incidental expenses incurred during the construction / installation stage. Fixed Assets include expenditure incurred on creation of infrastructure facilities at work premises.
Distribution rights represent the cost incurred on acquisition of animation contents for exploitation.

Capital work-in-progress comprises outstanding advances paid to acquire fixed assets and the cost of fixed asset (including expenditure during construction) that are not yet ready for their intended use before the balance sheet date.

Direct or indirect expenses incurred on the Development of Projects in order to create Intellectual Property or Content, which are exploited on any form of media are capitalized as an intangible asset under development in accordance with AS 26 (intangible assets). In the event, the project is not scheduled for production within three years, or project is abandoned, the carrying value of the Development Rights would be expensed in the year in which such project is discontinued or abandoned.

c) **Depreciation and Amortisation:**

Depreciation on fixed assets other than leasehold improvements is provided on straight-line method at rates which are as follows:

Hardware & Software (CGI*)	30.00%
Hardware & Software (Others)	16.21%
Generators	16.21%
Office Equipment	10.00%

Furniture & Fixtures	10.00%
Vehicles	25.00%

*Computer Generated Imagery

Individual assets costing less than Rs.0.005 million are fully depreciated in the period of purchase. Where the aggregate actual cost of individual items of Plant and Machinery costing Rs.0.005 million or less constitutes more than 10% of the total actual cost of Plant and Machinery, depreciation is provided at normal rates stated above.

Leasehold improvements are amortised over the primary period of lease.

Cost of Distribution Rights is amortised over the period of the right including extended period or ten years whichever is lower.

d) **Investment:**

Long-term investments are stated at cost less provision required, if any, for the permanent diminution in value thereof.

e) **Licensing Rights**

In respect of Licensing Rights acquired against a specific sale contract, the costs are charged off as Production Costs.

f) **Revenue Recognition**

(i) *Production Revenue:*

Service revenue from fixed-price contracts is recognized using the Proportionate Completion Method. Provisions for estimated losses on uncompleted contracts are made in the year in which such losses are determined.

"Unbilled Revenue" represents services provided to the customers till the balance sheet date, which are billed subsequent to year-end. All such amounts are anticipated to be realized in the following year.

(ii) *Distribution Revenue :*

Revenue from the licensing of distribution rights (including withholding tax) is recognized on a straight line basis over the term of the licensing agreement and in the case of the license fee from co-production rights on the date declared by the licensee.

(iii) *Training Revenue :*

Training Revenue is recognized over the period of instruction.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due.

g) **Foreign Currency Transactions:**

Foreign Currency Transactions (FCT) and Forward Exchange Contracts (FEC) used to hedge FCT (including firm commitments and forecast transactions) are initially recognized at the spot rate on the date of the transaction / contract.

Monetary assets and liabilities relating to FCT and FEC remaining unsettled at the end of the period are translated at the exchange rate prevailing as on the date of balance sheet.

The difference in translation and realised gains and losses on Foreign Exchange Transactions (including Option Contracts) are recognised in Profit and Loss Account. Further, in respect of transactions covered by FEC, the difference between contract rate and spot rate on the date of the transaction is charged to Profit and Loss Account over the period of the contract.

h) **Employee benefits**

i) Post-employment benefit plans

Post employment benefits are recognised as an expense in the Profit and Loss Account for the year in which the employee has rendered services.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur.

ii) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave.

iii) Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date.

i) **Public Issue related expenses**

Public issue related expenses are recognised as an expense in the profit and loss account in the period in which these are incurred.

j) **Taxation**

i) Provision for Income Tax is made on the assessable income, at the applicable tax rates, in accordance with the provisions of the Income-tax Act, 1961. Income derived from the animation division and related services are exempt under section 10A of the Income-tax Act, 1961 for a period upto the assessment year beginning 1 April 2010. The Company has provided tax on its other taxable income earned during the year.

ii) Minimum Alternate Tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

iii) Deferred tax expense or benefit is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient taxable income will be available to realise such assets. In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.

k) **Provision for retakes**

Provisions for retakes are recognised wherever they are considered to be material. Retakes include creative changes to the final product delivered to the customer, performed on the specific request of the customer at the Company's own cost. Requests for retakes from customers are expected to be received by the Company within a period of three months from the final delivery.

l) **Leases**

Lease payments for assets taken on Operating Lease are recognised in the Profit and Loss Account over the lease term in accordance with the Accounting Standard 19 – Leases.

m) **Earnings Per Share**

The Company reports basic and diluted Earnings per Share (EPS) in accordance with Accounting Standard 20 – EPS.

- *Basic Earnings per Equity Share* has been computed by dividing Net Profit for the year by the weighted average number of Equity Shares outstanding for the period

- *Diluted Earnings per Equity Share* has been computed using the weighted average number of Equity Shares and dilutive potential Equity Shares outstanding during the period except where the results are anti dilutive.

n) **Provisions, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is possible that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the Notes. Contingent Assets are neither recognized nor disclosed in the Financial Statements.

o) **Impairment**

The carrying amounts of the Company's assets, other than inventories and deferred tax assets, are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of assets in the unit on a pro rata basis.

II. Notes to Financial Statements

1. Company Overview

a) **Incorporation**

The Company was originally incorporated as Animation and Multimedia Private Limited on 13 April 2007 and the name was subsequently changed to DQ Entertainment (International) Private Limited ("Company") by a special resolution passed in an extraordinary general meeting of the shareholders held on 10 January 2008.

The Company is engaged in the business of providing services relating to animation production for television and film production companies and rendering training for acquiring skills for production services in relation to the production of animation television series and movies. The Company also provides services for gaming consoles and licensing of programme distribution rights to broadcasters, television channels and home video distributors.

Pursuant to a special resolution of the members passed at an EGM on July 25, 2009, DQ Entertainment (International) Private Limited became a public limited company and hence the name is changed to DQ Entertainment (International) Limited. A fresh certificate of incorporation consequent to conversion of Company from private to public was granted on September 10, 2009 by the Registrar of Companies, Andhra Pradesh at Hyderabad.

b) **Adjustments/Regroupings**

Impact of Restatement

(Rs. in million)

	As at September 30, 2009	As at March 31, 2009	As at March 31, 2008
Current Tax	0.75	0.67	0.08
Fringe Benefit Tax	(0.01)	(0.02)	0.01
Total Adjustments	**0.74**	**0.65**	**0.09**

Notes on Adjustments:

During the period ended 30 September 2009 the company has made provisions for current tax and fringe benefit tax relating to the previous years. This is subsequently adjusted in the restatement financial statements and presented accordingly.

c) **Scheme of Amalgamation of DQ Entertainment Limited with the Company:**

(i) Pursuant to the shareholders approval at the Court convened meeting of the Company held on 02 June, 2007 and the sanction of the Hon'ble High Court of Andhra Pradesh to the Scheme of Amalgamation, the assets and liabilities of the erstwhile DQ Entertainment Limited whose principal business was providing 2D, 3D and flash animation production services for television and film production were transferred to and vested in the Company with effect from the appointed date viz., 1 May, 2007 in accordance with the scheme so sanctioned. The scheme has accordingly, been given effect to in the financial statements for the period ended 31 March 2008.

(ii) The assets and liabilities of the erstwhile DQ Entertainment Limited were taken over at their book values as at 1 May 2007. The balance in the Capital Subsidy account of erstwhile DQ Entertainment Limited amounting to Rs. 0.80 million was transferred to the Company. The credit balance in the Securities Premium Account amounting to Rs. 116.79 million was credited to the corresponding account of the Company. Further, in accordance with the scheme of amalgamation sanctioned by the Hon'ble High Court of Andhra Pradesh, the difference between the paid up share capital of erstwhile DQ Entertainment Limited and aggregate face value of the shares issued and allotted by the Company amounting to Rs.5.48 million was credited to the General Reserve of the Company. The debit balance of Rs. 19.10 million in the Profit and Loss Account of the erstwhile DQ Entertainment Limited was recorded at the stated value in the books of the Company.

(iii) The amalgamation was accounted for under the "Pooling of interests" method as prescribed in AS-14 issued by the Companies (Accounting Standards) Rules, 2006 since, in substance, all the equity shareholders of the erstwhile DQ Entertainment Limited became shareholders of the Company. However, in terms of para 29(iii) of AS-14, where the amalgamation is accounted for under the "Pooling of interests" method, the consideration for the amalgamation receivable by those equity shareholders of the erstwhile DQ Entertainment Limited who agree to become equity shareholders of the Company is discharged by the Company wholly by the issue of equity shares in the Company, except that cash may be paid in respect of any fractional shares. In the instant case, the consideration was by payment of cash of Rs. 403.28 million and issuance of 629,447 Redeemable Optionally Convertible Non Cumulative Preference Shares having a face value of Rs. 10 each, aggregating to Rs. 6.29 million. Thus, the scheme of amalgamation, although accounted for in accordance with the Order of the High Court of Andhra Pradesh, was not strictly in compliance with the "Pooling of interests" method specified in AS-14 although in substance ail the equity shareholders of the erstwhile DQ Entertainment Limited became shareholders of the Company. Had the Company accounted for the Scheme of Amalgamation in accordance with the "Purchase" method specified in AS-14:

(a) the difference between the paid up share capital of erstwhile DQ Entertainment Limited and aggregate face value of the shares issued and allotted by the Company amounting to Rs.5.48 million would have been credited to the Capital Reserve of the Company; and

(b) the credit balance in the Securities Premium Account amounting to Rs. 116.79 million in the erstwhile DQ Entertainment Limited would have been credited to the Capital Reserve of the Company

(c) The debit balance in the Profit and Loss Account of Rs.19.10 million would have been adjusted to the Capital Reserve Account..

The Value at which the assets and liabilities were transferred to the Company on 1 May 2007 are itemized below:

Assets	**Transfer Value Considered**
Fixed Assets(net of accumulated depreciation)	449.22
Capital Work in progress	179.31
Sundry Debtors	151.37
Unbilled Revenue	63.96
Cash And Bank Balances	32.04
Loans and Advances	18.34
Total	**894.24**
Less:	
Current Liabilities and provisions	110.85
Secured Loans	228.05
Reserves & Surplus	140.28
Net assets taken over	**415.06**
Mode of Discharge by the Company	
- Payment of cash	403.28
- Issue of 1% Redeemable Optionally Convertible Preference Shares	6.29
Balance credited to General Reserve	**5.49**

2. Share Capital

Authorised share capital

On 15th September 2009 the Company increased its authorized equity share capital from 3,010,000 shares of face value of Rs.10 each to 80,000,000 shares of face value of Rs.10 each and cancelled the 8,00,000 1% Redeemable Optionally Convertible Preference share capital.

Issued, Subscribed & Paid up

a) Preference Shares:

During the period out of 203,767 1% Redeemable Optionally Convertible Non Cumulative Preference Shares of the face value Rs.10/- (Rupees Ten) 27,381 shares were converted into 27,381 equity shares of Rs.10/- each and the balance of 176,386 1% Redeemable Optionally Convertible Non Cumulative Preference Shares were redeemed for cash at Rs 10/- per share.

b) Dividends:
Each Preference Share shall carry an annual preference dividend of 1% (one percent) per annum, such dividends to be non cumulative and payable annually prior to the payment

of dividends on the equity shares. The Preference Shares being non-cumulative in nature, any dividend unpaid for any financial year shall not be carried forward and/or accumulate in the subsequent financial year. No dividend shall be paid on the Equity Shares if the preference dividends or any portion thereof on Preference Shares are in arrears.

c) Redemption: The Company shall be entitled, at its option to call for redemption of all or part of the Preference Shares in one or more trenches, at a redemption price of Rs.10/- per Preference Share plus an amount equal to any accrued but unpaid dividend on such Preference Shares.

3. Reserves & Surplus

Capital subsidy:

Erstwhile DQ Entertainment Limited was sanctioned a Capital Subsidy of Rs.2.00 millions under clause 7(f) of ICT Incentive Policy of the Government of Andhra Pradesh, to be released in five equal annual installments of Rs.0.40 million each as per G.O.Rt.No.284 dated 10th September 2004. The Company has received Rs.0.80 million (31.03.2009: Rs.0.80 million & 31.03.2008: Rs.0.80 million) and has been transferred to Capital Subsidy.

4. Distribution Rights

Distribution rights (refer Annexure 9–Details of Fixed Assets) aggregating to Rs.830.15 millions (31.03.2009:Rs.470.53 millions & 31.03.2008: Rs.335.39 millions) represent the unamortised value of costs incurred in acquiring distribution rights. The Company started acquiring these rights from the year 2003-04 and till date 27 series (31.03.2009: 23 & 31.03.2008: 20) of Animation rights for different territories across the globe. The Company has started receiving revenues from usage of rights since 2006-07. The Company has performed testing for impairment of intangibles, which resulted in an impairment loss of Rs.1.76 millions (31.03.2009:Rs 62.18 millions 31.03.2008: NIL) on account of recoverable amount of intangibles being less than its carrying amount. These have been included in the line item "Depreciation & Amortisation" in the Statement of Profit and Loss.

5. Capital work-in-progress

a) Includes Rs. 2.52 millions (31.03.2009: Rs 19.50 millions & 31.03.2008: Rs.140.67 millions) on account of advances to suppliers of capital goods and Rs.428.38 millions (31.03.2009:Rs.535.79 millions & 31.03.2008: Rs.198.24 millions) incurred under various co-production agreements for which distribution rights are yet to be received. Pending receipt of distribution rights and considering the potential benefits likely to accrue to the Company in future, the carrying amount of Capital work-in-progress have been valued at cost.

b) Includes Rs.10.70 millions (31.03.2009:Rs.71.39 millions & 31.03.2008: Rs. 18.47 millions) incurred towards projects under development to be exploited as Television Series/Films and others. Based on review of estimated future realizations the management is of the view that estimated future recoverable amount from these projects are more than its carrying unamortised cost and consequently no provision for impairment is considered necessary by the management at this stage.

6. Taxation

The company is an Export Oriented Unit ("EOU") registered with Software Technology Parks of India and its business income is exempted from tax in terms of section 10A of the Income Tax Act, 1961. Currently Tax provision on book profit is provided as per the provisions of Section 115JB (MAT) of the Income Tax Act, 1961. As a measure of prudence, in the absence of virtual certainty of future profits and having regard to the nature of Company's business, the deferred tax asset of Rs.26.82 millions (31.03.2009: Rs. 18.32 millions) has not been recognized.

Deferred Tax

The major components of Net Deferred Tax are as under:

(Rs. Millions)

Timing Differences	(Liability) / Asset as at 31 March 2008	(Liability) / Asset as at 31 March 2009	(Liability) / Asset as at 30 September 2009
Depreciation	(62.05)	(86.47)	(27.81)
Gratuity	7.97	10.72	10.50
Leave Encashment	8.75	7.63	7.50
Sick leaves	1.66	0.71	0.70
Provision for Doubtful Debts	-	1.97	2.20
Transitional provision on retirement benefits	7.58	-	-
Amalgamation Exp u/s 35DD	**-**	**-**	0.16
Past losses and unabsorbed depreciation	36.09	52.97	6.75
Net Deferred Tax Asset/(Liability)	**-**	**(12.47)**	-

7. Secured Loans

(Rs. Millions)

	30-09-2009	31-03-2009	31-03-2008
<u>*a) Term Loan from Banks:*</u>			
<u>*(i) Vehicle loans*</u>			
Secured by hypothecation of Vehicles acquired	*5.56*	3.24	6.13
<u>*ii) Denominated in Foreign Currency*</u>			
The loan is secured by a first charge on all the Fixed Assets of the Company and a collateral second charge on all the current assets of the company, both present and future both ranking pari-passu with the Working Capital and Term Lenders of the Company.	*125.77*	255.84	292.91
<u>*iii) Denominated in INR*</u>			
The loan is secured by a first charge on all the Fixed Assets of the company and a collateral second charge on all the current assets of the company, both present and future both ranking pari-passu with the Working Capital and Term Lenders of the Company.	*45.05*	40.00	75.50
<u>*b) Working Capital Loan from Banks:*</u>			
<u>*Denominated in Foreign Currency*</u>			
Packing credit loan is secured by a first charge on all current assets of the Company along with other working capital lender to the company including all receivables, cash flows and other monies and a second charge on all fixed assets of the company	*19.86*	-	-
<u>*Denominated in INR*</u>			
Working Capital Loan is secured by a first charge on all current assets of the Company, both present and future, including all receivables, cash flows and other monies and a second charge on all fixed assets of the company, both ranking pari-passu with the Working Capital and Term Lenders of the Company	*76.93*	65.65	29.16
Total	***273.17***	**364.73**	**403.70**

8. Contingent Liabilities			
			(Rs. Millions)
	30-09-2009	31-03-2009	31-03-2008
a) Bonds executed in favour of customs and excise authorities	37.25	37.25	35.13
b) Letter of Credit	338.92	316.58	268.55

c) Under the scheme of Amalgamation (refer Annexure 4(II)(1)(b)) all Assets and Liabilities of the erstwhile company DQ Entertainment Limited were taken over by the company. Consequently the company was liable for all Income tax assessments prior to the date of take over.

Income Tax Assessment of DQ Entertainment (International) Limited has been completed till Assessment Year 2006-07 (financial year 2005-06). Income Tax department has preferred an appeal for the assessment year 2004-05 and 2006-07 and is pending before the Income Tax Appellate Tribunal (ITAT). No demand has been raised by the Income Tax Department on the above.

d) Claims against the Company not acknowledged as debts is Rs. 9.64 millions (31.03.2009: 9.64 millions & 31.03.2008: Nil). This comprise of demands raised by the Income Tax department for non deduction of Tax Deducted at Source on payments to non residents on which the Company has gone on appeal and the appeal is pending before the Commissioner of Income Tax (Appeals), Hyderabad.

9. CIF Value of Imports

(Rs. Millions)

	Sept'09	2008-09	2007-08
Capital Goods	27.30	43.95	101.81

10. Earnings in Foreign Currency

(Rs. Millions)

	Sept'09	2008-09	2007-08
Income from Production	626.88	1,344.37	879.92
License Fees	52.97	43.47	38.33

11. Expenditure in Foreign Exchange

(Rs. Millions)

	Sept'09	2008-09	2007-08
Travel	0.33	4.23	4.10
Production Expenses	2.62	17.93	41.21
Professional and Consultancy Charges	3.14	19.46	48.79
Financial Charges	4.71	16.63	8.55
Others	0.43	4.96	3.10
Total	**11.23**	**63.21**	**105.75**

12.

a) The Company uses Forward Exchange Contracts and Currency Options to hedge its exposures in foreign currency related to firm commitments and highly probable forecasted transactions. The information on Derivative instruments is as follows:

Derivative Instrument Outstanding as at the period end:

(Rs. Millions)

Currency	As at September 30,		As at March 31,			
	2009		2009		2008	
	Buy	Sell	Buy	Sell	Buy	Sell
I) Forward Exchange Contracts						
USD	-	$0.50	-	$0.50	-	-

INR equivalent	-	24.17	-	26.09	-	-
II)Currency Options						
USD	-	$0	-	$1.08	-	$8.60
INR equivalent	-	-	-	563.44	-	343.57

b) Exchange difference in respect of forward exchange contracts to be recognized in the Profit and Loss Account in the subsequent accounting period amounts to Rs. 0.36 million (2008-09:Rs 0.30 million & 2007-08:Rs.3.52 millions)

c) The period end foreign currency exposures that have not been hedged by derivative instrument or otherwise are given below.

i) Amounts receivable in foreign currency on account of the following:						
						(Rs. Millions)
	September 30, 2009		**2008-09**		**2007-08**	
	Rs.	**Foreign currency**	**Rs.**	**Foreign currency**	**Rs.**	**Foreign currency**
Export of goods	24.38	$0.50	65.16	$1.25	62.21	$1.56
	464.88	€ 6.59	294.68	€ 4.28	145.68	€ 2.31
	-	-	-	-	18.53	£ 0.23
	-	-	-	-	0.32	CAD$ 0.01
License Fees	25.26	€ 0.36	28.00	€ 0.41	-	-
	17.81	$0.37	3.97	$0.08	-	-
Total	**532.33**		**391.81**		**226.74**	

ii) Amounts payable in foreign currency on account of the following:						
						(Rs Millions)
	September 30, 2009		**2008-09**		**2007-08**	
	Rs.	**Foreign currency**	**Rs.**	**Foreign currency**	**Rs.**	**Foreign currency**
Import of goods and services	0.93	$0.02	97.53	$1.87	1.79	$0.04
	0.35	€0.01	0.35	€ 0.01	0.17	€ 0.003
Interest on Foreign currency term loans	0.63	$0.01	1.92	$0.04	1.22	$0.03
Foreign currency term loans	125.77	$2.60	255.84	$4.90	292.08	$7.31
Total	**127.68**		**355.64**		**295.26**	

13. Auditor's Remuneration			
			(Rs.Millions)
	Sept'09	**2008-09**	**2007-08**
Audit fees	0.25	0.55	0.56
Tax Audit fees	0.05	0.11	0.11
Other matters	5.50	1.82	1.75
Total	**5.80**	**2.48**	**2.42**

14. Remuneration to Whole-time Director			
			(Rs. Millions)
	Sept'09	**2008-09**	**2007-08**
Salaries and allowances	1.68	3.36	3.08
Other perquisite	0.42	0.84	0.77
Commission	2.10	4.20	2.22
Total	**4.20**	**8.40**	**6.07**

The above figure does not include provision for gratuity and leave encashment liability actuarially valued as separate figures are not available

15. Micro, Small and Medium Enterprises Development Act, 2006.

The Company has received intimation from certain of the "Suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 confirming that they do not fall under the Micro, Small & Medium Enterprises Category while other Suppliers have not intimated regarding their status, and hence disclosures, if any, relating to amounts unpaid as at the period end together with interest paid/payable as required under the said Act have not been given.

16. Related party disclosures

a) Related parties and their relationships

i) Holding and subsidiary companies
(a) DQ Entertainment (Mauritius) Limited- Holding Company
(b) DQ Entertainment Plc-Parent of holding company
(c) DQ Entertainment (Ireland) Limited-Subsidiary Company

ii) Key management personnel

Mr. Tapaas Chakravarti- Managing Director & Chief Executive Officer
Mr. Akula Ramakrishna- Director (Resigned w.e.f 25 August 2009)
Mr. Laxminarayana Nagu- Director (Resigned w.e.f 25 August 2009)

iii) Relative of Key Management Personnel with whom the Company had transactions during the year- Mrs. Rashmi Chakravarti (Wife of Mr. Tapaas Chakravarti) (Director w.e.f 25 May 2009)

iv) Associate of the Ultimate Holding Company

Method Animations SAS

b) Transactions with above in the ordinary course of business			
			(Rs. Millions except share data)
	Sept'09	**2008-09**	**2007-08**
i) Holding Company and Subsidiary company			
Issue of equity share capital by conversion of Redeemable Optionally Convertible Preference Shares	0.27	-	-
Issue of equity share capital	-	-	9.75
Issue of bonus shares by capitalization from Securities Premium Account	14.50	-	-
Securities premium on issue of equity share capital	-	-	1,059.70
Investment in DQ Entertainment (Ireland) Limited	16.68	0.01	-
Sale of asset to DQ Entertainment (Ireland) Limited	53.62	-	-
Consultancy charges - DQ Entertainment (Mauritius) Limited	11.53	94.68	39.29
Consultancy charges - DQ Entertainment Plc	-	27.06	27.06
Amount payable at year end- DQ Entertainment (Ireland) Limited	-	0.01	-

b) Transactions with above in the ordinary course of business			
(Rs. Millions except share data)			
	Sept'09	**2008-09**	**2007-08**
Amount payable at year end- DQ Entertainment (Mauritius) Limited	106.21	94.68	-
ii) Key Management personnel			
Issue of Equity shares in the Company	40	-	-
Issue of bonus shares by capitalization from Securities Premium Account	2,000	-	-
Remuneration	4.20	8.40	7.17
iii) Relative of key Management personnel			
Issue of Equity shares in the Company	10	-	-
Issue of bonus shares by capitalization from Securities Premium Account	400	-	-
Remuneration	1.43	2.85	0.72
iv) Associate of the Ultimate Holding Company			
Revenue from Animation	99.38	359.64	31.92
Amounts owed by related parties	294.47	215.08	83.99

17. Leases

The Company's significant leasing arrangement is in respect of operating lease for premises. The Company has exclusive right to cancel the lease with prior notice. The aggregate lease rents payable are charged as rent in the Profit and Loss Account. The aggregate amount of Lease rentals charged to Profit and Loss account is Rs. 26.63 millions (2008-09-:Rs.44.70 millions & 2007-08:Rs.23.48 millions)

18. Employee benefits as required under Accounting Standard 15:

The following table lists out disclosure requirements laid down under the Accounting Standard 15:

(Rs.Millions)

	30 September, 2009		**2008-09**		**2007-08**	
	Leave Encash ment	**Gratuity**	**Leave Encash ment**	**Gratuity**	**Leave Encashment**	**Gratuity**
Change in Defined Benefit Obligations (DBO) during the period ended 30 September2009						
Present Value of DBO at the beginning of the year	**21.90**	**30.84**	25.74	23.46	12.44	15.01
Current Service Cost	**(0.54)**	**(0.70)**	11.26	13.11	13.30	8.45
Interest Cost	**0.90**	**1.26**	2.06	1.88	1.00	1.20
Actuarial Losses /(Gains)	**(0.26)**	**(0.48)**	(15.81)	(6.35)	(0.40)	(0.63)
Benefits paid	**(0.64)**	**(0.78)**	(0.81)	(0.56)	(0.60)	(0.57)
Present Value of DBO at the end of the period	**21.36**	**30.14**	**22.44**	**31.54**	**25.74**	**23.46**
Expense recognized in the Statement of P/L	**0.10**	**0.08**	**(2.49)**	**8.64**	**13.91**	**9.02**
Actual Contribution and Benefit Payments						
Actual Benefit Payments	**0.64**	**0.78**	0.81	0.56	0.60	0.57
Actual Contributions	**-**	**-**	-	-	-	-
Assumptions						
Discount Rate %	**8%**	**8%**	8%	8%	8%	8%
Expected Return on Plan Assets %	**-**	**-**	-	-	-	-

18. Employee benefits as required under Accounting Standard 15:						
The following table lists out disclosure requirements laid down under the Accounting Standard 15:						
(Rs.Millions)						
	30 September, 2009		**2008-09**		**2007-08**	
	Leave Encashment	**Gratuity**	**Leave Encashment**	**Gratuity**	**Leave Encashment**	**Gratuity**
Salary Escalation %	**4%**	**4%**	4%	4%	6%	6%

19. Earnings per Share ("EPS")

(Rs. Millions except Share Data)

Particulars	30-09-2009	31-03-2009	31-03-2008
a)Net Profit available for Equity Share holders	102.57	160.85	70.00
b)Nominal Value Per Share(Rs.)	10	10.00	10.00
c)Basic Earning Per Share(Rs.)	1.75	113.04	350.72
d)Diluted Earning Per Share(Rs.)	1.75	98.88	313.16
	Nos	Nos	Nos
e)Weighted Average number of Equity Shares for Basic and Diluted EPS	58,543,159	1,422,912	199,589
Add: Adjustment for Non-cumulative Convertible Preference Shares	-	203,767	23,940
Weighted Average number of Equity Shares for Diluted EPS	58,723,994	1,626,679	223,529

20. Segment Reporting as per Accounting Standard 17:

a) Business Segment

The Company comprises the following main business segments:

Animation:

The production services rendered to production houses and training rendered for acquiring skills for production services in relation to the production of animation television series and movies.

Gaming:

The Services provided for the contents in Console/Mobile/Other platforms.

Distribution:

The revenue generated from the exploitation of the distribution rights of animated television series and movies acquired by the Company.

The Segment information for the period ended 30 September 2009 is as follows:

Segment Reporting

(Rs. Millions)

	Animation			Gaming			Distribution			Total		
	Sept'09	**2008-09**	**2007-08**	**Sept'09**	**2008-09**	**2007-08**	**Sept'09**	**2008-09**	**2007-08**	**Sept'09**	**2008-09**	**2007-08**
Revenue from Customers	612.52	1,356.58	818.23	1.22	66.96	65.57	43.47	74.63	38.34	657.21	1,498.17	922.14
Depreciation & Amortisation							28.62	108.28	26.07	28.62	108.28	26.07
Segment Results	333.09	812.88	393.54	(0.65)	43.25	44.91	13.01	(37.24)	12.27	345.45	818.89	450.72
Unallocated Expenses										(213.18)	(571.00)	(335.24)
Operating Profit /(Loss)										132.27	247.89	115.49
Net Financing costs										(24.45)	(48.53)	(34.52)
Income Tax expense										(5.25)	(37.86)	(10.88)
Profit for the period										102.57	**161.50**	**70.09**
Other Information												
Segment assets	647.63	546.22	432.30	-	35.26	7.59	872.25	934.12	96.15	1,519.88	1,515.60	536.04
Unallocated Assets										844.62	668.72	1,415.26
Total Assets										2,364.49	2,184.32	1,951.30
Segment Liabilities	64.23	75.48	90.52	0.97	4.06	2.76	0.53	0.30	-	65.73	79.84	93.28
Unallocated liabilities										736.45	642.23	557.29
Total Liabilities										802.18	722.07	650.57
Cash flows from operating activities										318.01	82.26	81.41
Cash flows used in investing activities										(240.86)	(251.48)	(496.01)
Cash flows used in financing activities										(111.59)	(154.92)	811.38

Segment Reporting												
												(Rs. Millions)
	Animation			Gaming			Distribution			Total		
	Sept'09	2008-09	2007-08	Sept'09	2008-09	2007-08	Sept'09	2008-09	2007-08	Sept'09	2008-09	2007-08
Capital expenditure												
Tangible Fixed Assets										34.21	266.59	624.84
Distribution rights										359.61	481.25	96.15
Geographical Segment												
Revenue from customers	America			Europe			Others			Total		
	Sept'09	2008-09	2007-08	Sept'09	2008-09	2007-08	Sept'09	2008-09	2007-08	Sept'09	2008-09	2007-08
Animation	201.34	599.68	323.65	386.73	679.47	489.35	24.46	77.43	5.23	612.53	1,356.58	818.23
Gaming	1.22	22.94	38.01	-	44.02	27.57	-	-	-	1.22	66.96	65.58
Distribution	17.01	0.17	12.94	25.97	43.30	25.38	0.48	31.16	0.01	43.46	74.63	38.33
Total	219.57	622.79	374.60	412.70	766.79	542.30	24.94	108.59	5.24	657.21	1,498.17	922.14
Total Assets	127.48	189.12	143.51	551.20	386.63	291.78	1,685.81	1,608.56	1,516.01	2,364.49	2,184.32	1,951.30
Capital expenditure												
Tangible Fixed Assets										34.21	266.59	624.84
Distribution rights										359.61	481.25	96.15

21. Capital Commitments

	30-09-2009	31-03-2009	31-03-2008
			(Rs. Millions)
Capital Commitments			
Estimated amount of contracts remaining to be executed on capital account not provided for, net of advances Rs.135.23 millions (31.03.2009: 19.50 millions & 31.03.2008:140.67 millions)	354.33	43.38	93.09

Annexure 5: Details of Other Income as restated

(Rs. Millions)

Particulars	For the Half year ended 30 September 2009	For the year ended 31 March 2009	For the period 13 April 2007 to 31 March 2008	Nature of Income	Related or not related to business
SOURCES OF INCOME					
Profit on Sale of Assets	4.75	-	0.02	Non recurring	Not Related
Interest from banks & others	1.20	7.06	8.90	Recurring	Related
Sundry Balances Written back	-	1.11	0.55	Non recurring	Not Related
Foreign exchange gain	22.08	-	14.12	Non recurring	Related
Gain on forward contract	-	0.05	-	Non recurring	Related
Insurance claims	3.93	-	-	Non recurring	Not Related
Miscellaneous income	0.94	2.69	-	Non recurring	Not Related
TOTAL	**32.90**	**10.91**	**23.59**		
Net Profit before tax as restated	108.56	199.36	80.96		
Percentage(%)	30.31%	5.47%	29.14%		

The classification of income into recurring and non-recurring is based on the current operations and business activity of the Company.

Annexure 6: Details of Employee cost as restated

(Rs. Millions)

Particulars	For the Half year ended 30 September 2009	For the year ended 31 March 2009	For the period 13 April 2007 to 31 March 2008
Salaries & Wages	287.14	634.20	455.67
Contribution to Provident Fund	18.89	39.81	25.70
Staff Welfare Expenses	5.98	13.29	10.60
Gratuity	0.08	8.64	7.67
Compensated Absences	0.10	(2.54)	10.68
Total	**312.19**	**693.40**	**510.32**

Annexure 7 : Details of Administrative and Other Expenses as restated

(Rs. Millions)

Particulars	For the Half Year Ended 30 September 2009	For the year Ended 31, March 2009	For the period 13 April 2007 to 31 March 2008
Communication Expenses	5.96	10.59	7.50
Printing & Stationery	0.37	1.91	0.52
Professional & Consultancy Charges	30.06	88.95	63.24
Repairs & Maintenance :			
Building	2.33	2.46	1.15
Plant & Machinery	3.86	6.00	3.28
Others	0.49	0.79	0.73
Insurance	0.51	2.18	1.17
Business Promotion	2.05	4.18	3.38
Rent	26.63	49.68	26.15
Rates & Taxes	4.87	0.77	1.52
Auditors Remuneration	1.30	2.48	2.42
Directors Remuneration	4.20	8.40	6.07
Selling & Distribution Expenses	3.10	12.28	4.11
Recruitment Expenses	0.05	3.27	0.74
Travelling and Conveyance Expenses	8.57	23.96	10.37
Loss on sale of assets	-	0.18	-
Bad debts	0.08	0.78	-
Provision for doubtful debts	1.88	5.79	-
Foreign Exchange Fluctuation Loss	-	60.78	-
Public issue related expenses	14.55	-	-
Miscellaneous Expenses	1.88	11.19	3.70
Total	**112.74**	**296.62**	**136.05**

Annexure 8: Details of Interest and Financial Charges as restated			
			(Rs.Millions)
Particulars	**For the Half year ended 30 September 2009**	**For the year ended 31, March 2009**	**For the period 13 April 2007 to 31 March 2008**
Interest on Debentures	-	-	2.54
Interest on Bank Loans	8.36	27.56	32.35
Other Financial Charges	17.29	28.04	8.53
Total	**25.65**	**55.60**	**43.42**

Annexure 9: Details of Fixed Assets as restated			
			(Rs. Millions)
Particulars	**As at September 30,**	**As at March 31,**	
	2009	**2009**	**2008**
(A) Tangible Assets			
(i) Assets on lease			
Leasehold Land	14.35	14.35	-
Leasehold Improvements	22.78	23.34	17.02
(ii) Owned assets			
Plant & Machinery	753.43	768.28	584.14
Office Equipments	9.07	8.96	6.60
Furniture, Fixtures & Interiors	45.42	45.58	40.09
Vehicles	21.76	19.40	19.40
Total	**866.81**	**879.91**	**667.25**
Intangible Assets			
Distribution Rights	830.15	470.53	335.39
Gross Block	**1,696.96**	**1,350.44**	**1,002.64**
Less: Accumulated depreciation	666.80	586.83	356.10
Net Block	**1,030.16**	**763.61**	**646.54**
Add:			
Capital Work in Progress	441.60	626.68	357.37
Total	**1,471.76**	**1,390.29**	**1,003.91**

Annexure 10: Details of Investments as restated			
			(Rs. Millions)
Particulars	**As at September 30,**	**As at March 31,**	
	2009	**2009**	**2008**
Investments			
Long Term, Unquoted, Trade. In Subsidiary Company - DQ Entertainment (Ireland) Limited (250,000 ordinary shares of face value Euro 1, fully paid (31.03.2009: 100 ordinary shares of face value Euro 1, fully paid)	16.68	0.01	-
Total	**16.68**	**0.01**	**-**

Annexure 11 : Details of Current Assets, Loans and Advances as restated		
		(Rs. Millions)
Particulars	**As at September 30,**	**As at March 31,**

	2009	2009	2008
(A) Current assets:			
Sundry debtors(Unsecured)			
Outstanding over six months			
: Considered good	183.04	39.19	-
: Considered doubtful	4.29	4.29	-
	187.33	**43.48**	-
Other debts			
: Considered good	413.97	376.50	231.34
: Considered doubtful	2.20	1.50	-
	416.17	**378.00**	231.34
Less: Provision for doubtful debts	(6.50)	(5.79)	-
	597.00	**415.69**	**231.34**
Cash and bank balances			
Cash on hand	0.06	0.03	0.01
Remittance in transit	-	20.57	-
Balances with Scheduled Banks:			
Current accounts	45.51	35.64	99.98
Deposit accounts	25.15	49.16	329.33
	70.72	**105.40**	**429.32**
Loans and Advances			
(Unsecured, Considered Good)			
Deposits *	22.37	30.20	20.60
Advance to Suppliers and others	12.71	9.88	0.20
Advance to DQ Plc (Parent of Holding Company)	-	27.06	27.06
Claims Receivable	24.68	17.15	13.28
Prepaid Expenses	1.63	9.24	15.80
Interest Receivable	0.59	-	2.24
Total	**61.98**	**93.53**	**79.18**
*Deposits include Balance with Government Authorities Rs.6.17 millions (31.03.2009: Rs.5.51 millions & 31.03.2008: Rs.4.36 millions)			

Annexure 12 : Details of Secured Loans as restated

(Rs. Millions)

Particulars	**As at September 30,**	**As at March 31,**	
	2009	**2009**	**2008**
Long Term Loans from banks	176.38	299.08	374.54
Working Capital Loans from banks	96.79	65.65	29.16
Total	**273.17**	**364.73**	**403.70**

DETAILS OF SECURED LOANS OUTSTANDING AS ON 30 SEPTEMBER 2009 (Rs. Millions)

Particulars	Sanctioned Amount	Amount Outstanding	Rate of Interest p.a(%)	Repayment Terms	Securities Offered
Cash Credit					
Axis Bank Limited	**50.00**	46.89	PLR less 2.50%	Within 1 year	First Charge on the current assets of the Company and second charge on the fixed assets
Yes Bank Limited (INR)	**30.00**	30.04	PLR less 2%	Within 1 year	First Charge on the current assets of the Company and second charge on the fixed assets
Yes Bank Ltd	**20.00**	19.86	LIBOR+350 basis points	Within 1 year	First Pari Passu Charged the entire current assets along with other Working Capital lenders of the Company. Second Pari Passu Charged on the Fixed Assets along with other Working Capital lenders of the Company
Term Loans					
ICICI Bank Limited Vehicle Loan	**8.63**	5.56	Average rate of Interest.9%	Equated monthly installments	Against Hypothecation of vehicles
Export Import Bank of India(Foreign Currency)	**210.00**	125.77	6M LIBOR plus 300basis points p.a	1year Moratorium and the balance repayable in 8 Quarterly installments	First charge on all fixed assets and second charge on all current assets
Export Import Bank of India(INR)	**30.00**	15.00	PLR less 1%	6 installments of Rs.50lakhs each from the release of funds to make payment schedule at par with Foreign Currency Term Loan	Pari-passu First Charge on fixed assets and second charge on current assets
Andhra Bank	30.00	30.04	BMPLR+0.25	5 Years inclusive of Gestation Period of year from	Pari-passu First Charge on all the fixed assets of the company and second charge on current assets of the company

Particulars	Sanctioned Amount	Amount Outstanding	Rate of Interest p.a(%)	Repayment Terms	Securities Offered
				date of disbursement 16 Quarterly instalments	

Annexure 13 : Details of Current Liabilities and Provisions as restated			
			(Rs. Millions)
Particulars	**As at September 30,**	**As at March 31,**	
	2009	**2009**	**2008**
Current Liabilities			
Dues to Micro and Small Enterprises	-	-	-
Dues to other than Micro and Small Enterprises			
For goods & services*	46.96	27.99	57.24
For others	384.17	199.71	96.69
Advance from Customers	2.87	13.29	-
Interest accrued but not due on Secured Loans	1.08	1.46	2.01
Other Liabilities	5.63	12.20	13.74
Total	**440.71**	**254.65**	**169.68**
*includes liabilities on account of capital nature Rs.2.39 millions (31.03.2009: Rs.1.56 millions & 31.03.2008: Rs.3.55 millions)			
Provisions			
Provision for taxation (Net of advance tax & Tax Deducted at Source of Rs.45.80 millions (31.03.2009:Rs.26.12 millions & 31.03.2008 Rs.4.42 millions)	16.50	14.92	6.72
Provision for retirement benefits	54.98	56.07	54.08
Provision for retakes	16.82	23.79	17.37
Total as per audited statement	**88.30**	**94.78**	**78.17**
Add: Prior period adjustments	-	0.74	0.09
Adjusted Current Liabilities and Provisions	**88.30**	**95.52**	**78.26**

Annexure 14: Details of Share Capital as restated				
				(Rs. Millions)
Particulars		**As at September 30,**	**As at March 31,**	
		2009	**2009**	**2008**
Authorised				
80,000,000	Equity Shares of Rs.10/- each (31.03.2009: 3,010,000 & 31.03.2008: 3,010,000 shares of Rs.10/- each)	800.00	30.10	30.10
Nil	1% Redeemable Optionally Convertible Preference shares of Rs.10/- each (31.03.2009:800,000 & 31.03.2008: 800,000 shares of Rs.10/- each)	-	8.00	8.00
		800.00	**38.10**	**38.10**
Issued, Subscribed & Paid up				

Annexure 14: Details of Share Capital as restated			
			(Rs. Millions)
Particulars	**As at September 30,**	**As at March 31,**	
	2009	**2009**	**2008**
59,462,218 Equity Shares of Rs.10/- each fully paid up (31.03.2009: 1,422,912 &31.03.2008: 1,422,912 Equity shares of Rs.10/- each fully paid up) (The above shares are held by the holding company DQ Entertainment (Mauritius) Limited, the ultimate holding company is DQ Entertainment Plc.) (58,011,920 equity shares are allotted as fully paid up by way of bonus shares issued by capitalization from Securities Premium Account.) (During the period 27,381 Redeemable Optionally Convertible Preference Shares were converted into 27,381 equity shares of Rs.10/- each fully paid up.	594.62	14.23	14.23
NIL 1% Redeemable Optionally Convertible Preference Shares of Rs.10/- each (31.03.2009:203,767 & 31.03.2008: 203,767 shares of Rs.10/- each fully paid up) (During the period 27,381 preference shares of Rs.10/- each were converted into 27,381/- equity shares of Rs.10/- each fully paid up and preference shares of 176,386 are redeemed for cash)	-	2.04	2.04
	594.62	**16.27**	**16.27**

Annexure 15: Details of Reserves and Surplus as restated			
			(Rs. Millions)
Particulars	**As at September 30,**	**As at March 31,**	
	2009	**2009**	**2008**
Capital Subsidy	**0.80**	**0.80**	**0.80**
Capital Redemption Reserve			
Balance as per last account	-	-	-
Add: Transfer from Profit and Loss account	1.76	-	-
	1.76	-	-
Securities Premium Account			
Balance as per last account	1,185.41	1,185.41	-
Add: On amalgamation of erstwhile DQ Entertainment Limited	-	-	116.79
Add: Issue of equity shares during the year	-	-	1,068.62
Less: Issue of Bonus Shares	580.11	-	-
	605.30	**1,185.41**	**1,185.41**
General Reserve			
Balance as per last account	5.49	5.49	5.49
Debenture Redemption Reserve			
Balance as per last account	-	-	-
Add: On account of amalgamation of erstwhile DQ Entertainment Limited	-	-	41.79

Annexure 15: Details of Reserves and Surplus as restated			
			(Rs. Millions)
Particulars	**As at September 30,**	**As at March 31,**	
	2009	**2009**	**2008**
Less: Transferred to profit and loss account	**-**	-	(41.79)
Total	**-**	**-**	**-**
Profit & Loss Account			
Balance as per last account	253.53	92.68	-
Add: Profit for the period	102.57	160.85	70.00
Debit balance in Profit and Loss account of erstwhile DQ Entertainment Limited	-	-	(19.10)
Transfer from Debenture Redemption Reserve			41.78
Less: Transfer to Capital Redemption Reserve	(1.76)	-	-
Profit & Loss Account balance carried forward	**354.34**	**253.53**	**92.68**
	967.69	**1,445.23**	**1,284.38**

Annexure 16: Summary of Accounting Ratios			
			(Rs. Millions)
Particulars	**As at September 30,**	**As at March 31,**	
	2009	**2009**	**2008**
Earrings per share(INR)			
-Basic	1.75	113.04	350.72
-Diluted	1.75	98.88	313.16
Net Asset Value per Share(INR)	26.27	1027.12	914.08
Return on Networth	7%	11%	5%
Weighted average number of equity shares outstanding during the period used for computing basic earnings per share	58,543,159	1,422,912	199,589
Weighted average number of equity shares outstanding during the period used for computing diluting earnings per share	58,723,994	1,626,679	223,529
Number of Equity shares outstanding at the end of the period	59,462,218	1,422,912	1,422,912

Notes

1. The above ratios have been computed as under:

Basic and diluted earnings per share (INR) = Net profit after tax – restated
----
Weighted average number of equity shares outstanding during the period

Net asset value per share (INR) = Net worth - restated,
at the end of the period
--------- --
Total number of equity shares outstanding at the end of the period

Return on Net Worth (%) = Net profit after tax - restated

Net worth-restated, at the end of the period

2. Net profit - restated as appearing in the "Non- Consolidated Restated Profit & Loss" has been considered for the purpose of computing the above ratios.

