



## EDELWEISS CAPITAL LIMITED

Our Company was incorporated on November 21, 1995 as a public limited company under the provisions of the Companies Act, 1956. Our Company received its certificate for commencement of business on January 16, 1996.

Registered and Corporate office: 14<sup>th</sup> Floor, Express Towers, Nariman Point, Mumbai 400 021, Maharashtra, India  
The registered office of our Company was changed from 413, Dalamal Towers, Nariman Point, Mumbai 400 021 to 1<sup>st</sup> floor Shalaka Sangh Co-operative Housing Society, 9 M. K. Road, Queen Barracks Area, Mumbai 400 021 by a resolution of our Board dated September 18, 2000. The registered office was further changed to 14<sup>th</sup> Floor, Express Towers, Nariman Point, Mumbai 400 021, Maharashtra, India by a resolution of our Board dated July 2, 2004.

Tel: +91 22 2286 4400; Fax: +91 22 2286 4278; Website: www.edelcap.com;  
Contact person and Compliance Officer: Ms. Shilpa Soti, Email: ecl.ipo@edelcap.com

**PUBLIC ISSUE BY EDELWEISS CAPITAL LIMITED (“COMPANY”) OF 8,386,147 EQUITY SHARES OF Rs. 5 EACH (“EQUITY SHARES”) FOR CASH AT A PRICE OF RS. • PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS. • PER EQUITY SHARE) AGGREGATING RS. • MILLION (THE “ISSUE”). THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF 8,181,607 EQUITY SHARES OF RS. 5 EACH (THE “NET ISSUE”) AND A RESERVATION OF 204,540 EQUITY SHARES OF RS. 5 EACH FOR ELIGIBLE EMPLOYEES OF THE COMPANY (THE “EMPLOYEES RESERVATION PORTION”). THE ISSUE WOULD CONSTITUTE 11.19% OF THE POST ISSUE PAID-UP CAPITAL OF THE COMPANY. THE NET ISSUE WOULD CONSTITUTE 10.92% OF THE POST ISSUE PAID-UP CAPITAL OF THE COMPANY.**

**PRICE BAND: Rs. 725 TO Rs. 825 PER EQUITY SHARE OF FACE VALUE Rs. 5.  
THE FACE VALUE OF EQUITY SHARES IS RS. 5  
THE FLOOR PRICE IS 145 TIMES THE FACE VALUE AND THE CAP PRICE IS 165 TIMES THE FACE VALUE**

In case of revision in the Price Band, the Bidding Period will be extended for three additional days after such revision of the Price Band subject to the Bidding Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the 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 Managers (“BRLMs”) and at the terminals of the Syndicate.

Pursuant to Rule 19 (2)(b) of the Securities Contract Regulation Rules, 1957 (“SCRR”), this being an Issue for 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 to Qualified Institutional Buyers (“QIBs”) on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs including Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. 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 would be allocated to Non-Institutional Bidders and up to 30% of the Net Issue would be allocated to Retail Individual Bidders on a proportionate basis, subject to valid Bids being received from them at or above the Issue Price. Further, upto 204,540 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

### IPO Grading

This Issue has been graded by CRISIL and has been assigned the CRISIL IPO Grade 4/5, indicating that the fundamentals of the Issue are above average, relative to other listed equity securities in India, through its letter dated October 22, 2007. For more information on IPO Grading, please refer to Section “General Information” beginning on page 13.

### RISK IN RELATION TO FIRST ISSUE

This being the first public issue of the Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs. 5 and the Floor Price is 145 times the face value and the Cap Price is 165 times the face value. The Issue Price (as determined by the Company in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

### GENERAL RISKS

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

### ISSUER’S ABSOLUTE RESPONSIBILITY

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

### LISTING ARRANGEMENT

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the NSE and the BSE. We have received in-principle approval from the NSE and the BSE for the listing of our Equity Shares pursuant to letters dated September 14, 2007 and September 19, 2007, respectively. For the purposes of the Issue, NSE shall be the Designated Stock Exchange.

### BOOK RUNNING LEAD MANAGERS



**Kotak Mahindra Capital Company Limited**  
3rd Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021, India  
Tel: +91 22 6634 1100  
Fax: +91 22 2283 7517  
Email: ecl.ipo@kotak.com  
Investor Grievance Id: kmcredressal@kotak.com  
Website: www.kotak.com  
Contact Person: Mr. Chandrakant Bhole



**Citigroup Global Markets India Private Limited**  
12th Floor, Bakhtawar, Nariman Point, Mumbai 400 021, India  
Tel: +91 22 6631 9999  
Fax: +91 22 6631 9803  
Email: ecl.ipo@citi.com  
Investor Grievance ID: investors.cgmib@citi.com  
Website: www.citibank.co.in  
Contact Person: Mr. Anuj Mithani



**Lehman Brothers Securities Private Limited**  
Ceejay House, 11<sup>th</sup> Level, Plot F, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai 400 018, India  
Tel: +91 22 4037 4037  
Fax: +91 22 4037 4111  
Email: ecl.ipo@lehman.com  
Website: www.lehman.com/ibd/ogographic/asia/ipo\_india.htm  
Contact person: Ms. Neha Manaktala



**Intime Spectrum Registry Limited**  
C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai 400 078, India  
Tel: +91 22 2596 0320  
Fax: +91 22 2596 0328/29  
Email: edel.ipo@intimespectrum.com  
Website: www.intimespectrum.com  
Contact Person: Mr. Vishwas Attawar

### BID/ISSUE PROGRAMME

BIDDING/ISSUE OPENS ON NOVEMBER 15, 2007

BIDDING/ISSUE CLOSES ON NOVEMBER 20, 2007

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## SECTION I : GENERAL

### DEFINITIONS AND ABBREVIATIONS

#### Company related terms

Term	Description
“Edelweiss Capital Limited”, “the Company” or “our Company” or “ECL”	Unless the context otherwise indicates or implies, refers to Edelweiss Capital Limited, a public limited company incorporated under the Companies Act, 1956 and having its registered office at 14 <sup>th</sup> Floor, Express Towers, Nariman Point, Mumbai 400 021, India.
Articles/Articles of Association	Articles of Association of our Company, as amended from time to time
Auditors	BSR & Associates, the statutory auditors of our Company
Board of Directors/Board/our Board	The board of directors of our Company or a committee constituted thereof
Director(s)/our Directors	Director(s) of our Company, as may change from time to time, unless otherwise specified
ESOP Schemes	Employees stock option scheme 2002 (Scheme D and Scheme E), 2004 (Scheme F), 2006 (Scheme G) implemented by our Company and currently existing.
New ESOP Scheme	Employees stock option scheme 2007 adopted by shareholders of the Company by their resolution dated July 20, 2007.
ESL	Edelweiss Securities Limited
ERAPL	Edelweiss Real Estate Advisors Private Limited
Memorandum/Memorandum of Association/our Memorandum	The memorandum of association of our Company, as amended from time to time
Promoters	Mr. Rashesh Shah, Mr. Venkatchalam Ramaswamy, Ms.Vidya Shah, Ms. Aparna TC
Promoter Group	Individuals, companies and entities enumerated in the section titled “Our Promoters and Promoter Group - Promoter Group” on page 142
Registered Office / Corporate Office	The registered office of our Company located at 14 <sup>th</sup> Floor, Express Towers, Nariman Point, Mumbai 400 021
Subsidiaries	The following direct and indirect subsidiaries of the Company: Edelweiss Securities Limited (“ <b>ESL</b> ”), ECL Finance Limited (“ <b>ECL Finance</b> ”), Crossborder Investments Private Limited (“ <b>CIPL</b> ”), ECAL Advisors Limited (“ <b>ECAL</b> ”), Edelweiss Insurance Brokers Limited (“ <b>EIBL</b> ”), EC Global Limited (“ <b>EC Global</b> ”), Edelweiss Trustee Services Private Limited (“ <b>ETSPL</b> ”), Edelweiss Asset Management Private Limited (“ <b>EAMPL</b> ”), Edelweiss Trusteeship Company Private Limited (“ <b>ETCPL</b> ”), Edelweiss Asset Reconstruction Company Limited* (“ <b>EARCL</b> ”), Iris Distribution Company Limited* (“ <b>Iris</b> ”), Edelweiss Capital USA, LLC (“ <b>EC USA</b> ”) and Edelcap Securities and Transaction Services Private Limited (“ <b>ESTSPL</b> ”).
“We”, “us”, “our”, Edelweiss Group	Unless the context otherwise requires, the Company and its Subsidiaries

\* We have obtained certificate of incorporations for EARCL and Iris and such subsidiaries are yet to be capitalised.

**Issue related terms**

<b>Term</b>	<b>Description</b>
Allotment/Allot	Unless the context otherwise requires, the issue of Equity Shares for successful Bidders pursuant to the Issue.
Allottee	The successful Bidder to whom Equity Shares are Allotted
Allocation Amount	The amount payable by a Bidder on or prior to the Pay-in Date after deducting any Bid Prices that may already have been paid by such Bidder
Banker(s) to the Issue	Citibank N.A., ICICI Bank Limited, Standard Chartered Bank, HDFC Bank Limited and Kotak Mahindra Bank Limited
Bid	An indication to make an offer during the Bidding Period/Issue Period by a Bidder to subscribe to the Equity Shares of the 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 Equity Shares of our Company in terms of the Red Herring Prospectus
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form
Bidding Period/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Bid/Issue Closing Date	The date after which the Members of the Syndicate will not accept any Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation
Bid/Issue Opening Date	The date on which the Syndicate will start accepting Bids for the Issue, which shall be the date notified in an English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation
Book Building Process/Method	The book building process as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is being made
BRLMs/Book Running Lead Managers	Book Running Lead Managers to the Issue, in this case being Kotak, Citi and Lehman
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 including any revision thereof
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
Citi	Citigroup Global Markets India Private Limited
Cut-off Price	Any price within the Price Band finalised by the Company in consultation with the BRLMs. A Bid submitted at Cut-off Price is a valid Bid at all price levels within the Price Band
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC following which the Board shall Allot Equity Shares to successful Bidders
Designated Stock Exchange	NSE
Draft Red Herring Prospectus / DRHP	The draft red herring prospectus dated August 16, 2007 issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the Issue Price and the size of the Issue
Eligible NRI	NRI from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the RHP constitutes an invitation to subscribe to the Issue

<b>Term</b>	<b>Description</b>
Eligible Employees	A permanent employee of the Company or its Subsidiaries including its directors as on Bid/Issue Opening Date and working and present in India as on the date of submission of the Bid cum Application Form. However, Directors who are Promoters of the Company shall not be considered to be Eligible Employees
Employee Reservation Portion	The portion of the Issue being up to 204,540 Equity Shares available for allocation to Eligible Employees on a proportionate basis
Equity Shares	Equity shares of the Company of face value of Rs. 5 each
Escrow Accounts	Accounts opened with the Escrow Collection Banks and in whose favour the Bidder will issue cheques or demand drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement to be entered into among the Company, the Registrar, the Escrow Collection Bank(s), the BRLMs and the Syndicate Members for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders on the terms and conditions thereof
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Bankers to the Issue, at which the Escrow Accounts will be opened, in this case being Citibank N.A., ICICI Bank Limited, Standard Chartered Bank, HDFC Bank Limited and Kotak Mahindra Bank Limited
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted
Grading Agency	CRISIL Limited
Issue	The issue of 8,386,147 Equity Shares of Rs. 5 each at a price of Rs. • each for cash, aggregating Rs. • by the Company under the RHP and the Prospectus. The Issue comprises Net Issue to the Public of 8,181,607 Equity Shares and the Employee Reservation Portion of upto 204,540 Equity Shares
Issue Price	The final price at which Equity Shares will be Allotted in the Issue, as determined by the Company in consultation with the BRLMs, on the Pricing Date
Kotak	Kotak Mahindra Capital Company Limited
Lehman	Lehman Brothers Securities Private Limited
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, as applicable
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Fund Portion	5% of the QIB Portion or 245,448 Equity Shares (assuming the QIB Portion is 60% of the Net Issue size) available for allocation to Mutual Funds only, out of the QIB Portion
Net Issue to the Public/ Net Issue	The Issue less the Employee Reservation Portion
Net Proceeds	The proceeds from the Issue after deducting underwriting and management fees, selling commissions and other expenses associated with the Issue
Non-Institutional Bidders	Bidders that are neither Qualified Institutional Buyers nor Retail Individual Bidders and who have Bid for an amount more than Rs. 100,000 (but not including NRIs other than Eligible NRIs)
Non-Institutional Portion	The portion of the Net Issue being up to 10% of Net Issue up to 818,160 Equity Shares available for allocation to Non-Institutional Bidders
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to the Bidders, as applicable

<b>Term</b>	<b>Description</b>
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date, and  (ii) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date
Price Band	The price band with a minimum price (Floor Price) of Rs. 725 per Equity Share and a maximum price (Cap Price) of Rs. 825 per Equity Share
Pricing Date	The date on which our Company in consultation with the BRLMs will finalise the Issue Price
Prospectus	The prospectus, to be filed with the RoC after pricing containing, among other things, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information and including corrigendum thereof
Public Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, foreign institutional investors registered with SEBI, VCFs and FVCIs registered with SEBI, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with the IRDA, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million
QIB Margin Amount	An amount representing at least 10% of the Bid Amount that QIBs are required to pay at the time of submitting their Bid
QIB Portion	The portion of the Net Issue being at least 4,908,965 Equity Shares to be mandatorily allotted to QIBs
Refund Account(s)	Account(s) opened with an Escrow Collection Bank(s), from which refunds of the whole or part of the Bid Amount, if any, shall be made
Refund Banks	Citibank N.A. and ICICI Bank Limited
Registrar/Registrar to the Issue	Registrar to the Issue, in this case being the Intime Spectrum Registry Limited
Retail Individual Bidders	Individual Bidders (including HUFs applying through their <i>karta</i> and Eligible NRIs) who have bid for Equity Shares for an amount less than or equal to Rs. 100,000 in any of the Bidding options under the Issue
Retail Portion	The portion of the Net Issue upto 30 % of the size of the Issue or 2,454,482 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 Price in their Bid cum Application Forms or any previous Revision Form(s)
RHP or Red Herring Prospectus	The Red Herring Prospectus to be issued in accordance with Section 60B of the Companies Act, which will be filed with the RoC at least three days before the Bid/Issue Opening Date, including any modifications or corrigenda thereto
Stock Exchanges	The NSE and the BSE
Syndicate or members of the Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	The agreement dated •, 2007 to be entered into among the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue
Syndicate Members	Kotak Securities Limited and ESL
TRS/ Transaction Registration Slip	The slip or document issued by any of the members of the Syndicate to a Bidder as proof of registration of the Bid

<b>Term</b>	<b>Description</b>
Underwriters	BRLMs and Syndicate Members, but not including ESL, which is a subsidiary of our Company
Underwriting Agreement	The agreement among the Underwriters and the Company to be entered into on or after the Pricing Date
Venture Capital Funds/VCF	Venture capital funds registered with SEBI under the VCF Regulations.
Working Days	All days except Saturday, Sunday and any public holiday

#### **Industry related terms**

<b>Term</b>	<b>Description</b>
AMC	Asset Management Company
AMFI	Association of Mutual Funds in India
F&O	Futures and Options
FMC	Forward Markets Commission
IP	Intellectual Property
IT	Income Tax
MCX	Multi Commodity Exchange of India Limited
NCDEX	National Commodity and Derivatives Exchange Limited
Nifty	Index in the National Stock Exchange
PMS	Portfolio Management Services
SENSEX	Bombay Stock Exchange Sensitive Index
STT	Securities Transaction Tax
Trading Volumes	Traded value of equities including both cash and derivatives on the Stock Exchanges

#### **General terms**

<b>Term</b>	<b>Description</b>
AGM	Annual General Meeting
Assessment Year	Means the period of twelve months commencing from the 1 <sup>st</sup> day of April every year
Companies Act	The Companies Act, 1956 as amended from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time
Depository Participant	A depository participant as defined under the Depositories Act
EGM	Extraordinary General Meeting
FIR	First Information Report
Indian GAAP	Generally accepted accounting principles in India
IT Act	The Income Tax Act, 1961, as amended from time to time
Non Residents/NR	All eligible Bidders, including Eligible NRIs, FIIS registered with SEBI and FVCIs registered with SEBI, who are not persons resident in India
NRI/Non Resident Indian	A person resident outside India, who is a citizen of India or a person of Indian origin and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000

<b>Term</b>	<b>Description</b>
OCB/ Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000. OCBs are not permitted to invest in this Issue
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time
SEBI Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI, as amended, including instructions and clarifications issued by SEBI from time to time
SICA	Sick Industrial Companies (Special Provisions) Act, 1985
U.S. GAAP	Generally accepted accounting principles in the United States of America

#### **Abbreviations**

<b>Abbreviation</b>	<b>Full form</b>
ADR	American Depository Receipt
AGM	Annual General Meeting
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India
BSE	Bombay Stock Exchange Limited, earlier known as The Stock Exchange, Mumbai
CAGR	Compounded Annual Growth Rate
CEO	Chief Executive Officer
CDSL	Central Depository Services (India) Limited
CIBIL	Credit Information Bureau (India) Limited
DIPP	Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India
DPID	Depository Participant Identification Number
ECS	Electronic Clearance Service
EGM	Extraordinary General Meeting
EPS	Earnings per share
FDI	Foreign direct investment
FEMA	Foreign Exchange Management Act 1999.
FEMA Regulations	Rules and Regulations promulgated by the RBI under the Foreign Exchange Management Act 1999.
FII	Foreign Institutional Investor (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered with SEBI under applicable laws in India
FIPB	Foreign Investment Promotion Board, Ministry of Finance, Government of India
FVCI	Foreign Venture Capital Investor registered with the SEBI under the FVCI Regulations
FVCI Regulations	Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended from time to time
FY/Fiscal/Financial year/Fiscal year	Period of twelve months ended March 31 of that particular year, unless otherwise stated

<b>Abbreviation</b>	<b>Full form</b>
GDR	Global Depository Receipt
GoI	Government of India
HNI	High networth individual
HUF	Hindu Undivided Family
IRDA	Insurance Regulatory and Development Authority
IT	Income Tax
ITES	Information Technology Enabled Services
Merchant Banker	Merchant banker as defined under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992
NRO Account	Non Resident Ordinary Account
MoU	Memorandum of Understanding
NAV	Net Asset Value
NBFC	Non Banking Financial Corporation as defined under the Reserve Bank of India Act, 1934 and regulations promulgated thereunder, as amended from time to time
NEFT	National Electronic Fund Transfer Service
N/G	Through natural guardian
NRE Account	Non Resident External Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OTCEI	Over the Counter Exchange of India
p.a.	per annum
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number
PLR	Prime Lending Rate.
PGDBM	Post graduate diploma in business management
Portfolio Manager	A portfolio manager registered under the Securities and Exchange Board of India (Portfolio Managers) Regulation, 1993
RBI	The Reserve Bank of India
RoC	The Registrar of Companies
RoNW	Return on Net Worth
Rs.	Rupees
RTGS	Real Time Gross Settlement
SCRA	Securities Contracts (Regulations) Act, 1956
SCRR	Securities Contracts (Regulations) Rules, 1957
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
Takeover Code	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997 as amended from time to time
VCF Regulations	Securities and Exchanges Board of India (Venture Capital Fund) Regulations 1996 as amended from time to time

## CERTAIN CONVENTIONS; PRESENTATION OF FINANCIAL AND MARKET DATA

In this Red Herring Prospectus, references to “Rupees” or “Rs.” are to Indian Rupees, the official currency of the Republic of India. All references to “US\$” or “U.S. Dollars” are to United States Dollars, the official currency of the United States of America.

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

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 Guidelines, which are included in this Red Herring Prospectus. Our financial year commences on April 1 and ends on March 31 of the following year. Accordingly, all references to a particular financial year are to the twelve-month period ended on March 31 of that year.

There are significant differences between Indian GAAP 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.

Unless stated otherwise, market and industry data used throughout this Red Herring Prospectus has been obtained from government and third party sources, which has not been independently verified by the Company. The extent to which such market and industry data is meaningful depends on the reader’s familiarity with and understanding of the methodologies used in compiling such data.

The following table sets forth, for each period indicated, information concerning the number of Rupees for which one U.S. Dollar could be exchanged at the noon buying rate in the City of New York on the last business day of the applicable period for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. The row titled “Average” in the table below is the average of the daily noon buying rate for each day in the period.

	FY 2007	FY 2006	FY 2005	FY 2004
Period End	43.10	44.48	43.62	43.40
Average	43.12	44.17	44.86	45.96
Low	42.78	43.05	43.27	43.40
High	46.83	46.26	46.45	47.45

As on August 31, 2007 and October 26, 2007, the noon buying rates were Rs. 40.63 and Rs. 39.30 per U.S. Dollar, respectively.

## 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”, “shall”, “will”, “will continue”, “will pursue”, “would”, “will likely result”, “is likely”, “expected to”, “will achieve”, “contemplate”, “seek to”, “target”, “propose to”, “future”, “goal”, “project”, “should”, “can”, “could”, “may”, “in management's judgment” or other words or phrases of similar import or variations of such expressions. 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 certain risks or uncertainties associated with management's expectations with respect to, but not limited to, the actual growth in demand for financial products and services, our ability to initiate new businesses and grow existing ones, our ability to market new products and services, our income from our internal treasury operations, management's ability to successfully implement its strategy, our growth and expansion, technological changes, cash flow projections, the outcome of any legal or regulatory proceedings we are or may become a party to, the future impact of new accounting standards, management's ability to implement any dividend policy, the impact of Indian securities, insurance and other regulations on us and our exposure to market risks. By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on net income could materially differ from those that have been estimated.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this Red Herring Prospectus include, but are not limited to: general economic and political conditions in India and the other countries which have an impact on our business activities or investments; the monetary and interest rate policies of the Government of India; inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices; the performance of the financial and capital markets in India and globally; changes in Indian and foreign laws and regulations, including tax, accounting, banking, securities, insurance and other regulations; changes in competition and the pricing environment in India; and regional or general changes in asset valuations. For further discussion of factors that could cause our actual results to differ, see the sections titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on pages xi and 435 respectively. Neither our Company nor its 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 BRLMs will ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.

## SECTION II : RISK FACTORS

*An investment in our Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. Any potential investor in, and purchaser of, the Equity Shares should also pay particular attention to the fact that we are governed in India by a legal and regulatory environment which in some material respects may be different from that which prevails in the U.S. and other countries. If any of the following risks materialise, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline and you may lose all or part of your investment in the Equity Shares. The numbering of the Risk Factors has been done to facilitate ease of reading and reference and does not in any manner indicate the importance of one risk factor over another.*

### INTERNAL RISK FACTORS

1. *We are party to certain legal proceedings that, if decided against us, could have an adverse effect on our reputation, business prospects and results of operations.*

The following table sets out the summary details of pending litigation against us and directors of our Company as of October 24, 2007.

Category	Our Company	Our Subsidiaries	Directors / Promoter	Promoter Group
Civil proceedings	One <sup>(1)</sup>	One <sup>(4)</sup>	Two	Nil
Tax proceedings	Three <sup>(2)</sup>	Two <sup>(3)</sup>	Nil	One

<sup>(1)</sup> A Writ Petition has been filed by Mr. Satyendra Ramgopal Sharma against our Company alleging misstatements in the offer document of Orbit Corporation Limited where our Company acted as book running lead manager but no monetary claim has been made.

<sup>(2)</sup> Our Company is subject to certain tax proceedings in which the total demand made as a result of assessment orders for assessment years 2001-02, 2003-04 and 2004-05 has been Rs. 6.81 million. Out of this, an amount of Rs. 5.44 million is already paid and the net liability is Rs. 1.37 million.

Our Company has received e-mail complaints from three investors with respect to our Merchant Banking services.

The BSE has forwarded a letter to our Company, from Jhaveri & Associates, Advocates & Solicitors for Mr. Hameed Ullah Laljee, alleging misleading and incorrect disclosures made by Orbit Corporation Limited in their offer document

<sup>(3)</sup> ESL is subject to certain tax proceedings in which the total demand made as a result of assessment orders for assessment year 2004-05 has been Rs. 28.59 million. Out of this, an amount of Rs. 15.04 million is already paid and the net liability is Rs. 13.55 million.

ESL in the latter half of 2005 received 65 complaints from the beneficial owners registered at its Anand branch stating unauthorized transfer of shares from their respective depository accounts maintained with ESL and discrepancy in statement of holding. Out of these 65 claims, 29 were held to be untenable. The remaining 36 claims were settled through the conciliation proceedings. ESL entered into settlement agreements with the said 36 beneficial owners and paid an aggregate amount of Rs. 20.6 million in full and final settlement of all the respective beneficial owners' claims.

Four other BOs have also filed complaints against ESL stating unauthorized transfer of shares from their respective depository accounts maintained with ESL and discrepancy in statement of holding. Out of these, two claims were held to be prima facie untenable, based on the delivery instruction slips on record. For the remaining two, further information and documents were asked for and the BO's have not reverted back.

ESL has received some complaints from SEBI, BSE and NSE regarding discrepancies in the account statements of the demat accounts and unauthorized transfer of shares of the beneficial owners at the Anand branch of ESL. In relation to some of these complaints, BSE had opined that these complaints were outside their purview and for certain others, suitable replies were sent out by ESL intimating the redressal of the complaints.

ESL has also received some complaints from investors with respect to matters such as settlement of accounts and payment of credit balances, requirement for sending contract notes and order statement of account, reimbursing losses debited for auctions and client compliance.

ESL has received a legal notice regarding stamp duty claim of Rs. 3.30 million from the Rajasthan stamp duty authority. Rs. 0.19 million has been paid by ESL as full and final settlement.

ESL has received 16 e-mail complaints from the investors with respect to its broking services and two e-mail complaints with respect to its Depository Participant services. ESL has replied to 16 of those 18 e-mail complaints and two complaints have still not been replied to. ESL has not received any further communication from the concerned parties as to the 16 e-mail complaints replied to.

SEBI has requested for information from ESL for trades executed by ESL with respect to four scrips. All the SEBI letters have been duly replied to.

In addition, the BSE, the NSE, SEBI and National Securities Clearing Corporation Limited have issued various communications to ESL containing certain clarifications, directions or observations with matters ranging from the clients on whose behalf certain trades have been executed, non confirmation of trades, details on trades done in F&O segment, comments on the circumstances under which the trades were executed, non delivery of securities towards delivery obligations and to exercise caution and due diligence while acting on behalf of clients in certain scrips etc. No fines were imposed and all the communications have been duly replied to.

ESL has filed a civil suit against M/s Laxmi Investment, landlords for ESL as well as acting as remisiers for ESL at Anand branch and Mr. Pratik Patel, Mr. Harshit Patel and Mr. Kalpesh Patel, alleging fraud on the demat account holders or the beneficial owners who complained that shares were transferred from their accounts without their permission. ESL has prayed to recover for damages of Rs. 20.6 million.

ESL has filed FIRs against Mr. Pratik Patel, Mr. Harshit Patel and Mr. Kalpesh Patel, partners of M/s Laxmi Investment alleging fraud at the Anand Police Station, at Anand, Gujarat. ESL has filed FIR against Mr. Manish Thakkar who was the Branch Manager of the Borivali Branch of ESL, for creating a false bank account and issuing a false receipt in the name of ESL. The matters are currently under investigation.

- (4) Sunil Bagaria, client of ESL has filed an Arbitration appeal petition No. 29 of 2007 dated June 29, 2007 before the High Court, Mumbai against the NSE award dated March 28, 2007, in favour of ESL. ESL has filed its reply and the matter is scheduled for hearing on October 25, 2007.

Crossborder Investments Private Limited is subject to certain tax proceedings in which the total demand made as a result of assessment orders for assessment year 2004-05 has been Rs. 0.36 million. Out of this, an amount of Rs. 0.18 million is already paid and the net liability is Rs. 0.18 million.

Two law suits have been filed against Aegis Communications Group, Inc (“**Aegis**”), on the board of whom Mr. Rashesh Shah is a director. Both the law suits have been filed in the Delaware Chancery Court and are currently pending. On August 31, 2007, Mr. Rashesh Shah resigned from the directorship of Aegis.

For further details of outstanding litigation pending against us, please refer to the section titled “Outstanding Litigation and Material Developments” beginning on page 460.

In the event of any legal proceedings being decided against us, our business, reputation and results of operations could be adversely affected. Further, we are unable to ascertain financial or other implications of certain litigations wherein our Directors and/or our Promoters are currently involved.

We cannot assure you that these legal proceedings will be decided in our favour. Decisions in such proceedings adverse to our interests may have a material adverse effect on us, our results of operations, reputation and business prospects.

2. *In the past, we have been penalised by the BSE, the NSE and the CDSL for certain non-compliance with regulatory rules and bye-laws.*

BSE, NSE and CDSL have imposed penalties in the past. The NSE has imposed a total fine of Rs. 2.63 million on ESL during the period starting from March 2003 till date, for various reasons which include administrative errors resulting in delay in uploading unique client code data to the exchange, penalty for charging excess brokerage on option contracts, delay in crediting dividend into the clients trading account due on their collateral lying with us, short collection of initial margin on the F&O segment and penalties imposed for trade modification. The BSE has imposed a total fine of Rs. 1.29 million on ESL during the period starting from March 2003, for various reasons which include administrative errors resulting in non attachment of trade details as an annexure to the contract notes and delay in obtaining written consents from clients. CDSL imposed 26 penalty points with respect to opening of HUF accounts with nominee/joint holders and with respect to control over issue of instruction slip to beneficial owners. A fine of Rs. 0.05 million was imposed on ESL by the OTCEI for not taking prior approval for change in dominant shareholding on May 11, 2006. ESL has received 6 letters from NSE since July 2004 regarding Computer to Computer Link Compliance and a penalty of Rs 0.05 million has been imposed. The NCDEX imposed a cumulative fine against ECAL Advisors Limited of Rs. 0.02 million for a variety of reasons ranging from shortages to disablement. The MCX, on October 9, 2007, imposed a cumulative fine of Rs. 0.01 million against ECAL Advisors Limited for variety of reasons ranging from violation in open position to penalty on shortages in delivery. We cannot assure you that we will not be subject to such penalties in the future. For further details, please refer to the section titled "Outstanding Litigation and Material Developments" beginning on page 460.

3. *We have experienced rapid growth over the past several years, which may be difficult to sustain and which may place significant demands on our administrative, operational and financial resources.*

Our consolidated revenues and net profits after minority interest have grown at a CAGR of 119.5% and 120.20%, respectively, from fiscal year 2005 to fiscal year 2007. While our historical growth may not represent future trends, it could place additional demands on our resources and increase our expenses. Our future growth will depend, among other things, on our ability to successfully identify practice groups and individuals to join our firm. It may take more than one year for us to determine whether new professionals will be profitable or effective. During that time, we may incur significant expenses and expend significant time and resources toward training, integration and business development. If we are unable to hire and retain profitable professionals, we will not be able to implement our growth strategy and our financial results may be materially adversely affected. Sustaining growth will also require us to commit additional management, operational and financial resources to this growth and to maintain appropriate operational and financial systems to adequately support expansion. There can be no assurance that we will be able to manage our expanding operations effectively or that we will be able to maintain or accelerate our growth, and any failure to do so could adversely affect our ability to generate revenue and control our expenses.

4. *The RBI has passed an order in the past against our Company for violation of certain reporting requirements*

The RBI has through its letter dated October 12, 2006 passed an order against our Company for non-compliance with certain reporting requirements provided in the FEMA Regulations. Such non-compliance includes delay in reporting of receipt of remittance towards share subscription, delay in filing a statutory Form FC-GPR and not obtaining prior approval for transfer of shares from resident to a non resident. The above offences were compounded by RBI through its order dated March 28, 2007 against payment of penalty of Rs. 0.15 million. For further details, please refer to the section titled "Outstanding Litigation and Material Developments" beginning on page 460.

5. *Our Company has entered into several agreements including investment agreement, service agreement and shareholders' agreements, the provisions of which may provide for certain restrictive covenants*

Our Company has entered into several agreements with various investors including various shareholders' agreement and investment services agreement. Certain covenants in these agreements may restrict the business operations of the Company and may affect the Company's right to acquire additional investments. These covenants include:

- i. As per the Services Agreement dated October 6, 2005 and a subsequent agreement dated April 22, 2006 entered into by our Company, one of our Promoters, Mr. Rashesh Shah will be available on an as

needed basis and will commit upto 1/3 of his time, for the services agreed to be provided to Blue River Advisors (India) Private Limited. In addition our Company is subject to certain provisions in relation to exclusivity under this agreement.

- ii. As per the subscription agreement between our Company and Lehman Brothers Netherlands Horizons B.V. dated February 21, 2007 Mr. Rashesh Shah, Mr. Venkatchalam Ramaswamy, their relatives or companies wholly owned by them and/or their affiliates are required to hold at least 26% of the shares (of each class) of, and equity interest in the Company.

In case we fail to comply with our obligations under these agreements we may be in breach of our contractual obligations. Further, pursuant to certain investment and shareholders agreements entered into by our Company and certain of our Promoters, Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy with Shuaa Capital Psc, BIH SA, Galleon Diversified Fund Limited, Minosa, SA, such investors have the right to tag along, pro rata to their shareholding at the relevant time, in the event of a strategic sale by certain of our Promoters, Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy, on the terms and conditions of such strategic sale. For further details of such agreements, please see the section titled “History and Certain Corporate Matters” beginning on page 112.

6. *We intend to use the proceeds of this Issue towards investments in unlisted subsidiaries, some of which are engaged in businesses which may have contributed less than 25% to our revenues in the last three fiscal years and cannot assure returns pursuant to such investments.*

We intend to utilise significant part of the Net Proceeds to fund certain of our Subsidiaries by way of investment in the share capital of such companies. We intend to utilize Rs. 571.70 million in ECL (excluding funds to be utilised towards general corporate purposes) and Rs. 3,778.42 million towards investment in our subsidiary, ESL, constituting [●]% and [●]% of the Net Proceeds, respectively. Certain of these Subsidiaries are engaged in businesses which may have contributed less than 25% to our revenues in the last three fiscal years. Further, these funds will be utilised as according to the discretion of the management of these Subsidiaries. These Subsidiaries are unlisted companies and their activities and records are not subject to public scrutiny. Further, our Company is not assured of any dividends and/or interest payments pursuant to such investments. For further details, see the section titled “Objects of the Issue” beginning on page 47.

7. *We have entered into a number of related party transactions.*

We have entered into a number of related party transactions. Such transactions or any future transactions with related parties may potentially involve conflicts of interest and impose certain liabilities on our Company. For further details, see the section titled “Financial Information” beginning on page 150.

8. *Certain of our Subsidiaries have incurred losses during the last three fiscal years and the five month period ending August 31, 2007, which may adversely affect our results of operations.*

Certain of our Subsidiaries have incurred losses in the last three fiscal years and the five month period ending August 31, 2007, as set forth in the table below:

<i>(Rs. in million)</i>				
Name of the Subsidiary	Five month period ending August 31, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005
ECAL Advisors Limited	56.19	(42.34)	9.19	(0.11)
ECL Finance Limited*	87.62	14.11	(0.07)	-
Edelcap Securities and Transaction Services Private Limited*	1.03	1.00	(0.60)	-
Edelweiss Real Estate Advisors Private Limited * ^	4.90	4.81	(0.15)	-
Edelweiss Trustee Services Private Limited *	0.42	0.64	(0.11)	-
Edelweiss Capital USA LLC	(0.99)	(2.21)	4.37	0.10
EC Global Limited, Mauritius *	32.02	(24.46)	(21.63)	-

\* has been incorporated in Fiscal 2006.

^ is not a subsidiary subsequent to August 9, 2007.

In the event that these subsidiaries continue to incur losses or any of our other Subsidiaries incur losses, the Company’s consolidated results of operations and financial condition will be adversely affected. For further details, see the section titled “History and Certain Corporate Matters” beginning on page 112.

9. *Certain of our Promoter Group entities and ventures of our Promoters have incurred losses during recent fiscal years.*

Certain of our Promoter Group companies have incurred losses in recent fiscal years, as set forth in the table below:

Name of the Promoter Group entity	<i>(Rs. in million)</i>		
	Fiscal 2007	Fiscal 2006	Fiscal 2005
ICleo.com Limited	(0)	(0.01)	(0.01)
Ivy Financial Services Private Limited*	(0.18)	-	-
Oak Holdings Private Limited*	(0.17)	-	-

\* has been incorporated in Fiscal 2007.

For further details, see the section titled “Our Promoters and Promoter Group” beginning on page 142.

10. *Difficult market conditions can adversely affect our business in many ways, including by reducing the volume of the transactions involving our advisory business, and these could materially reduce our revenue or income.*

As a financial services firm, our businesses are materially affected by conditions in the domestic and global financial markets and economic conditions in India and throughout the world. For example, revenue generated by our broking, investment banking and advisory business is directly related to the volume and value of the transactions in which we are involved. During periods of unfavourable market or economic conditions, the volume and value of primary and secondary market transactions may decrease, thereby reducing the demand for our broking, investment banking and advisory services and increasing price competition among financial services companies seeking such engagements. A market downturn would likely lead to a decline in the volume of transactions that we execute for our customers as well as a decrease in prices. Any decline in transaction volumes would lead to a decline in our revenues received from commissions.

Our results of operations would be adversely affected by any reduction in the volume or value of broking and investment banking transactions. In addition, in the event of a market downturn, the private equity funds for which we act as investment advisors also may be impacted by reduced opportunities to exit and realise value from their investments. Our profitability may also be adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in revenue relating to changes in market and economic conditions. The future market and economic climate may deteriorate because of many factors beyond our control, including rising interest rates or inflation, terrorism or political uncertainty, any global or domestic events including events that may impact liquidity and investment inflows from foreign and domestic investors.

Our ability to grow our recent business ventures such as wholesale financing, wealth management and asset management and investment advisory services may also be limited in difficult market conditions. Performance of our capital businesses such as investment of our excess liquidity through our internal treasury operations may be affected due to conditions in the financials markets and economic conditions.

We are unable to quantify the impact of any such adverse market conditions on our business and/or financial condition. Our operating results may vary significantly from quarter to quarter as a result of volatility in market conditions. Therefore, period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as an indication of our future performance. It is possible that in the future some of our quarterly results of operations may be below the expectations of market analysts and investors, which could lead to a significant decline in the market value of our Equity Shares.

11. *Our revenues are dependent on our ability to successfully manage transactions and advisory assignments and on managing client concentrations.*

Our investment banking clients generally retain us on a short-term, engagement-by-engagement basis in connection with specific capital markets or mergers and acquisitions transactions, rather than on a recurring basis under long-term contracts. As these transactions are typically singular in nature and our engagements with these clients may not recur, we must seek out new engagements when our current engagements are successfully

completed or are terminated. As a result, high activity levels in any period are not necessarily indicative of continued high levels of activity in any subsequent period. If we are unable to generate a substantial number of new engagements and generate fees from the successful completion of transactions, our business and results of operations would likely be adversely affected.

The fees earned by our financial advisory business are typically payable upon the successful completion of a particular transaction or financial advisory assignment. A decline in our financial advisory engagements or the market for advisory services would adversely affect our business. Our financial advisory business operates in a highly competitive environment where typically there are no long-term contracted sources of revenue. Each revenue-generating engagement typically is separately solicited, awarded and negotiated. In addition, many businesses do not routinely engage in transactions requiring our services. As a consequence, our fee-paying engagements with many clients are not predictable and high levels of financial advisory revenue in one quarter are not necessarily predictive of continued high levels of financial advisory revenue in future periods. In addition to the fact that most of our financial advisory engagements are single, non-recurring engagements, we lose clients each year as a result of a client's decision to retain other financial advisors, the sale, merger or restructuring of a client, a change in a client's senior management and various other causes. As a result, our financial advisory revenue could decline materially due to such changes in the volume, nature and scope of our engagements.

In addition, we have client concentrations in some of our lines of business such as institutional equities. There can be no assurance that we will be able to attract large new clients or do so quickly enough to avoid an adverse effect on our business and results of operations.

12. *Pricing and other competitive pressures may impair the revenues and profitability of our brokerage business.*

We derive a significant portion of our revenues from our brokerage business. Along with other brokerage firms, we have experienced intense price competition in this business in recent years. In particular, the ability to execute trades electronically and through other alternative trading systems has increased the pressure on trading commissions, volume and spreads. We expect this trend toward alternative trading systems to continue. We believe we may experience competitive pressures in these and other areas as some of our competitors seek to obtain market share by competing on the basis of price. In addition, we face pressure from our larger competitors, which may be better able to offer a broader range of complementary products and services to brokerage clients in order to win their trading business. As we continue to maintain our research coverage to support our institutional equities and private client brokerage businesses, we may be required to make substantial investments in our research capabilities. We are unable to ascertain the likely impact of such competitive pressures on our results and operations. If we are unable to compete effectively with our competitors in these areas, brokerage revenues may decline and our business, financial condition and results of operations may be adversely affected.

13. *The restated financial statements of ESL and EIBL contain auditors' qualifications for certain years.*

The restated financial statements of ESL and EIBL, included in this Red Herring Prospectus contain *inter alia* the following qualifications:

1. In relation to our subsidiary, ESL, in the opinion of the statutory auditors for the relevant period, under the Companies (Auditor's Report) Order in the year ended 31 March 2006, there is an adequate internal control system commensurate with the size of ESL and the nature of its business for the purchase and sale of securities held as stock-in-trade, purchase of fixed assets and sale of services except operations in Depository accounts at its branch. Further, ESL has an internal audit system generally commensurate with its size and nature of its business except for Depository Operations. However, there is need to enlarge the scope and coverage of internal audit. Further, ESL's internal audit system needs to be strengthened to make it commensurate with its size and the nature of its business;
2. In relation to the subsidiary of our Company, EIBL, in the opinion of the auditor for the Fiscal 2005, EIBL has been non-compliant with the Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002, pertaining to concentration of business and professional indemnity insurance.

The qualifications, including certain other qualifications under the Companies (Auditor's Report) Order, appear in the notes to the restated financial statements included in this Red Herring Prospectus. For details, see the section titled "Financial Statements" beginning on page 150.

14. *We are subject to extensive securities regulation and any failure to comply with these regulations could subject us to penalties or sanctions.*

The securities industry and our business are subject to extensive regulation by the SEBI, the RBI, the FMC and the IRDA and other governmental regulatory authorities. We are also regulated by industry self-regulatory organisations, stock and commodities exchanges and other intermediaries, including the BSE, NSE, MCX, NCDEX, NSDL and CDSL. The regulatory environment in which we operate is also subject to change and we may be adversely affected as a result of new or revised legislation or regulations imposed by the SEBI, other governmental regulatory authorities or self-regulatory organisations.

Compliance with many of the regulations applicable to us involves a number of risks, particularly in areas where applicable regulations may be subject to varying interpretation. The requirements imposed by securities regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us. Consequently, these regulations often serve to limit our activities, including through capital adequacy, credit concentration and market conduct requirements. We are also subjected to periodic reviews, requests for submission of information, audit and inspections from various regulatory agencies. Furthermore, we are required to incur substantial costs to monitor compliance and comply with such regulations.

If we are found to have violated an applicable regulation, administrative or judicial proceedings may be initiated against us that may result in censures, fines, trading bans, deregistration or suspension of our business licenses, the suspension or disqualification of our officers or employees, or other adverse consequences. We could also be subject to constraints or conditions on operating our business activities and may incur fines, receive regulatory cautions or show cause notices and be barred from engaging in certain business activities. The imposition of any of these or other penalties or restrictions could have a material adverse effect on our business, reputation, financial condition and results of operations. In the past, we have been penalised by BSE, NSE and CDSL for certain non-compliance with regulatory rules and bye-laws. We have also recently been requested by SEBI to clarify disclosures made by us and our client to the stock exchanges in connection with an open offer that we lead managed. For details in relation to various regulatory proceedings, please refer to the section titled "Outstanding Litigation and Material Developments" beginning on page 460.

We also are subject generally to changes in Indian law, as well as to changes in regulations and accounting principles. There can be no assurance that the laws governing the Indian financial services sector will not change in the future or that such changes would not adversely affect our business and future financial performance. We may also be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organisations. We face the risk of significant intervention by regulatory authorities in all jurisdictions in which we conduct our business. Among other things, we could be fined, prohibited from engaging in some of our business activities or subject to limitations or conditions on our business activities.

15. *Our exposure to legal and regulatory liability is significant and may subject us to significant penalties.*

We face significant legal risks in our business and the volume and amount of damages claimed in litigation against financial intermediaries is increasing. These risks include potential liability under securities or other laws for materially false or misleading statements made in connection with securities and other transactions, potential liability for advice we provide to participants in corporate transactions and disputes over the terms and conditions of complex trading arrangements. For instance, there has been a writ petition filed against us relating to alleged misstatements in the Prospectus of one of the companies we brought to the Indian capital markets in our capacity as lead manager. We cannot assure you that we will be successful in claiming a valid due diligence defence or we will not be subject to adverse decisions by the judiciary in this regard.

In our business, we are increasingly exposed to claims for recommending investments that are not consistent with a client's investment objectives. During a prolonged market downturn, such types of claims could increase. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time.

16. *Downturns or disruptions in the securities markets and any change in the laws regulating the securities market may have an impact on the transaction volumes, causing a decline in our business and impacting our profitability.*

Our business is materially affected by conditions in the financial markets and economic conditions generally, both in India and elsewhere around the world. Many factors or events could lead to a downturn in the financial markets including war, acts of terrorism, natural catastrophes and sudden changes in economic and financial policies. These types of events could affect confidence in the financial markets and impair their ability to function effectively. Substantially all of our revenues in recent years have been derived from capital markets activities, and although we continue to diversify our revenue sources, we expect this business to continue to account for a significant portion of our revenues in the foreseeable future. Capital markets are exposed to additional risks, including liquidity, interest rate and foreign exchange related risks. Any downturn or disruption in the securities markets and the capital markets specifically would have a material adverse effect on our results of operations. A significant portion of our revenue is also dependent on our treasury income which may be affected due to any downturn or disruption in the securities market. Even in the absence of a market downturn, we are exposed to substantial risk of loss due to market volatility. For example, on May 17, 2004, the BSE Sensex recorded one of the largest ever intra-day fall declining 842 points at one point during the day, as a consequence of which, the market lost approximately 40% of what it gained over the previous year. Any such future volatility may have an adverse effect on market-sentiment, and hence could adversely impact our business, prospects, financial condition and results of operations.

17. *Our revenue and profits are highly volatile, which may make it difficult for us to achieve steady earnings growth on a quarterly basis and may cause the price of our Equity Shares to decline.*

Our revenue and profits are highly volatile. We generally derive revenue from a limited number of engagements in our Investment Banking business that generates significant fees at key transaction milestones, such as closing, the timing of which is outside of our control. As a result, our financial results will likely fluctuate from quarter to quarter based on the timing of when those fees are earned. It may be difficult for us to achieve steady earnings growth on a quarterly basis, which could, in turn, lead to large adverse movements in the price of our Equity Shares or increased volatility in our stock price generally.

We earn a significant portion of our revenue from advisory engagements, and, in many cases, we are not paid until the successful consummation of the underlying merger or acquisition transaction or restructuring. As a result, our advisory revenue is highly dependent on market conditions and the decisions and actions of our clients, interested third parties and governmental authorities. For example, a client could delay or terminate an acquisition transaction because of a failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or board or stockholder approvals, failure to secure necessary financing, adverse market conditions or because the target's business is experiencing unexpected operating or financial problems. Anticipated bidders for assets of a client during a restructuring transaction may not materialise or our client may not be able to restructure its operations or indebtedness due to a failure to reach agreement with its principal creditors. In these circumstances, we often do not receive any advisory fees other than the reimbursement of certain out-of-pocket expenses, despite the fact that we have devoted considerable resources to these transactions.