3. Earnings per share calculations are done in accordance with Accounting Standard 20 on Earnings Per Share.

4. Net worth means Equity Share Capital + Preference Share Capital + Reserves and Surplus as appearing in "Summary Statement of Assets and Liabilities as restated".

Annexure 17: Capitalisation Statement

(Rs. Millions)

Particulars	Pre-Issue as at September 30,2009	Post-issue
Borrowings		
Short Term Debt	96.79	[*]
Long Term Debt	176.38	[*]
Total Debts	**273.17**	
Shareholder's funds		
Equity Share Capital	594.62	[*]
Preference Share Capital	-	[*]
Reserves and surplus	967.69	[*]
Total Shareholder's funds	**1,562.31**	
Total Capitalisation	**1,835.48**	
Long Term Debt/Equity Ratio	11%	

Notes:

1. The above has been computed based on restated summary statements.
2. Short term debts are debts due within next one year
3. Statement for the post issue period will be made on the conclusion of the book building process.

Annexure 18: Statement of Tax Shelters

(Rs. Millions)

Particulars	As at September 30,	As at March 31,	
	2009	2009	2008
Profit before tax as per summary statement of profit & loss as restated	**107.82**	**199.36**	**80.96**
Normal tax rates	33.99%	33.99%	33.99%
MAT rate			
Notional tax at normal rates (A)	**36.65**	**67.76**	**27.52**
Permanent Differences			
ESI Damages	-	2.30	-
Other adjustments	(8.33)	1.43	1.59
Total (B)	**(8.33)**	**3.73**	**1.59**
Timing Differences			
Difference between tax depreciation and book depreciation	(20.74)	(25.32)	(73.87)
Unabsorbed depreciation	(98.76)	(152.30)	-
Carry forward business loss	-	(3.54)	-
Other adjustments	18.18	7.30	(0.34)

Annexure 18: Statement of Tax Shelters			
			(Rs. Millions)
Particulars	**As at September 30,**	**As at March 31,**	
	2009	**2009**	**2008**
Total (C)	**(101.32)**	**(173.86)**	**(74.21)**
Net Adjustments (B+C)	**(109.65)**	**(170.13)**	**(72.62)**
Tax expense / (savings) thereon (D)	**(37.27)**	**(57.83)**	**(24.67)**
Total taxation (E=A+D)	**(0.62)**	**9.93**	**2.85**
Tax exemption on profit earned on Exports	(95.73)	(169.92)	(35.17)
Tax effect on the above (F)	(32.54)	(57.75)	(11.96)
Net tax for the year / period (E+F)	**-**	**-**	**-**
Tax payable as per MAT	17.72	22.39	8.96
Deferred Tax	(12.47)	12.47	-
Fringe Benefit Tax	-	3.00	1.91
Tax as per return of income/provisional computation	**5.25**	**37.86**	**10.87**

Note: The figures for the period ended 30 September 2009 are based on the provisional computation of total income prepared by the Company and are subject to any changes that may be considered at the time of final filing of the return of income for the year ended 31 March 2010.

DQ Entertainment (International) Limited - Consolidated

Annexure 19: Summary Statement of Consolidated Profit & Loss, as restated		
		(Rs. Millions)
	For the Half year ended 30 September 2009	**For the year ended 31 March 2009**
Income		
Sales:		
Animation	660.80	1,356.58
Gaming	1.22	66.96
Distribution	43.47	74.63
Total Sales	**705.49**	**1,498.17**
Other Income	32.01	10.91
Total Income	**737.50**	**1,509.08**
Expenditure		
Production Expenses	67.46	52.67
Employee Cost	312.19	693.40
Administrative, selling and distribution expenses	113.60	296.89
	493.25	**1,042.96**
Less: Expenditure transferred to capital and other account	13.91	70.76
Total Expenditure	**479.34**	**972.20**
Profit Before Interest, Depreciation and Tax	**258.16**	**536.88**
Interest and financial charges	26.66	55.60
Profit Before Depreciation and Tax	**231.50**	**481.28**
Depreciation and Amortisation	123.81	282.19
Profit Before tax and restatement	**107.69**	**199.09**
Adjustment on account of restatement	0.74	-
Profit before tax and extraordinary items	**108.43**	**199.09**
Current Tax	18.50	22.39
Deferred tax	(12.47)	12.47
Fringe Benefit Tax	-	3.00
Total provision for tax	6.03	37.86
Profit after tax before extraordinary items	**102.40**	**161.23**
Impact of material adjustments for restatement in corresponding years	(0.74)	0.74
Extraordinary items (net of tax)	-	-
Profit after tax and extraordinary items	**101.66**	**160.49**
Balance brought forward	253.26	92.77
Transfer to Capital Redemption Reserve	(1.76)	-
Profit available for appropriation and carried forward as restated	**353.16**	**253.26**

Annexure 20: Summary statement of Consolidated Assets and Liabilities, as restated			
			(Rs. Millions)
		As at September 30, 2009	**As at March 31, 2009**
A.	**Fixed Assets**		
	Gross block	1,753.93	1,350.44
	Less: Accumulated Depreciation	668.55	586.83
	Net Block	**1085.38**	**763.61**
	Capital Work in Progress	441.60	626.68
	Total	**1526.98**	**1,390.29**
B.	**Current assets, Loans and Advances**		
	Sundry Debtors	543.39	415.69
	Unbilled Revenue	196.14	183.95
	Cash and bank balances	76.36	105.40
	Loans and Advances	195.12	89.04
	Total	**1011.01**	**794.08**
C.	**Liabilities and provisions**		
	Secured loans	273.17	364.73
	Unsecured loans	104.93	-
	Deferred Tax Liability	**-**	12.47
	Current Liabilities and Provisions		
	Current Liabilities	508.37	254.99
	Provisions	89.12	90.96
	Total Liabilities and Provisions	**975.59**	**723.15**
	Networth (A + B - C)	**1562.40**	**1,461.22**
D.	**Represented by**		
	Share capital	594.62	16.27
	Reserves & Surplus	967.78	1,444.95
	Networth	**1562.40**	**1,461.22**

Annexure 21: Summary Statement of Consolidated Cash Flows, as restated			
			(Rs. Millions)
		For the Half year ended 30 September 2009	**For the year ended 31 March 2009**
A	**Cash flow from Operating Activities**		
	Profit Before tax and restatement	107.69	199.09
	Adjustments for		
	Depreciation and amortisation	123.81	282.19
	Depreciation transferred to capital account	(0.30)	-
	Interest Income	(1.20)	(7.11)
	Interest Expenses	26.66	55.60
	Public issue related expenses	14.55	-
	Profit on sale of fixed assets	(0.53)	0.18
	Unrealised (gain)/loss due to exchange differences	(15.97)	53.61
	Operating profit before working capital changes	254.71	583.56
	Adjustments for changes in		
	Trade and other receivables	(265.31)	(560.74)
	Trade payables, other liabilities and provisions	227.88	76.29
	Income tax paid	(11.36)	(16.85)
	Net Cash from Operating activities	**205.92**	**82.26**
B	**Cash flow from Investing Activities**		
	Purchase of fixed assets	(234.44)	(262.94)
	Interest received on deposits with Banks and other deposits etc.,	0.61	9.18
	Sale of Fixed Assets	5.75	2.28
	Net Cash used in Investing activities	**(228.08)**	**(251.48)**
C	**Cash flow from Financing Activities**		
	Interest and financing charges paid	(26.05)	(40.15)
	Issue of Equity shares #	-	-
	Payments to preference shareholders on redemption	(1.76)	-
	Public issue related expenses	(2.24)	-
	Proceeds from Borrowings from Term Loans	30.05	30.00
	Proceeds from Borrowings of unsecured loan from ultimate holding company	103.91	
	Repayment of Term Loans	(142.74)	(181.26)
	Proceeds on account of Working Capital Loans (Net)	31.14	36.49
	Net Cash used in Financing activities	**(7.69)**	**(154.92)**
	Net Decrease in cash and cash equivalents (A+B+C)	**(29.85)**	**(324.14)**
	Cash and cash equivalents as at the beginning of the year	**105.40**	**429.32**
	Exchange difference on translation of foreign currency cash and cash equivalents	0.81	0.22
	Cash and cash equivalents as at the end of the year* * Including restricted balance of Rs.24.93 millions (31.03.2009: Rs.3.39 millions)	**76.36**	**105.40**
	# Issue of equity shares amounting to Rs 50/-		

Annexure 22

Summary of significant Accounting policies and notes on financial statements

I. Significant Accounting Policies

a. Basis for Preparation of consolidated Financial Statements:

The consolidated financial statements have been prepared under the historical cost convention on an accrual basis of accounting in accordance with Generally Accepted Accounting Principles, Accounting Standards notified under section 211(3C) of the Companies Act, 1956 and the relevant provisions thereof.

b. Fixed Assets:

Fixed Assets are valued at cost inclusive of freight, installation cost, finance cost, duties and taxes and other incidental expenses incurred during the construction / installation stage. Fixed Assets include expenditure incurred on creation of infrastructure facilities at work premises.

Distribution rights represent the cost incurred on acquisition of animation contents for exploitation.

Capital work-in-progress comprises outstanding advances paid to acquire fixed assets and the cost of fixed asset (including expenditure during construction) that are not yet ready for their intended use before the balance sheet date.

Direct or indirect expenses incurred on the Development of Projects in order to create Intellectual Property or Content, which are exploited on any form of media are capitalized as an intangible asset under development in accordance with AS 26 (intangible assets). In the event, the project is not scheduled for production within three years, or project is abandoned, the carrying value of the Development Rights would be expensed in the year in which such project is discontinued or abandoned.

c. Depreciation and Amortization:

Depreciation on fixed assets other than leasehold improvements is provided on straight-line method at rates which are as follows:

Hardware & Software (CGI*)	30.00%
Hardware & Software (Others)	16.21%
Generators	16.21%
Office Equipment	10.00%
Furniture & Fixtures	10.00%
Vehicles	25.00%

*Computer Generated Imagery

Individual assets costing less than Rs.0.005 million are fully depreciated in the period of purchase. Where the aggregate actual cost of individual items of Plant and Machinery costing Rs.0.005 millions or less constitutes more than 10% of the total actual cost of Plant and Machinery, depreciation is provided at normal rates stated above.

Leasehold improvements are amortised over the primary period of lease.

Cost of Distribution Rights is amortised over the period of the right including extended period or ten years whichever is lower.

d. Investment:

Long-term investments are stated at cost less provision required, if any, for the permanent diminution in value thereof.

e. Licensing Rights

In respect of Licensing Rights acquired against a specific sale contract, the costs are charged off as Production Costs.

f. Revenue Recognition

(i) *Production Revenue:*

Service revenue from fixed-price contracts is recognised using the Proportionate Completion Method. Provisions for estimated losses on uncompleted contracts are made in the year in which such losses are determined.

"Unbilled Revenue" represents services provided to the customers till the balance sheet date, which are billed subsequent to period-end. All such amounts are anticipated to be realised in the following period.

(ii) *Distribution Revenue:*

Revenue from the licensing of distribution rights (including withholding tax) is recognised on a straight line basis over the term of the licensing agreement and in the case of the license fee from co-production rights on the date declared by the licensee.

(iii) *Training Revenue:*

Training Revenue is recognised over the period of instruction.
No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

g. Foreign Currency Transactions:

Foreign Currency Transactions (FCT) and Forward Exchange Contracts (FEC) used to hedge FCT (including firm commitments and forecast transactions) are initially recognised as the spot rate on the date of the transaction / contract.

Monetary assets and liabilities relating to FCT and FEC remaining unsettled at the end of the period are translated at the exchange rate prevailing as on the date of balance sheet.

The difference in translation and realised gains and losses on Foreign Exchange Transactions (including Option Contracts) are recognised in Profit and Loss Account. Further, in respect of transactions covered by FEC, the difference between contract rate and spot rate on the date of the transaction is charged to Profit and Loss Account over the period of the contract.

The Financial statements of the subsidiary are consolidated using the following conversion rates into Indian rupees:

a) All assets and liabilities, both monetary and non monetary are translated at the closing rates.
b) All revenue and expenditure items are translated using the average rates for the period of consolidation.
c) The resulting net exchange difference is carried in the "Foreign Currency Translation Reserve Account".
d) Contingent liabilities are translated using the closing rates.

h. Employee benefits

(i) Post-employment benefit plans

Post employment benefits are recognised as an expense in the Profit and Loss Account for the year in which the employee has rendered services.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur.

(ii) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave.

(iii) Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation at the balance sheet date.

i. Public Issue related expenses

Public issue related expenses are recognised as an expense in the profit and loss account in the period in which these are incurred.

j. Taxation

(i) Current tax expense is calculated in accordance with the applicable tax regulations of the respective country for the entities.

(ii) Provision for Income Tax is made on the assessable income, at the applicable tax rates, in accordance with the provisions of the Income-tax Act, 1961. Income derived from the animation division and related services are exempt under section 10A of the Income-tax Act, 1961 for a period up to the assessment year beginning 1 April 2010. The Company has provided tax on its other taxable income earned during the year.

(iii) Minimum Alternate Tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax after the tax holiday period. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

(iv) Deferred tax expense or benefit is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient taxable income will be available to realize such assets. In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realize these assets.

k. Provision for retakes

Provisions for retakes are recognised wherever they are considered to be material. Retakes include creative changes to the final product delivered to the customer, performed on the specific request of the customer at the Company's own cost. Requests for retakes from customers are expected to be received by the Company within a period of three months from the final delivery.

l. Leases

Lease payments for assets taken on Operating Lease are recognised in the Profit and Loss Account over the lease term in accordance with the Accounting Standard 19 – Leases.

m. Earnings Per Share

The Company reports basic and diluted Earnings per Share (EPS) in accordance with Accounting Standard 20 – EPS.

- *Basic Earnings per Equity Share* has been computed by dividing Net Profit for the year by the weighted average number of Equity Shares outstanding for the period

- *Diluted Earnings per Equity Share* has been computed using the weighted average number of Equity Shares and dilutive potential Equity Shares outstanding during the period except where the results are anti dilutive.

n. Provisions, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is possible that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the Notes. Contingent Assets are neither recognised nor disclosed in the Financial Statements.

o. Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of assets in the unit on a pro rata basis.

II. Notes to Financial Statements

1.

(a) **Principles of Consolidation:**

The consolidated financial statements relate to DQ Entertainment (International) Limited ("the Group") and its subsidiary company, having 100% ownership interest, DQ Entertainment (Ireland) Limited, which is incorporated and domiciled in Ireland on 12th November 2008.

The Consolidated Financial Statements have been prepared on the following basis:

The Financial statements of the Company and its subsidiary company have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and the resulting unrealized profits or losses as per Accounting Standard 21- Consolidated Financial Statements notified by the Companies (Accounting Standards) Rules, 2006.

In the case of foreign subsidiary being non-integral foreign operation, revenue items are consolidated at the average rate prevailing during the period of consolidation. All assets and liabilities are converted at the rate prevailing at the end of the period. Exchange gain/ (loss) arising on conversion are recognized under Foreign Currency Translation Reserve.

The consolidated financial statements are prepared for the six months period ended September 30, 2009 ("the period").

The financial statements of the subsidiary used in the consolidation are drawn up to the same reporting date as that of the Company i.e. 30 September 2009.

Company Overview

The Company is engaged in the business of providing services relating to animation production for television and film production companies and rendering training for acquiring skills for production services in relation to the production of animation television series and movies. The Company also provides services for gaming consoles and licensing of programme distribution rights to broadcasters, television channels and home video distributors.

Pursuant to a special resolution of the members passed at an EGM on July 25, 2009, DQ Entertainment (International) Private Limited became a public limited company and hence the name is changed to DQ Entertainment (International) Limited. A fresh certificate of incorporation consequent to conversion of Company from private to public was granted on September 10, 2009 by the Registrar of Companies, Andhra Pradesh at Hyderabad.

b) Adjustments

Impact of Restatement

(Rs. in millions)

	As at September 30,2009	As at March 31,2009
Current Tax	0.75	0.75
Fringe Benefit Tax	(0.01)	(0.01)
Total Adjustments:	**0.74**	**0.74**

Notes on Adjustments:

During the period ended 30 September 2009 the company has made provisions for current tax and fringe benefit tax relating to the previous years. This is subsequently adjusted in the restatement financial statements and presented accordingly

2. Share Capital

Authorised share capital

On 15th September 2009 the Company increased its authorised equity share capital from 3,010,000 shares of face value of Rs 10 each to 80,000,000 shares of face value of Rs 10 each and cancelled the 800,000 1% Redeemable Optionally Convertible Preference share capital.

Issued, Subscribed & Paid up

Preference Shares:

a) During the period out of 203,767 1% Redeemable Optionally Convertible Non Cumulative Preference Shares of the face value Rs.10/- (Rupees Ten) 27,381 shares are converted in to 27,381 equity shares of Rs 10/- each and the balance of 176,386 1% Redeemable Optionally Convertible Non Cumulative Preference Shares were redeemed for cash at Rs 10/- per share.

b) Dividends:

Each Preference Share shall carry an annual preference dividend of 1% (one percent) per annum, such dividends to be non cumulative and payable annually prior to the payment of dividends on the equity shares. The Preference Shares being non-cumulative in nature, any dividend unpaid for any financial year shall not be carried forward and/or accumulate in the next financial year. No dividend shall be paid on the Equity Shares if the preference dividends or any portion thereof on Preference Shares are in arrears.

c) Redemption:

The Company shall be entitled, at its option to call for redemption of all or part of the Preference Shares in one or more trenches, at a redemption price of Rs. 10/- per Preference Share plus an amount equal to any accrued but unpaid dividend on such Preference Shares.

3. Reserves & Surplus

Capital subsidy:

Erstwhile DQ Entertainment Limited was sanctioned a Capital Subsidy of Rs.2.00 millions under 7(f) of ICT Incentive Policy of the Government of Andhra Pradesh, to be released in five equal annual installments of Rs.0.40 million each as per G.O.RtNo.284 dated 10th September 2004. The Company has received Rs.0.80 million and has been transferred to Capital Subsidy.

4. Distribution Rights

Distribution rights (Refer Annexure 20(a)-Details of Fixed Assets) aggregating to Rs.887.11 millions (31.03.2009: Rs.470.53 millions) represent the unamortized value of costs incurred in acquiring distribution rights. The Company started acquiring these rights from the year 2003-04 and till date 27 series (31.03.2009: 23) of Animation rights have been acquired for different territories across the globe. The Company has started receiving revenues from usage of rights since 2006-07. The Company has performed testing for impairment of intangibles which resulted in an impairment loss of Rs.1.76 millions (31.03.2009: Rs.62.18 millions) on account of recoverable amount of intangibles being less than its carrying amount. These have been included in the line item "Depreciation & Amortisation" in the Statement of Profit and Loss.

5. Capital work-in-progress

(a) Includes Rs. 2.52 millions (31.03.2009: Rs.19.50 millions) on account of advances to suppliers of capital goods and Rs.428.38 millions (31.03.2009: Rs.535.79 millions) incurred under various co-production agreements for which distribution rights are yet to be received. Pending receipt of distribution rights and considering the potential benefits likely to accrue to the Company in future, the carrying amount of Capital work-in-progress have been valued at cost.

(b) Includes Rs.10.70 millions (31.03.2009: Rs.71.39 millions) incurred towards projects under development to be exploited as Television Series/Films and others. Based on review of estimated future realizations the management is of the view that estimated future recoverable amount from these projects are more than its carrying unamortized cost and consequently no provision for impairment is considered necessary by the management at this stage.

6. Taxation

The company is an Export Oriented Unit registered with Software Technology Parks of India and its business income is exempted from tax in terms of section 10A of the Income Tax Act, 1961. Currently Tax provision on book profit is provided as per the provisions of Section 115JB (MAT) of the Income Tax Act, 1961. As a measure of prudence, in the absence of virtual certainty of future profits and having regard to the nature of Company's business, the deferred tax asset of Rs. 26.82 millions has not been recognized.

Deferred Tax

The major components of the Net Deferred Tax are as under:

Timing Differences	(Liability) / Asset as at 30 September 2009	(Liability) / Asset as at 31 March 2009
Depreciation	(27.81)	(86.47)
Gratuity	10.50	10.72
Leave Encashment	7.49	7.63
Sick leaves	0.70	.71
Provision for Doubtful Debts	2.21	1.97
Amalgamation Expenses u/s 35DD	0.16	-
Past losses and unabsorbed depreciation	6.75	52.97
Net Deferred Tax Asset/(Liability)	-	**(12.47)**

7. Secured Loans

(Rs. Millions)

	30 September 2009	31 March 2009
a) Term Loan from Banks:		
(i) Vehicle loans		
Secured by hypothecation of Vehicles acquired	5.56	3.24
ii) Denominated in Foreign Currency		
The loan is secured by a first charge on all the Fixed Assets of the Company and a collateral second charge on all the current assets of the company, both present and future both ranking pari-passu with the Working Capital and Term Lenders of the Company.	125.77	255.84
iii) Denominated in INR		
The loan is secured by a first charge on all the Fixed Assets of the Company and a collateral second charge on all the current assets of the company, both present and future both ranking pari-passu with the Working Capital and Term Lenders of the Company.	45.05	40.00
b) Working Capital Loan from Banks:		
Denominated in Foreign currency		
Packing credit Loan is secured by a first charge on all current assets of the Company along with other working capital lender to the company including all receivables, cash flows and other monies and a second charge on all fixed assets of the company	19.86	-
Denominated in INR		
Working Capital Loan is secured by a first charge on all current assets of the Company, both present and future, including all receivables, cash flows and other monies and a second charge on all fixed assets of the company, both ranking pari-passu with the Working Capital and Term Lenders of the Company	76.93	65.66
Total	**273.17**	**364.74**

8. Contingent Liabilities

(Rs. Millions)

	30 September 2009	31 March 2009
a) Bonds executed in favour of customs and excise authorities	37.25	37.25
b) Letter of Credit	338.92	316.58

c) Under the scheme of Amalgamation all Assets and Liabilities of the erstwhile company DQ Entertainment Limited were taken over by the Company. Consequently the Company was liable for all Income tax assessments prior to the date of take over. Income Tax Assessment of DQ Entertainment (International) Limited has been completed till Assessment Year 2006-07 (financial year 2005-06). Income Tax department has preferred an appeal for the Assessment year 2004-05 and 2006-07 and is pending before the Income Tax Appellate Tribunal (ITAT). No demand has been raised by the Income Tax Department on the above.
d) Claims against the Group not acknowledged as debts are Rs.9.64 millions. (31.03.2009 Rs.9.64 millions). This comprise demands raised by the Income tax department for non deduction of Tax Deducted at Source on payments to non residents on which the Company has gone on appeal and the appeal is pending before the Commissioner of Income Tax(Appeals), Hyderabad

9.

(a) The Company uses Forward Exchange Contracts and Currency Options to hedge its exposures in foreign currency related to firm commitments and highly probable forecasted transaction on Derivative instruments is as follows:

Derivative Instrument Outstanding as at the period end:

(Rs. Millions)

Currency	**As at September 30, 2009**		**As at March 31, 2009**	
	Buy	**Sell**	**Buy**	**Sell**
I) Forward Exchange Contracts				
USD		$0.50	-	$0.50
INR equivalent		24.17	-	26.09
II)Currency Options				
USD		-	-	$1.08
INR equivalent		-	-	563.44

(b) Exchange difference in respect of forward exchange contracts to be recognized in the Profit and Loss Account in the subsequent accounting period amounts to Rs. 0.36 million (31.03.2009: Rs.0.30 million).

The period end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below.

(c) Amounts receivable in foreign currency on account of the following:

(Rs. Millions)

	As at 30 September 2009		**As at 31 March 2009**	
	Rs.	**Foreign currency**	**Rs.**	**Foreign currency**
Export of goods	24.38	$0.50	65.16	$1.25
	464.88	€ 6.59	294.68	€ 4.28
License Fees	25.26	€ 0.36	28.00	€ 0.41
	17.81	$0.37	3.97	$0.076
Total	**532.33**		**391.81**	

(d) Amounts payable in foreign currency on account of the following:

(Rs. Millions)

	As at 30 September 2009		As at 31 March 2009	
	Rs.	Foreign currency	Rs.	Foreign currency
Import of goods and services	0.93	$0.02	97.53	$1.87
	0.35	€ 0.005	0.34	€0.005
Interest on Foreign currency term loans	0.63	$0.012	1.92	$0.04
Foreign currency term loans	126.36	$2.61	255.84	$4.90
Total	**128.27**		**355.63**	

10. Remuneration to Whole-time Director

(Rs. Millions)

	As at 30 September 2009	As at 31 March 2009
Salaries and allowances	1.85	3.38
Other Perquisite	0.42	0.84
Commission	2.10	4.20
Total	**4.37**	**8.42**

Auditors' Remuneration

(Rs. Millions)

	As at 30 September 2009	As at 31 March 2009
Audit fees	0.93	0.64
Tax Audit fees	0.05	0.11
Other services	5.50	1.82
Total	**6.48**	**2.57**

11. Micro, Small and Medium Enterprises Development Act, 2006.

The Company has received intimation from certain "Suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 confirming that they do not fall under the Micro, Small & Medium Enterprises Category while other Suppliers have not intimated regarding their status, and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid/payable as required under the said Act have not been given.

12. Related party disclosures

a) Related parties and their relationships

i) Holding companies

(a) DQ Entertainment (Mauritius) Limited- Holding Company
(b) DQ Entertainment Plc-Parent of holding company

ii) Key management personnel

Mr. Tapaas Chakravarti - Managing director & Chief executive officer
Mrs. Rashmi Chakravarti- (Director W.e.f.25 May 2009)
Mr. Akula Ramakrishna- Director (Resigned w.e.f 25 August 2009)
Mr. Laxminarayana Nagu- Director (Resigned w.e.f 25 August 2009)
Mr. Dominic Pool- Director

iii) Relatives of Key Management Personnel with whom the Company had transactions during the period.

Mrs. Rashmi Chakravarti (Wife of Mr. Tapaas Chakravarti) (Director with effect from 25 May 2009)

iv) Associate of the Ultimate Holding Company
Method Animations SAS

b) Transactions with above in the ordinary course of business

(Rs. Millions)

	For the Half Year Ended 30 September 2009	2008-09
i) Holding Companies		
Amount payable at period end - DQ Entertainment (Mauritius) Limited	106.21	94.68
Amount receivable at period end - DQ Entertainment Plc	-	27.06
Loan received from DQ Entertainment Plc	103.91	-
Loan payable to DQ Entertainment Plc	104.93	
Interest expenses on loan from DQ Entertainment Plc	0.99	-
Issue of equity share capital by conversion of Redeemable Optionally Convertible Preference Shares	0.27	
Issues of bonus shares by capitalisations from Securities Premium Account	14.50	-
Consultancy charges - DQ Entertainment(Mauritius) Limited	11.53	-
ii) Key Management personnel		
Issues of Equity shares in the Company(No's)	40	-
Issues of bonus shares by capitalisation from Securities Premium Account(No's)	2000	-
Remuneration	4.37	8.40
iii)Relative of key management personnel		
Issues of Equity shares in the Company (No's)	10	-
Issues of bonus shares by capitalisation from Securities Premium Account (No's)	400	-
Remuneration	1.43	2.85
iv)Associate of the Ultimate Holding Company		
Revenue from Animation	99.38	359.64
Amount receivable at period end	294.47	215.08

13. Leases

The Company's significant leasing arrangement is in respect of operating lease for premises. The Company has exclusive right to cancel the lease with prior notice. The aggregate lease rents payable are charged as rent in the Profit and Loss Account. The aggregate amount of Lease rentals charged to Profit and Loss account is Rs. 26.63 millions (2008-09: Rs 44.70 millions)

14. Employee benefits as required under Accounting Standard 15:

The following table lists out disclosure requirements laid down under the Accounting Standard 15:

(Rs. Millions)

	For the Half Year Ended 30 September 2009		2008-09	
	Leave Encashment	**Gratuity**	**Leave Encashment**	**Gratuity**

14.	**Employee benefits as required under Accounting Standard 15:**			
The following table lists out disclosure requirements laid down under the Accounting Standard 15:				
				(Rs. Millions)
	For the Half Year Ended 30 September 2009		**2008-09**	
	Leave Encashment	**Gratuity**	**Leave Encashment**	**Gratuity**
Change in Defined Benefit Obligations (DBO) during the period ended 30 September 2009				
Change in Defined Benefit Obligations (DBO)				
Present Value of DBO at the beginning of the period	21.90	30.84	25.74	23.46
Current Service Cost	(0.54)	(0.70)	11.26	13.11
Interest Cost	0.90	1.26	2.06	1.88
Actuarial Losses /(Gains)	(0.26)	(0.48)	(15.81)	(6.35)
Benefits paid	(0.64)	(0.78)	(0.81)	(0.56)
Present Value of DBO at the end of the period	**21.36**	**30.14**	**22.44**	**31.54**
Current Service cost	(0.54)	(0.70)	11.26	13.11
Interest Cost	0.90	1.26	2.06	1.88
(Gain) / Actuarial Losses	(0.26)	(0.48)	(15.81)	(6.35)
Expense recognized in the Statement of Profit or Loss	**0.10**	**0.08**	**(2.49)**	**8.64**
Benefit Payments for the period ended 30 September 2009				
Actual Benefit Payments	0.64	0.78	0.81	0.56
Assumptions				
Discount Rate %	8%	8%	8%	8%
Salary Escalation %	4%	4%	4%	4%

15. Earnings per Share ("EPS")

(Rs. Millions except Share Data)

Particulars	**30-09-2009**	**31-03-2009**
a)Net Profit available for Equity Share holders	101.66	160.49
b)Nominal Value Per Share(Rs.)	10.00	10.00
c)Basic Earning Per Share(Rs.)	1.74	112.79
d)Diluted Earning Per Share(Rs.)	1.73	98.66
	Nos	Nos
e)Weighted Average number of Equity Shares for Basic EPS	5,85,43,159	1,422,912
Add: Adjustment for Non-cumulative Convertible Preference Shares	-	203,767
Weighted Average number of Equity Shares for Diluted EPS	5,87,23,994	1,626,679

16. Segment Reporting as per Accounting Standard 17:

Business Segment

The Company comprises the following main business segments:

Animation:

The production services rendered to production houses and training rendered for acquiring skills for production services in relation to the production of animation television series and movies.
Gaming:

The Services provided for the contents in Console/Mobile/Other platforms.

Distribution:

The revenue generated from the exploitation of the distribution rights of animated television series and movies acquired by the Company.

The Segment information for the period ended 30, September 2009 is as follows:								
								(Rs. Millions)
	Animation		**Gaming**		**Distribution**		**Total**	
	For the Half Year Ended 30 September 2009	**2008-09**	**For the Half Year Ended 30 September 2009**	**2008-09**	**For the Half Year Ended 30 September 2009**	**2008-09**	**For the Half Year Ended 30 September 2009**	**2008-09**
Revenue from Customers	660.80	1,356.58	1.22	66.96	43.47	74.63	705.49	1,498.17
Depreciation & Amortisation					30.37	108.28	30.37	108.28
Segment Results	337.47	812.88	(0.65)	43.25	11.27	(37.24)	348.09	818.89
Unallocated Exp							(214.93)	(571.27)
Operating Profit							133.16	247.62
Net Financing costs							(25.47)	(48.53)
Income Tax expense							(6.77)	(37.86)
Profit for the period							**100.92**	**161.23**
Other Information								
Segment assets	647.63	546.22	-	35.26	929.22	934.12	1576.85	1,515.60
Unallocated Assets							961.14	668.77
Total Assets							2537.99	2,184.37
Segment Liabilities	64.23	75.48	0.98	4.06	0.53	0.30	65.74	79.84
Unallocated liabilities							909.85	642.57
Total Liabilities							975.59	722.41
Cash flows from operating activities							205.92	82.26
Cash flows used in investing activities							(228.08)	(251.48)
Cash flows used in financing activities							(7.69)	(154.92)

The Segment information for the period ended 30, September 2009 is as follows:								
								(Rs. Millions)
	Animation		**Gaming**		**Distribution**		**Total**	
	For the Half Year Ended 30 September 2009	**2008-09**	**For the Half Year Ended 30 September 2009**	**2008-09**	**For the Half Year Ended 30 September 2009**	**2008-09**	**For the Half Year Ended 30 September 2009**	**2008-09**
Capital expenditure								
Tangible Fixed Assets							34.21	266.59
Distribution rights							416.58	481.25
b) Geographical Segment								
Revenue from customers	**America**		**Europe**		**Others**		**Total**	
	For the Half Year Ended 30 September 2009	**2008-09**	**For the Half Year Ended 30 September 2009**	**2008-09**	**For the Half Year Ended 30 September 2009**	**2008-09**	**For the Half Year Ended 30 September 2009**	**2008-09**
Animation	201.33	599.68	435.01	679.47	24.46	77.43	660.80	1,356.58
Gaming	1.22	22.94	-	44.02	-	-	1.22	66.96
Distribution	17.01	0.17	25.98	43.30	0.48	31.16	43.47	74.63
Total	219.56	622.79	460.99	766.79	24.94	108.59	705.49	1,498.17
Total Assets	127.48	189.12	551.20	386.69	1859.31	1,608.56	2537.99	2,184.37
Capital expenditure								
Tangible Fixed Assets							34.21	266.59
Distribution rights							416.58	481.25

17. Capital Commitments		
		(Rs. Millions)
	30-09-2009	31-03-2009
Capital Commitments		
Estimated amount of contracts remaining to be executed on capital account not provided for , net of advances.Rs.0.24 million (31.03.2009: 19.50 millions)	354.33	43.38

Annexure 19 a: Details of Consolidated Other Income

(Rs. Millions)

	For the Half year ended 30 September 2009	For the year ended 31 March 2009	Nature of Income	Related or not related to operations
SOURCES OF INCOME				
Profit on Sale of Fixed Assets(Net)	0.53	-	Non recurring	Related
Interest from banks & others	1.20	7.06	Recurring	Related
Sundry Balances Written back	-	1.11	Non recurring	Not Related
Foreign Exchange Fluctuation Gain	25.41	-	Recurring	Related
Gain on forward contract		0.05	Non recurring	Related
Insurance claims	3.93	-	Non recurring	Not Related
Miscellaneous income	0.94	2.69	Non recurring	Not Related
TOTAL	**32.01**	**10.91**		
Net Profit before tax as restated	108.43	199.09		
Percentage (%)	29.52%	5.47%		

The classification of income into recurring and non-recurring is based on the current operations and business activity of the Company.

Annexure 19 b : Details of Consolidated Employee cost

(Rs. Millions)

	For the Half year ended 30 September 2009	For the year ended 31 March 2009
Salaries & Wages	287.14	634.20
Contribution to Provident Fund	18.89	39.81
Staff Welfare Expenses	5.98	13.29
Gratuity	0.08	8.64
Compensated Absences	0.10	(2.54)
Total	**312.19**	**693.40**

Annexure 19 c : Details of Consolidated Administrative and Other Expenses

(Rs. Millions)

	For the Half year ended 30 September 2009	For the year ended 31 March 2009
Communication Expenses	5.96	10.59
Printing & Stationery	0.38	1.91
Professional & Consultancy Charges	30.06	89.12
Repairs & Maintenance :		
Building	2.33	2.46
Plant & Machinery	3.86	6.00
Others	0.49	0.79
Insurance	0.51	2.18

Annexure 19 c : Details of Consolidated Administrative and Other Expenses		
		(Rs. Millions)
	For the Half year ended 30 September 2009	**For the year ended 31 March 2009**
Business Promotion	2.05	4.18
Rent	26.63	49.68
Rates & Taxes	4.87	0.77
Auditors Remuneration	1.98	2.57
Directors Remuneration	4.37	8.42
Selling & Distribution Expenses	3.10	12.28
Recruitment Expenses	0.05	3.27
Travelling and Conveyance Expenses	8.57	23.96
Loss on sale of assets	-	0.18
Bad debts	0.08	0.78
Provision for doubtful debts (net)	1.88	5.79
Foreign Exchange Fluctuation Loss	-	60.78
Miscellaneous Expenses	1.88	11.18
Public issue related expenses	14.55	-
Total	**113.60**	**296.89**

Annexure 19d : Details of Consolidated Interest and Financial Charges		
		(Rs. Millions)
	For the Half year ended 30 September 2009	**For the year ended 31 March 2009**
Interest on Bank Loans	9.37	27.56
Bank and Other Financial Charges	17.29	28.04
Total	**26.66**	**55.60**

Annexure 20 a : Details of Consolidated Fixed Assets		
		(Rs. Millions)
	As at September 30, 2009	**As at March 31, 2009**
Tangible Assets		
Assets on lease		
Leasehold Land	14.35	14.35
Leasehold Improvements	22.78	23.35
Owned assets		
Plant & Machinery	753.43	768.28
Office Equipments	9.08	8.96
Furniture, Fixtures & Interiors	45.42	45.57
Vehicles	21.76	19.40
Total	**866.82**	**879.91**
Intangible Assets		
Distribution Rights	887.11	470.53
Gross Block	**1753.93**	**1,350.44**
Less: Accumulated depreciation	668.55	586.83
Net Block	**1085.38**	**763.61**
Add:		
Capital Work in Progress	441.60	626.68
Total	**1526.98**	**1,390.29**

Annexure 20 b : Details of Consolidated Current Assets, Loans and Advances		
		(Rs. Millions)
	As at September 30, 2009	**As at March 31, 2009**
Current assets:		
Sundry debtors(Unsecured)		
Outstanding over six months		
Considered good	183.04	39.19
Considered doubtful	4.29	4.29
	187.33	**43.48**
Other debts		
Considered good	360.35	376.50
Considered doubtful	2.20	1.50
	362.55	**378.00**
Less: provision for doubtful debts	(6.49)	(5.79)
Total	**543.39**	**415.69**
Cash and bank balances		
Cash on hand	0.06	0.03
Remittance in transit	-	20.57
Balances with scheduled banks:		
in Current accounts	51.15	35.64
in deposit accounts	25.15	49.16
Total	**76.36**	**105.40**
Loans and Advances		
(Unsecured, Considered Good)		
Deposits *	22.37	30.20
Advance to Suppliers and others	145.43	5.39
Advance to DQ Plc (Parent of Holding Company)	-	27.06
Claims Receivable	25.10	17.15
Prepaid Expenses	1.63	9.24
Interest Receivable	0.59	-
Total	**195.12**	**89.04**
*Deposits include Balance with Government Authorities		
Rs.6.*17millions(31.03.2009: Rs.5.51millions)*		

Annexure 20 c : Details of Secured Loans		
		(Rs. Millions)
	As at September 30, 2009	**As at March 31, 2009**
Long Term Loans from banks	176.38	299.08
Working Capital Loans from banks	96.79	65.65
Total	**273.17**	**364.73**

DETAILS OF SECURED LOANS OUTSTANDING AS ON SEPTEMBER 30, 2009

(Rs. Millions)

Particulars	Sanctioned Amount	Amount Outstanding	Rate of Interest p.a (%)	Repayment Terms	Securities Offered
Cash Credit					
Axis Bank Limited	**50.00**	46.89	PLR less 2.50%	Within 1 year	First Charge on the current assets of the Company and second charge on the fixed assets
Yes Bank Limited (INR)	**30.00**	30.04	PLR less 2%	Within 1 year	First Charge on the current assets of the Company and second charge on the fixed assets
Yes Bank Ltd (Foreign Currency)	**20.00**	19.86	LIBOR+350 basis points	Within 1 year	First Pari Passu Charged the entire current assets along with other Working Capital lenders of the Company. Second Pari Passu Charged on the Fixed Assets along with other Working Capital lenders of the Company
Term Loans					
ICICI Bank Limited Vehicle Loan	**8.63**	5.56	Average rate of Interest.9%	Equated monthly installments	Against Hypothecation of vehicles
Export Import Bank of India(Foreign Currency)	**210.00**	125.77	6M LIBOR plus 300basis points p.a	1year Moratorium and the balance repayable in 8 Quarterly installments	First charge on all fixed assets and second charge on all current assets
Export	**30.00**	15.00	PLR less 1%	6installments	Pari-passu

Particulars	Sanctioned Amount	Amount Outstanding	Rate of Interest p.a (%)	Repayment Terms	Securities Offered
Import Bank of India(INR)				of Rs.50lakhs each from the release of funds to make payment schedule at par with Foreign Currency Term Loan	First Charge on fixed assets and second charge on current assets
Andhra Bank	**30.00**	30.04	BMPLR+0.25	5 Years inclusive of Gestation Period of year from date of disbursement 16 Quarterly installments	Pari-passu First Charge on all the fixed assets of the company and second charge on current assets of the company

Annexure 20d : Details of Unsecured Loans		
		(Rs. Millions)
	As at September 30, 2009	**As at March 31, 2009**
Loan from DQ Entertainment Plc-Ultimate holding company	104.93	-
Total	**104.93**	**-**

Annexure 20e : Details of Consolidated Current Liabilities and Provisions		
		(Rs. Millions)
	As at September 30, 2009	**As at March 31, 2009**
Current Liabilities		
Dues to Micro and Small Enterprises	-	-
Dues to other than Micro and Small Enterprises		
For goods & services*	54.67	28.28
For others	384.18	198.54
Advance from Customers	62.82	13.29
Interest accrued but not due on Secured Loans	1.07	1.46
Other liabilities	5.63	13.42
Total	**508.37**	**254.99**
*includes liabilities on account of capital nature Rs.2.39 millions		
(31.03.2009: Rs.1.56 millions)		
Provisions		
Provision for taxation (Net of advance tax & Tax Deducted at Source of Rs.45.81 millions) (31.03.2009 : Rs.26.12 millions)	17.31	10.36

Annexure 20e : Details of Consolidated Current Liabilities and Provisions		
		(Rs. Millions)
	As at September 30, 2009	**As at March 31, 2009**
Provision for retirement benefits	54.99	56.07
Provision for retakes	16.82	23.79
Total as per audited statement	**89.12**	**90.22**
Add: Prior period adjustments	**-**	0.74
Adjusted Current Liabilities and Provisions	**89.12**	**90.96**

Annexure 20 f : Details of Consolidated Share Capital			
			(Rs. Millions)
		As at September 30, 2009	**As at March 31, 2009**
Authorised			
80,000,000	Equity Shares of Rs.10/- each (31.03.2009: 3,010,000 shares of Rs.10/- each)	800.00	30.10
NIL	1% Redeemable Optionally Convertible Preference Shares of Rs.10/- each (31.03.2009 : 8,00,000 shares of Rs.10/- each)	**-**	8.00
		800.00	**38.10**
Issued, Subscribed & Paid up			
59,462,218	Equity Shares of Rs.10/- each fully paid up (31.03.2009: 1,422,912 Equity shares of Rs.10/- each fully paid up) (The above shares are held by the holding company DQ Entertainment (Mauritius) Limited, the ultimate holding company is DQ Entertainment Plc.) (58,011,920 equity shares are allotted as fully paid up by way of bonus shares issued by capitalisation from Securities Premium Account.) (During the period 27,381 Redeemable Optionally Convertible Preference Shares were converted into 27,381 equity shares of Rs.10/- each fully paid up.	594.62	14.23
Nil	1% Redeemable Optionally Convertible Preference Shares of Rs.10/- each (31.03.2009: 203,767 shares of Rs.10/- each fully paid up) (During the period 27,381 preference shares of Rs.10/- Each were converted into 27,381 equity shares of Rs.10/- each fully paid up and preference shares of 176,386 are redeemed for cash)	**-**	2.04
		594.62	**16.27**

Annexure 20 g: Details of Consolidated Reserves and Surplus		
		(Rs. Millions)
	As at September 30, 2009	**As at March 31, 2009**
Capital Subsidy	**0.80**	**0.80**

Annexure 20 g: Details of Consolidated Reserves and Surplus		
		(Rs. Millions)
	As at September 30, 2009	**As at March 31, 2009**
Capital Redemption Reserve		
Balance as per last statement	-	-
Add: Transfer from Profit and Loss account	1.76	-
	1.76	-
Securities Premium Account		
Balance as per last account	1185.41	1,185.41
Less: Issue of Bonus Shares	580.12	-
	605.29	**1,185.41**
General Reserve		
Balance as per last account	5.49	5.49
Foreign Currency Translation Reserve	1.28	(0.01)
Profit & Loss Account		
Balance as per last account	253.26	92.77
Add: Profit for the period	101.66	160.49
Less: Transfer to Capital Redemption Reserve	(1.76)	-
	353.16	**253.26**
Total	**967.78**	**1,444.95**

Annexure 23 : Accounting Ratios		
Particulars	**As at September 30, 2009**	**As at March 31, 2009**
Earnings per share(INR)		
-Basic	1.74	112.79
-Diluted	1.73	98.66
Net Asset Value per Share(INR)	26.28	1026.92
Return on Networth	6.51%	10.98%
Weighted average number of equity shares outstanding during the period used for computing basic earnings per share	58,543,159	1,422,912
Weighted average number of equity shares outstanding during the period used for computing diluting earnings per share	58,723,994	1,626,679
Number of Equity shares outstanding at the end of the period	59,462,218	1,422,912

Notes

1. The above ratios have been computed as under:

Basic and diluted earnings per share (INR) = Net profit after tax – restated
----
Weighted average number of equity shares outstanding during the period

Net asset value per share (INR) = at the end of the period

$$\frac{\text{Networth - restated}}{\text{Total number of equity shares outstanding at the end of the period}}$$

Return on Net Worth (%) =

$$\frac{\text{Net profit after tax - restated}}{\text{Net worth-restated, at the end of the period}}$$

2. Net profit - restated as appearing in the "Summary Statement of Profit and Loss as restated" has been considered for the purpose of computing the above ratios.

3. Earnings per share calculations are done in accordance with Accounting Standard 20 on Earnings per Share.

4. Net worth means Equity Share Capital + Preference Share Capital + Reserves and Surplus as appearing in "Summary Statement of Assets and Liabilities as restated".

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our unconsolidated financial statements, restated in accordance with the SEBI (ICDR) Regulations*, including the notes thereto and the reports, schedules and annexures thereon, which appear in the Auditors Report included on page no. 121 of this Red Herring Prospectus.*

Our restated unconsolidated financial statements were prepared in accordance with Indian GAAP. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of relevant events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" beginning on page no. xiv of this Red Herring Prospectus of this Red Herring Prospectus.

Unless otherwise indicated, references in this discussion and analysis of our results of operations are for our fiscal years ended March 31 of 2009 and 2008 and upto the six months ended 30 September 2009.

The duration of Fiscal 2008 is from April 13, 2007, i.e., the day of incorporation of our Company to March 31, 2008. We have only one subsidiary, DQ Entertainment (Ireland) Limited, which was incorporated in November 2008 and it commenced its operations in Fiscal 2010.

Overview

Driven by our vision and strategy, we have created a niche place in the global media and entertainment sector on account of our unique positioning and relationship with our high profile and international partners – producers, broadcasters, distributors and licensors, as well as, iconic brand owners. Our vision and growth strategy is - "To be a world class animation, game and entertainment content production and distribution company with Indian operations, a global clientele, partner base with strong revenue visibility and deliver shareholder value and employee satisfaction."

We continue to be dedicated to deliver long term growth. In order to take advantage of the current available market opportunities, we have identified the following strategic goals to drive our business forward:

- increase the value of IP rights through collaborations with global partners via co-productions, joint ventures and strategic alliances;
- develop IP rights, owned and controlled by us and capitalise on additional revenue streams, including branding and merchandising;
- explore new markets, including India in order to increase our client base and global footprints;
- broaden our service offerings to include live action content by taking advantage of our reputation for entertainment and content production and distribution;
- invest in and capitalise on the best available local talent and encourage closer ties with the international entertainment community; and
- ensure that we have access to capital to maintain and continue our pace of growth in the coming years to exploit relevant business opportunities.

Effective as of May 1, 2007 (the "**Appointed Date**"), DQ Entertainment Limited was amalgamated with our Company, under a scheme of amalgamation, approved by the Hon'ble High Court of Andhra Pradesh. As per the scheme, the manpower and the projects of DQ Entertainment Limited became a part of our Company along with the assets and liabilities of DQ Entertainment Limited. For further details, please refer to the Scheme of Amalgamation in the chapter titled "History and Corporate Structure" on page no. 92 of this Red Herring Prospectus of this Red Herring Prospectus. Post the amalgamation, we continue to grow with sales recording Rs. 922.14 million in Fiscal 2008 and Rs. 1498.17 million in Fiscal 2009. During the Fiscal 2008, the income from animation segment was Rs. 1356.58 million, income from gaming segment was Rs. 66.96 million and from the distribution segment was Rs. 74.63 million. During Fiscal 2009, the income from animation and gaming segment (Production Division) was Rs. 1423.54 million and distribution division was Rs. 74.63 million.

Our growth continues from the infrastructure established by the erstwhile company DQ Entertainment Limited which was amalgamated with our Company. With the background of such support, we have taken our client reach and delivery capabilities to a higher level by undertaking high-end projects with our high profile customers. This has contributed to our overall growth including revenues and profits and also meet the delivery schedules of our projects. Our continued focus on facilitating internal training for our resources and our capacity of skilled manpower has also allowed us to benefit from economies of scale. Overall, we have strategically moved along the animation value chain, gaining greater exposure to IP ownership and distribution through our co-production model. Entering into co-productions with existing clients has also enabled us to adopt a low-risk approach. Within these co-production agreements, we not only continue to receive production revenues generating its usual production margin, but also obtain equity participations, which also provide right in the license revenues. The focus on co-productions has provided us an opportunity to leverage our already existing expertise in content creation.

During Fiscal 2009, the Indian Rupee had mixed fortunes against various currencies, depreciating considerably against the US Dollar, whilst not changing significantly against the Euro, and appreciating against GBP. This multiple effect also has been a significant factor in the increase in sales revenues.

Our current order book for service productions stands at USD 95.07 million (Rs. 4,567.16 million) which is estimated to be executed over a period of two and half years from the date hereof.

PRINCIPAL FACTORS EXPECTED TO AFFECT OUR RESULTS OF OPERATIONS

The following factors currently affect, and are expected to continue to affect, our financial condition, results of operations and cash flow:

- **Availability of skilled manpower**

  Availability of skilled manpower is critical for the sustenance and growth of our operations. Employee compensation in India has historically been significantly lower than employee compensation in the United States and Western Europe and in certain Asian countries such as Korea, Japan and Singapore for comparably skilled professionals. However, wage levels have increased significantly in recent years, especially for skilled manpower and we may need to increase the existing levels of our employee compensation to remain competitive and manage attrition, which may negatively affect our profit margins and financial condition.

- **Ability to complete our projects on schedule**

  Timely completion of projects is critical for our performance and any inability to meet the targets could adversely affect our reputation business, financial condition and results of operations.

- **Changes to our order book**

  Order book represents business that is based on contracts entered into with our customers, but cancellations or scope or schedule adjustments have occurred in the past and may do so again in the future. Our results of operations will be affected by any delay, reduction in scope, cancellation, execution difficulty, payment postponement or payment default in regard to order book projects or any other uncompleted projects, or disputes with customers in respect of any of the foregoing. For details please refer to the section titled “Risk Factors” beginning on page no. xii of the Red Herring Prospectus.

- **Competition**

  We face competition from international animation production companies from the USA, Europe, Canada, UK etc such as Aardman Animation, The Moonscoop Group, Porchlight Entertainment etc. It may be worthwhile to mention though, that for many of our projects, we have some of these entities as our co-production partners. We also face competition from animation production companies based out of south-east Asia, like Korea, Taiwan and Philippines. With respect to our distribution business, we are likely to face competition from corporate production houses and other players in the media and entertainment industry. With a number of corporate houses, diversifying into production and distribution business, the competition may significantly increase.

- **Fluctuations in the rate of exchange between the Rupee and major foreign currencies**

  Since large portion of our sales revenues is expected to be generated and paid in U.S. dollars and Euro, appreciation of the Rupee versus the U.S. dollar or Euro will result in lower revenue in Rupee terms, which would adversely affect our margins. To the extent that we have incurred foreign currency denominated debt, the cost of servicing and repaying such debt and its value in our balance sheet will be adversely affected by a depreciation of the Rupee against such foreign currency. To a large extent, we have a natural hedge for making payments on our foreign currency debt by way of receivables in the same currency. As a policy we hedge either with simple options or forward contracts. This hedging is done in consultation with bankers.

- **Changes in interest rates**

  The interest rates on certain of our borrowings may fluctuate. The interest rates on certain of our borrowings are subject to annual adjustment based on the prime lending rate of the respective lenders. If the interest rates for our existing or future borrowings increase significantly, our cost of funds will increase. This may adversely impact our planned capital expenditures, financial condition and results of operations

- **A significant portion of our production revenues are dependent on clients from select geographical regions**

  Our Company currently derives, and believes it will continue to derive, significant portions of its revenues from clients mainly located in select geographical regions, such as the US and the European nations. A large number of our clients are located in such select geographical regions and any adverse economic impact in such regions could have an adverse effect on our business, results of operations and financial condition.

  The revenues derived from specific clients may vary from year to year, particularly since we typically may not be the only content provider for such clients. The loss of a major client or a reduction in the services performed for such a major client could result in a reduction of our revenues

- **Fixed-price, fixed-time Contracts**

  During each of FY 2008 and FY 2009 our Company has derived over 90% of its earnings from production services on a fixed-price, fixed-time frame basis. In respect of such fixed-time and fixed-price production services, our Company bears the risk of penalty provisions, cost overruns, completion delays and wage inflation in connection with these projects. Our failure to estimate the resources and time required for a project, uncertainties due to creativity issues, may adversely affect our reputation, business, financial condition and results of operations. In addition, our production agreements require that we repeat the production of content that is rejected on grounds of such content not complying with client specifications. Such agreements also provide for penalty clauses where we are liable to pay penalties for any delay in the completion and handover of the material being produced under the agreement. We cannot assure you that we will always complete the production of material under our production arrangements on time or that such material will be accepted by our clients. Any inability on our part to complete these productions in a timely manner or in accordance with client requirements could adversely affect our reputation business, financial condition and results of operations

- **General economic conditions globally and in India**

  Currently, our order book for production and co-production activities comprise substantial orders from foreign companies. We intend to derive a portion of our revenues from IP creation and distribution activities from the Indian market. We therefore will also be affected by general economic conditions in India.

- **Regulatory environment in India**

Taxes and other levies imposed by the Government of India or state governments, as well as tax exemptions, financial policies, subsidies and regulations, may have a material adverse effect on our business, financial condition and results of operations.

Critical Accounting Policies

Preparation of financial statements in accordance with generally accepted accounting principles in India, the applicable accounting standards issued by the ICAI and the relevant provisions of the Companies Act, require our management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of our assets and liabilities, disclosures of contingent liabilities and the reported amounts of revenues and expenses. These judgments, assumptions and estimates are reflected in our accounting policies, which are more fully described in the "Auditor's Report" appearing on page no. 121 of this Red Herring Prospectus.

Certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations and require the application of significant assumptions and estimates of our management. We refer to these accounting policies as our "critical accounting policies".

While we believe that all aspects of our financial statements should be studied and understood in assessing our current and expected financial condition and results, we believe that the following critical accounting policies warrant additional attention:

Basis for Preparation of Financial Statements:

The financial statements have been prepared under the historical cost convention on an accrual basis of accounting in accordance with Generally Accepted Accounting Principles, Accounting Standards notified under section 211(3C) of the Companies Act, 1956 and the relevant provisions thereof.

Fixed Assets:

Fixed Assets are valued at cost inclusive of freight, installation cost, finance cost, duties and taxes and other incidental expenses incurred during the construction / installation stage. Fixed Assets include expenditure incurred on creation of infrastructure facilities at work premises.

Distribution rights represent the cost incurred on acquisition of animation contents for exploitation.

Capital work-in-progress comprises outstanding advances paid to acquire fixed assets and the cost of fixed asset (including expenditure during construction) that are not yet ready for their intended use before the balance sheet date.

Direct or indirect expenses incurred on the Development of Projects in order to create Intellectual Property or Content, which are exploited on any form of media are capitalized as an intangible asset under development in accordance with AS 26 (intangible assets). In the event, the project is not scheduled for production within three years, or project is abandoned, the carrying value of the Development Rights would be expensed in the year in which such project is discontinued or abandoned.

Depreciation and Amortization:

Depreciation on fixed assets other than leasehold improvements is provided on straight-line method at rates which are as follows:

Hardware & Software (CGI*)	30.00%
Hardware & Software (Others)	16.21%
Generators	16.21%
Office Equipment	10.00%
Furniture & Fixtures	10.00%

Vehicles	25.00%

*Computer Generated Imagery

Individual assets costing less than Rs.0.005 millions are fully depreciated in the year of purchase. Where the aggregate actual cost of individual items of Plant and Machinery costing Rs.0.005 millions or less constitutes more than 10% of the total actual cost of Plant and Machinery, depreciation is provided at normal rates stated above.

Leasehold improvements are amortized over the primary period of lease.

Cost of Distribution Rights is amortized over the period of the right including extended period or ten years whichever is lower.

Licensing Rights

In respect of Licensing Rights acquired against a specific sale contract, the costs are charged off as Production Costs.

Revenue Recognition

(i). Production Revenue:

Service revenue from fixed-price contracts is recognized using the Proportionate Completion Method. Provisions for estimated losses on uncompleted contracts are made in the year in which such losses are determined.

"Unbilled Revenue" represents services provided to the customers till the balance sheet date, which are billed subsequent to year-end. All such amounts are anticipated to be realized in the following year.

(ii) Distribution Revenue :

Revenue from the licensing of distribution rights (including withholding tax) is recognized on a straight line basis over the term of the licensing agreement and in the case of the license fee from co-production rights on the date declared by the licensee.

(iii) Training Revenue :

Training Revenue is recognized over the period of instruction.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due.

Provision for retakes

Provisions for retakes are recognized wherever they are considered to be material. Retakes include creative changes to the final product delivered to the customer, performed on the specific request of the customer at the Company's own cost. Requests for retakes from customers are expected to be received by the Company within a period of three months from the final delivery.

Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets, are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of assets in the unit on a pro rata basis.

PRESENTATION OF OUR FINANCIAL STATEMENTS

Annexure 1: Summary Statement of Profit & Loss, as restated

			(Rs. Millions)
	For the period	**For the year**	**For the period**
	ended 30 September 2009	**ended 31 March 2009**	**from 13 April 2007 to 31 March 2008**
Income			
Sales:			
Animation	612.52	1,356.58	818.23
Gaming	1.22	66.96	65.57
Distribution	43.47	74.63	38.34
Total Sales	657.21	1,498.17	922.14
Other Income	32.90	10.91	23.59
Total Income	690.11	1,509.08	945.73
Expenditure			
Production Expenses	23.56	52.67	50.48
Employee Cost	312.19	693.40	510.32
Administrative, selling and distribution expenses	112.74	296.62	136.05
	448.49	**1,042.69**	**696.85**
Less: Expenditure transferred to capital and other account	13.91	70.76	2.82
Total Expenditure	**434.58**	**971.93**	**694.03**
Profit Before Interest, Depreciation and Tax	**255.53**	**537.15**	**251.70**
Interest and financial charges	25.65	55.60	43.42
Profit Before Depreciation and Tax	**229.88**	**481.55**	**208.28**
Depreciation and Amortisation	122.06	282.19	127.32
Profit Before tax and before prior period adjustments	107.82	199.36	80.96
Adjustment on account of restatement	0.74	-	-
Profit before tax and extraordinary items	**108.56**	**199.36**	**80.96**
Current Tax	17.72	22.39	8.96
Deferred tax	(12.47)	12.47	-
Fringe Benefit Tax	-	3.00	1.91
Total provision for tax	5.25	37.86	10.87
Profit after tax before extraordinary items	103.31	161.50	70.09
Impact of material adjustments for restatement in corresponding years	(0.74)	0.65	0.09
Profit after tax and extraordinary items	**102.57**	**160.85**	**70.00**
Balance brought forward	253.53	92.68	-
Debit balance in Profit and Loss account of erstwhile DQ Entertainment Limited	-	-	(19.10)
Transfer from Debenture Redemption Reserve	-	-	41.78
Transfer to Capital Redemption Reserve	(1.76)		
Profit available for appropriation and carried forward as restated	**354.34**	**253.53**	**92.68**

Our Results of Operations

Income

Sales Income: Animation, Gaming and Distribution Income

Our income streams comprise animation, gaming (Production division) and distribution streams.

Our co-production model, i.e., entering into co-productions with existing clients has enabled us to adopt a low-risk approach. With these co-production agreements, we not only continue to receive production revenues generating its usual production margin, but also obtain equity participations, which provides us a share in the license revenues.

Other Income

Our other income includes interest from banks and others, miscellaneous income, gains on account of fluctuations in foreign exchange rates, profit on sale of assets, gains on forward contracts etc.

Expenditure

Our expenditure comprises payments to and provisions for employees, administrative, selling and other expenses, interest and finance charges and depreciation.

Production Expenses

Production expenses mainly comprise sub-contracting expenses, power and fuel costs and printing and stationary costs and miscellaneous costs.

Employee cost

Employee cost includes salaries and wages, contribution to provident fund, staff welfare expenses, gratuity and leave encashment and recruitment expenses.

Administration, selling and distribution expenses

Our administration, selling and distribution expenses mainly comprise rents, power, professional and consultancy charges, travel, losses on account of foreign exchange fluctuation, sales and distribution expenses etc.

Expenses transferred to capital account

Amounts transferred to capital work in progress are operating expenses incurred towards projects under development to be exploited as TV series/films and others.

Interest and Financial Charges

Our interest and financial charges mainly comprise interests on term loans and working capital loans availed by us and also includes upfront fees, bank guarantee costs, letter of credit commissions, fees for comfort letters, bank charges and finance and processing charges related to such borrowings, premium on option contracts for hedging export receivables.

Depreciation and Amortisation

Depreciation on fixed assets other than leasehold improvements is provided on a straight line method on depreciable assets. Leasehold improvements are amortized over the primary period of lease. Cost of Distribution Rights is amortized over the period of the right including extended period or ten years whichever is lower. For further information, see “Notes on Accounts” beginning on page [•] of this Red Herring Prospectus.

Taxation

Our provision for taxation includes current taxes payable, including fringe benefit taxes, taxes payable from earlier years and deferred taxes due.

Six months ended September 30, 2009

Income

The total income for the period was Rs. 690.11 million comprising of Turnover Income of Rs 657.21 million and Other Income of Rs 32.90 million. Our income streams comprise animation, gaming (Production division) and distribution streams.

Other income for the period was Rs. 32.90 million primarily reflecting Rs. 22.08 million of foreign exchange fluctuation gain, profit on sale of fixed assets Rs. 4.75 million and Rs. 3.93 million of insurance claims

Animation

Out of the total turnover of Rs. 657.21 million animation division contribution is Rs. 612.52 million. The share of Animation division in this period was 93.2% as compared to 90.5% in Fiscal 2009 reflecting strengthening revenue generation from this division.

Gaming:

Contribution from Gaming division is Rs. 1.22 million which is 0.2% of the total turnover of the period.

Distribution

Out of the total turnover of Rs. 657.21million distribution division contribution is Rs. 43.47 million. The share of Distribution division in this period was 6.6% as compared to 4.98% in Fiscal 2009 reflecting strengthening revenue generation from this division.

Expenditure

Our expenditure comprises payments to and provisions for employees, administrative, selling and other expenses, interest and finance charges and depreciation.

Production Expenses

Our expenditure on account of production expenses is Rs. 23.56 million which is 4.05% of the total expenditure. Production expenses mainly comprise sub-contracting expenses, power and fuel costs and printing and stationary costs and miscellaneous costs.

Employee cost

Employee cost includes salaries and wages, contribution to provident fund, staff welfare expenses, gratuity and leave encashment and recruitment expenses. Our expenditure on account of employee costs was Rs. 312.19 million which is 53.61% of the total expenditure.

Administration, selling and distribution expenses

Our expenditure on account of administration, selling and distribution was Rs. 112.74 million for period ended September 30, 2009. Administration, selling and distribution expenses primarily consist of professional and consultancy charges Rs. 30.06 million, Rent expenses Rs. 26.63 million, Travelling and Conveyance Expenses Rs. 8.57 million and Public issue related expenses Rs. 14.55 million.

Expenses transferred to capital account

Amounts transferred to capital work in progress are operating expenses incurred towards projects under development to be exploited as TV series/films and others.

Profit before Interest, Depreciation and Tax ("PBIDT")

Our Profit before interest, depreciation and tax was Rs 255.53 million for the six months period ended September, 30 2009. This PBIDT margin for period ended September, 30 2009 was higher on account of higher share of Distribution sales when compared to Fiscal 2009.

Interest and Financial Charges

Our expenditure on account of interest and financial charges was Rs. 25.65 million which primarily consists of interest on bank loans Rs. 8.36 million and other financial charges Rs. 17.29 million.

Depreciation and Amortisation

Depreciation and amortisation was Rs. 122.06 million for six months period ended September, 30 2009.

Profit Before Tax and before restatement

Our profit before tax and before restatement was Rs. 108.56 million for the six months period ended September, 30 2009

Adjustment on account of restatement

Adjustment on account of restatement consists of Rs 0.74 million relating to taxes of earlier years paid in the current period

Taxation

Total tax expenses for six months period ended September 30, 2009 is Rs 5.25 million, comprising Current Tax Rs. 17.72 million and deferred tax asset of Rs. 12.47 million.

Profit after Tax and after restatement

Our Profit after tax and extraordinary items is Rs. 102.57 million for six months period ended September 30, 2009.

Fiscal 2009 compared with Fiscal 2008

Income

Income from operations

Our total income increased by 62.47% to Rs. 1498.17 million in Fiscal 2009 from Rs. 922.14 million in Fiscal 2008. The increase was on account of revenues from Animation segment whose revenues was Rs 1,356.58 million in Fiscal 2009 (Rs 818.23 million in Fiscal 2008), Gaming Segment Rs 66.96 million in Fiscal 2009 (Rs 65.57 million in Fiscal 2008) and Distribution Segment Rs 74.63 million in Fiscal 2009 (Rs 38.34 million in Fiscal 2008). Majority of the billings of our company are in Euro & USD and during Fiscal 2009 the company also benefited from favorable foreign exchange rates. The average exchange rate of one USD to the Rupee during Fiscal 2009 was Rs 45.94 (Rs. 40.24 in Fiscal 2008) & one Euro to the Indian Rupee during Fiscal 2009 was Rs 65.16 (Rs 56.99 in Fiscal 2008) (Source: www.rbi.org.in)

Our income streams comprise animation, gaming (Production division) and distribution streams. Significant increase in our total income is attributable to our movement up the value chain, gaining greater exposure to IP ownership and distribution through our co-production model. Entering into co-productions with existing clients has also enabled us to adopt a low-risk approach. Within these co-production agreements, we not only continue to receive production revenues generating its usual production margin, but also obtain equity participations, which also provide a share in the license revenues. We have also shifted towards higher yield project mix has helped us achieve this growth.

Animation

Our income from animation activities increased by 65.8% to Rs. 1356.58 million in Fiscal 2009 from Rs. 818.23 million in Fiscal 2008, primarily on account of more remunerative and complex projects, engagements with high profile clientele. The increase is also attributable to our expansion plans, which was started in March 2008 and which achieved completion midway through Fiscal 2009. Our expansion plans have enhanced our execution capabilities.

Gaming

Our income from gaming activities has marginally increased by 2.1% to Rs. 66.96 million in Fiscal 2009 from Rs. 65.57 million in Fiscal 2008. The marginal increase is attributable to the fact that we are still consolidating this segment of business and in particular is focused on deriving synergies from our existing digital animation and CGI platforms.

Distribution

Our income from licensing activities has substantially increased by 94.7 % to Rs. 74.63 million in Fiscal 2009 from Rs. 38.34 million in Fiscal 2008, primarily on account of increased foray into co-production investments and with us now having over 350 hours of content available for IP exploitation.

Expenditure

Our expenditure comprises payments to and provisions for employees, administrative, selling and other expenses, interest and finance charges and depreciation.

Production Expenses

Our expenditure on account of production expenses has marginally increased by 4.3% to Rs. 52.67 million in Fiscal 2009 from Rs. 50.48 million in Fiscal 2008. Production expenses mainly comprise sub-contracting expenses, power and fuel costs and printing and stationary costs and miscellaneous costs.

Employee cost

Payments to and provisions for employees include salaries and wages, contribution to provident fund, staff welfare expenses, gratuity and leave encashment and recruitment expenses. Our expenditure on account of employee costs increased by 36% to Rs. 693.40 million in Fiscal 2009 from Rs. 510.32 million in Fiscal 2008, primarily due to a 25% increase in average manpower deployment of 2,534 in Fiscal 2008 to 3,179 in Fiscal 2009.

Enhanced productivity of associates on account of better training and experience have helped us to achieve higher sales revenues while keeping production expenses at the same levels.

Administration, selling and distribution expenses

Our expenditure on account of administration, selling and distribution expenses increased to Rs. 296.62 million in Fiscal 2009 from Rs. 136.05 million in Fiscal 2008. The difference of Rs. 160.57 million between Fiscal 2009 and Fiscal 2008, include a foreign exchange loss of Rs. 60.78 million. After adjusting this loss, the increase was to the extent of 72%, mainly on account of rent for new premises, higher professional consultancy charges and increased travel due to the nature of operations.

Expenses transferred to capital account

Amounts transferred to capital work in progress are operating expenses incurred towards projects under development to be exploited as TV series/films and others.

Profit Before Interest, Depreciation and Tax ("PBIDT")

Our PBIDT have increased to Rs. 537.15 million in Fiscal 2009 from Rs. 251.70 million in Fiscal 2008. The PBIDT margin for Fiscal 2009 and Fiscal 2008 was 35.85% and 27.30%. This PBIDT margin for Fiscal 2009 was higher on account of higher sales..

Interest and Financial Charges

Our expenditure on account of interest and financial has significantly increased by 28% to Rs. 55.60 million in Fiscal 2009 from Rs. 43.42 million in Fiscal 2008. This is primarily on account of premium on option contracts for hedging export receivables.

Depreciation and Amortisation

Depreciation and Amortisation have increased by 121% to Rs. 282.19 million in Fiscal 2009 from Rs. 127.32 million in Fiscal 2008. This is primarily on account of investments in capital assets made during the year.

Profit Before Tax and before restatement

Our profit before tax and before restatement has increased by Rs.118.40 million to Rs. 199.36 million in Fiscal 2009 from Rs. 80.96 million in Fiscal 2008.

Adjustment on account of restatement

There was an adjustment of Rs. 0.74 million relating to taxes of earlier years paid during September 2009.

Taxation

Our provision of taxation has increased by Rs 26.99 million to Rs. 37.86 million in Fiscal 2009 from Rs. 10.87 million in Fiscal 2008. This was primarily due to increase in our current taxation attributable to our enhanced revenue.

Profit after Tax and after restatement

Our Profit after Tax and extraordinary items has increased by Rs 90.85 million to Rs. 160.85 million in Fiscal 2009 from Rs. 70.00 million in Fiscal 2008. Profit after Tax is arrived after deduction of and extraordinary items are the result of expenses deducted from Income. The primary reasons for increase in Profit after Tax and extraordinary items:

- Increase in revenue by 62.47% to Rs. 1498.17 million in Fiscal 2009 from Rs. 922.14 million in Fiscal 2008;

- Decrease in employee cost to total sales ratio from 55.34% in Fiscal 2008 to 46.28% in Fiscal 2009.

Liquidity and Capital Resources

Our primary liquidity requirements have been to finance the capital expenditure for our investments in our co-production agreements, focusing on IP content creation and primarily to drive co-production activities. We have met these requirements primarily by raising equity capital and short-term and long-term borrowings.

As of September 30, 2009, we had cash and bank balances of Rs. 70.72 million.

Net Current Assets

As of September 30, 2009, our net current assets defined as the difference between current assets, loans and advances, on one hand, and current liabilities and provisions, on the other hand, under Indian GAAP were Rs. 347.04 million.

As of March 31, 2008 and 2009, our net current assets, defined as the difference between current assets, loans and advances, on one hand, and current liabilities and provisions, on the other hand, under Indian GAAP were Rs. 700.44 million and Rs. 448.40 million, respectively. The decrease in our net current assets as of March 31, 2009, as compared to March 31, 2008, being Rs. 252.04 million was primarily on account of reduction in cash balances due to completion of the balance of capital investments undertaken in Fiscal 2009.

Current Assets, Loans and Advances

Current assets, loans and advances comprise sundry debtors, unbilled revenues, cash and bank balances and loans and advances. Total current assets, loans and advances as on September 30, 2009 were Rs. 876.05 million. Loans and advances primarily consist of advances made which are recoverable including deposits made by us to parties including government authorities, advance to suppliers, pre-paid expenses, deposits for rental properties etc.

Sundry debtors balance increased from Rs. 231.34 million as at March 31, 2008 to Rs. 415.69 million as at March 31, 2009. The increase was mainly on account of higher Income where our total sales increased by 62.47% to Rs. 1498.17 million in Fiscal 2009 from Rs. 922.14 million in Fiscal 2008.

Total current assets, loans and advances as of March 31, 2008 and 2009 were Rs. 948.38 million and Rs. 798.57 million, respectively. Loans and advances primarily consist of advances made which are recoverable including deposits made by us to parties including government authorities, advance to suppliers, pre-paid expenses, deposits for rental properties etc. As of March 31, 2008 and 2009, loans and advances totalled Rs. 79.18 million and Rs. 93.53 million, respectively. The increase in loans and advances as of March 31, 2009 as compared to March 31, 2008 was primarily due to an increase in deposits.

Current liabilities and provisions

Current liabilities and provisions consist primarily of liabilities to sundry creditors and advance from customers**.** As of September 30, 2009 current liabilities were Rs. 440.71 million The sundry creditors were for goods and services and other liabilities.

.As of March 31, 2008 and March 31, 2009, current liabilities were Rs. 169.68 million and Rs. 254.65 million. The sundry creditors were for goods and services and other liabilities.

Advances from customers are amounts received prior to the commencement of the relevant contracted work.

As of March 31 2008 and 2009, provisions were Rs. 78.26 million and Rs. 95.52 million. The provisions were for taxation, retirement benefits and for re-takes.

Net Cash Flow

Set forth below is the state of our net cash flow from operating activities, net cash flow from investing activities and net cash flow from financing activities for the years ended March 31, 2008 and 2009 and six months ending September 30, 2009.

Rs. Millions

	For period ended	**For the years ended March 31**	
	30 Sep 2009	**2009**	**2008**
Cash Flow from operating activities	318.01	82.26	81.41
Net cash flow from (used in) investing activities	(240.86)	(251.48)	(496.01)
Net cash from (used in) financing activities	(111.59)	(154.92)	811.38
Net increase/(decrease) in cash and cash equivalents	(34.44)	(324.14)	396.78

Net Cash flow from Operating Activities

Cash Flow from operating activities for period ended September, 30 2009 primarily comprises of non cash adjustments relating to Depreciation and amortization Rs. 121.76 million, Working capital movements include Increase in Trade and other receivables Rs. 82.45 million and decrease in Trade payables, other liabilities and provisions Rs. 160.58 million. Consequently there was a Net Cash inflow from operations was Rs 318.01 million.

In Fiscal 2009, operating profit before working capital changes was Rs. 583.84 million as compared to Rs. 232.29 million for Fiscal 2008. On adjustment for working capital changes the net cash flow from our operating activities for Fiscal 2009 was Rs. 82.26 million as compared to Rs. 81.41 million for Fiscal 2008.

Net Cash used in Investing Activities

Cash Flow from investing activities for period ended September, 30 2009 primarily comprises purchase of fixed assets of Rs. 230.54 million (including intangibles and capital work in progress) and investment in our Subsidiary of Rs. 16.68 million. Consequently there was a Net Cash outflow from operations was Rs 240.86 million.

In Fiscal 2009, our net cash used in investing activities was Rs. 251.48 million in Fiscal 2009 as compared to Rs. 496.01 million in Fiscal 2008, primarily on account of purchase of assets of Rs. 262.94 million as against 502.69 million in Fiscal 2008 and offset by way of sale of fixed assets and interest received on deposit with banks etc. amounting to Rs. 11.46 million in Fiscal 2009 and Rs. 6.68. million in Fiscal 2008.

Net Cash used in Financing Activities

Cash Flow from financing activities for period ended September, 30 2009 primarily comprises of interest and financing charges of Rs. 26.03 million, proceeds from borrowings from term loans of Rs. 30.04 million, repayment of term loans of Rs. 142.74 and proceeds on account of working capital loans (net) of Rs. 31.14 million. Consequently there was a net cash outflow from operations was Rs. 111.59 million.

In Fiscal 2009, our net cash used in financing activities was Rs. 154.92 million as compared to cash inflow of Rs. 811.38. million in Fiscal 2008. In Fiscal 2009, cash outflow on account of repayment of term loans was Rs. 181.26 million and as compared to Rs. 79.41 million in Fiscal 2008. Cash inflow on account of borrowings from term loans and on account of working capital loan (net) was Rs. 30.0 million and Rs. 36.49 million respectively in Fiscal 2009, while for Fiscal 2008, these amounts were Rs. 285.17 million and an outflow of Rs. 26.28.million respectively.

During Fiscal 2008 cash inflow on account of issue of equity shares was Rs. 9.85 million and securities premium amounting to Rs. 1042.28million and payments amounting to Rs. 376.81 million were made to preference shareholders of the erstwhile DQ Entertainment Limited under the Scheme of Amalgamation. For details please refer to the Notes to Accounts in the section titled "Financial Statements" on page no. 121 of this Red Herring Prospectus.

Cash and bank balances taken over on amalgamation of DQ Entertainment Limited

In Fiscal 2008, cash and bank balances of Rs. 32.04 million were taken over on amalgamation of DQ Entertainment Limited. For details, please refer to the section titled "Scheme of Amalgamation of DQ Entertainment Limited with the Company" under the Notes to Accounts in the section titled "Financial Statements" on page no. 121 of this Red Herring Prospectus.

Net Sources of Funds

As of September 30, 2009 we had cash and cash equivalents of Rs. 70.72 million, of which Rs. 25.15 million represented fixed deposits pledged with banks as margin for bank guarantees and letters of credit. As of September 30, 2009, we had an outstanding working capital of Rs. 96.79 million. As of September 30, 2009, we had an outstanding long term debt from financial institutions and banks of Rs. 176.38 million. As of September 30, 2009, the aggregate amount of secured and unsecured loans was Rs. 273.17 million.