The timing and receipt of carried interest generated by our investment advisory activities is uncertain and will contribute to the volatility of our investment advisory revenue. Carried interest depends on the investment performance of the funds we advise or manage and opportunities for realising gains, which may be limited. In addition, it takes a substantial period of time to identify attractive private equity opportunities, to raise all the funds needed to make an investment and then to realise the cash value of an investment through resale, recapitalisation or other exit.

18. *Increases in capital commitments in our trading, underwriting and other businesses increase the potential for significant losses.*

The trend in capital markets is toward larger and more frequent commitments of capital by financial services firms in many of their activities. We will be subject to increased risk as we commit greater amounts of capital to facilitate primarily client-driven business. Furthermore, we may suffer losses even when economic and market conditions are generally favourable for others in the industry.

We may enter into large transactions in which we commit our own capital as part of our trading business. The

number and size of these large transactions may materially affect our results of operations in a given period. We may also incur significant losses from our trading activities due to market fluctuations and volatility from quarter to quarter. We maintain trading positions in the fixed income and equity markets to facilitate client trading activities and at times these positions can be large and concentrated in a single issuer. To the extent that we own assets, *i.e.*, have long positions, a downturn in the value of those assets or in those markets could result in losses. Conversely, to the extent that we have sold assets we do not own, *i.e.*, have short positions, an upturn in those markets could expose us to potentially unlimited losses as we attempt to cover our short positions by acquiring assets in a rising market.

We also commit a modest amount of capital to investment funds we advise and utilise our own funds as seed capital for new products and services in our asset management and investment advisory services business. These investments may diminish in value or may be lost entirely if market conditions are not favourable. We also deploy our residual capital through our internal treasury for managing short term liquidity by investing in securities markets that may diminish in value or may be lost entirely if market conditions are not favourable.

19. *Our business is vulnerable to interest rate risk.*

Our business is vulnerable to interest rate risk as it affects our net interest income in our wholesale financing business, as well as the willingness of our customers to borrow and invest their funds with us generally. Any adverse movement in interest rates could materially and adversely affect our business and financial condition.

Any increase in the interest rates applicable to our liabilities, without a corresponding increase in the interest rates applicable to our assets, will result in a decline in net interest income. Further, in the event of rising interest rates, borrowers may not be willing to pay us correspondingly higher interest rates on their borrowings and may choose to repay their loans if they are able to switch to more competitively priced loans offered by other players. Any inability on our part to retain customers as a result of rising interest rates may adversely impact our earnings in future periods, which could have an adverse effect on our business, prospects, financial condition and results of operations.

Our treasury operations are also susceptible to volatility in interest rates, and any adverse movement in interest rates may adversely impact the value of our trading portfolios, and consequently may have an adverse effect on our business, prospects, financial condition and results of operations.

20. *Our contingent liabilities could adversely affect our financial condition.*

Our contingent liabilities not provided for and outstanding guarantees as of August 31, 2007 (as disclosed in our financial statements) include:

*Edelweiss Capital Limited*

(Rs. in million)

Particulars	Five month period ending August 31, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005
Corporate guarantees in favour of Banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited and ECAL Advisors Limited	5,430.00	3,690.00	1,205.00	345.00
Claims not acknowledged as debt	6.81	6.81	8.65	4.93
Capital commitment (net of advances)	68.53	320.92	16.21	16.00
Performance guarantee	65.00			

*Edelweiss Securities Limited*

(Rs. in million)

Particulars	Five month period ending August 31, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005
Guarantees given by bank on behalf of the Company against fixed deposits pledged	3,105.00	1,815.00	685.00	145.00
Claims not acknowledged as debt	28.59	28.59	0.08	-
Capital commitment (net of advances)	-	-	-	2.67

*Crossborder Investments Private Limited*

(Rs. in million)

Particulars	Five month period ending August 31, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005
Claims not acknowledged as debt	0.36	0.36	-	-

*ECAL Advisors Limited*

(Rs. in million)

Particulars	Five month period ending August 31, 2007	Fiscal 2007	Fiscal 2006	Fiscal 2005
Guarantees given by bank on behalf of the Company against fixed deposits pledged	30.00	24.00	4.00	-

If any of these contingent liabilities materialise, our liquidity, business, prospects, financial condition and results of operations could be adversely affected. For further details, please refer to the section titled "Financial Statements" beginning on page 150.

21. *Strategic investments or acquisitions and joint ventures may result in additional risks and uncertainties in our business.*

We intend to grow our business through both internal expansion and through strategic investments, acquisitions or joint ventures. To the extent we make strategic investments or acquisitions or enter into joint ventures, we face numerous risks and uncertainties combining or integrating businesses, including integrating relationships with customers, business partners and internal data processing systems. In the case of joint ventures, we are subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or damage to our reputation relating to, systems, controls and personnel that are not under our control. In addition, conflicts or disagreements between us and our joint venture partners may negatively impact our businesses.

Future acquisitions or joint ventures by us could entail a number of risks, including problems with the effective integration of operations, the inability to maintain key pre-acquisition business relationships and integrate new relationships, the inability to retain key employees, increased operating costs, exposure to unanticipated liabilities, risks of misconduct by employees not subject to our control, difficulties in realising projected efficiencies, synergies and cost savings, and exposure to new or unknown liabilities. Any future growth of our business may require significant resources and/or result in significant unanticipated losses, costs or liabilities. In addition, expansions, acquisitions or joint ventures may require significant managerial attention, which may be diverted from our other operations.

22. *Our risk management policies and procedures may leave us exposed to unidentified or unanticipated risk.*

Our risk management strategies and techniques may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk. We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure, breach of contract and other reasons. We are also subject to the risk that our rights against third parties may not be enforceable in all circumstances. As a clearing member firm, we finance our customer positions and could be held responsible for the defaults or misconduct of our customers. Although we regularly review credit exposures to specific clients and counterparties and to specific industries and regions that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to detect or foresee. In addition, concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect us. Also, risk management policies and procedures that we utilise with respect to investing our own funds or committing our capital with respect to investment banking, trading activities or asset management and investment advisory services activities may not protect us or mitigate our risks from those activities. If any of the variety of instruments, processes and strategies we utilise to manage our exposure to various types of risk

are not effective, we may incur losses.

23. *Our business requires us to obtain and renew certain registrations, licenses and permits from government and regulatory authorities and the failure to obtain and renew them in a timely manner may adversely affect our business operations.*

Our business operations require us to obtain and renew from time to time, certain approvals, licenses, registrations and permits, some of which have expired and for which we have either made or are in the process of making an application for obtaining the approval or its renewal. We have applied or are in the process of applying for certain approvals relating to our business.

Our subsidiary Crossborder Investments Private Limited has applied for registration to act as a depository participant with NSDL. Further, our Company has applied to the SEBI for establishing a mutual fund. In addition, we have made certain applications for registration or renewal of our branch offices under the Shops and Establishments Act, as applicable, in the states in which we operate. In the event that we face delays in obtaining these approvals or are unsuccessful in obtaining them, our growth and profitability may be adversely affected.

We have applied for cancellation of our OTCEI Securities Limited Sub – broker and OTCEI Limited Dealer licenses which are still under process and hence we have not applied for any approvals from OTCEI for this Issue, which may be required under applicable law. However, in the event the regulators take a view which is different, we may be directed to obtain such approval. Further, we may be subject to penalty or other such actions as the regulatory authorities may deem fit.

Our subsidiary ESL has applied to NSE on August 20, 2007 for approval of Internet based Trading Services in Capital Markets and F&O segment. NSE vide its letter dated October 9, 2007 has given its provisional permission.

Our subsidiary ESL has applied to NSE on September 14, 2007 for membership of Wholesale Debt Market (WDM) segment.

In addition, we require certain approvals, licenses, registrations and permissions under various regulations, guidelines, circulars and statutes regulated by authorities such as the SEBI, the RBI, the Stock Exchanges, the FMC and certain other regulatory and government authorities, for operating our business. In particular, we are required to obtain a certificate of registration for carrying on each of our business activities from SEBI and other such regulatory authorities that are subject to numerous conditions. If we fail to maintain such registrations and licenses or comply with applicable conditions, or a regulator claims we have not complied, with these conditions, our certificate of registration for carrying on a particular activity may be suspended and/or cancelled and we will not then be able to carry on such activity. This could materially and adversely affect our business, financial condition and results of operations.

We cannot assure you that we will be able to obtain approvals in respect of such applications or any application made by us in the future. For more information about the licences required in our business and the licenses and approvals applied for, see the sections titled “Regulations and Policies” and “Government and Other Approvals” beginning on page 86 and 472, respectively.

24. *We have made certain overseas direct investments in our wholly owned subsidiaries, for which we have not taken any separate regulatory approval based on independent legal advice*

We have made certain overseas direct investments in the past in some of our wholly owned subsidiaries at various stages. In certain of those cases, based on independent legal advice received by our Company, we have taken particular regulatory consents and made filings as per then applicable practice in the financial sector. Post such investment, we have made regular corporate regulatory filings for monitoring such investments in the subsidiaries with all appropriate routine regulatory filings. However, we cannot confirm that the regulatory authorities will agree with the independent legal advice obtained by our Company in the past. In the event an investigation is commenced in this regard it may have an adverse impact on our business and reputation and we cannot assure you that such investigation will not lead to consequent penalty or such other actions as the regulatory authorities may deem fit.

25. *We have a limited operating history and our failure to successfully implement our new business lines such as asset management and investment advisory services, financing and wealth management, could adversely affect our results of operations.*

Our business is rapidly expanding and the introduction of additional products might expose us to new business risks, which we may not have the expertise, capability or the systems to manage. We have a limited operating history, which is relevant to an evaluation of our business. Further, we do not have any track record in the new businesses in which we operate or propose to operate. No assurance can be given that future business ventures would not have a detrimental impact on our business, financial position and results of operations.

26. *Credit risk exposes us to losses caused by financial or other problems experienced by third parties.*

We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations. Other third parties include trading counterparties, customers, clearing agents, exchanges, clearing houses, and other financial intermediaries as well as issuers whose securities we hold. These parties may default on their obligations owed to us due to insolvency, lack of liquidity, operational failure, government or other regulatory intervention or other reasons. In these circumstances, we are exposed to risks arising, for example, from holding securities of third parties; executing securities trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries, extending credit to clients through wholesale finance schemes. Significant failures by third parties to timely perform their obligations owed to us could materially and adversely affect our revenues, our ability to borrow in the credit markets and our ability to operate our business.

27. *Risks attributable to derivatives trading by clients and possible inadequacy of risk management systems and policies.*

We offer our clients the facility to trade in derivative instruments in the securities and commodities market as is currently permitted in India. Since by their very nature, these derivative instruments involve leveraged positions on the underlying assets, these are riskier to deal with as compared the other financial instruments and as such, investors and the market intermediaries are exposed to a greater risk in dealing with such instruments. We are exposed to a greater risk since we deal in such instruments on behalf of their clients and may face financial losses if we fail to manage prudently the risk of their clients' dealing in derivative instruments.

28. *Employee misconduct could harm us and is difficult to detect and deter.*

There have been a number of highly publicised cases involving fraud or other misconduct by employees in the financial services industry in recent years and we run the risk that employee misconduct could occur at our company. For example, misconduct by employees could involve the improper use or disclosure of confidential information, which could result in regulatory sanctions and serious harm to our financial results and reputation. Our advisory business often requires that we deal with client confidences of the greatest significance to our clients, improper use of which may have a material adverse impact on our clients. Any breach of our clients' confidences as a result of employee misconduct may impair our ability to attract and retain advisory clients. It is not always possible to deter employee misconduct and the precautions we take to detect and prevent this activity may not be effective in all cases.

We have in the past experienced one employee misconduct within our Company, which involved misappropriation of funds. We cannot assure you that such misconduct will not occur in the future, which could have an adverse effect on our reputation, business prospects and results of operations. For further details, please refer to the section titled "Outstanding Litigation and Material Developments" beginning on page 460.

29. *We may be unable to adequately protect our intellectual property since certain of our trademarks, logos and other intellectual property are currently not registered and therefore do not enjoy any statutory protection. Furthermore, we may be subject to claims alleging breach of third party intellectual property rights.*

We have secured registrations for three trademarks, "Edelweiss", "Edelweiss Capital" and the previous Edelweiss logo. We currently have seven trademark applications pending under the provisions of the Trademarks Act of 1999 in relation to the trademarks "iFunds", "LiquidLoans", "iETFs", "The Grey Revolution", the existing Edelweiss logo with the Edelweiss flower and the phrase "Ideas create, values protect", and a multi-class application for the word "Edelweiss", all of which are crucial to our business. For further details of our pending approvals, see the sections titled "Government and other Approvals" beginning on

We cannot assure you that we will be able to register these trademarks or that third parties will not infringe our intellectual, causing damage to our business prospects, reputation and goodwill. Our efforts to protect our intellectual property may not be adequate and any third party claim on any of our unprotected brands may lead to erosion of our business value and our operations could be adversely affected. We may need to litigate in order to determine the validity of such claims and the scope of the proprietary rights of others. Any such litigation could be time consuming and costly and the outcome cannot be guaranteed. We may not be able to detect any unauthorised use or take appropriate and timely steps to enforce or protect our intellectual property. We also can provide no assurance that the unauthorised use by any third parties of the trademark "Edelweiss" and other related trademarks, will not similarly cause damage to our business prospects, reputation and goodwill.

30. *We encounter intense competition for qualified professionals from other investment banking firms and from businesses outside the investment banking industry, such as alternative, private equity and venture capital funds, and our failure to hire qualified professionals and retain our existing professionals may materially impede the success and growth of our business.*

Our people are our most valuable resource. Our ability to secure and maintain investment banking engagements depends upon the reputation, judgment, business generation capabilities and project execution skills of our professionals. Our professionals' reputations and relationships with our clients are a critical element in obtaining and executing client engagements. We encounter intense competition for qualified professionals from other companies in the investment banking industry and from businesses outside the investment banking industry, such as hedge, private equity and venture capital funds. We may experience losses of investment banking, brokerage, research and other professionals and our failure to hire qualified professionals and retain our existing professionals may materially impede our success and growth. The departure or other loss of our key professionals who manage substantial client relationships or who possess substantial experience and expertise could impair our ability to secure or successfully complete engagements, which could materially adversely affect our business and results of operations. Some of our clients may choose to use the services of a competitor instead of our services. We may not be able to prevent our investment bankers or the members of our executive management team from resigning to join our competitors or from forming a competing company.

31. *We are highly dependent on our management team and key personnel and loss of any key team member may adversely affect our business performance.*

Our business is dependent upon a core management team which oversees the day-to-day operations, strategy and growth of our business. Our success is largely dependent on the management team which ensures the implementation of our strategy. If one or more members of our key management team are unable or unwilling to continue in their present positions, such persons would be difficult to replace and our business, prospects, financial condition and results of operations could be adversely affected.

In addition, our success in expanding our business will also depend, in part, on our ability to attract, retain and motivate appropriately qualified personnel. Our failure to successfully manage our personnel needs could materially and adversely affect our business and results of operations. Our failure to successfully manage our personnel needs could materially adversely affect our business, prospects, financial condition and results of operations. These risks could be heightened to the extent we invest in businesses or geographical regions in which we have limited experience. If we are not able to address these risks, our business, prospects, financial condition and results of operations could be adversely affected.

32. *Our operations and infrastructure may malfunction or fail which may result in financial loss, disruption of our businesses, liability to clients, regulatory intervention or damage to our reputation.*

Our businesses are highly dependent on our ability to process, on a daily basis, a large number of increasingly complex transactions across diverse markets. Our financial, accounting or other data processing systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services or our inability to occupy one or more of our buildings. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses. If any of these systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes, people or systems, it could affect our liquidity or result in financial loss, disruption of our businesses, liability to clients, regulatory intervention or damage to our reputation.

We also face the risk of operational failure of any of our clearing agents, the exchanges, clearing houses or other financial intermediaries we use to facilitate our securities transactions. Any such failure or termination could adversely affect our ability to effect transactions and to manage our exposure to risk.

In addition, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which we are located. This may include a disruption involving electrical, communications, transportation or other services used by us or third parties with which we conduct business, whether due to fire, other natural disaster, power or communications failure, act of terrorism or war or otherwise. Nearly all of our employees in our various offices in Mumbai work in close proximity to each other. If a disruption occurs in a particular location with a large employee concentration and our employees in that location are unable to communicate with or travel to other locations, our ability to service and interact with our clients may suffer and we may not be able to implement successfully contingency plans that depend on communication or travel. Insurance policies to mitigate these risks may not be available or may be more expensive than the perceived benefit. Further, any insurance that we may purchase to mitigate certain of these risks may not cover our loss.

Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Our computer systems, software and networks may be vulnerable to unauthorised access, computer viruses or other malicious code and other events that could have a security impact. If one or more of such events occur, this potentially could jeopardise our or our clients' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us.

33. *We rely extensively on our information technology systems and their failure could harm our relationship with customers, expose us to lawsuits or administrative sanctions or otherwise adversely affect our provision of service to customers and our internal operations.*

As part of our business strategy, we use our information systems and the Internet to deliver services to and perform transactions on behalf of our customers. Although we believe this approach is highly cost-effective, we depend extensively on the capacity and reliability of the electronic systems supporting our operations. To date we have not experienced widespread disruptions of service to customers, but there can be no assurance that we will not encounter disruptions in the future due to substantially increased numbers of customers and transactions or for other reasons. If we experience system interruptions, errors or downtime (which could result from a variety of causes, including changes in client use patterns, technological failure, changes to systems, linkages with third-party systems and power failures) or are unable to develop necessary technology, our business, prospects, financial condition and results of operations could be materially adversely affected. Our hardware and software are also subject to damage or incapacitation by human error, natural disasters, power loss, sabotage, computer viruses and similar events or the loss of support services from third parties such as Internet backbone providers.

We may encounter delays or other difficulties incorporating new services and businesses into our information technology systems and there can be no assurance that we will realise the efficiencies and other benefits we anticipate from doing so.

34. *Significant security breaches in our computer systems and network infrastructure, fraud, systems failures and calamities would adversely impact our business.*

Since we retain confidential customer information in our database, our facilities and infrastructure must remain secure. We seek to protect our computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by our increased internet connectivity. Computer break-ins and power disruptions could affect the security of information stored in and transmitted through these computer systems and networks. These concerns will intensify with our increased dependence on technology. We employ security systems, including firewalls and password encryption, designed to minimise the risk of security breaches but there can be no assurance that these security measures will be successful. Breaches of our security measures could affect the security of information stored in and transmitted through these computer systems and network infrastructure. A significant failure in security measures could have a material adverse

effect on our business and our future financial performance.

35. *We may face damage to our professional reputation and legal liability to our clients and affected third parties if our services are not regarded as satisfactory.*

We depend to a large extent on our relationships with our clients and our reputation for integrity and high-calibre professional services to attract and retain clients. As a result, if a client is not satisfied with our services, it may be more damaging in our business than in other businesses. Moreover, our role as advisor to our clients on important mergers and acquisitions or structured finance transactions involves complex analysis and the exercise of professional judgment.

Our activities may subject us to the risk of significant legal liabilities to our clients and aggrieved third parties, including shareholders of our clients who could bring securities class actions against us. In recent years, the volume of claims and amount of damages claimed in litigation and regulatory proceedings against financial intermediaries have been increasing. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. Our engagements typically include broad indemnities from our clients and provisions to limit our exposure to legal claims relating to our services, but these provisions may not protect us or may not be enforceable in all cases. As a result, we may incur significant legal expenses in defending against litigation. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant harm to our reputation, which could seriously harm our business prospects.

36. *If the investments made by the funds we advise or manage perform poorly we will suffer a decline in our investment advisory and management revenue and earnings, we may be obligated to repay certain incentive fees we have previously received to the third party investors in such funds, and our ability to raise capital for future funds may be adversely affected.*

Our revenue from our investment advisory business is derived from fees earned for our advice to the independent managers of the funds (and our management of the fund in the case of a real estate fund we manage and advise) calculated as a percentage of the capital committed to these funds, incentive fees, or carried interest, earned when certain financial returns are achieved over the life of a fund, gains or losses on investments of our own capital in the funds and monitoring, director and transaction fees. In the event that such investments perform poorly, our investment advisory revenues and earnings will suffer a corresponding decline and make it more difficult for us to raise new funds in the future. To the extent that, over the life of the funds, we have received an amount of carried interest that exceeds a specified percentage of distributions made to the third party investors in these funds, we may be obligated to repay the amount of this excess to the third party investors.

37. *Poor investment performance, pricing pressure and other competitive factors may reduce our asset management revenues or result in losses.*

As part of our strategy, we are investing in the expansion of our asset management and investment advisory services business. Our revenues from this business are primarily derived from management fees which are based on committed capital and/or assets under management and incentive fees, which are earned if the return of our investment funds exceeds certain threshold returns. Our ability to maintain or increase assets under management is subject to a number of factors, including investors' perception of our past performance, market or economic conditions, competition from other fund managers and our ability to negotiate terms with major investors.

Investment performance is one of the most important factors in retaining existing clients and competing for new asset management and private equity business and our historical performance may not be indicative of future results. Poor investment performance and other competitive factors could reduce our revenues and impair our growth in many ways:

- a) existing clients may withdraw funds from our asset management and investment advisory services business in favour of better performing products;
- b) our incentive fees could decline or be eliminated entirely;
- c) firms with which we have business relationships may terminate these relationships with us;
- d) our capital investments in our investment funds or the seed capital we have committed to new asset management products may diminish in value or may be lost; and
- e) our key employees in the business may depart, whether to join a competitor or otherwise.

To the extent our future investment performance is perceived to be poor in either relative or absolute terms, our asset management revenues will likely be reduced and our ability to raise new funds will likely be impaired. Even when market conditions are generally favourable, our investment performance may be adversely affected by our investment style and the particular investments that we make.

In addition, over the past several years, the size and number of investment funds, including exchange-traded funds and private equity funds, has continued to increase. If this trend continues, it is possible that it will become increasingly difficult for us to raise capital for new investment funds or price competition may mean that we are unable to maintain our current fee structure. We have historically competed primarily on the performance of our investment funds and other asset management products and services, and not on the level of our fees relative to those of our competitors. However, there is a risk that fees in the asset management industry will decline, without regard to the historical performance of a manager, including our historical performance. Fee reductions on our existing or future investment funds and other asset management products and services, without corresponding decreases in our cost structure, would adversely affect our revenues and results of operations.

38. *Our Promoters will continue to hold a majority of our Equity Shares after the Issue and can significantly influence our corporate actions.*

Following the completion of the Issue, our Promoters and Promoter Group entities will own an aggregate of 37.45% of our issued and paid-up Equity Share capital. They have, and will continue to have, considerable influence over our business and may take actions that do not reflect the will or best interests of the other shareholders.

The promoter group has the ability to control our business including matters relating to any sale of all or substantially all of its assets, the timing and distribution of dividends and the election or termination of appointment of its officers and directors. By virtue of its shareholding, the promoter group can exercise substantial influence over the Board and over matters that are subject to a shareholder vote. This control could delay, defer or prevent a change in control of Edelweiss, impede a merger, consolidation, takeover or other business combination involving Edelweiss, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of Edelweiss even if it is in the best interest of its shareholders.

Our Promoters and/or the members of our Promoter Group 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.

For further details, see the sections titled “Capital Structure”, “History and Certain Corporate Matters”, “Our Promoters and Promoter Group” beginning on pages 24, 112 and 142 respectively.

39. *There are potential conflicts of interest, with and within our Promoter Group entities.*

Our Promoters and our Promoter Group have equity interests or other investments in other entities that offer services that are related to our business, such as Ivy Financial Services Private Limited and E Cap Partners, which have been incorporated with the object of carrying on financial services and dealing in securities/stocks/shares/mutual fund units and any other permissible marketable instruments, respectively. For further details regarding Ivy Financial Services Private Limited and E Cap Partners, see the section titled “Our Promoters and Promoter Group” beginning on page 142.

While Ivy Financial Services Private Limited and E Cap Partners presently do not carry on activities which conflict with our business, there may be conflicts of interest in addressing business opportunities and strategies in circumstances where our interests differ from other companies in which one or more of our Promoters or one or more members of our Promoter Group has an interest. Further, none of our Promoters or the members of our Promoter Group has undertaken to refrain from competing with our business. In addition, none of the Promoters or members of the Promoter Group is obligated to direct any opportunities in the financial services sector to us. In addition, new business opportunities may be directed to these affiliated companies instead of our Company. Our Promoters and our Promoter Group may also keep us from entering into certain businesses related to our own, which may be important for our growth in the future, as they may already have interests in other similar businesses.

40. *There are certain restrictive covenants in the agreements we have entered into with certain banks for our credit facilities and other borrowings.*

The financing agreements of our Company require it to maintain certain security margins and/or financial ratios. Should it breach any financial or other covenants contained in any of our financing agreements, it may be required to immediately repay our borrowings either in whole or in part, together with any related costs. Our Company may be forced to sell some or all of our assets, if it does not have sufficient cash or credit facilities to make repayments. Under the terms of the loan agreements, our Company is required to obtain the prior written consent of the concerned bank prior to our Company entering into any scheme of expansion merger, amalgamation, compromise or reconstruction or selling, leasing, transferring all or substantial portion of its fixed and other assets; making any change in ownership or control or constitution of our Company, or in the shareholding or management or majority of directors, or in the nature of business of our Company; or making material amendments in the memorandum and articles of association.

Further, under the terms of the loan agreements, the Promoter's shareholding in our Company is not allowed to go below 26% of the then existing paid up share capital. Further, our Company is required to maintain certain financial ratios in the manner required under the loan agreements. For further details, see the sections titled "Management Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements" beginning on pages 435 and 150, respectively.

41. *Certain Equity Shares of our Company held by one of our Promoters and one of our Promoter Group are pledged*

104,200 Equity Shares held by one of our Promoter Ms. Aparna TC jointly with Mr. Venkatchalam Ramaswamy have been pledged with Standard Chartered Bank Limited. Further, 360,000 Equity Shares held by one of our Promoter Group Ms. Sharmishtha Shah jointly with Mr. Rashesh Shah have also been pledged with Standard Chartered Bank. As per the memoranda of pledge and the powers of attorney executed in favour of Standard Chartered Bank, Standard Chartered Bank has certain rights including the right to pledge further Equity Shares in its name in case the value of the pledged shares is insufficient.

42. *Our subsidiary, ECL Finance Limited and our Company have entered into certain shareholders' agreements, which may contain certain restrictive covenants and may restrict our ability to raise funds for the requirements of ECL Finance Limited*

Our Company and ECL Finance Limited ("**ECL Finance**") have entered into a shareholders' agreement with Lehman Brothers Netherlands Horizons B.V. ("**Lehman B.V.**") on May 18, 2007 ("**Lehman Shareholders Agreement**").

Under the terms of the Lehman Shareholders Agreement, our Company cannot transfer any shares or any right, except as permitted therein and unless otherwise agreed in writing by Lehman B.V. Any attempt to transfer shall be void and ECL Finance shall not record any such transfer. A transfer to an eligible third party is allowed and transfer restrictions are not to be avoided by holding of shares indirectly through a company or other entity. Further, our Company is not allowed to transfer its shares for a period of two years from the date of issue and allotment of the shares to Lehman B.V., unless otherwise agreed in writing by Lehman B.V. After the lock in period, Lehman B.V. has a right of first offer if our Company wants to transfer its shares. In addition, Lehman B.V. has a right to tag along with our Company after the expiry of the lock in period in the event of a transfer by our Company of its shareholding to an eligible third party. As long as Lehman B.V.'s pro rata shareholding in the ECL Finance is equal to or more than 15% and ECL Finance confers on any third person such rights, that when considered as a package, are more favourable than the rights granted to Lehman B.V., Lehman B.V. shall have the right to terminate the Lehman Shareholders Agreement and cause ECL Finance to make it a party to such new agreement and be entitled to rights no less than those offered to such third persons.

The ability of our Company and ECL Finance to raise funds for the requirements of ECL Finance may be severely restricted if we are not able to obtain suitable consents from Lehman B.V., in the manner required by us or at all. For further details, please see the section titled "History and Certain Corporate Matters" beginning on page 112.

43. *Our subsidiary, ESL has not entered into any definitive agreements to utilise a portion of the Net Proceeds. Any failure to enter into arrangements on favourable terms and conditions, in a timely manner or at all, may have an adverse affect on our business and financial results.*

We intend to use a portion of the Net Proceeds for expenditure on establishment of offices of about 23,400 square feet of additional built up area, for Edelweiss Securities Limited. For further details, see the section titled “Objects of the Issue” beginning on page 47.

ESL is yet to identify suitable location for the proposed office spaces. As a result, ESL has not entered into any lease or license arrangements for establishment of any of these offices.

Further, as per management estimates, we will be required to incur an expenditure of approximately Rs. 251.45 million, for establishment of offices and on furniture and fixtures, installation of computers, connectivity and other office equipments. At present we have not placed any orders for such furniture and equipment. Any failure to enter into utilisation arrangements on favourable terms and conditions in a timely manner or at all may have an adverse affect on our business and our financial results.

44. *Investment out of the Net Proceeds in certain of our subsidiaries may be in the form of unsecured loan.*

Our Company will be required to infuse funds out of the Net Proceeds in certain of our operating subsidiaries, in order to achieve the objects of this Issue. For further details, please see the section titled “Objects of the Issue” beginning on page 47. Investment out of the Net Proceeds in certain of our subsidiaries may be in the form of unsecured loan, including for instance, the investment by our Company in ESL, towards prepayment of the unsecured loan facility obtained by ESL from Kotak Mahindra Prime Limited. In the event of default on repayment of such loan or inability of our subsidiaries to repay such loan, our Company will not be in a position to enforce any security in order to recover such loan amounts.

45. *The funding requirements of our Company and the deployment of the Net Proceeds are based on management estimates and have not been independently appraised by any bank or financial institution. Further, we have not identified the general corporate purposes for which we intend to utilise a portion of the Net Proceeds and the same may exceed 25% of the Issue size.*

The funding requirements of our Company and the deployment of the Net Proceeds are based on management estimates and have not been appraised by any bank, financial institution or other independent institution. In view of the highly competitive nature of the industry in which we operate, we may have to revise our management estimates from time to time and consequently our funding requirements may also change. This may result in the rescheduling of our fund deployment programmes and an increase or decrease in our proposed expenditure for a particular object and our results of operations may be adversely impacted. Our management will have significant flexibility in applying the proceeds received by us from the Issue. We intend to rely on our internal systems and controls to monitor the use of such proceeds. Further, we have not identified the general corporate purposes for which we intend to utilise a portion of the Net Proceeds and the same may exceed 25% of the Issue size. For further details, please see the section titled “Objects of the Issue” beginning on page 47.

46. *Being a rapidly growing company, we may require further equity issuance, which may lead to dilution of equity and may affect the market price of our Equity Shares. or additional funds through incurring debt to satisfy our capital needs, which we may not be able to procure and any future equity offerings by us*

Our growth is dependent on having a strong balance sheet to support our activities. In addition to the Net Proceeds and our internally generated cash flow, we may need other sources of financing to meet our capital needs which may include entering into new debt facilities with lending institutions or raising additional debt in the capital markets. We may need to raise additional capital from time to time, dependent on business conditions. The factors that would require us to raise additional capital could be business growth beyond what the current balance sheet can sustain; additional capital requirements imposed due to changes in regulatory regime or new guidelines; or significant depletion in our existing capital base due to unusual operating losses. Any fresh issue of shares or convertible securities would dilute existing holders, and such issuance may not be done at terms and conditions, which are favourable to the then existing shareholders of the Company.

If we decide to raise additional funds through the incurrence of debt, our interest obligations will increase, and

we may be subject to additional covenants, which could further limit our ability to access cash flows from our operations. Such financings could cause our debt to equity ratio to increase or require us to create charges or liens on our assets in favor of lenders. We cannot assure you that we will be able to secure adequate financing in the future on acceptable terms, in time, or at all. Our failure to obtain sufficient financing could result in the delay or abandonment of our expansion plans. Our business and future results of operations may be adversely affected if we are unable to implement our expansion strategy.

47. *Our operations involve many risks and we may not have sufficient insurance coverage to cover our economic losses as well as certain other risks including those pertaining to claims by third parties and litigation.*

Operating financial services involves many risks and hazards which may adversely affect our profitability, including breakdown, failure or substandard performance of network equipment, third party liability claims, labour disturbances, employee frauds, infrastructure failure and terrorist activities. We maintain insurance coverage with respect to our infrastructure that we believe is customary for the financial services industry in the markets in which we operate. While we maintain stock brokers' indemnity policy in relation to incomplete transactions in compliance with the requirements of the Stock Exchanges, we have not subscribed to directors' and officers' liability insurance policies.

Further, our insurance may not provide adequate coverage in certain circumstances including those involving claims by third parties and litigation and is subject to certain deductibles, exclusions and limits on coverage. We are also exposed to potential liability risks that are inherent in the provision of financial services. For more details, please see the section entitled "Our Business – Insurance" on page 84. We cannot assure you that the operation of our business will not be affected by any of the incidents and hazards listed above. If our arrangements for insurance or indemnification are not adequate to cover claims, including those exceeding policy aggregate limitations or exceeding the resources of the indemnifying party, we may be required to make substantial payments and our financial condition and results of operations may be adversely affected.

48. *In the last year, we have issued Equity Shares at a price less than the Issue Price.*

The Price Band for the Issue is Rs. 725 to Rs.825. The Issue Price is expected to be determined by us in consultation with the BRLMs on the Pricing Date. We have issued Equity Shares in the last 12 months, details of which are provided below:

Date of allotment of the Equity Shares	No. of Equity Shares	Issue Price (Rs.)	Face Value (Rs.)	Nature of Payment	Reasons for allotment	Details of Allottee
March 31, 2007	4,000,000	Conversion of partly paid shares	1	Cash	Conversion of partly paid shares	Oak Holdings Limited*
March 31, 2007	1,229,600	1	1	Cash	Pursuant to exercise of ESOP	--
March 31, 2007	3,750	95	1	Cash	Pursuant to exercise of ESOP	--
March 31, 2007	1,594,500	12.50	1	Cash	Pursuant to exercise of ESOP	--
June 5, 2007	44,916,806	Bonus issue	1	Bonus issue	Bonus issue in the ratio 1:1	All then existing shareholders
June 5, 2007	10,000	203	1	Cash	Preferential allotment	Mr. Ramashastry Ambarish
July 21, 2007	35,937,448	Bonus issue	5	Bonus issue	Bonus issue in the ratio 2:1	All then existing shareholders
August 1, 2007	60	514.11	5	Preferential allotment to Galleon Special Opportunities	Preferential allotment	Galleon Special Opportunities Master Fund Limited – Crossover Segregated Portfolio

Date of allotment of the Equity Shares	No. of Equity Shares	Issue Price (Rs.)	Face Value (Rs.)	Nature of Payment	Reasons for allotment	Details of Allottee
				Master Fund Limited – Crossover Segregated Portfolio		
August 1, 2007	60	516.67	5	Preferential allotment to Sequoia Capital India Growth Investment - I	Preferential allotment	Sequoia Capital India Growth Investment – I
August 14, 2007	12,029,316	Conversion of existing preference shares	5	Conversion of existing preference shares	Conversion of existing preference shares	Employees, Galleon Diversified Fund, Galleon International Master Fund Limited, Galleon International Master Fund SPC Limited, Heliconia Pte Limited, Shuaa Capital Psc, Sequoia Capital India Growth Investment – I, Galleon Special Opportunities Master Fund Limited – Crossover Segregated Portfolio and Lehman Brothers Netherlands Horizons B.V.
August 14, 2007	6,00,000	516.57	5	Cash	Preferential allotment	Preferential allotment to directors, employees, certain promoter group individuals and other investors.

\*4,000,000 partly (1%) paid up equity of shares of face value of Rs. 1 each were issued on June 30, 2006 and were made fully paid up on March 31, 2007.

Some or all of the above stated issuances may be at a price that may be lower than the Issue Price. For further details, see the section titled “Capital Structure” beginning on page 24.

49. *Our Company is liable to pay penal interest on its outstanding debentures under certain circumstances*

Our Company had issued 18,000,000 fully convertible debentures of face value of Rs. 100 each to Lehman Brothers Netherlands Horizons B.V. which are convertible into redeemable preference shares. As per the agreement governing the terms of these debentures, in the event we fail to pay interest rate within the specified time on these debentures, we would be liable to pay a penalty premium and hence our Company may be liable to additional financial burden.

50. *Any default by our Subsidiary, ESL and ECAL, in repayment of its loan for which various corporate guarantees have been provided by our Company may result in additional financial burden on our Company*

Our Company has provided corporate guarantees to various banks for the loans provided to our Subsidiaries, ESL and ECAL by these banks aggregating to Rs. 5,430 million. In case of any default in payment of these loans by ESL and ECAL, the banks may invoke the corporate guarantee against our Company. In case any guarantee is invoked against our Company, our Company may have to bear additional financial burden.

51. *We operate our business from leased premises.*

All the offices through which we operate our business, including our registered and corporate offices, are leased by us from third parties. We may in future also enter into such transactions with third parties. Any adverse

impact on the title /ownership rights/ development rights of our landlords from whose premises we operate our offices or breach of the contractual terms of such lease and license agreements may impede our Company's effective operations. In the event, these leases are not renewed, our operations and in turn profitability will be adversely impacted.

52. *Some of the immovable properties in which we operate our offices may have irregularities, as a result of which our operations may be impaired.*

Certain of the immovable properties we lease or use under license arrangements may not have been constructed or developed in accordance with local planning and building laws and other statutory requirements. In addition, there may be certain irregularities in title in relation to some of our leased or licensed properties. For example, some of the agreements for such arrangements may not have been duly executed or adequately stamped or registered in the land records of the local authorities. We cannot assure you that we will be able to continue our use of all such properties or enforce our rights under such agreements, which may impair our operations and adversely affect our financial condition.

53. *Our Company has had negative cash flows in recent fiscal years.*

Our Company has had negative cash flows in recent fiscal years, as indicated in the table below.

	Period ended August 31, 2007 (Rs. million)	Fiscal 2007 (Rs. million)	Fiscal 2006 (Rs. million)	Fiscal 2005 (Rs. million)
Net cash generated from/(used in) operating activities	2,068.01	(5,137.79)	(391.98)	(125.60)
Net cash generated from/(used in) investing activities	(3,383.37)	(376.36)	(156.34)	235.08
Net cash generated from/(used in) financing activities	8,600.26	7,528.44	1,064.56	(92.88)

54. *For internal purposes, we measure our financial performance by preparing management accounts which treat unrealised profits and losses on investments on a mark-to-market basis, which differs from the current treatment under Indian GAAP (although this is due to change in the future). This difference may, among other things, impact our ability to measure our performance internally on a continuous basis in accordance with Indian GAAP.*

For internal purposes, we measure our financial performance (including the performance of our internal treasury operations) by preparing monthly management accounts ("**Management Accounts**") which treat unrealised profits and losses on investments (which constitute a significant part of our income and assets) on a mark-to-market basis. Under current Indian GAAP, we are generally required to account for unrealised losses and ignore unrealised gains on investments. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations--Critical Accounting Policies*". Our financial statements provided herein are prepared on the basis of Indian GAAP and presented as of August 31, 2007, and accordingly, we have not attempted to determine and are not aware of our Indian GAAP position as of any later date.

We intend to publish financial statements prepared in accordance with Indian GAAP, and any dividends paid by us will be based on profits measured in accordance with Indian GAAP. Given our generally large trading portfolio, financial statements prepared in accordance with current Indian GAAP may state lower (or higher) revenue compared to our Management Accounts (although we will consider adopting two new Indian accounting standards on accounting for financial instruments (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations--Critical Accounting Policies--Recent Changes*") when these become available for early adoption).

Although we believe that our Management Accounts provide an adequate basis for managing our internal treasury operations, trading positions and risks, the difference in treatment of investments in our Management Accounts and under current Indian GAAP may impact our ability to measure our performance internally on a continuous basis in accordance with Indian GAAP.

## **EXTERNAL RISK FACTORS**

### *55. We face strong competition from other financial services firms.*

The brokerage, investment banking and asset management industries are intensely competitive and we expect them to remain so. We compete on the basis of a number of factors, including client relationships, reputation, the abilities and past performance of our professionals, market focus and the relative quality and price of our services and products. We have experienced intense price competition with respect to our brokerage business, including large block trades, spreads and trading commissions. Pricing and other competitive pressures in investment banking, including the trends toward multiple book runners, co-managers and multiple financial advisors handling transactions, have continued and could adversely affect our revenues, even during periods where the volume and number of investment banking transactions are increasing. Competitive factors with respect to our asset management activities include the amount of firm capital we can invest in new products and our ability to increase assets under management, including our ability to attract capital for new investment funds. We believe we may experience competitive pressures in these and other areas in the future as some of our competitors seek to obtain market share by competing on the basis of price.

We are a relatively small investment bank with approximately 1047 employees as of September 30, 2007 and revenues of Rs. 697.5 million for the year ended March 31, 2007. Many of our competitors in the brokerage, investment banking and asset management industries have a broader range of products and services, greater financial and marketing resources, larger customer bases, greater name recognition, more senior professionals to serve their clients' needs, greater global reach and more established relationships with clients than we have. These larger and better capitalised competitors may be better able to respond to changes in the brokerage, investment banking and asset management industries, to compete for skilled professionals, to finance acquisitions, to fund internal growth, to withstand adverse market conditions and to compete for market share generally.

The scale of our competitors has increased in recent years as a result of substantial consolidation among companies in the brokerage and investment banking industries. In addition, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired underwriting or financial advisory practices and broker-dealers or have merged with other financial institutions. These firms have the ability to offer a wider range of products than we do, which may enhance their competitive position. They also have the ability to support investment banking with commercial banking, insurance and other financial services in an effort to gain market share, which has resulted, and could further result, in pricing pressure in our businesses. In particular, the ability to provide financing has become an important advantage for some of our larger competitors and, because we do not provide such financing, we may be unable to compete as effectively for clients in a significant part of the brokerage and investment banking market.

If we are unable to compete effectively with our competitors, our business, financial condition and results of operations will be adversely affected.

### *56. Intense competition from existing and new entities may adversely affect our revenues and profitability.*

We face significant competition from companies seeking to attract clients' financial assets, including traditional and online brokerage firms, mutual fund companies and institutional players, having wide presence and a strong brand name. As we enter newer markets, we are likely to face additional competition from those who may be better capitalised, have longer operating history, have greater retail and brand presence, and better management than us. If we are unable to manage our business it might impede our competitive position and profitability.

The financial services industry is rapidly evolving, intensely competitive and has few barriers to entry. We expect competition to continue and intensify in the future. Many of our competitors have significantly greater financial, technical, marketing and other resources than we do. Some of our competitors also offer a wider range of services and financial products than we do and have greater name recognition and a larger client base. These competitors may be able to respond more quickly to new or changing opportunities, technologies and client requirements. They may also be able to undertake more extensive promotional activities, offer more attractive terms to clients, and adopt more aggressive pricing policies. We may not be able to compete effectively with current or future competitors and competitive pressures faced by us may harm our business.

57. *A slowdown in economic growth in India could cause our business to suffer.*

The Indian economy has shown sustained growth over the last few years with GDP growing at 7.2% in fiscal 2003, 8.0% in fiscal 2004 and 8.5% in fiscal 2005 and 8.8% in fiscal in 2006 as per World Economic Outlook, IMF. However, growth in industrial and agricultural production in India has been varying. Industrial growth was 6.2% in fiscal 2003, 6.6% in fiscal 2004 and 8.3% during fiscal 2005. Agricultural production declined by 5.2% in fiscal 2003, grew by 9.6% in fiscal 2004 and by 1.1% in fiscal 2005. GDP growth in the first half of fiscal 2006 was reported at around 8.1% and RBI has raised its GDP growth forecast for fiscal 2006 to 7.5% to 8.0% from its previous estimate of 7.0% to 7.5%.

We currently operate primarily in the domestic Indian market, and our performance is intertwined with the overall economy, the GDP growth rate and the economic cycle in India. The Indian economy could be adversely affected by a number of factors. In particular, India depends on imported oil for its energy needs, importing approximately 41.9% of its requirements of crude oil during fiscal 2005, which represented approximately 27.9% of total imports during such fiscal year. A significant increase in the price of crude oil could adversely affect the Indian economy. India's economy could also be adversely affected by a general rise in interest rates and unfavourable weather conditions adversely affecting agriculture. Any slowdown in the Indian economy or volatility in global commodity prices, could adversely affect our business and impact our performance.

58. *Our performance is linked to the stability of policies and the political situation in India.*

The role of the Indian central and state governments in the Indian economy has remained significant over the years. Since 1991, the Government has pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector. There can be no assurance that these liberalisation policies will continue in the future. The rate of economic liberalisation could change, and specific laws and policies affecting financial services companies, foreign investment, currency exchange rates and other matters affecting investments in Indian companies could change as well. A significant change in India's economic liberalisation and deregulation policies could disrupt business and economic conditions in India, thus affecting our business.

The current Government is a coalition of several parties. The withdrawal of one or more of these parties could result in political instability. Any political instability could delay the reform of the Indian economy, which could materially adversely impact our business.

59. *Terrorist attacks or war or conflicts involving countries in which we operate or where our customers are located could adversely affect the financial markets and adversely affect our business.*

Terrorist attacks and other acts of violence, war or conflicts, particularly those involving India, as well as the U.S. and the EU, may adversely affect Indian and worldwide financial markets. Such acts may negatively impact business sentiment, which could adversely affect our business and profitability. India has from time to time experienced, and continues to experience, social and civil unrest, terrorist attacks and hostilities with neighbouring countries. Also, some of India's neighbouring countries have experienced, or are currently experiencing internal unrest. Such social or civil unrest or hostilities could disrupt communications and adversely affect the economy of such countries. Such events could also create a perception that investments in companies such as ours involve a higher degree of risk than investments in companies in other countries. This, in turn, could have a material adverse effect on the market for securities of such companies, including our Equity Shares. The consequences of any armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business.

60. *Natural calamities could have a negative impact on the Indian and other economies and harm our business.*

India, Bangladesh, Indonesia and other Asian countries have experienced natural calamities such as earthquakes, floods, droughts and a tsunami in recent years. Some of these countries have also experienced pandemics, including the outbreak of avian flu. The extent and severity of these natural disasters and pandemics determines their impact on these economies. Prolonged spells of abnormal rainfall and other natural calamities could have an adverse impact on the economies in which we have operations, which could adversely affect our business and the price of our Equity Shares.

61. *Investing in securities that carry emerging market risks can be affected generally by volatility in the emerging markets.*

The markets for securities bearing emerging market risks, such as risks relating to India, are, to varying degrees, influenced by economic and securities market conditions in other emerging market countries. Although economic conditions differ in each country, investors' reactions to developments in one country may affect securities of issuers in other countries, including India. Accordingly, the price and liquidity of the Equity Shares may be subject to significant fluctuations, which may not necessarily be directly or indirectly related to our financial performance.

62. *We will need final listing and trading approvals from the BSE and the NSE before trading commences.*

The Equity Shares are new issues of securities for which there is currently no trading market. Our Company will apply to the BSE and NSE for final listing and trading approvals after the allotment of the Equity Shares in the Issue. There can be no assurance that we will receive such approvals on time or at all. Also, no assurance can be given that an active trading market for the Equity Shares will develop or as to the liquidity or sustainability of any such market, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which shareholders will be able to sell their Equity Shares. If an active market for the Equity Shares fails to develop or be sustained, the trading price of the Equity Shares could fall. If an active trading market were to develop, the Equity Shares could trade at prices that may be lower than their initial offering price.