As of March 31, 2009 we had cash and cash equivalents of Rs. 105.4 million, of which Rs. 49.16 million represented fixed deposits pledged with banks as margin for bank guarantees and letters of credit. As of March 31, 2009, we had an outstanding working capital of Rs. 65.7 million. As of March 31, 2009, we had an outstanding long term debt from financial institutions and banks of Rs. 299 million. As of March 31, 2009, the aggregate amount of secured and unsecured loans was Rs. 364.7 million. We have in the past raised funds via equity route and borrowings from banks and financial institutions as our main sources of funds. We expect that, going forward, we will finance our capital expenditures and working capital requirements with a combination of the proceeds from this Issue, bank borrowings and internal accruals.

Taking into account the estimated net proceeds available to us from the Issue and available bank facilities; we believe we have sufficient working capital for our requirements for at least the next 12 months. However, there can be no assurance that our business will not change in a manner that would consume our available capital resources more rapidly than anticipated.

INDEBTEDNESS, CONTRACTUAL OBLIGATIONS, COMMITMENTS AND OTHER OFF-BALANCE SHEET ARRANGEMENTS

Aggregate outstanding indebtedness amounted to Rs. 273.17 million as of September 30, 2009. Long term debt (excluding current portion of such loans) was Rs. 29.87 million as of September 30, 2009. For the long term facilities, the weighted average rate of interest was 7.87%. The long term financing facilities comprise various fund and non-fund based facilities the outstanding amount as on September, 30 2009 was Rs. 612.09 million.

Aggregate outstanding indebtedness amounted to Rs. 403.7 million and Rs. 364.7 million as of March 31, 2008 and 2009, respectively. Long-term debt (excluding current portion of such loans) was Rs. 235.1 million and Rs. 160.6 million as of March 31, 2008 and 2009, respectively. For the long term facilities, the weighted average rate of interest for the respective periods was 10.44% and 9.54% per annum respectively. The long term financing facilities comprise of various fund and non-fund based facilities the outstanding amount as on Fiscal 2009 was Rs. 681.31 million.

The terms of certain of our borrowings contain certain restrictive covenants, such as requiring lender consent for incurring further indebtedness, creating further encumbrances on our assets, disposing of our assets, undertaking guarantee obligations, declaring dividends or incurring capital expenditures beyond certain limits. Some of these borrowings also contain covenants which limit our ability to make any change or alteration in our capital structure, make investments, effect any scheme of amalgamation or restructuring, enlarge or diversify our scope of business. Certain of our long-term debts are secured by a charge over our immoveable and moveable property. For further details, please see the section "Financial Indebtedness" on page no. 194 of this Red Herring Prospectus.

Commitments and Contingencies

As disclosed in section titled "Outstanding Litigation, Material Developments and Other Disclosures" on page no. 202 of this Red Herring Prospectus, there are certain proceedings and claims pending against us or claims initiated by us. We are of the view that liabilities arising out of the proceedings and claims against us, if determined against our favour, will not have a material impact on our operations. For details of our contingent liabilities please refer to the section titled "Outstanding Litigation, Material Developments and Other Disclosures" on page no. 202 of this Red Herring Prospectus.

Except as disclosed below, there are no commitments or contingent liabilities or off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that we believe are material to investors.

Financial and Other Derivative Instruments

Our primary market risk exposures are interest rate and foreign currency exchange rate risk. The following table sets forth the details of the derivative contracts entered into by the Company for hedging currency and interest rate related risks outstanding.
The company uses Forward Exchange Contracts and Currency Options to hedge its exposures in foreign currency related to firm commitments and highly probable forecasted transactions. The information on Derivative instruments is as follows:

Derivative Instrument outstanding as at the period end:						
Currency	**As at September 30, 2009**		**As at 31st March 2009**		**As at 31st March 2008**	
	Buy	**Sell**	**Buy**	**Sell**	**Buy**	**Sell**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**

Derivative Instrument outstanding as at the period end:						
Currency	**As at September 30, 2009**		**As at 31st March 2009**		**As at 31st March 2008**	
	Buy	**Sell**	**Buy**	**Sell**	**Buy**	**Sell**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
I) Forward Exchange Contracts						
USD	-	$0.50	-	$0.50	-	-
INR Equivalent	-	24.17	-	26.09	-	-
II) Currency Options						
USD	-	-	-	$1.08	$0.00	$8.60
INR Equivalent	-	-	-	563.44	$0.00	343.57
Derivative Instrument outstanding as at the year end:						
Currency	**As at September 30, 2009**		**As at 31st March 2009**		**As at 31st March 2008**	
	Buy	**Sell**	**Buy**	**Sell**	**Buy**	**Sell**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
I) Forward Exchange Contracts						
USD	-	$0.50	-	$0.50	-	-
INR Equivalent	-	24.17	-	26.09	-	-
II) Currency Options						
USD	-	-	-	$10.80	$0.00	$8.60
INR Equivalent	-	-	-	563.44	$0.00	343.57

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

General

Market risk is the risk of loss related to adverse changes in market rates and prices, such as interest rates, foreign exchange rates and commodity prices. We are exposed to various types of market risks, in the normal course of business. The following discussion and analysis, which constitute "forward-looking statements" that involve risk and uncertainties, summarise our exposure to different market risks.

Interest Rate

We have, and expect to continue to have, significant borrowings. An increase in the interest rates for our existing and future borrowings may adversely affect our ability to service long-term debt and to finance our projects, all of which in turn may adversely affect our construction plans, planned capital expenditures, financial condition and results of operations.

Foreign Currency Exchange Rates

Most of our revenues are currently denominated in foreign currencies, especially in USD and Euros and accordingly, any appreciation of the Rupee against these currencies will result in lower realisation in Rupees. The Rupee depreciated from Rs 39.98 per USD as of April 2, 2008 to Rs. 48.04 per U.S. dollar as of September 30, 2009 as per the RBI reference rate available on the RBI's website. This was one of the factors resulting in higher revenue realisations in Rupees for Fiscal 2009 as compared to Fiscal 2008. In case the Rupee appreciates, it may adversely affect our revenue realisation in Rupees.

We have incurred indebtedness in foreign currencies, especially in USD, to finance our business operations and we bear the exchange rate risk for payments of principal and interest to made in respect of such indebtedness. Accordingly, any depreciation of the Rupee against such currencies will increase the Rupee cost to us of servicing and repaying our foreign currency payables. If we are unable to recover the costs of foreign exchange variations through our tariffs, depreciation of the Rupee against foreign currencies may adversely affect our results of operations and financial condition.

SIGNIFICANT DEVELOPMENTS AFTER SEPTEMBER 30, 2009 THAT MAY AFFECT THE FUTURE OF OUR OPERATIONS

Since March 31, 2009, the following significant events have occurred. We anticipate that each of these events will have an impact on our financial condition and results of operations in future fiscal years:

We have established a wholly owned subsidiary DQ Entertainment (Ireland) Limited in Ireland, primarily to consolidate our portfolio of animation series and product profile and our consolidated financial performance.

In 2009, we launched our first homegrown 3D CGI television series "*The Jungle Book*" based on the Rudyard's Kipling epic novel as well as three special TV features "*Balkand*", "*Omkar*" and "*Ravan*" based on Indian mythology for India and the Indian diaspora across the globe.

We have also entered into another co-production agreement with LPPTV, France and Method Animations SA, France for production of a CGI TV series "Little Prince", backed by French television major, France 3. "The Little Prince" is based on the world famous books of Antoine de Saint-Exupery and has been translated into over 180 languages, selling more than 130 million copies worldwide. We in association with Classic Media will bring to life the lovely Lassie, in co-development with M6 France and ZDF Group –Germany. Lassie, the Collie dog made its first debut on small screen in 1954 with Lassie® an Emmy Award winning television series, and it ran for 19 seasons making it the longest run TV Series. It became the first-ever family drama and remains one of the greatest shows in TV history. Lassie will appear once again on television in an 26 x 22' 3D CGI television series.

We have also forayed into live action films and licensing and distribution activities in 2009 from which we expect to earn additional revenues.

Unusual or infrequent events or transactions

Except as disclosed in the Red Herring Prospectus, to our knowledge there have been no unusual or infrequent events or transactions that have taken place since our incorporation.

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

Except as disclosed in the Red Herring Prospectus, to our knowledge there have been no significant economic changes that materially affected or are likely to affect income from continuing operations.

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

Our business has been impacted and we expect will continue to be impacted by the trends identified in this section, and the uncertainties described in the section "Risk Factors" beginning on page no. xii of the Red Herring Prospectus. To our knowledge, except as we have described in this Red Herring Prospectus, there are no other known factors, which we expect to have a material adverse impact on our revenues or income from continuing operations.

Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known.

Except as described in this section and in the sections "Risk Factors" and "Our Business" beginning on page nos. xii and 64, respectively, of the Red Herring Prospectus, to the best of our knowledge, there is no future relationship between expenditure and income that will have a material adverse impact on the operations and finances of our Company.

Significant regulatory changes that materially affected or are likely to affect income from continuing operations

Except as described in the chapter titled "Regulations and Policies in India" on page no. 87 of the Red Herring Prospectus, there have been no significant regulatory changes that have materially affected or are likely to affect our income from continuing operations.

The extent to which our business is seasonal

Our revenue is not subject to changes due to seasonal conditions to any material extent, however the projects being long term depending on the schedule of delivery the deliveries could vary quarterly.

Pre-IPO Placement

We have issued 3,772,771 Equity Shares to certain selected investors in the Pre-IPO Placing, for cash at a price of Rs. 68.11 per Equity Share, aggregating Rs. 256,963,433. This represents approximately 4.76% of the Company's post Issue paid-up capital. For further details on the Pre-IPO Placing, please see the section "Capital Structure" beginning on page no. 25 of this Red Herring Prospectus.

FINANCIAL INDEBTEDNESS

Set forth below is a summary of the aggregate borrowings of the Company as of February 9, 2010

Nature of Borrowing	Amount (*in Rs.*)
Secured borrowings	**634 million (fund and non fund based)**
Unsecured borrowings	NIL
Bank guarantees	NIL

Set forth below is a summary of the secured borrowings and guarantees of the Company as of February 9, 2010

Name of the Lender	Facility / Loan Documentation	Amount Sanctioned	Amount Outstanding as on February 9, 2010	Interest Rate	Repayment Schedule / Validity	Security
Axis Bank					.	
	Cash Credit facility vide Sanction Letter dated February 26, 2009 enhancing the limit from Rs.30, 000,000 which was previously sanctioned vide Sanction Letter dated May 24, 2006	Rs.50, 000,000	Rs.37,916,481	BPLR – 2.25% p.a. payable monthly	*Tenure* of 1 year and renewable thereafter	First charge on all current assets of the Company both present and future including receivables, cash flows and other monies on pari-passu basis. Second charge on all movable and immovable fixed assets of the Company both present and future on pari passu basis.
	Letter of Credit facility vide Sanction Letter dated February 26, 2009 enhancing the limit from Rs.30,000,000 which was previously sanctioned vide Sanction Letter dated May 24, 2006	Rs.50, 000,000 (as a sub-limit of CC)	NIL	NIL	NA	Extension of all the securities in Cash Credit Facility

Name of the Lender	Facility / Loan Documentation	Amount Sanctioned	Amount Outstanding as on February 9, 2010	Interest Rate	Repayment Schedule / Validity	Security
	Bank Guarantee vide Sanction Letter dated February 26, 2009 enhancing the limit from Rs.30, 000,000 which was previously sanctioned vide Sanction Letter dated May 24, 2006	Rs.50, 000,000 (as a sub-limit of CC)	NIL	NIL	NA	Extension of all securities in Cash Credit Facility
	Rupee/Foreign Currency term loan (as a sub-limit of existing SBLC facility dated August 18, 2009	Rs. 335, 000,000 in equivalent Euro/GBP/US$	Euro 2,577,500 (equivalent Rs.181,043,600)	300 basis points over cost of funds. Incase of non-availability of foreign currency, the loan shall be utilised in rupee currency whrein the rate of interest will be BPLR-2.25%	*Repayable in 15 quarterly instalments*	First pari passu charge on all the fixed assets of the Company both present and future; Second charge on all the current assets of the Company.

Name of the Lender	Facility / Loan Documentation	Amount Sanctioned	Amount Outstanding as on February 9, 2010	Interest Rate	Repayment Schedule / Validity	Security
Export-Import Bank of India	Dollar Loan Agreement dated September 14, 2007*	US$ 4,277,004 (Equivalent to Rs 217,913,353)	USD 1,069,250 (Equivalent to Rs.51,366,770)	LIBOR +300 bps p.a.	*Repayment* in 8 substantially equal quarterly instalments, commencing after a moratorium of 1 year from the date of the first disbursement	First charge by way of hypothecation on movable fixed assets, both present and future. Mortgage on lands and other immovable properties, both present and future. Second charge by way of hypothecation on the current assets, both present and future. Escrow of the receivables from the overseas contracts.
	Rupee Loan Agreement dated October 10, 2008*	Rs.30, 000,000	Rs.10, 010,685	PLR – 1% p.a.	*Repayment* in 6 substantially equal quarterly instalments commencing from March/09 .	Extension of the first charge by way of hypothecation on entire movable fixed assets, both present and future. Mortgage on entire lands and other immovable properties, both present and future.

Name of the Lender	Facility / Loan Documentation	Amount Sanctioned	Amount Outstanding as on February 9, 2010	Interest Rate	Repayment Schedule / Validity	Security
	Working Capital Term Loan vide Sanction Letter dated June 14, 2007 and revised sanction letter of renewal of WCTL dt. November 5,2009.	Rs.5,00,00,000	Rs .47,665,906	EXIM Bank PLR less 2% pe annum	Bullet repayment at the end of one year from the date of renewal	Demand Promissory Note First Pari Passu charge on the entire current assets, present and future. Second Paripasu charge on entire fixed assets of the company, both present and future. Escrow of the receivables from the overseas contracts.
	Letter of Credit Facility vide Sanction Letter dated September 12, 2007and revised sanction letter of renewal of SBLC dt. November 4,2009.	US$ 3,250,000 equivalent to Rs.156,130,000	Nil	NA	NA	First Pari Passu charge on the entire fixed assets (movable and immovable), both present and future. Second Paripasu charge on entire current assets of the company, both present and future Escrow of the receivables from the overseas contracts.
Yes						

Name of the Lender	Facility / Loan Documentation	Amount Sanctioned	Amount Outstanding as on February 9, 2010	Interest Rate	Repayment Schedule / Validity	Security
Bank Limited	Packing Credit in Foreign Currency / Packing Credit in Indian Rupee / Export bill Discounting / Post Shipment in Indian Rupee / Post Shipment in Foreign Currency / Advance against Exports (vide Sanction Letter dated May 27, 2009) and Project specific exposure New facility. as per Revised sanction letter dt November 27, 2009	Rs.120,000,000	Rs.120, 000,000	To be decided at the time of transaction	*Tenure* and *Validity* of 12 months	First exclusive charge on the receivables from the series "Little Prince" Second Pari Passu charge on the fixed assets along with other working lenders of the Company. First exclusive charge on the DQE' leasehold interest in the property at Kokapet.
	Packing Credit in Foreign Currency / Packing Credit in Indian Rupee / Export bill Discounting / Post Shipment in Indian Rupee / Post Shipment in Foreign Currency / Advance against Exports (vide Sanction Letter dated May 27, 2009) and Project specific exposure as per Revised sanction letter dated November 27, 2009	Rs.150,000,000	Rs.83,995,964	To be decided at the time of transaction	Each drawal not exceeding six months	First Pari Passu charge on the entire current assets along with other working capital lenders of the Company. Second Pari Passu charge on the fixed assets along with other working lenders of the Company. First exclusive charge on the DQE' leasehold interest in the property at Kokapet.

Name of the Lender	Facility / Loan Documentation	Amount Sanctioned	Amount Outstanding as on February 9, 2010	Interest Rate	Repayment Schedule / Validity	Security
	Bank Guarantee vide Sanction Letter dated May 27, 2009 and as per the revised sanction letter dated November 27, 2009	Rs.30, 000,000 (as a sub limit of the Rs.150,000,000 facility hereinabove)	NIL	NA	NA	First Pari Passu charge on the entire current assets. Second Pari Passu charge on the moveable fixed assets.
	Letters of Credit (usance) vide Sanction Letter dated May 27, 2009 and as per the revised sanction letter dated November 27, 2009	Rs.30, 000,000 (as a sub limit of the Rs. 150,000,000 facility hereinabove)	NIL	NA	NA	First Pari Passu charge on the entire current assets along with other working capital lenders of the Company. Second Pari Passu charge on the moveable fixed assets along with other working capital lenders of the Company.
	Letters of Credit (sight) vide Sanction Letter dated May 27, 2009 and as per the revised sanction letter dated November 27, 2009	Rs.30, 000,000 (as a sub limit of the Rs150,000,000 facility hereinabove)	NIL	NA	NA	First Pari Passu charge on the entire current assets along with other working capital lenders of the Company. Second Pari Passu charge on themoveable fixed assets along with other working capital lenders of the Company.

Name of the Lender	Facility / Loan Documentation	Amount Sanctioned	Amount Outstanding as on February 9, 2010	Interest Rate	Repayment Schedule / Validity	Security
	Cash Credit Facility vide Sanction Letter dated May 27, 2009 and as per the revised sanction letter dated November 27, 2009	Rs.30,000,000 (as a sub limit of the Rs 150,000,000 facility hereinabove)	Rs.29,753,084	Yes Bank PLR – 2% p.a.	*Tenure* and *Validity* of 12 months	First Pari Passu charge on the entire current assets along with other working capital lenders of the Company. Second Pari Passu charge on the moveable fixed assets along with other working capital lenders of the Company.
Andhra Bank	Term Loan as per Sanction Letter Dated: 01-08-2009	Rs. 112,500,000	Rs.83,810,658	BMPLR +0.5+Target Price	*Tenure* and *Validity* :- . 16 quarterly instalments.	Pari Passu first charge on all the fixed assets of the company and a second charge on the current assets of the company
	Standby Letter of Credit Facility vide Sanction Letter dated :01-08-2009	Rs.235,000,00	NIL	NA	*NA*	First Pari Passu Charge on all the fixed assets of the company including distribution rights both present and future

* by way of a Dollar Loan Agreement dated September 14, 2007, the Company availed a dollar denomination loan up to Rs.200,000,000 in equivalent US$, of which a sum of Rs.30,000,000 remained unutilized. By way of a Rupee Loan Agreement dated October 10, 2008, the outstanding amount of Rs.30,000,000 in equivalent US$ was converted in to a Rupee Loan being the Rupee equivalent of the said outstanding Dollar Loan amount.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, and there are no defaults, non payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issued by the Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Promoters or Directors.

Litigation against the Company

Consumer Complaint No. 518 of 2009 before the District Consumer Forum, Hyderabad - I

This complaint was filed before the District Consumer Forum, Hyderabad – I, against the Company by a student Mr. G. Ramakrishna, seeking refund of the training fee of Rs. 40,000/- along with interest, which was paid by him for undergoing at the DQ School of Visual Arts, a division of the Company. G. Ramakrishna has paid the fees and failed to attend the course and sought refund of the non-refundable fees paid by him. The case was last heard on September 16, 2009 and has now been adjourned to February 26, 2010.

Contingent liabilities of the Company as on September 30, 2009

			(Rs. Millions)
	30-09-2009	**31-03-2009**	**31-03-2008**
a) Bonds executed in favour of customs and excise authorities	37.25	37.25	35.13
b) Letter of Credit	338.92	316.58	268.55
c) Under the scheme of Amalgamation all Assets and Liabilities of the erstwhile company DQ Entertainment Limited were taken over by the company. Consequently the company was liable for all Income tax assessments prior to the date of take over .			
d) Income tax assessment of DQ Entertainment (International) Private Limited has been completed till Assessment Year 2006-07 (financial year 2005-06). Income Tax department has preferred an appeal for the Assessment Years 2004-05 and 2006-07 and is pending before the Income Tax Appellate Tribunal (ITAT). No demand has been raised by the Department on the above.			
e) Claims against the Company not acknowledged as debts is Rs. Rs.9,642,147 (31.03.2009: Rs. 9,642,147l). This comprise of demands raised by the Income Tax department for non deduction of TDS on payments to non residents on which the Company has gone on appeal and the appeal is pending before the Commissioner of Income Tax (Appeals), Hyderabad.			

Litigation filed by the Company

Trademark litigation filed against Cyber Media (India) Limited

1. The Company had filed a suit for permanent injunction in the Court of the II Additional Chief Judge, City Civil Court, Hyderabad (O.S. No: 119/ 2006) on April 5, 2006 against Cyber Media (India) Limited ("**Defendant**") wherein it prayed that the Defendant be restrained from making groundless threat of initiating legal proceedings against the Company for alleged trademark violations desist from using its trademark 'Dataquest' or 'DQ'. The Company also prayed for damages to the extent of Rs. 200,000 as compensation for loss and injury caused by the Defendant with an interest of 18% per annum and future interest at the same rate. The Court on April 20, 2006 by an ad-interim injunction restrained the Defendant or any other person on the Defendant's behalf from threatening the Company on the above grounds. By an order dated July 10, 2007, the

1. Court granted an absolute injunction against Cyber Media (India) Limited until pendency of the suit. Since the grant of such absolute injunction, more than two years have elapsed and the Company has not received any intimation or notices as regards any appeal being filed by the Defendant against the said order.

Complaints by the Company under the Negotiable Instruments Act, 1881

2. The Company has filed a complaint under section 138 of the Negotiable Instruments Act, 1881 against India Tales Media Private Limited, before the III Additional Chief Metropolitan Magistrate Court on September 24, 2008 for dishonour of a cheque of an amount of Rs. 4,833,619 issued by India Tales Media Private Limited to the Company. The matter shall be taken on record after the Court records the sworn statement of the company's authorized representative. The case is pending fixation of a date of recording sworn statement.

Civil Suits filed by the Company

3. The Company has also filed a civil suit bearing O.S. No. 719 of 2008 against India Tales Media Private Limited before the Hon'ble Chief Judge, City Civil Court, Hyderabad on December 24, 2008 for recovery of Rs. 8,125,286, on grounds that such amount was owing to the Company for services performed. The Company also filed an interim application seeking attachment of the feature film "MANIKANTAN". *Vide* an order dated December 26, 2008 the interim application filed by the Company was allowed and an order for attachment of the said feature film was passed against India Tales Media Private Limited, subject to depositing the suit amount within three (3) days from the date of serving the notice. The case has been adjourned to March 3, 2010.

Criminal complaints filed by the Company

4. The Company has filed a criminal complaint against India Tales Media Private Limited, under the Indian Penal Code for criminal breach of trust and cheating before the III Additional Chief Metropolitan Magistrate Court. The matter was heard by the Hon'ble Magistrate and the case was referred to the police authorities for investigation. The police authorities have registered a case vide FIR No. 1301/2008, against the accused and have taken up the investigation. The detailed investigation report and charge sheet is yet to be filed before the Court by the police authorities.

Litigation against our Directors

1. **Mr. Tapaas Chakravarti**

   Nil

2. **Ms. Rashmi Chakravarti**

   Nil

3. **Mr. Kunchithapadam Balasubramanian**

   Nil

4. **Ms. Theresa Plummer-Andrews**

   Nil

5. **Mr. Girish Kulkarni**

   Nil

Litigation against our Promoters

1. **Mr. Tapaas Chakravarti**

Nil

2. **DQ Entertainment (Mauritius) Limited**

Litigation against DQE Mauritius: Nil
Litigation by DQE Mauritius: Nil
Contingent liabilities as on September 30, 2009: Nil

Litigation involving DQ Entertainment (Ireland) Limited, our Subsidiary

Litigation by or against our Subsidiary: Nil
Contingent liabilities as on September 30, 2009: Nil

Litigation involving our Promoter Group

1. DQE plc

Litigation by or against DQE plc: Nil
Contingent liabilities as on September 30, 2009: Nil

2. Zenithal Private Limited

Litigation by or against Zenithal Private Limited: Nil
Contingent liabilities as on September 30, 2009: Nil

Amounts owed to small-scale undertakings, as on September 30, 2009 exceeding Rs. 100,000, which is outstanding for more than 30 days

Nil

Material Developments

In the opinion of the Board, other than as disclosed in the Notes to our Financial Statements in the section "Financial Statements" on page no. 121 and in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page no. 124 of this Red Herring Prospectus, there has not arisen, since the date of the last financial statements set out herein, any circumstance that materially or adversely affects our profitability taken as a whole or the value of our consolidated assets or our ability to pay our material liabilities over the next 12 months.

GOVERNMENT APPROVALS

We have received the necessary consents, licenses, permissions and approvals from the Government and various governmental agencies required for our present business and except as mentioned below, no further approvals are required for carrying on our present business.

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities. Unless otherwise stated, these approvals are all valid as of the date of this Red Herring Prospectus.

I. APPROVALS FOR THE ISSUE

Corporate Approvals

Our Board has, pursuant to resolutions passed at its meeting held on August 26, 2009 authorised the Issue, subject to the approval by the shareholders of our Company under Section 81(1A) of the Companies Act.

Our shareholders have pursuant to a resolution dated September 15, 2009 under Section 81(1A) of the Companies Act, authorised the Issue.

Approval from BSE

In-principle approval from the Bombay Stock Exchange Limited dated November 5, 2009.

While we had earlier applied to the NSE for an in-principle listing approval for our Equity Shares, we have withdrawn the said application on November 19, 2009 and accordingly, our Equity Shares will not be listed on the NSE pursuant to this Issue.

II. INCORPORATION DETAILS

1. Company Registration Number: 053585 of 2007-08;

2. Corporate Identity Number: U92113AP2007PLC053585;

3. Certificate of Incorporation dated April 13, 2007 issued to the Company by the Registrar of Companies, Andhra Pradesh at Hyderabad;

4. Fresh Certificate of Incorporation dated January 17, 2008 issued, consequent to the change of name from Animation and Multimedia Private Limited to DQ Entertainment (International) Private Limited, by the Registrar of Companies, Andhra Pradesh at Hyderabad;

5. Fresh Certificate of Incorporation dated September 19, 2009 issued, on conversion of the Company to a public limited company and the consequent change of name to DQ Entertainment (International) Limited, by the Registrar of Companies, Andhra Pradesh at Hyderabad;

6. PAN card bearing No. AACCD8731C dated April 13, 2007 issued by the Income Tax Department;

7. TAN No.: HYDD00672A dated April 17, 2008 issued by the National Securities Depository Limited

III. APPROVALS TO CARRY ON OUR BUSINESS

8. Service Tax Registration Certificate dated October 31, 2008 issued by the Superintendent of Central Excise Service Tax Cell, Hyderabad-II Commissionerate. The Service Tax Registration number is AACCD8731CST001.

9. Value Added Tax Registration Certificate dated February 11, 2008 issued by the Commercial Tax Department, Andhra Pradesh. The VAT Registration Number of the Company is 28760282342.

10. Certificate of Registration bearing No. PJT01 P.T. Reg No. 1267, 2003-2004 dated March 31, 2004 issued by the Deputy Commercial Tax Officer under Rule 3(2) of the Andhra Pradesh Tax on Professions, Trades, Callings and Employment Rules, 1987;

11. Certificate of Enrolment bearing No. PJ/11/P.Tent.No. 2363/2007-2008 dated May 21, 2007 issued by the Deputy Commercial Tax Officer under Rule 4(4) of the Andhra Pradesh Tax on Professions, Trades, Callings and Employment Rules, 1987 requiring our Company to pay tax at the rate of Rs. 2,500 per annum on or before June 30 of every year in the manner prescribed under the said rules;

12. Certificate of Enrolment bearing No. PJ/11/P.Tent.No. 2364/2007-2008 dated May 21, 2007 issued by the Deputy Commercial Tax Officer under Rule 4(4) of the Andhra Pradesh Tax on Professions, Trades, Callings and Employment Rules, 1987 requiring Tapaas Chakravarti as Director of DQ Entertainment Limited to pay tax at the rate of Rs. 2,500 per annum on or before June 30 of every year in the manner prescribed under the said rules;

13. Certificate of Enrolment bearing No. ECE0075020 dated May 26, 2008 issued by the Profession Tax Officer, under the West Bengal Tax on Professions, Trades, Callings and Employment Act, 1979 requiring our Company to pay tax at the rate of Rs. 2,500 per annum on or before July 31 of every year in the manner prescribed under Rule 15 of the West Bengal State Tax on Professions, Trades, Callings and Employment Rules, 1979;

14. Letter no: AP/HY/37742/Enf/I/2V/2000/4092 dated August 18, 2000 from the office of the Regional Provident Fund Commissioner to the Company stating that the Employee's Provident Fund and Miscellaneous Provisions Act, 1952 and the Schemes there under are applicable to the Company with effect from June 1, 2000 and thus needs to complied with. The letter allotted a code no. AP/HY/37742 to our Company.

15. Certificate of Employees' State Insurance Corporation, Hyderabad dated May 14, 2007 allotting ESIC Code No. 52-27249-101. Vide letter dated January 31, 2008, the Company applied for change of name and transfer the existing registration to DQ Entertainment (International) Private Limited.

16. Certificate of Employees' State Insurance Corporation, Kolkata dated March 9, 2009 allotting ESIC Code No. 41-38546-101.

17. Certificate of Employees' State Insurance Corporation, Marol, Mumbai dated September 5, 2008 allotting ESIC Code No. 52-27249-101(Marol).

18. Registration under the Andhra Pradesh Shops and Establishments Act, 1988 for its office at for its office at 644, Aurora Colony, Road no. 3, Banjara Hills, Hyderabad – 500034 under certificate bearing number DCL/HYD/24/2000.

19. Det Norske Veritas has issued a Management System Certificate No.28433-2008-AQ-IND-RvA dated June 9, 2008 stating that DQ Entertainment (International) Private Limited conforms to ISO 9001:2000 Quality Management System Standard. This certificate is valid till June 9, 2011.

Import-Export

20. Certificate of Importer-Exporter Code (IEC) bearing no. 0991013671 issued by the Joint Director General of Foreign Trade on 9 June 2008 to the Company. The said certificate was issued to the Company in modification of the IEC Certificate issued earlier to DQ Entertainment Limited for the Branches mentioned below:

    - Branch 3: H.No.8-2-268/1/A, Plot No.644, Road no. 3, Aurora Colony, Banjara Hills, Hyderabad 500 034.
    - Branch 5: Plot no.546, Road no. 3, Aurora Colony, Banjara Hills, Hyderabad 500034.
    - Branch 7: Plot no.31, Road No.5, Jubilee Hills, Hyderabad 500 033.
    - Branch 8: Plot no.58, Srinagar Colony, Hyderabad 500 034.

- Branch 9: Kimtee Square No.8-2-686-K/1/2, D1/D2/D3/D4, Road No.12, Banjara Hills, Hyderabad 500 034.
- Branch 10: My Home Hub, Survey No.79, Block III, Madhapur, RR District, Hyderabad 500 081.
- Branch 11: H.No.8-2-268/10D/2, Road No.3, Aurora Colony, Banjara Hills, Hyderabad 500 034.

Vide another letter dated December 22, 2008, the said IEC code was extended to the include the following branches:

- Branch 12: SKCL Building, B-North Wing, Ground Floor, Central Square, Thiru Vikkaie Guindy, Chennai 600 032.
- Building No.7, Eureka Towers, SV No.504, Mindspace Business District, Link Road, Malad (West), Mumbai 400 064.
- Module 312-315, 2nd floor, Block GP, Sector-V, Kolkata 700 091.

Vide our application dated November 13, 2009 we have applied to the Office of Joint Director General of Foreign Trade, Hyderabad for modification in the above branch list .

Software Technology Park related licenses

Unit-1:

21. Letter of approval for Unit-1 from Software Technology Parks of India ("**STPI**"), No.STPH/IMSC/1999-2000/358/21773 dated March 21, 2000 granting approval for establishing a 100% EOU under software technology park scheme for the development/manufacture and export of computer software for the premises located in 401, Shiv Sai Apartments, Dwarkapuri Colony, Punjagutta, Hyderabad 500 082.

22. Letter from STPI, no: STPH/105-1/2002-2003/0143 dated May 21, 2002 approving the change in address of the Unit-1 EOU from 401, Shiv Sai Apartments, Dwarkapuri Colony, Punjagutta, Hyderabad 500082 to 8-2-268/1/A & 8-2-268/A/2N, Aurora Colony Road No.3, Banjara Hills, Hyderabad 500 033;

23. Letter from STPI, STPH/105-1/2007-2008/6975/21774 dated February 18, 2008 to the Company stating their no objection in permitting change of name for Unit-1 from DQ Entertainment Limited (Unit-1) to DQ Entertainment (International) Private Limited (Unit-1). The said approval is valid till April 20, 2011. We have applied for closure of Unit – 1 and debonding has been completed.

24. We have applied on December 30, 2009 to the Software Technology Park of India for issuing No-Objection Certificate for debonding of the premises at Unit-1.

Unit-2:

25. Letter of approval for Unit-2 from STPI, No.STPH/IMSC/2002-2003/1103/11869 dated March 12, 2003 to the Company granting approval for the establishment of a 100% EOU under software technology park scheme for a new undertaking at H.No.8-3-1100/A & 8-3-1100/A/1, Plot no.112, Ground and First Floor, Srinagar Colony, Hyderabad 500034 for the development/manufacture and export of computer software.

26. The said approval for Unit-2 was renewed by Director, STPI vide the letter dated March 6, 2008 bearing number STPH/EXIM/7474/2007-2008/22864 for a further period of five years with effect from March 13, 2008 to March 12, 2013.

27. Letter from STPI, STPH/7474/2006-2007/764 dated April 12, 2006 to the Company stating their no-objection in the expansion of the business for Unit-2 to 8-2-268/H/27, Plot no.546, Aurora Colony, Road No.3, Banjara Hills, Hyderabad 500 034. Further, it stated that they have no objection to the company obtaining a customs bonded warehouse license for the said premises;

28. Letter from STPI, STPH/7474/2005-2006/5204 dated June 23, 2005 to the Company stating that they have no objection in the expansion of the business for Unit-2 to H.No.8-3-1077, Plot No.58,

Srinagar Colony, Hyderabad 500 034.

29. Letter from STPI, STPH/7474/2006-2007/22809 dated September 8, 2006 to the Company stating that they have no objection in the expansion of the business for Unit-2 to Kimtee Square, D1/D2/D3/D4, 8-2-686/K/1/2, Road No.12, Banjara Hills, Hyderabad. Further, it stated that they have no objection to the company obtaining a customs bonded warehouse license for the said premises;

30. Letter from STPI, STPH/7474/2007-2008/9437 dated August 21, 2007 to the Company stating that they have no objection in the expansion of the business for Unit-2 to My Home Hub, Survey No.79, Block III, Madhapur, Ranga Reddy District, 500 081. Further, it stated that they have no objection to the company obtaining a customs bonded warehouse license for the said premises;

31. Letter from STPI, STPH/105-1/2007-2008/7474/21730 dated February 18, 2008 to the Company stating that they have no objection in permitting change of name for its Unit-2 from DQ Entertainment Limited (Unit-2) to DQ Entertainment (International) Private Limited (Unit-2).

32. Letter from STPI, STPH/105-1/2009-2010/7474 dated December 11, 2009 to the Company stating that they have no objection in permitting change of name for its Unit-2 from DQ Entertainment (International) Private Limited (Unit-2) to DQ Entertainment (International) Limited.

Export Oriented Undertakings ("EOU") related licenses

33. The Deputy Commissioner of Central Excise issued a certificate dated December 18, 2002 certifying that the Company's premises at 644, Aurora Colony, Road No.2, Banjara Hills, Hyderabad, Andhra Pradesh, is registered for operating an EOU under the registration number AABCD1845LXM001.

34. The Assistant Commissioner of Central Excise issued a certificate dated September 11, 2003 certifying that the Company's premises at 8-3-1100/A and A/1, Plot No.112, Srinagar Colony, Banjara Hills, Hyderabad, Andhra Pradesh, is registered for operating an EOU under the registration number AABCD1845LXM002;

35. The Assistant Commissioner of Central Excise issued a certificate dated September 11, 2003 certifying that the Company's premises at Varun Enclave, Plot No.31, Road No.5, Jubilee Hills, Hyderabad, Andhra Pradesh, is registered for operating an EOU under the registration number AABCD1845LXM003;

36. The Assistant Commissioner of Central Excise issued a certificate dated August 11, 2005 certifying that the Company's premises at 8-3-1077, Plot No. 58, Srinagar Colony, Hyderabad Urban, Andhra Pradesh, is registered for operating an EOU under the registration number AABCD1845LXM004;

37. The Assistant Commissioner of Central Excise issued a certificate dated October 10, 2007 certifying that the Company's premises at My Home Hub, Block III, 1st floor, Survey No.79, Madhapur, Banjara Hills, Ranga Reddy District, Andhra Pradesh 500 034, is registered for operating an EOU under the registration number AABCD1845LXM005;

Customs Private Bonded Warehouse ("CPBW") related licenses

CPBW license bearing number 191/2000:

38. By a letter dated 16 June 2000, the Central Excise Department issued a CPBW license bearing number 191/2000 to the Company for its premises at HNO: 8-2-268/1/A and 8-2-268/A/2N, Road No.3, Banjara Hills, Hyderabad 500 034 for the period from 16 June 2000 to 31 May 2005 for the storage of imported customs goods without payment of duty on first importation.

39. By a letter dated November 17, 2006, the office of the Assistant Commissioner of Customs and Central Excise renewed the CPBW license bearing number 191/2000 up to May 11, 2008. By letters dated December 5, 2005 and November 3, 2006 the STPI issued the No Objection

Certificates to the Company for the renewal of CPBW License No.191/2000 until April 20, 2006 and April 20, 2011 respectively.

40. By a letter dated March 11, 2008, the office of the Assistant Commissioner of Customs and Central Excise approved the name change from DQ Entertainment Limited to DQ (International) Private Limited for CPBW License No.191 / 2000.

41. By a letter dated September 8, 2008 the office of the Deputy Commissioner of Customs and Central Excise has permitted the debonding of indigenous good as approved by the STPI.

42. By a letter dated December dated December 30, 2009 the Company has applied to the Software Technology Park of India for issuing the No-Objection certificate for debonding the Unit-1 premises. On receipt of such NOC the Company will submit the same to Deputy Commissioner of Customs and Central Excise for further process.

CPBW license bearing number 67/2003:

43. By a letter dated September 15, 2003, the Central Excise Department issued a CPBW license bearing number 67/2003 to the Company for its premises at Basement (DG Room), Ground, 1st and 2nd floors, Plot No.31, Road No.5, Jubilee Hills, Hyderabad for the period from 15 September 2003 to July 25, 2006 for the storage of imported Customs goods without payment of duty on first importation.

44. By a letter dated March 11, 2008, the office of the Assistant Commissioner of Customs and Central Excise approved the name change from DQ Entertainment Limited to DQ (International) Private Limited for CPBW License No.67/2003.

45. By a letter dated July 28, 2009 the office of the Deputy Commissioner of Central Excise renewed the CPBW license bearing number 67/2003 upto July 24, 2012.

CPBW license bearing number 74/2005:

46. The Central Excise Department issued a CPBW license bearing number 74/2005 on August 2, 2005 to the Company for its premises at Ground, 1st upto 6th floors, D.No.8-3-1077, Plot No. 58, Srinagar Colony, Hyderabad Urban, Andhra Pradesh, for the period from August 2, 2005 to March 12, 2008 for the storage of imported customs goods without payment of duty on first importation.

47. By a letter dated March 11, 2008 the office of the Assistant Commissioner of Customs and Central Excise approved the name change from DQ Entertainment Limited to DQ (International) Private Limited for CPBW License No.74/2005.

48. By a letter dated March 11, 2008 the office of the Assistant Commissioner of Customs and Central Excise renewed the CPBW license bearing number 74/2005 upto June 30, 2010.

CPBW license bearing number 84/2006:

49. The Central Excise Department issued a CPBW license bearing number 84/2006 on September 28, 2006 to the Company for its premises at cellar, D1/D2/D3/D4, 3rd floor, Kimtee Square, Road No.12, Banjara hills, Hyderabad, for the period from September 28, 2006 to March 12, 2008 for the storage of imported customs goods without payment of duty on first importation.

50. By a letter dated March 11, 2008 the office of the Assistant Commissioner of Customs and Central Excise approved the name change from DQ Entertainment Limited to DQ (International) Private Limited for CPBW License No.84/2006.

51. By a letter dated March 11, 2008 the office of the Assistant Commissioner of Customs and Central Excise renewed the CPBW license bearing number 84/2006 upto August 31, 2011.

52. By a letter dated December 16, 2009 the office of the Deputy Commissioner of Customs & Central Excise has confirmed the debonding of premises as recommended by STPI.

CPBW license bearing number 35/2007:

53. The Central Excise Department issued a CPBW license bearing number 35/2007 on October 04, 2007 to the Company for its premises at 1st floor, Block III, My Home Hub Sy.No.79, Madhapur, Hyderabad, for the period from October, 04, 2007 to March 11, 2008 for the storage of imported customs goods without payment of duty on first importation.

54. By a letter dated March 11, 2008 the office of the Assistant Commissioner of Customs and Central Excise approved the name change from DQ Entertainment Limited to DQ (International) Private Limited for CPBW License No.35/2007.

55. By a letter dated March 11, 2008 the office of the Assistant Commissioner of Customs and Central Excise renewed the CPBW license bearing number 35/2007 upto March 12, 2013.

IV. INTELLECTUAL PROPERTY

Registered Trademarks

56. Certificate of registration of trade mark dated October 9, 2003 under Section 23(2), Rule 62(l) of the Trade Marks Act, 1999 for the trade mark no. 1242194 as of October 9, 2003 registering the Company's logo 'DQ' in the name of the Company as manufacturers and merchants in Class 9 in respect of cinematographic films, ad-films, video films and cartoon films. We have also applied for trademark registration of the new logo of DQE in the name of DQ Entertainment (International) Private Limited.

57. Certificate of registration of trade mark dated March 28, 2006 under Section 23(2), Rule 62(l) of the Trade Marks Act, 1999 for the trade mark no. 1302246 as of August 13, 2004 registering the Company's logo 'DQ Entertainment' in the name of the Company as manufacturers and merchants in Class 41 in respect of services of developing 2D/ 3D animations for television, CD Rom, video, 35/70 mm movies, multimedia software for entertainment, exhibition of cinematographic films, ad-films and motion pictures.

Registered Copyrights

There are various works which our Company owns and has registered the Copyrights for. These works have been authored by Mr Tapaas Chakravarti. The details of all such works are as follows:

S.No	Registration No.	Date of Registration	Class and Description	Title of the Work	Language of Work
1.	SW-2410/2005	September 13, 2005	Software	2DQ Trackz	Active Server Pages 2.0, Java Script 2.0, Microsoft Windows
2.	A-75796/2006	February 28, 2006	Artistic	DQ Entertainment Limited	English
3.	A-75797/2006	February 28, 2006	Artistic	DQ Entertainment Limited	English
4.	A-76017/2006	March 16, 2006	Artistic	DQ Entertainment	English
5.	CF-950/2006	July 21, 2006	Cinematograph Film	Sachi	English
6.	L-27636/2006	December 29, 2006	Literary	Inder	English
7.	L-29634/2007	December 07, 2007	Literary	Hilltop High School (H2)	English
8.	A-81260/2007	November 16, 2007	Artistic	DQ Power Kidz	English
9.	SW-3878/2008	June 10, 2008	Software	DQE Hris–Version 1.0	ASP Programming, VB script, Java Script and SQL Server
10.	SW-3879/2008	June 10, 2008	Software	2DQ Trackz–Version 1.0	ASP Programming, VB script, Java Script and SQL Server
11.	SW-3880/2008	June 10, 2008	Software	3DQ Trackz-Version 1.0	ASP Programming, VB script, Java Script and SQL Server
12.	L-30710/2008	June 10, 2008	Literary	Little Secrets	English

S.No	Registration No.	Date of Registration	Class and Description	Title of the Work	Language of Work
13.	L-30938/2008	July 9, 2008	Literary	Mumbai Musical	English
14.	L-30939/2008	July 9, 2008	Literary	Daan Veer Suryaputra	English
15.	L-30940/2008	July 9, 2008	Literary	Surya Putra	English
16.	L-30941/2008	July 9, 2008	Literary	Bollywood Musical	English
17.	A-83312/2008	August 13, 2008	Artistic	Vibhishan	English
18.	A-83313/2008	August 13, 2008	Artistic	Ravan	English
19.	A-83314/2008	August 13, 2008	Artistic	Kumbhakaran	English
20.	A-83315/2008	August 13, 2008	Artistic	Ravan	English
21.	A-83316/2008	August 13, 2008	Artistic	Kumbhakaran	English
22.	A-83317/2008	August 13, 2008	Artistic	Bharat	English
23.	A-83318/2008	August 13, 2008	Artistic	Shatrughna	English
24.	A-83319/2008	August 13, 2008	Artistic	Vibhishan	English
25.	A-83320/2008	August 13, 2008	Artistic	Lakshman	English
26.	A-83321/2008	August 13, 2008	Artistic	Ram	English
27.	A-83928/2008	October 17, 2008	Artistic	Computer generated image of Dasharath	English
28.	A-83929/2008	October 17, 2008	Artistic	Computer generated image of Vishrava	English
29.	A-83930/2008	October 17, 2008	Artistic	Computer generated image-1 of Shatrughna	English
30.	A-83931/2008	October 17, 2008	Artistic	Computer generated image-2 of Shatrughna	English
31.	A-83932/2008	October 17, 2008	Artistic	Computer generated image-3 of Shatrughna	English
32.	A-83933/2008	October 17, 2008	Artistic	Computer generated image-3 of Bharat	English
33.	A-83934/2008	October 17, 2008	Artistic	Computer generated image of Nandi	English
34.	A-83935/2008	October 17, 2008	Artistic	Computer generated image of Kuber	English
35.	A-83936/2008	October 17, 2008	Artistic	Computer generated image of Brahma	English
36.	A-83937/2008	October 17, 2008	Artistic	Computer generated image of Muni Vashisth	English
37.	A-83938/2008	October 17, 2008	Artistic	Computer generated image of Sita	English
38.	A-83939/2008	October 17, 2008	Artistic	Computer generated image of Rishyasringa	English
39.	A-83940/2008	October 17, 2008	Artistic	Computer generated image of Kaikeyi	English
40.	A-83941/2008	October 17, 2008	Artistic	Computer generated image of Kaushalya	English
41.	A-83942/2008	October 17, 2008	Artistic	Computer generated image-1 of Bharat	English
42.	A-83943/2008	October 17, 2008	Artistic	Computer generated image of Tarakasur	English
43.	A-83944/2008	October 17, 2008	Artistic	Computer generated image-3 of Lakshman	English
44.	A-83945/2008	October 17, 2008	Artistic	Computer generated image-3 of Ram	English
45.	A-83946/2008	October 17, 2008	Artistic	Computer generated image of Janaka	English
46.	A-83947/2008	October 17, 2008	Artistic	Computer generated image-2 of Lakshman	English
47.	A-83948/2008	October 17, 2008	Artistic	Computer generated image-2 of Bharat	English
48.	A-83949/2008	October 17, 2008	Artistic	Computer generated image-2 of Ram	English
49.	A-83950/2008	October 17, 2008	Artistic	Computer generated image of Parvati	English

S.No	Registration No.	Date of Registration	Class and Description	Title of the Work	Language of Work
50.	A-83951/2008	October 17, 2008	Artistic	Computer generated image of Saraswati	English
51.	A-83952/2008	October 17, 2008	Artistic	Computer generated image of Shiva	English
52.	A-83953/2008	October 17, 2008	Artistic	Computer generated image of Ganesh	English
53.	A-83954/2008	October 17, 2008	Artistic	Computer generated image of Lakshmi	English
54.	A-83955/2008	October 17, 2008	Artistic	Computer generated image of Kartikeya	English
55.	A-83956/2008	October 17, 2008	Artistic	Computer generated image of Vishwamitra	English
56.	A-83957/2008	October 17, 2008	Artistic	Computer generated image of Sumali	English
57.	A-83958/2008	October 17, 2008	Artistic	Computer generated image-1 of Lakshman	English
58.	A-83959/2008	October 17, 2008	Artistic	Computer generated image of Meenakshi	English
59.	A-83960/2008	October 17, 2008	Artistic	Computer generated image-1 of Ram	English
60.	A-83961/2008	October 17, 2008	Artistic	Computer generated image of Sumitra	English
61.	A-83962/2008	October 17, 2008	Artistic	Computer generated image of Kaikesi	English
62.	L-31581/2008	October 17, 2008	Literary	Mumbai Musical - Version 1.0	English
63.	L-31706/2008	December 24, 2008	Literary	Ravan	English
64.	L-31707/2008	December 24, 2008	Literary	Shiv Puran	English
65.	L-31708/2008	December 24, 2008	Literary	Balkand	English
66.	L-32168/2009	February 25, 2009	Literary	Devas	English
67.	L-32169/2009	February 25, 2009	Literary	Devayana	English
68.	A-85128/2009	March 4, 2009	Artistic	The Jungle Book	English
69.	A-85129/2009	March 4, 2009	Artistic	Ayodhya (Balkand)	English
70.	CF-1617/1009	April 13, 2009	Cinematograph Film	The Jungle Book - Trailer	English
71.	A-85682/2009	May 28, 2009	Artistic	Baloo	English
72.	A-85683/2009	May 28, 2009	Artistic	Mowgli	English
73.	A-85684/2009	May 28, 2009	Artistic	Bagheera	English
74.	A-85685/2009	May 28, 2009	Artistic	Kaa	English
75.	A-85686/2009	May 28, 2009	Artistic	The Jungle Book	English
76.	A-85687/2009	May 28, 2009	Artistic	Shere Khan	English
77.	L-33278/2009	June 11, 2009	Literary	The Jungle Book-Man Trap	English
78.	L-33450/2009	June 19, 2009	Literary	The Jungle Book-Wild Black Bees	English
79.	CF-1680/2009	July 30, 2009	Cinematograph Film	Feluda Teaser	English
80.	CF-1681/2009	July 30, 2009	Cinematograph Film	Balkand	English
81.	A-86563/2009	August 08, 2009	Artistic	Topshe	English
82.	A-86560/2009	August 08, 2009	Artistic	Feluda	English
83.	A-86561/2009	August 08, 2009	Artistic	Maganlal Meghraj	English
84.	A-86558/2009	August 08, 2009	Artistic	Jatayu	English
85.	A-86562/2009	August 08, 2009	Artistic	DQ School of Visual Arts	English
86.	A-86559/2009	August 08, 2009	Artistic	DQ Smile Foundation	English

Out of the above, the following copyrights were assigned to our Subsidiary, DQ Ireland through a Copyright Assignment Deed executed between the Company and DQ Ireland dated April 16, 2009:

Registration No.	Date of Registrarion	Class and description	Title of the work	Language of work
A-85128/2009	March 4, 2009	Artistic	The Jungle Book	English
CF-1617/1009	April 13, 2009	Cinematograph Film	The Jungle Book - Trailer	English
A-85682/2009	May 28, 2009	Artistic	Baloo	English
A-85683/2009	May 28, 2009	Artistic	Mowgli	English
A-85684/2009	May 28, 2009	Artistic	Bagheera	English
A-85685/2009	May 28, 2009	Artistic	Kaa	English
A-85686/2009	May 28, 2009	Artistic	The Jungle Book	English
A-85687/2009	May 28, 2009	Artistic	Shere Khan	English
L-33278/2009	June 11, 2009	Literary	The Jungle Book-Man Trap	English
L-33450/2009	June 19, 2009	Literary	The Jungle Book-Wild Black Bees	English

V. LICENSES APPLIED FOR AND PENDING APPROVAL

58. The Company has applied to the Trademarks Registry on August 31, 2007 for registering the trademark of “Powerkidz” in Class-9 in respect of making/ producing/ distributing the animated/ live action TV series or animated/ live action feature films or CD/ DVDs/ containing the said goods, on all the various medias, and Class-41 in respect of developing or making or producing or distributing films of various kinds, or developing multi media software for entertainment and pre and post production services or providing training and education therein, in the name of the Company with effect from August 5, 2007.

59. The Company has vide its letter dated April 2, 2008 applied for trademark registration of the new logo of DQE in the name of DQ Entertainment (International) Private Limited. The approval is awaited

60. The Company has made an application on November 13, 2009 to the Office of Joint Director General of Foreign Trade, Hyderabad for modification in the details of the IEC number with respect to the change in the name of the Company from DQ Entertainment (International) Private Limited to its present name and in the branch list. The approval is awaited.

61. The Company has received the no-objection certificate from the Software Technology Park of India for debonding the Unit-1 premises on February 10, 2010. The Company will now submit the the said no-objection to Deputy Commissioner of Customs and Central Excise for further process.

62. The Company has vide its letter dated January 31, 2008, made an application to the Assistant Director, Employees’ State Insurance Corporation Certificate to take on record the Amalgamation Scheme and the change of name from DQ Entertainment Limited to DQ Entertainment (International) Private Limited for its Code No. 52-27249-101. The approval for change of name is awaited.

63. The Company has vide its letter dated January 31, 2008, made an application to the Assistant Provident Fund Commissioner to take on record the Amalgamation Scheme and the change of name from DQ Entertainment Limited to DQ Entertainment (International) Private Limited for its Code no: AP/HY/37742 dated August 18, 2000. The approval for change of name is awaited.

64. The Company has vide its letter dated February 20, 2009 applied for renewal of Labour License bearing RC No.DCL/HYD/24/2000. The renewal is awaited.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorized by a resolution of our Board dated August 26, 2009 and by special resolution passed pursuant to Section 81(1A) of the Companies Act*,* at the AGM of the shareholders of our Company held on September 15, 2009.

Prohibition by SEBI, RBI or governmental authorities

The Company, Promoters, Promoter Group, Directors and group companies or Tapaas Chakravarti, our Promoter, who is also the natural person behind DQE Mauritius, our corporate Promoter have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI or any other authority.

None of the Company, the Subsidiary, the Directors, the directors of the Subsidiary, the Promoters, the Promoter Group entities and the companies in which the Directors are associated as directors, has been declared as a wilful defaulter by the RBI or any other governmental authority and there has been no violation of any securities law committed by any of them in the past and no such proceedings are pending against any of them.

None of the Directors of our Company are associated with the securities market in any manner and SEBI has not initiated any action against any of the Directors.

Eligibility for the Issue

The Company is eligible to make the Issue in accordance with Regulation 26(2) of the SEBI (ICDR) Regulations as explained below:

"*An issuer not satisfying any of the conditions stipulated in sub-regulation (1) may make an initial public offer (IPO) if:*

(a) (i) *the issue is made through the book-building process and the issuer undertakes to allot at least fifty per cent of the net offer to public to qualified institutional buyers and to refund the full subscription monies if it fails to make allotment to the qualified institutional buyers;*

OR

(a)(ii) *at least fifteen per cent of the cost of the project is contributed by scheduled commercial banks or public financial institutions, of which not less than ten per cent shall come from the appraisers and the issuer undertakes to allot at least ten per cent of the net offer to public to qualified institutional buyers and to refund the full subscription monies if it fails to make allotment to the qualified institutional buyers;*

(b) (i) *the minimum post-issue face value capital of the issuer is rupees ten crore rupees;*

OR

(b) (ii) *the issuer undertakes to provide market-making for at least two years from the date of listing of the shares, subject to the following:*

(a) *the market makers offer buy and sell quotes for a minimum depth of three hundred specified securities and ensure that the bid-ask spread for their quotes does not, at any time, exceed ten per cent.;*

(c) *the inventory of the market makers, as of the date of allotment of the specified securities, shall be at least five per cent of the proposed issue.*"

Our Company was incorporated on April 13, 2007 and has not completed three years as on the date of this Red Herring Prospectus. Hence, the Company is not eligible under Regulation 26(1) of the SEBI (ICDR) Regulations.

The Company is an unlisted company not complying with the conditions specified in Regulation 26(1) of the SEBI (ICDR) Regulations and is therefore required to meet both the conditions detailed in sub-regulation (a) and (b) of Regulation 26(2) of the SEBI (ICDR) Regulations.

Accordingly, in compliance with Regulation 26(2) of the SEBI (ICDR) Regulations, the Issue is being made through the Book Building Process, with at least 60% of the Net Issue being allotted to the QIBs (in order to comply with the requirements of Rule 19(2)(b) of the SCRR). In case we fail to make allotment of at least 60% of the Net Issue to the QIBs, we shall forthwith refund the subscription monies. Our Company will also comply with Regulation 26(2)(b)(i) of the SEBI (ICDR) Regulations and the post Issue face value capital of the Company shall be Rs. 792,830,000, which is more than the minimum requirement of Rs. 100,000,000. Accordingly, we are eligible under Regulation 26(2) of the SEBI (ICDR) Regulations.

Further, in accordance with Regulation 26(4) of the SEBI (ICDR) Regulations, we shall ensure that the number of prospective allottees, i.e. the persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000, failing which, the entire application money will be refunded forthwith. Further, if at least 60% of the Net Issue cannot be allotted to QIBs, then the entire application money shall be refunded forthwith. In case of delay, if any, in refund, the Company shall pay interest on the application money at the rate of upto 15% per annum on application money for the period of delay as prescribed under section 73 of the Companies Act..

Further, the Issue is subject to the fulfillment of the following conditions as required by Rule 19(2)(b) SCRR:

- A minimum 2 million Equity Shares (excluding reservations, firm Allotments and promoters contribution) are offered to the public;

- The Issue size, which is the Issue Price multiplied by the number of Equity Shares offered to the public, is a minimum of Rs. 1,000 million; and

- The Issue is made through the Book Building method with allocation of at least 60% of the Net Issue size to QIBs as specified by SEBI.

DISCLAIMER CLAUSE OF SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF OFFER DOCUMENT TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (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 OFFER DOCUMENT. THE LEAD MERCHANT BANKER, SBI CAPITAL MARKETS LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD

MANAGER, SBI CAPITAL MARKETS LIMITED HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 29, 2009 WHICH READS AS FOLLOWS:

"WE, THE UNDER NOTED BOOK RUNNING LEAD MANAGER TO THE ABOVE MENTIONED FORTHCOMING ISSUE STATE AND CONFIRM 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 MORE PARTICULARLY REFERRED TO IN THE ANNEXURE HERETO 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, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:**

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

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

   (c) THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE (AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS).

3. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE PROSPECTUS ARE REGISTERED WITH THE BOARD AND THAT TILL DATE SUCH REGISTRATION IS VALID.**

4. **WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. – NOTED FOR COMPLIANCE.**

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

6. **WE CERTIFY THAT REGULATION 33 OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO**

SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE REGULATION HAVE BEEN MADE IN THE RED HERRING PROSPECTUS.

7. **WE UNDERTAKE THAT REGULATION 32 OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT ALL PROMOTER'S CONTRIBUTION AND SUBSCRIPTION FROM ALL FIRM ALLOTTEES WOULD BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE- NOT APPLICABLE.**

8. **WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.**

9. **WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION – NOTED FOR COMPLIANCE.**

10. **WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE- NOT APPLICABLE AS THE OFFER SIZE IS MORE THAN 10 CRORES, HENCE UNDER SECTION 68B OF THE COMPANIES ACT, 1956, THE EQUITY SHARES ARE TO BE ISSUED IN DEMAT FORM ONLY.**

11. **WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.**

12. **WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE RED HERRING PROSPECTUS:**

    (a) **AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY AND**

    (b) **AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME."**

13. **WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS,**

2009 WHILE MAKING THE ISSUE.

14. **WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.**

15. **WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.**

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

All legal requirements pertaining to the Issue will be complied with at the time of filing of the Red Herring Prospectus with the RoC in terms of Section 60B of the Companies Act. All legal requirements pertaining to the Issue will be complied with at the time of registration of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Disclaimer from the Company and the Book Runner Lead Manager

Our Company, our Directors and the BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web site www.dqentertainment.com, would be doing so at his or her own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in the agreement entered into between the BRLM and our Company on September 22, 2009 and the Underwriting Agreement to be entered into between the Underwriters and our Company.

All information shall be made available by our 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, at bidding centers or elsewhere.

Neither our Company nor the Syndicate is liable for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

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

Disclaimer in respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are not minors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity 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 applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds) and to FIIs, eligible NRIs and other eligible foreign investors (viz. FVCIs, multilateral and bilateral development financial institutions). This Red Herring Prospectus does not, however, constitute an invitation to purchase shares offered hereby in any jurisdiction other than India 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 Hyderabad, Andhra Pradesh only.

No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI for its observations and SEBI shall give its observations in due course. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, "US 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 and applicable state securities laws. Accordingly, the Equity Shares are only being offered and sold outside the United States to non-US persons in offshore transactions in reliance on Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

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.

Further, each Bidder where required agrees that such Bidder will not sell or transfer any Equity Shares or create any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with applicable laws and legislations in each jurisdiction, including India.

Each person in a Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State) who receives any communication in respect of, or who acquires any Equity Shares under, the offers contemplated in this Red Herring Prospectus will be deemed to have represented, warranted and agreed to and with each Underwriters and the Company that:

1. it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

2. in the case of any Equity Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Equity Shares acquired by it in the placement have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Underwriters have been given to the offer or resale; or (ii) where Equity Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Equity Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer of Equity Shares to the public" in relation to any of the Equity Shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that

Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

Disclaimer Clause of BSE

As required, a copy of this Red Herring Prospectus has been submitted to BSE. The Disclaimer Clause as intimated by BSE to us, post scrutiny of this Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to the RoC filing.

Filing

A copy of this Red Herring Prospectus had been filed with SEBI at Corporation Finance Department, Corporation Finance Department, Plot No.C4-A,'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051.

A copy of the Red Herring Prospectus, along with the material contracts and documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC at the Office of the Registrar of Companies, Andhra Pradesh at Hyderabad, Office of the Registrar of Companies, Andhra Pradesh at Hyderabad, 2nd Floor, CPWD Building, Kendriya Sadan, Sultan Bazar, Koti, Hyderabad – 500 195, Andhra Pradesh, India.

Listing

Applications have been made to the BSE for permission to deal in and for an official quotation of our Equity Shares. BSE will be the Designated Stock Exchange with which the Basis of Allotment will be finalized.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by BSE mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of refusal or within 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 8 days, be liable to repay the money, with interest at the rate of up to 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at BSE mentioned above are taken within 7 working days of finalisation of the Basis of Allotment for the Issue.

Impersonation

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

"Any person who:

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

(b) Otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name shall be punishable with imprisonment for a term which may extend to five years."

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Legal Advisors to the Issue; and (b) Book Running Lead Manager to the Issue, and Syndicate Members, Escrow Collection Bank(s) and Registrar to the Issue, to act in their respective capacities, have been obtained and will be filed along with a copy of the Red Herring Prospectus with the RoC, as required under Sections 60 and 60B of the Companies Act and such consents shall not be withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

In accordance with the Companies Act and the SEBI (ICDR) Regulations, Deloitte Haskins and Sells, Chartered Accountants, have given their written consent to the inclusion of their financial report as well as report in relation to tax benefits accruing to our Company and its members in the form and context in which it appears in this Red Herring Prospectus and such consent and report shall not be withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

We have obtained written consent from Fitch Ratings, the IPO grading agency engaged by us for the purpose of obtaining IPO grading in respect of this Issue, as experts to the Issue and inclusion of their report in the Red Herring Prospectus and that such consent and report shall not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus for registration with the RoC.

Expert Opinion

Except the report of Fitch Ratings in respect of IPO grading of this Issue, we have not obtained any expert opinions.

Expenses of the Issue

The total expenses of the Issue are estimated to be approximately Rs. [•]. The expenses of this Issue include, among others, underwriting and management fees, SCSB's commission/ fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Issue would be paid by our Company.

The estimated Issue expenses are as under: *(In Rs)*

Activity	Expenses*	Percentage of the Issue Expenses*	Percentage of the Issue Size*
Fees to be paid to the Book Running Lead Manager	[•]	[•]	[•]
Fees to be paid to the Registrar to the Issue	[•]	[•]	[•]
Fees to be paid to the domestic and international legal advisors to the Issue	[•]	[•]	[•]
IPO Grading	[•]	[•]	[•]
Underwriting commission	[•]	[•]	[•]
Advertising and Marketing expenses	[•]	[•]	[•]
Printing, stationery and distribution expenses	[•]	[•]	[•]
Others (SEBI filing fee, listing fee, etc.)	[•]	[•]	[•]
Total estimated Issue expenses	[•]	[•]	[•]

** Will be incorporated after finalisation of Issue Price.*

Fees Payable to the BRLM and the Syndicate Members

The total fees payable to the Book Running Lead Manager will be as per the engagement letter dated September 1, 2009 with the BRLM issued by our Company, a copy of which is available for inspection at our Registered Office. The fees to be paid to the Syndicate Members shall be mentioned in the Syndicate Agreement.

Fees Payable to the Registrar to the Issue

The fees payable by us to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as the per the memorandum of understanding between us and the Registrar to the Issue dated September 22, 2009.

The Registrar to the Issue will be reimbursed for all out of pocket expenses including cost of stationery, postage, stamp duty, and communication expenses. 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.

IPO Grading

This Issue has been graded by Fitch Ratings and has been assigned a grade of IPO Grade '3(ind) on a maximum of 5(ind)' indicating "average fundamentals", through its letter dated February 8, 2010.

The rationale furnished by the grading agency for its grading is available for inspection at our Registered Office and has been provided to the Designated Stock Exchange and updated at the time of filing the Red Herring Prospectus with the RoC.

Disclaimer of Fitch Rating, the IPO Grading Agency

Reproduction or retransmission in whole or part is prohibited except by permission. All rights reserved. The above grading ("Grading") assigned by Fitch is largely based on Fitch's assessment of the fundamental financial strength of the issuer. The Grading does not constitute a credit rating by Fitch. Our procedures for issuing a credit rating differ from the procedures used to issue the Grading. The Grading has been arrived at based on information and documents provided to us by the issuer and other parties. Fitch relies on these parties for the accuracy of such information and documents. Fitch did not audit or verify the truth or accuracy of any such information and does not take responsibility for the appropriateness of the information provided and used in our analysis. The Grading is provided "as is" and Fitch does not represent, warrant or guarantee (i) the accuracy, correctness, integrity, completeness or timeliness of any part of the Grading, or (ii) that the Grading (or any credit rating) and the information and analyses contained in, and constituting a part thereof, will fulfill any person's particular purposes or needs. The Grading reflects the opinion of Fitch as at the date of publication and will not be monitored, and therefore will not be updated to reflect changed circumstances or information that may affect the Grading. The reportproviding the Grading is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of securities. The Grading does not comment on the suitability of the issue process, the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including, without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. Fitch is not providing any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. The Grading should not be viewed as a replacement for such advice or services. In providing the Grading, Fitch is not making any recommendation or suggestion, directly or indirectly, to any person to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security of any issuer. Any person who uses the Grading does so entirely at its own risk. Investors are advised to obtain individual financial advice based on their risk profile before taking any action based on the Grading. There is no fiduciary relationship between us and any third party, including, without limitation, any user of the Grading. Fitch is not responsible for any underwriting, credit, loan, purchase, strategic or investment decision, or damages or other losses resulting from use of the Grading. None of Fitch, its officers, employees, affiliated companies and their officers and employees shall have any liability in contract, tort, or otherwise (including, without limitation, for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits) in relation to the use of the Grading by any third party. Fitch receives fees from the issuer for performing the Grading exercise. Such fees vary from US$5000 to US$150000 per issue. Due to the relative efficiency of electronic publishing and distribution, the Grading may be available to electronic subscribers up to three days prior to print subscribers.

Underwriting commission, brokerage and selling commission on Previous Issues

Since this is the initial public offer of our Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Previous Rights and Public Issues

Our Company has not made any public issue (including any rights issues to the public) since its inception.

Previous issues of Equity Shares otherwise than for cash

Except as stated in the chapter titled "Capital Structure" on page no. 25 of this Red Herring Prospectus, the

Company has not made any previous issues of Equity Shares for consideration otherwise than for cash.

Companies under the Same Management

Except as disclosed in section "Our Promoters and Promoter Group" beginning on page no. 112 of this Red Herring Prospectus, no company under the same management within the meaning of Section 370(1B) of the Companies Act has made any public issue (including any rights issues to the public) during the last three years.

Performance vis-a-vis objects

The equity shares of DQE plc, our Promoter Group Company, were listed on December 18, 2007 on the Alternative Investment Market of the London Stock Exchange.

DQE plc made an initial placing of 19,727,961 equity shares having a face value of GBP 0.001 (approximately Rs. 0.08) each in December 2007. This placing was made at an issue price of 136 pence (approximately Rs. 99.9) per equity share aggregating to GBP 26.8 million (Rs. 1,953 million). The objectives for placing were to utlise the net proceeds for – (i) expansion of production facilities and workforce; (ii) investment in global intellectual property partnerships (co-production); and (iii) acquisitions, strategic investments and joint ventures. The management of DQE plc believes that it has been able to meet such objectives.

The monthly high and low of the market price of the equity shares of DQE plc having a face value of 0.1 pence or 0.001 GBP each (approximately Rs. 0.08) on the Alternative Investment Market of the London Stock Exchange for the last six months are as follows:

Month	High (in GBP pence)	Low (in GBP pence)
August 2009	96.5	86.0
September 2009	111.5	97.5
October 2009	111.5	107.0
November 2009	107.0	102.5
December 2009	105.5	101.0
January 2010	103.5	94.0

The market capitalization of DQE plc as on February 05, 2010 was GBP 34.35 million (Rs.2,625.37 million). For further details, see the section "Our Promoters and Promoter Group" beginning on page no. 112 of this Red Herring Prospectus.

Other than as disclosed above, there has been no public issue (including any rights issue to the public) by the Company, the Subsidiary, the Promoter or other members of the Promoter Group.

Outstanding Debentures or Bond Issues or Preference Shares

Our Company has no outstanding debentures or bonds or redeemable preference shares or other such instruments as of the date of this Red Herring Prospectus.

Stock Market Data for our Equity Shares

This being an initial public issue of our Company, the Equity Shares are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to the Issue and our Company provides for retention of records with the Registrar to the Issue for a period of at least one year from the last date of despatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

All grievances relating to the ASBA process may be addressed to the SCSB or the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the Designated Branch or the collection centre of the SCSB where the ASBA Bid cum Application Form was submitted by the ASBA Bidders.

Disposal of Investor Grievances by the Company

Our Company and / or the Registrar to the Issue and / or the SCSB in case of ASBA Bidders shall redress routine investor grievances within seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

We have also appointed Ms. Anita Sunil Shankar, Company Secretary of our Company as the Compliance Officer for this Issue and she may be contacted in case of any pre-Issue or post Issue related problems, at the following address:

DQ Entertainment (International) Limited
644, Aurora Colony
Road Number 3
Banjara Hills
Hyderabad 500 034
Andhra Pradesh
India
Tel: + 91 40 2355 3726 - 27
Fax: + 91 40 2355 2594
Email: investors@dqentertainment.com
Website: www.dqentertainment.com

Disposal of investor grievances by listed companies under the same management as the Company

The board of directors of DQE plc are not required to constitute a shareholder/investor grievance committee as applicability of the Combined Code on Corporate Governance published by the Financial Reporting Council is optional. However, there is a regular dialogue with shareholders and DQE plc maintains an investor relations section on the website, www.dqentertainment.com to facilitate communication with its shareholders.

Investor grievances are promptly resolved upon receipt.

As on January 31, 2009, DQE plc had no outstanding complaints from the shareholders, including in relation to change of address, non receipt of dividend warrants and non receipt of balance sheets.

Change in Auditors

There has been no change in our Auditors since inception.

Capitalization of Reserves or Profits

Our Company has not capitalized our reserves or profits since its inception, except as stated in the section titled "Capital Structure" on page no. 25 of this Red Herring Prospectus.

Revaluation of Assets

We have not revalued our assets since inception.

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of this the Red Herring Prospectus, the Prospectus, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, the Government of India, Stock Exchanges, Registrar of Companies, RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

The Board of Directors has, pursuant to a resolution passed at its meeting held on August 26, 2009 authorized the Issue subject to the approval by the shareholders of the Company under Section 81(1A) of the Companies Act, and such other authorities as may be necessary.

The shareholders of the Company have, pursuant to a resolution dated September 15, 2009 under Section 81(1A) of the Companies Act, authorized the Issue.

The Board pursuant to its resolution dated August 26, 2009 has authorized a committee of its Directors referred to as the IPO Committee to take decisions on behalf of the Board in relation to the Issue. The IPO Committee has approved and authorized the Red Herring Prospectus pursuant to its resolution dated February 15, 2010.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank pari-passu with the existing Equity Shares of our Company including rights in respect of dividend. The Allottees in receipt of allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of allotment. For further details, please see "Main Provisions of the Articles of Association" on page no. 276 of this Red Herring Prospectus.

Mode of Payment of Dividend

We shall pay dividends to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price is Rs. [•] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

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 receive notices and 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, the terms of the listing agreement executed with BSE, and our Company's Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please refer to the section titled "Main Provisions of Our Articles of Association" on page no. 276 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 dematerialised form. As per the SEBI (ICDR) Regulations, the trading of our Equity Shares shall only be in dematerialised form. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one (1) Equity Share subject to a minimum allotment of [•] Equity Shares.

Joint Holders

Where two or more persons are registered as the holders of the Equity Shares, they shall be entitled to hold the same as joint tenants with benefits of survivorship.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Hyderabad, Andhra Pradesh, India.

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office or to the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

Period of operation of subscription list of public issue

BID/ISSUE OPENS ON	**March 8, 2010**
BID/ISSUE CLOSES ON	**March 10, 2010**

The Company may consider participation by Anchor Investors in terms of the SEBI (ICDR) Regulations. The Anchor Investor Bid / Issue Period shall be one day prior to the Bid/ Issue Opening Date.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Net Issue, including devolvement of underwriters within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to repay the subscription amount, our Company shall pay interest prescribed under Section 73 of the Companies Act.

If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith.

Further in terms of Regulation 26(4)A of the SEBI (ICDR) Regulations, we shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1,000.

Arrangement for disposal of odd lots

There are no arrangements for disposal of odd lots.

Restriction on transfer of shares

There are no restrictions on transfers and transmission of shares/ debentures and on their consolidation/ splitting except as provided in our Articles of Association. See "Main Provisions of our Articles of Association" on page no. 276 of this Red Herring Prospectus.

Option to Receive Securities in Dematerialised Form

Investors should note that allotment of Equity Shares to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of BSE.

ISSUE STRUCTURE

Issue of 16,048,011 Equity Shares for cash at a price of Rs. [●] per Equity Share (including share premium of Rs. [●] per Equity Share) aggregating to Rs. [●]. The Issue comprises of a Net Issue of 15,727,000 Equity Shares and an Employee Reservation Portion of 321,011 Equity Shares. The Issue and the Net Issue will constitute 20.24% and 19.84% respectively of the post Issue paid up capital of the Company.

The Issue is being made through the 100% Book Building Process.

	QIBs#	Non-Institutional Bidders	Retail Individual Bidders	Employee Reservation Portion
Number of Equity Shares*	At least 9,436,200 Equity Shares	Up to 1,572,700 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Up to 4,718,100 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Up to 321,011 Equity Shares.
Percentage of Issue Size available for allotment/allocation	At least 60% of Net Issue Size being allocated. However, up to 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation proportionately to Mutual Funds only.	Up to 10% of Net Issue less allocation to QIB and Retail Individual Bidders	Up to 30% of Net Issue less allocation to QIB Bidders and Non Institutional Bidders.	Up to 2.00% of the Issue **
Basis of Allotment/Allocation if respective category is oversubscribed	Proportionate as follows: (a) 471,810 Equity Shares (to be adjusted for Anchor Investor Portion, if applicable) shall be allocated on a proportionate basis to Mutual Funds; and (b) 8,964,390 Equity Shares (to be adjusted for Anchor Investor Portion, if applicable) shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000.	[●] Equity Shares.	[●] Equity Shares

	QIBs#	Non-Institutional Bidders	Retail Individual Bidders	Employee Reservation Portion
Maximum Bid	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Net Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.	[●] Equity Shares so that the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid Lot	[•] Equity Shares and in multiples of [•] Equity Shares thereafter.	[•] Equity Shares and in multiples of [•] Equity Shares thereafter.	[•] Equity Shares and in multiples of [•] Equity Shares thereafter.	[•] Equity Shares and in multiples of [•] Equity Shares thereafter.
Allotment Lot	[•] Equity Shares and in multiples of 1 Equity Share thereafter	[•] Equity Shares and in multiples of 1 Equity Share thereafter	[•] Equity Shares and in multiples of 1 Equity Share thereafter	[•] Equity Shares and in multiples of 1 Equity Share thereafter.
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply ***	Public financial institutions as specified in Section 4A of the Companies Act, FIIs and sub-account (other than a sub-account which is a foreign corporate or foreign individual) registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance	Eligible NRIs, Resident Indian individuals, HUFs (in the name of the Karta), companies, corporate bodies, scientific institutions, societies and trusts	Individuals (including HUFs in the name of the *karta* and Eligible NRIs) applying for Equity Shares such that the Bid Amount per individual Bidder does not exceed Rs.100,000 in value.	Eligible Employee(s)

	QIBs#	Non-Institutional Bidders	Retail Individual Bidders	Employee Reservation Portion
	Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million, pension funds with minimum corpus of Rs. 250 million in accordance with applicable law, National Investment Fund and insurance funds set up and managed by the army, navy, or air force of the Union of India.			
Terms of Payment	QIB Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members***	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members ##	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.
Margin Amount	At least 10% of Bid Amount	Full Bid Amount on bidding	Full Bid Amount on bidding	Full Bid Amount on bidding

The QIB Portion includes Anchor Investor Portion, as per the SEBI (ICDR) Regulations. Anchor Investor Margin Amount, i.e., at least 25% of the Bid Amount, shall be payable at the time of submission of the application form by the Anchor Investor.

In case of ASBA Bidders, the SCSB shall be authorised to block such funds in the bank account of the ASBA Bidder that are specified in the ASBA Bid cum Application Form.

* Subject to valid Bids being received at or above the Issue Price. In accordance with Rule 19(2)(b) of the SCRR, the Issue being less than 25% of the post–Issue paid up capital of the Company, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue will be allocated on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only (to be adjusted for Anchor Investor Portion, if applicable). The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price.. However, if the aggregate demand from Mutual Funds is less than 471,810 Equity Shares (to be adjusted for Anchor Investor Portion, if applicable), the balance Equity Shares available for Allotment in the Mutual Fund Portion will be added to the QIB Portion and allocated proportionately to the QIB Bidders in proportion to their Bids. The QIB Portion includes Anchor Investor Portion as per SEBI (ICDR) Regulations Further, up to 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 321,011 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLM. For details, see the section "Issue Procedure" beginning on page no. 233 of this Red Herring Prospectus.

If at least 60% of the Net Issue is not allocated to the QIBs, the entire subscription monies shall be refunded.

** Under subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue Portion at the discretion of the BRLM and the Company. In case of under subscription in the Net Issue, spill over to the extent of under subscription shall be permitted from the Employee Reservation Portion subject to the Net Issue constituting 10% of the post Issue capital of the Company.

*** 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.

Withdrawal of the Issue

The Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date including after the Bid / Issue Closing Date but before the Board meeting for Allotment, without assigning any reason.

Bidding/Issue Programme

BID/ISSUE OPENS ON	**March 8, 2010**
BID/ISSUE CLOSES ON	**March 10, 2010**

The Company may consider participation by Anchor Investors in terms of the SEBI (ICDR) Regulations. The Anchor Investor Bid / Issue Period shall be one day prior to the Bid/ Issue Opening Date.

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 3.00 p.m**. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form. On the Bid/Issue Closing Date, Bids (excluding the ASBA Bidders) shall be uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders and (ii) until 5.00 p.m. or such extended time as permitted by the NSE and the BSE, in case of Bids by Retail Individual Bidders and Eligible Employees bidding under the Employee Reservation Portion. It is clarified that Bids not uploaded in the electronic book, would be rejected. Bids by ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and the BSE.

In case of discrepancy in the data entered in the electronic book *vis-à-vis* the data contained in the physical Bid form, for a particular bidder, the details as per physical application form of that Bidder may be taken as the final data for the purpose of allotment. In case of discrepancy in the data entered in the electronic book *vis-à-vis* the data contained in the physical or electronic Bid cum Application Form submitted through the ASBA process, for a particular ASBA Bidder, the Registrar to the Issue shall ask for rectified data from the SCSB.

Due to limitation of time available for uploading the Bids on the Bid/Issue Closing date, the bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than the times mentioned above on the Bid/Issue Closing Date. All times are Indian Standard Time. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in pubic offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, the Issuer, BRLM and Syndicate members will not be responsible. Bids will be accepted only on Business Days, i.e., Monday to Friday (excluding any public holidays).

On the Bid/Issue Closing Date, extension of time may be granted by the Stock Exchanges only for uploading the Bids received by Retail Bidders after taking into account the total number of Bids received upto the closure of the time period for acceptance of Bid cum Application Forms as stated herein and reported by the BRLM to the Stock Exchanges within half an hour of such closure.

The Company reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI (ICDR) Regulations provided that the Cap Price is less than or equal to 120% of the Floor Price.

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 the Bidding Period/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web site of the BRLM and at the terminals of the

Syndicate.

ISSUE PROCEDURE

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only (to be adjusted for Anchor Investor Portion, if applicable). The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. The QIB Portion shall include the Anchor Investor Portion in accordance with SEBI (ICDR) Regulations. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 321,011 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be submitted only through the BRLM. In case of QIB Bidders, the Company in consultation with the BRLM may reject Bids at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Employee Reservation Portion, Non-Institutional Bidders and Retail Individual Bidders, our Company would have a right to reject the Bids only on technical grounds.

Investors should note that allotment of Equity Shares to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Single bid from any investor shall not exceed the investment limit/minimum number of specified securities that can be held by him/her/it under the relevant regulations/statutory guidelines.

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 the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in the 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.

ASBA Bidders shall submit an ASBA Bid cum Application Form either in physical or electronic form to the SCSB authorising blocking funds that are available in the bank account specified in the ASBA Bid cum Application Form used by ASBA Bidders. The ASBA Bidders shall have the option to make a maximum of three Bids in the ASBA Bid cum Application Form. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the ASBA Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the ASBA Bid cum Application Form by ASBA Bidders to the SCSB, the ASBA Bidder is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus and the ASBA 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 ASBA Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian public and Eligible NRIs applying on a non-repatriation basis	White
Non-Residents, Eligible NRIs, FVCIs, FIIs etc applying on a repatriation basis	Blue
Eligible Employees	Pink
ASBA Bidder	Green

In accordance with the SEBI (ICDR) Regulations, all Bidders except QIBs can participate by way of ASBA process. In accordance with SEBI (ICDR) Regulations, only eligible QIBs can participate in the Anchor Investor Portion.