63. *Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business.*

Any adverse revision to India's credit rating for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our financial performance and our ability to obtain financing to fund our growth on favourable terms or at all.

64. *Fluctuations in operating results and other factors may result in decreases in our Equity Share price.*

Stock markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our Equity Shares. There may be significant volatility in the market price of our Equity Shares. If we are unable to operate profitably or as profitably as we have in the past, investors could sell our Equity Shares when it becomes apparent that the expectations of the market may not be realised, resulting in a decrease in the market price of our Equity Shares.

In addition to our operating results, the operating results of other financial services companies, changes in financial estimates or recommendations by analysts, governmental investigations and litigation, speculation in the press or investment community, the possible effects of a war, terrorist and other hostilities, changes in general conditions in the economy or the financial markets, or other developments affecting the financial services industry, could cause the market price of our Equity Shares to be issued to fluctuate substantially.

65. *Currency exchange rate fluctuations may affect the value of the Equity Shares.*

The exchange rate between the Indian Rupee and the U.S. Dollar has changed substantially in recent years and may fluctuate substantially in the future. Fluctuations in the exchange rate between the U.S. Dollar and the Rupee may affect the value of your investment in our Equity Shares. Specifically, if there is a change in relative value of the Rupee to the U.S. Dollar, each of the following values will also be affected:

- a) The U.S. Dollar equivalent of the Indian Rupee trading price of our Equity Shares in India;
- b) The U.S. Dollar equivalent of the proceeds that you would receive upon the sale in India of any of our Equity Shares; and
- c) The U.S. Dollar equivalent of cash dividends, if any, on our Equity Shares, which will be paid only in Indian Rupees.

You may be unable to convert Rupee proceeds into U.S. Dollars or any other currency or the rate at which any such conversion could occur could fluctuate. In addition, our market valuation could be seriously harmed by the devaluation of the Rupee if U.S. investors analyze our value based on the U.S. Dollar equivalent of our financial condition and results of operations.

66. *You will not be able to sell immediately on an Indian Stock Exchange any of the Equity Shares you purchase in the Issue.*

Under the SEBI Guidelines, we are permitted to allot Equity Shares within 15 days of the closure of the public issue. 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 the Equity Shares only after they have been credited to your demat account and final listing and trading approvals are received from the Stock Exchanges. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence, within the specified time periods.

67. *There has been no public market for the Equity Shares prior to this Issue so the Issue Price may not be indicative of the value of the Equity Shares.*

Prior to this Issue, there has been no public market for the Equity Shares in India or elsewhere. After this Issue, there will be no public market for the Equity Shares in any country other than India. The Issue Price will be determined by our Company in consultation with the BRLMs and could differ significantly from the price at which the Equity Shares will trade subsequent to completion of this Issue. We cannot assure you that even after the Equity Shares have been approved for listing on the Stock Exchanges, any active trading market for the Equity Shares will develop or be sustained after this Issue, or that the offering price will correspond to the price at which the Equity Shares will trade in the Indian public market subsequent to this Issue.

#### **NOTES TO RISK FACTORS:**

1. In terms of Rule 19(2)(b) of the SCRR, this Issue being less than 25% of the post Issue capital of our Company, the Issue is being made through the 100% Book Building process wherein at least 60% of the Net Issue would be available for allocation on a proportionate basis to QIBs. 5% of the QIB Portion would be available for allocation to Mutual Funds only and the remaining QIB Portion would be available for allocation to the QIB Bidders including Mutual Funds, subject to valid bids being received at or above the Issue Price. 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 would be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue would 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, 204,540 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.
2. This is a public Issue of 8,386,147 Equity Shares of Rs. 5 each for cash at a price of Rs. • per Equity Share, including a share premium of Rs. • per Equity Share, aggregating to Rs. • million. The issue comprises a Net Issue to the Public of 8,181,607 Equity Shares of Rs. 5 each and a reservation of 204,540 Equity Shares of Rs. 5 each for Eligible Employees of our Company. The Issue would constitute 11.19% of the post issue paid-up capital of our Company. The Net Issue would constitute 10.92% of the post issue paid-up capital of our Company. Under-subscription, if any, in the Non-Institutional Portion, Retail Individual Portion and the Employee Reservation Portion would be met with spill-over from other categories at the sole discretion of our Company in consultation with the BRLMs. For further information, see the section titled “Issue procedure” beginning on page 495;
3. The average cost of acquisition of our Equity Shares (on ‘first in first out’ basis) by our Promoters, Mr. Rashes Shah, Mr. Venkatchalam Ramaswamy, Ms. Vidya Shah and Ms. Aparna TC is Rs. 1.96, Rs. 3.14, Rs. 1.24 and Rs. 0.83 per Equity Share, respectively. For more information, see the section titled “Capital Structure” beginning on page 24. The average cost of acquisition of Equity Shares by our Promoters has been calculated by taking the average of the amounts paid by them to acquire the Equity Shares currently held by them;
4. Other than as stated in the section titled “Capital Structure”, our Company has not issued any Equity Shares for consideration other than cash;
5. Investors may note that in case of over-subscription in the Issue, Allotment to QIB Bidders, Non-Institutional Bidders and Retail Bidders shall be on a proportionate basis;

6. Except as disclosed in the sections titled “Capital Structure”, “Our Promoters and Promoter Group” or “Our Management” beginning beginning on pages 24, 142 and 95, respectively, none of our Promoters, our Directors and our key managerial employees have any interest in our Company except to the extent of remuneration and reimbursement of expenses and to the extent of the Equity Shares held, if any, by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, member, partner or trustee and to the extent of the benefits arising out of such shareholding;
7. Pertaining to our related party transactions, see the section titled “Financial Statements” beginning on page 150;
8. For details of transactions in the securities of the Company by our Promoters in the last six months, refer to the section titled “Capital Structure” beginning on page 24;
9. Trading in the Equity Shares of our Company for all investors shall be in dematerialised form only, after the Equity Shares are fully paid-up. For further details, see the section titled “Issue Procedure” beginning on page 495;
10. Investors are advised to refer to the section titled “Basis for Issue Price” beginning on page 53;
11. Any clarification or information relating to the Issue shall be made available by the BRLMs and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever;
12. Investors may contact the BRLMs and the Syndicate Members for any complaints pertaining to the Issue;
13. The net worth of our Company, on a consolidated basis, is Rs. 8,795.79 million, as at August 31, 2007, as per the restated consolidated financial statements of our Company under Indian GAAP in the section titled “ Financial Statements” beginning on page 150;
14. The net asset value/ book value per Equity Share was Rs. 132.16 as at August 31, 2007, as per the restated consolidated financial statements of our Company under Indian GAAP in the section titled “Financial Statement” beginning on page 150;
15. Certain Promoter Group entities which hold Equity Shares in our Company are interested only to the extent of shareholding in our Company. For details, see the section titled “Capital Structure” beginning on page 24; and
16. Our Company has not made any loans and advances to any person(s)/company in which the Directors are interested.

## SECTION III : INTRODUCTION

### SUMMARY OF OUR BUSINESS, STRENGTHS AND STRATEGIES

We are a diversified financial services company in India, providing investment banking, institutional equities, private client broking, asset management, wealth management, insurance broking and wholesale financing services to corporate, institutional and high net worth individual clients. We are headquartered in Nariman Point, Mumbai and we operate from another 43 offices in 19 Indian cities.

Since our commencement of business in 1996, we have grown from a boutique investment bank into a diversified Indian financial services company organised under agency and capital business lines and operate through the Company and its thirteen subsidiaries. Our agency business lines include investment banking, institutional equities, private client broking, asset management and investment advisory services, wealth management and insurance broking; our capital business lines includes wholesale financing services and our internal treasury operations. The following table sets forth our agency and capital business lines, as carried out by our Company and our Subsidiaries:

Name of Entity	Agency business lines	Capital business lines
Edelweiss Capital Limited	Investment Banking, PMS, Asset Management	-
Edelweiss Securities Limited	Institutional Equities, Private Client Broking, Wealth Management	Internal Treasury Operations
ECAL Advisors Limited	Private Client Broking	Internal Treasury Operations
Edelweiss Capital USA, LLC	-	-
Crossborder Investments Private Limited	-	Wholesale Financing, Internal Treasury Operations
Edelweiss Insurance Brokers Limited	Insurance Broking	-
Edelweiss Trustee Services Private Limited	-	-
ECL Finance Limited	-	Wholesale Financing, Internal Treasury Operations
Edelcap Securities & Transaction Services Private Limited	-	-
EC Global Limited	Asset Management	Internal Treasury Operations
Edelweiss Asset Management Private Limited	-	-
Edelweiss Trusteeship Company Private Limited	-	-

In the year ended March 31, 2007, revenues from our agency business lines (primarily attributable to our investment banking and institutional equities activities) were Rs. 2,154.3 million, while revenues from our capital business lines (primarily attributable to our internal treasury operations) were Rs. 1,406.9 million. The following table sets forth the revenue for our Company and its Subsidiaries from each line of business for the Fiscal 2007:

Particulars	Agency Business Lines (Rs. in million)	Capital Business Lines (Rs. in million)		Others (Rs. in million)		Total (Rs. in million)
	Fee, brokerage and commission income	Trading and arbitrage income	Investments and dividend income	Other Income	Interest Income	
Edelweiss Capital Limited	576.38	(94.60)	144.11	4.95	121.77	752.61
Edelweiss Securities Limited	1,326.20	1,155.69	34.69	8.08	86.47	2,611.13
Crossborder Investments Private Limited	11.91	129.38	65.17	10.62	71.84	288.92
ECAL Advisors Limited	119.20	42.61	0.53	0.03	0.53	162.91
ECL Finance Limited	0.35	9.37	20.11	-	0.19	30.02
Edelweiss Insurance Brokers Limited	32.90	-	-	0.45	0.55	33.90
EC Global Limited	99.70	(100.23)	0.06	-	-	(0.47)
Edelweiss Capital USA, LLC	-	-	-	-	-	-

Particulars	Agency Business Lines (Rs. in million)	Capital Business Lines (Rs. in million)		Others (Rs. in million)		Total (Rs. in million)
	Fee, brokerage and commission income	Trading and arbitrage income	Investments and dividend income	Other Income	Interest Income	
Edelweiss Trustee Services Private Limited	1.47	-	-	-	-	1.47
Edelcap Securities and Transaction Services Private Limited	-	-	-	0.54	4.49	5.03
Edelweiss Real Estate Advisors Private Limited	15.29	-	-	-	0.15	15.44
<b>Total</b>	<b>2,183.40</b>	<b>1,142.22</b>	<b>264.67</b>	<b>24.67</b>	<b>285.99</b>	<b>3,900.95</b>

In the five month period ended August 31, 2007, revenues from our agency business lines (primarily attributable to our investment banking and institutional equities activities) were Rs. 1,371.88 million, while revenues from our capital business lines (primarily attributable to our internal treasury operations) were Rs. 1,223.02 million. The following table sets forth the revenue for our Company and its Subsidiaries from each line of business for the period April 1, 2007 to August 31, 2007:

Particulars	Agency Business Lines (Rs. in million)	Capital Business Lines (Rs. in million)		Others (Rs. in million)		Total (Rs. in million)
	Fee, brokerage and commission income	Trading and arbitrage income	Investments and dividend income	Other Income	Interest Income	
Edelweiss Capital Limited	388.00	(1.93)	26.94	0.25	163.71	576.97
Edelweiss Securities Limited	857.92	538.04	106.35	4.96	143.27	1,650.54
Crossborder investments Private Limited	31.62	329.71	18.06	0.55	36.74	416.68
ECAL Advisors Limited	72.79	69.52	3.34	0.18	21.45	167.28
ECL Finance Limited	11.37	107.09	16.80	-	101.17	236.43
Edelweiss Insurance Brokers Limited	28.67	-	-	-	0.26	28.93
EC Global Limited	25.18	(7.82)	16.63	-	3.66	37.65
Edelweiss Capital USA, LLC	-	-	-	-	-	-
Edelweiss Trustee Services Private Limited	1.11	-	-	-	-	1.11
Edelcap Securities and Transaction Services Private Limited	-	-	-	-	1.78	1.78
Edelweiss Real Estate Advisors Private Limited	11.48	-	-	-	0.38	11.86
<b>Total</b>	<b>1,428.14</b>	<b>1,034.61</b>	<b>188.12</b>	<b>5.95</b>	<b>472.42</b>	<b>3,129.24</b>

### ***Agency business lines***

*Investment Banking.* Our investment banking business provides a broad range of services, including equity capital markets transaction execution, mergers and acquisitions advisory, structured finance advisory, private equity advisory, real estate advisory and infrastructure advisory.

*Institutional Equities.* Our institutional equities business provides sales-trading, distribution and research to institutional investors, both FIIs and domestic institutional investors. As of September 30, 2007, we had over 150 institutional investors actively doing business with us and approximately 145 professionals in our institutional equities business.

*Private Client Brokerage.* Our private client brokerage services are targeted at high net worth and other individuals who actively invest and trade in equity markets and seek priority service with customised research and advisory support. As of September 30, 2007, we provided private client brokerage services to more than 5,000 active private client accounts.

*Wealth Management.* We have recently entered the wealth management business, which provides investment advisory and planning services to high net worth individuals.

*Asset Management.* Through our asset management and investment advisory services business, we advise three funds (one of which we also manage) with an aggregate corpus of the equivalent of over US\$330 million.

*Insurance Brokerage.* We provide brokerage services for non-life insurance products of major insurance companies in India. Our insurance brokerage professionals are experienced in distributing fire and fleet insurance products, particularly in niche areas of insurance such as transport fleet insurance and art insurance.

### ***Capital business lines***

*Treasury.* Our internal treasury operations manage our excess capital funds. We do so by investing our capital in what we believe to be low-risk strategies, maintaining positions which we can liquidate economically within a few days. We structure our treasury investments to maintain sufficient liquidity in our portfolio to support the capital needs of our other businesses.

*Wholesale Financing.* We recently entered the wholesale financing business to provide our high net worth individual and corporate clients with loans against shares (including promoter financing), loans to finance subscriptions of IPO shares and loans against mutual fund units.

We employed approximately 1047 full time employees as of September 30, 2007, including 51 research professionals. In fiscal 2005, 2006 and 2007 and five months ended August 31, 2007, our consolidated total income was Rs. 770.5 million, Rs. 1,580.0 million and Rs. 3,712.5 million and Rs.2,848.62 million, respectively. In fiscal 2005, 2006 and 2007 and five months ended August 31, 2007, our consolidated profit after taxation and minority interest was Rs. 224.8 million, Rs. 405.5 million, Rs. 1,090.1 million and Rs. 809.29 million respectively.

### **Competitive Strengths**

#### ***An integrated financial services platform***

We offer our clients an integrated financial services platform, offering various financial services and products, including investment banking, institutional equities, private client brokerage, wealth management, asset management and investment advisory services, insurance brokerage and wholesale financing. Our integrated service platform allows us to leverage relationships across lines of businesses and our industry and product knowledge by providing multi-channel delivery systems to our client base, thereby increasing our ability to cross-sell our services. For instance, our service platform enables us to successfully cross-sell products and services such as wealth management and wholesale financing alternatives to our investment banking clients.

### ***Diversified and balanced mix of businesses***

We believe in maintaining a balanced mix between our lines of business. Our agency businesses comprise investment banking, institutional equities, private client brokerage, wealth management, asset management and investment advisory services and insurance brokerage; and our capital businesses comprise wholesale financing services and internal treasury operations. We continue to explore opportunities to build new businesses and widen our product portfolio to include products and services that are adjacent to our current offerings, where we can leverage our existing expertise. We believe that our presence in diverse lines of business across asset classes enables us to reduce risks arising from product and client concentration. We monitor the contribution of our various lines of business as a percentage of total revenue and actively seek to maintain a balanced mix between our agency and capital business lines.

### ***Our people, our strong “partnership” culture and unique model of employee ownership.***

We believe that our senior management and our talented and experienced professionals are the principal reason why we have achieved significant growth and success in all of our businesses. Most of the members of our senior management team have been with us for the last five years. Our senior management team is supported by professionals with a variety of backgrounds in investment banking, equity sales and trading, asset management and investment advisory services, wholesale financing, insurance broking and other disciplines related to our businesses. We believe that the extensive experience and financial acumen of our management and professionals provide us with a significant competitive advantage.

We believe that our model of high level of employee ownership inculcates a strong culture of partnership, ownership, commitment, and entrepreneurial spirit among our employees. As at the date hereof, approximately 11.3% of the fully diluted equity share capital of our Company is owned by our employees (not including those of our promoters who are also employees) and an employee trust while shares representing another 9.0% (on a fully diluted basis) have been granted pursuant to our employee stock option plan schemes. We believe that by motivating employees through our partnership culture, we are able to recruit talented professionals and reduce employee attrition. See the section titled “Capital Structure” beginning on page 24.

### ***Proven ability to capitalise on emerging capital market trends***

Since our inception, we have been successful at identifying emerging trends in the Indian capital markets and creating business lines and service offerings around them. Set forth below are certain instances where we have demonstrated our ability to capitalize on emerging capital market trends.

- i. In the late 1990s, we identified the emerging wave of private equity investing in India and were among the earliest investment banks to establish a presence in the Indian private equity advisory business.
- ii. In 2001, when equity derivatives were introduced in the Indian capital markets, we were among the earliest companies to undertake arbitrage and multi-book trading by allocating significant resources to the study and analysis of derivative markets and instruments.
- iii. In 2004, with the entry of alternative asset management funds in India, we launched our alternative, active client broking desk (Alternative Investment and Derivatives Desk) and established the structured finance group within our investment banking business to service investors both in primary and secondary markets.
- iv. In 2006, we identified the Indian real estate sector as an emerging sector and set up a real estate fund within our asset management and investment advisory services business which we both manage and advise, and devoted a dedicated team of individuals in our investment banking business to focus on the real estate sector.
- v. In 2006, we managed the first Qualified Institutional Placement under the new regulatory framework in India for Qualified Institutional Placements.
- vi. In 2006, we acted as financial advisors to the first listing by an Indian corporate, Noida Toll Bridge Company Limited, in the Alternative Investments Market (AIM), London.

### ***Research driven approach***

We believe we have a strong research platform with our research products, consisting of fundamental and alternative research, catering to institutional and high net worth individual investors.

Our fundamental research covers approximately 190 companies, which represent approximately 69% of the market capitalisation of all companies listed on the Bombay Stock Exchange as on August 1, 2007 (calculated by dividing the market capitalisation of all companies under our coverage by the market capitalisation of all stocks listed on the BSE. Source: Bloomberg). We believe that our strength lies in identifying emerging investment themes that will drive economic activity, investments, growth and profitability of companies and showcasing them to our clients. Set forth below are certain instances when we have brought value to our clients by timely identifying investment themes.

- i. *Manufactured Exports.* In 2003, when long term institutional investors were focused on the Indian services outsourcing successes led by the IT and Business Process Outsourcing (“BPO”) industry, we conceptualised our research to emphasise the wider outsourcing opportunity by including the export-oriented manufacturing industry in India.
- ii. *Lifestyle Consumption.* In late 2005, while investors were focused on particular sectors such as hotels, media or retail we identified an overall macroeconomic trend favouring “lifestyle consumption” products and services.
- iii. *Infrastructure.* In 2006, we integrated the emerging infrastructure theme across sectors and companies into a comprehensive research publication that highlighted the larger investment opportunity in the Indian infrastructure industry.

Our alternative research utilises quantitative techniques to identify short-term and medium-term investment opportunities in the capital markets. Our product suite comprises several differentiated products including the following:

- i. *Relative Strength Comparison* – where we evaluate relative strength of companies across sectors
- ii. *Pair Strategy* – where we evaluate investment opportunities in companies in the same sectors, depending upon the relative performance of the stock prices
- iii. *Edelweiss Market Scan* – where we showcase performance of companies, sectors and the market on a weekly basis
- iv. *Master Moves* – where we track corporate actions announced by companies, and their implications
- v. *Sector fact sheets* – which serve as ready-reckoners on historical and projected operating performance and trading multiples

### ***Strong track record of high growth and profitability***

Our consolidated revenues and net profits after minority interest have grown at a CAGR of 119.5% and 120.20% respectively between fiscal 2005 and fiscal 2007. Our consolidated revenues have grown from Rs. 770.5 million in fiscal 2005 to Rs. 1,580 million in fiscal 2006 and to Rs. 3,712.5 million in fiscal 2007. Our consolidated net profits after minority interest have increased from Rs. 224.8 million in fiscal 2005 to Rs. 405.5 million in fiscal 2006 and to Rs. 1,090.1 million in fiscal 2007. Our consolidated revenues and net profit after minority interest for the five month period ended August 31, 2007 was Rs. 2848.62 million and Rs. 809.30 million, respectively. We believe that our strong track record of high growth and profitability is a competitive strength.

### ***Strong corporate and institutional relationships***

We believe that our focus on nurturing long-term relationships with companies, and serving these companies through the course of their development, has enabled us to form strong relationships with these clients, thereby leading to repeat business. Our dedicated focus on client coverage and our ability to provide ongoing and innovative solutions enables us to establish long-term relationships with corporate, institutional and high net

worth individual clients. We believe that these deep relationships provide us with an advantage in attracting deal flow and securing transactions.

### ***Strong investor relationships***

We have raised capital for the Group, our clients and across a broad range of asset classes within our alternative asset management platform, and we believe that our strong network of investor relationships, together with our long-term track record of providing investors avenues to superior risk-adjusted investment returns, will enable us to continue to grow our assets under advise and management across our investment platform, as also finance our own future expansion and growth.

We believe that the strength of our investor relationships is indicated by the institutional shareholders in our Company including investment vehicles managed by Heliconia Pte Limited (which is currently a wholly owned subsidiary of GIC (Ventures) Pte Ltd held through a wholly owned subsidiary Lathe Investment Pte Ltd), Greater Pacific Capital, Galleon International, Sequoia, Shuaa Capital and Lehman Brothers. We also believe that the reputation, financial strength and networks of our institutional shareholders are competitive strengths.

### ***Established and Respected Brand***

Our success as a provider of financial services is built upon client relationships. We believe that our clients associate the Edelweiss brand name with knowledge leadership, differentiated, high quality services, creative solutions to strategic and financial challenges and sound execution of our clients' transactions. This we believe helps us win new business as well as repeat business from satisfied clients.

### ***Strong internal controls and risk management systems***

We believe we have strong internal controls and risk management systems employed throughout the firm to assess and monitor risks across our various business lines. Our board of directors has appointed a risk committee to monitor and manage risk at the firm level. Our risk management systems function through an independent department for accounts and operations, risk control software and a dedicated centralized risk management team. We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit and operational reporting systems. We believe that we have effective procedures for evaluating and managing the market, credit and other risks to which we are exposed as well as protecting our reputation in the market.

## **Business Strategy**

### ***Continue to build a diversified business platform***

We intend to continue to build a diversified business platform by identifying business opportunities with strong long term prospects for growth and profitability and offering products and services across a broad spectrum of financial services. We believe that this will enable us to maintain growth and profitability notwithstanding market cycles by limiting our dependence on any particular line of business.

### ***Consolidating our position in existing lines of business***

We intend to continue to maintain high growth and profitability by increasing the scope and intensity of activities in our existing lines of business with added focus on the new lines of business that we have commenced during the previous 18 months (i.e., wholesale financing, asset management and investment advisory services and wealth management).

In Investment Banking, we will continue to build new relationships and strengthen existing relationships with our corporate and institutional clients by focused coverage activities and quality execution of strategic advisory, equity capital markets and capital raising transactions.

In Institutional Equities, we will continue to focus on advising our institutional investor clients on attractive investment opportunities based upon emerging themes in the economy and the capital markets, backed by strong, independent research. We will continue to expand and strengthen our coverage of stocks under coverage and alternative research products on the one hand and empanelment with large institutional investors on the other hand. We believe our research products and our trade execution capability will help us further strengthen

our relationships with our institutional investor clients.

In Private Client Brokerage, we expect to further expand our network of branches and third party partners as we allocate more resources towards growing the business.

In Wealth Management, we intend to build on our success in leveraging relationships with high-net-worth individuals across the various businesses of our Company and further grow our client base.

In Asset Management and investment advisory services, we are focused on increasing the scale of the business by growing the existing funds for which we act as investment advisor or manager and providing advisory or management services to new funds.

In Insurance Brokerage, our current focus is on general insurance brokerage in the fire and auto insurance brokerage markets and we intend on expanding our coverage to other markets.

In Wholesale Financing, we have recently devoted senior management and capital resources to this business and intend to grow it rapidly.

In our internal treasury operations, we intend to continue to manage our residual capital with an objective to generate superior risk-adjusted returns by investing in low risk strategies in the capital markets

***Continue to expand our lines of business into complementary businesses***

In addition to consolidating our existing lines of business, we intend to continue expanding into complementary businesses in the equities, debt, commodities, real estate, insurance and other financial markets. Our recently launched asset management and investment advisory services business and wholesale financing businesses are in the process of being scaled up and we believe that these represent meaningful market opportunities where we intend to expand our presence. We believe that the Indian debt capital market represents another market opportunity which is presently underdeveloped but where we believe a significant amount of the growth of the Indian capital markets will come from in the coming years. Our wholesale financing business is a first step in the direction of establishing a presence in the debt market.

***Attracting and retaining the highest quality professionals.***

Our people are our most important asset, and it is their reputation, talent, integrity and dedication that results in our success. We offer a highly entrepreneurial culture with a strong, team-based approach that we believe is attractive to our employees. We have been successful in attracting and retaining key professionals and intend to continue to seek out talent to further enhance and grow our business. Additionally, we believe that becoming a publicly traded company will further enable us to offer attractive stock-based incentives to talented professionals, which will aid our recruitment effort and our retention of key employees.

## THE ISSUE

Public Issue of the Company's Equity Shares:	8,386,147 Equity Shares
<i>Of which</i>	
Employee Reservation Portion	Upto 204,540 Equity Share available for allocation on a proportionate basis
Therefore Net Issue to the Public	8,181,607 Equity Shares
<i>Of which</i>	
Qualified Institutional Buyers Portion:	At least 4,908,965 Equity Shares (allocation on proportionate basis) out of which 5% of the QIB Portion or 245,448 Equity Shares (assuming the QIB Portion is 60% of the Net Issue) shall be available for allocation on a proportionate basis to Mutual Funds only (Mutual Funds Portion), and 4,663,517 Equity Shares (assuming the QIB Portion is 60% of the Net Issue) shall be available for allocation to all QIBs, including Mutual Funds
Non-Institutional Portion:	Up to 818,160 Equity Shares available for allocation on proportionate basis
Retail Portion:	Up to 2,454,482 Equity Shares available for allocation on proportionate basis
Equity Shares outstanding prior to the Issue as on date of filing the RHP:	66,535,608 Equity Shares
Equity Shares outstanding post the Issue:	74,921,755 Equity Shares
Objects of the Issue:	See the section titled "Objects of the Issue" beginning on page 47.

## SUMMARY FINANCIAL INFORMATION

The following tables present the summary financial information of our Company and have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines. The summary financial information should be read in conjunction with the Auditor's reports and notes thereto contained in the section titled "Financial Statements" beginning on page 150 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 435.

### STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES AS RESTATED

*(Currency: Indian rupees in millions)*

As at	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
<b>A. Fixed assets</b>						
Gross block	255.14	213.27	105.71	58.77	38.46	34.43
Less: accumulated depreciation	93.91	75.85	38.36	17.86	16.23	13.71
Net block	161.23	137.42	67.35	40.91	22.23	20.72
Capital work-in-progress	38.93	32.69	-	-	-	-
Total	200.16	170.11	67.35	40.91	22.23	20.72
<b>B. Investments</b>	4,267.78	824.38	323.66	102.10	360.61	34.01
<b>C. Deferred tax asset (net)</b>	15.08	11.26	4.18	1.69	-	-
<b>D. Current assets, loans and advances</b>						
Stock-in-trade	7,277.68	5,756.43	1,404.52	271.29	65.68	131.43
Sundry debtors	410.68	583.19	364.10	122.22	111.15	11.95
Cash and bank balances	9,935.72	2,650.82	636.53	120.29	103.69	72.34
Other current assets	591.69	75.49	10.33	3.47	1.55	2.63
Loans and advances	6,195.62	2,615.71	700.30	499.97	137.06	32.75
Total	24,411.39	11,681.64	3,115.78	1,017.24	419.13	251.10
Total assets	28,894.41	12,687.39	3,510.97	1,161.94	801.97	305.83
<b>E. Liabilities and provisions</b>						
Deferred tax liability (net)	-	-	-	-	1.48	1.03
Minority interest	2,269.66	1,398.79	3.43	62.12	13.47	29.96
Loan funds						
Secured loans	88.23	67.55	71.22	58.60	43.41	0.12
Unsecured loans	9,677.76	3,802.28	433.92	61.78	174.32	14.90
Current liabilities and provisions						
Current liabilities	7,854.37	1,461.54	1,173.15	403.84	245.68	27.47
Provisions	208.60	134.03	45.09	36.25	20.71	5.68
Total liabilities and provisions	20,098.62	6,864.19	1,726.81	622.59	499.07	79.16
<b>F. Net worth (A+B+C+D-E)</b>	8,795.79	5,823.20	1,784.16	539.35	302.90	226.67
Represented by:						
Shareholders funds						
Share capital	335.28	50.44	37.84	28.60	27.50	27.30
Stock options outstanding account	40.53	36.20	25.03	13.97	1.13	-
Share application money pending allotment	-	-	-	0.11	0.60	-
Reserves and surplus	8,419.98	5,736.56	1,721.29	496.67	273.67	199.37
Total net worth (as restated)	8,795.79	5,823.20	1,784.16	539.35	302.90	226.67

**STATEMENT OF CONSOLIDATED PROFIT AND LOSS, AS RESTATED**

(Currency: Indian rupees in millions)

Period/year ended on	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
<b>Income</b>						
Fee, brokerage and commission income	1,371.88	2,154.30	992.88	423.98	141.00	52.65
Trading and arbitrage income	1,034.62	1,142.19	447.36	212.75	106.78	24.53
Investment and dividend income	188.40	264.67	104.13	112.18	51.60	8.27
Interest income	250.91	128.59	25.50	13.38	3.54	5.12
Other income	2.81	22.78	10.12	8.20	3.07	2.16
<b>Total income</b>	<b>2,848.62</b>	<b>3,712.53</b>	<b>1,579.99</b>	<b>770.49</b>	<b>305.99</b>	<b>92.73</b>
<b>Expenditure</b>						
Employee costs	640.38	816.85	346.39	182.76	73.14	25.93
Operating and other expenses	550.50	933.06	464.75	196.13	89.46	48.35
Depreciation	18.87	37.70	20.52	9.67	5.17	3.78
Financial expenses	359.93	186.89	53.83	34.44	18.65	3.47
Goodwill on consolidation written off	-	0.30	-	-	-	14.77
<b>Total expenditure</b>	<b>1,569.68</b>	<b>1,974.80</b>	<b>885.49</b>	<b>423.00</b>	<b>186.42</b>	<b>96.30</b>
<b>Net profit before tax and extraordinary items</b>	<b>1,278.94</b>	<b>1,737.73</b>	<b>694.50</b>	<b>347.49</b>	<b>119.57</b>	<b>(3.57)</b>
<b>Provision for taxation</b>						
- Income tax (including short provision for earlier years)	437.85	647.35	225.13	116.48	37.98	6.34
- Deferred tax charge/(credit)	(3.85)	(7.07)	1.49	(3.17)	0.45	(0.09)
- Fringe benefit tax	3.52	5.70	3.34	-	-	-
<b>Net profit after tax &amp; before extraordinary items</b>	<b>841.42</b>	<b>1,091.75</b>	<b>464.54</b>	<b>234.18</b>	<b>81.14</b>	<b>(9.82)</b>
Extraordinary items (net of tax)	-	-	20.72	-	-	-
<b>Net profit after extraordinary items and before minority interest</b>	<b>841.42</b>	<b>1,091.75</b>	<b>443.82</b>	<b>234.18</b>	<b>81.14</b>	<b>(9.82)</b>
Share of minority interest in profit for the year	32.13	1.67	37.93	9.36	4.49	0.75
Adjustment on account of change in minority interest	-	-	0.40	-	-	-
<b>Net profit/(loss) after minority interest</b>	<b>809.29</b>	<b>1,090.08</b>	<b>405.49</b>	<b>224.82</b>	<b>76.65</b>	<b>(10.57)</b>
<b>Balance in profit/(loss) account brought forward</b>	<b>1,654.22</b>	<b>628.89</b>	<b>282.85</b>	<b>76.90</b>	<b>23.79</b>	<b>36.72</b>
Less: Adjustment on account of minority interest	-	-	0.70	-	-	-
	1,654.22	628.89	282.15	76.90	23.79	36.72
<b>Balance available for appropriations</b>	<b>2,463.51</b>	<b>1,718.97</b>	<b>687.64</b>	<b>301.72</b>	<b>100.44</b>	<b>26.15</b>
<b>Appropriations</b>						
Transfer to general reserve	-	27.06	4.39	-	-	0.78
Transfer to special reserve under section 45-1C of the Reserve Bank of India Act, 1934, of India	-	22.96	6.55	2.84	1.80	0.04
Interim dividend	-	11.27	-	-	-	-
Transfer to/(from) debenture redemption reserve	(44.46)	1.88	42.18	12.85	19.42	-
Proposed dividend	-	-	4.88	2.80	2.06	1.37
Dividend distribution tax	-	1.58	0.68	0.37	0.26	0.17
Dividend distribution tax for prior year	-	-	0.07	0.01	-	-
<b>Balance in profit and loss account, as restated</b>	<b>2,507.96</b>	<b>1,654.22</b>	<b>628.89</b>	<b>282.85</b>	<b>76.90</b>	<b>23.79</b>
<b>Total</b>	<b>2,463.51</b>	<b>1,718.97</b>	<b>687.64</b>	<b>301.72</b>	<b>100.44</b>	<b>26.15</b>

## CONSOLIDATED CASH FLOW STATEMENT, AS RESTATED

(Currency: Indian rupees in millions)

	Period/year ended on	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
A	Cash flow from operating activities						
	Profit/(loss) before taxation	1,278.94	1,737.73	694.50	347.49	119.57	(3.57)
	Adjustments for						
	Depreciation	18.87	37.70	20.52	9.67	5.17	3.78
	Net provision for loss on equity index/stock options	20.99	12.05	1.97	4.27	0.05	0.12
	Provision for gratuity	7.61	8.33	1.75	(0.23)	0.45	1.08
	Amortisation of employee stock option plan cost	4.34	11.17	11.06	12.84	1.13	-
	Profit on sale of investments	(71.72)	(200.08)	(88.58)	-	-	-
	Dividend on current investments	(8.52)	(19.20)	(0.70)	-	-	-
	Diminution in value of long term investments (written back)/provided (net)	-	(12.88)	(1.50)	(1.24)	6.84	2.81
	Diminution in value of current investments (written back)/provided (net)	-	(1.37)	(2.77)	4.18	0.18	-
	Goodwill on consolidation written off	-	0.30	-	-	-	14.77
	(Profit)/loss on sale of fixed assets (net)	(0.05)	(0.01)	0.01	3.60	(0.14)	-
	Provision for doubtful debts written back	(0.01)	(1.06)	-	2.72	(0.27)	-
	Provision for doubtful debts	0.23	3.81	0.40	-	-	-
	Bad debts and advances written off	2.24	2.89	0.12	3.02	0.02	0.70
	Financial expenses	359.93	186.89	53.83	34.44	18.65	-
	Extraordinary item	-	-	(28.74)	-	-	-
	Interest income - gross	(163.32)	(68.27)	(25.50)	(13.38)	(3.54)	(5.12)
	Operating cash flow before working capital changes	1,449.53	1,698.00	636.37	407.38	148.11	14.57
	Adjustments for						
	(Increase)/decrease in stock in trade	(1,521.25)	(4,351.91)	(1,133.24)	(205.61)	65.75	(101.91)
	(Increase)/decrease in debtors	170.07	(224.73)	(242.40)	(16.81)	(98.96)	(8.92)
	(Increase)/decrease in other current assets	(386.84)	(28.46)	-	-	-	-
	(Increase)/decrease in other receivables	(3,590.49)	(1,925.14)	(202.30)	(365.83)	(104.36)	59.44
	Increase/(decrease) in trade payables	6,321.40	261.32	775.46	156.83	218.22	8.88
	Cash (used in)/generated from operations	2,442.42	(4,570.92)	(166.11)	(24.04)	228.76	(27.94)
	Income taxes (paid)/refund received	(374.41)	(566.87)	(225.87)	(101.56)	(24.17)	0.97
	Net cash (used in)/generated from operating activities	2,068.01	(5,137.79)	(391.98)	(125.60)	204.59	(26.97)
B	Cash flow from investing activities						

Period/year ended on	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Interest received	28.65	31.57	18.64	11.46	4.62	2.50
Dividend received on current investments	8.52	19.20	0.70	-	-	-
Purchase of fixed assets	(49.09)	(140.76)	(55.48)	(33.85)	(8.01)	(12.02)
Proceeds from sale of fixed assets	0.19	0.32	0.01	1.90	1.46	-
Purchase of investments (net)	(3,371.64)	(286.69)	(120.21)	255.57	(333.62)	62.54
Net cash (used in)/generated from investing activities	(3,383.37)	(376.36)	(156.34)	235.08	(335.55)	53.02
C Cash flow from financing activities						
Proceeds from issue of share capital including premium received	2,157.78	2,942.99	834.69	1.96	0.79	0.94
Change in minority interest	843.33	1,393.69	(97.72)	39.29	(20.98)	29.21
Change in foreign exchange translation reserve	1.92	7.65	(0.11)	-	(0.02)	0.01
Dividend paid	-	(16.15)	(2.80)	(2.06)	(1.37)	-
Dividend distribution tax paid	-	(2.26)	(0.44)	(0.27)	(0.17)	-
(Repayment of)/proceeds from secured loans	20.68	(3.67)	12.63	15.18	43.29	(0.37)
(Repayment of)/proceeds from unsecured loans	5,875.49	3,368.37	372.14	(112.54)	159.42	14.76
Interest paid on loans	(298.94)	(162.18)	(53.83)	(34.44)	(18.65)	-
Net cash generated from/(used in) financing activities	8,600.26	7,528.44	1,064.56	(92.88)	162.31	44.55
Net increase in cash and cash equivalents (A+B+C)	7,284.90	2,014.29	516.24	16.60	31.35	70.60
Cash and cash equivalent as at the beginning of the year/period	2,650.82	636.53	120.29	103.69	72.34	1.74
Cash and cash equivalent as at the end of the year/period	9,935.72	2,650.82	636.53	120.29	103.69	72.34

Note:

1. Please refer the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page 435 describing reasons for the increase in unsecured loans, stock in trade, loans and advances, reserves and surplus and total income.

## GENERAL INFORMATION

### Registered Office and Corporate Office of our Company

14<sup>th</sup> Floor, Express Towers,  
Nariman Point,  
Mumbai 400 021,  
India  
Tel: + 91 22 2286 4400  
Fax: + 91 22 2286 4278  
E-mail: ecl.ipo@edelcap.com

### Registration number

11-94641 of 1995

### Corporate identification number

U99999MH1995PLC094641

### Address of the RoC

The Registrar of Companies, State of Maharashtra  
Everest House,  
100 Marine Drive,  
Mumbai 400 002  
Maharashtra,  
India.

### Our Board

Name, designation and occupation	Age (years)	Residential Address
<i>Mr. Rashesh Shah</i> CEO, Chairman and Managing Director Business Executive	45	123, Carmichael Road, Mumbai 400 026
<i>Mr. Venkatchalam Ramaswamy</i> Executive Director Business Executive	41	142, Beach Tower, P Balu Road, Prabhadevi, Mumbai 400 025
<i>Mr. Ramanan Raghavendran</i> Independent Director Business Executive	39	116 W29 <sup>th</sup> Street, Apartment 6, New York, USA 10001
<i>Mr. Sunil Wadhvani</i> Independent Director Business Executive	55	930 Usage Road, Pittsburgh, Pennsylvania 15243, USA
<i>Mr. Sanjay Santhanam</i> Non- Executive Nominee Director Business Executive	41	3 Nicholas Avenue, Greenwich CT, US 006831
<i>Mr. Kunnasagaran Chinniah</i> Non- Executive Nominee Director Business Executive	50	12 Countryside Grove, Singapore, 789967
<i>Mr. Narendra J Jhaveri</i> Independent Director Business Executive	71	C-42, Samrat Residency, Premchandnagar Road, Bodakdev, Ahmedabad 380015, Gujarat
<i>Mr. P. N. Venkatachalam</i> Independent Director Business Executive	63	3C, Settlor Manor, No.2, Sivaswamy Street (Behind UTI Bank) Off.Dr.Radhakrishnan Salai, Mylapore, Chennai 600 004

For further details of the members of our Board, see the section titled “Our Management” beginning on page 95.

**Company Secretary and Compliance Officer**

Ms. Shilpa Soti  
14<sup>th</sup> Floor, Express Towers,  
Nariman Point,  
Mumbai 400 021,  
India  
Tel: + 91 22 2286 4400  
Fax: + 91 22 2286 4278  
E-mail: ecl.ipo@edelcap.com

Investors can contact the compliance officer in case of any pre-Issue or post-Issue related problems, such as non-receipt of letters of Allotment, credit of Allotted Equity Shares in the respective beneficiary accounts and refund orders.

**Book Running Lead Managers**

**Kotak Mahindra Capital Company Limited**

3rd Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021, India  
Tel: +91 22 6634 1100  
Fax: +91 22 2283 7517  
Email: ecl.ipo@kotak.com;  
Investor Grievance Id: kmccredressal@kotak.com  
Website: www.kotak.com  
Contact Person: Mr. Chandrakant Bhole

**Citigroup Global Markets India Private Limited**

12th Floor, Bakhtawar  
Nariman Point  
Mumbai 400 021  
Tel: +91 22 6631 9999  
Fax: +91 22 6631 9803  
Email: ecl.ipo@citi.com  
Investor Grievance ID: investors.cgimib@citi.com  
Website: www.citibank.co.in  
Contact Person: Mr. Anuj Mithani

**Lehman Brothers Securities Private Limited**

Ceejay House, 11<sup>th</sup> Level, Plot F, Shivsagar Estate,  
Dr. Annie Besant Road, Worli  
Mumbai 400 018, India  
Tel: +91 22 4037 4037  
Fax: +91 22 4037 4111  
Email: ecl.ipo@lehman.com  
Website: www.lehman.com/ibd/geographic/asia/ipos\_india.htm

Contact person: Ms. Neha Manaktala

Further for all Issue related queries and for redressal of investors’ complaints, investors may also write to kmccredressal@kotak.com, ecl.ipo@citi.com and ecl.ipo@lehman.com.