Who can Bid?

- Persons eligible to invest under all applicable laws, rules, regulations and guidelines.
- Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the equity shares;
- Mutual Funds registered with SEBI;
- Eligible NRIs on a repatriation basis or on a non repatriation basis subject to applicable laws. NRIs other than Eligible NRIs are not eligible to participate in this issue;
- Indian Financial Institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and the SEBI (ICDR) Regulations and regulations, as applicable);
- FII and sub-account (other than a sub-account which is a foreign corporate or foreign individual) registered with SEBI.
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- A permitted by the applicable laws, Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Multilateral and Bilateral Development Financial Institutions;
- National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of

the Government of India published in the Gazette of India;

- Insurance funds set up and managed by the army, navy or air force of the Union of India; and
- Eligible Employees.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

Participation by Associates of BRLM and Syndicate Members

The BRLM and Syndicate Members shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLM and Syndicate Members may subscribe to or purchase Equity Shares in the Issue (excluding the Anchor Investor Portion), where the allocation is on a proportionate basis.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 471,810 Equity Shares (to be adjusted for Anchor Investor Portion, if applicable), allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding allocation in the Mutual Fund Portion.

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.

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.

The Bids made by the asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made.

Bids by Eligible NRIs

Bid cum Application Forms have been made available for Eligible NRIs at our Registered Office, Syndicate Members and Registrars to the Issue.

Eligible NRI applicants may please note that only such applications 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 and shall not use the Bid cum Application Form for reserved categories.

Eligible NRIs may also use the ASBA facility to make an Application by using ASBA Bid Cum Application Form white with pink border in colour).

Bids by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e. 10% of 79,283,000 Equity Shares of Rs. 10 each) Equity Shares. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed (i) 10% of our total issued capital; or (ii) 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in our Company cannot exceed 24% of our total issued capital. 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.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI.

Accordingly, whilst the holding by any individual venture capital fund registered with SEBI in one company should not exceed 25% of the corpus of the venture capital fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture Capital Investors can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer. Further, FVCIs investing in this Issue should confirm that no approvals from the appropriate regulatory authorities are required to be obtained by the concerned FVCI.

The above information is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Share thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given 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. 100,000 and in multiples of [•] Equity Shares thereafter. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI (ICDR) Regulations, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin Amount upon submission of Bid.**

(c) **For Employee Reservation Portion**: The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. The maximum Bid in this category by an Eligible Employee shall be [•] Equity Shares so that the Bid Amount does not exceed Rs. 100,000. Bidders under the Employee Reservation Portion may bid at Cut off Price. Employee Discount will be applicable to all Eligible Employees.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Information for the Bidders:

(a) Our Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our Registered Office or from any of the members of the Syndicate.

(d) Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLM or Syndicate Members or their authorized agent(s) to register their Bids.

(e) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

Method and Process of Bidding

Our Company and the BRLM shall declare the Bid/Issue Opening Date and the Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with RoC and also publish the same in three widely circulated newspapers (one each in English, Hindi and Telegu). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XIII–A of the SEBI (ICDR) Regulations. The Price Band and the minimum Bid lot size for the Issue will be decided by the Company, in consultation with the BRLM, and advertised in two national newspapers (one each in English and Hindi) and in one Telegu newspaper with wide circulation at least two working days prior to the Bid/Issue Opening Date. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(a) The Bidding Period shall be for a minimum of three working days and not exceeding ten working days. The Bid/ Issue Period maybe extended, if required, by an additional three working days, subject to the total Bid/Issue Period not exceeding 10 working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in three national newspapers (one each in English and Hindi) and one Telegu newspaper with wide circulation and also by indicating the change on the website of the BRLM and at the terminals of the members of the Syndicate.

(b) During the Bid/Issue Period, eligible investors who are interested in subscribing for the Equity Shares should approach the members of the Syndicate or their authorised agents to register their Bid.

(c) Each Bid cum Application Form will give the Bidder the choice to Bid for up to three optional prices (for details refer to the paragraph titled "Bids at Different Price Levels" on page no. 238) 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 considered as multiple Bids. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

(d) The Bidder cannot Bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled "Build up of the Book and Revision of Bids" on page no. 242 of the Red Herring Prospectus.

(e) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(f) During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.

(g) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "Terms of Payment and Payment into the Escrow Accounts" on page no. 246 of this Red Herring Prospectus.

Bids at Different Price Levels and revision of Bids

(a) The Price Band has been fixed at Rs. [•] to Rs. [•] per Equity Share, Rs. [•] being the Floor Price Band and Rs. [•] being the Cap Price. The Bidders can bid at any price with in the Price Band, in multiples of Re. 1. The Price Band and the minimum Bid lot size for the Issue will be decided by the Company in consultation with the BRLM and advertised in two national newspapers (one each in English and Hindi) and in one Telegu newspaper with wide circulation at least two working days prior to the Bid/Issue Opening Date.

(b) Our Company, in consultation with the BRLM, reserves the right to revise the Price Band, during the Bid/Issue Period in accordance with SEBI (ICDR) Regulations. The cap on the Price Band 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 decided by the Company in consultation with the BRLM and advertised in two national news papers (one each in English and Hindi) and in one Telegu newspaper with wide circulation at least two working days prior to the Bid/Issue Opening Date.

(c) In case of a revision of the Price Band, the Bidding Period shall be extended, if required, for three additional working days, subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding Period, if applicable, shall be widely disseminated by notification to the Stock Exchanges, by issuing a public notice in two widely circulated national newspapers (one each in English and Hindi) and one widely circulated Telegu newspaper and also by indicating the change on the website of the BRLM and at the terminals of the members of the Syndicate.

(d) Our 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.

(e) The Bidder has to Bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Bidders in the Employee Reservation Portion may Bid at the Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB and Non-Institutional Bidders and such Bids from QIB and Non-Institutional Bidders shall be rejected.

(f) Retail Individual Bidders and Bidders in the Employee Reservation Portion, who Bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Bidders in the Employee Reservation Portion bidding at Cut-Off Price shall submit the Bid cum Application Form along with a cheque/demand draft for the Bid Amount based on the cap of the Price Band with the members of the Syndicate. In the event the Bid

Amount is higher than the subscription amount payable by the Retail Individual Bidders and Bidders in the Employee Reservation Portion who Bid at Cut-off Price, they shall receive the refund of the excess amounts from the respective Refund Account in a manner described under the paragraph "Payment of Refund". Employee Discount will be applicable for all Eligible Employees.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders could either (i) revise their Bid, or (ii) shall 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. 100,000 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. 100,000 the Bid will be considered for allocation under the Non-Institutional Portion in terms of the 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 allocation, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Bidders in the Employee Reservation Portion who have Bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account. In the event of any revision in the Price Bank, whether upwards or downwards, the minimum application size shall remain [●] Equity Shares irrespective of whether the Bid Amount payable on such minimum application value is not in the range of Rs. 5,000 to Rs. 7,000.

(i) In case of an upward revision in the Price Band announced as above, Eligible Employees could either (i) revise their Bid or (ii) shall 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. 100,000 if the Bidder wants to continue to Bid at Cut-off Price), with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will rejected. If, however, the Eligible Employee does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from the Eligible Employee and the Eligible Employee is deemed to have approved such revised Bid at Cut-off Price.

(j) During the Bidding/ Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(k) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(l) 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.

(m) 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.

(n) 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 the Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(o) 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.**

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (White colour for Resident Indians, Blue colour for Non-Residents including NRIs, FIIs and FVCIs applying on repatriation basis, pink for Eligible Employees and Green for ASBA Bidders).

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(c) For Retail Individual Bidders, the Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.

(d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount is equal to or exceeds Rs. 100,000 and in multiples of [●] 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.

(e) For Eligible Employees bidding under Employee Reservation Category, the Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. The maximum Bid in this category by an Eligible Employee shall be [•] Equity Shares so that the Bid Amount does not exceed Rs. 100,000.

(f) NRIs bidding for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of [●] Equity Shares thereafter that the Bid Amount exceeds Rs. 100,000.

(g) Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.

(h) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(i) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Electronic Registration of Bids

(a) The Members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid / Issue Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. Bidders are cautioned that a high inflow of Bids typically experienced on the last day of bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such Bids that could not be uploaded may not be considered for allocation.

(c) The bidding terminals shall contain an online graphical display of demand and Bid Amount(s) updated at periodic intervals not exceeding 30 minutes. The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor. Bidders should ensure that the name given in the Bid cum Application Form is exactly the same as the name in which the Depositary Account is held. In case the Bid-cum-Application Form is submitted in joint names, Bidders 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, QIBs, Eligible NRI, FVCI, Mutual Fund, FII etc.;

- Numbers of Equity Shares Bid for;

- Bid Amount;

- Bid cum Application Form number;

- Margin Amount paid upon submission of Bid cum Application Form; and

- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/allotment either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of QIB Bidders, the BRLM has the right to accept the Bid or reject it. However, such rejection should be made at the time of receiving the Bid and only after assigning a reason for such rejection in writing. In case on Non-Institutional Bidders and Retail Individual Bidders who Bid, Bids would not be rejected except on the technical grounds listed on page no. 248 of this Red Herring Prospectus.

(h) The permission given by BSE and NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoter, our management or any scheme of our Company.

(i) It is also to be distinctly understood that the approval given by BSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the 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 BSE.

(j) Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/ Allotment. In case of discrepancy of data between the Stock Exchanges and the members of the Syndicate, the decision of the BRLM based on the physical records of Bid Application Forms shall be final and binding on all concerned.

Build Up of the Book and Revision of Bids

(a) The Bidding process shall be only through an electronically linked transparent bidding facility provided by the Stock Exchanges. Bids registered by various Bidders through the Members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis. The bidding terminals shall contain an online graphical display of demand and Bid Amount(s) updated at periodic intervals not exceeding 30 minutes.

(b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.

(c) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.

(f) Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(g) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus. In the case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft or electronic transfer of funds through RTGS for the incremental amount in the QIB Margin, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(h) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(i) Only Bids that are uploaded on the online IPO system of the BSE and the NSE shall be considered for allocation. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the Company, in consultation with the BRLM and the Designated Stock Exchange based on the physical records of Bid Application Forms shall be final and binding on all concerned.

(j) Under the SEBI (ICDR) Regulations, QIBs are not allowed to withdraw their Bid after the closure of the Issue.

GENERAL INSTRUCTIONS

Do's:

a) Check if you are eligible to apply as per the terms of the Red Herring Prospectus and under applicable laws, rules and regulations;

b) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour), Eligible Employee Bid cum Application Form (pink in colour), as the case may be;

c) Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;

d) Ensure that you have Bid within the Price Band;

e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

f) Ensure that you have been given a TRS for all your Bid options;

g) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

h) Each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the IT Act. Applications in which the PAN is not mentioned will be rejected, except for Bids (i) on behalf of the Central or State Government and the officials appointed by the courts, and (ii) (subject to SEBI circular dated April 3, 2008) from the residents of the state of Sikkim;

i) Eligible Employees, as defined above, should mention their Employee Number at the relevant place in the Bid cum Application Form;

j) Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects;

k) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid/ revise Bid Amount to less than the lower end of the Price Band or higher than the higher end of the Price Band;

(c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not Bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders);

(g) Do not Bid at Bid Amount exceeding Rs. 100,000, in the case of a Bid by Retail Individual Bidder or in case of a Bid under the Employee Reservation Portion;

(h) Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(i) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

Bidder's Depository Account and Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds to the 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 despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLM or the registrar or the Escrow Collection Banks nor the Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

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.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, the Registrar, 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 the Red Herring Prospectus, Bidders may note that refunds may get delayed if bank particulars obtained from the Depository Participant are incorrect.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

We, in our absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, 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.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/ or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. The Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

As per the RBI regulations, OCBs are not permitted to participate in the Issue.

There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a power of attorney by Mutual Funds, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with the 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 therefor.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

Our Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company and the BRLM may deem fit.

PAYMENT INSTRUCTIONS

Escrow Mechanism

The Company and the members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue and the Refund Account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Company, and 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 Payments in Escrow Accounts

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/ or on allocation/ Allotment as per the following terms.

1. Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders, shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form by drawing a cheque or demand draft for the Bid Amount in favour of the Escrow Account of the Escrow Collection Bank(s) 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 Margin Amount payable by each category of Bidders is mentioned under the section titled "Issue Structure" on page no. 228 of this Red Herring Prospectus.

2. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated/ allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled.

3. The payment instruments for payment into the Escrow Account should be drawn in favour of:

   - In case of Resident QIB Bidders: "DQE – Escrow Account – QIB"
   - In case of Non-Resident QIB Bidders: "DQE – Escrow Account – QIB - NR"
   - In case of Resident Bidders: "DQE – Escrow Account"
   - In case of Non Resident Bidders: "DQE – Escrow Account - NR"
   - In case of Eligible Employees: "DQE – Escrow Account - Employees"
   - In case of Anchor Investors: "DQE – Escrow Account – Anchor Investors"
   - In case of Non-Resident Anchor Investors: "DQE – Escrow Account – Anchor Investors - NR"

4. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.

5. In the case of Bids by Eligible NRIs applying on a non-repatriation basis, the payments must be made by Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application, remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of an NRO Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by

a bank certificate confirming that the draft has been issued by debiting an NRE or a FCNR or an NRO Account.

6. In case of Bids by FIIs or FVCIs, 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.

7. 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 by the Pay-In Date on the Equity Shares allocated will be refunded to the Bidder from the Refund Account.

8. Where a Bidder has been allocated a lesser number of Equity Shares than it has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.

9. The monies deposited in the Escrow Accounts will be held for the benefit of the Bidders until the Designated Date.

10. No later than 15 days from the Bid/Issue Closing Date, the Refund Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

11. On the Designated Date and no later than 15 days from the Bid/ Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/ Allotment to the Bidders.

12. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/ bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/ Money Orders/ Postal orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

Submission of Bid-cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid-cum-Application Forms or Revision Forms. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple Bids are given 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, a check will be carried out for the same PAN numbers. In cases where the PAN numbers are different, the same will be deleted from this master.
3. The addresses of all these applications from the multiple master will be strung from the address master. This involves including the addresses in a single line after deleting non-alpha and nonnumeric characters, i.e., commas, full stops, hashes, etc. Sometimes, the name, the first line of the address and pin code will be converted into a string for each application received and a photo match will be performed among the applications processed. A print-out of the addresses will be made to check for common names. Applications with the same name and same address will be treated as multiple applications.
4. The applications will be scanned for similar DP ID and client identity numbers. If applications bear the same numbers, these will be treated as multiple applications.
5. After the aforesaid procedures, a print-out of the multiple master will be taken and the applications physically verified to tally signatures and also father's/husband's names. Upon completion of this exercise, the applications will be identified as multiple applications.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

In cases where there are more than 20 valid applications having a common address, such shares will be kept in abeyance, post allotment and released on confirmation of "know your client" norms by the depositories.

The Company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number or PAN

Except for Bids (i) on behalf of the Central or State Government and the officials appointed by the courts, and (ii) (subject to the SEBI circular dated April 3, 2008) from residents of the state of Sikkim, each Bidder should mention his/her Permanent Account Number ("PAN") allotted under the Income Tax Act, 1961 ("IT Act").
Applications without this information 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 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.

OUR RIGHT TO REJECT BIDS

In case of QIB Bidders, the Company in consultation with the BRLM may reject Bids at the time of acceptance of the Bid provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, our Company has a right to reject Bids based on technical grounds only.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected *inter alia* 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, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- PAN not stated or GIR number stated instead (except for Bids on behalf of the Central or State Government and the officials appointed by the courts and (subject to the SEBI circular dated April 3, 2008) from residents of the state of Sikkim);;
- GIR number furnished instead of PAN;
- Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and persons of unsound mind;
- Bids for lower number of Equity Shares than specified for that category of investors;
- 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, QIB Bidders and Eligible Employees where Bid Amount exceeds Rs. 100,000;
- Bids for number of Equity Shares which are not in multiples of [●];
- Category not ticked;
- Multiple Bids as defined in this Red Herring Prospectus;
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/ 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 Syndicate Members;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/ Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the 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 account number;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids where clear funds are not available in the Escrow Account as per the final certificate from the Escrow Collection Bank(s);
- Bids by QIBs not submitted through the BRLM or the Syndicate Members;

- Bids by OCBs;
- Bids by US persons other than in reliance on Regulation S;
- Bids not duly signed by the sole/ joint Bidders;
- Bids by any persons outside India if not in compliance with applicable foreign and Indian laws;
- Bids that do not comply with the securities laws of their respective jurisdictions are liable to be rejected;
- Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
- Bids by persons who are not eligible to acquire Equity Shares of the Company in terms of all applicable laws, rules, regulations, guidelines, and approvals;
- Bids or revisions thereof by QIB Bidders, Non Institutional Bidders where the Bid Amount is in excess of Rs. 100,000, uploaded after 4.00 pm on the Bid/ Issue Closing Date;

Impersonation

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

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or
(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,

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

Price Discovery and Allocation

(a) After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels and discuss the pricing strategy with the Company.

(b) The Company in consultation with the BRLM shall finalise the Issue Price, the Anchor Investor Issue Price and the Employee Discount.

(c) The allocation to QIBs will be at least 60% of the Net Issue and allocation to Non-Institutional and Retail Individual Bidders will be up to 10% and 30% of the Net Issue, respectively, on a proportionate basis, in a manner specified in the SEBI (ICDR) Regulations and the Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price. The Allocation under the Employee Reservation Portion shall be on a proportionate basis, in the manner specified under the SEBI (ICDR) Regulations and the Red Herring Prospectus, subject to valid Bids being received at or above Issue Price, and is approved by the Designated Stock Exchange.

(d) Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLM and the Designated Stock Exchange. Under subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue Portion at the discretion of the BRLM and the Company. In case of under subscription in the Net Issue, spill over to the extent of under subscription shall be permitted from the Employee Reservation Portion subject to the Net Issue constituting 10% of the post Issue capital of the

Company. If at least 60% of the Net Issue is not allocated to the QIBs, the entire subscription monies shall be refunded.

(e) Allocation to Non-Residents, including Eligible NRIs, FIIs and FVCIs registered with SEBI, applying on repatriation basis will be subject to applicable law, rules, regulations, guidelines and approvals.

(f) The BRLM, in consultation with us, 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.

(g) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reasons whatsoever. In terms of the SEBI (ICDR) Regulations, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

(h) The allotment details shall be put on the website of the Registrar to the Issue.

Signing of Underwriting Agreement and RoC Filing

(a) The Company, the BRLM, and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) /allotment to the Bidders.

(b) After signing the Underwriting Agreement, 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 arrangements and would be complete in all material respects.

Filing of the Prospectus wit the RoC

The Company will file a copy of the Prospectus with the RoC, Hyderabad in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Announcement of pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company has after filing the Red Herring Prospectus with the RoC, published an advertisement, in the form prescribed by the SEBI (ICDR) Regulations in two widely circulated newspapers (one each in English and Hindi) and a Telugu newspaper with wide circulation.

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 the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of a Confirmation of Allocation Note ("CAN")

(a) Upon approval of the basis of allotment by the Designated Stock Exchange, 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. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, the investor should note that the Company shall ensure that the instructions for credit of the Equity Shares to all investors in this Issue shall be given on the same date of Allotment.

(b) The BRLM or members of the Syndicate would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

(d) The Issuance of CAN is 'Subject to "Allotment Reconciliation and Revised CANs" as set forth below:

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE /NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI (ICDR) Regulations, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and allotment of Equity Shares

(a) Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date and by the SCSBs from the accounts of the ASBA Bidders to the ASBA Public Issue Account, our Company would ensure credit of the Equity Shares to the successful Bidders depository account shall be within two working days of the date of allotment.

(b) In accordance with the SEBI (ICDR) Regulations, Equity Shares will be issued, transferred and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

(c) Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be credited to their depository account pursuant to this Issue.

Basis of Allotment

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.

- The Issue size less allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the aggregate demand in this category is less than or equal to 4,723,800 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.

- If the aggregate demand in this category is greater than 4,723,800 Equity Shares at or above the

Issue Price, the allotment shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

- The Issue size less allotment to QIBs and Retail Portion shall be available for allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the aggregate demand in this category is less than or equal to 1,572,700 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 1,572,700 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of allotment refer below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the QIB Bidders will be made at the Issue Price.

- The Issue less allocation to Non-Institutional Portion and Retail Portion shall be available for allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- Allotment shall be undertaken in the following manner:

  (a) Allocation shall be undertaken to Anchor Investors as per the SEBI (ICDR) Regulations.

  (b) After allocation to Anchor Investors, in the first instance allocation to Mutual Funds for up to 5% of the QIB Portion (to be adjusted for Anchor Investor Portion, if applicable) 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 (to be adjusted for Anchor Investor Portion, if applicable) then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.

    (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for allotment to all QIB Bidders as set out in (b) below;

  (c) In the second instance allotment to all QIBs shall be determined as follows:

    (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion (to be adjusted for Anchor Investor Portion, if applicable).

    (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

(iii) Under-subscription below 5% of the QIB Portion (to be adjusted for Anchor Investor Portion, if applicable), if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

(d) Based on the above, the level of the subscription shall be determined and proportionate allocation to all QIBs including Mutual Funds in this category shall be made.

(e) The aggregate allotment to QIB Bidders shall not be less than 9,436,200 Equity Shares.

The BRLM, the Registrar to the Issue and the executive director or the managing director of the Designated Stock Exchange shall ensure that the basis of Allotment is finalized in a fair and proper manner in accordance with the SEBI (ICDR) Regulations. The drawing of lots (where required) to finalize the basis of Allotment shall be done in the presence of a public representative on the governing board of the Designated Stock Exchange.

D. For Eligible Employees

- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Issue Price less the Employee Discount.

- If the aggregate demand in this category is less than or equal to 321,011 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.

- If the aggregate demand in this category is greater than 321,011 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate basis of allocation, refer below.

- Only Eligible Employees are eligible to apply under Employee Reservation Portion.

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 (60%)	120 million equity shares
3	Anchor Investor Portion	36 million equity shares
4	Portion available to QIBs other than Anchor Investors	84 million equity shares
	Of which:	
	a. Allocation to MF (5%)	4.2 million equity shares
	b. Balance for all QIBs including MFs	79.8 million equity shares
5	No. of QIB applicants	10
6	No. of shares applied for	500 million equity shares

B. Details of QIB Bids

S.No	Type of QIB bidders#	No. of shares bid for (in 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: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/ Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 4.2 equity shares to MFs proportionately (please see note 2 below)	Allocation of balance 79.8 equity shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	50	0	7.98	
A2	20	0	3.192	
A3	130	0	20.748	
A4	50	0	7.98	
A5	50	0	7.98	
MF1	40	0.84	6.384	7.224
MF2	40	0.84	6.384	7.224
MF3	80	1.68	12.768	14.448
MF4	20	0.42	3.192	3.612
MF5	20	0.42	3.192	3.612
	500	**4.2**	**79.8**	**36.12**

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 no. 228 of this Red Herring Prospectus.
2. Out of 84 million equity shares allocated to QIBs, 4.2 million (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 200 shares in QIB category.
3. The balance 79.8 million Equity Shares (i.e. 84-4.2 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 Equity Shares (including 5 MF applicants who applied for 200 equity shares).
4. The figures in the fourth column titled "Allocation of balance 79.8 million equity shares to QIBs proportionately" in the above illustration are arrived as under:

    - For QIBs other than Mutual Funds (A1 to A5)= No. of shares bid for (i.e. in column II) X 79.8 / 495.8

    - 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 79.8 / 495.8

    - The numerator and denominator for arriving at allocation of 79.8 million shares to the 10 QIBs are reduced by 4.2 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Method of Proportionate Basis of Allotment in the Issue

In the event of the Issue being over-subscribed, we shall finalize 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 categorised according to the number of Equity Shares applied for by them.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate allotment is less than [•] Equity Shares per Bidder, the allotment shall be made as follows:

   - Each successful Bidder shall be allotted a minimum of [•] Equity Shares; and

   - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

e) If the proportionate allotment to a Bidder is a number that is more than [•] but is not a multiple of one (1) (which is the marketable lot), the decimal will 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 will be rounded off to the lower whole number. Allotment to all Bidders in such categories shall be arrived at after such rounding off.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

PAYMENT OF REFUND

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Registrar, Escrow Collection Bank(s) nor the BRLM shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds

The payment of refund, if any, would be done through various modes as given hereunder:

1. ECS—Payment of refund would be done through ECS for applicants having an account at any of the 68 centres notified by SEBI through its notification (Ref. No. SEBI/CFD/DILDIP/29/2008/01/02) dated February 1, 2008.This mode of payment of refunds

would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of such centres, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.

2. Direct Credit – Applicants having bank accounts with the Refund Bank (s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.

3. RTGS – Applicants having a bank account at any of the centres where such facility has been made available and whose refund amount exceeds Rs. 1.0 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

4. NEFT – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency.

5. Please note that only applicants having a bank account at any of the 68 centres mentioned above are eligible to receive refunds through the modes detailed hereinabove. 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/ 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 Refund Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Letters of Allotment or Refund Orders

The Company shall credit each Equity Share Allotted to the applicable beneficiary account with their Depository Participant within 15 days of the Bid/Issue Closing Date. Applicants residing at 68 centres where clearing houses are managed by the RBI and other banks, will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. The Company shall ensure dispatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk within 15 days of the Bid/ Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be send a letter through ordinary post intimating them about the mode of credit of refund within 15 days of closure of Bid/ Issue.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI (ICDR) Regulations, the Company further undertakes that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days of the Bid/Issue Closing Date; and

- Dispatch of refund orders/refund advice will be done within 15 days of the Bid/Issue Closing Date;

The Company shall pay interest upto 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, or in cases where the refund or portion thereof is made electronically, the refund instructions have not been given to the relevant clearing system and/or demat credits are not made to investors within the 15 day time prescribed above.

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

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as Refund Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY

We 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 Allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all BSE where the Equity Shares are proposed to be listed, are taken within seven working days of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI (ICDR) Regulations, we further undertake that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 (fifteen) days of the Bid/Issue Closing Date;

- Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and

- We shall pay interest upto 15% (fifteen) per annum for any delay beyond the 15 (fifteen)-day time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above.

UNDERTAKINGS BY OUR COMPANY

We undertake the following:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily. The Company has authorized the Company Secretary and Compliance Officer to redress all complaints, if any, of the investors participating in the Issue;

- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all BSE where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;

- that the Company shall apply in advance for the listing of Equity Shares;

- that the funds required for dispatch of refund orders or allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by us;

- that the Equity Shares are free and clear of all liens or encumbrances and shall be allotted to the successful Bidders within the specified time;

- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;

- that adequate arrangements shall be made to collect all ASBA applications and to consider them similar to non-ASBA applications while finalizing the basis of allotment;

- that the certificates of the securities/ refund orders to the non-resident Indians shall be dispatched within specified time; and

- 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 final approval for listing and trading of the Equity Shares from the BSE where listing is sought has been received.

Utilisation of Issue proceeds

Our Board of Directors certify that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

- details of all monies utilised out of Issue shall be disclosed and continue to be disclosed till the time any part of the Issue Proceeds remains unutilised under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;

- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;

- the Company shall comply with the requirements of Clause 49 of the Listing Agreement in relation to the disclosure and monitoring of the utilization of the proceeds of the Issue.

  The Board of Directors further certifies that:

  (a) the utilisation of monies received under the Employee Reservation Portion shall be disclosed under an appropriate head in the balance sheet of the Company, indicating the purpose for which such monies have been utilised; and

  (b) the details of all unutilised monies out of the funds received under the Employee Reservation Portion shall be disclosed under a separate head in the balance sheet of the Company, indicating the form in which such unutilised monies have been invested.

The Company shall not have recourse to the proceeds of the Issue until the final listing and trading approvals from the BSE has been obtained.

Withdrawal of the Issue

Our Company, in consultation with the BRLM reserves the right not to proceed with the Issue at anytime, including after the Bid/Issue Closing Date but before the Board meeting for Allotment, and if so, the reason thereof shall be given as a public notice, in two national newspapers (one each in English and Hindi) and in one Telegu newspaper. The Stock Exchanges shall also be informed promptly. Notwithstanding the foregoing, the Issue is also subject to obtaining the final listing and trading approvals of BSE, which the Company shall apply for after Allotment.

In terms of the SEBI (ICDR) Regulations, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/ Issue Closing Date.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares in this Issue shall be only in a de-materialised 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) Agreement dated November 23, 2009 with NSDL, the Company and the Registrar to the Issue;

b) Agreement dated December 17, 2009 with CDSL, the Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant’s identification number) appearing in the Bid cum Application Form or Revision Form.

c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) 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.

f) 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.

g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

h) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the BSE.

i) Non-transferable allotment advice or refund orders will be directly sent to the Bidders by the Registrar to the Issue.

COMMUNICATIONS

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

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

ANCHOR INVESTOR PORTION

The Company may consider participation by Anchor Investor in the Issue for up to 2,830,860 Equity Shares in accordance with the applicable SEBI (ICDR) Regulations. The Anchor Investor Bid/Issue Period shall be one day prior to the Bid/Issue Opening Date. The QIB Portion shall be reduced in proportion to the allocation under the Anchor Investor category. In accordance with the SEBI (ICDR) Regulations, the key terms for participation in the Anchor Investor Portion are as follows:

a) Anchor Investors shall be QIBs as defined in the SEBI (ICDR) Regulations.

b) The Bid must be for a minimum of such number of Equity Shares so that the Bid Amount exceeds Rs. 100 million and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than 30% of the QIB Portion.

c) One-third of the Anchor Investor Portion shall be reserved for allocation to domestic mutual funds.

d) The Bidding for Anchor Investors shall open one day before the Bid/Issue Opening Date and shall be completed on the same day.

e) The Company, in consultation with the BRLM, shall finalise Allocation to the Anchor Investors on a discretionary basis, subject to compliance with requirements regarding minimum number of allottees.

f) The number of Equity Shares allocated to Anchor Investors and the price at which the allocation is made, shall be made available in public domain by the BRLM before the Bid/Issue Opening Date.

g) Anchor Investors shall pay Anchor Investor Margin Amount representing 25% on the Bid Amount at the time of submission of the Bid. Any difference between the amount payable by the Anchor Investor for Equity Shares Allocated and the Anchor Investor Margin Amount paid at the time of Bidding, shall be payable by the Anchor Investor within two days of the Bid/Issue Closing Date.

h) In case the Issue Price is greater than the price at which Equity Shares are allocated to Anchor Investors, the additional amount being the difference between the Issue Price and the price at which Equity Shares were allocated to the Anchor Investors shall be paid by the Anchor Investors. In the event the Issue Price is lower than the price at which Equity Shares are allocated to Anchor Investors, the allotment to Anchor Investors shall be at the higher price i.e. the price at which Equity Shares were allocated under the Anchor Investor Portion.

i) The Equity Shares allotted in the Anchor Investor Portion shall be locked-in for a period of 30 days from the date of allotment in the Issue.

j) The BRLM or any person related to the BRLM / Promoters/Promoter Group shall not participate in the Anchor Investor Portion.

k) Bids made by QIBs under both the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids.

l) The payment instruments for payment into the Escrow Account should be drawn in favour of:
   - In case of Resident Anchor Investors: "DQE – Escrow Account – Anchor Investor"
   - In case of Non-Resident Anchor Investor: "DQE – Escrow Account – Anchor Investor - NR"

The Red Herring Prospectus, in so far as it relates to terms of the Issue should be read in conjunction with the aforestated paragraphs, to the extent applicable.

ISSUE PROCEDURE FOR ASBA BIDDERS

This section is for the information of investors proposing to subscribe to the Issue through the ASBA process. Our Company and the BRLM are not liable for any amendments, modifications, or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. ASBA Bidders are advised to make their independent investigations and to ensure that the ASBA Bid cum Application Form is correctly filled up, as described in this section.

The list of banks who have been notified by SEBI to act as SCSB for the ASBA Process are provided on http://www.sebi.gov.in. For details on designated branches of SCSB collecting the ASBA Bid cum Application Form, please refer the above mentioned SEBI link.

ASBA Process

An ASBA Bidder shall submit his Bid through an ASBA Bid cum Application Form, either in physical or electronic mode, to the SCSB with whom the bank account of the ASBA Bidder or bank account utilised by the ASBA Bidder ("**ASBA Account**") is maintained. The SCSB shall block an amount equal to the Bid Amount in the bank account specified in the ASBA Bid cum Application Form, physical or electronic, on the basis of an authorisation to this effect given by the account holder at the time of submitting the Bid. The Bid Amount shall remain blocked in the aforesaid ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount against the allocated shares to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or until withdrawal/rejection of the ASBA Bid, as the case may be. The ASBA data shall thereafter be uploaded by the SCSB in the electronic IPO system of the Stock Exchanges. Once the Basis of Allotment is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch of the SCSB for unblocking the relevant bank accounts and for transferring the amount allocable to the successful ASBA Bidders to the ASBA Public Issue Account. In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the BRLM.

ASBA Bid cum Application Form

ASBA Bidders shall use the ASBA Bid cum Application Form bearing the code of the Syndicate Member and/or the Designated Branch of SCSB, as the case may be, for the purpose of making a Bid in terms of the Red Herring Prospectus. ASBA Bidders are required to submit their Bids, either in physical or electronic mode. In case of application in physical mode, the ASBA Bidder shall submit the ASBA Bid cum Application form at the Designated Branch of the SCSB. In case of application in electronic form, the ASBA Bidder shall submit the ASBA Bid cum Application Form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for bidding and blocking funds in the ASBA account held with SCSB, and accordingly registering such Bids. The ASBA Bidders can submit only one Bid option in the ASBA Bid cum Application Form which shall be at Cut-off Price.

Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the ASBA Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the ASBA Bid cum Application Form to the Designated Branch of the SCSB, the ASBA Bidder is deemed to have authorized our Company to make the necessary changes in the Red Herring Prospectus 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 ASBA Bidder.

The prescribed colour of the ASBA Bid cum Application Form shall be green.

Who can Bid?

In accordance with the SEBI (ICDR) Regulations, all Bidders except QIBs can submit their application through ASBA process to Bid for the Equity Shares of our Company.

Information for the ASBA Bidders:

(a) The BRLM shall ensure that adequate arrangements are made to circulate copies of the Red Herring Prospectus and ASBA Bid cum Application Form to the SCSBs and the SCSBs will then make available such copies to investors applying under the ASBA process. Additionally, the BRLM shall ensure that the SCSBs are provided with soft copies of the abridged prospectus and the ASBA Bid cum Application Form. SCSBs shall make the same available on their websites.

(b) ASBA Bidders, under the ASBA process, who would like to obtain the Red Herring Prospectus and/or the ASBA Bid cum Application Form can obtain the same from the Designated Branches of the SCSBs or the BRLM. ASBA Bidders can also obtain a copy of the abridged prospectus and/or the ASBA Bid cum Application Form in electronic form on the websites of the SCSBs.

(c) The Bids should be submitted on the prescribed ASBA Bid cum Application Form if applied in physical mode. SCSBs may provide the electronic mode of Bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the accounts of the respective eligible investors.

(d) ASBA Bid cum Application Forms should bear the code of the Designated Branch of the SCSB.

(e) ASBA Bidders shall correctly mention the bank account number in the ASBA Bid cum Application Form and ensure that funds equal to the Bid Amount are available in the bank account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch.

(f) If the ASBA Account holder is different from the ASBA Bidder, the ASBA Bid cum Application Form should be signed by the account holder as provided in the ASBA Bid cum Application Form.

(g) ASBA Bidders shall correctly mention their DP ID and Client ID in the ASBA Bid cum Application Form. For the purpose of evaluating the validity of Bids, the demographic details of ASBA Bidders shall be derived from the DP ID and Client ID mentioned in the ASBA Bid cum Application Form.

(h) ASBA NRI Bidders shall correctly mark the column in the ASBA Bid cum Application Form indicating their intent to apply as NRI.

Method and Process of Bidding

(a) ASBA Bidders are required to submit their Bids, either in physical or electronic mode. ASBA Bidders submitting their Bids in physical mode should approach the Designated Branches of the SCSBs. ASBA Bidders submitting their Bids in electronic form shall submit their Bids either using the internet enabled bidding and banking facility of the SCSBs or such other electronically enabled mechanism for bidding and blocking funds in the accounts of the respective eligible investors, and accordingly registering such Bids. Every Designated Branch of the SCSB shall accept Bids from all such investors who hold accounts with them and desire to place Bids through them. Such SCSBs shall have the right to vet the Bids, subject to the terms of the SEBI (ICDR) Regulations and Red Herring Prospectus.

(b) The Designated Branches of the SCSBs shall give an acknowledgment specifying the application number to the ASBA Bidders as a proof of acceptance of the ASBA Bid cum Application Form. Such acknowledgment does not in any manner guarantee that the Equity Shares Bid for shall be Allocated to the ASBA Bidders.

(c) Each ASBA Bid cum Application Form will give the ASBA Bidder the choice to Bid for up to three optional prices (for details refer to the paragraph titled "Bids at Different Price Levels" on page no. 238) 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 considered as multiple Bids. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

(d) An ASBA Bidder has to Bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Bidders in the Employee Reservation Portion may Bid at the Cut-off Price. However, bidding at Cut-off Price is prohibited for Non-Institutional Bidders and such Bids from the Non-Institutional Bidders. ASBA Bidders, who Bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band.

(e) Upon receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges.

(f) If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.

(g) If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form. The Designated Branch shall thereafter enter the Bid details from the prescribed ASBA Bid cum Application Form, if submitted in physical mode, or the Bid information submitted through the electronic mode made available by the SCSBs, as the case may be, into the electronic bidding system of the Stock Exchanges and generate a Transaction Registration Slip ("**TRS**"). The TRS shall be furnished to the ASBA Bidder on request.

(h) An ASBA Bidder cannot Bid, either in physical or electronic mode, on another ASBA Bid cum Application Form or a non-ASBA Bid cum Application Form after bidding on one ASBA Bid cum Application Form, either in physical or electronic mode, has been submitted to the Designated Branches of SCSBs or uploaded by the ASBA Bidder, as the case may be. Submission of a second ASBA Bid cum Application Form or a non-ASBA Bid cum Application Form to either the same or to another Designated Branch of the SCSB will be treated as multiple Bids and will be 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.

Bidding

(a) The Price Band and the minimum Bid lot size for the Issue will be decided by the Company in consultation with the BRLM and advertised in two national newspapers (one each in English and Hindi) and in one Telegu newspaper with wide circulation at least two working days prior to the Bid/Issue Opening Date.

(b) In accordance with the SEBI (ICDR) Regulations, our 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.

(c) In case of revision in the Price Band, the Bid/Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi) and a Telegu newspaper and also by indicating the change on the websites of the BRLM, SCSBs and at the terminals of the members of the Syndicate.

(d) Our 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 ASBA Bidders.

(e) ASBA Bidders agree that they shall purchase the Equity Shares at any price within the Price Band. In the event the Bid Amount is higher than the subscription amount payable, the ASBA Account shall be unblocked to the extent to such excess of Bid Amount over the subscription amount payable.

(f) In case of an upward revision in the Price Band, announced as above, ASBA Bidders comprising the Retail Individual Bidders who had Bid at Cut-off Price could either (i) revise their Bid, or (ii) shall place instructions to block additional amount 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. 100,000 if the Bidder wants to continue to Bid at Cut-off Price), with the with the Designated Branch of SCSB to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000 the Bid will be considered for allocation under the Non-Institutional Portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or place such instructions 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 allocation, 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..

(g) In case of a downward revision in the Price Band, announced as above, ASBA Bidders comprising the Retail Individual Bidders and Bidders in the Employee Reservation Portion who have Bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be unlocked from the ASBA Account.

(h) In case of an upward revision in the Price Band announced as above, Eligible Employees could either (i) revise their Bid or (ii) shall place instructions to block additional amount 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. 100,000 if the Bidder wants to continue to Bid at Cut-off Price), with the with the Designated Branch of SCSB to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid will rejected. If, however, the Eligible Employee does not either revise the Bid or place such restrictions and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from the Eligible Employee and the Eligible Employee is deemed to have approved such revised Bid at Cut-off Price.

Mode of Payment

Upon submission of an ASBA Bid cum Application Form with the SCSB, whether in physical or electronic mode, each ASBA Bidder shall be deemed to have agreed to block the entire Bid Amount and authorized the Designated Branch of the SCSB to block the Bid Amount, in the bank account maintained with the SCSB.

Bid Amount paid in cash, by money order or by postal order or by stockinvest, or ASBA Bid cum Application Form accompanied by cash, draft, money order, postal order or any mode of payment other than blocked amounts in the SCSB bank accounts, shall not be accepted.

After verifying that sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form till the Designated Date. On the Designated Date, the SCSBs shall transfer the amounts allocable to the ASBA Bidders from the respective ASBA Account, in terms of the SEBI (ICDR) Regulations, into the ASBA Public Issue Account. The balance amount, if any against the said Bid in the ASBA Accounts shall then be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue.

The entire Bid Amount, as per the ASBA Bid cum Application Form submitted by the respective ASBA Bidders, would be required to be blocked in the respective ASBA Accounts until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount against allocated shares to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Bid, as the case may be.