## **Syndicate Members**

### ***Kotak Securities Limited***

Bakhtawar, 1st Floor  
229, Nariman Point  
Mumbai 400 021, India  
Tel : +91 22 6634 1100  
Fax : +91 22 6630 3927  
Email: umesh.gupta@kotak.com  
Website: www.kotak.com  
Contact Person: Mr. Umesh Gupta

### ***Edelweiss Securities Limited***

Head Office: 14<sup>th</sup> floor, Express Towers,  
Nariman Point  
Mumbai 400 021, India  
Tel: +91 22 2286 4400  
Fax: +91 22 2286 4278  
Email: devang.ashar@edelcap.com  
Contact Person: Devang Ashar

## **Legal advisors to the Issue**

### ***Domestic legal counsel to the Company***

#### ***AZB & Partners***

23<sup>rd</sup> Floor, Express Towers,  
Nariman Point,  
Mumbai 400 021  
Tel: +91 22 6639 6880  
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### ***Domestic legal counsel to the Underwriters***

Luthra and Luthra Law Offices  
103, Ashoka Estate,  
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New Delhi 110 001  
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Fax: + 91 11 2372 3909  
E-mail: luthra@luthra.com

### ***International legal counsel to the Underwriters***

Allen and Overy, L.L.P.  
24 Raffles Place, #22-00 Clifford Centre,  
Singapore 048621  
Tel: +65 6435 7400  
Fax: +65 6435 7474

## **Registrar to the Issue**

Intime Spectrum Registry Limited  
C-13, Pannalal Silk Mills Compound  
LBS Marg,  
Bhandup (W),  
Mumbai 400 078  
Tel: +91 22 2596 0320  
Fax: +91 22 2596 0328/29

Email : edel.ipo@intimespectrum.com  
Website: www.intimespectrum.com  
Contact Person: Mr. Vishwas Attawar

***Advisor to the Issue***

Collins Stewart Inga Private Limited  
A-404, Neelam Centre  
Hind Cycle Road, Worli,  
Mumbai 400 030  
India  
Tel: +91 22 2498 2919  
Email: karthikeyan@csin.co.in  
Contact person: Mr. S. Karthikeyan

**Bankers to the Issue and Escrow Collection Banks**

**Citibank N.A.**

Citigroup Centre  
Bandra Kurla Complex  
Mumbai 400 051  
Tel: +91 22 4001 5757  
Fax: + 91 22 2653 5824  
Contact Person : Mr. Divyesh Dalal

**ICICI Bank Limited**

30, Mumbai Samachar Marg,  
Raja Bahadur Mansion,  
Fort,  
Mumbai 400 001  
Tel: +91 22 2265 5207  
Fax: +91 22 2265 5285  
Contact Person: Mr. Sidharta Sankar Routray

**HDFC Bank Limited**

Process House, 2nd Floor,  
Kamala Mills Compund,  
Senapati Bapat Mrg,  
Lower Parel,  
Mumbai 400 013.  
Tel: +91 22 2498 8484  
Fax: +91 22 2496 3871  
Contact Person: Mr. Rahul Sampat

**Standard Chartered Bank**

90, Mahatma Gandhi Road,  
Mumbai 400 013.  
Tel: +91 22 2266 3294  
Fax: +91 22 2269 6925  
Contact Person: Mr. Chaitanya Sampat

**Kotak Mahindra Bank Limited**

13th Floor, Nariman Bhavan  
Nariman Point,  
Mumbai 400 021  
Tel: +91 22 6659 6457  
Fax: +91 22 6659 6022  
Contact Person: Mr. Tushar Trivedi

## **Our Bankers**

### **Citibank N.A.**

Fort House, 4th Floor  
Dr. D.N.Road, Fort  
Mumbai 400 001  
Tel: + 91 22 4001 5192  
Fax: + 91 22 2653 5824  
E-mail: [satish1.chandra@citigroup.com](mailto:satish1.chandra@citigroup.com)

### **IndusInd Bank**

Sonawala Building  
Fort Branch  
Mumbai Samachar Marg  
Fort  
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Tel: + 91 22 6636 6589  
Fax: + 91 22 6636 6590  
E-mail: [yogesh.adke@indusindusind.com](mailto:yogesh.adke@indusindusind.com)

### **Canara Bank**

NSE Branch, Fort  
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Tel: + 91 22 2269 3157  
Fax: + 91 22 2267 5650  
E-mail: [mcitv2426@canbank.co.in](mailto:mcitv2426@canbank.co.in)

### **Union Bank of India**

Mumbai Samachar Marg  
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Tel: + 91 22 2267 0107  
Fax: + 91 22 2264 2742  
E-mail: [cmcmism@unionbankofindia.com](mailto:cmcmism@unionbankofindia.com)

### **The Bank of Rajasthan**

Mittal Tower  
Nariman Point  
Mumbai 400 021  
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Fax: + 91 22 2282 6069  
E-mail: [ovmumbai@rajbank.com](mailto:ovmumbai@rajbank.com)

### **Yes Bank**

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Fax: +91 22 5669 9018  
E-mail: [abhy.patkar@yesbank.in](mailto:abhy.patkar@yesbank.in)

### **ICICI Bank Limited**

Capital Market Division  
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Fax: + 91 22 2261 1138  
E-mail: [mahesh.kumar@icicibank.com](mailto:mahesh.kumar@icicibank.com)

### **Standard Chartered Bank**

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Fax: + 91 22 6631 4166  
E-mail: [sachin.shah@in.standardchartered.com](mailto:sachin.shah@in.standardchartered.com)

### **Oriental Bank of Commerce**

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Mumbai 400 023  
Tel: +91 22 2267 3385  
Fax: +91 22 2267 3262  
E-mail: [bm0023@obc.com](mailto:bm0023@obc.com)

### **UCO Bank**

Uco Bank Building,  
359 D.N.Road, Fort  
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Tel: +91 22 2282 8372  
Fax: +91 22 2287 0754  
E-mail: [bo.mccdroad@ucobank.co.in](mailto:bo.mccdroad@ucobank.co.in)

### **Indian Bank**

Fort Branch  
Sir P M Road  
Fort  
Mumbai 400 001  
Tel: +91 22 2266 2462  
Fax: +91 22 2266 0769  
E-mail: [mumbai@indianbank.co.in](mailto:mumbai@indianbank.co.in)

### **Jammu & Kashmir Bank**

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Mumbai 400 023  
Tel: +91 22 5659 5971  
Fax: +91 22 5637 1832  
E mail: [miramjad@rediffmail.com](mailto:miramjad@rediffmail.com)

**Corporation Bank**

Earnest House  
Nariman Point  
Mumbai 400021  
Tel: + 91 22 2287 6009  
Fax: + 91 22 2285 1284  
E mail: [cb221@corpbank.co.in](mailto:cb221@corpbank.co.in)

**Centurion Bank**

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Fax: +91 22 2270 4867  
E-mail: [mukesh.shah@centurionbop.co.in](mailto:mukesh.shah@centurionbop.co.in)

**State Bank of India**

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Fax: +91 22 2265 2742  
E-mail:

**HDFC Bank Limited**

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Nanik Motwani Marg  
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Tel: +91 22 2498 8484  
Fax: +91 22 2492 3411  
E-mail: [chetan.Shah@hdfcbank.com](mailto:chetan.Shah@hdfcbank.com)

**IPO grading agency**

CRISIL Limited  
341/342, Solitaire Corporate Park,  
Andheri – Ghatkopar Link Road,  
Andheri (East), Mumbai – 400 093  
Tel: +91 22 66913500  
Fax: +91 22 67026954  
Email: [tvishal@crisil.com](mailto:tvishal@crisil.com)  
Contact person: Mr. Vishal Thakkar

**Auditors to our Company**

BSR & Associates  
Chartered Accountants  
KPMG House  
Kamala Mills Compound  
448, Senapati Bapat Marg  
Lower Parel  
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Tel: +91 22 3989 6000  
Fax: + 91 22 3983 6000

**Dena Bank**

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Fax: +91 22 2265 6428  
E-Mail: [shareb@denabank.co.in](mailto:shareb@denabank.co.in)

**Axis Bank**

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E-mail: [sunil.sharma@utibank.co.in](mailto:sunil.sharma@utibank.co.in)

**HSBC Limited**

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E-mail: [rirafkaranjia@hsbc.co.in](mailto:rirafkaranjia@hsbc.co.in)

**DBS**

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Fax: +91 22 6638 8898  
E-mail: [siddharthakar@dbs.com](mailto:siddharthakar@dbs.com)

## Statement of inter-se responsibilities of the BRLMs for the Issue

S. No.	Activities	Responsibility	Co-ordinating Responsibility
1.	Capital structuring with relative components and formalities etc.	Kotak, Citi and Lehman	Lehman
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 the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing including co-ordination with Auditors for preparation of financials and drafting and approving all statutory advertisements.	Kotak, Citi and Lehman	Kotak
3.	Drafting and approval of all publicity material other than statutory advertisement including corporate advertisement, brochure etc.	Kotak, Citi and Lehman	Lehman
4.	Appointment of other intermediaries viz., Registrar(s), Printers, Advertising Agency and Bankers to the Issue Registrar(s), Monitoring Agency	Kotak, Citi and Lehman	Printers: Kotak Advertising Agency: Lehman Registrar: Citi Bankers: Kotak Monitoring Agency: Citi
5.	Preparation of roadshow presentation and frequently asked questions	Kotak, Citi and Lehman	Lehman
6.	Institutional marketing strategy: International institutional Domestic institutional	Kotak, Citi and Lehman	Citi
7.	Retail / HNI marketing strategy Finalise centers for holding conference for brokers etc. Finalise media, marketing & PR Strategy Follow up on distribution of publicity and issue materials including form, prospectus and deciding on the quantum of the Issue material Finalise bidding centers	Kotak, Citi and Lehman	Kotak
8.	Pricing, managing the book and coordination with Stock-Exchanges	Kotak, Citi and Lehman	Citi
9.	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	Kotak, Citi and Lehman	Citi
10.	The post Issue activities for the Issue will involve essential follow up steps, which include the finalisation of basis of allotment, dispatch of refunds, demat of delivery of shares, finalisation 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)	Kotak, Citi and Lehman	Citi

The selection of various agencies like registrar to the issue, bankers to the issue, bank collection centres, legal advisor to the issue, underwriters to the issue, advertising agencies, public relations agencies etc. will be or have been finalised by our Company in consultation with the BRLMs.

### Credit rating

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

### IPO grading

This Issue has been graded by CRISIL and has been assigned the CRISIL IPO Grade 4/5, indicating that the fundamentals of the Issue are above average, relative to other listed equity securities in India, through its letter

dated October 22, 2007. For more information on IPO Grading, please refer to Section “Other Regulatory and Statutory Information” on page 480. A copy of the report provided by CRISIL, furnishing the rationale for its grading is available for inspection at our Registered Office from 10.00 am to 4.00 pm on Working Days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

### **Trustees**

As the Issue is of equity shares, the appointment of trustees is not required.

### **Project Appraisal**

None of the objects of the Issue have been appraised by any Bank or Financial Institution.

### **Monitoring Agency**

IDBI Limited  
SSD, 14th Floor, IDBI Tower  
Cuffe Parade, Mumbai - 400005  
Tel: +91 22 66552081  
Fax: +91 22 22155742  
Email: raj.kumar@idbi.co.in  
Contact person: Rajeev Kumar

### **Book building process**

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

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

In terms of Rule 19(2) (b) of the SCRR, with respect to the Issue being less than 25% of 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 QIBs. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded. 5% of the QIB 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 QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. 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, 204,540 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

While the Book Building Process under the SEBI Guidelines is not new, investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue. Under the SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. Please refer to the section titled “Terms of the Issue” beginning on page 488 for more details.

**QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. In addition, QIBs are required to pay at least 10% of the Bid Amount upon submission of the Bid cum Application Form during the Bid/Issue Period and allocation to QIBs will be on a proportionate basis. For further details, please refer to the section “Terms of the Issue” beginning on page 488**

Our Company will comply with the SEBI Guidelines and any other directions issued by SEBI for this Issue. In this regard, we have appointed the BRLMs to manage the Issue and procure subscriptions to 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 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%
1000	23	1500	50.00%
1500	22	3000	100.00%
2000	21	5000	166.67%
2500	20	7500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired 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 BRLMs, will finalise the issue price at or below such cut-off price, i.e., at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in 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 495 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;
- If your Bid is for Rs. 50,000 or more ensure that you have mentioned your PAN and attached copies of your PAN card or PAN allotment letter to the Bid cum Application Form (see the section titled “Issue Procedure” beginning on page 495);
- 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 only have to be submitted to the BRLMs.

**Withdrawal of the Issue**

Our Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment of Equity Shares without assigning any reason therefore. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after Allotment; and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

**Bid/Issue Programme**

Bidding Period/Issue Period

<b>BID/ISSUE OPENS ON</b>	November 15, 2007
<b>BID/ISSUE CLOSES ON</b>	November 20, 2007

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 and uploaded till (i) 5.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the

Bid Amount is in excess of Rs. 100,000 and (ii) till such time as permitted by the NSE and the BSE, in case of Bids by Retail Individual Bidders, where the Bid Amount is up to Rs. 100,000. 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 3.00 p.m (Indian Standard Time) on the Bid/Issue Closing Date. 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 public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

On the Bid/Issue Closing Date, extension of time will 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 timings for acceptance of Bid-cum-Application Forms as stated herein and reported by the BRLMs to the Stock Exchange within half an hour of such closure.

Our Company reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI Guidelines 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 advertised at least one day before the Bid /Issue Opening Date.

**In case of revision of the Price Band, the Issue Period will be extended for three additional 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, 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 sites of the BRLMs and at the terminals of the Syndicate.**

#### **Underwriting Agreement**

After the determination of the Issue Price and allocation of our Equity Shares but prior to filing of the Prospectus with RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members (other than ESL) do not fulfill their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions precedent to closing, as 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 RoC)*

<b>Name and Address of the Underwriters</b>	<b>Indicative number of Equity Shares to be underwritten</b>	<b>Amount underwritten (Rs. million)</b>
<b>Book Running Lead Managers</b>		
<b>Kotak Mahindra Capital Company Limited</b> 3rd Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021, India	•	•
<b>Citigroup Global Markets India Private Limited</b> 12th Floor, Bakhtawar Nariman Point Mumbai 400 021	•	•
<b>Lehman Brothers Securities Private Limited</b> Ceejay House, 11 <sup>th</sup> Level, Plot F, Shivsagar Estate, Dr. Annie Besant Road, Worli Mumbai 400 018, India	•	•
<b>Syndicate Members</b>		
<b>Kotak Securities Limited</b> Bakhtawar, 1st Floor 229, Nariman Point Mumbai 400 021, India	•	•

The above mentioned amount is provided for indicative purposes only and will be finalised after determination of Issue Price and actual allocation of the Equity Shares. The Underwriting Agreement is dated •, 2007.

In the opinion of the Board of Directors (based on certificates dated •, 2007 given to them by the Underwriters), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the stock exchanges. The above Underwriting Agreement has been accepted by the Board of Directors and our Company has issued letters of acceptance to the Underwriters.

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

## CAPITAL STRUCTURE

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

<i>(Rs. million, except share data)</i>		
	<b>Aggregate value at face value</b>	<b>Aggregate value at Issue Price</b>
A. Authorised share capital		
100,000,000 Equity Shares of face value of Rs. 5 each	500.00	
4,000,000 preference shares of face value of Rs. 5 each	20.00	
B. Issued, subscribed and paid-up share capital before the Issue		
66,535,608* Equity Shares of Rs. 5 each fully paid-up before the Issue	332.68	
520,000 redeemable cumulative preference shares of Rs. 5 each	2.6	
C. Present Issue in terms of this Red Herring Prospectus		
Issue of 8,386,147 Equity Shares of Rs. 5 each	41.9	•
Of which		
<b><i>Employee Reservation Portion</i></b>		
Upto 204,540 Equity Shares of Rs. 5 each shall be available for allocation on proportionate basis to Eligible Employees		
<b><i>Net Issue to the Public</i></b>		
8,181,607 Equity Shares of Rs. 5 each		
Of which		
At least 4,908,965 Equity Shares to be available for allocation to QIBs on proportionate out of which 5% of the QIB Portion or 245,448 Equity Shares (assuming the QIB Portion is 60% of the Issue) shall be available for allocation on a proportionate basis to Mutual Funds only (Mutual Funds Portion), and 4,663,517 Equity Shares (assuming the QIB Portion is 60% of the Issue) shall be available for allocation to all QIBs, including Mutual Funds		
Up to 818,160 Equity Shares shall be available for allocation on proportionate basis to Non Institutional Investors		
Up 2,454,482 Equity Shares available for allocation on proportionate basis to Retail Investors		
D. Equity capital after the Issue		
74,921,755 Equity Shares of face value of Rs. 5 each	•	
E. Securities Premium Account		
Before the Issue	5,790.70	
After the Issue	•	

\* Currently we have 6,588,810 outstanding employee stock options granted pursuant to our ESOP Schemes which if vested and exercised in accordance with the provisions of the ESOP Schemes, would result in 5,761,100 Equity Shares and 827,710 preference shares compulsorily convertible into 827,710 Equity Shares. We undertake that any preference shares resulting out of exercise of any employee stock option shall be converted into Equity Shares prior to filing of the Red Herring Prospectus with the RoC. Should any of the above options exercised by the employees, our paid-up capital would increase accordingly.

The present Issue has been authorised by the Board in their meeting on July 12, 2007, and by the shareholders of our Company on July 20, 2007.

Our initial authorised capital was Rs. 20,000,000 consisting of 2,000,000 equity shares of Rs. 10 each.

The authorised capital of the Company was increased to Rs. 35,000,000 consisting of 3,500,000 equity shares of Rs. 10 each by a resolution dated March 25, 2000.

The authorized share capital of the Company was increased to Rs. 50,000,000 divided into of 4,500,000 equity shares of Rs. 10 each and 500,000 preference shares of Rs. 10 each by a resolution dated September 17, 2004.

The authorized share capital of the Company was increased to Rs. 60,000,000 divided and reclassified into 26,250,000 equity shares of Rs. 2 each and 750,000 preference shares of Rs. 10 each by a resolution dated February 21, 2005

By a resolution dated January 9, 2006 the shares of our Company were subdivided into face value of Re. 1. Further, by the same resolution the authorized share capital of the Company was changed to Rs. 100,000,000 consisting of 92,500,000 equity shares of Re. 1 each and 7,500,000 preference shares of Re. 1 each.

By a resolution dated May 18, 2007 the authorized share capital of the Company was increased to Rs.160,000,000 consisting of 150,000,000 equity shares with a face value of Re. 1 each and 10,000,000 preference Shares with a face value of Re. 1 each.

By a resolution dated July 20, 2007 the authorized share capital of the Company has been increased to Rs. 420,000,000 consisting of 80,000,000 Equity Shares of Rs. 5 each and 4,000,000 preference shares of Rs. 5 each.

By a resolution dated September 12, 2007 the authorized share capital of the Company has been increased to Rs. 520,000,000 consisting of 100,000,000 Equity Shares of Rs. 5 each and 4,000,000 preference shares of Rs. 5 each.

#### Notes to capital structure

1. Share capital history of our Company

i. *Equity share capital history of our Company*

Date of allotment	No. of equity shares	Face value (Rs.)	Issue price (Rs.)	Nature of consideration	Reasons for allotment	Cumulative no. of equity shares	Cumulative paid-up share capital (Rs. in million)	Cumulative share premium (Rs. in million)
November 21, 1995	100	10	10	Cash	Subscription on signing of the Memorandum of Association	100	0.0001	Nil
February 20, 1996	680,000	10	10	Cash	Preferential allotment <sup>(1)</sup>	680,100	6.80	Nil
June 14, 1996	320,000	10	10	Cash	Preferential allotment <sup>(2)</sup>	1,000,100	10.00	Nil
March 3, 2000	730,000	10	10	Cash	Preferential allotment to (i) Mr.Rashesh Shah and (ii) Ms. Aparna T.C. (iii) Ms. Kaavya Venkat	1,730,100	17.30	Nil
March 30, 2000	320,000	10	125	Cash	Preferential allotment to Global Comtech	2,050,100	20.50	36.80
September 18, 2000	130,000	10	125	Cash	Preferential allotment <sup>(3)</sup>	2,180,100	21.80	51.75
October 10, 2000	355,000	10	250	Cash	Preferential allotment	2,535,100	25.35	136.95
March 31, 2001	103,000	10	224	Cash	Preferential allotment to Connect Capital Holding LLC	2,638,100	26.38	158.99
March 31, 2001	40,000	10	10	Cash	Preferential allotment to (1)	2,678,100	26.78	158.99

Date of allotment	No. of equity shares	Face value (Rs.)	Issue price (Rs.)	Nature of consideration	Reasons for allotment	Cumulative no. of equity shares	Cumulative paid-up share capital (Rs. in million)	Cumulative share premium (Rs. in million)
					Mr. Rashesh Shah and (2) Mr. Venkatchalam Ramaswamy			
March 31, 2001	10,500	10	10	Cash	Pursuant to exercise of ESOP	2,688,600	26.88	158.99
September 27, 2002 <sup>(4)</sup>	418,000	10	45	Cash	Preferential allotment to (1) Mr. Rashesh Shah and (2) Mr. Venkatchalam Ramaswamy and (3) Ms. Vidya Shah	3,106,600	27.30	160.45
October 1, 2003	19,285	10	10	Cash	Pursuant to exercise of ESOP	3,125,885	27.49	160.45
May 10, 2004	60,564	10	10	Cash	Pursuant to exercise of ESOP	3,186,449	28.10	160.45
August 2, 2004	30,888	10	10	Cash	Pursuant to exercise of ESOP	3,217,337	28.41	160.45
August 2, 2004	11,688	10	125	Cash	Pursuant to exercise of ESOP	3,229,025	28.52	161.80
November 16, 2004	6,575	10	10	Cash	Pursuant to exercise of ESOP	3,235,600	28.59	161.80
January 1, 2005	950	10	10	Cash	Pursuant to exercise of ESOP	3,236,550	28.60	161.80
The face value of the equity shares of the Company was sub-divided into face value of Rs. 2 each through a resolution of the shareholders of the Company dated February 21, 2005, resulting in 16,182,750 equity shares of Rs. 2 each.								
April 25, 2005	3,000	2	25	Cash	Pursuant to exercise of ESOP	16,185,750	28.61	161.87
April 25, 2005	74,875	2	2	Cash	Pursuant to exercise of ESOP	16,260,625	28.76	161.87
July 5, 2005	76,185	2	2	Cash	Pursuant to exercise of ESOP	16,336,810	28.91	161.87
October 24, 2005	2,336,273	2	302.17	Cash	Preferential allotment to GPC Mauritius I LLC.	18,673,083	33.58	863.16
October 24, 2005 <sup>(4)</sup>	2,090,000	2	Balance payment	Cash	Conversion of partly paid shares	18,673,083	37.35	876.33
The face value of the equity shares of the Company was sub-divided into face value of Re. 1 each through a resolution of the shareholders of the Company dated January 9, 2006, resulting in 37,346,166 equity shares of Re. 1 each.								
March 24, 2006	490,000	1	227.59	Cash	Preferential Allotment to BIH, S.A. Pegasus Finance Corporation and Minosa International Inc.	37,836,166	37.84	987.36
June 30, 2006 <sup>(5)</sup>	4,000,000	1	95	Cash	Preferential Allotment to Oak Holdings Limited	41,836,166	37.88 <sup>^</sup>	991.12
July 11, 2006	98,290	1	1	Cash	Pursuant to exercise of ESOP	41,934,456	37.97	991.12
July 11, 2006	154,500	1	12.50	Cash	Pursuant to exercise of ESOP	42,088,956	38.12	992.90
March 31, 2007 <sup>(5)</sup>	4,000,000	1	Conversion of partly paid shares	Cash	Conversion of partly paid shares	42,088,956	42.08	1,365.14
March 31,	1,229,600	1	1	Cash	Pursuant to	43,318,556	43.31	1,365.14

Date of allotment	No. of equity shares	Face value (Rs.)	Issue price (Rs.)	Nature of consideration	Reasons for allotment	Cumulative no. of equity shares	Cumulative paid-up share capital (Rs. in million)	Cumulative share premium (Rs. in million)
2007					exercise of ESOP			
March 31, 2007	3,750	1	95	Cash	Pursuant to exercise of ESOP	43,322,306	43.32	1,365.49
March 31, 2007	1,594,500	1	12.50	Cash	Pursuant to exercise of ESOP	44,916,806	44.91	1,383.83
June 5, 2007	44,916,806	1	Bonus issue	Bonus issue	Bonus issue in the ratio of 1:1	89,833,612	89.83	1,338.91
June 5, 2007	10,000	1	203	Cash	Preferential allotment to Mr. Ambarish Ramashastry	89,843,612	89.84	1,340.93
The face value of the equity shares of the Company was consolidated into face value of Rs. 5 each through a resolution of the shareholders of the Company dated July 20, 2007, resulting in 17,968,724 equity shares of Re. 5 each.								
July 21, 2007	35,937,448	5	Bonus Issue	Bonus Issue	Bonus issue in the ratio of 2:1	53,906,172	269.53	1,161.24
August 1, 2007	60	5	514.11	Cash	Preferential allotment to Galleon Special Opportunities Master Fund Limited – Crossover Segregated Portfolio	53,906,232	269.53	1,161.27
August 1, 2007	60	5	516.67	Cash	Preferential allotment to Sequoia Capital India Growth Investment-1	53,906,292	269.53	1,161.31
August 14, 2007	12,029,316	5	Conversion of existing preference shares	Conversion of existing preference shares	Conversion of existing preference shares	65,935,608	329.68	5,483.76
August 14, 2007	600,000	5	516.57	Cash	Preferential allotment to directors, employees, certain promoter group individuals and other investors	66,535,608	332.68	5,790.70

- (1) Preferential Allotment made to (i) Ms. Priya Khubchandani jointly with Mr. Ravi Lambah; (ii) Mr. Rashesh Shah jointly with Ms. Vidya R. Shah with Master Neel R. Shah; (iii) Ms. Vidya R. Shah jointly with Mr. Rashesh Shah and Master Neel R. Shah; (iv) Ms. Sharmishta C. Shah jointly with Mr. Rashesh Shah and Master Neel C. Shah; (v) Mr. Shridhar Vaidynath jointly with Ms. Padma Shridhar; (vi) Ms. Vijaya Vaidyanath jointly with Mr. Shridhar Vaidyanath; and (viii) Mr. Venkatchalam Ramaswamy jointly with Ms. Aparna T.C and Mr. A.V. Ramaswamy.
- (2) Preferential Allotment made to (i) Ms. Priya Khubchandani jointly with Mr. Ravi Lambah; (ii) Mr. Rashesh Shah jointly with Ms. Vidya Shah with Master Neel R. Shah; (iii) Mr. Venkatchalam Ramaswamy jointly with Ms. Aparna T.C.; (iv) Ms. Sharmishta C. Shah jointly with Mr. Rashesh Shah and Master Neel C. Shah; (v) Mr. Shridhar Vaidynath jointly with Ms. Padma Shridhar; and (vi) Ms. Vidya Shah jointly with Mr. Rashesh Shah and Master Neel R. Shah.
- (3) Preferential Allotment made to (i) Ardent Impex Pvt. Ltd.; (ii) Mr. Ashish Ramesh Kacholia; (iii) Mr. Avinash Deshpande; (iv) Mr. Bharat Himatlal; (v) Capt. S.C. Sood; (vi) Mr. Deven Waghani; (vii) Emkay Corporate Services Private Limited; (viii) Mr. Girish Nilkanth Kulkarni; (ix) Mr. Naresh L. Kothari; (x) Mr. Nevtej Nandra; (xi) Mr. Pavan Brij Mohan Vaish; (xii) Mr. Rujan Harichand

Panjwani; (xiii) Mr. Sanjay Waghani; (xiv) Mr. Shantanu J. Prakash; (xv) Ms. Sheela Baskar Subramanian; (xvi) Mr. Sujir Urmila Nayak; (xvii) Mr. Vivek George Hurry; (xviii) Mr. V. Raman Kumar; and (xix) La-Fin Financial Services Pvt. Ltd.

- (4) 418,000 partly (10%) paid up equity shares of face value of Rs. 10 each issued on September 27, 2002 which were subdivided into 2,090,000 equity shares of face value of Rs. 2 each and was made fully paid up on October 24, 2005.
- (5) 4,000,000 partly (1%) paid up equity of shares of face value of Rs. 1 each were issued on June 30, 2006 and were made fully paid up on March 31, 2007.

ii. *Preference share capital history of our Company*

*Compulsorily convertible preference share capital*

Date of allotment	Nature of preference shares	No. of preference shares	Face value (Rs.)	Issue price (Rs.)	Nature of consideration	Reasons for allotment	Cumulative no. of compulsorily convertible preference shares	Cumulative paid-up compulsorily convertible preference share capital (Rs. in millions)
July 11, 2006	Compulsorily Convertible Preference Shares	22,500	1	25	Cash	Exercise of ESOP	22,500	0.023
July 11, 2006	Compulsorily Convertible Preference Shares	5,000	1	12.50	Cash	Exercise of ESOP	27,500	0.028
October 11, 2006	Compulsorily Convertible Preference Shares	1,163,250	1	1,000	Cash	Preferential Allotment to Galleon International Master Fund Limited	1,190,750	1.19
December 21, 2006	Compulsorily Convertible Preference Shares	895,857	1	1,500	Cash	Preferential allotment to Heliconia Pte Limited, Shuaa Capital Psc. and BIH S.A.	2,086,607	2.09
March 31, 2007	Compulsorily Convertible Preference Shares	216,250	1	12.50	Cash	Pursuant to exercise of ESOP	2,302,857	2.30
March 31, 2007	Compulsorily Convertible Preference Shares	460,000	1	25	Cash	Pursuant to exercise of ESOP	2,762,857	2.76
March 31, 2007	Compulsorily Convertible Preference Shares	157,736	1	95	Cash	Pursuant to exercise of ESOP	2,920,593	2.92
June 5, 2007	Compulsorily Convertible Preference Shares	527,357	1	3,500	Cash	Preferential allotment to Lehman Brothers Netherlands Horizons B.V. and	3,447,950	3.44

Date of allotment	Nature of preference shares	No. of preference shares	Face value (Rs.)	Issue price (Rs.)	Nature of consideration	Reasons for allotment	Cumulative no. of compulsorily convertible preference shares	Cumulative paid-up compulsorily convertible preference share capital (Rs. in millions)
August 14, 2007	Conversion of convertible preference shares into equity share capital	(3,447,950)	N/A	N/A	Conversion into equity Shares of the Company of Rs. 5 each	Conversion into equity Shares of the Company of Rs. 5 each	Nil	Nil

iii. *Redeemable cumulative preference share capital*

Date of allotment	No. of preference shares	Face value (Rs.)	Issue price (Rs.)	Nature of consideration	Reasons for allotment	Cumulative no. of preference shares	Cumulative paid-up preference share capital (Rs. In millions)
October 11, 2006	1,250,000	1	1	Cash	Preferential allotment to Mr. Rashesh Shah	1,250,000	1.25
December 21, 2006	1,350,000	1	1	Cash	Preferential allotment to Mr. Rashesh Shah	2,600,000	2.60

By a resolution of the shareholders of the Company dated July 20, 2007 the 2,600,000 redeemable cumulative preference shares of Re. 1 each were consolidated into 520,000 redeemable cumulative preference shares of Rs. 5 each.

iv. *Outstanding convertible debentures*

*Debentures issued to Lehman Brothers Netherland Horizon BV:* Fully convertible debentures totaling 18,000,000 at face value of Rs. 100 and issue price of Rs. 100. They are convertible into redeemable preference shares of the Company.

Date of Mandatory Conversion of Fully Convertible Debentures into Redeemable Preference Shares	Amount (Rs. in million)	Date of Redemption of Redeemable Preference Shares	Amount (Rs. in million)
January 21, 2012	600.00	February 21, 2012	600.00
January 21, 2013	600.00	February 21, 2013	600.00
January 21, 2014	600.00	February 21, 2014	600.00

2. Promoter contribution and lock-in

(a) History of the Share Capital held by the Promoters

Name of Promoter	Date of Allotment / Transfer	No. of Equity Shares	Face Value (Rs.)	Issue / acquisition price (Rs.)	Nature of transaction
Mr. Rashesh Shah	November 21, 1995	20	10	10	Subscription on signing of the Memorandum of Association
	February 20, 1996	87,300	10	10	Preferential allotment
	June 14, 1996	46,000	10	10	Preferential allotment
	March 3, 2000	530,000	10	10	Preferential allotment
	April 17, 2000	22,195	10	54.25	Purchase of equity shares
	March 31, 2001	20,000	10	10	Preferential allotment
	September 27, 2002	197,500*	10*	45*	Preferential allotment

Name of Promoter	Date of Allotment / Transfer	No. of Equity Shares	Face Value (Rs.)	Issue / acquisition price (Rs.)	Nature of transaction
	June 5, 2007	9,030,150	1	Bonus Issue	Bonus Issue
	July 21, 2007	7,224,120	5	Bonus Issue	Bonus Issue
Sub-total		10,836,180 <sup>%</sup>	5		
Mr. Venkatchalam Ramaswamy	February 20, 1996	101,900	10	10	Preferential allotment
	June 14, 1996	98,100	10	10	Preferential allotment
	April 17, 2000	22,195	10	54.25	Purchase of equity shares
	March 31, 2001	20,000	10	10	Preferential allotment
	September 27, 2002	197,500*	10*	45*	Preferential allotment
	June 5, 2007	4,396,950	1	Bonus Issue	Bonus Issue
	July 21, 2007	3,517,560	5	Bonus Issue	Bonus Issue
Sub-total		5,276,340 <sup>#</sup>	5		
Ms. Vidya Shah	November 21, 1995	10	10	10	Subscription on signing of the Memorandum of Association
	February 20, 1996	215,000	10	10	Preferential allotment
	June 14, 1996	5,000	10	10	Preferential allotment
	April 17, 2000	10,000	10	10	Purchase of equity shares
	September 27, 2002	23,000*	10*	45*	Preferential allotment
	June 5, 2007	2,530,100	1	Bonus issue	Bonus issue
	July 21, 2007	2,024,080	5	Bonus issue	Bonus issue
Sub-total		3,036,120 <sup>&amp;</sup>	5		
Ms. Aparna TC	March 3, 2000	100,000**	10	10	Preferential allotment
	June 5, 2007	1,000,000**	1	Bonus Issue	Bonus Issue
	July 20, 2007	800,000	5	Bonus Issue	Bonus Issue
Sub-total		1,200,000 <sup>^</sup>	5		
Total		20,358,640	5		

\* The Equity Shares were paid up only to the extent of 10%. The equity shares were made fully paid up on October 24, 2005

<sup>%</sup> Currently, 2,610,000 Equity Shares are held by Mr. Rashesh Shah in his single account and 8,226,180 Equity Shares are held by Mr. Rashesh Shah jointly with Ms. Vidya Shah and Master Neel Shah.

<sup>#</sup> Currently, 2,876,340 Equity Shares are held by Mr. Venkatchalam Ramaswamy in his single account and 2,400,000 Equity Shares are held by Mr. Venkatchalam Ramaswamy jointly with Ms. Aparna TC and Mr. A V Ramaswamy.

<sup>&</sup> Currently, 276,000 Equity Shares are held by Ms. Vidya Shah in her single account and 2,760,120 Equity Shares are held by Ms. Vidya Shah jointly with Mr. Rashesh Shah and Master Neel Shah.

<sup>^</sup> Currently, 1,200,000 Equity Shares are held by Ms. Aparna TC jointly with Mr. Venkatchalam Ramaswamy.

\*\* Out of this shareholding, 104,200 Equity Shares are pledged with Standard Chartered Bank of India.

(b) Details of Promoters' contribution locked in for three years:

All Equity Shares which are being locked in are eligible for computation of Promoter's contribution and lock in under Clause 4.6 of the SEBI Guidelines. All the Equity Shares held by the Promoters are held in dematerialised form. The Equity Shares issued and resulting from the bonus issues of capital to the Promoters and which have been locked in pursuant to Clause 4.4.1 of the SEBI Guidelines have not been issued out of revaluation reserves or capitalization of intangible assets and have not been issued against shares, which are otherwise ineligible for Promoters' contribution.

Name of promoters	No. of Equity shares locked in	Face value (Rs. per share)	% of post issue paid-up capital*	Lock-in period (years)
Mr. Rashesh Shah	10,836,180 <sup>#</sup>	5	13.29	Three
Mr. Venkatchalam Ramaswamy	1,395,113	5	1.71	Three
Ms. Vidya Shah	3,036,120 <sup>§</sup>	5	3.72	Three
Ms. Aparna T.C	1,095,800**	5	1.34	Three
<b>Total</b>	<b>16,363,213</b>	<b>5</b>	<b>20.07</b>	<b>Three</b>

\* The post issue capital has been calculated taking into account all our outstanding employee stock option of 6,588,810 Equity Shares. The fully diluted post issue capital, assuming full vesting and exercise of the total outstanding employee stock options, would be 81,510,565 Equity Shares of Rs. 5 each.

<sup>#</sup> 2,610,000 Equity Shares are held by Mr. Rashesh Shah in his single account and 8,226,180 Equity Shares are held by Mr. Rashesh Shah jointly with Ms. Vidya Shah and Master Neel Shah.

<sup>§</sup> 276,000 Equity Shares are held by Ms. Vidya Shah in her single account and 2,760,120 Equity Shares are held by Ms. Vidya Shah jointly with Mr. Rashesh Shah and Master Neel Shah.

\*\* 104,200 Equity Shares of our Promoter, Ms. Aparna TC held jointly with Mr. Venkatchalam Ramaswamy, which have been pledged with Standard Chartered Bank Limited, have not been included towards minimum Promoters' contribution. For details of the Equity Shares pledged by our Promoters, see the section titled "Capital Structure" on page 24.

(c) Details of share capital locked in for one year:

In addition to the lock-in of the Promoters' contribution specified above, the entire pre-Issue Equity Share capital (other than 5,877,576 Equity Shares which have been issued to employees of the Company and its Subsidiaries as part of the Company's Employee's Stock Option Plan in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 2000), comprising of 44,294,819 Equity Shares, shall be locked in for a period of one year from the date of allotment of Equity Shares in this Issue.

As per the memoranda of pledge 360,000 Equity Shares held jointly by Ms. Sharmishtha Shah and Mr. Rashesh Shah and 104,200 Equity Shares held jointly by Ms. Aparna TC and Mr. Venkatchalam Ramaswamy have been pledged with Standard Chartered Bank. For further details, see the section titled "Risk Factors" beginning on page xi.

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

Provided that securities locked in as minimum promoters' contribution may be pledged only if, in addition to fulfilling the above requirement, the loan has been granted by such banks or financial institutions for the purpose of financing one or more of the objects of the Issue.

In terms of Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoters may be transferred to and amongst the Promoter Group or to new promoters or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the Takeover Code.

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

In addition, the Equity Shares subject to lock-in for a period of one year will be transferable subject to compliance with the SEBI Guidelines, as amended from time to time.

3. Equity Shares held by top ten shareholders

(a) Our top ten shareholders and the number of Equity Shares held by them as of the date of filing this Red Herring Prospectus with RoC:

Name	No. of Shares	% age of pre-Issue capital
Mr. Rashesh Shah	10,836,180	16.29
Heliconia Pte Limited	6,227,430	9.36
Mr. Venkatchalam Ramaswamy	5,276,340	7.93
Oak Holdings Private Limited	4,800,000	7.22
Galleon International Master Fund SPC, Limited-Galleon Mezzanine Fund	3,316,131	4.99
Americorp Ventures Limited	3,000,000	4.51
Ms. Vidya Shah	3,036,120	4.56
GPC Mauritius I LLC	2,687,510	4.04
Ms. Sharmishta Shah	2,162,620	3.25
GPC Mauritius III LLC	2,142,274	3.22

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

Name	No. of Shares	% age of pre-Issue capital
Mr. Rashesh Shah	10,836,180	16.29
Heliconia Pte Limited	6,227,430	9.36
Mr. Venkatchalam Ramaswamy	5,276,340	7.93
Oak Holdings Private Limited	4,800,000	7.22
Galleon International Master Fund SPC, Limited-Galleon Mezzanine Fund	3,316,131	4.99
Americorp Ventures Limited	3,000,000	4.51
Ms. Vidya Shah	3,036,120	4.56
GPC Mauritius I LLC	2,687,510	4.04
Ms. Sharmishta Shah	2,162,620	3.25
GPC Mauritius III LLC	2,142,274	3.22

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

Name	No. of Equity Shares	%
Mr. Rashesh Shah	4,515,075	24.18
GPC Mauritius I LLC	3,283,659	17.58
Mr. Venkatchalam Ramaswamy	2,198,475	11.77
Americorp Capital Private Limited	1,600,000	8.57
Ms. Vidya Shah	1,265,050	6.77
Ms. Sharmishta Shah	900,050	4.82
GPC Mauritius III LLC	892,614	4.78
Ms. Priya Khubchandani	666,750	3.57
Ms. Kavya Venkat	500,000	2.68
Ms. Aparna T C	500,000	2.68

#### 4. Shareholding pattern before and after the Issue

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

Shareholder Category	Equity Shares owned before the Issue		Equity Shares owned after the Issue*	
	No. of shares	%	No. of shares	%
<b>Promoter</b>				
Mr. Rashesh Shah	10,836,180	16.29	10,836,180	13.29
Ms. Vidya Shah	3,036,120	4.56	3,036,120	3.72
Mr. Venkatchalam Ramaswamy	5,276,340	7.93	5,276,340	6.47
Ms. Aparna TC	1,200,000	1.80	1,200,000	1.47
<b>Sub Total (A)</b>	<b>20,348,640</b>	<b>30.58</b>	<b>20,348,640</b>	<b>24.96**</b>

Shareholder Category	Equity Shares owned before the Issue		Equity Shares owned after the Issue*	
	No. of shares	%	No. of shares	%
<b>Promoter group</b>				
Shilpa Mody	120	0.00	120	0.00
Sharmishta Shah	2,162,620	3.25	2,162,620	2.65
Kaavya A Venkat	1,200,000	1.80	1,200,000	1.47
Oak Holdings Private Limited	4,800,000	7.21	4,800,000	5.89
A V Ramaswamy	5,000	0.01	5,000	0.01
S D Desai	2,500	0.00	2,500	0.00
<b>Sub Total (B)</b>	<b>8,170,240</b>	<b>12.28</b>	<b>8,170,240</b>	<b>10.02**</b>
<b>Others</b>				
Americorp Ventures Limited	3,000,000	4.51	3,000,000	3.68
GPC Mauritius	4,829,784	7.26	4,829,784	5.93
Heliconia Pte Limited	6,227,430	9.36	6,227,430	7.64
Galleon International Master Fund Limited-Galleon Mezzanine Fund	3,316,131	4.98	3,316,131	4.07
Shuaa Capital Psc.	1,648,191	2.48	1,648,191	2.02
BIH, S. A.	1,404,318	2.11	1,404,318	1.72
Ms. Priya Khubchandani	1,360,200	2.04	1,360,200	1.67
Lehman Brothers Netherlands Horizons B.V.	1,350,000	2.03	1,350,000	1.66
Galleon Special Opportunities Master Fund Limited – Galleon Crossover Segregated Portfolio	2,352,837	3.54	2,352,837	2.89
Sequoia Capital India Growth Investment I	781,608	1.17	781,608	0.96
Galleon International Master Fund SPC. Ltd. - Galleon Multistrategy Segregated Portfolio	240,000	0.36	240,000	0.29
Edelweiss Employee Welfare Trust***	1,017,333	1.53	1,017,333	1.25
Others	3,254,220	4.89	3,254,220	3.99
Employees	7,234,676	10.87	7,234,676	9.88
ESOPs outstanding			6,588,810*	8.08
<b>Sub Total (C)</b>	<b>38,016,728</b>	<b>57.14</b>	<b>44,605,538</b>	<b>54.72</b>
<b>Public including employee reservation (D)</b>		-	8,386,147	10.29
<b>Total share capital (A+B+C+D)</b>	<b>66,535,608</b>	<b>100.00</b>	<b>81,510,565</b>	<b>100</b>

\* Assuming full dilution pursuant to exercise of vested ESOPs.

\*\* Assuming the Promoters and the Promoter Group shall not subscribe in the Issue.

\*\*\* The shareholding of the Employee Trust may be subject to change, on account of purchase of Equity Shares (arising out of exercise of ESOPs), from persons ceasing to be permanent employees of our Company and/or our Subsidiaries. The trustees of this trust are two of our Promoters, Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy.

5. None of our Directors or key managerial personnel hold Equity Shares in the Company, other than as follows:

S.No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue percentage shareholding
1	Mr. Deepak Mittal	799,624	1.20
2	Mr. Anurag Madan	34,200	0.05
3	Mr. D P Jhavar	21,900	0.03
4	Ms. Shilpa Soti	2,100	0.00
5	Mr. Rashesh Shah	10,836,180	16.29
6	Mr. Venkatchalam Ramaswamy	5,276,380	7.93
7	Mr. Sunil Wadhvani	264,000	0.40
8	Mr. Narendra J Jhaveri	7,800	0.01

9	Mr. Ramanan Raghavendran	7,800	0.01
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6. Except as disclosed in the sections titled “Risk Factors” and “History and Certain Corporate Matters” beginning on pages xi and 112, our Company, our Promoters and the BRLMs have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares of our Company from any person, other than as disclosed in this Red Herring Prospectus.
7. Other than as set out in “Capital Structure- Notes to Capital Structure - Share Capital History of the Company”, our Promoters have not been issued Equity Shares for consideration other than cash.
8. There have been no transfers of Equity Shares by the Promoters, Promoter Group and the Directors during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI, other than as disclosed below:

Transferor	Transferee	Number of Equity Shares	Nature of the transaction	Price per Equity Share (Rs.)	Date of transfer
Mr. Sunil Wadhvani	Galleon International Master Fund SPC Limited- Galleon Mezzanine fund	115,000 equity shares of face value Re. 1	Transfer	Rs. 250	June 5, 2007

9. In terms of Rule 19(2) (b) of the SCRR, this Issue being for less than 25% of post Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue shall be allocated on a proportionate basis to QIB, 5% of the QIB 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 QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. 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 Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and up to 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 204,540 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 the Employee Reservation Portion shall be added back to the Net Issue, and the ratio amongst the investor categories will be at the discretion of our Company and the BRLMs. Under-subscription, if any, in any category, other than the QIB Portion would be met with spill over from other categories at our sole discretion in consultation with the BRLMs.
10. Other than the employee stock options granted under ESOP Schemes detailed below, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares.
11. 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.
12. Our Company has not raised any bridge loan against the proceeds of the Issue.
13. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus to SEBI until the Equity Shares issued/ to be issued pursuant to the Issue have been listed.
14. Our Company presently does not intend or propose to alter its capital structure for 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 preferential or otherwise. However, during such period or at a later date, we may issue Equity Shares or securities linked to Equity Shares to venture into new finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint

venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in the interest of the Company. Further, our Company may allot further Equity Shares to our employees pursuant to exercise of options granted earlier under the ESOP Schemes and the New ESOP Scheme.

15. Other than set out in “Capital Structure- Notes to Capital Structure - Share Capital History of the Company”, our Company has not issued any Equity Shares out of revaluation reserves or for consideration other than cash.
16. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. Our Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
17. As of the date of filing of this Red Herring Prospectus, the total number of holders of Equity Shares is 172, excluding holders of options outstanding and employees of our Company and/or our Subsidiaries, to whom Equity Shares would be allotted from time to time upon exercise of their options.
18. The Company, Directors, Promoters or Promoter Group shall not make any payments, direct or indirect, discounts, commissions, allowances or otherwise under this Issue.
19. Any oversubscription to the extent of 10% of the Issue can be retained for the purpose of rounding off while finalizing the basis of Allotment.
20. The Equity Shares issued pursuant to the Issue shall be fully paid-up at the time of Allotment.
21. Our Promoters and Promoter Group will not participate in this Issue.
22. We have four employee stock option plans as under. The Compensation Committee, being a Committee of the Board of Directors has full power and authority to administer the schemes.

ESOP	Outstanding Options	Remarks
ESOP 2002	3,000	The special resolution passed by our Company at its EGM dated January 31, 2002 approved the grant of 9.018 million options under ESOP 2002 under “Scheme D” and “Scheme E”.
ESOP 2004	827,710	The special resolution passed by our Company at its EGM dated September 17, 2004 approved the grant of 2.4 million options under ESOP 2004 under “Scheme F”.
ESOP 2006	1,821,000	The special resolution passed by our Company at its EGM dated January 9, 2006 approved the grant of 4.8 million options under ESOP 2006 under “Scheme G”.
ESOP 2007	3,937,100	The special resolution passed by our Company at its EGM dated July 20, 2007 approved the grant of 8.1 million options under the “New ESOP Scheme”.