Electronic registration of Bids by SCSBs

(a) In case of ASBA Bid cum Application Forms, whether in physical or electronic mode, the Designated Branch of the SCSBs will register the Bids using the online facilities of the Stock Exchanges. SCSB shall not upload any ASBA Application Form in the electronic bidding system of the Stock Exchanges unless

    (i) it has received the ASBA Bid Cum Application Form in a physical or electronic form; and

    (ii) it has blocked the application money in the ASBA Account specified in the ASBA Bid Cum Application Form or has systems to ensure that Electronic ASBAs are accepted in the system only after blocking of application money in the relevant bank account opened with it.

(b) The Stock Exchanges offer a screen-based facility for registering Bids for the Issue which will be available on the terminals of Designated Branches during the Bid/Issue Period. The Designated Branches can also set up facilities for offline electronic registration of Bids subject to the condition that they will subsequently upload the offline data file into the online facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Designated Branches of the SCSBs shall upload the Bids till such time as may be permitted by the Stock Exchanges. ASBA Bidders are cautioned that high inflow of Bids typically received on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such Bids that are not uploaded may not be considered for allocation.

(c) The aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges will be displayed online on the websites of the Stock Exchanges. A graphical representation of consolidated demand and price would be made available on the website of the Stock Exchanges during the Bidding Period.

(d) At the time of registering each Bid, the Designated Branches of the SCSBs shall enter the information pertaining to the investor into the online system, including the following details:

- Name of the Bidder(s);
- Application Number;
- Permanent Account Number;
- Number of Equity Shares Bid for in each Bid;
- Depository Participant identification No.;
- Client identification No. of the Bidder's beneficiary account;
- Bid rate for each bid

In case of electronic ASBA, the ASBA Bidder shall himself fill in all the above mentioned details, except the application number which shall be system generated. The SCSBs shall thereafter upload all the abovementioned details in the electronic bidding system provided by the Stock Exchanges.

(e) A system generated TRS will be given to the ASBA Bidder upon request as proof of the registration of the Bid. **It is the ASBA Bidder's responsibility to obtain the TRS from the Designated Branches of the SCSBs.** The registration of the Bid by the Designated Branch of the SCSB does not guarantee that the Equity Shares Bid for shall be Allocated to the ASBA Bidders.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) It is to be distinctly understood that the permission given by the Stock Exchanges to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLM or the Designated Branches of the SCSBs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements; nor does it take any responsibility for the financial or other soundness of our Company, our management or any scheme of our Company.

(h) The SCSB may reject the ASBA Bid, if the ASBA Account maintained with the SCSB as mentioned in the ASBA Bid cum Application Form does not have sufficient funds equivalent to the Bid Amount. Subsequent to the acceptance of the Bid by the Designated Branch, our Company would have a right to reject the Bids only on technical grounds.

(i) Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/Allotment. In case of discrepancy of data between the BSE or NSE and the Designated Branches of the SCSBs, the decision of the Registrar, based on the physical records of the ASBA Bid cum Application Forms shall be final and binding on all concerned.

Build up of the book and revision of Bids

(a) Bids registered through the Designated Branches of the SCSBs shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLM and the Stock Exchanges on a regular basis.

(i) During the Bidding/ Issue Period, any ASBA 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 ASBA Revision Form, which is a part of the ASBA Bid cum Application Form.

(j) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the ASBA Revision Form. Apart from mentioning the revised options in the revision form, the ASBA Bidder must also mention the details of all the options in his or her ASBA Bid cum Application Form or earlier ASBA Revision Form. For example, if an ASBA Bidder has Bid for three options in the ASBA Bid cum Application Form and is changing only one of the options in the ASBA Revision Form, he must still fill the details of the other two options that are not being revised, in the ASBA Revision Form. The Designated Branches of the SCSB will not accept incomplete or inaccurate ASBA Revision Forms.

(k) The ASBA Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the ASBA Bidders will have to use the services of the Designated Branch of the SCSB through whom he or she had placed the original Bid.

(l) Any revision of the Bid shall be accompanied by the concerned SCSB blocking additional amount to reflect the Maximum Bid Amount on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be unblocked immediately in accordance with the terms of this Red Herring Prospectus.

(c) ASBA Bidders are advised to retain copies of the blank ASBA Revision Form and the revised Bid must be made only in such ASBA Revision Form or copies thereof.

(d) When an ASBA Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the Designated Branch of the SCSB. It is the responsibility of the ASBA Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

(e) The SCSBs shall provide aggregate information about the numbers of ASBA Bid cum Application Forms uploaded, total number of Equity Shares and total amount blocked against the uploaded ASBA Bid cum Application Form and other information pertaining to the ASBA Bidders. The Registrar to the Issue shall reconcile the electronic data received from the Stock Exchanges and the information received from the SCSBs. In the event of any error or discrepancy, the Registrar to the Issue shall inform the SCSB of the same. The SCSB shall be responsible to provide the rectified data within the time stipulated by the Registrar to the Issue.

(f) Only Bids that are uploaded on the online IPO system of the BSE and NSE shall be considered for allocation/ Allotment.

Bids and revisions of Bids must be:

(a) Made only in the prescribed ASBA Bid cum Application Form, which is white in colour if submitted in physical mode, or electronic mode.

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the ASBA Bid cum Application Form or in the ASBA Revision Form. Incomplete ASBA Bid cum Application Forms or ASBA Revision Forms are liable to be rejected.

(c) For ASBA Bidders comprising Retail Individual Bidders and Bidders in the Employee Reservation Portion, the Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.

(d) For ASBA Bidders comprising Non-Institutional Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount is equal to or exceeds Rs. 100,000 and in multiples of [●] 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.

(e) Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.

(f) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Price Discovery and Allocation

After the Bid/Issue Closing Date, the Registrar to the Issue shall aggregate the demand generated under the ASBA process and which details are provided to them by the SCSBs with the Retail Individual Investor applied under the non ASBA process to determine the demand generated at different price levels. For further details, refer to the section titled "Issue Procedure" beginning on page no. 233 of this Red Herring Prospectus.

Advertisement regarding Issue Price and Prospectus

After filing of the Prospectus with the RoC, a statutory advertisement will be issued by our Company in a widely circulated English national newspaper, Hindi national newspaper of wide circulation and a Telegu newspaper with wide circulation at the place where the registered office of the issuer is situated. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send to the Controlling Branches of the SCSBs, a list of the ASBA Bidders who have been allocated Equity Shares in the Issue. Investors should note that our Company shall endeavour to ensure that the demat credit of Equity Shares pursuant to Allotment shall be made on the same date to all investors in this Issue; and

(b) The ASBA Bidders shall directly receive the CAN from the Registrar. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the ASBA Bidder.

Unblocking of ASBA Account

On the basis of instructions from the Registrar to the Issue, the SCSBs shall transfer the requisite amount against each successful ASBA Bidder to the ASBA Public Issue Account and shall unblock excess amount, if any in the ASBA Account. However, the Bid Amount may be unblocked in the ASBA Account prior to receipt of intimation from the Registrar to the Issue by the Controlling Branch of the SCSB regarding finalisation of the Basis of Allotment in the Issue, in the event of withdrawal/failure of the Issue or rejection of the ASBA Bid, as the case may be.

Allotment of Equity Shares

(a) Our Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the bank account of the ASBA Bidders to the ASBA Public Issue Account on the Designated Date, to the extent applicable, our

Company would ensure the credit of the Allotted Equity Shares to the depository accounts of all successful ASBA Bidders' within two working days from the date of Allotment.

(b) As per the SEBI (ICDR) Regulations, Equity Shares will be issued, transferred and allotted only in the dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares so Allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

GENERAL INSTRUCTIONS

Do's:

(a) Check if you are a Retail Individual Bidder, an Eligible NRI, a Non-Institutional Bidder or an Eligible Employee and eligible to Bid under ASBA process.

(b) Ensure that you use the ASBA Bid cum Application Form specified for the purposes of ASBA process.

(c) Read all the instructions carefully and complete the ASBA Bid cum Application Form (if the Bid is submitted in physical mode, the prescribed ASBA Bid cum Application Form is white in colour).

(d) Ensure that you have Bid within the Price Band.

(e) Ensure that the details of your Depository Participant and beneficiary account are correct and that your beneficiary account is activated, as Equity Shares will be Allotted in dematerialised form only.

(f) Ensure that your Bid is submitted at a Designated Branch of an SCSB, with a branch of which the ASBA Bidder or a person whose bank account will be utilized by the ASBA Bidder for bidding has a bank account and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to the Company or Registrar or BRLM to the Issue.

(g) Ensure that the ASBA Bid cum Application Form is signed by the account holder in case the applicant is not the account holder.

(h) Ensure that you have mentioned the correct bank account numbers in the ASBA Bid cum Application Form.

(i) Ensure that you have funds equal to the number of Equity Shares Bid for at Cut-off Price available in the ASBA Account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch of the SCSB.

(j) Ensure that you have correctly checked the authorisation box in the ASBA Bid cum Application Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for the Designated Branch to block funds equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form in your ASBA Account maintained with a branch of the concerned SCSB.

(k) Ensure that you receive an acknowledgement from the Designated Branch of the concerned SCSB for the submission of your ASBA Bid cum Application Form.

(l) Ensure that you have mentioned your Permanent Account Number ("**PAN**") allotted under the I.T. Act.

(m) Eligible Employees, as defined above, should mention their Employee Number at the relevant place in the Bid cum Application Form.

(n) Ensure that the name(s) and PAN given in the ASBA Bid cum Application Form is exactly the same as the name(s) and PAN in which the beneficiary account is held with the Depository

Participant. In case the ASBA Bid is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the ASBA Bid cum Application Form.

(o) Ensure that the Demographic Details are updated, true and correct, in all respects.

(p) Ensure that, in case of revision of price band, the bids are revised to keep the Bid Amount is up to Rs.100,000 in case of Retail Individual Investors and more than Rs 100,000 in case of Non Institutional Investors for allotment in the same category as per the original bid form.

Don'ts:

(a) Do not submit an ASBA Bid if you are a QIB.

(b) Do not Bid for lower than the minimum Bid size.

(c) Do not Bid on another ASBA or Non-ASBA Bid cum Application Form after you have submitted a Bid to a Designated Branch of the SCSB.

(d) Payment of Bid Amounts in any mode other than blocked amounts in the bank accounts maintained by SCSBs, shall not be accepted under the ASBA process.

(e) Do not send your physical ASBA Bid cum Application Form by post; instead submit the same to a Designated Branch of the SCSB only.

(f) Do not submit the GIR number instead of the PAN Number.

(g) Do not instruct your respective banks to release the funds blocked in the bank account under the ASBA process.

ASBA Bidder’s depository account and bank details

ALL ASBA BIDDERS SHALL RECEIVE THE EQUITY SHARES ALLOTTED TO THEM IN DEMATERIALISED FORM. ALL ASBA BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT’S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER, BENEFICIARY ACCOUNT NUMBER AND PAN IN THE ASBA BID CUM APPLICATION FORM. ASBA BIDDERS MUST ENSURE THAT THE NAME GIVEN IN THE ASBA BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. ADDITIONALLY, PAN IN THE ASBA BID CUM APPLICATION FORM SHOULD BE EXACTLY THE SAME AS PROVIDED WITH THE DEPOSITORY PARTICIPANT. IN CASE THE ASBA 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 ASBA BID CUM APPLICATION FORM.

ASBA Bidders should note that on the basis of name of the ASBA Bidders, PAN, Depository Participant’s name and identification number and beneficiary account number provided by them in the ASBA Bid cum Application Form, the Registrar to the Issue will obtain from the Depository, demographic details of the ASBA Bidders including address, (“Demographic Details”). Hence, ASBA Bidders should carefully fill in their Depository Account details in the ASBA Bid cum Application Form.

As these Demographic Details would be used for all correspondence with the ASBA Bidders they are advised to update their Demographic Details as provided to their Depository Participants.

By signing the ASBA Bid cum Application Form, the ASBA Bidder is deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

CAN/Allocation advice and letters intimating unblocking of bank account of the respective ASBA Bidder would be mailed at the address of the ASBA Bidder as per the Demographic Details received from the Depositories. ASBA Bidders may note that delivery of CAN/Allocation advice or letters intimating unblocking of bank account may be delayed if the same once sent to the address obtained from the Depositories are returned undelivered. Note that any such delay shall be at the sole risk of the ASBA Bidders and neither of the Designated Branches of the SCSBs, the members of the Syndicate, or the Company shall be liable to compensate the ASBA Bidder for any losses caused to the ASBA Bidder due to any such delay or be liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the ASBA Bidders (including the order of names of joint holders), the DP ID and the beneficiary account number, then such Bids are liable to be rejected.

ASBA Bidders are required to ensure that the beneficiary account is activated, as Equity Shares will be Allotted in dematerialised form only.

Payment mechanism under ASBA

The ASBA Bidders shall specify the bank account number in the ASBA Bid cum Application Form and the SCSB shall block an amount equivalent to the application money in the bank account specified in the Bid cum Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/rejection of the ASBA Bid or receipt of instructions from the Registrar to the Issue to unblock the Bid Amount.

In the event of withdrawal or rejection of Bid cum Application Form or for unsuccessful Bid cum Application Forms, the Registrar to the Issue shall give instructions to the Controlling Branch of the SCSB to unblock the application money in the relevant bank account. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount to the ASBA Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Bid, as the case may be.

ASBA Bids under Power of Attorney

In case of ASBA Bids made pursuant to a power of attorney, a certified copy of the power of attorney must be lodged along with the ASBA Bid cum Application Form. Failing this, our Company, in consultation with the BRLM, reserves the right to reject such ASBA Bids.

Our Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the ASBA Bid cum Application Form, subject to such terms and conditions that we, in consultation with the BRLM may deem fit.

OTHER INSTRUCTIONS

Withdrawal of ASBA Bids

In case an ASBA Bidder wants to withdraw the ASBA Bid cum Application Form during the Bid/Issue Period, the ASBA Bidder shall submit the withdrawal request to the SCSB, which shall do the necessary, including deletion of details of the withdrawn ASBA Bid Cum Application Form from the electronic bidding system of the Stock Exchanges and unblocking of funds in the relevant bank account.

In case an ASBA Bidder wants to withdraw the ASBA cum Application Form after the Bid/ Issue Closing date, the ASBA Bidder shall submit the withdrawal request to the Registrar to the Issue before finalisation of Basis of Allotment. The Registrar to the Issue shall delete the withdrawn Bid from the Bid file. The instruction for and unblocking of funds in the relevant bank account, in such withdrawals, shall be forwarded by the Registrar to the Issue to the SCSB on finalisation of the Basis of Allotment.

Joint ASBA Bids

ASBA Bids may be made in single or joint names (not more than three). In case of joint ASBA Bids, all communication will be addressed to the first Bidder and will be dispatched to his address.

Multiple ASBA Bids

An ASBA Bidder should submit only one Bid for the total number of Equity Shares desired. Two or more Bids will be deemed to be multiple Bids if the sole or first Bidder is one and the same. In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are described in "**Issue Procedure - Multiple Bids**" on page no. 248 of this Red Herring Prospectus.

Permanent Account Number

For details, see "**Permanent Account Number or PAN**" on page no. 248 of this Red Herring Prospectus.

Right to Reject ASBA Bids

The Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the Bidder's bank account, the respective Designated Branch ascertains that sufficient funds are not available in the Bidder's bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company would have a right to reject the ASBA Bids only on technical grounds.

Further, in case any DP ID, Client ID or PAN mentioned in the ASBA Bid cum Application Form does not match with one available in the Depository Participant's database, such ASBA Bid shall be rejected by the Registrar to the Issue.

GROUNDS FOR TECHNICAL REJECTIONS UNDER THE ASBA PROCESS

In addition to the grounds listed under "**Grounds for Technical Rejections**" on page no. 248 of this Red Herring Prospectus, applications under the ASBA process are liable to be rejected on, *inter alia*, the following technical grounds:

1. Amount mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of Equity Shares Bid for;

;

2. Age of first Bidder not given;

3. PAN not stated, or GIR number furnished instead of PAN;

4. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and persons of unsound mind;

5. Multiple Bids as defined in this Red Herring Prospectus;

6. ASBA Bids accompanied by stockinvest/money order/postal order/cash

7. Bid made by QIBs;

8. Bids by US persons other than in reliance on Regulation S;
9. Bids for lower number of Equity Shares than specified for that category of investors;

10. Bids at a price less than lower end of the Price Band;

11. Bids at a price more than the higher end of the Price Band;

12. Bids at Cut Off Price by Non-Institutional Bidders;

13. Bids or revisions thereof by Non Institutional Bidders uploaded after 4.00 pm on the Bid/ Issue Closing Date;

14. Authorisation for blocking funds in the ASBA Bidder's bank account not ticked or provided;

15. ASBA Bid cum Application Form does not have the Bidder‘s depository account details

16. Signature of sole and/or joint Bidders missing in case of ASBA Bid cum Application Forms submitted in physical mode;

17. ASBA Bid cum Application Form does not have the stamp of the SCSB and/or a member of the Syndicate;

18. ASBA Bid cum Application Form is not delivered, either in physical or electronic form, by the Bidder within the time prescribed and as per the instructions provided in the ASBA Bid cum Application Form and the Red Herring Prospectus;

19. 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 DP ID and the beneficiary account number; and

20. Inadequate funds in the ASBA Account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the ASBA Account;

Bidders are advised that ASBA Bids not uploaded in the electronic book of the Stock Exchanges, due to any of the grounds mentioned above, would be rejected.

COMMUNICATIONS

All future communication in connection with ASBA Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or first ASBA Bidder, ASBA Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of ASBA Bid cum Application Form, name and address of the Designated Branch of the SCSB where the ASBA Bid cum Application Form was submitted, bank account number in which the amount equivalent to the Bid Amount was blocked and a copy of the acknowledgement slip. The Registrar to the Issue shall obtain the required information from the SCSBs for addressing any clarifications or grievances. The SCSB shall be responsible for any damage or liability resulting from any errors, fraud or wilful negligence on the part of any employee of the concerned SCSB, including its Designated Branches and the branches where the ASBA Accounts are held. The Company, the BRLM, the Syndicate Members and the Registrar accept no responsibility for errors, omissions, commission or any acts of SCSBs including any defaults in complying with its obligations under applicable SEBI (ICDR) Regulations.

ASBA Investors can contact the Compliance Officer, the Designated Branch of the SCSB where the ASBA Bid cum Application Form was submitted, or the Registrar to the Issue in case of any pre- or post-Issue related problems such as non-receipt of credit of Allotted Equity Shares in the respective beneficiary accounts, unblocking of excess Bid Amount, etc.

Disposal of Investor Grievances

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked on application, bank account number and the Designated Branch or the collection centre of the SCSB where the ASBA Bid cum Application Form was submitted by the ASBA Bidders.

Impersonation

For details, see section titled "**Issue Procedure- Impersonation**" on page no. 250 of this Red Herring Prospectus.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY IN INSTRUCTIONS TO SCSBs BY THE REGISTRAR TO THE ISSUE

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI (ICDR) Regulations, the Company undertakes that:

- Allotment and transfer shall be made only in dematerialised form within 15 days from the Bid/Issue Closing Date;
- Instructions for unblocking of the ASBA Bidder's Bank Account shall be made within 15 days from the Bid/Issue Closing Date; and
- If the instructions to SCSBs to unblock funds in the ASBA accounts are not given within 8 days after our Company becomes liable to repay all moneys received from the applicants in pursuance of this Red Herring Prospectus, i.e. within 7 days from the Bid/Issue Closing Date, then the Company and every Director of the Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Basis of Allocation

Bids received from ASBA Bidders will be considered at par with Bids received from non-ASBA Bidders. The basis of allocation to such valid ASBA and non-ASBA Bidders will be that applicable to the Retail Individual Bidders, the Non-Institutional Bidders and the Eligible Employees. For details, see section "**Issue Procedure- Basis of Allotment**" on page no. 252 of this Red Herring Prospectus.

Method of Proportionate basis of allocation in the Issue

ASBA Bidders, along with non-ASBA Bidders, will be categorised as Retail Individual Bidders, the Non-Institutional Bidders and the Eligible Employees, as applicable. No preference shall be given vis-à-vis ASBA and non-ASBA Bidders.

Undertaking by our Company

In addition to our undertakings described under "**Issue Procedure - Undertaking by our Company**", with respect to the ASBA Bidders, the Company undertakes that adequate arrangement shall be made to consider ASBA Bidders similar to other Bidders while finalizing the basis of allotment

Utilisation of Issue Proceeds

Our Board has provided certain certifications with respect to the utilization of Issue Proceeds. For details, see "**Issue Procedure- Utilisation of Issue Proceeds**" on page no. 259 of this Red Herring Prospectus.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy of the GoI, as notified through press notes and press releases issued from time to time, and FEMA and circulars and notifications issued thereunder. 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 investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures and reporting requirements for making such investment. The government bodies responsible for granting foreign investment approvals are the Foreign Investment Promotion Board of the Government of India ("FIPB") and the RBI.

Currently, the Industrial Policy and FEMA stipulate that investments by persons resident outside India in companies in the sector that we operate is under the automatic route up to 100% of the outstanding capital of the company.

However, it may be distinctly understood that there is no reservation for FIIs, NRIs or OCBs and in view of the SEBI Guidelines, the allotment and/or transfer of shares to FIIs, NRIs or OCBs would be made in the manner detailed in "Terms of the Issue" on page no. 225 of this Red Herring Prospectus.

Investment by Non-Resident Indians

A variety of special facilities for making investments in India in shares of Indian companies is available to individuals of Indian nationality or origin residing outside India ("NRIs"). These facilities permit NRIs to make portfolio investments in shares and other securities of Indian companies on a basis not generally available to foreign investors. Under the portfolio investment scheme, NRIs are permitted to purchase and sell equity shares of a company through a registered broker on the stock exchanges. NRIs collectively should not own more than 10% of the post-offer paid up capital of the company. However, this limit may be increased to 24% if the shareholders of the company pass a special resolution to that effect. No single NRI may own more than 5% of the post-offer paid up capital of the company. NRI investment in foreign exchange is now fully repatriable whereas investments made in Indian Rupees through rupee accounts remain non-repatriable.

As per the RBI, Exchange Control Department Circular no. ADP (DIR Series) 13 dated November 29, 2001, OCBs are not permitted to invest under the portfolio investment scheme in India. However, OCBs would continue to be eligible for making foreign direct investment under FEMA and the regulations thereunder as per notification no. FEMA 20/20000 RB dated May 3, 2000. Also, OCBs can sell their existing shareholdings through a registered broker on the stock exchanges.

For restrictions on investments by Foreign Institutional Investors and Foreign Venture Capital Investors, see "Issue Procedure" on page no. 233 of this Red Herring Prospectus.

SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company.

CAPITAL

1. The Authorised Share Capital of the Company is Rs. 80,00,00,000/- (Rupees Eighty Crores only) divided into 8,00,00,000 (Eight Crores Only) Equity Shares of Rs.10/-(Ten only) each with a power to increase or reduce the share capital of the Company and to divide the shares in the capital for the time being into several classes and to attach preferential, cumulative convertible preference, guaranteed, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify, amalgamate or abrogate such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association..

ISSUE OF PREFERENCE SHARES

2. Subject to the provisions of Section 80, any preference shares may, with the sanction of the members in general meeting be issued on such terms that they may decide.

REDUCTION OF SHARE CAPITAL

3. The Company may, by special resolution, reduce in any manner and with, subject to, any incident authorized and consent required by law:

   a) Its share capital

   b) Any capital redemption reserve account or

   c) Any share premium account

ALTERTION AND CONSOLIDATION OF CAPITAL

4. The Company may from time to time but subject to the provisions of Section 94 of the Act, alter the conditions of its Memorandum as follows:-

   a) Increase its share capital by such amount as it thinks expedient by issuing new shares:

   b) Consolidate and divide all or any of its share capital into shares or larger amount than its existing shares;

   c) Convert all or any of its fully paid up shares in to stock, and reconvert that stock into fully paid up shares of any denominations:

   d) Sub-divide its shares, or any of them, in to shares of smaller amount than is fixed by memorandum, so however, that in the sub-division the proportion between 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 shares are derived.

   e) Cancel any shares 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 shares so cancelled.

   f) The resolutions where by any share is subdivided may determine that, as between the holders of the shares resulting from such sub-division one or more of such shares shall have some preference or special advantages as regards dividend, capital, voting or otherwise over or as compared with the others.

VOTING RIGHTS OF MEMBERS

5. 1) Every member holding any equity shares shall have a right to vote in respect, of such shares on every resolution placed before the meeting. On a show of hands every such member present in person shall have one vote. On a poll, his voting right in respect on his equity shares shall be in proportion to his share of the paid up capital in respect of the equity shares.

   2) In the event of the company issuing any preference shares the holders of such preference shares shall have the voting rights set out in that behalf in Section 87 of the Act.

BUY-BACK OF SECURITIES

6. Power of the Company to purchase its own securities.

   Notwithstanding anything contained in these Articles but subject to the provisions of section 77 A and 77B of the Act the Company may purchase its own securities or other specified securities (hereinafter referred to as Buy-back) out of.

   a) Its Free Reserves: or
   b) The Securities premium Account; or
   c) The proceeds of any shares, or other specified securities.

   In accordance with provision of section 77A and 77B of the Act and rules prescribed the central Government or by securities and Exchange Board of India in this behalf.

COMMISSION FOR PLACING SHARES, DEBENTURES ETC

7. 1) Subject to the provisions of Section 76 of the Act, the Company may on any Public Issue pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares, debentures or debenture-stock of the Company or procuring or agreeing to procure subscriptions (whether absolute or conditional) for shares, debentures or debenture-stock of the Company but so that the statutory conditions and requirements shall be observed and complied with the amount of rate of commission shall not exceed five percent of the price at which the shares are issued and in case of debentures the rate of commission shall not exceed two and a half per cent of the price at which the debentures are issued.

   2) The Company may also, on any issue, pay such brokerage as may be lawful.

SHARES AND CERTIFICATES

8. Where at any time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in that company made for the first time after its formation, which ever is earlier, it is proposed to increase the subscribed capital of the company by allotment of further shares, then the same shall be in accordance with provisions of Section 81.

SHARES AT THE DISPOSAL OF THE DIRECTORS

9. Subject to the provisions of the Act and these Articles, the board of directors may allot and issue shares in the capital of the Company in full payment or in part payment for any property or assets of any kind whatsoever sold, supplied or transferred, or for goods or machinery supplied or for services rendered to the Company in connection with the formation or promotion of the Company or the conduct of its business, and any shares which may be so allotted may be issued as fully paid up or partly paid up otherwise than in cash, and if issued, shall be deemed to be fully paid up or partly paid up shares, as the case may be.

RIGHTS TO CERTIFICATE

10. Every person whose name is entered as a member in the Register shall be entitled to receive without payment;

a) One certificate for all his shares: or

b) Where the shares so allotted at any one time exceed the number of shares fixed as marketable lot in accordance with the usages of the stock exchange or at the request of the shareholder, several certificates on each per marketable lot and one for the balance.

11. The company shall within two months after the allotment or within one month after application for the registration of the transfer of any share or debentures complete and have ready for delivery, the certificates for all the shares and debentures so allotted or transferred unless the conditions of issue of the said shares or debentures otherwise provide.

    i. Every certificate shall be under the seal and shall specify the number and distinctive number of shares to which it relates and the amount paid up thereon and shall be in such form as the Directors may prescribe and approve

    ii. The provisions of clauses (2) & (3) above shall apply mutatis mutandis to debentures and debenture stock allotted or transferred.

    iii. No fee shall be charged for the issue of a new share certificate either for sub-division of the existing share certificates or for the consolidation of several share certificates into one or for issue of fresh share certificates in lieu of share certificates on the back of which there is no space for endorsement for transfer or for registration of any probate, letters of Administration, Succession certificate or like document, or for registration of any power of Attorney or other similar documents.

    iv. The Company shall observe such rules and conditions as may be prescribed by the Government or required by the Stock Exchanges on which the shares are listed, for renewal of Share Certificates or issue of duplicate Share Certificates.

RENEWAL OF CERTIFICATE

12. If any certificate be worn out, defaced, destroyed, or lost or if there is no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding ***Rs.2/-*** for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer. Provided that notwithstanding what is stated above the directors shall comply with such rules or regulations or requirements of any stock exchanges or rules made under the Act or rules made under Securities Contracts (Regulations) Act, 1956 or any other Act, or rules applicable thereof in this behalf. The provision of this Article shall mutatis mutandis apply to debentures of the Company.

BOARD'S RIGHT TO REFUSE TO REGISTER

13. 1) Subject to the provisions of Section 111A of the Act, and other applicable provisions of the Act or any other law for the time being in force, the Board may at any time in their absolute discretion and without assigning any reasons decline to register any transfer of or transmission by operation of law of the right to a share, whether fully paid up or not and whether the transferee is a member of the company or not and may also decline to register any transfer of shares on which the company has a lien. Provided further that the registration of transfer shall not be refused on the ground of the transferor being alone or either jointly with any other person or persons indebted to the company on any account except a lien on the shares.

    2) If the Board refuses to register any transfer or transmission of right, they shall within 1 month from the date on which the instrument of transfer or the intimation of such transmission was delivered to the company send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be.

3) In case of such refusal by the Board, the decision of the Board shall be subject to the right of appeal conferred by section 111 of the Act.

4) The Provisions of this clause shall apply to transfers of stock also.

FURTHER RIGHT OF BOARD OF DIRECTORS TO REFUSE TO REGISTER

14. The Board of Directors may also decline to recognise any instrument of transfer unless.

    a) The instrument of transfer is accompanied by the certificate of shares to which it relates and such other evidence as the Board of Directors may reasonably require to show the right of transfer to make the transfer and

    b) The instrument of transfer is in respect of only one class of shares.

FORM OR INSTRUMENT OF TRANSFER

15. The instrument of transfer of any physical shares in the company shall be executed both by the transferor and the transferee and the transferor shall be deemed to remain holder of the shares until the name of the transferee is entered in the register of members in respect thereof. The instrument of transfer shall be in respect of only one class of shares and should be in the form prescribed under Section 108 of the Act.

FEES FOR TRANSFER

16. No fee shall be charged for registration of transfer of shares and debentures, or for transmission of shares and debentures.

PAYMENT ON CALL IN ADVANCE

17. 1) The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

    2) The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

    3) The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the company.

CALLS ON SHARES

18. Subject to the provisions of Section 91 of the Act, the Board of Directors may from time to time make such calls as they; think fit upon the members in respect of all moneys unpaid on the shares held by them respectively and not by the conditions of allotment thereof made payable at fixed times, and each member shall pay the amount of every call so made on him to the persons and at the date, time and place or at the dates, times and places appointed by the Board of Directors.

CALL WHEN DEEMED TO BE MADE

19. The Board of Directors may, when making a call by resolution determine the date on which such call shall be deemed to have been made not been earlier than the date of resolution making such call, and thereupon the call shall be deemed to have been made on the date so determined and if no

such date is fixed the call shall be deemed to have been made on the date on which the resolution of the Board making the call was passed.

NOTICE FOR CALL

20. Not less than thirty days notice of any call shall be given specifying the date, time and place of payment provided that before the time for payment of such call, the Directors may, by Notice writing to the members, extend the time for payment thereof.

SUMS PAYABLE AT FIXED DATE TO BE TREATED AS CALLS

21. If by the terms of issue of any share or otherwise any amount is made payable at any fixed date or by installments at fixed dates whether on account of nominal value of share or by way of premium, every such amount or installment shall be payable as if it were a call duly made by the Directors and of which due notice had been given, and all the provisions herein contained in respect of calls shall relate to such amount or installment accordingly.

CALLS TO CARRY INTEREST

22. 1) If a sum called in respect of the shares is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay; interest upon the sum at such rate not exceeding six percent per annum as may be fixed by the Board of Directors from the day appointed for the payment thereof to the time of the actual payment, but the Board of Directors shall be at liberty to waive payment of that interest wholly or in part.

    2) The provisions of this Article as to payment of interest 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 date. Whether on account of the amount of the share or by way of premium, as if the same had became payable by virtue of a call duly made and notified.

FORFEITURE OF SHARES

23. The notice shall name a further day (not earlier than the expiration of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made, and shall state that, in the event of non-payment on or before the day named, the shares in respect of which the call was made will be liable to be forfeited.

24. If the requirements of any such notice as aforementioned 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 Directors to that effect.

25. A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board of Directors may think fit, and at any time before a sale or disposition, the forfeiture may be cancelled on such terms as the Board of directors may think fit.

26. A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall notwithstanding remain liable to pay and shall forthwith pay to the Company all moneys which at the date of forfeiture were presently payable by him to 1he Company in respect of the shares, but his liability shall cease if and when the Company receives payment in full of the nominal amount of shares

27. A duly verified declaration in writing that the declarant is a Director of the Company and that a share in the Company has been duly forfeited on the date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and that declaration and receipt of the Company for the consideration, given for the shares on the sale or disposition thereof, shall constitute a good title to the share, and the person to whom the share is sold or disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money nor shall his title to the share be affected by way of any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

COMPANY'S LIEN ON SHARES/DEBENTURES

28. The company shall have a first and paramount lien upon all the shares/debentures (Other than fully paid up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares/debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed the registration of a transfer of shares/debentures shall operate as a waiver of the company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempted from the provisions of this clause.

SHARE WARRANTS

29. 1) The company may issue share warrants subject to and in accordance with provisions of Sections 114 and 115 of the Act and accordingly, the Board may in their discretion, with respect to any share registered as 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, required 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 prescribe, issue a share warrant and may provide by coupons or otherwise for the payments of the future dividends on the shares specified in the share warrant.

    2) A share warrant shall entitle the bearer to the shares included in (1) above and the shares shall be transferred by the delivery of the share warrant and the provisions of the Articles of the company with respect to transfer and transmission of shares shall not apply thereto.

    3) The bearer of a share warrant shall on surrender of the warrant to the company for cancellation and on payment of such fee as the Board may from time to time prescribe, be entitled to have his name entered as a member in the register of members in respect of the shares included in the warrant.

BORROWING

30. The Board of Directors may from time to time but with such consent of the company in General Meeting as may be required under Section 293 raise any moneys or sums of money for the purpose of the company, provided that the moneys to be borrowed by the company apart from temporary loans obtained from the company's bankers in the ordinary course of business shall not without the sanction of the company at a general meeting exceed the aggregate of the paid up capital of the company at its free reserves, that is to say reserves not set apart for any specific purpose and in particular, but subject to the provisions of the Sections 292 of the Act, the Board may from time to time at their discretion raise or borrow or secure the payment of any such sum of money for the purpose of the company, by the issue of debentures perpetual or otherwise, including debentures convertible into shares of this or any other company or perpetual annuities and in security of any such money so borrowed, raised, or received, mortgage. Pledge or charge the whole or any part of the property, assets or revenue of the company, present or future, including its uncalled capital by special assignment or otherwise or to transfer or convey the same absolutely or in trust and to give the lenders powers of sale and other powers as may be expedient and to purchase, redeem or pay off any such securities;

    Provided that every resolution passed by the Company in General Meeting in relation to the exercise of the powers to borrow as stated above shall specify the total amount up to which moneys may be borrowed by the Board of Directors.

31. The Directors may by a resolution at a meeting of the Board delegate the above powers to borrow money otherwise than on debentures to a Committee of Directors or the managing Director if any, within the limits prescribed.

32. Subject to the provisions of the above sub-clause, the Directors may, from time to time, at their discretion, raise or borrow or secure the repayment of any sum or sums of money for the

purpose of the Company, at such time and in such manner and upon such terms and conditions in all respects as they think fit, and in particular by promissory notes or by opening current accounts or by receiving deposits and advances with or without security, or by the issue of bonds, perpetual or redeemable debentures or debenture-stock of the company (both present and future) including its un called capital for the time being, or by mortgaging or charging or pledging any lands, buildings, goods or other property and securities of the Company, or by such other means as to them may seem expedient.

DIRECTORS AND OFFICERS

Number of Directors

33. Unless otherwise determined by a general Meeting, the number of directors shall not be less than three (3) and not more than twelve (12) including all kind of directors but excluding alternative directors.

Share qualification not necessary

34. Any person whether member of the company or not may be appointed as a Director and no qualification by way of holding share shall be required of any Director.

Additional Directors

35. The Board of Directors shall have power at anytime, and from time to time, to appoint one or more persons as additional Directors, provided that the number Directors and additional Directors together shall not exceed the maximum number fixed. Any additional Director so appointed shall hold office upto the date of the next annual general meeting, but he shall be eligible for election by the Company at that meeting.

Alternate Directors

36. The Board of Directors may appoint an alternate Director to act for a Director (hereinafter called the original Director) during the absence of the original Director for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. An alternate Director so appointed shall vacate office if and when the office of original Director is determined before he so returns to the State aforesaid, any provision for the automatic reappointment of retiring Director in default of another appointment shall apply to the original, and not to the alternate Director.

Nominee Directors

37. At the option of the corporation, such corporation Director/s shall not be required to hold any share qualification in the company. Also at the option of the corporation, such corporation Director/s shall not be liable to retirement by rotation of Directors, subject as aforesaid, the corporation Director shall be entitled to the same rights and privileges and be subject to the same obligations as any other, Director of the company.

Rotation Of Directors

38. Not less than two thirds of the total number of the directors of the company for the time being holding office shall be directors whose period of office is liable to be determined, by retirement by rotation and who shall be appointed by the Company in General Meeting.

39. At each Annual General Meeting of the Company one third of such of the directors as are liable to retire by rotation for the time being of if their number in not three or multiple of three, then the number nearest to one third shall retire from office. An Additional Director appointed by the Board shall not be liable to retire by rotation within the meaning of this Article.

40. A retiring director shall be eligible for re-election and the Company at the Annual General Meeting at which a director retires in the manner aforesaid may fill up the vacated office by electing a person thereto.

41. The directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became director on the some day, those to retire shall unless they otherwise agree among themselves be determined by lot.

42. Subject to the provisions of Section 256 of the Act, if at any meeting at which an election of Directors ought to take place, the place of the vacating director is not filled up and the meeting has not expressly resolved not to fill up the vacancy, the meeting shall stand adjourned till the same day in the next week at the same time and place or if that day is a public holiday till the next succeeding day which is not a public holiday at the same time and place, and if at the adjourned meeting the place of retiring directors is not filed up and that meeting has also not expressly resolved not to fill up the vacancy then the retiring directors or such of them as have not had their places filed up shall be deemed to have been reappointed at the adjourned meeting.

43. Subject to the provisions of Section 284 of the Act, the company may by an ordinary resolution in General Meeting remove any director before the expiration of his period of office, and may by an ordinary resolution appoint another person instead the person so appointed shall be subject to retirement at the time as if he has become a director on the day on which the director in whose place he is appointed was last elected as director.

44. A person not being a retiring director shall be eligible for appointment to the office of a director at any General Meeting if he or some other member intending to propose him as a director not less than 14 days before the meeting has left at the office of the Company a notice in writing under his hand signifying his candidature for the office of the director or the intention of such member to propose him as a candidate for the office as the case may be, along with a deposit of such sum provided in the Act which shall be refunded to such person or as the case may be to such member, if the person succeeds in getting elected as director.

Casual Vacancy

45. Any casual vacancy occurring in the Board of Directors may be filled up by the Directors, and the person so appointed shall hold office upto the date which the Director in whose place he is appointed would have held office if it had not been vacated as aforesaid.

Remuneration Of Directors

46. Each Director of the Company shall be entitled to receive out of the funds of the company for his services in attending meetings of the Board, such maximum amount as is permissible be paid to the Director as sitting fees under the provisions of the Act.

MEETING OF THE BOARD

47. The Board of Directors shall meet at least once in every three calendar months for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as it think fit provided that at least four such meetings shall be held in every year.

How to convene

48. The Managing Director may at any time summon a meeting of the Board and the Managing Director or a Secretary on the requisition of a Director shall at any time summon a meeting of the Board, Notice in writing of every meeting of the Board shall be given to every Director for the time being in India, and at his usual address in India to every other Director.

Quorum

49. The quorum for a meeting of the Board shall be one-third of the 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 is equal to or exceeds two third of total strength, the number of remaining Directors, that is to say the number of Directors who are not interested present at the meeting being not less than two, shall be the quorum during such time. The total strength of the Board shall mean the number of Directors actually holding office as Directors on the date of the resolution or meeting that is to say, the total strength of Board after deducting there from the number of Directors, if any, whose places are vacant at that time.

Validity of acts done by a board or a committee

50. All acts done by any meeting of the Board or of a committee thereof or by any person acting as a Director shall not withstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such Directors or of any person acting as aforesaid or that they or any of them were disqualified be as valid as if every such Director or such person had been duly appointed and was qualified to be a Director.

Resolution by circulation

51. Save as otherwise expressly provided in the Act, a resolution in writing circulated in draft together with the necessary papers, if any, to all the directors or to all the members of the committee then in India, not being less in number than the quorum fixed for the meeting of the Board or the committee, as the case may be, and to all other Directors or members at their usual addresses in India and approved by such of the Directors as are then in India or by a majority of such of them as are entitled to vote on the resolution shall be valid and effectual as if it had been a resolution duly passed at a meeting of the Board or committee duly convened and held.

Chairman of board and general meeting

52. The office of Chairman shall be held by Mr. Tapaas Chakravarti or any other person as may be nominated by the Board. The Chairman shall be entitled to Chair at all meetings of the Board or committee thereof and at all general meetings of the Company.