Scheme D, Scheme E, Scheme F and Scheme G of the Company are in compliance with the ESOP Guidelines and details of the same have been provided herein below in compliance with the ESOP Guidelines. Certain provisions of the New ESOP Scheme, such as the vesting schedule, is not in compliance with the ESOP Guidelines. No fresh grant of options under the New ESOP Scheme will be made by the Company post allotment of Equity Shares in the Issue, in compliance with clause 22.2A of the ESOP Guidelines.

a) ESOP 2002 (Scheme D)

Particulars	Details		
	Fiscal	No. of options granted	Exercise Price (Rs.) <sup>(1)</sup>
Options granted (net)		3,382,656	
Exercise price of options			
	2002	2,642,400	Par value
	2003	1,637,400	Par value
	2004	984,000	Par value
	2005	96,000	Par value

Particulars	Details				
	2006	6,000	Par value		
	2006	6,000	79.17		
Total options vested (including options exercised)		3,379,656			
Options exercised		3,379,656			
Total number of equity shares arising as a result of full exercise of options already granted and vested		3,379,656			
Options forfeited/lapsed/cancelled		1,989,144			
Variations in terms of options	During fiscal 2006, the Board approved extension of exercise of vested options by two years. During fiscal 2007, the Board approved the acceleration of the vesting period for options vesting until March 31, 2009, to vest on March 21, 2007.				
Money realized by exercise of options (Rs.)		3,168,880			
Options outstanding (in force)		3,000			
Person-wise details of options granted to:					
(a) Directors and key managerial personnel	<b>Fiscal</b>				
	<b>2002</b>	<b>2003</b>			
Rashesh Shah	-	-			
Venkat Ramaswamy	-	-			
Deepak Mittal	198,000	96,000			
D. P. Jhavar	-	-			
Anurag Madan	-	-			
Shilpa Soti	-	-			
(b) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year (Includes ex-employees and group company employees)	<b>Fiscal</b>				
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Biren Shah	-	-	-	18,000	-
George Mathew	186,000	96,000	-	-	-
Naresh Kothari	450,000	96,000	-	-	-
Nilesh Shah	480,000	210,000	342,000	-	-
Nipun Mehta	-	-	60,000	-	-
Niraj Mansingka	-	-	-	-	12,000
Niranjan Nanavati	-	-	300,000	-	-
Nitin Jain	-	-	-	12,000	-
Rujan Panjwani	174,000	132,000	-	-	-
Sanjay Waghani	222,000	-	-	-	-
Sarosh Irani	-	-	90,000	-	-
Shriram Iyer	309,000	108,000	-	-	-
Srikanth Iyengar	-	-	-	30,000	-
Vikas Khemani	-	-	-	36,000	-
(c) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant (includes ex-employees and	<b>Fiscal</b>				

Particulars	Details	
	2002	2004
group company employees)		
Naresh Kothari	450,000	-
Nilesh Shah	480,000	342,000
Fully diluted EPS on a pre-issue basis for Fiscal 2007	See sub-section (e)	
Difference, if any, between employee compensation cost (calculated using the intrinsic value of stock options) and the employee compensation cost (calculated using the fair value of stock options)	See sub-section (f)	
Weighted average exercise price either equals or exceeds or is less than the market value of the shares	Not Applicable	
Weighted average fair values of options whose exercise price equals or is less than the market value of the stock.	Not Applicable	
Impact on the profits and EPS if the Issuer had followed the accounting policies specified in Clause 13 of the ESOP Guidelines.	See sub-section (g)	
Vesting schedule	25% on expiry of 12 months	
	25% on expiry of 24 months	
	25% on expiry of 36 months	
	25% on expiry of 48 months	
Lock-in	NIL	
Impact on profits and EPS of the last three years	See sub-section (e)	

b) ESOP 2002 (Scheme E)

Particulars	Details		
	Fiscal	No. of options granted	Exercise Price (Rs.) <sup>(1)</sup>
Options granted (net)	2,246,256		
Exercise price of options	2002	2,067,000	10.42
	2003	801,000	10.42
	2004	217,800	10.42
Total options vested (including options exercised)	2,246,256		
Options exercised	2,246,256		
Total number of equity shares arising as a result of full exercise of options already granted and vested	2,246,256		
Options forfeited/lapsed/cancelled	839,544		
Variations in terms of options	During fiscal 2006, the Board approved extension of exercise of vested options by two years. During fiscal 2007, the Board approved the acceleration of the vesting period of options vesting until March 31, 2009 to March 21, 2007.		
Money realized by exercise of options (Rs.)	23,398,500		
Options outstanding (in force)	NIL		
Person-wise details of options granted to:			
(a) Directors and key managerial personnel	Fiscal		
	2002	2003	
Rashesh Shah	-	-	

Particulars	Details		
Venkat Ramaswamy	-	-	-
Deepak Mittal	198,000	-	48,000
D. P. Jhawar	-	-	-
Anurag Madan	-	-	-
Shilpa Soti	-	-	-
(b) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year (includes ex-employees and group company employees)	<b>Fiscal</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
Ajay Mathrani	-	-	18,000
Amit Garg	-	-	12,000
Amit Goel	-	-	12,000
Bakhtawar Pastakia	-	-	12,000
Biren Shah	-	-	18,000
George Mathew	186,000	48,000	-
Harrish Zaveri	-	-	12,000
Hemendra Damania	-	-	12,000
Naresh Kothari	270,000	48,000	-
Navin Amarnani	-	-	12,000
Nikhilesh Kasi	-	-	12,000
Nilesh Shah	120,000	54,000	-
Prasad Baji	126,000	-	15,000
Rajesh Makharia	-	-	18,000
Rujan Panjwani	234,000	78,000	-
Sandeep Shah	-	-	24,000
Sanjay Waghani	222,000	-	-
Satyen Shah	-	-	18,000
Shriram Iyer	234,000	60,000	-
(c) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL		
Difference, if any, between employee compensation cost (calculated using the intrinsic value of stock options) and the employee compensation (calculated on the basis of fair value of options)	See sub-section (f)		
Weighted average exercise price either equals or exceeds or is less than the market value of the shares.	Not Applicable		
Weighted average fair values of options whose exercise price equals or is less than the market value of the stock.	Not Applicable		
Impact on the profits and EPS if the Issuer had followed the accounting policies specified in Clause 13 of the ESOP Guidelines.	See sub-section (g)		
Vesting schedule	25% on expiry of 12 months		
	25% on expiry of 24 months		
	25% on expiry of 36 months		
	25% on expiry of 48 months		
Fully diluted EPS on a pre-issue basis for Fiscal 2007	See sub-section (e)		
Lock-in	NIL		
Impact on profits and EPS of the last three years	See sub-section (e)		

c) ESOP 2004

Particulars	Details		
	Fiscal	No. of options granted	Exercise Price (Rs.) <sup>(1)</sup>
Options granted (net)	1,861,493		
Exercise price of options	2005	1,050,000	10.42
	2005	900,000	20.83
	2006	6,000	20.83
	2006	311,100	79.17
	2007	270,000	79.17
	2007	240,000	166.67
Total options vested (including options exercised)	1,033,783		
Options exercised	1,033,783		
Total number of equity shares arising as a result of full exercise of options already granted and vested	1,033,783		
Options forfeited/lapsed/cancelled	915,607		
Variations in terms of options	Nil		
Money realized by exercise of options (Rs.)	29,813,045		
Options outstanding (in force)	827,710		
Person-wise details of options granted to:			
(a) Directors and key managerial personnel	<b>Fiscal</b>		
	<b>2005</b>	<b>2006</b>	<b>2007</b>
Rashesh Shah	-	-	-
Venkat Ramaswamy	-	-	-
Deepak Mittal	204,000	-	-
D. P. Jhavar	-	4,800	-
Anurag Madan	36,000	12,000	-
Shilpa Soti	-	1,200	-
(b) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year (Includes ex-employees and group company employees)	<b>Fiscal</b>		
	<b>2005</b>	<b>2007</b>	
Naresh Kothari	144,000	-	
Peeyoosh Chadda	-	240,000	
Sachin Jain	-	30,000	
Vikas Khemani	-	120,000	
(c) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL		
Fully diluted EPS on a pre-issue basis for Fiscal 2007	See sub-section (e)		

Particulars	Details
Difference, if any, between employee compensation cost (calculated using the intrinsic value of stock options) and the employee compensation (calculated on the basis of fair value of options)	See sub-section (f)
Weighted average exercise price either equals or exceeds or is less than the market value of the	Not Applicable
Weighted average fair values of options whose exercise price equals or is less than the market value of the stock.	Not Applicable
Impact on the profits and EPS if the Issuer had followed the accounting policies specified in Clause 13 of the ESOP Guidelines.	See sub-section (g)
Vesting schedule	25% on expiry of 12 months 25% on expiry of 24 months 25% on expiry of 36 months 25% on expiry of 48 months
Lock-in	NIL
Impact on profits and EPS of the last three years	See sub-section (e)

d) ESOP 2006

Particulars	Details		
Options granted (net)	1,821,000		
Exercise price of options	<b>Fiscal</b>	<b>No. of options granted</b>	<b>Exercise Price (Rs.)<sup>(1)</sup></b>
	2006	1,402,200	79.17
	2007	240,000	79.17
	2007	246,000	166.67
Total options vested (including options exercised)	-		
Options exercised	-		
Total number of equity shares arising as a result of full exercise of options already granted and vested	-		
Options forfeited/lapsed/cancelled	67,200		
Variations in terms of options	None		
Money realized by exercise of options (Rs.)	-		
Options outstanding (in force)	1,821,000		
Person-wise details of options granted to:			
(a) Directors and key managerial personnel	<b>Fiscal</b>		
	<b>2006</b>	<b>2007</b>	
Rashesh Shah	-	-	
Venkat Ramaswamy	-	-	
Deepak Mittal	252,000	-	
D. P. Jhavar	7,200	-	
Anurag Madan	12,000	-	
Shilpa Soti	-	-	
(b) Any other employee who received a grant in any one year of options amounting to 5% or more of the options	<b>Fiscal</b>		

Particulars	Details	
	2006	2007
granted during the year (includes ex-employees and group company employees)		
Naresh Kothari	240,000	-
Peeyoosh Chadda	-	240,000
Rujan Panjwani	246,000	-
Vikas Khemani	240,000	120,000
(c) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL	
Fully diluted EPS on a pre-issue basis for Fiscal 2007	See sub-section (e)	
Difference, if any, between employee compensation cost (calculated using the intrinsic value of stock options) and the employee compensation (calculated on the basis of fair value of options)	See sub-section (f)	
Weighted average exercise price either equals or exceeds or is less than the market value of the shares	Not Applicable	
Weighted average fair values of options whose exercise price equals or is less than the market value of the stock.	Not Applicable	
Impact on the profits and EPS if the Issuer had followed the accounting policies specified in Clause 13 of the ESOP Guidelines.	See sub-section (g)	
Vesting schedule	50% on expiry of 36 months 50% on expiry of 60 months	
Lock-in	N.A.	
Impact on profits and EPS of the last three years	See sub-section (e)	

(1) Outstanding options, grants and exercise price of grants has been computed after adjusting for splits, bonuses and consolidation since institution of the employee stock option plans.

- e) Pursuant to a resolution of the shareholders of the Company dated July 20, 2007, our Company has implemented the New ESOP Scheme. Under the provisions of the New ESOP Scheme, we have 3,937,100 outstanding employee stock options granted to the employees of our Company and our Subsidiaries. These employee stock options upon vesting and exercise will enable the employees to an equal number of Equity Shares. We undertake that there would be no fresh grants under the New ESOP Scheme post Allotment of the Equity Shares under the Issue. Mentioned below are certain significant details pertaining to the different plans under which employee stock options have been granted as part of the New ESOP Scheme.

*ESOP 2007 (I)*

Particulars	Details		
	Fiscal	No. of options granted	Exercise Price (Rs.)
Options granted (net)		642,000	
Exercise price of options			
	2006	-	-
	2007	-	-
	2007	-	-
	2008	653,750	*Pricing Formula
Total options vested (including options exercised)		642,000	
Options exercised		-	
Total number of equity shares arising as a result of full exercise of options already granted and vested		-	

Particulars	Details	
Options forfeited/lapsed/cancelled	11,750	
Variations in terms of options	None	
Money realized by exercise of options (Rs.)	-	
Options outstanding (in force)	642,000	
Person-wise details of options granted to:		
(a) Directors and key managerial personnel	<b>Fiscal</b>	
	<b>2007</b>	<b>2008</b>
Deepak Mittal	-	30,000
D. P. Jhawar	-	10,000
Anurag Madan	-	5,000
Shilpa Soti	-	3,000
(b) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year (includes ex-employees and group company employees)	<b>Fiscal</b>	
	<b>2007</b>	<b>2008</b>
	-	-
	-	-
	-	-
	-	-
(c) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil	
Fully diluted EPS on a pre-issue basis for Fiscal 2007		
Difference, if any, between employee compensation cost (calculated using the intrinsic value of stock options) and the employee compensation (calculated on the basis of fair value of options)		
Weighted average exercise price either equals or exceeds or is less than the market value of the shares		
Weighted average fair values of options whose exercise price equals or is less than the market value of the stock.		
Impact on the profits and EPS if the Issuer had followed the accounting policies specified in Clause 13 of the ESOP Guidelines.		
Vesting schedule	15 days from the Grant date	
Lock-in	N.A.	
Impact on profits and EPS of the last three years	N. A	

\* Pricing Formula :

Period during which vested options are exercised	From the date of vesting to September 30, 2008	From October 1, 2008 to September 30, 2009	From October 1, 2009 to September 30, 2010	From October 1, 2010 to September 30, 2011
<b>Exercise price payable for such vested options</b>	In case shares are listed, 10 % discount to Market Price or Rs. 1167 whichever is higher Otherwise Rs. 1167	In case shares are listed, 25 % discount to Market Price or Rs. 833 whichever is higher Otherwise Rs. 833	Rs. 583	Rs. 217

ESOP 2007 (II)

Particulars	Details		
Options granted (net)	1,140,700		
Exercise price of options	<b>Fiscal</b>	<b>No. of options granted</b>	<b>Exercise Price (Rs.)</b>
	2006	-	-
	2007	-	-
	2007	-	-
	2008	1,164,500	*Pricing Formula
Total options vested (including options exercised)	1,140,700		
Options exercised	-		
Total number of equity shares arising as a result of full exercise of options already granted and vested	-		
Options forfeited/lapsed/cancelled	23,800		
Variations in terms of options	None		
Money realized by exercise of options (Rs.)	-		
Options outstanding (in force)	1,140,700		
Person-wise details of options granted to:			
(a) Directors and key managerial personnel	<b>Fiscal</b>		
	<b>2007</b>	<b>2008</b>	
Deepak Mittal	-	55,000	
D. P. Jhavar	-	10,000	
Anurag Madan	-	5,000	
Shilpa Soti	-	3,000	
(b) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year (includes ex-employees and group company employees)	<b>Fiscal</b>		
	<b>2007</b>	<b>2008</b>	
	-	-	
	-	-	
	-	-	
	-	-	
(c) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil		
Fully diluted EPS on a pre-issue basis for Fiscal 2007			
Difference, if any, between employee compensation cost (calculated using the intrinsic value of stock options) and the employee compensation (calculated on the basis of fair value of options)			
Weighted average exercise price either equals or exceeds			

Particulars	Details
or is less than the market value of the shares	
Weighted average fair values of options whose exercise price equals or is less than the market value of the stock.	
Impact on the profits and EPS if the Issuer had followed the accounting policies specified in Clause 13 of the ESOP Guidelines.	
Vesting schedule	15 days from the Grant date
Lock-in	N.A.
Impact on profits and EPS of the last three years	N. A

\* Pricing Formula :

Period during which vested options are exercised	from the date of vesting to June 30, 2008	From July 1, 2008 to June 30, 2009	From July 1, 2009 to June 30, 2010	From July 1, 2010 to June 30, 2011	From July 1, 2011 to June 30, 2012
Exercise price payable for such vested options	In case shares are listed, 10% Discount to Market Price or Rs. 1167 whichever is higher Otherwise Rs. 1167	In case shares are listed, 25% Discount to Market Price or Rs. 833 whichever is higher Otherwise Rs. 833	In case shares are listed, 50% Discount to Market Price or Rs. 667 whichever is higher Otherwise Rs. 667	Rs. 500	Rs. 333

*ESOP 2007 (III)*

Particulars	Details		
Options granted (net)	2,154,400		
Exercise price of options	<b>Fiscal</b>	<b>No. of options granted</b>	<b>Exercise Price (Rs.)</b>
	2006	-	-
	2007	-	-
	2007	-	-
	2008	2,174,900	*Pricing Formula
Total options vested (including options exercised)	2,114,400		
Options exercised	-		
Total number of equity shares arising as a result of full exercise of options already granted and vested	-		
Options forfeited/lapsed/cancelled	20,500		
Variations in terms of options	None		
Money realized by exercise of options (Rs.)	-		
Options outstanding (in force)	2,154,400		
Person-wise details of options granted to:			
(a) Directors and key managerial personnel	<b>Fiscal</b>		
	<b>2007</b>	<b>2008</b>	
Deepak Mittal	-	215,000	
D. P. Jhavar	-	20,000	
Anurag Madan	-	15,000	
Shilpa Soti	-	3,000	

Particulars	Details	
	Fiscal	
	2007	2008
(b) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year (includes ex-employees and group company employees)		
Naresh Kothari	-	215,000
Rujan Panjwani	-	215,000
Vikas Khemani	-	200,000
	-	
(c) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil	
Fully diluted EPS on a pre-issue basis for Fiscal 2007		
Difference, if any, between employee compensation cost (calculated using the intrinsic value of stock options) and the employee compensation (calculated on the basis of fair value of options)		
Weighted average exercise price either equals or exceeds or is less than the market value of the shares		
Weighted average fair values of options whose exercise price equals or is less than the market value of the stock.		
Impact on the profits and EPS if the Issuer had followed the accounting policies specified in Clause 13 of the ESOP Guidelines.		
Vesting schedule	15 days from the Grant date	
Lock-in	N.A.	
Impact on profits and EPS of the last three years	N. A	

\* Pricing Formula

Period during which vested options are exercised	From the date of vesting to December 31, 2007	From January 1, 2008 to December 31, 2008	From January 1, 2009 to December 31, 2009	From January 1, 2010 to December 31, 2010
Exercise price payable for such vested options	Rs. 1167	In case shares are listed, 25% discount to Market Price or Rs. 833 whichever is higher Otherwise Rs. 833	In case shares are listed, 50% discount to Market Price or Rs. 667 whichever is higher Otherwise Rs. 667	Rs. 517

f) The following information has been computed after taking into account the effect in aggregate of the options granted under all the Plans described above:

Fully diluted EPS on a pre-issue basis for Fiscal 2007*	Rs. 20.59 per Equity Share
Impact on profits and EPS of the last three years	
Fiscal 2005	Profit would be lower by Rs. 12.83 million
Fiscal 2006	Profit would be lower by Rs. 11.06 million
Fiscal 2007	Profit would be lower by Rs. 11.17 million
Five month period ended August 31, 2007	Profit would be lower by Rs. 4.34 million

\* EPS has been calculated using restated net profit for the year ended March 31, 2006 divided by the total number of Equity Shares outstanding as of March 31, 2006 and options outstanding as of March 31, 2007.

g) Difference, if any, between employee compensation cost (calculated using the intrinsic value of stock options) and the employee compensation (calculated on the basis of fair value of options)

Period	Impact on Profit (Rs. in millions)
--------	------------------------------------

<b>Period</b>	<b>Impact on Profit (Rs. in millions)</b>
2004	0.88
2005	(1.15)
2006	30.85
2007	25.49
Five month period ended August 31, 2007	33.01

- h) Impact on the profits and EPS if the Issuer had followed the accounting policies specified in Clause 13 of the ESOP Guidelines.

<b>Period</b>	<b>Impact on Profit (Rs. in millions)</b>	<b>Impact on Basic EPS</b>	<b>Impact on dilutive EPS</b>
2004	(0.88)	(0.03)	(0.03)
2005	1.15	0.04	0.04
2006	(30.85)	(0.95)	(0.83)
2007	(25.499)	(0.62)	(0.58)
Five month period ended August 31, 2007	(33.01)	(0.60)	(0.58)

23. Our directors and key managerial personnel who have been granted options pursuant to the ESOP Scheme have confirmed to our Company that they do not intend to sell any shares arising from such options for three months after the date of listing of Equity Shares in this Issue. Other employees holding Equity Shares at the time of listing of Equity Shares and Equity Shares on exercise of vested options may sell Equity Shares within the three months period after the listing of the Equity Shares. This disclosure is made in accordance with para 15.3 (b) and 15.3 (c) of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 2000.

## OBJECTS OF THE ISSUE

The objects of this Issue are to raise funds to (i) enhance our margin maintenance with stock exchanges; (ii) establish additional offices and acquire office infrastructure; (iii) enhance our existing technological capacity; (iv) prepayment of loans; and (v) achieve the benefits of listing of the Equity Shares of our Company on the Stock Exchanges.

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

### Our requirement of funds and means of finance

We are a diversified financial services company in India, providing investment banking, institutional equities, private client broking, asset management and investment advisory services, wealth management, insurance broking and wholesale financing services to corporate, institutional and high net worth individual clients. We have organized our operations through our Company and our Subsidiaries. For details of the various businesses carried on by us, please see the section titled “Our Business” beginning on page 70.

We intend to utilize the Net Proceeds for financing the growth of our business towards the under-mentioned activities by Fiscal 2008.

The details of utilization of Net Proceeds are as per the table set forth below:

<i>(Rs. in million)</i>				
Particulars	Total Estimated Amounts/ Costs	Expenditure Incurred up to October 19, 2007	Estimated Net Proceed utilization as of March 31, 2008	Estimated Net Proceed utilization as of March 31, 2009
Enhancement of margin maintenance with stock exchanges by our subsidiary ESL	3,000.00	--	3,000.00	--
Establishment of additional offices and acquisition of office infrastructure	269.19	17.74*	36.10	215.35
Enhancement of our existing technological capacity	30.93	--	15.85	15.08
Prepayment of loans	1050.00	--	1050.00	--
General Corporate Purposes	•	--	•	•
<b>Total</b>	•	17.74	•	•

\* as confirmed by a certificate dated October 20, 2007 from BSR & Associates, Chartered Accountants.

We propose to meet all the requirement of funds entirely from the proceeds of the Issue and, therefore, no amount is required to be raised through means other than the Issue for financing the same. Accordingly, Clause 2.8 of the SEBI Guidelines (which requires firm arrangements of finance through verifiable means for 75% of the stated means of finance, excluding the amount to be raised through the proposed issue) does not apply to the Issue.

The fund requirement and deployment are based on internal management estimates and have not been appraised by any bank or financial institution. These are based on current conditions and are subject to change in light of changes in external circumstances or costs, or in our financial condition, business or strategy, as discussed further below. 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 requirements 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 variations in the actual utilization of funds earmarked for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes for which funds are being raised in this Issue, subject to applicable law. If surplus funds are unavailable, the required financing will be through our internal accruals and/or debt. The entire requirement of funds as set out above will be met through the Net Proceeds. In the event that estimated utilization out of the Net

Proceeds in a Fiscal year is not completely met, the same shall be utilized in the next Fiscal year. We undertake that the Net Proceeds will not be deployed towards our commodities trading and commodities broking business.

### Deployment of funds

The details of the expenditure incurred towards the above-mentioned objectives are as per the table provided below:

Particulars	Expenditure Incurred up to October 19, 2007	Source of funds
Establishment of additional offices and acquisition of office infrastructure	17.74*	Internal accruals
<b>Total</b>	17.74	

### Details of the Objects

The details of the requirement of funds among our Company and certain of our subsidiaries are as provided below:

Particulars	Entity in which the expenditure is expected to be incurred		
	ECL	ESL	Total
Enhancement of margin maintenance with stock exchanges by our subsidiary ESL	--	3,000.00	3,000.00
Establishment of additional offices and acquisition of office infrastructure	--	251.45	251.45
Enhancement of our existing technological capacity	3.96	26.97	30.93
Prepayment of loans	550.00	500.00	1,050.00

### *Enhancement of margin maintenance with stock exchanges by our subsidiary ESL*

Part of the Net Proceeds will be used towards maintaining adequate levels of margin with the stock exchanges by our subsidiary, Edelweiss Securities Limited (“ESL”). The margin requirements with the stock exchanges are determined by the stock exchanges on the basis of trading volumes, market volatility and to extent of open interests in respect of equity index/ stock futures. Such margin requirements comprise of “initial margin” representing initial margin paid and “margin deposits”, representing additional margin over and above the initial margin, for entering into contracts for equity index/ stock futures, which are released on final settlement and/or squaring up of underlying contracts. Further, equity index/ stock futures are marked-to-market on a daily basis, in which case, “mark-to-market margin” is required to be provided, representing the net amount paid or received on the basis of movement in the prices of index/ stock futures till the balance sheet date.

While the initial margin and the margin deposits with the stock exchanges/ professional clearing members, can be created by way of deposit of either stock or bank guarantees or fixed deposits with banks or cash, however, the marked-to-market margin is typically created by way of deposit of cash.

Provided below are the details of the levels of initial margin, margin deposits and marked-to-market margin maintained by our subsidiary, ESL, in the last three Fiscal years:

Particulars	<i>(Rs. in million)</i>		
	Fiscal 2005	Fiscal 2006	Fiscal 2007
Margin maintained with stock exchanges/ professional clearing members	779.70	2,043.70	5,995.90

As above, ESL has witnessed an increased requirement to maintain margins with the stock exchanges. Consequently, we propose to deploy Rs. 3,000 million in Fiscal 2008 towards enhancing the margins with the exchanges through either bank guarantees or fixed deposits with banks or cash.

Such capital infusion will enable ESL to undertake more business in equities and derivatives markets. Such capital infusion may be in the form of investment in either shares of ESL or debt instruments which may convertible into shares or a combination thereof. The management of our Company is yet to finalise the form such investment in ESL would take and accordingly, the terms of the unsecured loan and/or investment in shares of ESL are yet to be firmed up. Although our Company is not assured of dividends pursuant to such investment, our Company believes that such investment in ESL is in line with its strategy of expanding its core businesses.

For further details regarding ESL and the approvals obtained by it, please see the sections titled “History and Certain Corporate Matters”, “Our Business” and “Government and Other Approvals” beginning on pages 112, 70 and 472, respectively.

***Establishment of additional offices and acquisition of office infrastructure***

We are headquartered in Mumbai and operate from 43 offices in 19 Indian cities. For further details of our existing offices and properties, please see the section titled “Our Business” beginning on page 70. As per our internal estimates, we further require about 23,400 square feet of additional built up area, for ESL, which is *inter alia* engaged in the wealth management business and for our Company, which is *inter alia* engaged in the asset management and investment advisory services business. We have identified two office premises having built up area of approximately 6,619 square feet for our Company and have deposited an aggregate amount of Rs. 17.74 million out to internal accruals of our Company, pursuant to certain agreements entered into with the lessors for such premises. We intend to utilize an additional Rs. 36.10 million in Fiscal 2008 and Rs. 215.35 million in Fiscal 2009, out of the Net Proceeds towards this objective.

Further, depending upon factors such as availability, location and price, these properties may be either owned or leased. The estimated cost for establishment of the offices primarily comprises advance rent and deposit for purchase or lease/license arrangements, expenditures on furniture and fixtures, installation of computers, connectivity and other office equipments. Since the equipments are standard in nature, the estimated costs remain largely the same for similar sized offices for each business, irrespective of the location of the office. However, the rents and deposits for lease/license arrangements and expenses towards furnishing may vary slightly based on location, size and several other factors.

(Rs. in million)

Particulars	Estimated cost*	
	Fiscal 2008	Fiscal 2009
Deposits/Advance Rentals <sup>(a)</sup>	3.86	86.40
Furniture and fixtures and interior decoration <sup>(b)</sup>	12.00	48.00
IT and other office equipments <sup>(c)</sup>	20.24	80.95
<b>Total estimated costs</b>	<b>36.10</b>	<b>215.35</b>

\* based on management estimates.

(a) Deposit/Advance rentals are estimated to be equal to twelve months rental. Rentals are calculated to be Rs. 300-325 per square feet per month as per the management estimation based on current market valuation. The estimated area of the new offices sought is approx 23,400 sq ft. Therefore the deposit amounts are approx. Rs. 3,875 per sq ft.

(b) The management estimate of the capital expenditure in the form of furniture and fixtures and interior decoration, based on quotation received from vendors, for these new offices, is estimated to be around Rs. 2,000 per sq. ft. resulting into a cost of Rs. 60 million to be expended over Fiscal 2008 and Fiscal 2009.

(c) IT and other office equipments represents expenditure towards IT infrastructure to be set up at these new offices and IT and office equipments for new employees to be placed in new offices. The management estimate of the capital expenditure towards setting up such IT infrastructure, based on quotation received from vendors, is estimated to be around Rs. 101.19 million to be expended over Fiscal 2008 and Fiscal 2009.

ESL is yet to identify suitable location for the proposed office spaces. As a result, ESL has not entered into any lease or license arrangements for establishment of any of these offices. We have not entered into any definitive arrangements for establishing any of these offices. Further, no second hand equipment and instruments have been purchased or are proposed to be purchased from the Net Proceeds. Presently, no expenditure has been incurred by us towards this objective.

***Enhancement of our existing technological capacity***

In order to further improve our service offerings and to meet the technological needs due to expansion in our business lines, we are required to upgrade our technological platforms and incur additional expenditure on our technology platforms and systems.

The expenditure on technology will include: (a) acquisition of additional infrastructure, hardware / software / server setup for our new firm arrangements, offices, high capacity “Disaster Recovery Site” (“DRS”), back-office platform and for server consolidation; and (b) development of a “Business Continuity Plan” (“BCP”) will ensure scaling up of the availability of platforms to our customers. The BCP program will cover availability of trading and service platforms at an alternate location and will include trading, back office, depository, customer service, networks and exchange connectivity.

The technological upgradation referred to above will lead to business continuity and minimal disruptions to business and servicing. The details of our requirement of funds for technology upgrading based on the quotations received from various suppliers are as follows:

Particulars	Name of the suppliers	Amount (Rs. in million)		Quotations available for all such equipment
		Fiscal 2008	Fiscal 2009	
DRS	Xperts Information Technologies India Private Limited;	13.48	13.49	Quotation for DRS dated August 3, 2007

### *Pre-payment of loans*

Our Company has availed loan facilities of Rs. 550.00 million from Standard Chartered Investments and Loans (India) Limited (“**SCILL**”) in June, 2007 and our subsidiary, ESL has availed loan facilities of Rs. 500.00 million from Kotak Mahindra Prime Limited (“**KMPL**”) in July, 2007, in order to meet ESL’s working capital requirements (“**WC Loans**”). The prepayment of the WC Loans shall be fully made upon realization of the Net Proceeds.

#### *SCILL Loan*

The loan have been sanctioned to our Company by SCILL, at a negotiated rate, which at the time of the sanction were 11.95% p.a., with reset of interest at every six months from the date of disbursement. Currently, we are paying interest at the rate of 11.95% p.a. Our Company intends to prepay the loan in Fiscal 2008 out of the Net Proceeds. Under the terms of the loan, our Company will be liable to pay penalty on the prepayment of the loan, based and calculated on interest differential and/or as agreed by SCILL. However, no prepayment charges / penalty would be payable in case of SCILL, if the facility is repaid on the interest reset date as per the terms of the loan agreement with SCILL.

Mentioned below are further details of the loan:

Particulars	Loan Details
Purpose of the loan	To meet the working capital requirements of our subsidiaries
Date of sanction	May 29, 2007
Date of the loan agreement	June 1, 2007
Date of disbursement	Single disbursement of the entire amount on June 1, 2007
Nature of interest charge	Negotiated Rate with reset every six months from date of disbursement
Rate of interest on the loan	Negotiated Rate Current interest rate paid by the Company – 11.95% p.a.
Security	Corporate guarantee from Edelweiss Securities Limited
Repayment schedule	The loan is for maximum tenor of 18 months of the date of disbursement.
Upfront fee	1% p.a. of the loan amount, payable immediately on acceptance of facility
Last date of repayment of the loan	November 30, 2008
Terms of prepayment	The Company can prepay the term loan with the prior written permission of SCILL and will be subject to conditions stipulated under the loan agreement including payment of prepayment charges (based and calculated on interest differential and/or as agreed by SCILL). However, no prepayment charges would be payable in case the loan is repaid on the interest reset date.

#### *KMPL Loan*

The loan was sanctioned by KMPL at a fixed rate of 10.25% p.a. compounded monthly with reset of interest at every twelve months from the date of disbursement. The same shall be payable to KMPL on completion of first twelve months from date of disbursement. ESL intends to prepay this loan out of the Net Proceeds. No prepayment charges / penalty is payable under the terms of the loan agreement.

Mentioned below are further details of the loan:

Particulars	Loan details
Purpose of the loan	To meet the working capital requirements of ESL
Date of Sanction	July 26, 2007
Date of the Loan Agreement	July 28, 2007
Date of Disbursement	Single disbursement of the entire amount on July 30, 2007
Tenor	Three years from date of disbursement
Nature of Interest Charge	Fixed Rate 10.25% p.a. compounded monthly with reset every twelve months from date of disbursement
Rate of Interest on the Loan	Fixed Rate 10.25% p.a. compounded monthly The same shall be payable to KMPL on completion of first twelve months from date of disbursement.
Security	Unsecured
Repayment Schedule	Bullet repayment at the end of the tenor or on the recall of the loan by the lender or on the prepayment of the loan by the borrower, whichever is earlier.
Processing Fee	Rs 3.75 million, payable immediately on acceptance of facility
Last date of repayment of the loan	July 28, 2010
Terms of Prepayment	The lender and the borrower would have an option to recall /prepay the loan at first on July 28, 2008 and the same date every year thereafter until repayment of the loan.

### Issue Related 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:

Activity	Expenses*
Lead management fee and underwriting commissions	[•]
Advertising and Marketing expenses	[•]
Printing and stationery	[•]
Others (Monitoring agency fees, Registrars fee, legal fees, etc.)	[•]
<b>TOTAL</b>	<b>[•]</b>

\* Will be incorporated after finalisation of the Issue Price

### Interim Use of Net Proceeds

The management of our Company, in accordance with policies established by our Board from time to time, will have flexibility in deploying the Net Proceeds. Pending utilisation for the purposes described above, our Company intends to temporarily invest the funds in high quality interest/dividend bearing liquid instruments including money market mutual funds, deposits with banks for the necessary duration and other investment grade interest bearing securities, as may be approved by the Board of Directors or a committee thereof. Such transactions would be at the prevailing commercial rates at the time of investment. Our Company may apply part of the proceeds of the Issue, pending utilisation for the purposes described above, towards working capital requirements. In case our Company utilizes a portion of the funds raised for meeting short-term working capital requirements, our Company undertakes that these funds would eventually be directed towards the Objects of the Issue mentioned herein. The Company confirms that pending utilization of the Issue proceeds, it shall not use the funds for any investments in the equity markets.

### 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, including towards setting-up new practices, brand building exercises and the strengthening of our marketing capabilities.

### Monitoring of utilisation of funds

Our Board and IDBI Limited, which has been appointed the monitoring agency for this purpose will monitor the utilization of the Issue proceeds. We will disclose the details of the utilization of the Issue proceeds, including interim use, under a separate head in our financial statements for fiscal 2008 and 2009, specifying the purpose for which such proceeds have been utilized or otherwise disclosed as per the disclosure requirements of our

listing agreements with the Stock Exchanges. As per Clause 49 of the listing agreements with the Stock Exchanges we shall disclose to the Audit Committee, the uses / applications of funds by major category on a quarterly basis as a part of our quarterly declaration of financial results. Further, on an annual basis, we shall prepare a statement of funds utilized for purposes other than those stated in the Red Herring Prospectus and place it before the audit committee. Such disclosure shall be made only until such time as the Net Proceeds have been fully spent. This statement shall be certified by our statutory auditors. The audit committee shall make appropriate recommendations to the Board in this regard.

**Other confirmations**

No part of the proceeds from the Issue will be paid by us as consideration to our Promoters, our Directors, Promoter Group or key managerial employees, except in the normal course of our business.

## BASIS FOR ISSUE PRICE

The Issue Price will be determined by us in consultation with the BRLMs on the basis of assessment of market demand for the Equity Shares offered by the Book Building Process and on the basis of the following qualitative and quantitative factors. The face value of the Equity Shares is Rs. 5 and the Issue Price is 145 times the face value at the lower end of the Price Band and 165 times the face value at the higher end of the Price Band.

### Qualitative factors

For details on the qualitative factors, which form the basis for computing the price, please see the section titled “Our Business” beginning on page 70 and “Risk Factors” beginning on page xi, respectively.

### Quantitative factors

Information presented in this section is derived from the Company’s restated, consolidated financial statements prepared in accordance with Indian GAAP. The quantitative factors, which form the basis for computing the price, are as follows.

#### Weighted average earnings per share (EPS)

Financial period	EPS (Rs.)	Weight
Fiscal year 2005	6.34	1
Fiscal year 2006	9.94	2
Fiscal year 2007	20.59	3
Weighted average	14.67	

#### Notes:

- *The earnings per share has been computed on the basis of adjusted profits and losses for the respective years / periods after considering the impact of accounting policy changes, prior period adjustments / re-groupings pertaining to earlier years, as per the auditor’s report.*
- *The face value of each equity share is Rs. 5.*

#### Price/earning (P/E) ratio in relation to the Issue Price of Rs. •per share of Rs. 5 each

- Based on EPS for the fiscal year ended March 31, 2007, of Rs. 20.59:
  - (a) P/E ratio in relation to the Floor Price : 35.21 times
  - (b) P/E ratio in relation to the Cap Price : 40.07 times
- Based on the Weighted average EPS of Rs. 14.67:
  - (a) P/E ratio in relation to the Floor Price : 49.42 times
  - (b) P/E ratio in relation to the Cap Price : 56.24 times
- Industry P/E (For Finance and Investments)\*:
  - (a) Highest : 183.9
  - (b) Lowest : 2.2
  - (c) Average : 30.9

\*Source: Capital Market, Volume XXII/16 October 8-21,2007 edition

**Weighted average return on net worth (RoNW)\***

Financial period	RoNW (%)	Weight
Fiscal year 2005	55.61	1
Fiscal year 2006	38.20	2
Fiscal year 2007	28.71	3
Weighted average	36.35	

\* *Net worth has been computed by aggregating share capital, reserves and surplus and adjusting for revaluation reserves, intangible assets and deferred tax assets as per our audited restated financial statements.*

**Minimum Return on Total Net Worth required to maintain pre-Issue EPS**

The minimum Return on total Net Worth after issue required to maintain pre-Issue EPS at Rs. ● is ●%.

**Net Asset Value (NAV) per Equity Share**

NAV per equity share represents shareholders' equity less miscellaneous expenses as divided by restated weighted average number of equity shares. The NAV per Equity Share as at March 31, 2007 is Rs. 93.54.

**NAV per Equity Share after the Issue**

The NAV per Equity Share as of March 31, 2007 after the Issue is Rs. ●.

The Issue Price per Equity Share is Rs. ●.

The Issue Price per Equity Share will be determined on conclusion of the Book Building Process.

**Comparison of accounting ratios with other listed companies**

	EPS (Rs.) (TTM)	P/E	Return on Net Worth (%)	NAV (Rs.)
Edelweiss Capital Limited*	20.59	[●]	28.7	93.54
<b>Peer group**</b>				
IL&FS Investsmart	4.2	43.6	5.7	99.0
India Infoline	13.2	63.5	23.0	63.6
India Bulls Financial	8.4	71.0	14.3	113.6

\* *Our EPS, Return on Net Worth and Net Asset Value per Share have been calculated from our audited restated financial statements for the fiscal year 2007 ending March 31, 2007*

\*\* *All the figures except for the P/E ratio are as of September 28, 2007. All figures for peer group are extracted from Capital Market October 8-21, 2007 edition.*

The BRLMs believes that the Issue Price of Rs. ● is justified in view of the above qualitative and quantitative parameters. For further details, see the section titled "Risk Factors" beginning on page xi and the financials of our Company including important profitability and return ratios, as set out in the auditor's report appearing in the section titled "Financial Information" beginning on page 150 to have a more informed view.

## STATEMENT OF GENERAL TAX BENEFITS

There are no special tax special tax benefits available to the Company.

Further, there are certain general tax benefits, which are available to usually all the companies and to the shareholders of any company, after fulfilling certain conditions as required in the respective Act. The Statement Of General Tax Benefits, as given by BSR & Associates, Chartered Accountants, which are available to us and our shareholders are mentioned hereunder.

### **Auditors' Report on Statement of Possible Tax Benefits**

We hereby report that we have reviewed the enclosed Annexure 'A' which states the possible tax benefits available to Edelweiss Capital Limited ('the Issuer') and its shareholders under the Income-tax Act, 1961 and the Wealth-tax Act, 1957, presently in force in India. Several of these benefits are dependent on the Issuer or its members fulfilling the conditions prescribed under the relevant provisions of the respective tax laws. Hence, the ability of the Issuer or its members to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Issuer may or may not choose to fulfill.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws and the fact that the Issuer will not distinguish between the shares offered for subscription and the shares offered for sale by the selling shareholders each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

- a) the Issuer or its shareholders will continue to obtain these benefits in future; or
- b) the conditions prescribed for availing the benefits have been / would be met.

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

For **BSR & Associates**

**Mr. Akeel Master**

*Partner*

Membership No: 046768

Mumbai

6 August 2007

## **Annexure A**

### **I. Tax Benefits available to the Issuer under the Income-tax Act, 1961 ('the Act')**

#### **1. Depreciation Benefits**

Under section 32 of the Act, the Issuer is entitled to claim depreciation at the prescribed rates on specified tangible and intangible assets used by the Issuer for the purposes of its business and subject to other conditions listed in the Act.

Unabsorbed depreciation, if any, for an assessment year can be carried forward and set off against income from any other source in the subsequent assessment years as per section 32 subject to the provisions of section 72(2) and section 73(3) of the Act.

#### **2. Minimum Alternate Tax and Credit for the same**

The Issuer would be required to pay tax on its book profits under the provisions of section 115JB of the Act in case where tax on its "total income" (the term defined under section 2(45) of the Act) is less than 10% of its "book profits" (the term defined under section 115JB of the Act). Such tax is referred to as Minimum Alternate Tax ('MAT').

The difference between the MAT paid for any assessment year commencing on or after 1 April 2006 and the tax on its total income payable for that assessment year shall be allowed to be carried forward as "MAT credit". The MAT credit shall be utilised to be set off against taxes payable on the total income in the subsequent assessment years. However, it can be carried forward only upto 7 assessment years succeeding the assessment year in which such MAT was paid.

#### **3. Exemption from Dividends and Income from units of specified Mutual Funds**

Section 10(34) of the Act provides an exemption in respect of any income by way of dividends referred to in section 115-O of the Act (whether interim or final). Dividends referred to in section 115-O of the Act would cover dividends declared, distributed or paid by the domestic companies in respect of which the distributing company is liable to pay dividend distribution tax. Similarly the income received from units of a Mutual Funds specified under section 10(23D) of the Act or in respect of units from the Administrator of the specified undertaking (other than income arising from transfer of such units) is exempt from tax under section 10(35) of the Act. Also, section 94(7) of the Act provides that losses arising from the sale/transfer of shares or units purchased within a period of three months prior to the record date and sold/transferred within three months or nine months respectively after such date, will be disallowed to the extent dividend income on such shares or units are claimed as tax exempt.

#### **4. Capital Gains**

- (a) Capital gains arising on transfer of long-term capital assets, being equity shares in a company or units of equity oriented mutual fund on sale on which securities transaction tax is paid, is exempt under section 10(38) of the Act whereas short-term capital gains is subject to a concessional rate of tax under section 111A of the Act at the rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess). However, profits on transfer of above referred long term capital asset shall not be reduced in computing the book profits for the purposes of computation of MAT under section 115JB of the Act.

If the shares or units on which securities transaction tax has been paid are treated as stock-in-trade liable to tax as business profits, rebate can be claimed from the income tax payable by the Issuer in accordance with provisions of section 88E of the Act towards such securities transaction tax.

- (b) The benefit of exemption from tax under section 10(38) of the Act on long-term capital gains, or, concessional rate of tax under section 111A of the Act on short-term capital gains will not be available where no securities transaction tax is applicable. In such cases, under the provisions of section 112 of the Act, taxable long-term capital gains, if any, on sale or transfer

of listed securities or units or zero coupon bonds issued in accordance with the specified scheme would be charged to tax at the concessional rate of 20% (plus applicable surcharge, education cess and secondary and higher education cess) after considering indexation benefits or at 10% (plus applicable surcharge, education cess and secondary and education cess) without indexation benefits in accordance with and subject to the provision of section 48 of the Act. Under section 48 of the Act, the long-term capital gains arising on sale or transfer of capital assets excluding bonds and debentures (except capital indexed bonds issued by the Government) will be computed after indexing the cost of acquisition/improvement.

Further deduction under Chapter VI-A of the Act would not be allowed from such short term capital gains, which are subject to tax under section 111A of the Act.

- (c) As per the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains arising to the Issuer [other than those exempt under section 10(38)] shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such bonds are transferred or otherwise converted into money. The maximum investment permissible for the purposes of claiming the exemption in the above bonds by any person in a financial year is Rs. 5 million.

## **II. Tax Benefits available to the Members of the Issuer under the Income-tax Act, 1961**

### **1. Resident Members**

- a) Under section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under section 64(1A) of the Act, will be exempt from tax to the extent of Rs. 1,500 per minor child, whose income is so included.
- b) The characterization of gains / losses, arising from sale of shares, as capital gains or business income would depend on the nature of holding in the hands of the member and various other factors.
- c) Section 10(34) of the Act provides an exemption in respect of any income by way of dividends referred to in section 115-O (whether interim or final). Dividends referred to in section 115-O would cover dividends declared, distributed or paid by the domestic companies in respect of which the distributing company is liable to pay dividend distribution tax. However, it may be pertinent to note that section 14A of the Act restricts claim for deduction of expenses incurred in relation to exempt income. Also, section 94(7) of the Act provides that losses arising from the sale/transfer of shares purchased up to three months prior to the record date and sold or transferred within three months after such date, will be disallowed to the extent dividend income on such shares are claimed as tax exempt by the shareholder.
- (d) Long-term capital gains would arise to resident shareholders where the equity shares are held for a period of more than 12 months prior to the date of transfer of the shares. In accordance with and subject to the provisions of section 48 of the Act, in order to compute capital gains, the following amounts would be deductible from the full value of consideration:
  - (i) Cost of acquisition/improvement of the shares as adjusted by the Cost Inflation Index notified by the Central Government and
  - (ii) Expenditure incurred wholly and exclusively in connection with the transfer of the shares.
- (e) Capital gains arising on transfer of long-term capital assets, being equity shares in a company on sale of which securities transaction tax is paid, is exempt under section 10(38) of the Act whereas short-term capital gains is subject to tax under section 111A of the Act at the rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess).

However, in case of members being company, profits on transfer of above referred long term capital asset shall not be reduced in computing the book profits for the purposes of computation of MAT under section 115JB of the Act.

If the equity shares on which securities transaction tax has been paid are treated as stock-in-trade liable to tax as business profits at the maximum marginal rate, rebate can be claimed in accordance with provisions of section 88E of the Act towards such securities transaction tax.

- (f) The benefit of exemption from tax under section 10(38) of the Act on long-term capital gains, or, concessional rate of tax under section 111A of the Act on short-term capital gains will not be available where no securities transaction tax is applicable. In such cases, under the provisions of section 112 of the Act, taxable long-term capital gains, if any, on sale or transfer of listed securities would be charged to tax at the concessional rate of 20% (plus applicable surcharge, education cess and secondary and higher education cess) after considering indexation benefits or at 10% (plus applicable surcharge, education cess and secondary and higher education cess) without indexation benefits in accordance with and subject to the provision of section 48 of the Act. Under section 48 of the Act, the long-term capital gains arising out of sale or transfer of shares will be computed after indexing the cost of acquisition/improvement.

Further no deduction under Chapter VI-A of the Act would be allowed in computing such short term capital gains subject to tax under section 111A of the Act.

- g) As per the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains arising to the members [other than those exempt under section 10(38)] shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of the transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such bonds are transferred or otherwise converted into money. The maximum investment permissible for the purposes of claiming the exemption in the above bonds by any person in a financial year is Rs. 5 million.
- h) Under section 54F of the Act, where in the case of an individual or Hindu Divided Family ('HUF') capital gains arise from transfer of long term assets [other than a residential house and those exempt under section 10(38) of the Act] then such capital gain, subject to the conditions and to the extent specified therein, will be exempt if the net sales consideration from such transfer is utilised, for purchase of residential house property within a period of one year before or two year from the date of transfer, or for construction of residential house property within a period of three years after the date of transfer. If only a part of the net consideration is so reinvested, the exemption shall be proportionately reduced.

## **2. Non Resident other than Foreign Institutional Investors**

- a) Under section 10(32) of the Act, any income of minor children clubbed in the total income of the parent under section 64(1A) of the Act, will be exempt from tax to the extent of Rs. 1,500 per minor child, whose income is so included.
- b) The characterization of gains / losses, arising from sale of shares, as capital gains or business income would depend on the nature of holding in the hands of the member and various other factors.
- c) Section 10(34) of the Act provides an exemption in respect of any income by way of dividends referred to in section 115-O (whether interim or final). Dividends referred to in section 115-O would cover dividends declared, distributed or paid by the domestic companies in respect of which the distributing company is liable to pay dividend distribution tax. However, it may be pertinent to note that section 14A of the Act restricts claim for deduction of expenses incurred in relation to exempt income. Also, section 94(7) of the Act provides that losses arising from the sale/transfer of shares purchased up to three months prior to the record

date and sold or transferred within three months after such date, will be disallowed to the extent dividend income on such shares are claimed as tax exempt by the shareholder.

- (d) Long-term capital gains would arise to non-resident shareholders where the equity shares are held for a period of more than 12 months prior to the date of transfer of the shares. In accordance with and subject to the provisions of section 48 of the Act, in order to compute capital gains, the following amounts would be deductible from the full value of consideration:
  - (i) Cost of acquisition/improvement of the shares as adjusted by the Cost Inflation Index notified by the Central Government and
  - (ii) Expenditure incurred wholly and exclusively in connection with the transfer of the shares

As per the provisions of the first proviso to section 48 of the Act, capital gains arising from the transfer of equity shares acquired by non-residents in foreign currency are to be computed by converting the cost of acquisition/improvement, expenditure incurred wholly and exclusively in connection with such transfer and the full value of the consideration received or accruing into the same foreign currency as was initially utilised in the purchase of equity shares and the capital gains so computed in such foreign currency shall then be re-converted into Indian currency. Cost indexation benefits will not be available in such case. Further, the aforesaid manner of computation of capital gains shall be applicable in respect of every reinvestment thereafter in and sale of, shares in, or debentures of an Indian company.

- (e) Capital gains arising on transfer of long-term capital assets, being equity shares in a company on sale of which securities transaction tax is paid, is exempt under section 10(38) of the Act whereas short-term capital gains is subject to tax under section 111A of the Act at the rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess).

If the equity shares on which securities transaction tax has been paid are treated as stock-in-trade liable to tax as business profits at the maximum marginal rate, rebate can be claimed in accordance with provisions of section 88E of the Act towards such securities transaction tax.

- (f) The benefit of exemption from tax under section 10(38) of the Act on long-term capital gains, or, concessional rate of tax under section 111A of the Act on short-term capital gains will not be available where no securities transaction tax is applicable. In such cases, under the provisions of section 112 of the Act, taxable long-term capital gains, if any, on sale or transfer of listed securities would be charged to tax at the concessional rate of 20% (plus applicable surcharge, education cess and secondary and higher education cess) after considering indexation benefits or at the rate of 10% (plus applicable surcharge, education cess and secondary and education cess) without indexation benefits in accordance with and subject to the provisions of section 48 of the Act.

However, in the case of companies, long term capital gains so earned (which are exempt under section 10(38) of the Act) shall be taken into account in computing the book profits for the purposes of computation of MAT.

Further no deduction under Chapter VI-A of the Act would be allowed in computing such short term capital gains subject to tax under section 111A of the Act.

- g) As per the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains arising to the members [other than those exempt under section 10(38)] shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of the transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such bonds are transferred or otherwise converted into money. The maximum investment permissible for the purposes of claiming the exemption in the above bonds by any person in a financial year is Rs. 5 million.

- h) Under section 54F of the Act, where in the case of an individual or HUF capital gain arise from transfer of long term assets [other than a residential house and those exempt under section 10(38) of the Act] then such capital gain, subject to the conditions and to the extent specified therein, will be exempt if the net sales consideration from such transfer is utilised, for purchase of residential house property within a period of one year before or two year from the date of transfer, or for construction of residential house property within a period of three years after the date of transfer. If only a part of the net consideration is so reinvested, the exemption shall be proportionately reduced.
- i) As per section 90 of the Act, the provisions of the Act or the provisions of the applicable Double Tax Avoidance Agreement, whichever is more beneficial to the taxpayer / assessee, would apply subject to satisfaction of various conditions.

### **3. Special optional provisions available to Non Resident Indians under the Act**

- a) A Non Resident Indian (NRI), i.e. an individual being a citizen of India or person of Indian origin has an option to be governed by the special provisions contained in Chapter XII-A of the Act, i.e. "*Special Provisions relating to certain incomes of Non-Residents*".
- b) Under section 115E of the Act, where the NRI has subscribed to the shares of the company in convertible foreign exchange, long term capital gains arising to the non resident on transfer of such shares [in cases not covered under section 10(38) of the Act] be chargeable to tax at concessional flat rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess). In computing the capital gains for non residents, arising from transfer of shares or debentures of an Indian company, no indexation benefit is allowed. However, in such cases all the non residents have been provided with a protection against foreign exchange fluctuation under the first proviso to section 48 of the Act.
- c) Under provisions of section 115F of the Act, long term capital gains [not covered under section 10(38) of the Act] arising to the NRI from the transfer of such shares (referred in Paragraph 3(b) hereof) shall be exempt from income tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or otherwise converted into money within three years from the date of their acquisition.
- d) Under provisions of section 115G of the Act, it shall not be necessary for the NRI to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted there from in accordance with Chapter XVII-B of the Act.
- e) Under 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 by furnishing his return of income under section 139 of the Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year and if he does so, the provisions of this Chapter shall not apply to him. In such a case the tax on investment income and long term capital gains would be computed as per normal provisions of the Act, in which case the above stated provisions from point (c) to (h) in paragraph II.2 would be applicable.

### **4. Foreign Institutional Investors (FIIs)**

- a) Section 10(34) of the Act provides an exemption in respect of any income by way of dividends referred to in section 115-O (whether interim or final). Dividends referred to in section 115-O would cover dividends declared, distributed or paid by the domestic companies in respect of which the distributing company is liable to pay dividend distribution tax.
- b) The characterization of gains / losses arising from sale of shares as capital gains or business income would generally depend on the nature of holding in the hands of the member and various other factors.

- c) Under section 111A of the Act, capital gains arising from transfer of short term capital assets, *inter alia*, being an equity share in a company, which is subject to STT will be taxable @10% (plus applicable surcharge, education cess and secondary and higher education cess). In other cases, under section 115AD of the Act, the short term capital gains would be chargeable to tax @30% (plus applicable surcharge, education cess and secondary and higher education cess).
- d) Under section 10(38) of the Act, any long term capital gain arising on or after October 1, 2004, from the transfer of a long term capital asset, *inter alia*, being an equity share in a company, where such transaction is chargeable to STT, is exempt from tax in the hands of the member. However, in the case of companies, long term capital gains so earned may be required to be taken into account in computing the book profits for the purposes of computation of MAT.
- e) Section 115AD provides special provisions for taxability of various types of income of FIIs. Under section 115AD long term capital gains arising from transfer of shares in a company [other than those mentioned in point (d) above], are taxed at the rate of 10% (plus applicable surcharge, education cess and secondary and higher education cess). Such capital gains would be computed without giving effect to the first and second proviso to section 48 of the Act. In other words, the benefit of indexation or the adjustment in respect of foreign exchange fluctuation, as mentioned under the two provisos would not be allowed while computing the capital gains.  
  
Any income of FII (other than dividend referred to in section 115-O of the Act) received in respect of securities (other than unit referred to in section 115AB of the Act) shall be charged at concessional rate of 20% (plus applicable surcharge, education cess and secondary and higher education cess)
- f) As per the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains arising [other than those exempt under section 10(38)] shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which such bonds are transferred or otherwise converted into money. The maximum investment permissible for the purposes of claiming the exemption in the above bonds by any person in a financial year is Rs. 5 million.
- g) As per section 90 of the Act, the provisions of the Act or the provisions of the applicable Double Tax Avoidance Agreement, whichever is more beneficial to the taxpayer / assessee, would apply subject to satisfaction of other conditions.

## 5. Mutual Funds

As per the provisions of section 10(23D) of the Act, all mutual funds set up by public sector banks, public financial institutions or mutual funds registered under the Securities and Exchange Board of India Act, 1992 ('SEBI') or authorized by the Reserve Bank of India are eligible for exemption from income-tax, subject to the conditions specified therein, on their entire income including income from investment in the shares of the Issuer.

## III. Tax Benefits under the Wealth Tax Act, 1957

Shares in a company held by a member will not be treated as an asset within the meaning of section 2(ea) of Wealth-tax Act, 1957. Hence, wealth tax is not leviable on shares held in a company.

Notes:

2 All the above benefits are as per the current tax law as amended by the Finance Act, 2006.

3 The stated benefits will be available only to the sole/first named holder in case the share are held by joint holders.

## SECTION IV : ABOUT US

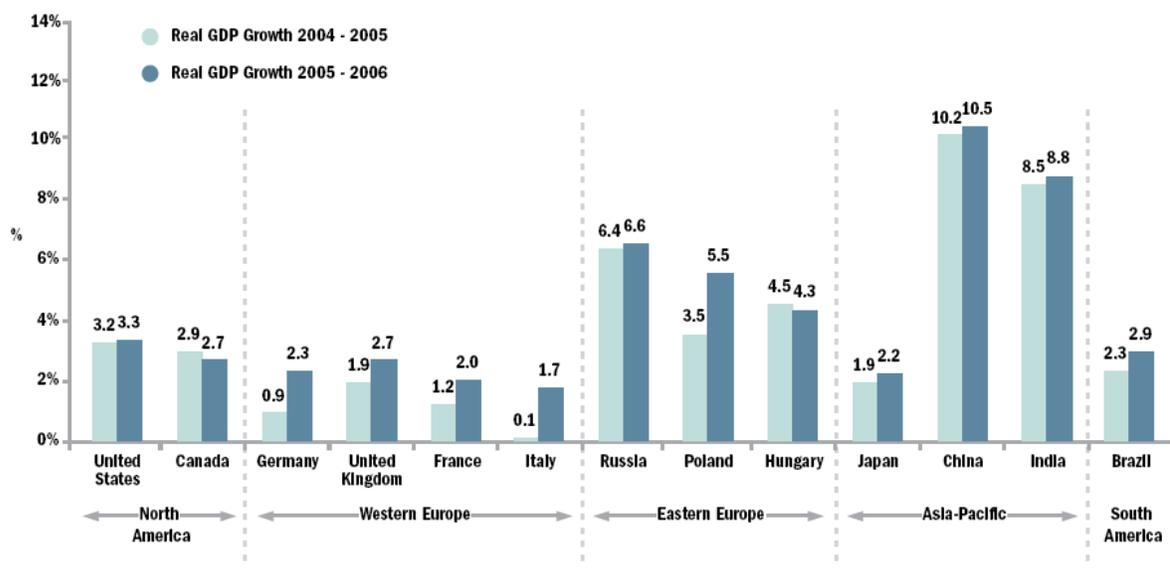
### INDUSTRY OVERVIEW

The information presented in this section has been obtained from publicly available documents from various sources including stock exchange and industry websites and from publications and government and company estimates. Industry websites and publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and government data used in this Red Herring Prospectus is reliable and that website data is as current as practicable, these have not been independently verified. Similarly, internal Company estimates, which we believe to be reliable, have not been verified by any independent agencies.

#### Indian Economy

India is one of the fastest growing economies in the world. After adjustments for purchasing power parity, India's economy is the fourth largest in the world in terms of Gross Domestic Product ("GDP"). In recent years, India has become a preferred destination for Foreign Direct Investment ("FDI"), owing to its well developed private corporate sector, large consumer market potential, large pool of well educated and English speaking work force, and well established legal systems. Overall, India attracted FDI of around US\$ 35.07 billion between Fiscal 2000 and Fiscal 2006.

In 2006, China and India sustained real GDP growth rates of 10.5% and 8.8%, respectively, among the highest of any economy in the world. The following chart illustrates global real GDP growth rates, by region, for the period from calendar year 2004 to calendar year 2006.



Source: The Economist Intelligence Unit, February 2007

Per capita GDP in India has grown from Rs. 5,438 for the fiscal year ended March 1991 at the time of liberalization to Rs. 29,832 for the fiscal year ended March 2007. This increase in per capita income has created increasing wealth and positively impacted disposable incomes. This has had a significant investment multiplier effect on the economy leading to increasing consumerism and wealth creation thus positively impacting savings.

#### Indian Financial Services Sector

There has been a considerable broadening and deepening of the Indian financial markets due to various financial market reforms undertaken by the regulators, the introduction of innovative financial instruments in the recent years and the entry of sophisticated domestic and international players. Sectors such as banking, asset

management and brokerage have been liberalised to allow private sector involvement, which has contributed to the development and modernisation of the financial services sector. This is particularly evident in the non-banking financial services sector, such as equities, derivatives and commodities brokerage, residential mortgage and insurance services, where new products and expanding delivery channels have helped these sectors achieve high growth rates.

### Capital Markets

There were 4,821 companies listed on the Bombay Stock Exchange as on March 31, 2007. In recent years, the equity capital markets have undergone substantial reforms in regulation and supervision. Reforms, particularly the establishment of SEBI, market-determined prices and allocation of resources, screen-based nation-wide trading, T+2 settlement, scripless settlement and electronic transfer of securities, rolling settlement and derivatives trading have greatly improved both the regulatory framework and efficiency of trading and settlement. There are 23 recognised stock exchanges in India, including the Over-The-Counter Exchange of India (“OTCEI”) for small and new companies and the NSE, which was set up as a model exchange to provide nationwide services to investors. In 2003, NCDEX and MCX were set up for trading of futures in various commodities.

In addition, the growth of the economy and Indian corporations has coincided with a sharp increase in foreign direct investment, including significant participation from private equity firms, a marked increase in investment in the real estate sector, increasing M&A activity, and a growing demand for credit from both corporations and consumers. With it, there has been a proliferation in the presence of intermediaries such as investment banks and securities firms that closely monitor the performance of the markets and provide extensive fundamental and technical research on the economy, sectors, and companies. All of these have contributed significantly to the growth of the Indian capital markets.

Corporate borrowing requirements are primarily met through the domestic banking system, due to the limited development of the corporate bond market. Large corporations are able to tap into the international banking system for their funding requirements however the RBI has placed restrictions on these borrowings by establishing limits on the amount and the rate at which corporations can borrow abroad. It is widely believed that for the healthy development of the Indian capital markets and corporate sector, it is imperative that the debt markets develop in a systematic and scalable manner.

### Primary Equity Market

The primary segment of the capital markets in India has been witnessing a surge in activities driven by the strong fundamentals of the Indian economy, a buoyant secondary market, revival of structural reforms by the government, and an investor friendly framework provided by SEBI. In addition, sustained growth of the corporate sector and its increasing capital requirements have resulted in a record level of capital raising from the primary equity market in the present year. The number of primary equity market issuances in India is set forth in the table below

	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
<b>Domestic Offerings (Rs billion)</b>					
IPO and Follow on Offerings	49.80	14.07	27.15	96.36	169.37
Rights Offering	7.12	4.71	10.07	34.44	42.17
<b>Sub Total</b>	<b>56.92</b>	<b>18.78</b>	<b>37.22</b>	<b>130.80</b>	<b>211.54</b>
<b>International Offerings (US\$ Million)</b>					
ADRs/ GDRs	477	600	459	613	2,552

Source: RBI

### Secondary Equity Market

The Indian equity markets have witnessed a strong rally since 2003 with the benchmark BSE Sensex crossing the 15,000 mark in July 2007 from 5,200 in September 2004 and 6,600 in January 2005 setting a new historical

high. As in the case of the primary markets, the primary drivers for the record level of activity and in the secondary market have been strong economic growth and growing corporate profitability, leading to increased international and domestic investor interest.

**Growth of volume traded in Secondary Market (NSE)**

	Unit	Year Ended March 31,						
		2001	2002	2003	2004	2005	2006	2007
<b>Capital Market</b>								
No. of Companies Listed		785	793	818	909	970	1,069	1,228
Traded Quantity	Million	32,953	27,841	36,407	71,330	79,768	84,448	85,546
Turnover	Rs. Billion	13,395	5,132	6,180	10,995	11,400	15,696	19,453
<b>Derivatives</b>								
Number of Contracts	'000	91	4,197	16,769	56,887	77,017	157,619	216,884
Turnover	Rs. Billion	23	1,019	4,399	21,306	25,470	48,242	73,562

Source: NSE Website.

**Growth of volume traded in Secondary Market (BSE)**

	Unit	Year Ended March 31,		
		2005	2006	2007
<b>Capital Market</b>				
No. of Companies Listed		4,731	4,781	4,821
Traded Quantity	Million	237	264	346
Turnover	Rs. Billion	5,187	8,161	9,561

Source: BSE Website.

The turnover on both exchanges has increased significantly over the years, with derivatives (the Futures & Options Segment) constituting over 70% of total turnover.

**Debt Markets**

The Indian debt market is the third largest in Asia ex-Japan after China and Korea, with approximately US \$420bn of securities outstanding. A large variety of instruments are available to investors, ranging from government bonds and T-bills to certificates of deposit, commercial paper and private-sector bonds. Issuers include the central government, the states of the Indian Union, private and public sector companies, and financial institutions.

However, outstanding Government of India bond issues in the local debt market are estimated to approximately US\$310bn making up approximately 76% of the longer dated market; adding in public-sector entities this would increase the public share to 92%. The corporate bond market continues to lag behind the government debt market owing to problems such as non-availability of a trading platform, central clearing and settlement, stringent documentation requirements and secondary market volumes which continues to deter issuers from raising money via the bond route.

Accordingly, Indian debt capital markets such as investment grade and high yield debt, mortgage and asset backed securities, both onshore and offshore, have remained underdeveloped relative to the equity capital markets. Debt financing requirements of Indian corporates is primarily met by Indian banks and select International banks that participate in foreign currency international syndications. Large corporations are increasingly able to tap into the international debt capital markets in order to meet their borrowing and acquisition financing requirements. Banks have recently been growing their assets by 20-30% per annum, but given the lack of depth in the asset and mortgage based securities markets, banks are unable to effectively manage their capital and balance sheets by offloading risk. There are several reasons for the underdeveloped debt markets in India such as regulatory limitations, underdevelopment of infrastructure, high transaction costs, and a limited investor base. RBI has placed restrictions on borrowings by establishing limits on the amount and the rate at which corporations can borrow abroad. It is widely believed and recognised by various constituencies that the development of the Indian debt markets is necessary in order to meet the large funding requirements of the growing corporate and financial sector.

## Investment Banking

With the strong growth in the economy, Indian companies have grown profits rapidly and have increased the scale of their operations. At the same time, their requirements for capital have increased as has their demand for increasingly sophisticated methods of funding, need for strategic advisory services related to mergers, acquisitions and restructurings, and need for risk management solutions.

Indian companies have been increasingly raising funds from both domestic and international equity and equity linked and international debt capital markets. In addition, the pace of private equity activity has accelerated over the past few years. As private equity investing in India has gained momentum, the size and nature of investments has also evolved, increasingly moving from smaller start-up and early stage funding to later stage growth capital investments. There has also been a significant increase in merger and acquisition (“M&A”) activity by Indian companies in recent years. This continuing increase is evident in the inbound, outbound and domestic segments. The following chart indicates the total volume of M&A, private equity and capital raising transactions in India for last three years:

Indian Investment Banking	Year Ended December 31,			2007 (as of September)
	2004	2005	2006	
<i>(US\$ Billion)</i>				
<b>Mergers &amp; Acquisitions</b>				
Total Volume of Transactions	9.7	36.6	38.8	45.1
<b>Equity &amp; Equity-linked</b>				
Total Volume (Primary market)	8.9	14.1	18.8	7.0
Issues	42	144	209	102
<b>Private Equity<sup>(1)</sup></b>				
Total Transaction Volume	1.7	2.2	7.5	8.9 <sup>(2)</sup>
Number of Transactions	67	148	302	256

Source: Bloomberg

- Source: Venture Intelligence
- Up to September 30, 2007.

## Equity Brokerage

As the Indian capital markets continue to evolve, they are undergoing rapid consolidation driven by increased trading volumes, increased regulation, customer sophistication, availability of better technology and increased back-office requirements. As a result, significant changes have been introduced to strengthen risk management systems. Changes in the regulatory framework and settlement mechanics have resulted in smaller operating players losing market share, leading to consolidation in the industry.

The market share of the top five brokers on the NSE has increased from 12% in Fiscal 2004 to about 15% in Fiscal 2007. Similarly the market share of the top ten brokers on the NSE has grown from approximately 17% in Fiscal 2004 to 24% in Fiscal 2007. These figures indicate a long-term consolidation process in a highly fragmented securities brokerage industry, with number of smaller players exiting the market and the larger brokers gaining market shares.

Technology has been one of the key enablers of the consolidation that has taken place in the Indian broking industry. New technologies such as screen-based trading, electronic matching, and paperless securities have made the process of trading more convenient and streamlined. Better telecom connectivity and lower costs have made it possible to have large interconnected operations across multiple locations for centralised operations and effective risk management and control

## Asset Management

Growth in the asset management industry in India has been signified by two main factors, the growth in the primarily retail mutual fund business and the emergence of alternative asset management.

From 1963 to 1987, Unit Trust of India was the only mutual fund operating in the country. It was set up in 1963 at the initiative of the government and RBI. From 1987 onwards, several other public sector mutual funds entered this sector and participation was finally opened up to the private sector in 1993. The mutual fund industry has experienced considerable growth since the last few years with total assets under management increasing from Rs 1,396,160 million as of March 31, 2004 to Rs. 3,263,880 million as of March 31, 2007. In recent years, the industry has witnessed consolidation in favour of private sector mutual funds with their assets under management growing from Rs. 1,049,920 million as of March 31, 2004 to Rs. 2,621,750 million as of March 31, 2007, accounting for over 80% market share of total assets. The fixed income asset class, which comprises income, liquid, gilt and money market schemes, comprises a major share of total funds under management. The other two asset classes, equity and balanced schemes, have experienced significant growth during 2004 and 2005 on account of the buoyant stock market. In the recent past, steps have been taken to improve governance practices in the industry, which have helped the growth of the industry.

#### *Mutual Fund Assets under Management*

*(All figures in Rs. Million)*

Indian Mutual Funds	Year Ended March 31,			2007
	2004	2005	2006	
Income	625,240	476,050	602,780	1,193,220
Growth	236,130	367,570	928,670	1,133,860
Balanced	40,800	48,670	74,930	91,110
Liquid/ Money Market	417,040	540,680	615,000	720,060
Gilt & Others	76,950	63,030	97,240	125,640
Total	1,396,160	1,496,000	2,318,620	3,263,880

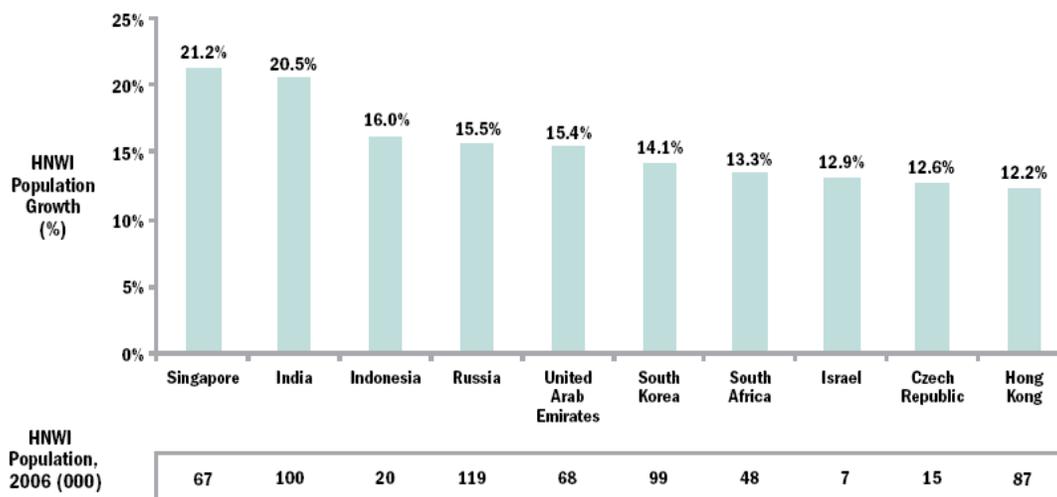
*Source: AMFI Monthly*

Interest in India as an investment destination for alternative investors such as fund of funds, family offices, pension funds, and high net-worth individuals has resulted in increased allocation of investors' money into alternative asset classes such as private equity, real estate, hedge funds, and art funds. This has resulted in the increased focus of several Indian financial institutions that have raised dedicated funds to fulfil the requirements of international investors that are focused on these asset classes. Interest in this sector continues to be strong given the performance of the Indian economy and the underlying assets classes.

#### **Wealth Management**

According to the World Wealth Report 2007, Real GDP and market capitalization growth rates, two primary drivers of wealth generation, accelerated throughout the calendar year 2006 — which helped to increase the total number of High Net Worth Individuals (“HNWI”) around the world as well as the amount of wealth they control.

Globally, the HNWI population grew by 8.3% in 2006, to a total of 9.5 million individuals. Singapore, India, Indonesia and Russia witnessed the highest growth in HNWI populations. HNWI population gains were particularly strong last year in Africa, the Middle East and Latin America, advancing by 12.5%, 11.9% and 10.2%, respectively, and outpacing more developed nations. These gains came amid these emerging markets' attempts to solidify their infrastructures and become more developed economies. The following chart illustrates the growth of HNWIs in India from calendar year 2005 to calendar year 2006.



Note: Growth rates and absolute HNWI numbers are rounded  
Source: Capgemini Lorenz curve analysis, 2007

Source: *World Wealth Report 2007*

The BRIC nations (Brazil, Russia, India and China) are playing increasingly important roles in the global economy. Two of these four countries made their way onto the list of the 10 fastest-growing HNWI populations in 2006. The Organisation for Economic Co-operation and Development predicts continued growth for China, but sees a slowdown for Brazil and India. In 2006, the HNWI populations in the BRIC nations grew in number and accumulated wealth. China's HNWI population, for example, grew by 7.8% in 2006, while India's expanded by 20.5%. Meanwhile, India continued its strong expansion, with real GDP growth of 8.8% in 2006, thanks to increased private consumption — 9.1% in 2006, up from 6.6% in 2005 — and strong manufacturing and service sectors. Manufacturing led the way with 11.9% growth in 2006.

The NRI community is a key market segment. Successful NRI business owners and professionals are of great interest to wealth management institutions, as they tend to be global in outlook, savvy about the markets in which they live and well-informed about international affairs. There is a close-knit community; members openly discuss investments and provide an excellent base for referrals. Almost all international private banks (and many domestic ones) have identified this rapidly growing segment's need for specific products and services and have created practice models and advisor teams that specialize in servicing NRIs. Firms closely monitor changes in this community to continuously refine and enhance their NRI practices as they learn more about their client base and as the NRI community matures.

## Insurance

The insurance sector in India is regulated by the Insurance Regulatory and Development Authority. In December 1999, the parliament passed the Insurance Regulatory and Development Authority Act, 1999 which opened the Indian insurance sector to foreign and private investors. The Act allows foreign equity participation in new insurance companies of up to 26.0% with a minimum paid-up equity capital of Rs.1.0 billion to carry out the business of life insurance or general insurance or Rs. 2.0 billion to carry out exclusively the business of reinsurance. Since then, various foreign and Indian private sector participants have targeted the market potential by providing a range of customized products. Major foreign insurance companies such as New York Life, Aviva, Tokio Marine, Allianz, Standard Life, Lombard, AIG and Sun Life, among others, have announced joint ventures in both life and non-life insurance areas.

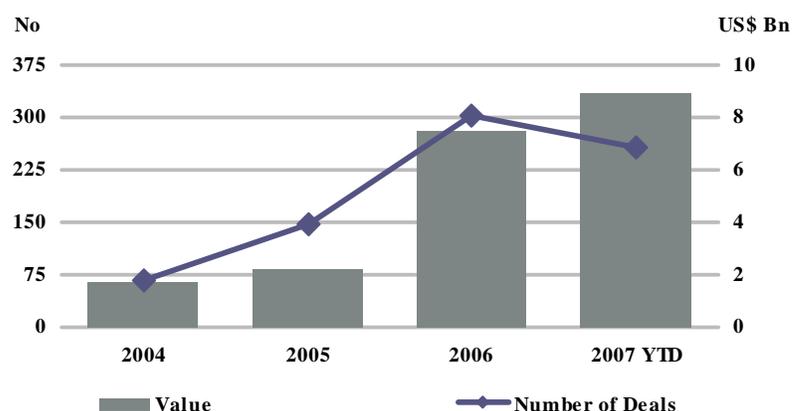
Currently, there are 32 insurance companies in India, of which 16 are life insurance companies, 15 are general insurance companies and one is a re-insurance company. Of the 16 life insurance companies, 15 are in the private sector and one is in the public sector (Life Insurance Corporation of India). Of the 15 general insurance companies, nine are in the private sector and six (four associates of the General Insurance Corporation of India and its two subsidiaries, Export Credit Guarantee Corporation of India and the Agriculture Insurance Company of India) are in the public sector. The sole re-insurance company, General Insurance Corporation of India, is in the public sector.

Life Insurance Corporation of India, General Insurance Corporation of India and public sector general insurance companies also provide long-term financial assistance to the industrial sector. Gross premiums underwritten by all general insurance companies increased by 22.4% in fiscal 2007 to Rs. 250.0 billion, compared to an increase of 16.5% in fiscal 2006. First year premium underwritten in the life insurance sector recorded a growth of 100.6% to Rs. 754.1 billion in fiscal 2007 compared to a 40.6% growth in fiscal 2006.  
(All the above numbers have been taken from IRDA website)

### Private Equity

The emergence of the Indian private equity (“PE”) and venture capital (“VC”) market dates back to 1996-1997 after which it rapidly scaled up in 2000 primarily driven by the Information Technology (“IT”), IT Enabled Services (“ITES”), Telecom and the Internet sectors. During 2001-2003, an element of risk aversion and decline in activity followed after the NASDAQ lost 60% of its value during the second quarter of 2000 and other public markets (including those in India) were also adversely impacted. Consequently, the VCs and PEs started investing less money and in more mature companies in an effort to minimize the risks.

With India’s economy growing at 7%-8% a year, investor interest has again renewed and an important feature of this resurgence has been an expanded focus on sectors beyond IT and ITES.



Source: Evalueserve, IVCA and Venture Intelligence India

Sector	2000	2003	2006
IT & ITES	65.5	49.1	28.8
Financial Services	3.1	12.3	10.3
Manufacturing	3.0	1.8	18.2
Medical & Helathcare	2.0	7.0	9.6
Others	25.2	29.8	33.1
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Evalueserve, IVCA and Venture Intelligence India

The size and nature of investments has also evolved, increasingly moving from smaller start-up and early stage funding to larger-scale, later stage growth capital investments. India’s capital markets have benefited in recent years from the growth of the Indian economy, active secondary markets, structural reforms by the Indian government and an investor-friendly regulatory framework.

The increasing market capitalisation of small and mid cap companies in recent times reiterates investment potential in emerging companies and new ventures, as also the vibrant value-creating entrepreneurial culture in India, which presents significant opportunities for PE, VC and alternate asset managers.

**Industry Outlook**

There has been considerable broadening and deepening of the Indian financial markets due to various financial market reforms undertaken by the regulators, the introduction of innovative financial instruments in recent years and the entry of sophisticated domestic and international players.

Strong economic growth, favourable demographics, increased geographic penetration, growth of small and medium enterprises and the increasing needs for capital among Indian corporations are expected to continue to drive India's financial services industry.

## OUR BUSINESS

### Business overview

We are a diversified financial services company in India, providing investment banking, institutional equities, private client broking, asset management and investment advisory services, wealth management, insurance broking and wholesale financing services to corporate, institutional and high net worth individual clients. We are headquartered in Nariman Point, Mumbai and we operate from another 43 offices in 19 Indian cities.

Since our commencement of business in 1996, we have grown from a boutique investment bank into a diversified Indian financial services company organised under agency and capital business lines and operate through the Company and its thirteen subsidiaries. Our agency business lines include investment banking, institutional equities, private client broking, asset management and investment advisory services, wealth management and insurance broking; our capital business lines includes wholesale financing services and our internal treasury operations. The following table sets forth our agency and capital business lines, as carried out by our Company and our Subsidiaries:

Name of Entity	Agency business lines	Capital business lines
Edelweiss Capital Limited	Investment Banking, PMS, Asset Management	-
Edelweiss Securities Limited	Institutional Equities, Private Client Broking, Wealth Management	Internal Treasury Operations
ECAL Advisors Limited	Private Client Broking	Internal Treasury Operations
Edelweiss Capital USA, LLC	-	-
Crossborder Investments Private Limited	-	Wholesale Financing, Internal Treasury Operations
Edelweiss Insurance Brokers Limited	Insurance Broking	-
Edelweiss Trustee Services Private Limited	-	-
ECL Finance Limited	-	Wholesale Financing, Internal Treasury Operations
Edelcap Securities & Transaction Services Private Limited	-	-
EC Global Limited	Asset Management	Internal Treasury Operations
Edelweiss Asset Management Private Limited	-	-
Edelweiss Trusteeship Company Private Limited	-	-

In the year ended March 31, 2007, revenues from our agency business lines (primarily attributable to our investment banking and institutional equities activities) were Rs. 2,154.3 million, while revenues from our capital business lines (primarily attributable to our internal treasury operations) were Rs. 1,406.9 million. The following table sets forth the revenue for our Company and its Subsidiaries from each line of business for the Fiscal 2007:

Particulars	Agency Business Lines (Rs. in million)	Capital Business Lines (Rs. in million)		Others (Rs. in million)		Total (Rs. in million)
	Fee, brokerage and commission income	Trading and arbitrage income	Investments and dividend income	Other Income	Interest Income	
Edelweiss Capital Limited	576.38	(94.60)	144.11	4.95	121.77	752.61
Edelweiss Securities Limited	1,326.20	1,155.69	34.69	8.08	86.47	2,611.13
Crossborder Investments Private Limited	11.91	129.38	65.17	10.62	71.84	288.93
ECAL Advisors Limited	119.20	42.61	0.53	0.03	0.53	162.91
ECL Finance Limited	0.35	9.37	20.11	-	0.19	30.02
Edelweiss Insurance Brokers Limited	32.90	-	-	0.45	0.55	33.90

Particulars	Agency Business Lines (Rs. in million)	Capital Business Lines (Rs. in million)		Others (Rs. in million)		Total (Rs. in million)
	Fee, brokerage and commission income	Trading and arbitrage income	Investments and dividend income	Other Income	Interest Income	
EC Global Limited	99.70	(100.23)	0.06	-	-	(0.47)
Edelweiss Capital USA, LLC	-	-	-	-	-	-
Edelweiss Trustee Services Private Limited	1.47	-	-	-	-	1.47
Edelcap Securities and Transaction Services Private Limited	-	-	-	0.54	4.49	5.03
Edelweiss Real Estate Advisors Private Limited	15.29	-	-	-	0.15	15.44
<b>Total</b>	<b>2,183.40</b>	<b>1,142.22</b>	<b>264.67</b>	<b>24.67</b>	<b>285.99</b>	<b>3,900.65</b>

In the period August 31, 2007, revenues from our agency business lines (primarily attributable to our investment banking and institutional equities activities) were Rs. 1,371.88 million, while revenues from our capital business lines (primarily attributable to our internal treasury operations) were Rs. 1,223.02 million. The following table sets forth the revenue for our Company and its Subsidiaries from each line of business for the period April 1, 2007 to August 31, 2007:

Particulars	Agency Business Lines (Rs. in million)	Capital Business Lines (Rs. in million)		Others (Rs. in million)		Total (Rs. in million)
	Fee, brokerage and commission income	Trading and arbitrage income	Investments and dividend income	Other Income	Interest Income	
Edelweiss Capital Limited	388.00	(1.93)	26.94	0.25	163.71	576.97
Edelweiss Securities Limited	857.92	538.04	106.35	4.96	143.27	1,650.54
Crossborder investments Private Limited	31.62	329.71	18.06	0.55	36.74	416.68
ECAL Advisors Limited	72.79	69.52	3.34	0.18	21.45	167.28
ECL Finance Limited	11.37	107.09	16.80	-	101.17	236.43
Edelweiss Insurance Brokers Limited	28.67	-	-	-	0.26	28.93
EC Global Limited	25.18	(7.82)	16.63	-	3.66	37.65
Edelweiss Capital USA, LLC	-	-	-	-	-	-
Edelweiss Trustee Services Private Limited	1.11	-	-	-	-	1.11
Edelcap Securities and Transaction Services Private Limited	-	-	-	-	1.78	1.78
Edelweiss Real Estate Advisors Private Limited	11.48	-	-	-	0.38	11.86
<b>Total</b>	<b>1,428.14</b>	<b>1,034.61</b>	<b>188.12</b>	<b>5.95</b>	<b>472.42</b>	<b>3,129.24</b>

#### *Agency business lines*

*Investment Banking.* Our investment banking business provides a broad range of services, including equity capital markets transaction execution, mergers and acquisitions advisory, structured finance advisory, private equity advisory, real estate advisory and infrastructure advisory.

*Institutional Equities.* Our institutional equities business provides sales-trading, distribution and research to institutional investors, both FIIs and domestic institutional investors. As of September 30, 2007, we had over 150 institutional investors actively doing business with us and approximately 145 professionals in our institutional equities business.

*Private Client Brokerage.* Our private client brokerage services are targeted at high net worth and other individuals who actively invest and trade in equity markets and seek priority service with customised research

and advisory support. As of September 30, 2007, we provided private client brokerage services to more than 5,000 active private client accounts.

*Wealth Management.* We have recently entered the wealth management business, which provides investment advisory and planning services to high net worth individuals.

*Asset Management.* Through our asset management and investment advisory services business, we advise three funds (one of which we also manage) with an aggregate corpus of the equivalent of over US\$330 million.

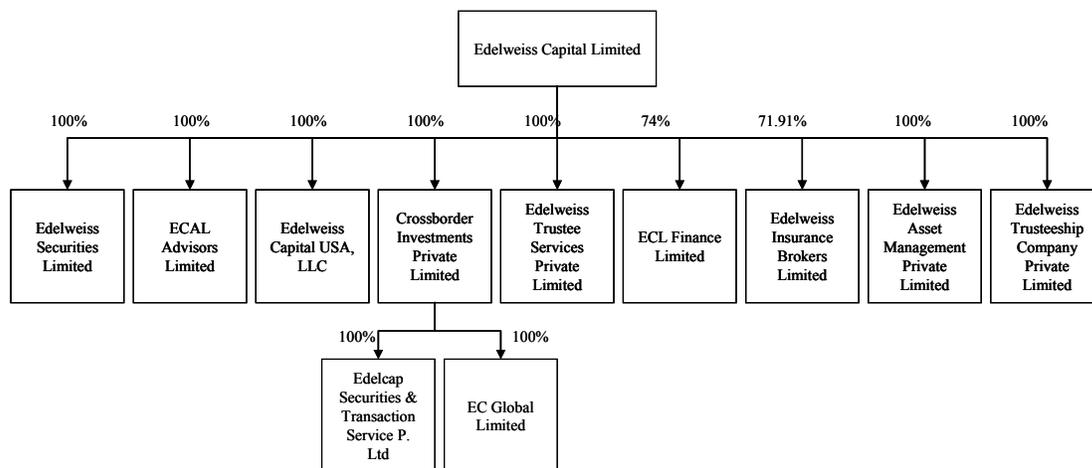
*Insurance Brokerage.* We provide brokerage services for non-life insurance products of major insurance companies in India. Our insurance brokerage professionals are experienced in distributing fire and fleet insurance products, particularly in niche areas of insurance such as transport fleet insurance and art insurance.

### **Capital business lines**

*Treasury.* Our internal treasury operations manage our excess capital funds. We do so by investing our capital in what we believe to be low-risk strategies, maintaining positions which we can liquidate economically within a few days. We structure our treasury investments to maintain sufficient liquidity in our portfolio to support the capital needs of our other businesses.

*Wholesale Financing.* We recently entered the wholesale financing business to provide our high net worth individual and corporate clients with loans against shares (including promoter financing), loans to finance subscriptions of IPO shares and loans against mutual fund units.

The following chart illustrates our corporate structure, organised by lines of business.



*Note: Figures in parenthesis indicates the direct or indirect shareholding of our Company in the subsidiary companies.*

We employed approximately 1047 full time employees as of September 30, 2007, including 51 research professionals. In fiscal 2005, 2006 and 2007 and five months ended August 31, 2007, our consolidated total income was Rs. 770.5 million, Rs. 1,580.0 million and Rs. 3,712.5 million and Rs.2,848.62 million, respectively. In fiscal 2005, 2006 and 2007 and the five months ended August 31, 2007, our consolidated profit after taxation and minority interest was Rs. 224.8 million, Rs. 405.5 million, Rs. 1,090.1 million and Rs. 809.29 million respectively.

### **Competitive Strengths**

#### ***An integrated financial services platform***

We offer our clients an integrated financial services platform, offering various financial services and products, including investment banking, institutional equities, private client brokerage, wealth management, asset management and investment advisory services, insurance brokerage and wholesale financing. Our integrated

service platform allows us to leverage relationships across lines of businesses and our industry and product knowledge by providing multi-channel delivery systems to our client base, thereby increasing our ability to cross-sell our services. For instance, our service platform enables us to successfully cross-sell products and services such as wealth management and wholesale financing alternatives to our investment banking clients.

#### ***Diversified and balanced mix of businesses***

We believe in maintaining a balanced mix between our lines of business. Our agency businesses comprise investment banking, institutional equities, private client brokerage, wealth management, asset management and investment advisory services and insurance brokerage; and our capital businesses comprise wholesale financing services and internal treasury operations. We continue to explore opportunities to build new businesses and widen our product portfolio to include products and services that are adjacent to our current offerings, where we can leverage our existing expertise. We believe that our presence in diverse lines of business across asset classes enables us to reduce risks arising from product and client concentration. We monitor the contribution of our various lines of business as a percentage of total revenue and actively seek to maintain a balanced mix between our agency and capital business lines.

The following table demonstrates our approach towards maintaining a diversified and balanced mix of businesses.

Period/ Year ended	Five months ended 31-Aug-07		Year ended 31-Mar-07		Year ended 31-Mar-06		Year ended 31-Mar-05		Year ended 31-Mar-04	
	(Rs million)	% of Total Income	(Rs million)	% of Total Income	(Rs. million)	% of Total Income	(Rs million)	% of Total Income	(Rs million)	% of Total Income
<b>Agency Businesses</b>										
Fee, brokerage and commission income	1,371.88	48%	2,154.30	58%	992.88	63%	423.98	55%	141	46%
<b>Capital Businesses</b>										
Trading and arbitrage income	1,034.62	36%	1,142.19	31%	447.36	28%	212.75	28%	106.78	35%
Investment and dividend income	188.40	7%	264.67	7%	104.13	7%	112.18	15%	51.6	17%
<b>Others</b>										
Other income	2.81	1%	22.78	1%	10.12	1%	8.2	1%	3.07	1%
Interest income	250.91	8%	128.59	3%	25.5	2%	13.38	2%	3.54	1%
<b>Total income</b>	<b>2,848.62</b>	<b>100%</b>	<b>3,712.53</b>	<b>100%</b>	<b>1,579.99</b>	<b>100%</b>	<b>770.49</b>	<b>100%</b>	<b>305.99</b>	<b>100%</b>

#### ***Our people, our strong “partnership” culture and unique model of employee ownership.***

We believe that our senior management and our talented and experienced professionals are the principal reason why we have achieved significant growth and success in all of our businesses. Most of the members of our senior management team have been with us for the last five years. Our senior management team is supported by professionals with a variety of backgrounds in investment banking, equity sales and trading, asset management and investment advisory services, wholesale financing, insurance broking and other disciplines related to our businesses. We believe that the extensive experience and financial acumen of our management and professionals provide us with a significant competitive advantage.

We believe that our model of high level of employee ownership inculcates a strong culture of partnership, ownership, commitment, and entrepreneurial spirit among our employees. As at the date hereof, approximately 11.3% of the fully diluted equity share capital of our Company is owned by our employees (not including those of our promoters who are also employees) and an employee trust while shares representing another 9.0% (on a fully diluted basis) have been granted pursuant to our employee stock option plan schemes. We believe that by motivating employees through our partnership culture, we are able to recruit talented professionals and reduce employee attrition. See “—ESOP” below.

#### ***Proven ability to capitalise on emerging capital market trends***

Since our inception, we have been successful at identifying emerging trends in the Indian capital markets and creating business lines and service offerings around them. Set forth below are certain instances where we have demonstrated our ability to capitalize on emerging capital market trends.

- i. In the late 1990s, we identified the emerging wave of private equity investing in India and were among the earliest investment banks to establish a presence in the Indian private equity advisory business.
- ii. In 2001, when equity derivatives were introduced in the Indian capital markets, we were among the earliest companies to undertake arbitrage and multi-book trading by allocating significant resources to the study and analysis of derivative markets and instruments.
- iii. In 2004, with the entry of alternative asset management funds in India, we launched our alternative, active client broking desk (Alternative Investment and Derivatives Desk) and established the structured finance group within our investment banking business to service investors both in primary and secondary markets.
- iv. In 2006, we identified the Indian real estate sector as an emerging sector and set up a real estate fund within our asset management business which we both manage and advise, and devoted a dedicated team of individuals in our investment banking business to focus on the real estate sector.
- v. In 2006, we managed the first Qualified Institutional Placement under the new regulatory framework in India for Qualified Institutional Placements.
- vi. In 2006, we acted as financial advisors to the first listing by an Indian corporate, Noida Toll Bridge Company Limited, in the Alternative Investments Market (AIM), London.

### ***Research driven approach***

We believe we have a strong research platform with our research products, consisting of fundamental and alternative research, catering to institutional and high net worth individual investors.

Our fundamental research covers approximately 190 companies, which represent approximately 69% of the market capitalisation of all companies listed on the BSE as on August 1, 2007 (calculated by dividing the market capitalisation of all companies under our coverage by the market capitalisation of all stocks listed on the BSE. Source: Bloomberg). We believe that our strength lies in identifying emerging investment themes that will drive economic activity, investments, growth and profitability of companies and showcasing them to our clients. Set forth below are certain instances when we have brought value to our clients by timely identifying investment themes.

- i. *Manufactured Exports.* In 2003, when long term institutional investors were focused on the Indian services outsourcing successes led by the IT and Business Process Outsourcing (“BPO”) industry, we conceptualised our research to emphasise the wider outsourcing opportunity by including the export-oriented manufacturing industry in India.
- ii. *Lifestyle Consumption.* In late 2005, while investors were focused on particular sectors such as hotels, media or retail we identified an overall macroeconomic trend favouring “lifestyle consumption” products and services.
- iii. *Infrastructure.* In 2006, we integrated the emerging infrastructure theme across sectors and companies into a comprehensive research publication that highlighted the larger investment opportunity in the Indian infrastructure industry.

Our alternative research utilises quantitative techniques to identify short-term and medium-term investment opportunities in the capital markets. Our product suite comprises several differentiated products including the following:

- i. *Relative Strength Comparison* – where we evaluate relative strength of companies across sectors
- ii. *Earning Strength Comparison* – where we evaluate earning strength of companies across sectors
- iii. *Pair Strategy* – where we evaluate investment opportunities in companies in the same sectors, depending upon the relative performance of the stock prices

- iv. *Edelweiss Market Scan* – where we showcase performance of companies, sectors and the market on a weekly basis
- v. *Master Moves* – where we track corporate actions announced by companies, and their implications
- vi. *Sector fact sheets* – which serve as ready-reckoners on historical operating performance and trading multiples

#### ***Strong track record of high growth and profitability***

Our consolidated revenues and net profits after minority interest have grown at a CAGR of 119.5% and 120.2% respectively between fiscal 2005 and fiscal 2007. Our consolidated revenues have grown from Rs. 770.5 million in fiscal 2005 to Rs. 1,580 million in fiscal 2006 to Rs. 3,712.5 million in fiscal 2007 and were Rs. 2848.6 million for the five months ended August 31, 2007. Our consolidated net profits after minority interest have increased from Rs. 224.8 million in fiscal 2005 to Rs. 405.5 million in fiscal 2006 to Rs. 1,090.1 million in fiscal 2007 and were Rs. 809.29 million in period ended August 31, 2007. We believe that our strong track record of high growth and profitability is a competitive strength.

#### ***Strong corporate and institutional relationships***

We believe that our focus on nurturing long-term relationships with companies, and serving these companies through the course of their development, has enabled us to form strong relationships with these clients, thereby leading to repeat business. Our dedicated focus on client coverage and our ability to provide ongoing and innovative solutions enables us to establish long-term relationships with corporate, institutional and high net worth individual clients. We believe that these deep relationships provide us with an advantage in attracting deal flow and securing transactions.