Powers to delegate to committee

53. Subject to provisions of Section 292 of the Act, and other provisions of the Act, the Board may delegate from time to time and at any time to a committee formed out of the directors all or any of the powers authorities and discretions for the time being vested in the Board and any such delegations may be made on such terms and subject to such conditions as the Board may think fit.

SPECIFIC POWERS OF DIRECTORS

54. Without prejudice to the generality of the foregoing, it is hereby expressly declared that the Directors shall have the following powers, that is to say, power:

1) To carry on and transact the several kinds of business specified in Clause III of the Memorandum of Association of the company.

2) To draw, accept, endorse, discount, negotiate and discharge on behalf of the company all bills of exchange, promissory notes, cheques, hundies, drafts, railway receipts, dock warrants, delivery orders, government promissory notes, other government instruments, bonds, debentures or debenture stocks of corporation, local bodies, port trusts, improvement trusts or other corporate bodies and to execute transfer deeds for transferring stocks, shares or stock certificates of the government and other local or corporate bodies in connection with any business or any subject of the company.

3.) At their discretion, to pay for any property rights or privileges acquired by or services rendered to the company, either wholly or partially in cash or in shares, bonds, debentures or other securities of the company, and any such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon and any such bonds, debentures or other securities may be either specifically charged upon all or any of the property of the company or not so charged.

4.) To engage and in their discretion to remove, suspend, dismiss and remunerate bankers, legal advisors, accountants, cashiers agents, commission agents, dealers, brokers, foremen, servants, employees of every description and to employ such professional or technical or skilled assistants as from time to time may in their option be necessary or advisable in the interest of the company and upon such terms as to duration of employment, remuneration or otherwise and may require security in such instances and to such amounts as the Directors think fit.

5.) To accept from any member on such terms and conditions as shall be agreed, a surrender of his shares or stock or any part thereof, subject to the provisions of the Act in relation to reduction of capital.

6.) To secure the fulfillment of any contracts or agreements entered into by the company by mortgage or charge of all or any of the property of the company or in such other manner as they may think fit.

7.) To institute, conduct, defend, compound or abandon any actions, suits and legal proceedings by or against the company or its officers or otherwise concerning the affairs of the company and also to compound or compromise or subject to arbitration the same actions, Suits and legal proceedings.

8.) To make and give receipts, releases and other discharges for money payable to the company and for the claims and demands of the company.

9.) To determine who shall be entitled to sign on the company's behalf bills of exchange, pro notes, dividend warrants, cheques and other negotiable instruments, receipts, acceptance endorsements, releases, contracts, deeds and documents.

10). From time to time to regulate the affairs of the company abroad in such manner as they think fit and in particular to appoint any person to be the attorneys or agents of the company either abroad or in India with such powers including power to sub-delegate and upon such terms as may be thought fit.

11). To invest and deal with any moneys of the company not immediately required for the purposes thereof upon such securities as they think fit.

12.) To execute in the name and on behalf of the company in favour of any Director or other person who may incur or be about to incur any personal liability for the benefit of the company such mortgages the company's property (present and future) as they think fit and any such mortgage may contain a power of sale and such other powers, convenience and provisions as shall be agreed upon.

13). To give to any person employed by the company a commission on the profits, of any particular business or transactions, or a share in the general profits of the company, and such commission or such share of profits shall be treated as part of the working expenses of the company.

14). From time to time to make, very and repeal bye-laws for the regulations or the business of the company, its officers and servants.

15). To enter into all such negotiations and contracts and rescind and vary all such contracts, and execute and do all such acts, deeds and things in the name and on behalf of the company as they may consider expedient for or in relation to any of the matters aforesaid or otherwise for the purpose of the company.

16). To pay gratuities, bonus, rewards, presents and gifts to employees or dependents of any deceased employees to charitable institutions or purposes, to subscribe for provident funds and other associations for the benefit of the employees.

MANAGING DIRECTORS/WHOLE-TIME DIRECTORS

Appointment of Managing Directors/Whole Time Directors

55. a) The Board may from time to time with such sanction of the Central Government as may be required by law, appoint one or more persons to the office of the Managing Director or Managing Directors or whole time director(s).

    b) The Directors may from time to time resolve that there shall be either one or more Managing Directors or whole time Directors.

    c) In the event of any vacancy arising in the office of a Managing Director or whole time Director. If the Directors resolve to increase the number of Managing Directors or whole time Directors, the vacancy shall be filled by the Board of Directors and the Managing Director or whole time Director so appointed shall hold the office for such period as the Board of Directors may fix and approved by the central Government.

    d) If a Managing Director or whole time Director ceases to hold office as Director, he shall ipso facto and immediately cease to be a Managing Director/whole time Director.

    e) The Managing Director or whole time Director shall not be liable to retirement by rotation as long as he holds office as Managing Director or whole time Director.

Powers and duties of managing director or wholetime director

56. The Managing Director / whole time Director shall subject to the supervision, control and direction of the Board and subject to the provisions of the Act, exercise such powers as are exercisable under these presents by the Board of Directors as they may think fit and confer such powers for such time and to be exercised for such objects, purposes and upon such terms and conditions and with such restrictions as they may think expedient and they may from time to time revoke, withdraw, alter or vary all or any of such powers. The Managing Directors /whole time Directors may exercise all the powers entrusted to them by the Board of Directors in accordance with the Board's direction.

Remuneration of managing directors/wholetime directors

57. Subject to the provisions of the Act and subject to such sanction of the Central Government as may be required for the purpose, the Managing Directors/whole time Directors shall receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the company in General Meeting may from time to time determine.

Business to be carried on by managing director/wholetime director

58. 1) The Managing Director/whole time Director shall have subject to the supervision control and discretions of the Board, the management of the whole of the business of the company and of all its affairs and shall exercise all powers and perform all duties in relation to the management of the affairs and transactions of the company, except such powers and such duties as are required by law or by these presents to be exercised or done by the company in General Meeting or by the Board of Directors and also subject to such conditions or restrictions, imposed by the companies Act or by these presents.

    2) Without prejudice to the generality of the foregoing and subject to the supervision and control of the Board of Directors, the business of the company shall be carried on by the Managing Director/whole time Director and he shall have and exercise all the powers set out in Article 131 above, except those which are by the law or by these presents or by any resolution of the Board required to be done by the company in General Meeting or by the Board.

SECRETARY

59. The Board shall have power to appoint as the Secretary a person possessing the prescribed qualifications and fit in their opinion for the said office for such period and on such terms and

conditions as regards remuneration and otherwise as they may determine. The Secretary shall have such powers and duties as may, from time to time be delegated or entrusted to him by the Directors.

ANNUAL GENERAL MEETING

60. The company shall in addition to other meetings hold a general meeting which shall be styled as its Annual General Meeting at intervals and in accordance with the provisions specified below:

a) The first Annual General Meeting of the company shall be held within eighteen months of its incorporation subject to Section 210 (3) of the Act.

b) Thereafter an annual general meeting of the company shall be held once in every calendar year within 6 months after the expiry of each financial year, subject, however, to the power of the Registrar of companies to extend the time within which such a meeting can be held for a period not exceeding 3 months and subject thereto not more than fifteen months shall elapse from the date of one annual general meeting and that of the next.

c) Every annual general meeting shall be called for at a time during the business hours on a day that is not a public holiday and shall be held either at the registered office of the company or at some other place within the city, town or village in which the registered office of the company is situated.

d) Notice calling such meetings shall specify them as the annual general meetings.

e) All other meetings shall be referred to as extraordinary general meeting.

EXTRA-ORDINARY GENERAL MEETINGS

61. The Board of Directors may, whenever think fit, convene an Extraordinary general meeting at such time and at such place as they deem fit. Subject to such directions, if any, given by the board, the Managing Director or the Secretary may convene an Extra-ordinary General Meeting.

<u>Extra-ordinary general meeting by requisition</u>

62. a) The Board of Directors shall on the requisition of such number of members of the company as is specified below proceed duly to call an Extra-ordinary General meeting of the company and comply with the provisions of the Act in relation to meetings on requisition.

b) The requisition shall set out matters for consideration of which the meeting is to be called, shall be signed by the requisitionists and shall be deposited at the registered office of the company or send to the company by registered post addressed to the company at its registered office.

c) The requisition may consist of several documents like form, each signed by one or more requisitionists.

d) The number of members entitled to requisition a meeting with regard to any matter shall be such number of them as held at the date of the depositor dispatch to the registered office of the requisition, not less than 1/10 the of such of the paid up capital of the company as at that date carries the right of voting in regard to the matter set out in requisition.

e) If the Board of Directors do not, within twenty-one days from the date of deposit of requisition with regard to any matters, proceed duly to call a meeting for the consideration of those matters on a date not later than forty five days from the date of the deposit of the requisition the meeting may be called by the requisitionists themselves or such of the requisitionists as represent either majority in value of the paid up share capital held by ail of them or of not less than 1/10 the of such paid up capital of the company as is referred to in sub clause(d) above.

QUORUM

63. Five members personally present shall be a quorum for a general meeting and no business shall be transacted at any general meeting unless the requisite quorum is present at the commencement of the business.

VOTING RIGHTS OF MEMBERS

64. 1) Every member holding any equity shares shall have a right to vote in respect, of such shares on every resolution placed before the meeting. On a show of hands every such member present in person shall have one vote. On a poll, his voting right in respect on his equity shares shall be in proportion to his share of the paid up capital in respect of the equity shares.

2) In the event of the company issuing any preference shares the holders of such preference shares shall have the voting rights set out in that behalf in Section 87 of the Act.

VOTING RIGHTS OF JOINT HOLDERS

65. In the case of joint holders the vote of the first named of such joint holders who tender a vote whether in person or by proxy, shall be accepted to the exclusions of the votes of the other joint holders.

PROXY

66. On a poll, votes may be given either personally or by proxy.

67. Any member entitled to attend and vote at a meeting of the company shall be entitled to appoint any person whether a member or not as his proxy to attend and vote instead of himself, but the proxy so appointed shall not unless he is a member be entitled to vote except on a poll.

Instrument of proxy

68. 1) The instrument appointing a proxy shall be in writing under the hand of the appointed or of his attorney duly authorized in writing, or if the appointed is a corporation either under the common seal or under the hand of an officer or attorney so authorized. Any person may act as proxy whether he is a member or not.

2) Corporate body (whether a Company within the meaning of the Act or not) may, if it is a member or a creditor or debenture holder of the Company, by the resolution of its Board of Directors or other governing body authorize such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting or any class of members of the Company or at any meeting of the creditors of the company held in pursuance of the provision contained in any Debenture or Trust Deed as the case may be. The person so authorize by resolution as aforesaid shall be entitled to exercise the same rights and powers (including the right to vote by proxy) on behalf of the body corporate which he represents, as that body could exercise if it were an individual member, creditor or holder of debentures of the Company.

3) So as an authorization under clause (2) above is in force, the power to appoint proxy shall be exercised only by the person so appointed as representative.

Proxy to be deposited at the office

69. The instrument appointing a proxy and the power of attorney if any, under which it is signed or a notarised certified copy of that instrument or power of attorney, shall be deposited at the registered office of the company not less than 48 hours before the time fixed 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 in default of which the instrument of proxy shall not be treated as valid.

Validity of vote by proxy

70. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or the revocation proxy of or transfer of shares

in respect of which the proxy is appointed provided no intimation in writing of the death, revocation or transfer shall have been received at the registered office of the Company before the commencement of the meeting or adjourned meeting for which the proxy is appointed.

71. Every instrument appointing a proxy shall be retained by the company and shall be in either of the forms specified in Schedule IX of the Act or a form as near thereto as circumstances will admit.

ACCOUNTS

72. 1) The Board of Directors shall cause true accounts to be kept of all sums of money received and expended by company and the matters in respect of which such receipts and expenditure take place, of all sales and purchase of goods by the company, and of assets, credits and liabilities of the company.

    2) If the company shall have a Branch office, whether in India or outside, proper books of account relating to the transacts effected at that office shall be kept at that office, and proper summarized returns, made upto date at intervals, of not more than three months, shall be sent by the Branch office to the company at its registered office or to such other place in India, as the Board thinks fit, where the main books of the company are kept.

    3) All the aforesaid books shall give a fair and true view of the affairs of the company or of its branch office, as the case may be, with respect to the matters aforesaid and explain its transactions.

73. The Books of Account shall be kept at the Registered Office or at such other place in India as the Directors think fit.

74. The Board of Directors 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 of books and documents of the company or any of them shall be open to the inspection of the members, and no member (not being a Director) shall have any right of inspecting any account or books or documents of the company except as conferred by statue or authorised by the Directors or by a resolution of the company in the general meeting.

SECRECY

75. No member shall be entitled to inspect the Company's works without the permission of the Directors, or Managing Director, or to require discovery of on any information respecting any detail of the Company's trading or any matter which is or may be in the nature of a secret, mystery of trade or secret process which may relate to the conduct of the business the company and which in the opinion of the Directors it will be inexpedient in the interest company to communicate to the public.

76. Every Director, Managing Director, Manger, Secretary, Auditor, Trustee, Members Committee, Officer, Servant, Agent, Accountant or other person employed in the business the Company, shall if so required by the Directors before entering upon his duties, or at time during his term of office, sign a declaration pledging himself to observe strict secrecy relating to all transactions of the Company and the state of accounts and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do the Directors or any general meeting or by a court of Law or by the person to whom such matters relate and except so far as may be necessary in order to comply with any of provisions of these Articles or Law.

INDEMNITY AND RESPONSIBILITY

77. a) Subject to the provisions of Section 201 of the Act, the Managing Director and every Director, Manager, Secretary and other Officer or Employee of the Company shall be indemnified by the Company against any liability and it shall be the duty of Directors out the funds of the Company

to pay, all costs and losses and expenses (including traveling expenses) which any such Director, officer or employee may incur or become liable to by reason of any contract entered into or act or deed done by him as such Managing Direct-Director, Officer or Employee or in any way in the discharge of his duties.

b) Subject to as aforesaid the Managing Director and every Director, Manager, Secretary, other officer or Employee of the Company shall be indemnified against any liability incurred by them or him defending any proceedings whether civil or criminal in which judgment given in their or his favour or in which he is acquitted or discharged or in connection with any application under Section 633 of the Act in which relief is given to him by the Court.

COMMON SEAL

78. The Board shall provide a common seal for the company and they shall have power from time to time to destroy the same substitute a new seal in lieu thereof, and the common seal shall be kept at the Registered Office of the company and committed to the custody of the Managing Director or the Secretary if there is one.

79. The seal shall not be affixed to any instrument except by authority of a resolution of the Board or of a committee thereof and unless the Board otherwise determines every deed or other instrument to which the seal is required to be affixed shall, unless the same is executed by a duly constituted attorney for the Company be signed by two Directors and by the Secretary or such other person as may from time to time be authorised the Board provided nevertheless that any instrument bearing the seal of the company and issued for valuable consideration shall be binding on the company notwithstanding any irregularity touching the authority to issue the same. The share certificate shall however be sealed and signed in accordance with the provisions of the companies (issue of share certificates) rules 1960.

AUDIT

80. Every Balance Sheet and the Profit and Loss Account shall be audited by one or more auditors to be appointed as hereinafter set out.

1) The first Auditor of the Company shall be appointed by the Board of Directors within one month of the date of registration of the Company and the auditor or auditors so appointed shall hold office until the conclusion of first annual general meeting. Provided further that if the Board fails to appoint the First Auditor of the Company as required under this Article, the Company in General Meeting may appoint the first auditor or auditors.

2) The company at the Annual General Meeting in each year shall appoint an Auditor or Auditors to hold office from the conclusion of that meeting until the conclusion of the next Annual General meeting and every auditor so appointed shall be intimated of his appointed within seven days.

Provided that before the appointment or re-appointment of Auditor or Auditors is made by Company at any General Meeting a written certificate shall be obtained by the Company from the Auditor or Auditors proposed to be so appointed to the effect that the appointment or appointments if made will be in accordance with the limits specified in sub-section I-B of the Section 224,. Every Auditor so appointed shall within 30 days of the receipt from the Company of the intimation of his appointment inform the Registrar of Companies in writing that he had accepted or refused to accept the appointment.

3) The Director may fill any casual vacancy in the office of an Auditor, but while any such vacancy continues, the remaining Auditor or Auditors (if any) may act, where such a vacancy is caused by the resignation of the Auditor, the vacancy shall only filled by the company General Meeting.

REMUNERATION TO THE AUDITORS

81. The remuneration of the Auditors shall be fixed by the Company in the General Meeting or in such manner as the Company in General Meeting may determine except that the remuneration of any Auditor appointed to fill any casual vacancy may be fixed by the Board.

82. 1) All notices of and other communications relating to any General Meeting of the Company which any member of the Company is entitled to have sent to him shall also be forwarded to the Auditor and the Auditor shall be entitled to attend any General Meeting and to be heard at any General Meeting which he attends on any part of the business which concerns him as Auditor.

2) The Auditor shall make a report to the members of the Company on the accounts examined by him and on every Balance Sheet and the Profit and Loss Account and on every offer document declared by this Act to be part of or annexed to the Balance Sheet and the Profit and Loss Account which are laid by the Company in Annual General Meeting during his tenure of office, and the report shall state whether, in his opinion and to best of his information and according to the explanations given to him, the said accounts give the information by the Act in the manner so required and give a true and fair view.

3) The auditors report shall be read before the company in General Meeting and shall be opened to inspection by any member of the Company.

83. Every account of the Company when audited and approved by the members in a General Meeting shall be the final and conclusive account.

DIVIDENDS

84. a) The profits of the company, subject to any special rights relating thereto created or authorized to be created by these presents and subject to the provisions of these presents, as to the Reserve Fund, shall be divisible among the members in proportion to the amount of capital paid-up on the shares held by them respectively on the last day of the year of account in respect of which such dividend is declared and in the case of interim dividends on the close of the last day of the period in respect of which such interim dividend is paid.

b) Where capital is paid up on any shares in advance of calls, upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, confer a right to participate in profits.

Declaration of dividends

85. The company in General Meeting may declare dividends but no dividend shall exceed the amount recommended by the Board.

Interim Dividends

86. The Board may from time to time pay to the members such interim dividends as appear to them to be justified by the profits of the company.

Dividends to be paid out of profits only

87. No dividend shall be payable except out of the profits of the year or any other undistributed profits except as provided by Section 205 of the Act.

Reserve funds

88. 1) The Board may before recommending any dividends set aside out of the profits of the company such sums as it thinks proper as a reserve or reserves which shall at the discretion of the Board, be applicable for any purpose to which the profits of the company may be properly applied, including provisions for meeting contingencies or for equalising dividends and pending such 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, form time to time thinks fit.

2) The Board may also carry forward any profits when it may think prudent not to divide, without setting them aside as reserve.

Unclaimed dividend

89. 1) Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, transfer the total amount of dividend which remains unpaid or unclaimed within the said period of 30 days, to a special account to be opened by the company in that behalf in any scheduled bank, to be called unpaid dividend account of "DQ ENTERTAINMENT (INTERNATIONAL) LIMITED Unpaid Dividend Account".

    The company shall transfer any money transferred to the unpaid dividend account of a company that remains unpaid or unclaimed for a period of seven years from the date of such transfer, to the Fund known as Investor Education and Protection Fund established under section 205C of the Act.

    The Board shall forfeit no unclaimed or unpaid dividend.

90. No unclaimed dividend shall be forfeited by the Board of Directors and the company shall comply with all the provisions of the Section 205 A of the Act, in respect of unclaimed and unpaid dividend.

CAPITALISATION OF PROFITS

91. 1) The Company in General Meeting may on recommendation of the Board, resolve:

    a) That it is desirable to capitalise any part of the amount for the time being standing to the credit of the company's reserve accounts or the credit of the profit and loss accounts are otherwise available for distribution: and

    b) That such sum be accordingly set free for distribution amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportion.

    2) The amount aforesaid shall not be paid in cash but shall be applied, subject to the provisions contained in sub-clause (3) either in or towards:

    I) Paying up any amounts for the time being unpaid on 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 specified in sub-clause (II)

    3) A share premium account and a capital redemption reserve account may, for the purpose of this regulation only, be applied in paying up of unissued shares to be issued to members of the company as fully paid bonus shares.

    4) The Board shall give effect to the resolutions passed by the company in pursuance of this regulation.

WINDING UP

92. Subject to the provisions of the Act as to preferential payments the assets of the Company shall on its winding up, be applied in satisfaction of its liabilities pari-passu and, subject such application shall be distributed among the members according to their rights and interest in the Company.

93. If the company shall be wound up whether voluntarily or otherwise, the liquidators may, with the sanction of a special resolution, divide among the contributories in specie or kind any part of the

assets of the Company in trustees upon such trusts for the benefit of the contributors or any of them, as the liquidators with the like sanction shall think fit. In case any shares to I divided as aforesaid involve a liability to calls or otherwise any persons entitled under sin division to any of the said shares may within ten days after the passing of the special resolution by notice in writing direct the liquidators to sell his proportion and pay him the proceeds and the liquidators shall, if practicable, act accordingly.

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts and documents (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts and documents, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies, Andhra Pradesh at Hyderabad for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office/corporate office of our Company from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts to the Issue

1. Engagement Letter dated September 1, 2009 between the BRLM and our Company.
2. Agreement between our Company and the BRLM, dated September 22, 2009.
3. Memorandum of Understanding between our Company and Registrar to the Issue, dated September 22, 2009.
4. Escrow Agreement dated [•], 2010 between the Company, the BRLM, the Escrow Banks, and the Registrar to the Issue.
5. Syndicate Agreement dated [•], 2010 between the Company, the BRLM and the Syndicate Members.
6. Underwriting Agreement dated [•], 2010 between the Company, the BRLM and Syndicate Members.

Material Documents

1. Our Memorandum and Articles of Association as amended from time to time.
2. Our certification of incorporation.
3. Board resolution dated August 26, 2009 in relation to the Issue.
4. Shareholders' resolution dated September 15, 2009 in relation to the Issue.
5. Resolutions of the general body for appointment and remuneration of our whole-time Directors.
6. Order of the High Court of Hyderabad at Andhra Pradesh dated November 7, 2007 approving the Scheme of Amalgamation of DQ Entertainment Limited with the Company.
7. Letter dated 23 January 2010 from Deloitte Haskins and Sells, our Auditors titled "Accounting for Scheme of Amalgamation vis-à-vis AS 14".
8. Lease Agreement dated 6 October 2008 entered into with Hyderabad Metropolitan Development Authority for land admeasuring 2.87 acres at Kokapet village.
9. Certificate dated January 30, 2010 from M/s G. Seshadri and Co., Chartered Accountants for the deployment of funds stating that an amount of Rs. 412.43 million has already been spent on the proposed objects of the issue through the internal accruals of the Company.
10. Share Subscription Agreement dated December 23, 2009 entered into between us, DQE Mauritius and IDFC Investment Advisors Limited, pursuant to which IDFC has subscribed to 2,936,427 Equity Shares.
11. Statement of Tax Benefits from Deloitte Haskins and Sells, Chartered Accountants dated February 9, 2010 on possible Income-tax benefits available to the Company and its shareholders.
12. Copies of annual reports of our Company for the years ended March 31, 2008 and 2009.
13. Consent of Deloitte Haskins and Sells, our Auditors for inclusion of their reports on restated financial statements and auditors report on audited financial statements as at and for the financial year ended March 31, 2008 and March 31, 2009 and for the half-year ended September 30, 2009 in the form and context in which they appear in this Red Herring Prospectus.

14. Consents of Bankers to the Company, BRLM, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue, Statutory Auditors, Legal Counsel to the Issue, IPO Grading Agency, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
15. IPO Grading Report dated February 8, 2010 from Fitch Ratings.
16. Initial listing applications dated October 7, 2009 and October 7, 2009 filed with BSE and NSE respectively.
17. In-principle listing approval dated November 5, 2009 from the BSE.
18. Letter dated November 19, 2009 withdrawing the initial listing application filed with NSE.
19. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated November 23, 2009.
20. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated December 17, 2009.
21. Due diligence certificate dated September 29, 2009 to SEBI from the BRLM.
22. SEBI observation letter No. CFD/DIL/ISSUES/SK/EHM/192375/2010 dated January 25, 2010.

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 provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All relevant provisions of the Companies Act, 1956, and the guidelines or regulations issued by the Government of India or the guidelines or regulations issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines or regulations issued, as the case may be. We further certify that all the statements in this Red Herring Prospectus are true and correct.

Signed by the Directors of our Company

Mr. Tapaas Chakravarti

Mr. K Balasubramanian

Mr. Girish Kulkarni

Ms. Theresa Plummer-Andrews

Ms. Rashmi Chakravarti Rashmi Chakravarti

Signed by the Financial Controller

Sanjay Choudhary

Sanjay Choudhary

Date: February 20, 2010

Place: Hyderabad

FitchRatings
KNOW YOUR RISK

DQ Entertainment International
Road No 3, Banjara Hills,
Hyderabad - 500034

08 February 2010

Dear Sanjay,

Re: IPO Grading for DQ Entertainment (International) Limited, in connection with an initial public offering of 16,048,011 equity shares of INR 10 each (the "Shares")

You have requested the IPO Grading described above from Fitch Ratings India Pvt. Ltd.("**Fitch India**"). This IPO Grading is a point-in-time assessment and does not constitute a credit rating by Fitch India of *DQ Entertainment (International) Limited* or, for the avoidance of doubt, of the Shares. Our procedures for issuing a credit rating differ from the procedures used to issue the IPO Grading. In addition, a point-in-time assessment will not be monitored by Fitch India and therefore will not be updated to reflect changed circumstances or information that may affect the IPO Grading referred to in this letter.

This letter notifies you that, based largely upon our assessment of the fundamental financial strength of DQ Entertainment International, Fitch India assigns an IPO Grading for DQ Entertainment International of '3(ind)', out of a maximum of '5(ind)'.

This IPO Grading is based on the information and documents provided to us by you and other parties. Fitch India relies on all these parties for the accuracy of such information and documents. Fitch India did not audit or verify the truth or accuracy of such information and does not take responsibility for the appropriateness of the information provided and used in our analysis. Fitch India provides this IPO Grading "as is" and does not represent, warrant or guarantee (i) the accuracy, correctness, integrity, completeness or timeliness of any part of this IPO Grading, or (ii) that this IPO Grading and the information and analyses contained in, and constituting a part of, this IPO Grading will fulfill any of your or any third party's particular purposes or needs.

Fitch India is not your advisor, nor is Fitch India providing to you or any other party any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. This IPO Grading should not be viewed as a replacement for such advice or services. Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between you and us or between us and any third party, including, without limitation, any user of this IPO Grading.

As set out in the Fitch India fee letter, dated 29 October 2009, (i) Fitch India is not responsible for any underwriting, credit, loan, purchase, strategic or investment decision, or damages or other losses resulting from use of this IPO Grading and (ii) none of Fitch India, its officers, employees, affiliated companies and their officers and employees shall have any liability in contract, tort, or otherwise (including, without limitation, for any direct indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits) in relation to the use of this IPO Grading by any third party. The report providing this IPO Grading is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by you and your agents in connection with the sale of the Shares. In providing this IPO Grading, Fitch India is not making any recommendation or suggestion, directly or indirectly, to you or any other person, to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan, or security of any issuer. This IPO Grading does not comment on the suitability of the issue process, the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. Any person who uses this IPO Grading does so entirely at its own risk. Investors are advised to obtain individual financial advice based on their risk profile before taking any action based on this IPO Grading.

We are pleased to have had the opportunity to provide this IPO Grading to you. If we can be of further assistance, please contact either of us at +91 022 4000 1740.

Sincerely,
Fitch India

Amit Tandon
Managing Director

Rakesh Valecha
Senior Director

Media/India
IPO Grading report

DQ Entertainment (International) Limited

Fitch IPO Grade 3(ind)

Fitch has assigned a grade of '3 (ind)' out of a maximum of '5 (ind)' to the proposed initial public offer of DQ Entertainment (International) Limited. The grade indicates the average fundamentals of the issue relative to other listed equity securities in India.

IPO Details

DQ Entertainment (International) Limited proposes an IPO of 16,048,011 equity shares of INR 10 each. This includes a reservation of up to 991,282 equity shares of INR 10 each for eligible employees. The issue would constitute 20.24% of the post issue paid-up capital of the company

Analysts

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Amendment:
This report updates the report published on 1st February 2010. The number of shares of the issue has been updated for the Pre IPO allotment. The issue size has been revised from 19,820,782 equity shares to 16,048,011.

Shareholding pattern

	Pre issue		Post issue	
	No. of shares	(%)	No. of shares	(%)
Promoters				
DQ Entertainment (Mauritius) Limited	59,462,218*	94.03	59,462,218	75.00
Total holding of promoter	59,462,218	94.03	59,462,218	75.00
Promoter group (other than promoters)	Nil	Nil	Nil	Nil
Total holding of directors (other than promoters)	Nil	Nil	Nil	Nil
Others, if any***	Nil	Nil	Nil	Nil
IDFC Investment Advisors Limited	2,936,427	4.64	2,936,427	3.70
Rajesh Sachdeva	251,402	0.40	251,402	0.32
Ajay Sharma	125,824	0.20	125,824	0.16
Amit Jasani	146,968	0.23	146,968	0.19
Nikhil Vohra	146,821	0.23	146,821	0.19
Pradip Darshan	36,705	0.06	36,705	0.05
Christo Equities Inc.	128,624	0.20	128,624	0.16
Total Holding of Others	**3,772,771**	**5.97**	**3,772,771**	**4.76**
Eligible employees (pursuant to the employee reservation portion)	Nil	Nil	991,282**	1.25
Public (pursuant to the net issue)	Nil	Nil	15,726,630	19.84
Total	63,234,989	100.00	79,283,000	100.00

Source: Company, Fitch
* Includes 246 Equity Shares held by nominees of DQ Entertainment (Mauritius) Limited. The said 246 Equity Shares include 41 Equity Share held by Tapaas Chakravarti as nominee of DQ Entertainment (Mauritius) Limited.

** Assuming that the Employee Reservation Portion is fully subscribed by the Eligible Employees pursuant to the Issue.

*** The Company has completed a Pre-IPO Placement of 3,772,771 Equity Shares to certain selected investors for cash at a price of Rs. 68.11 per Equity Share.

Grading Rationale

- The grading assigned to DQ Entertainment (International) Limited (DQ) factors in its strong business growth over the past two years. The company has moved from a pure outsourcing service model to one where it does most of its projects on a co-production model along with large animation studios, as well as developing their own Intellectual property (IP) content. In turn, co-production has helped the company secure large projects, as reflected in its robust order book of INR4.7bn as at January 2010, in addition to proportionate rights in respective IPs. Also, DQ's ownership in IP content of animation projects has given it the opportunity to access additional revenue streams such as audio visual distribution, merchandising and publishing rights in the IPs.
- Fitch expects the company's future growth to be largely dependent on the continued roll-out of DQ's IP content. The company has a limited track record of realising revenues from licensing and distribution, although the management expects this to increase significantly in future with the substantial ongoing investments in IP. To mitigate the risk of cash flow mismatch during the execution phase, DQ endeavours to tie up a majority of its project funding prior to commencement, through pre-sales to broadcasters or through co-production arrangements.
- DQ ensures that it receives the service revenues for all co-production projects. Also, prior to executing projects, it endeavours that at least some broadcasters are on board. Should its IP business become successful, this would lead to stable

and recurring cash flows from its various alternate licensing and distribution revenue streams.

- The ‘3(ind)’ grading factors in DQ’s inherent cost advantage given low domestic manpower costs; manpower contributes between 45%-55% of total costs depending upon the nature of animation. The grading also takes into account the expansion in the company’s EBITDAR margin to 38.6% in FY09 (FY08: 26.6%), due to a combination of manpower cost reduction and more revenue from high-end 3D animation. This has been augmented by in-house training provided to its employees.

Company Background

Tapaas Chakravarti had earlier promoted DQ Entertainment Limited which was engaged in the development of animation production services. DQ Entertainment Limited was amalgamated with DQ with effect from May 1, 2007, pursuant to which DQ Entertainment Limited’s business was transferred to DQ. DQ is a wholly-owned subsidiary of DQ Mauritius, which inturn is wholly owned by DQ Entertainment plc - an Isle of Man entity. DQ Entertainment Plc was listed in the AIM market in December 2007, to raise funds for various animation production activities.

Management

The company’s founder, Tapaas Chakravarti is the CMD and CEO, and is supported by a professional management team. The company currently has 5 members on its board of directors, of which 3 members are independent.

Board of directors

Name	Age	Designation
Tapaas Chakravarti	53	Chairman and Chief Executive Officer
Rashmi Chakravarti	46	Executive and Non-Independent Director
Kunchithapadam Balasubramanian	66	Non-executive and Independent Director
Theresa Plummer-Andrews	65	Non-executive and Independent Director
Girish Kulkarni	43	Non-executive and Independent Director

Source: Company Data

Business Overview

DQ Entertainment (International) Limited is an animation services and production company focused on both the Indian and international markets. The company carries out production, co-production and global distribution of TV series, direct-to-home videos and feature films. It is also creates game art for online, mobile and next-generation consoles. It has an asset base of over 350 hours of animation content from which it earns revenues through licensing and distribution activities.

Animation Services & Co-Production

A sizeable portion of the company’s revenues continues to come from pure outsourcing services, with the remaining coming from service revenues relating to DQ’s co-production projects. In outsourcing business, DQ faces competition from animation services companies based out of countries like Korea, Taiwan and Philippines. This is likely to put pressure on margins going forward as these regions have comparable cost structures

The company’s strategy of acquiring IP rights has helped reduce customer attrition, and increase the volume of higher-end outsourcing work, leading to better margins for DQ. The company is planning to meet most of its manpower requirement by using in-house trained staff, which should reduce average manpower cost per head, although overall manpower costs will increase in anticipation of the higher revenues going forward. The company also plans to increase efficiency of its project management, which in turn is expected to increase resource utilisation levels. This could support margins, going forward.

Licensing & distribution

Within its co-production agreements for IP projects, in addition to service revenues, DQ also has a share in future license revenues, in the same proportion as its equity participation.

As of FY09 the company has distribution rights aggregating INR470.5m. The company now has a library of 350 hours of international animated programs. These represent the projects in which the company has a stake in the distribution revenues as well. The company is also investing in its own IP-development, and management expects this to become a major stream of revenues going forward.

Manpower

The company had 2,788 employees as on August 31, 2009. DQ has also set up its own training facilities in Hyderabad and Kolkata, to ensure availability of quality manpower at low cost. These have a capacity of training 270 people per annum. In FY09 the manpower cost is 46% which has declined from 54% in FY08 primarily on account of enhanced productivity of associates due to in-house training, coupled with manpower rationalization.

The production capabilities include 10 production facilities in India (8 in Hyderabad and 1 each in Mumbai and Kolkata). Also the company has third-party sales representatives in Paris, Tokyo and Los Angeles

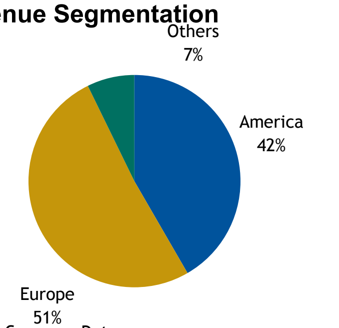
Financial Overview

Growth & Profitability

The company has shown a high growth rate in revenues over FY08-FY09. This has been accompanied by an expansion in EBITDAR margin to 38.6% in FY09, from 26.6% in FY08. Most of the revenues (91%) of the company in FY09 were from television production. Licensing and distribution activities contributed a meagre 5% of revenues, whilst full motion video and game development contributed 4%.

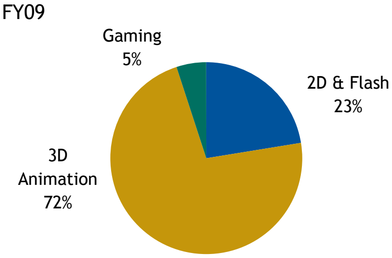
The company has high dependence on the European and American geographies, which together have contributed over 90% to the revenues over FY08 and FY09. Around 72% of the work in FY09 was from 3-D animation, whilst low margin 2-D animation services accounted for the remaining 28%.

Revenue Segmentation
FY09

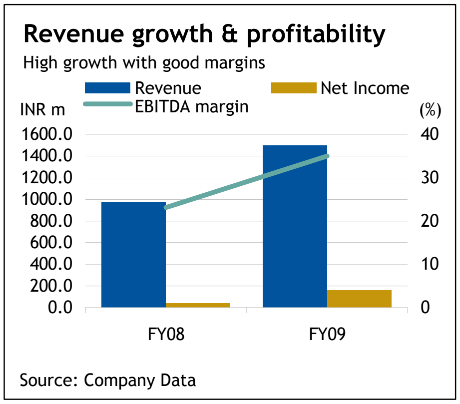


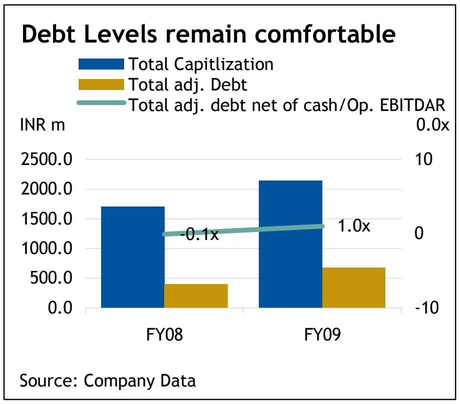
Source: Company Data

Revenue Segmentation
FY09



Source: Company Data





Leverage and interest cover

The company has had comfortable leverage levels and interest cover over FY08 and FY09. The total debt in FY09 was INR 364.7m. The net debt/EBITDAR over the last 2 years has been less than 1.0x (FY09: 1.0x) while interest cover remained comfortable at 5.8x in FY09.

Expansion plans – Substantial investment in co-productions

The company has investment plans of INR 1,714.7m over FY10 and FY11. Around 75% of the total funds requirement, excluding funds to be raised through the issue, has been arranged as follows:

Funding Arrangement

Particular	In INR Million
Aggregate funds required for the objects of the issue	1,714.3
Funding through the net proceeds of the issue	1086.7
Funds required excluding the net proceeds of the issue	628.0
75% of the funds required excluding the proceeds issue	471.0
Arrangements regarding 75% of the funds required excluding the proceeds of the Issue	
Funded through existing equity/Internal Accruals	39.7
Funded through third party debt	
- Loan agreements	112.5
- Sanction letters	335.0
Total Debt	447.5
Grand Total	487.2

Source: DRHP

The major portion of this capex would be for co-production and own IP developments in various animation products as follows:

Spending plan (INRm)

Particulars	Estimated requirement of Funds*	Amount to be financed from net proceeds	Debt
Investment in co-production agreements, focusing on IP	**1049.67**	565.17	475.86
Development of office premises and production facilities: Development of infrastructure and additional facilities at the SEZ unit, Kokapet Village	**519.16**	392.13	112.50
Investment in subsidiary DQ Entertainment (Ireland) Limited	**145.90**	129.22	-

Source: DRHP
* Apart from net proceeds and debt, the remaining amount is to be funded by internal accruals

Annexure 1

Financial Summary

Income Statement	2009	2008*
Revenues	1,509.1	945.7
Revenue Growth	59.6	-
EBIT	255.0	124.4
Interest Expense Net of Interest Income	55.6	43.4
Net Income	161.5	70.1
Balance Sheet		
Cash and Equivalents	105.4	429.3
Total Assets	2,184.5	1,952.3
Total Debt	364.7	403.7
Off-Balance Sheet Debt	312.9	0.0
Total Adjusted Debt	677.6	403.7
Preferred Stock + Minority Interests	2.0	2.0
Common Equity	1,460.4	1,298.7
Total Adjusted Capitalisation	2,140.1	1,704.4
Cash Flow		
Operating EBITDAR ("Op. EBITDAR")	581.8	251.7
Cash Interest Paid, Net of Interest Received	31.0	36.8
Cash Tax Paid	0.0	0.0
Associate Dividends	0.0	0.0
Other Changes before Funds From Operations	2.0	-19.4
Funds from Operations	552.9	195.5
Working Capital	-501.6	-150.9
Cash Flow from Operations	51.3	44.6
Non-Operational Cash Flow	0.0	0.0
Capital Expenditure	262.9	502.7
Dividends Paid	0.0	0.0
Free Cash Flow	-211.7	-458.1
Receipts from Asset Disposals	2.3	0.0
Business Acquisitions	0.0	0.0
Business Divestments	0.0	0.0
Exceptional & Other Cash Flow Items	0.0	0.0
Net Cash In/Outflow	-209.4	-458.0
Equity Issuance/(Buyback)	0.0	675.3
FX movement	0.0	0.0
Other Items Affecting Cash Flow	-75.6	1.6
Net Cash Flow Available for Financing	-285.0	218.9
Closing Net Debt	259.3	-25.6
Profitability		
Op. EBITDAR/Revenues (%)	38.6	26.6
EBIT/Revenues (%)	16.9	13.2
FFO Return on Adjusted Capital (%)	30.5	14.0
Credit Ratios		
Funds From Operations/Gross Interest Expense (x)	10.9	5.5
FFO Fixed Charge Cover (x)	6.5	5.5
Op. EBITDAR/Net Fixed Charges (x)	5.8	5.8
Adjusted Leverage/FFO (x)	1.0	1.7
Total Adjusted Debt Net of Cash/Op. EBITDAR (x)	1.0	-0.1
Total Adjusted Debt/Total Adjusted Capitalisation (%)	31.7	23.7

Source: Fitch

* From April 13,2007 to March 31,2008