#### ***Strong investor relationships***

We have raised capital for the Group, our clients and across a broad range of asset classes within our alternative asset management platform, and we believe that our strong network of investor relationships, together with our long-term track record of providing investors avenues to superior risk-adjusted investment returns, will enable us to continue to grow our assets under advise and management across our investment platform, as also finance our own future expansion and growth.

We believe that the strength of our investor relationships is indicated by the institutional shareholders in our Company including investment vehicles managed by Heliconia Pte Limited (which is currently a wholly owned subsidiary of GIC (Ventures) Pte Ltd held through a wholly owned subsidiary Lathe Investment Pte Ltd), Greater Pacific Capital, Galleon International, Sequoia, Shuaa Capital and Lehman Brothers. We also believe that the reputation, financial strength and networks of our institutional shareholders are competitive strengths.

#### ***Established and Respected Brand***

Our success as a provider of financial services is built upon client relationships. We believe that our clients associate the Edelweiss brand name with knowledge leadership, differentiated, high quality services, creative solutions to strategic and financial challenges and sound execution of our clients' transactions. This we believe helps us win new business as well as repeat business from satisfied clients.

#### ***Strong internal controls and risk management systems***

We believe we have strong internal controls and risk management systems employed throughout the firm to assess and monitor risks across our various business lines. Our board of directors has appointed a risk committee to monitor and manage risk at the firm level. Our risk management systems function through an independent department for accounts and operations, risk control software and a dedicated centralized risk management team. We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit and operational reporting systems. We believe that we have effective procedures for evaluating and managing the market, credit and other risks to which we are exposed as well as protecting our reputation in the market.

## **Business Strategy**

### ***Continue to build a diversified business platform***

We intend to continue to build a diversified business platform by identifying business opportunities with strong long term prospects for growth and profitability and offering products and services across a broad spectrum of financial services. We believe that this will enable us to maintain growth and profitability notwithstanding market cycles by limiting our dependence on any particular line of business.

### ***Consolidating our position in existing lines of business***

We intend to continue to maintain high growth and profitability by increasing the scope and intensity of activities in our existing lines of business with added focus on the new lines of business that we have commenced during the previous 18 months (i.e., wholesale financing, asset management and investment advisory services and wealth management).

In Investment Banking, we will continue to build new relationships and strengthen existing relationships with our corporate and institutional clients by focused coverage activities and quality execution of strategic advisory, equity capital markets and capital raising transactions.

In Institutional Equities, we will continue to focus on advising our institutional investor clients on attractive investment opportunities based upon emerging themes in the economy and the capital markets, backed by strong, independent research. We will continue to expand and strengthen our coverage of stocks under coverage and alternative research products on the one hand and empanelment with large institutional investors on the other hand. We believe our research products and our trade execution capability will help us further strengthen our relationships with our institutional investor clients.

In Private Client Brokerage, we expect to further expand our network of branches and third party partners as we allocate more resources towards growing the business.

In Wealth Management, we intend to build on our success in leveraging relationships with high-net-worth individuals across the various businesses of our Company and further grow our client base.

In Asset Management and investment advisory services, we are focused on increasing the scale of the business by growing the existing funds for which we act as investment advisor or manager and providing advisory or management services to new funds.

In Insurance Brokerage, our current focus is on general insurance brokerage in the fire and auto insurance brokerage markets and we intend on expanding our coverage to other markets.

In Wholesale Financing, we have recently devoted senior management and capital resources to this business and intend to grow it rapidly.

In our internal treasury operations, we intend to continue to manage our residual capital with an objective to generate superior risk-adjusted returns by investing in low risk strategies in the capital markets

### ***Continue to expand our lines of business into complementary businesses***

In addition to consolidating our existing lines of business, we intend to continue expanding into complementary businesses in the equities, debt, commodities, real estate, insurance and other financial markets. Our recently launched asset management and investment advisory services business and wholesale financing businesses are in the process of being scaled up and we believe that these represent meaningful market opportunities where we intend to expand our presence. We believe that the Indian debt capital market represents another market opportunity which is presently underdeveloped but where we believe a significant amount of the growth of the Indian capital markets will come from in the coming years. Our wholesale financing business is a first step in the direction of establishing a presence in the debt market.

### ***Attracting and retaining the highest quality professionals.***

Our people are our most important asset, and it is their reputation, talent, integrity and dedication that results in our success. We offer a highly entrepreneurial culture with a strong, team-based approach that we believe is attractive to our employees. We have been successful in attracting and retaining key professionals and intend to continue to seek out talent to further enhance and grow our business. Additionally, we believe that becoming a publicly traded company will further enable us to offer attractive stock-based incentives to talented professionals, which will aid our recruitment effort and our retention of key employees.

### **Our Financial Products and Services**

We operate our lines of business through two broad business lines: Agency and Capital. Our Agency business line includes investment banking, institutional equities, private client broking, asset management and investment advisory services, wealth management and insurance broking; while our Capital business line includes wholesale financing service and our internal treasury operations (as described under “—Capital business line—Treasury operations”).

#### **Agency business line**

Income from our Agency businesses consists of fees and commissions from the transactional, advisory and brokerage services we offer, and accounted for approximately 63% , 58% and 48% of our consolidated revenues in the years ended March 31, 2006 ,March 31, 2007 and five months ended August 31, 2007, respectively.

#### ***Investment Banking***

Our investment banking business provides a broad range of services, including equity capital markets transaction execution, mergers and acquisitions advisory, and capital raising advisory and transaction execution relating to structured finance, real estate and infrastructure.

#### ***Equity Capital Markets***

Our equity capital markets team focuses on structuring and executing diverse equity capital raising transactions in the public and private markets for our clients. Products in this segment include initial public offerings or IPOs, follow-on offerings, rights offerings, private placement, ADR offerings, GDR offerings, QIP transactions and convertible offerings, for both listed and unlisted entities. We believe we have a strong position in the market because we provide a broad range of services from transaction structuring to product placement and possess extensive product knowledge and efficient execution capability. We earn fees in this business as a percentage of the amount raised in the offering. Last year, we brought to market India’s first Qualified Institutional Placement, which involved raising capital under a new regulatory framework. Last year, we also advised the first Indian corporate on its listing on AIM, London.

Some of our recent transactions in equity capital markets include:

- i. Rs. 1,572.75 million pre-IPO placement and IPO of C&C Construction Limited
- ii. Rs. 1,382 million IPO of Cinemax India Limited
- iii. Rs. 1,020 million IPO of Meghmani Organics Limited
- iv. Rs. 1,001 million IPO of Orbit Corporation Limited
- v. Rs. 765 million IPO of MIC Electronics Limited
- vi. US\$49.6 million GDR issuance on AIM (London Stock Exchange) of Noida Toll Bridge Co. Ltd.
- vii. Rs. 465.975 million Qualified Institutional Placement for Spentex Industries Limited
- viii. Japanese Yen 6,000 million FCCB offering for Nava Bharat Ventures Limited

#### ***Mergers and Acquisitions Advisory***

Our Mergers and Acquisitions (“M&A”) team provides clients strategic and financial advice to aid them in achieving their objectives through mergers, acquisitions, takeovers, tender offers, divestments, spin-offs, restructuring, joint ventures and strategic alliances, and de-mergers. Our services encompass strategy formulation, identification of buyers or targets, valuation, negotiations and bidding, capital structuring, transaction structuring and execution. We typically earn a fee as a percentage of the value of the transaction,

with the fee being dependent on the successful closing of the transactions. Our M&A team comprises skilled professionals with significant experience and a broad understanding of the regulatory, legal and financial framework for Indian M&A. Certain recent M&A advisory services we provided include advising AIG in its acquisition of Vivek Hire Purchase & Leasing Limited, Deccan Aviation Limited in connection with a strategic investment by the UB Group through an issuance of Rs. 5,460 million of shares and Vijayanand Printers Limited in the 100% sale of its stake to Bennett, Coleman & Co.

#### *Private Equity Capital Raising Advisory*

Our private equity advisory group arranges growth financing from private equity funds for companies in various industries. Private equity capital raising advisory was the genesis of our investment banking business and remains an area of focus for us. Some of our recent transactions include:

- i. US\$60 million preferential issue of shares by IBS Software Services Private Limited
- ii. Private equity placement in G. L. Hotels

#### *Structured Finance Advisory*

Our structured finance team arranges a wide range of innovative structured solutions, including acquisition financing and promoter financing. Our role in these transactions includes advising, structuring and placement. Some of our recent transactions include:

- i. Rs. 1,298 million debt syndication for Global Technology Ventures
- ii. US\$39 million debt syndication for Spectrum Power Generation Limited
- iii. JPY 25,000 million debt syndication for the leveraged buyout of KRIBHCO Shyam Fertilizers Limited by Shyam Telecom and KRIBHCO

#### *Real Estate Capital Raising Advisory*

We believe we are one of the first Indian investment banks to have a dedicated advisory team focused on the real estate sector. We work with real estate land owners, developers and investors in capital raising advisory transactions, large land acquisition transactions and also provide strategic advice relating to M&A in the real estate sector. Some of our recent transactions include:

- i. Rs 6480 million issue of shares by DB Realty Private Limited
- ii. Rs 2200 million issue of shares by MK Malls & Developers Private Limited

#### *Infrastructure Capital Raising Advisory*

We have recently set up a dedicated group to focus on capital raising and strategic advisory services relating to mergers and acquisitions in the infrastructure sector of the country.

#### ***Institutional Equities***

Our institutional equities business comprises institutional equity sales, sales-trading and research. Our institutional equities business is operated by our wholly owned subsidiary, ESL. As of September 30, 2007, we had approximately 145 professionals in our institutional equities business. We differentiate ourselves based on our strong research focus, which aids our execution capabilities across our sales and trading platforms. We provide equity and equity derivatives sales and trading services to a large and diversified base of institutional investors, including FIIs and domestic institutional investors. As of September 30, 2007, we had over 150 institutional investors actively doing business with us.

#### *Equity Sales*

Our institutional sales group provides equity and equity derivatives sales services to institutional investors and supports our equity capital markets business by distributing equities and equity-linked securities. Our institutional sales professionals seek to develop long-term relationships with portfolio managers founded on efficient execution and the strength of the products of our research department. Our sales teams cover clients across the globe.

### *Sales-Trading*

Our sales-trading professionals provide efficient execution services to our institutional clients, both active traders and long-term investors. Our trading professionals provide valuable support to our institutional clients in their pursuit of best execution, including by committing capital and facilitating block trades.

### *Equities Research*

Our institutional equities business is supported by fundamental and alternative research. Our fundamental research covers approximately 190 companies which represented approximately 69% of the market capitalisation of all companies listed on the BSE as of August 1, 2007 (calculated by dividing the market capitalisation of all companies under our coverage by the market capitalisation of all stocks listed on the BSE. Source: Bloomberg). Our alternative research utilises conventional and proprietary analytical techniques and models to identify short- and medium-term capital markets investment opportunities. Overall, we have approximately 40 research professionals in our institutional equities business.

We believe that our research strength lies in our ability to identify early those emerging investment themes which will drive economic activity, investments, growth and profitability. Set forth below are certain instances when we have brought value to our clients by timely identifying investment themes.

- i. *Manufactured Exports*: In 2003, when long term institutional investors were focused on the Indian services outsourcing successes led by the IT and Business Process Outsourcing (“BPO”) industry, we conceptualised our research to emphasise the wider outsourcing opportunity by including the export-oriented manufacturing industry in India.
- ii. *Lifestyle Consumption*: In late 2005, while investors were focused on particular sectors such as hotels, media or retail we identified an overall macroeconomic trend favouring “lifestyle consumption” products and services.
- iii. *Infrastructure*: In 2006, we integrated the emerging infrastructure theme across sectors and companies into a comprehensive research publication that highlighted the larger investment opportunity in the Indian infrastructure industry.

In addition to traditional quarterly and sector updates, our alternative research product suite comprises several differentiated products, which are set forth below.

- i. Relative Strength Comparison – where we evaluate relative strength of companies across sectors.
- ii. Pair Strategy – where we evaluate investment opportunities in companies in the same sectors, depending upon the relative performance of the stock prices.
- iii. Edelweiss Market Scan – where we showcase performance of companies, sectors and the market on a weekly basis.
- iv. Master Moves – where we track corporate actions announced by companies, and their implications.
- v. Sector fact sheets – which serve as quick guides on historical and projected operating performance and trading multiples.

Our research analysts perform independent research to help our institutional clients understand the dynamics that drive the sectors and companies they cover. Our differentiated research combines ‘top-down’ macro research to spot themes, ‘bottom-up’ research to identify stock ideas and quantitative analytics. In addition, our research analysts periodically publish comprehensive “white-paper” studies of an industry or a long-term investment theme.

### ***Private Client Broking***

Our private client broking services are targeted at high net worth individuals who actively invest and trade in equity markets and seek priority service with customised research and advisory support. Our private client broking business is offered through ESL, which offers brokerage and advisory services to high net worth and

other individuals, and includes relationship managers, sales-traders and dedicated research analysts. Our approach is to provide advisory-based brokerage services with a strong emphasis on research, and to offer clients value-added services usually reserved for institutions. As of September 30, 2007, we provided private client brokerage through 38 offices in 19 cities and had more than 5,000 active private client accounts.

### ***Wealth Management***

Our wealth management business provides high net-worth individuals with investment advisory, planning and asset deployment services (provided by our private client broking or other businesses). Our wealth management products are offered through ESL. Our primary wealth advisory focus is on understanding each client's financial profile, including tolerance for risk, capital growth expectations, current financial position and income requirements, in order to create comprehensive, tailored investment strategies. We believe our wealth management services have increased our clients' access to and use of our financial products and services. Our service offering includes asset allocation and the distribution of a wide range of products (both proprietary and third party), including equities, mutual funds, structured products and niche products such as real estate funds and art funds. Although we do not charge for our wealth management advisory services, we earn income from this business through any resulting transaction fees.

### ***Asset Management and Investment Advisory Services***

Through our asset management and investment advisory services business, we directly advise one fund and indirectly advise two other funds. We are shareholders in a company that advises a closed private equity fund (Blue River ), with a corpus of approximately US\$135 million as of July 31, 2007. We are shareholders in a company that advises an India-focused multi-strategy fund with a corpus of US\$175 million as of August 9, 2007, which remains open to new investors. We also manage and advise a closed Indian real-estate fund with a corpus of Rs. 1,091 million as of July 31, 2007. We earn income consisting of ongoing fees and a percentage of fund profits for performing our advisory or management role in these funds. We also invest from our own capital a modest amount in certain of these funds to stimulate investor confidence.

We also offer portfolio management services to high net worth individuals. As of September 30, 2007, we had approximately 95 such clients with total assets under management of approximately Rs. 1050 million. We offer portfolio management services through our Company.

We continue to consider further asset management and investment advisory services opportunities as they may arise. We have recently received in principle clearance from SEBI to set up and operate a public mutual fund in India. In this regard, we are in the process of establishing an asset management and investment advisory services company and a trustee company and an independent team of portfolio managers and business development personnel for this venture.

### ***Insurance Brokerage***

We entered the non-life insurance brokerage business as an IRDA registered insurance broker in 2005 and distribute major insurance companies' products to our customers through our 71.9% subsidiary, Edelweiss Insurance Brokers Limited. We take advantage of our relationship with corporate clients to understand their business and seek to meet their insurance needs.

Our insurance brokerage professionals also possess expertise in niche areas of insurance such as transport fleet insurance and art insurance. We have in the past been successful in structuring the insurance cover of one of India's largest road transport companies and have alliances with several Indian transport associations. We believe that we are currently one of India's largest truck insurance brokers. Our revenues in this business come primarily from fire and fleet insurance; we continue to seek opportunities in other lines of non-life insurance.

### ***Capital business line***

Our Capital business line comprises our internal treasury operations and, more recently, our wholesale financing business. Income from our Capital business line accounted for approximately 42.2%, 34.9%, 37.9% and 42.93% of our consolidated revenues in the years ended March 31, 2005, March 31, 2006, March 31, 2007 and five months ended August 31, 2007, respectively.

### ***Treasury operations***

Our internal treasury operation manages our excess capital funds. We follow a multi-strategy investment approach and aim to achieve superior risk-adjusted returns. We do so by investing in low-risk strategies, maintaining positions which we can liquidate economically within a few days and pursuing investments with low correlation to the return in the Indian capital markets. We have traditionally run this pool of capital through a distributed execution approach with a very low risk profile. We structure our treasury investments to maintain sufficient liquidity in our portfolio to support the capital needs of our other businesses.

Since the debt capital market in India is not very active, our treasury operations seek to employ equity and equity derivatives instruments in combination to create debt-like risk and return profiles. The volatility of the Indian equity markets also provides us short-term arbitrage opportunities. Because the markets eventually reduce or eliminate these arbitrage opportunities over time, historically we have had to introduce new products and strategies to earn attractive returns. A substantial majority of the investments made by our treasury operation are in low value-at-risk strategies, and we aim to be able to liquidate a large majority of our treasury book within five business days at minimal impact cost.

Our treasury operations are backed by a dedicated quantitative analytics team. We have a strong risk management focus and deploy various proprietary risk measurement and monitoring tools to effectively manage our risk exposures on a daily and monthly basis.

In the future, although we expect our excess capital available on a daily basis to generally increase in line with our overall business growth, our recently introduced wholesale financing business may require increasing portions of our capital as it develops.

### ***Wholesale Financing***

We have recently entered the wholesale financing business to provide our high net worth individual and corporate clients with loans against shares (including promoter financing), loans to finance subscriptions for IPO shares and loans against mutual fund units. We conduct our wholesale financing businesses through our subsidiary, ECL Finance Limited, in which we have 74% holding with Lehman Brothers Netherlands Horizons B.V. holding the balance through an equity investment.

### ***Risk Management***

We believe that effective risk management is of primary importance to the success of our operations. Accordingly, we have deployed necessary resources in terms of technology, people and processes to monitor, evaluate and manage the principal risks we assume in conducting our activities which include market, credit, liquidity, operational, legal and reputational risks. We analyse factors and reasons causing risk on a periodic basis, plan for control of identified risks, decide on and implement appropriate risk management tools and monitor policies and procedures with the view of continuous improvement.

### ***Risk policy and organisation***

To meet the need for a robust and efficient risk management system, we have created a risk management cell which is regionally operational and centrally controlled and administered by a Committee of the Board of Directors. Risk management policies are decided by a risk management committee comprising of senior officials of Edelweiss. These policies are monitored, reviewed and revised periodically to reflect rapidly changing market dynamics. Our corporate structure and policy is also designed towards preventing conflicts of interest e.g. insulating Equity Research Analysts from Investment Banking and other businesses.

### ***Risk monitoring and mitigation***

We have experienced personnel to manage risk and regulatory compliance and ensure implementation of risk management policy. The risk management team is independent of marketing and business development teams. All the regional risk team members work under the direction and control of the central risk management team at our head office. The team reviews certain pre-identified monitoring parameters, suggest changes on the basis of regulatory and stock exchange requirements and share best practices. We seek to monitor and control our risk exposure through financial, credit, operational, compliance and legal reporting systems based on mandatory regulatory requirements as well as our business needs. Our risk management system (RMS) monitors our market

exposure on the basis of the total margin collected from clients, the total margin deposited with the exchanges and the lines of credit available from the banks.

#### ***Audit and inspection***

We actively review our existing audit and inspection procedures to enhance their effectiveness, usefulness and timeliness. Furthermore, all operational activities are subject to concurrent internal audits at frequent intervals.

#### ***Security and disaster recovery***

We have a comprehensive information security policy and conduct periodic systems and network penetration tests to review the vulnerability of our infrastructure.

#### **Compliance**

We have in place an independent and comprehensive compliance structure to address compliance and reputation risk. The compliance function is a centralized function at a group level and is headed by a senior member of management and reports to the Board of directors of the Company. The Compliance department's role is to ensure that the Company operates in accordance with the laws and regulations of the exchanges and regulators. The Compliance department provides support for each of the businesses.

In addition, Compliance provides advice on general regulatory matters, including policy, advertising, anti-money laundering, account opening, personal investment, maintenance of Chinese walls, prevention of Insider Trading and general policies and procedures relating to regulation.

The Compliance department is also the main liaison with the regulators and handles all regulatory matters. Training on compliance matters is provided to employees on a regular basis. The Company has well documented policy for prevention of Insider Trading covering Chinese wall procedures. This policy seeks to put in place appropriate systems to ensure segregation of work areas of personnel handling price sensitive information as well as adopt a "Chinese Wall" policy. It also ensures that persons connected to the Company do not profit by dealing in securities on the basis of unpublished price sensitive information.

#### ***Limited access to confidential information***

As the Investment Banking activity is the main area which handles price sensitive information, the work areas and personnel engaged in the Investment Banking activity have been physically segregated and have a secure and distinct network access. This ensures that persons not normally privy to the confidential information handled by these departments do not have access to such information. All employees are required to maintain adequate security of their computer files by using appropriate login and password. Access to network folders is restricted only to personnel belonging to a particular department. Similarly, computer equipment has been allocated to each particular department and may not be used by personnel from other departments.

#### ***Preservation of Price Sensitive Information***

Employees maintain the confidentiality of all price sensitive information and are restricted from passing on such information directly or indirectly to any persons by way of making a recommendation for the purchase or sale of securities. Price sensitive information is handled on a 'need to know' basis, i.e. price sensitive information is disclosed only to those within the organization who need the information to discharge their duty and whose possession of such information will not give rise to a conflict of interest or appearance of misuse of information.

#### ***Restricted list of securities***

In order to monitor Chinese wall procedures and trading in client securities based on inside information, we restrict trading in certain securities and designate such list as a restricted list. Securities of a listed company are placed on the restricted list:

- i. where a binding term sheet/mandate has been signed or
- ii. if the Company is preparing appraisal/equity research report and the preparation of such a report involves the handling of price sensitive information.

This restricted list is maintained by the Compliance Officer. As the restricted list is highly confidential, information it is not communicated directly or indirectly to anyone outside our company.

### **Technology and Network Support Systems**

We recognize the need to have a sophisticated technology network in place to meet our customer needs, reduce processing costs and maintain a robust risk management system. To that end, we have set up a dedicated data centre in Mumbai and have invested in high-performance trading software. Our technology infrastructure is aimed at ensuring that our trading and information systems are reliable and performance enhancing and that client data are protected.

The highlights of our technology infrastructure and systems include:

- i. A well-balanced technology team comprising managerial personnel, engineering graduates, software engineers, application support managers, network and hardware managers managing our IT infrastructure across all our locations
- ii. Managing a complex multi-product/multi-architecture system serving the needs of our customers
- iii. Balanced in-sourcing and out-sourcing approach to IT combined with a quick response to business needs
- iv. Scalable platforms for order management and risk management requiring minimal human intervention
- v. Sophisticated server and network infrastructure
- vi. Redundancy (alternate connectivity) for network
- vii. Data back-up is taken on an incremental basis on tape drives and sent to another location.

### **Competition**

All aspects of our business are intensely competitive. Our competitors are other investment banking firms, merchant banks, brokerage firms, non-banking financial companies and financial advisory firms. We compete with some of our competitors nationally and with others on a regional, product or business line basis. Many of our competitors have substantially greater capital and resources than we do and offer a broader range of financial products and services. We believe that the principal factors affecting competition in our business include client relationships, reputation, the abilities of our people, market focus and the relative quality and price of our services and products.

In recent years there has been substantial consolidation and convergence among companies in the financial services industry. This trend toward consolidation and convergence has significantly increased the capital base and geographic reach of many of our competitors. Many of our competitors have the ability to offer a wider range of products and services that may enhance their competitive position. They may also have the ability to support investment banking and securities products and services with commercial banking, insurance and other financial services capabilities in an effort to gain market share, which could result in pricing pressure in our businesses.

We have experienced intense price competition in some of our businesses, in particular discounts in large block trades and trading commissions and spreads. The ability to execute trades electronically, through the Internet and through other alternative trading systems, has increased the pressure on trading commissions and spreads. We believe that this trend toward alternative trading systems will continue. In addition, the trend, particularly in the equity underwriting business, toward multiple book runners and co-managers has increased the competitive pressure in the investment banking industry, and may lead to lower average transaction fees. We may experience competitive pressures in these and other areas in the future as some of our competitors seek to increase market share by reducing prices.

As we expand our asset management and investment advisory services business, we face competition both in the pursuit of investors for our investment funds and in the identification and completion of investments in

attractive portfolio companies. We compete for individual and institutional clients on the basis of price, the range of products we offer, the quality of our services, financial resources and product and service innovation. We may be competing with other investors and corporate buyers for the investments that we make.

Competition is also intense for the recruitment and retention of qualified professionals. Our ability to continue to compete effectively in our businesses will depend upon our continued ability to attract new professionals and retain and motivate our existing professionals.

### **Intellectual Property**

We believe that our 'Edelweiss' brand benefits from the trust of investors in India and enhances our market visibility. We use the 'Edelweiss' trademark and its associated logos and invest our resources in building our brand. We have secured registrations for 3 trademarks; "Edelweiss", "Edelweiss Capital" and the old Edelweiss logo. We currently have seven trademark applications pending under the provisions of the Trademarks Act of 1999. These are applications for the trademarks "iFunds", "LiquidLoans", "iETFs", "The Grey Revolution", Edelweiss logo with the Edelweiss flower and the phrase "Ideas create, values protect", the phrase "Ideas create, values protect", and a multi-class application for the word "Edelweiss", all of which are crucial to our business. For further details, see the sections titled "Government and other Approvals" beginning on page 472. Except for the intellectual property detailed in the section titled "Government and other Approvals", we do not have any patents, copyright or other Intellectual Property.

### **Insurance**

In compliance with requirements of the Indian stock exchanges, ESL maintains stock brokers' indemnity policies that provide coverage against incomplete transactions and computer crimes. In addition, we maintain asset insurance coverage for our cars, the Company's registered and corporate office premises and the Company's office properties against risks including loss of electronic equipment, burglary, general fire, damage and flood. Further, one of our subsidiaries Edelweiss Insurance Brokers Limited maintain a professional indemnity errors and omissions insurance for coverage of claims arising out of losses or damages for breach of professional duty by reason of any negligent act or error or omission.

### **Properties**

We operate substantially all our businesses from leased and rental properties. Our registered and corporate offices are also located on leased property. We own certain property in Ashok Towers in Mumbai.

### **Employees**

As of September 30, 2007 we employed approximately 1047 persons on a full-time basis. Our employees are not unionised or covered by collective bargaining agreements. We have not experienced any employee action and believe our relationship with our employees to be good.

The key elements of our human resource management strategy include:

- i. Sourcing, nurturing and retaining the best talent in the industry
- ii. Work culture designed and evolved around the principles of ownership and accountability
- iii. Objective-based performance management system
- iv. Performance-based reward and recognition mechanism
- v. Encouraging employee communication, flexible and dynamic redress system
- vi. Focus on training to provide an environment of continuous learning and skill upgrading
- vii. Creating second line support for all key positions and effective succession planning through employee career planning process

**ESOP**

We currently have outstanding employee stock options of 6,588,810 Equity Shares which have been granted pursuant to our ESOP Schemes but have not yet fully vested. Should any of the vested options be exercised by the employees, our paid-up capital would increase accordingly. Please refer to notes to the table in the section titled “Capital Structure” of this Red Herring Prospectus.

**Litigation**

For details of litigation involving us, please see the section titled “Outstanding Litigation and Material Developments” beginning on page 460.

## REGULATIONS AND POLICIES IN INDIA

We offer varied financial services, including investment advisory services, merchant banking, underwriting of issues, portfolio management services, mutual fund advisory services, stock broking and commodities broking. We are also registered as a Depository Participant, as a Trading Member of BSE and NSE, Member of NCDEX, member of MCX, as a clearing member of NSE, as a Venture capital fund, and as a non-banking financial institution not accepting public deposits. The Government of India, the Securities Exchange Board of India, the Reserve Bank of India, the recognized stock exchanges and other statutory bodies have framed various regulations and policies all of which apply to our Company. A summary of these regulations and policies is detailed below. The regulations set out below are not exhaustive, and are only intended to provide general information to Bidders and is neither designed nor intended to be a substitute for professional legal advice. Taxation statutes such as the Income Tax Act, 1961, Central Sales Tax Act, 1956 and applicable local sales tax statutes, labour regulations such as the Employees State Insurance Act, 1948 and the Employees Provident Fund and Miscellaneous Act, 1952, and other miscellaneous regulations such as the Trade and Merchandise Marks Act, 1958 and applicable shops and establishments statutes apply to us as they do to any other Indian company. For details of government approvals obtained by our Company in compliance with these regulations, see the section titled “Government Approvals” beginning on page 472. The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

### I. NBFC Regulation

#### *The Reserve Bank of India Act*

The RBI is entrusted with responsibility of regulating and supervising activities of NBFCs by virtue of power vested in Chapter III B of the Reserve Bank of India Act of 1934 (“**RBI Act**”). The RBI Act defines an NBFC under Section 45-I (f) as:

- “
- (i) a financial institution which is a company;
  - (ii) a non-banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner;
  - (iii) such other non-banking institution or class of such institutions as the RBI may, with the previous approval of the Central Government and by notification in the Official Gazette, specify.”

A “financial institution” and a “non- banking institution” have been defined under sections 45-I(c) and 45-I(e) of the RBI Act, respectively.

The RBI has clarified through a press release (Ref. No. 1998-99/1269) dated April 8, 1999, that in order to identify a particular company as an NBFC, it will consider both the assets and the income pattern as evidenced from the last audited balance sheet of the company to decide its principal business. The company will be treated as an NBFC (a) if its financial assets are more than 50 per cent of its total assets (netted off by intangible assets); and (b) income from financial assets should be more than 50 per cent of the gross income. Both these tests are required to be satisfied as the determinant factor for principal business of a company.

The RBI Act mandates that no NBFC shall commence or carry on the business of a non-banking financial institution without obtaining a certificate of registration (“**CoR**”). In case an NBFC does not accept deposits from the public (“**NBFC-ND**”), it shall obtain a CoR without authorisation to accept public deposits. The NBFC must also have a net owned fund of Rs. 20 million.

The RBI has the power to exempt certain NBFCs from the requirement of obtaining the CoR. In past, the RBI has granted exemption to certain NBFCs, upon satisfaction of *inter alia*, the following conditions:

- (a) the said NBFC is having not less than 90% of its total assets in investments in shares for purpose of holding stake in the investee companies;
- (b) the said NBFC is not trading in these shares except for block sale (to dilute or divest holding);

- (c) the said NBFC is not carrying on any other financial activities; and
- (d) the said NBFC is not holding public deposits.

Under Section 45 – IC of the RBI Act, every NBFC must create a reserve fund and transfer thereto a sum not less than 20 per cent of its net profit every year, as disclosed in the profit and loss account and before any dividend is declared. Such a fund is to be created by every NBFC irrespective of whether it is an NBFC-ND. Further, no appropriation can be made from the fund for any purpose without prior written approval of the RBI.

### ***Public Deposit Regulations***

As per the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 (Notification No.DFC.118/DG(SPT)-98) dated January 31, 1998 (as amended from time to time and last amended on July 01, 2006) (“**Public Deposit Regulations**”), an NBFC-ND is entitled to certain exemptions from the norms and conditions stipulated on NBFCs taking deposits. In order to benefit from these exemptions, the board of directors of the NBFC-ND must pass a resolution for non-acceptance of public deposits and such NBFC-ND should not have accepted any public deposits during the relevant period/ year.

Certain financial companies, including *inter alia* insurance companies, companies doing business as a stock broker or sub-broker, merchant banking companies, housing finance companies, venture capital fund companies, are exempt from the requirement of obtaining a CoR or complying with the Public Deposit Regulations.

### ***Prudential Norms***

As per the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 (Notification No. DFC. 119 /DG(SPT)-98) dated January 31, 1998 (as amended from time to time and last amended on February 22, 2007) (“**Prudential Norms**”), the RBI has issued detailed directions on prudential norms, which *inter alia*, prescribe guidelines on income recognition, asset classification and provisioning requirements applicable to NBFCs, exposure norms, constitution of audit committee, disclosures in the balance sheet, requirement of capital adequacy, restrictions on investments in land and building and unquoted shares.

The Prudential Norms are not applicable to NBFCs-ND holding investments in the securities of its group/holding/subsidiary companies where the book value of such holding is not less than 90 per cent of its total assets and where such NBFC-ND is not trading in such securities and is not a systemically important NBFC-ND.

### ***Systemically Important NBFCs-ND***

All NBFCs – ND with an asset size of Rs. 1000 million or more as per the last audited balance sheet will be considered as a systemically important NBFC – ND (“**NBFC-ND-SI**”). All NBFCs–ND–SI are required to maintain a minimum Capital to Risk-weighted Assets Ratio (“**CRAR**”) of 10%. NBFCs–ND–SI are not allowed to:

- (a) lend to
  - i) any single borrower exceeding 15% of its owned fund; and
  - ii) any single group of borrowers exceeding 25% of its owned fund;
- (b) invest in
  - i) the shares of another company exceeding 15% of its owned fund; and
  - ii) the shares of a single group of companies exceeding 25% of its owned fund;
- (c) lend and invest (loans/investments taken together) exceeding
  - i) 25% of its owned fund to a single party; and
  - ii) 40% of its owned fund to a single group of parties.

### ***KYC Guidelines***

The RBI has extended the Know Your Customer (“**KYC**”) guidelines to NBFCs and advised all NBFCs to adopt the same with suitable modifications depending upon the activity undertaken by them and ensure that a proper policy framework of anti-money laundering measures is put in place. The KYC policies are required to have certain key elements, including *inter alia* customer acceptance policy, customer identification procedures, monitoring of transactions and risk management, adherence to KYC guidelines and the exercise of due diligence by persons authorized by the NBFC, including its brokers and agents.

### ***Corporate Governance Guidelines***

Pursuant to a RBI Circular dated May 8, 2007, all NBFC-ND-SIs are required to adhere to certain corporate governance norms including constitution of an audit committee, a nomination committee, a risk management committee and certain other norms in connection with disclosure and transparency and connected lending.

### ***Norms for excessive interest rates***

In addition, the RBI has recently introduced (RBI/2006-07/414 dated May 24, 2007) whereby RBI has requested all NBFCs to put in place appropriate internal principles and procedures in determining interest rates and processing and other charges.

## **II. Dealing in Securities**

Securities regulation in India takes place under the provisions of the SCRA, SEBI Act, the Depositories Act, 1996 and the rules and regulations promulgated thereunder.

### ***SCRA***

The SCRA seeks to prevent undesirable transactions in securities by regulating the business of dealing in securities and other related matters. The SCRA provides for grant of recognition for stock exchanges by the Central Government. Every recognized stock exchange is required to have in place a set of rules relating to its constitution and bye-laws for the regulation and control of contracts.

The bye-laws normally provide *inter alia* for:

- (i) the opening and closing of markets and the regulation of the hours of trade;
- (ii) the fixing, altering or postponing of days for settlements;
- (iii) the determination and declaration of market rates, including the opening, closing highest and lowest rates for securities;
- (iv) the terms, conditions and incidents of contracts, including the prescription of margin requirements, if any, and conditions relating thereto, and the forms of contracts in writing;
- (v) the regulation of the entering into, making, performance, recession and termination of contracts, including contracts between members or between a member and his constituent.

### ***SEBI Act, 1992***

Pursuant to Section 12 of the SEBI Act, and the rules, regulations and guidelines issued by SEBI, a stockbroker, sub-broker and depository participant or any other intermediary associated with the securities market, may buy, sell or deal in securities only after obtaining a valid certificate of registration from SEBI in accordance with the applicable regulations.

### ***Stock Broker Regulations***

Further, the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 provides the eligibility criteria and conditions required to be satisfied in order to obtain the certificate of registration. They further provide the procedure for obtaining the certificate of registration to carry on business as a stock broker and/or a sub-broker who is required to be affiliated to a stock broker registered under the aforesaid regulations. On registration, the stockbroker and sub-broker are required to adhere to a code of conduct prescribed under the Stock Broker Regulations. In addition, a stock broker and/or a sub-broker is required to abide by the rules, regulations and bye-laws of the stock exchange or stock exchanges of which it is a member. Further, in case of any change in its

status or constitution, the stock broker and/or the sub-broker are required to obtain the prior permission of SEBI in order to continue to buy, sell or deal in securities in any stock exchange.

Apart from the registration of stockbrokers and sub-brokers, the Stock Broker Regulations provide for registration of trading and clearing members. A trading member is a member of the derivatives exchange or derivatives segment of a stock exchange and who settles the trade in the clearing corporation or clearing house through a clearing member. A clearing member is a member of a clearing corporation or clearing house of the derivative exchange or derivatives segment of an exchange, which clears and settles transactions in securities.

The minimum net worth for clearing members is Rs. 30 million (Rs. 10 million for acting as a self-clearing member) and are required to deposit a sum of at least Rs. 5 million with the clearing corporation or clearing house of the derivatives exchange or derivatives segment of an exchange, as applicable. The code of conduct specified for stock brokers is applicable *mutatis mutandis* to the trading and clearing members.

### III. **Depository Regulation**

#### ***The Depositories Act***

The Depositories Act, 1996 (as amended from time to time) provides for regulation of depositories in securities and other related matters. Every person subscribing to securities offered by an issuer has the option either to receive the security certificates or hold securities with a depository. All securities held by a depository are required to be dematerialised and in a fungible form. A depository after obtaining a certificate of commencement of business from SEBI can enter into an agreement with one or more participants as its agent. Any person, through a participant, may enter into an agreement with any depository for availing its services.

#### ***Depository Regulations***

The Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, as amended from time to time (“**Depository Regulations**”) provide *inter alia* the eligibility criteria and the procedure for obtaining the certificate of registration to carry on business as a depository participant. They also provide the various rights and obligations of the depository participants. On registration, the depository participant is required to adhere to a code of conduct prescribed under the Depository Regulations.

The depository is deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of a beneficial owner. The depository does not have any voting rights or any other rights in respect of securities held by it. The beneficial owner of the securities is entitled to all the rights and benefits and is subjected to all the liabilities in respect of his securities held by a depository.

### IV. **Merchant Banking**

#### ***Merchant Banker Regulations***

Further, the SEBI (Merchant Banker) Regulations, 1992 provide the eligibility criteria, procedure for obtaining the certificate of registration to carry on business as a Merchant Banker. Based on the satisfaction of the specified capital adequacy requirements, SEBI grants registration under categories ranging from Category I to Category IV.

According to the category identified, the Merchant Bankers are permitted to carry out certain activities as are prescribed in the Merchant Banker Regulations. Further, the Merchant Bankers are required to adhere to a code of conduct prescribed under the Merchant Banker Regulations.

### V. **Underwriting**

The SEBI (Underwriters) Regulations, 1993, as amended from time to time provides that no person shall act as underwriter unless he holds a certificate granted by the Board under these regulations. Furthermore it also provides that every stock broker or merchant banker holding a valid certificate of registration under Section 12 of the SEBI Act, 1992 shall be entitled to act as an underwriter without obtaining a separate certificate under the above SEBI (Underwriters) Regulations, 1993.

Further the SEBI (Underwriters) Regulations, 1993 provide for the procedure for application, registration and renewal of Certificate of registration. The networth of the Applicant should not be less than Rupees 2 million. .

Every underwriter shall at all times abide by the Code of Conduct as specified in Schedule III of these SEBI (Underwriters) Regulations, 1993.

## VI. **Mutual Funds**

### ***Mutual Funds Regulations***

The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 govern the business of mutual funds in India. The SEBI, with a view to improving professional standards, has made it mandatory for all mutual funds to appoint agents/distributors who have obtained certification from the AMFI. In case of firms/companies, the requirement of certification is made applicable to the persons engaged in sales and marketing.

The AMFI has issued guidelines in consonance with the various circulars issued by SEBI in this regard. The primary objective of these guidelines is to ensure that mutual funds do not use unethical means to sell, market or induce any Investor to buy units of their scheme(s) and mobilize funds on the strength of professional fund management and practice as well as sound risk management policies. These guidelines are mandatory. Mutual funds are required to ensure compliance with these guidelines both by intermediaries distributing their products and through them, sub-brokers acting on behalf of such intermediaries.

### ***Mutual Fund distribution by NBFCs***

NBFCs can market and distribute mutual fund products as agents of mutual funds, with prior approval of the RBI as provided for under RBI Circular (DNBS (PD) CC No. 84/03.10.27/2006-07), dated December 4, 2006, for an initial period of two years and a review thereafter. NBFCs must however, comply with certain minimum requirements, such as a minimum net owned fund of Rs.1000 million and net profit as per last two years audited balance sheet.

Further, the NBFC should comply with the SEBI guidelines/regulations, including their code of conduct, for distribution of mutual fund products. In this regard, the NBFCs should not adopt any restrictive practice forcing its customers to opt for a particular mutual fund product sponsored by it and the customers should be allowed to exercise their own choice. In addition, the participation by a company's customer in mutual fund products should be purely on a voluntary basis and this information should be stated in all publicity material distributed by the company in a prominent way.

There are other aspects of mutual fund distribution which must be complied with, such as adherence to KYC guidelines and the provisions of the Prevention of Money Laundering Act, 2000. Moreover, the company must comply with Public Deposit Regulations and the Prudential Norms and any other instructions/ provisions of the RBI Act, to the extent applicable.

## VII. **Insurance Broking**

### ***Insurance Act***

The Insurance Act, 1938 ("**Insurance Act**") embodies the law relating to the business of insurance in India. Under the provisions of the Insurance Act, no person shall pay or contract to pay any remuneration or reward whether by way of commission or otherwise, for soliciting or procuring insurance business in India to any person except an insurance agent, licensed under the provisions of the Insurance Act. The IRDA, established under the Insurance Regulatory and Development Authority Act, 1991 ("**IRDA Act**"), is authorized to issue to any person making an application in the manner determined by the regulations, a license to act as an insurance agent for the purpose of soliciting or procuring insurance business. The IRDA was constituted, *inter alia*, with the objective of protecting the interests of holders of insurance policies, regulating, promoting and ensuring the orderly growth of the insurance industry.

### ***Insurance Broker Regulations***

The Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002, as amended from time to time ("**Insurance Broker Regulations**") provide *inter alia* for licensing and capital requirements for

persons who are insurance brokers. These regulations require that a company interested in entering the business of dealing in insurance or reinsurance to apply to the IRDA for a license and also prescribe a 'Code of Conduct for Insurance Brokers' to follow.

#### VIII. **Commodities broking**

Commodities broking, is governed by the Forward Contracts (Regulation) Act, 1952 (“**FCRA**”) and the Forward Contracts (Regulation) Rules, 1954 (“**FCRR**”). The FCRA provides, *inter alia*, for the establishment of the Forward Markets Commission (“**FMC**”). Associations interested in dealing with forward contracts, such as commodity exchanges like the MCX and NCDEX must make applications in the prescribed format as provided under the FCRR.

A trading-cum-clearing member or an institutional clearing member of such an exchange is a person who has the right to clear transactions in contracts that are executed in the trading system of the exchange. A trading cum-clearing member is therefore subject to the rules and bye-laws framed by the exchanges in order to govern the trade in commodities. In case of difference between the provisions of any rules, the regulations or bye-laws of the exchange and the provisions of FCRA or FCRR, the provisions of the FCRA or FCRR shall prevail, except where the FCRA or FCRR allows the application or enforcement of the rules, articles, bye-laws or regulations of the exchange.

#### IX. **Portfolio Management Services**

##### ***Portfolio Manager Regulations***

The SEBI (Portfolio Manager) Regulations, 1993 lays down *inter alia* the eligibility criteria, conditions for grant of certificate to a Portfolio Manager and their general responsibilities. Further, the Portfolio Manager Regulations prescribe a code of conduct which shall be followed by every Portfolio Manager. A Portfolio Manager must fulfill the prescribed capital adequacy requirement of net worth of not less than Rs. 5 million.

#### X. **Insider Trading**

##### ***Insider Trading Regulations***

The SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended from time to time (“**Insider Trading Regulations**”) govern the law with respect to insider trading in India. The Insider Trading Regulations *inter alia* prohibit all insiders from dealing in securities of a listed company when the insider is in possession of unpublished price sensitive information (“**UPSI**”). It further prohibits an insider from communicating, counseling or procuring, directly or indirectly, any UPSI to any person who while in possession of such UPSI is likely to deal in such securities.

Information is said to be price sensitive if it is likely to materially affect the price of the securities of the company to which it relates. Under the Insider Trading Regulations, the concept of an “insider” is related to those of a connected person and a deemed connected person. A person is said to be connected to a company when he or she is a director, employee or officer in the company or stands in a professional or business relationship with the company and when he or she may reasonably be expected to have access to UPSI and includes *inter alia* market intermediaries, Merchant Bankers, share transfer agents, registrars to an issue, debenture trustees, brokers, Portfolio Managers, investment advisors.

The Insider Trading Regulations further provide that all listed companies and organisations associated with the securities market including *inter alia* intermediaries as defined under the SEBI Act, asset management companies, trustees of mutual funds etc. should frame a code of internal procedures and conduct based on the Model Code of Conduct specified under the Insider Trading Regulations.

#### XI. **Venture Capital Regulations**

The SEBI (Venture Capital Funds) Regulations, 1996 lay down *inter alia* the eligibility criteria, conditions for grant of certificate to a venture capital funds and their general responsibilities.

## XII. Foreign Investment in NBFCs

FDI in an Indian company is governed by the provisions of the FEMA read with the FEMA Regulations and the Foreign Direct Investment Policy issued in November 2006 (“**FDI Policy**”) by the DIPP.

FDI is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, depending upon the sector in which FDI is sought to be made. Under the automatic route, no prior Government approval is required for the issue of securities by Indian companies/ acquisition of securities of Indian companies, subject to the sectoral caps and other prescribed conditions. Investors are required to file the required documentation with the RBI within 30 days of such issue/acquisition of securities.

However, if the foreign investor has any previous joint venture/tie-up or a technology transfer/trademark agreement in the “same field” in India, prior approval from the FIPB is required even if that activity falls under the automatic route, except as otherwise provided.

Under the approval route, prior approval from the FIPB or RBI is required. FDI for the items/activities that cannot be brought in under the automatic route may be brought in through the approval route. Approvals are accorded on the recommendation of the FIPB, which is chaired by the Secretary, DIPP, with the Union Finance Secretary, Commerce Secretary and other key Secretaries of the Government of India as its members.

As per the sector specific guidelines of the Government of India, the following relevant caps are presently applicable for FDI in NBFCs:

- (a) FDI/NRI investments is allowed under the automatic route in the following NBFC activities:
  - i) Merchant banking;
  - ii) Underwriting;
  - iii) Portfolio Management Services;
  - iv) Investment Advisory Services;
  - v) Financial Consultancy;
  - vi) Stock Broking;
  - vii) Asset Management;
  - viii) Venture Capital;
  - ix) Custodial Services;
  - x) Factoring;
  - xi) Credit Reference Agencies;
  - xii) Credit rating Agencies;
  - xiii) Leasing & Finance;
  - xiv) Housing Finance;
  - xv) Forex Broking;
  - xvi) Credit card business;
  - xvii) Money changing Business;
  - xviii) Micro Credit; and
  - xix) Rural Credit.
- (b) Minimum Capitalisation Norms for fund based NBFCs:
  - i) For FDI up to 51% - US\$ 0.5 million to be brought upfront
  - ii) For FDI above 51% and up to 75% - US \$ 5 million to be brought upfront
  - iii) For FDI above 75% and up to 100% - US \$ 50 million out of which US \$ 7.5 million to be brought upfront and the balance in 24 months
- (c) Minimum capitalisation norm of US \$ 0.5 million is applicable in respect of all permitted non-fund based NBFCs with foreign investment
- (d) Foreign investors can set up 100% operating subsidiaries without the condition to disinvest a minimum of 25% of its equity to Indian entities, subject to bringing in US\$ 50 million as at (b) (iii) above (without any restriction on number of operating subsidiaries without bringing in additional capital)

- (e) Joint Venture operating NBFC's that have 75% or less than 75% foreign investment will also be allowed to set up subsidiaries for undertaking other NBFC activities, subject to the subsidiaries also complying with the applicable minimum capital inflow i.e. (b)(i) and (b)(ii) above.
- (f) FDI in the NBFC sector is put on automatic route subject to compliance with guidelines of the RBI in this regard. RBI would issue appropriate guidelines in this regard.

Where FDI is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment. In cases where FIPB approval is obtained, no approval of the RBI is required except with respect to fixing the issuance price, although a declaration in the prescribed form, detailing the foreign investment, must be filed with the RBI once the foreign investment is made in the Indian company. The foregoing description applies only to an issuance of shares by, and not to a transfer of shares of, Indian companies. Every Indian company issuing shares or convertible debentures in accordance with the RBI regulations is required to submit a report to the RBI within 30 days of receipt of the consideration and another report within 30 days from the date of issue of the shares to the nonresident purchaser.

### ***FII Regulations***

FII's including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated/institutional Portfolio Managers, are allowed to make portfolio investments in all securities of listed and unlisted companies in India. Investments by registered FII's or non-resident Indians made through a stock exchange are known as portfolio investments. Foreign investors wishing to invest and trade in Indian securities in India under the portfolio investment route are required to register with the SEBI under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995 ("**FII Regulations**"). Foreign investors are not necessarily required to register with the SEBI under the FII Regulations, as FII's may invest in securities of Indian companies pursuant to the FDI route discussed above.

FII's that are registered with SEBI are required to comply with the provisions of the FII Regulations. A registered FII may buy, subject to certain ownership restrictions, and sell freely securities issued by any Indian company (excluding companies in certain sectors). The total holding of each FII/SEBI approved sub-account shall not exceed 10 per cent of the total paid-up capital of an Indian company and the total holdings of all FII/sub-accounts of FII's aggregated shall not exceed 24 per cent of the paid-up capital. The threshold of 24 per cent can be increased to the sectoral cap or statutory limit applicable to the Indian company concerned by resolution of such company's board of directors followed by the passing of a special resolution by such company.

### **XIII. Transfer of Property**

#### ***Transfer of Property Act, 1882***

The transfer of property, including immovable property, between living persons, as opposed to the transfer of property by the operation of law, is governed by the Transfer of Property Act, 1882 ("**T.P. Act**"). The T.P. Act establishes the general principles relating to the transfer of property including among other things identifying the categories of property that are capable of being transferred, the persons competent to transfer property, the validity of restrictions and conditions imposed on the transfer and the creation of contingent and vested interest in the property.

#### ***Registration Act, 1908***

The Registration Act, 1908 ("**Registration Act**") has been enacted with the object of providing public notice of execution of documents affecting a transfer of interest in property. Section 17 of the Registration Act identifies documents for which registration is compulsory and includes among other things, any non-testamentary instrument which purports or operates to create, declare, assign, limit or extinguish, whether in present or in future, any right, title or interest, whether vested or contingent, in immovable property of the value of one hundred rupees or more, and a lease of immovable property for any term exceeding one year or reserving a yearly rent. Section 18 of the Registration Act provides for non-compulsory registration of documents as enumerated in the provision.

### ***The Indian Stamp Act, 1899***

The Indian Stamp Act, 1899 (“**Stamp Act**”) provides for the imposition of stamp duty at specified rates on instruments listed in Schedule I of the Act. The applicable rates for stamp duty on these instruments, including those relating to conveyance, are prescribed by state legislation. Instruments chargeable to duty under the Stamp Act which are not duly stamped are inadmissible in a court of law and have no evidentiary value. Public officials have the power to impound such documents and if the executor wants to rectify them, he may have to pay a penalty of up to 10 times the original stamp value.

### ***The Easements Act, 1882***

The law relating to easements is governed by the Easements Act, 1882 (“**Easements Act**”). The right of easement is derived from the ownership of property and has been defined under the Easements Act to mean a right which the owner or occupier of land possesses for the beneficial enjoyment of that land and which permits him to do or to prevent something from being done in respect of certain other land not his own. Under this law an easement may be acquired by the owner of immovable property, i.e. the “dominant owner”, or on his behalf by the person in possession of the property. Such a right may also arise out of necessity or by virtue of a local custom.

## **XIV. Laws relating to Employment**

### ***Shops and Establishments legislations in various states***

The provisions of various Shops and Establishments legislations, as applicable, regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of *inter alia* registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work.

### ***Labour Laws***

Various labour laws, including the Contract Labour (Regulation and Abolition) Act, 1970, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, the Payment of Wages Act, 1936, the Payment of Gratuity Act, 1972, the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952.

## **XV. Intellectual Property**

The Trademarks Act, 1999, The Patents Act 1970 and the Copyright Act, 1957 *inter alia* govern the law in relation to intellectual property, including patents, copyrights, trade marks, service marks, brand names, trade names and research works.

## OUR MANAGEMENT

### Board of Directors

Under our Articles of Association we are required to have no less than three Directors and no more than twelve Directors. We currently have eight Directors on our Board.

The following table sets forth details regarding our Board of Directors:

Name, father's/spouse's name, residential address, designation, occupation and term	Nationality	Age (years)	Director's Identification Number	Other directorships
<p>Mr. Rashesh Shah s/o Mr. Chandrakant Shah, residing at 123, Carmichael Road, Mumbai 400 026</p> <p>Designation: Chairman, CEO and Managing Director</p> <p>Occupation: Business Executive</p> <p>Term: Non Retiring as MD. Term expires on March 31, 2011.</p>	Indian	45	00008322	<p>Foreign Companies</p> <p>a) Edelweiss Capital USA, LLC</p> <p>Indian Companies</p> <ul style="list-style-type: none"> <li>• Edelweiss Securities Limited</li> <li>• Icleo.com Limited</li> <li>• Itnation.com Limited</li> <li>• Edelweiss Insurance Brokers Limited</li> <li>• Ivy Financial services Private Limited</li> <li>• Rediff.com (India) Private Limited</li> <li>• International print-O-Pack Limited</li> <li>• Edelweiss Asset Management Private Limited</li> <li>• Edelweiss Trusteeship Company Private Limited</li> <li>• Edelweiss Asset Reconstruction Company Limited</li> </ul> <p>Trusts</p> <p>a) Edelweiss Employee Welfare Trust</p>
<p>Mr. Venkatchalam Ramaswamy s/o Mr. Arakony Ramaswamy, residing at 142, Beach Tower, P Balu Road, Prabhadevi, Mumbai 400 025</p> <p>Designation: Executive Director and Head of Investment Banking</p> <p>Occupation: Business Executive</p> <p>Term: Liable to retire by rotation and term expires March 31, 2011</p>	Indian	41	00008509	<p>Foreign Companies</p> <p>a) EC Global Limited</p> <p>b) Edelweiss Capital USA, LLC</p> <p>Indian Companies</p> <p>a) Edelweiss Securities Limited</p> <p>b) Icleo.com Limited</p> <p>c) Edelweiss Insurance Brokers Limited</p> <p>d) Ivy Financial services Private Limited</p> <p>e) Exactus Corporation Limited</p> <p>f) Edelweiss Asset Management Private Limited</p> <p>g) Edelweiss Trusteeship Company Private Limited</p> <p>h) Edelweiss Asset Reconstruction</p>

Name, father's/spouse's name, residential address, designation, occupation and term	Nationality	Age (years)	Director's Identification Number	Other directorships
				Company Limited
				Trusts
				a) Edelweiss Employee Welfare Trust
Mr. Ramanan Raghavendran s/o Mr. Subramaniam Raghavendran, residing at 116W 29 <sup>th</sup> ST APT 6, New York, USA 10001.	USA	39	01669553	Foreign Companies
Designation: Independent Director				a) Symphony Services
Occupation: Business Executive				b) ClickTactics
Term: Liable to retire by rotation				c) Kubera Crossborder Fund
				d) Kejriwal Stationery
				e) ConnectCapital Holdings
				Indian Companies
				a) Netscribes Limited
Mr. Sunil Wadhvani s/o Mr. Tekchand Wadhvani, residing at 930 Usage Road, Pittsburgh, PA 15243, USA	USA	55	00380408	Foreign Companies
Designation: Independent Director				a) iGATE Corporation
Occupation: Business Executive				b) iGATE Holding Corporation
Term: Liable to retire by rotation				c) iGATE, Inc.
				d) Mastech Quantum Information Resources, Inc.
				e) Mastech Trademark Systems, Inc
				f) Global Financial Services of Nevada
				g) Mascot Systems GMBH
				h) iGATE Ventures, Inc.
				i) Symphoni Holdings, Inc.
				j) Mastech Application Services, Inc.
				k) iGATE Mastech, Inc.
				l) GATE Capital Management, Inc.
				m) iGATE Ventures Holdings Corporation
				n) iGATE Management, Inc.
				o) iGATE Venture Management LLC
				p) Symphoni Interactive LLC
				q) Itiliti LLC
				r) CMI LLC
				s) iGATE Clinical Research International, Inc.
				t) Pangea3 LLC
				u) iGATE Global Solutions LLC
				v) iGATE Global Solutions Sdn. Bhd.
				w) Chen & McGinley
				Indian Companies
				a) Quintant Services Limited
				b) iGATE Clinical Research Private Limited
				c) iGATE Technology Services Private Limited
				d) iGATE Global Solutions Limited
				e) Job Curry Systems Private

Name, father's/spouse's name, residential address, designation, occupation and term	Nationality	Age (years)	Director's Identification Number	Other directorships
<p>Mr. Narendra J. Jhaveri s/o Mr. Jamnadas Jhaveri residing at C-42, Samprat Residency, Premchandnagar Road, Bodakdev, Ahmedabad 380015 Gujarat</p> <p>Designation: Independent Director</p> <p>Occupation: Business Executive</p> <p>Term: Liable to retire by rotation</p>	Indian	71	00198912	<p>Limited</p> <p>f) Impact India Private Limited</p> <p>Indian Companies</p> <p>a) SKF India Limited</p> <p>b) Usha Martin Limited</p> <p>c) India Aluminium Co. Limited.</p> <p>d) Afcons Infrastructure Limited</p> <p>e) Voltas Limited</p> <p>f) Siemens Limited</p> <p>g) Siemens Information Systems Limited</p> <p>h) Juniper Hotels Private Limited</p> <p>i) Gujarat State Petronet Limited</p> <p>j) Hindalco Industries Limited</p> <p>k) Kier Afcons (India) Private Limited – Alternate Director</p> <p>l) Ultra Tech Cement Limited</p> <p>m) Manipal Health System Private Limited</p> <p>n) Phoenix ARC Limited</p> <p>o) Bayer Diagnostics India Limited</p>
<p>Mr. Sanjay Santhanam s/o Mr. Krishnamurthy Santhanam, residing at 3 Nicholas Avenue, Greenwich CT, US 006831</p> <p>Designation: Non-Executive Nominee Director</p> <p>Occupation: Business Executive</p> <p>Term: Liable to retire by rotation</p>	USA	41	1157306	<p>Foreign Companies</p> <p>a) Galleon International Management, L.L.C</p> <p>b) Galleon Management LLC</p> <p>c) Jaya, Inc</p> <p>d) Jaya Investments Limited</p> <p>Partnerships</p> <p>a) Agave Master Partners, L.P</p>
<p>Mr. Kunnasagaran Chinniah s/o Mr. Riaki Chinniah, residing at 12 Countryside Grove, Singapore 789967</p> <p>Designation: Non-Executive Nominee Director</p> <p>Occupation: Business Executive</p> <p>Term: Liable to retire by rotation</p>	Singapore	50	1590108	<p>Foreign Companies</p> <p>a) AIG Asian Infrastructure Fund LP</p> <p>b) AIG Asian Infrastructure Fund II LP</p> <p>c) AIG Asian Infrastructure Management Limited</p> <p>d) AIG Asian Infrastructure Management II Limited</p> <p>e) CDH China Holdings Company Limited</p> <p>f) CDH China Management Company Limited</p> <p>g) GIC Special Investments (Beijing) Company Limited</p> <p>h) India Newbridge Co-investments Limited</p> <p>i) Project Monitoring &amp; Construction Limited</p> <p>j) Airy Investment Pte.Limited</p> <p>k) Alda Investment Pte.Limited</p> <p>l) Apfarm Investment Pte.Limited</p> <p>m) Apfin Investment Pte.Limited</p> <p>n) Apmac Investment Pte.Limited</p>

Name, father's/spouse's name, residential address, designation, occupation and term	Nationality	Age (years)	Director's Identification Number	Other directorships
				o) Apsif Pte.Limited
				p) Arran Investment Pte. Limited
				q) Asia Pacific Electric Pte.Limited
				r) BMC Investment Pte.Limited
				s) Barley Investment Pte.Limited
				t) Bellweather Investment Pte.Limited
				u) Bonsai Investment Pte.Limited
				v) CMA Investment Pte.Limited
				w) Canning Investment Pte.Limited
				x) Cencap Investment Pte.Limited
				y) Chimera Investment Pte.Limited
				z) City-Scape Pte.Limited
				aa) Durango Investment Pte.Limited
				bb) Ecotech Investment Pte.Limited (BVI)
				cc) Elba Investment Pte.Limited
				dd) Elbe Investment Pte.Limited
				ee) Fareham Investment Pte.Limited
				ff) GIC Infra Holdings Pte.Limited
				gg) GIC Infrastructure Pte Limited
				hh) Ganbaru Investment Pte.Limited
				ii) Genki Investment Pte.Limited
				jj) Geysler Investment Pte.Limited
				kk) Gilded Cage Investment Pte.Limited
				ll) Goodison Investment Pte.Limited
				mm) HT Holdings IX, Limited
				nn) Heavyweight Investment Pte.Limited
				oo) Hippogriff Investment Pte.Limited
				pp) Hybrid Investment Pte.Limited
				qq) Indivest Pte.Limited
				rr) Kokoro Investment Pte.Limited
				ss) Lathe Investment Pte.Limited
				tt) Linseed Investment Pte.Limited
				uu) Malton Investment Pte.Limited
				vv) Megafield Investment Pte.Limited
				ww) Miners Investment Pte.Limited
				xx) Noryoku Investment Pte.Limited
				yy) Novastar Investment Pte.Limited
				zz) Onset Investment Pte.Limited
				aaa) Orchid Grove Investment Pte.Limited
				bbb) Pacific Grove Investment Pte.Limited
				ccc) Pacific Infrastructure Development Pte.Limited
				ddd) Prost Investment Pte.Limited
				eee) Prowell Ventures Pte.Limited
				fff) Quakers Investment Pte.Limited
				ggg) Renew Investment Pte.Limited
				hhh) Rhine Investment Pte.Limited
				iii) Sauber Investment Pte.Limited
				jjj) Seabed Veil Investment Pte.Limited
				kkk) Seashore Investment Pte.Limited
				lll) SShorelight Investment

Name, father's/spouse's name, residential address, designation, occupation and term	Nationality	Age (years)	Director's Identification Number	Other directorships
				Pte.Limited mmm) Sing Glow Investment Pte.Limited nnn) Singa Capital Pte.Limited ooo) Sloan Street Investment Pte.Limited ppp) Southern Pine Pte.Limited qqq) Sphinx Investment Pte.Limited rrr) Spielberg Investment Pte.Limited sss) Starbird Investment Pte.Limited ttt) Starbright Investment Pte.Limited uuu) Techline Investment Pte.Limited vvv) Techlink Investment Pte.Limited (Mauritius) www) Terman Investment Pte.Limited xxx) Tetrad Ventures Pte.Limited yyy) Thaivest Pte.Limited zzz) Tiburon Investment Pte.Limited aaaa) Town green Investment Pte.Limited bbbb)Trestle Investment Pte.Limited cccc) Tropical Excellence Infrastructure Pte.Limited dddd)Twickenham Investment Pte.Limited eeee) US Venture Pte.Limited ffff) Vagabond Investment Pte. Limited gggg)Vencap Holdings(1987) Pte. Limited hhhh)Vencap Holdings(1992) Pte. Limited iiii) WBC Investment Pte. Limited jjjj) WCT Investment Pte. Limited kkkk)WEI Investment Pte. Limited llll) WWarpspeed Investment Pte.Limited mmmm) White Hart Investment Pte.Limited nnnn)Wolverine Investment Pte.Limited oooo)Wynoda Investment Pte. Limited pppp)Yugo Veil Investment Pte. Limited qqqq)ZC Investment Pte.Limited rrrr) CDH China Growth Capital Holdings Company Limited ssss) CDH III Holdings Company Limited tttt) Keizai Investment Pte. Limited uuuu)Manzoku Investment Pte. Limited vvvv) Rieki Investment Pte. Limited wwww) Staveley Investment Pte. Limited
Mr. P.N. Venkatachalam s/o Mr. P. V. Narayan Swami residing at Flat No 3C, Settflur Manor, No.2,	Indian	63	00499442	Indian companies: a) Laser Soft Infosystems Ltd

Name, father's/spouse's name, residential address, designation, occupation and term	Nationality	Age (years)	Director's Identification Number	Other directorships
Sivaswamy Street (Behind UTI Bank)Off.Dr.Radhakrishnan Salai, Mylapore, Chennai 600004 Designation: Independent Director. Occupation: Business Executive. Term: Liable to retire by rotation				b) Khazana Jewellery Private Ltd

### Profiles of our Directors

**Mr. Rashesh Shah** is the Chairman, CEO and MD of our Company. Mr. Shah is a co-founder of our Company and has 18 years of experience in public and private markets in India. Mr Shah holds a bachelor's degree in science from Bombay University and a PGDBM from the Indian Institute of Management, Ahmedabad. Previously, he was a Head of Research, Prime Securities Private Limited and a Manager at ICICI Limited. He has also handled a World Bank aided program for export-oriented projects at ICICI Limited. Mr. Shah has been associated with our Company since 1995 as CEO and MD. He has worked with more than 100 companies and advised them on a wide range of issues, financial and otherwise. He has served on various client company boards including compensation and audit committees of such companies.

**Mr. Venkatchalam Ramaswamy** holds a bachelor's degree in engineering from the Karnataka University and masters degree in business administration from the University of Pittsburgh. Previously, Mr. Ramaswamy was a fund manager at Spartek Emerging Opportunities of India Fund wherein the focus of the fund was to invest in small and mid-cap companies in emerging sectors of the economy. Mr. Ramaswamy was an Assistant Manager at ICICI Limited and Assistant Manager at Tata Unisys Limited. Mr. Ramaswamy has worked with the Mumbai and Bangalore offices of ICICI with primary responsibilities of project appraisal, financial modeling and disbursement of loans and grants. Mr. Ramaswamy co-founded our Company in 1995 and has been the Head of Investment Banking with our Company where his focus has been on venture capital and private equity advisory and fund raising for emerging technology companies. Mr. Ramaswamy joined our Board on February 20, 1996.

**Mr. Ramanan Raghavendran** holds a bachelor's degree of science in finance and a bachelor's degree of science in computer science and engineering from the University of Pennsylvania's Wharton School and Moore School of Engineering respectively. Mr. Raghavendran is the managing partner of Kubera Partners LLC, a cross-border private equity firm that manages the Kubera Cross-Border Fund. Prior to founding Kubera Partners LLC, he led the cross-border investing efforts at TH Lee Putnam Ventures and continues to oversee the TH Lee Putnam Ventures portfolio. Mr. Raghavendran was formerly a senior partner at Insight Venture Partners. At Insight, he founded Connect Capital, an Insight affiliate for cross-border investing. Prior to joining Insight, he was a senior member of the investment team at General Atlantic. Mr. Raghavendran began his professional career at McKinsey & Company in New York and London. He is a member of the advisory board of the Center for the Advanced Study of India at the University of Pennsylvania and is the chairman of the advisory board of Magic Bus, a Mumbai-based charitable organization. Mr. Raghavendran joined our Board on October 10, 2000.

**Mr. Sunil Wadhvani** holds a bachelor's degree in Technology from Indian Institute of Technology, Chennai and a Master's degree in Management from Carnegie-Mellon University. Mr. Wadhvani is the Co-Founder of iGate Corporation and was acting as the Chief Executive Officer of iGate Corporation. Mr. Sunil Wadhvani joined our Board on October 10, 2000.

**Mr. Sanjay Santhanam** holds a bachelor's degree in Science with honors in Mathematics and Statistics from the University of Delhi and has done Post-graduation work in Applied Mathematics and Management Science at the Universities of Texas at Austin and University of California at Berkeley, respectively. Previously, Mr. Santhanam was a Managing Director and Head of Risk Management in Galleon International, LLC, Senior Portfolio Manager at Rock Creek Group, Managing Principal of VS Asset Management & Chaos Systems and Chief Financial Officer & Senior Researcher for RPP International. Mr. Santhanam joined our Board on October 11, 2006.

**Mr. Kunnasagaran Chinniah** has a bachelor's degree in Electrical engineering from the National University of Singapore in 1982 and completed a Masters in Business Administration degree in 1989 from the University of California (Berkeley). In 1997, he attended the World Bank Executive Programme conducted by Harvard University. Mr. Chinniah is also a Chartered Financial Analyst certified by the Chartered Financial Analyst Institute.

Mr Chinniah began his career in 1982 as a Senior Field Engineer with Schlumberger Wireline Services Limited in the Middle East. In July 1989, after completing his Masters in Business Administration degree, he joined GIC Special Investments (“GIC SI”). GIC SI is the private equity arm of the Government of Singapore Investment Corporation (“GIC”). Between November 1989 and November 1997, he held various positions with GIC SI in the North America and Europe Divisions, including the position of regional manager, on separate occasions, for Europe and North America, overseeing private equity investments for both regions. He was also GIC’s representative in Frankfurt and was based there from March 1992 to February 1995. He was based in San Francisco between November 1989 to April 1991 and from March 1995 to November 1997. His last position prior to his return to Singapore in November 1997 was Regional Manager, North America Division of the Special Investments Department. Currently, Mr. Chinniah is an Executive Vice President with GIC SI where he oversees the Asian private equity business. Mr. Chinniah joined our Board on June 5, 2007.

**Mr. Narendra J. Jhaveri** holds a masters degree in Economics from Gujarat University and Masters of Science in economics from the London School of Economics with specialization in public finance. Mr. Jhaveri has to his credit, 40 years of experience in the financial services industry. On his return from United Kingdom, after a brief stint with NCAER as Senior Economist, Mr. Jhaveri joined the Economics Dept. of the RBI in 1965. Mr. Jhaveri shifted to ICICI Limited in 1974 as Chief Economist and then was associated with various operational areas. Mr. Jhaveri serves as an Independent Director on the boards of several leading Indian companies, besides acting as an advisor to several Indian companies on diverse matters related to business. Over a span of his long professional career, Mr. Jhaveri, apart from giving frequent lectures on subjects related to Indian financial system, capital markets, economic development and corporate governance, has contributed several articles in Indian economic dailies and specialized journals. Mr. Jhaveri joined our Board on July 21, 2007.

**Mr. P.N. Venkatachalam** holds a masters of arts degree in economics and is a Certified Associate from the Indian Institute of Bankers. Mr. Venkatachalam has 40 years of experience in the banking sector in India and abroad. Mr. Venkatachalam joined the State Bank of India as a probationary officer on April 1967 and retired on March 2004 as a managing director. Mr. Venkatachalam served briefly as member of the Interim Pension Fund Regulatory Authority of India, New Delhi in 2004 and has served as a director on the board of Small Industries Development Bank of India. Mr. Venkatachalam is presently the Chairman of Laser Soft Infosystems Limited and a director of Khazana Jewellery Private Limited. Mr. Venkatachalam joined our Board on August 9, 2007.

None of our Directors are related to each other.

#### **Appointment of and remuneration payable to our Directors**

Mr. Rashesh Shah and Mr. Venkatachalam Ramaswamy appointed whole time directors of our Company through resolution of the shareholders dated September 12, 2007. The terms of their appointment, subject to the approval of the Central Government for the proposed remuneration, are provided below:

- (a) Salary not to exceed Rs. 20 million per annum.
- (b) Performance Bonus: In addition to salary and perquisites, performance based bonus payments, up to 400% of salary, may also be made.
- (c) Perquisites: Restricted to an amount equivalent to the annual salary.

The following perquisites shall be paid:

- i) Housing: Rent free residential accommodation. In case no accommodation is provided by the Company, he shall be entitled to house rent allowance as per rules of the Company. Reimbursement of expenses incurred on gas, electricity, water and furnishing for the residential accommodation.
- ii) Medical Reimbursement: Expenses incurred for Mr. Rashesh Shah and his family subject to a ceiling of one month’s salary in a year or three month’s salary over a period of three years.
- iii) Leave Travel Concession: Leave Travel Concession for Mr. Rashesh Shah and his family once a year incurred in accordance with the rules of the Company.

- iv) Club Fees: Fees of clubs subject to a maximum of two clubs.
- v) Personal Accident Insurance: Premium not to exceed Rs. 8,000 per annum.
- vi) A chauffeur driven car and telephone at residence for use on Company's business.
- vii) Leave with full salary and perquisites.
- viii) Payment of Gratuity as per the rules of our Company.

*The non-executive and independent directors of our Company are not paid any remuneration/sitting fees/commission*

The total remuneration received by Mr. Rashesh Shah in Fiscal 2007 was Rs. 22.12 million.

The total remuneration received by Mr. Venkatchalam Ramaswamy in Fiscal 2007 was Rs. 22.28 million.

### **Borrowing powers of the Board**

Pursuant to a resolution passed by our shareholders dated September 12, 2007, in accordance with provisions of the Companies Act, our Board has been authorised to borrow from time to time, any sum or sums of money for the purposes of our Company, upon such terms and conditions and with or without security, in Indian/foreign currency, as the Board may in its discretion think fit, notwithstanding that the money or monies to be so borrowed by our Company (apart from the temporary loans obtained or to be obtained from time to time from our Company's bankers in the ordinary course of business) together with the sums already borrowed, may exceed the aggregate of the paid-up capital of our Company and its free reserves that is to say, reserves not set apart for any specific purposes, provided however that the sums so borrowed and remaining outstanding on account of principal shall not, at any time, exceed Rs. 15,000 million.

### **Corporate governance**

The provisions of the Listing Agreement to be entered into with NSE and BSE with respect to corporate governance and the SEBI Guidelines in respect of corporate governance will be applicable to our Company immediately upon the listing of our Equity Shares on the Stock Exchanges. Our Company undertakes to adopt the corporate governance code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges on Listing and reconstitute its Board with regard to the same. Our Company further undertakes to appoint Independent Directors on the Board of our Company and its material subsidiaries.

In terms of the Clause 49 of the Listing Agreement, the Company has already appointed Independent Directors and constituted the following committees:

- (a) Audit committee;
- (b) Shareholders'/Investors' grievance committee; and
- (c) Remuneration committee.

#### ***Audit committee***

The audit committee comprises:

- Mr. Rashesh Shah
- Mr. Sunil Wadhvani
- Mr. Narendra J. Jhaveri
- Mr. P N Venkatachalam

The role and scope of functions of the audit committee shall include the following:

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the board for approval.
- Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- 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.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the “Whistle Blower” mechanism, as when put in force by the Company.
- To review the reports of Operational Risk Committee and make suggestions.

The Audit Committee shall have powers, which should include the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operation.
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management
3. Management letters / letters of internal control weaknesses issued by the statutory auditors
4. Internal audit reports relating to internal control weaknesses and
5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee

### ***Shareholders'/Investors' grievance committee***

The shareholders'/investors' grievance committee comprises:

- Mr. Venkatchalam Ramaswamy
- Mr. Kunnasagaran Chinniah
- Mr. Sanjay Santhanam

The shareholders'/investors' grievance committee is responsible for the redressal of shareholders and investors' grievances such as transfer of shares, non-receipt of share certificates and balance sheet, non receipt of declared dividends etc. The committee oversees performance of the registrars and transfer agents of the Company and recommends measures for overall improvement in the quality of investor services. The Committee also oversees the performance of Share Transfer Committee.

### ***Remuneration committee/ Compensation committee***

The remuneration committee comprises:

- Mr. Ramanan Raghavendran
- Mr. Sanjay Santhanam
- Mr. Kunnasagaran Chinniah

The remuneration committee has been set up for deciding Company's policies on specific remuneration packages for all the directors and designing and implementation of performance appraisal systems and discretionary performance bonus payments for them and such other functions as may be delegated to it by the Board of Directors.

### ***Operations Committee***

The Operation Committee comprises:

- Rashesh Shah
- Venkatachalam Ramaswamy
- Chief Financial Officer
- Financial Controller

The role and scope of functions of the operations committee shall include the following:

- (A) Opening Banking Accounts in the name of the Company.
1. Closing Banking Accounts.
  2. Substitution / Withdrawal of the Signatories to the Bank Accounts necessitated on account of relocation or separation of Employees.
  3. Opening of Demat Accounts in the name of the Company, the closing thereof.
  4. Substitution / Withdrawal of the Signatories to the Demat Accounts necessitated on account of relocation or separation of Employees.
  5. Purchase of / Acquisition on Lease vehicles to meet the conveyance requirements of Employees subject to a maximum limit of Rs. 2 crores per annum in the aggregate.
  6. Negotiating and acquiring on Lease / Licence or otherwise office space to cater to the Company's Business purposes.
  7. Issuing Corporate Guarantees to secure Credit Facilities to the subsidiaries of the Company
  8. Funding the subsidiaries of the Company by way of loans/ICDs or investments in the shares.

1. To borrow money equivalent to power given to Board to borrow under the provisions of Section 292 (1) (c).
2. To invest funds of the Company equivalent to power given to Board to invest under the provisions of Section 292(1) (d).
3. To make loans out of the funds of the Company equivalent to power given to Board to make loans under the provisions of Section 292(1) (e).
4. To alter signatories authorised for various operational purposes on a need basis (normally for reasons such as new joinees, resignations, deputations etc).
5. To grant permission and authorise incorporation of companies as subsidiaries of Edelweiss Capital Limited.
6. Any other operational matter not in the normal course of business that could accrue and can not be deferred until the next Board Meeting, so long as it does not result in a monetary outgo.

#### ***IPO Committee***

The IPO Committee comprises:

- Mr. Venkatchalam Ramaswamy
- Mr. Kunnasagaran Chinniah
- Mr. Ramanan Raghavendran

The IPO Committee is authorised to do all such acts, deeds, matters and things as it may at its discretion deem necessary for such purpose including without limitation:

- to the utilization of the issue proceeds,
- appointment of key intermediaries,
- finalizing the pricing, terms and conditions relating to the issue of the aforesaid Securities including amendments or modifications thereto as may be deemed fit by the Board / Committee,
- to sign and execute listing application(s), various agreements undertakings, deeds, declarations and all other documents and
- to do all such acts, deeds and things, and to comply with all the formalities as may be required in connection with and incidental to the aforesaid offering of Securities including for the post issue formalities and with power to settle any question, difficulties or doubts that may arise in regard to issue or allotment of such Securities as it may in its absolute discretion think fit

#### ***Risk Committee***

- Mr. Kunna Chinniah
- Mr. Rashesh Shah
- Mr. Sanjay Santhanam

The role and scope of functions of the Risk committee include the following:

- Reviewing adequacy of risk management functions
- Reviewing the alignment of risk appetite, capital & strategy
- Helping in determining risk tolerances for businesses
- Reviewing risk limits, processes and compliance procedures

#### ***Share Transfer Committee***

- Mr.N J Jhaveri
- Mr. P N Venkatachalam

- Mr. Rashesh Shah
- Mr. Venkatachalam Ramaswamy

The role and scope of functions of the Share Transfer committee include the following:

- Attending to Share Transfer formalities at least once in a fortnight
- Approving request relating to spilt of share certificates, issue of duplicate share certificates,
- control of share certificate stationary,
- devising mechanism for maintenance of records by RTA
- Such other terms as may be delegated by the Board.

#### **Investment Committee**

- Rashesh Shah
- Venkatachalam Ramaswamy
- Naresh Kothari
- Shriram Iyer

The role and scope of functions of the committee include approval of Underwriting Assignments.

#### **Operational Risk Committee**

Operational Risk Committee is a non Board Committee consisting of executives from senior management formed:

- To devise process / framework for management of operational risk
- Identifying Concerns & Identify such Risks
- Evaluating these Risks as to Consequences & Likelihoods
- Assessment of Options for Risk Management
- Prioritizing the Risk Management Efforts
- Development of Risk Management Plans
- Authorization for the implementation of the risk management plans
- Tracking the risk management efforts and manage accordingly
- Follow on Budgeting- Variance Analysis

#### **Employee Compensation Committee**

Employee Compensation Committee is a non Board Committee consisting of executives from senior management formed specifically for:

- Deciding Company's policies on specific remuneration packages for all the categories of employees
- Designing and implementation of performance appraisal systems and discretionary performance bonus payments.
- ESOP Administration and allocation.

#### **Shareholding of our Directors in our Company**

As on October 15, 2007, none of our Directors hold any Equity Shares in the Company, except as stated below:

<b>Name</b>	<b>No. of Equity Shares</b>	<b>% of pre-Issue equity share capital</b>
Mr. Rashesh Shah <sup>#</sup>	10,836,180	16.29
Mr. Venkatchalam Ramaswamy <sup>##</sup>	5,276,380	7.93
Mr. Venkatchalam Ramaswamy as a joint holder of the Equity Shares held by Aparna TC	1,200,000	1.80
Mr. Sunil Wadhvani	264,000	0.40
Mr. Narendra Jhaveri	7,800	0.01
Mr. Ramanan Raghavendran	7,800	0.01

- # Mr. Rashesh Shah is a joint holder of 2,760,120 Equity Shares held by Ms. Vidya Shah and Master Neel Shah and also a joint holder of 2,162,620 Equity Shares held by Ms. Sharmistha Shah.
- ## In addition, Mr. Venkatchalam Ramaswamy is also a joint holder of 1,200,000 Equity Shares held by Ms. Kavyaa Venkat

### **Interest of our Directors**

All our Directors, including independent Directors, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses, if any, payable to them under our Articles of Association and to the extent of remuneration, if any, paid to them for services rendered as an officer or employee of our Company.

All our Directors, including independent directors, may also be deemed to be interested to the extent of Equity Shares, if any, already held by them including equity shares offered under the ESOP or that may be subscribed for and allotted to them, out of the present Issue in terms of the Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Our Directors, including independent directors, may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as directors, members, partners or trustees.

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.

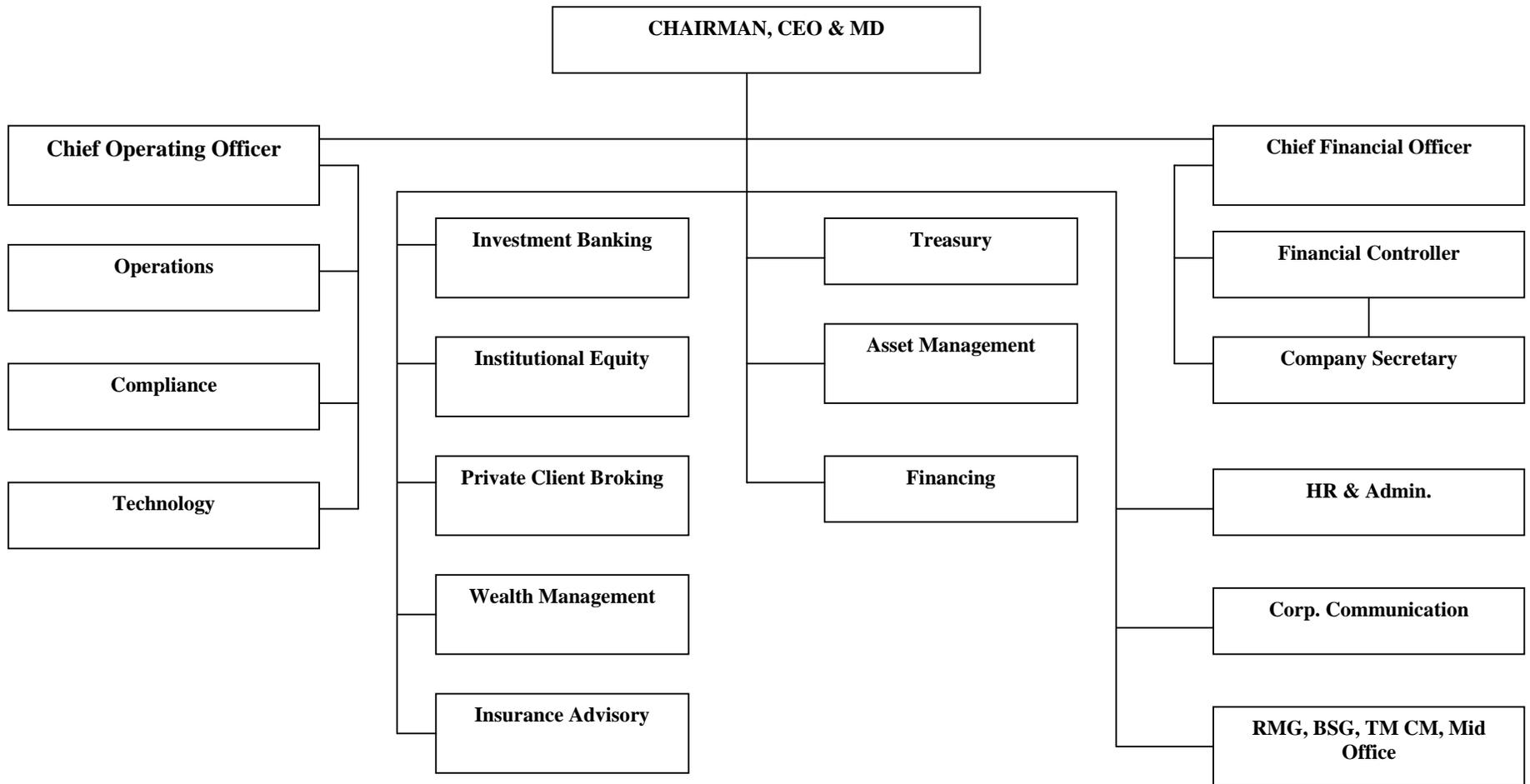
Some of our Directors may be deemed to be interested to the extent of consideration received/paid or any loans or advances provided to any body corporate including companies and firms, and trusts, in which they are interested as directors, members, partners or trustees. For details, please see the section titled “Financial Statements” beginning on page 150.

Our Directors have no interest in any property acquired by our Company within two years of the date of this Red Herring Prospectus or proposed to be acquired by our Company.

### **Changes in our Board during the last three years**

<b>Name</b>	<b>Date of appointment</b>	<b>Date of cessation</b>	<b>Reason</b>
Mr. Joe Sealy	October 24, 2005		Appointment
Mr. Dieter Spaelti	December 9, 2005		Appointment
Mr. Sanjay Santhanam	October 11, 2006		Appointment
Mr. Kunnasagaran Chinniah	June 5, 2007		Appointment
Mr. Joe Sealy		July 21, 2007	Resignation
Mr. Dieter Spaelti		July 21, 2007	Resignation
Mr. Narendra J. Jhaveri	July 21, 2007		Appointment
Mr. P.N. Venkatachalam	August 9, 2007		Appointment

**Our Organisational Structure**



## Our Key managerial personnel

All Key managerial personnel are on the rolls of our Company.

Details regarding our key managerial personnel are set out below:

**Mr. Anurag Madan**, 58 years, holds a bachelor's degree in Economics from University of Delhi. He is an associate of the Indian Institute of Bankers and is a Chartered Financial Planner from Financial Planning Standards Board of India. Previously, Mr. Madan was the Chief Operating Officer at SUN F&C Asset Management Company and an Assistant General Manager at State Bank of India. Mr. Madan has more than 30 years of experience in the Financial Services Industry and has been associated with State Bank of India for 23 years. Currently, Mr. Madan is the Chief Operating Officer at our Company. Prior to joining our Company, Mr. Madan had been Chief Operating Officer in one of our Subsidiaries, Edelweiss Securities Limited since February 7, 2005.

**Mr. Deepak Mittal**, 33 years, holds a bachelor's degree of engineering in Chemical Engineering and Post Graduate Diploma in Business Management from Indian Institute of Management (Ahmedabad). Previously, Mr. Mittal was associated with the Telecom & Utilities Group of NM Rothschild & Sons in Mumbai. Currently, he is the Chief Financial Officer of our Company and has 11 years of experience. Prior to joining our Company, he was the Co-Head, Treasury Operations and managed treasury function in one of our Subsidiaries, Edelweiss Securities Limited.

**Mr. D.P. Jhawar**, 32 years, holds a B.Com. degree from Maharshi Dayanand Saraswati University, Ajmer and also is a member of Institute of Chartered Accountants of India. Mr. Jhawar has had 10 years of experience and has been associated with our Company from December 2005. Mr. Jhawar has previously worked with Amoli Organics Private Limited and Bee Electronics Machine Limited. Mr. Jhawar is currently the Vice President of finance and Financial Controller of the Company. Prior to joining our Company, Mr. Jhawar was the Vice President of finance and Financial Controller in one of our Subsidiaries, Edelweiss Securities Limited.

**Ms. Shilpa Soti**, 29 years, is a member of the Institute of Company Secretaries of India. Ms. Soti also holds a Masters in Business Administration, in finance, from Sukhadia University, Udaipur and Diploma in Business Finance from The Institute of Chartered Financial Analysts of India, Hyderabad. Ms. Soti has been associated with our Company since January 2005. Previously, Ms. Soti was associated with Bajaj Sevashram Limited, Udaipur and Rajtech Financial Services Private Limited Jaipur and was also a visiting lecturer in economics in various colleges and institutes and has had 6 years of experience. Currently, Ms. Soti is the Company Secretary of our Company. Prior to joining our Company, Ms. Soti was working with one of our Subsidiaries, Edelweiss Securities Limited since January 10, 2005.

Ms. Soti's FY 2007 remuneration (3 month salary) was Rs. 0.28 million.

### Shareholding of key managerial personnel

None of our key managerial personnel hold Equity Shares, except as stated below:

Name	No. of Equity Shares (pre-Issue)	% of pre-Issue equity share capital
Mr. Deepak Mittal	799,624	1.20
Mr. Anurag Madan	34,200	0.05
Mr. D P Jhawar	21,900	0.03
Ms. Shilpa Soti	2,100	0.00

None of our key managerial personnel are directors in our Company or its Subsidiaries, except as provided below:

Name	Subsidiary
Mr. Deepak Mittal	(a) ECL Finance Limited
	(b) Iris Distribution Company Limited
Mr. Anurag Madan	(a) ECL Finance Limited

### ***Bonus or profit sharing plan for key managerial personnel***

Except for the ESOP Schemes, no specific bonus or profit sharing plans are offered by the Company to the key managerial personnel.

### ***Interest of key managerial personnel***

Except as disclosed below, none of our key managerial employees have any interest in our Company and/or Subsidiaries other than to the extent of remuneration and/or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them. All our key managerial personnel have received payments from our Subsidiaries prior to joining our Company.

None of our key managerial personnel are directors in our Promoter Group Companies.

### ***Changes in our key managerial employees***

The changes in our key managerial employees during the last three years are as follows:

<b>Name</b>	<b>Designation</b>	<b>Date of change</b>	<b>Reason</b>
Mr. Anurag Madan	Chief Operating Officer	June 1, 2007	Transfer from ESL
Mr. D P Jhawar	Financial Controller	August 1, 2007	Transfer from ESL
Mr. Deepak Mittal	Chief Financial Officer	July 1, 2007	Transfer from ESL
Ms. Shilpa Soti	Company Secretary	January 1, 2007	Transfer from ESL
Ms. Vidya Shah	Chief Financial Officer	June 30, 2007	Resigned as Chief Financial Officer of our Company
Mr. Kaushik Desai	Company Secretary	July 11, 2006	Appointment as Company Secretary
Mr. Kaushik Desai	Company Secretary	November 21, 2006	Resigned as Company Secretary
Mr. Sanjay Tibrewala	Company Secretary	November 21, 2005	Resigned as Company Secretary of our Company

### ***Senior Management Personnel***

The following are our senior management personnel:

**Naresh Kothari** holds a bachelor's of engineering degree in computers from VESIT, Mumbai and obtained post graduate diploma in business management from Indian Institute of Management (Ahmedabad). Formerly he was with ICICI Securities & Finance Company Ltd, where he was part of Sales/Trading Desk and setting up of the broking business. He has also been associated with CMC Ltd. as an Executive in Business Development. Mr. Kothari has been associated with our Company since 2000 and is presently the President and Co-Head of the Institutional Equities and Private Client Broking.

**Rujan Panjwani** holds a bachelor's of engineering degree in Electrical Engineering. Previously he owned and managed a successful stock broking company called The Stock and Bond Trading Company and set up and managed derivatives and arbitrage business for our Company. Currently he is the Head of Treasury Operations and President and Co-Head, Asset Management.

**Vikas Khemani** holds a bachelor's of commerce degree and is a member of the Institute of Chartered Accountants of India. Formerly he was associated with ICICI Securities and Finance Company where he set up the derivatives desk. Currently he is the Executive Vice President and Co-Head, Institutional Equities.

**Rajeev Mehrotra**, 40 years, holds a bachelor's of commerce degree. Previously, Mr. Mehrotra was the Chief Executive Officer of Alpha Ventures, New York and has worked with Investment Banking Firms in Germany & UK. Currently, Mr. Mehrotra is an Executive Vice President and Co-Head, Investment Banking.

For details of our ESOP Schemes please see the section titled "Capital Structure" beginning on page 24.

**Payment or benefit to our officers (non-salary related)**

Except statutory benefits upon termination of their employment in our Company or superannuation or the options or payment granted to our employees as per the terms of the ESOP Schemes and the shares allotted to them on exercise of such options from time to time, no officer of our Company is entitled to any benefit upon termination of his employment in our Company. Further, no amount or benefit has been paid or given to any officer of our Company, within the two years preceding the date of filing of this Red Herring Prospectus or is intended to be paid, other than in the ordinary course of their employment.

Except as stated in the section titled “Financial Statements” beginning on page 150, none of the beneficiaries of loans and advances and sundry debtors are related to our Directors.

## HISTORY AND CERTAIN CORPORATE MATTERS

### History of the Company

Our Company was incorporated on November 21, 1995 as a public limited company. Our Company received its certificate for commencement of business on January 16, 1996. The Company commenced investment banking activities and registered with SEBI as a “Category I Merchant Banker” (as defined under the Securities and Exchange Board of India (Merchant Bankers) Rules, 1992) and thereafter as a “Portfolio Manager” (as defined under the Securities and Exchange Board of India (Portfolio Managers) Rules, 1993) and as an “underwriter” under the Securities and Exchange Board of India (Underwriting) Regulations, 1993. We entered the business of securities broking in the year 2002 by acquisition of Rooshnil Securities Private limited which later changed to Edelweiss Securities Private Limited and is presently known as Edelweiss Securities Limited. The year 2004 witnessed the foray of the Company into the businesses of insurance advisory as well as commodities broking and trading. The business of insurance advisory is carried through the subsidiary, Edelweiss Insurance Brokers Limited. The subsidiary, ECAL Advisors Limited carries on the business of commodities broking and trading. The Company also has its presence in non banking financial activities through its subsidiaries, Crossborder Investments Private Limited (acquired in the year 2000) and ECL Finance Limited (incorporated in the year 2005) which are NBFC’s. Edelweiss Real Estate Advisors Private Limited, which was previously our subsidiary and our subsidiary Edelweiss Trustee Services Private Limited, were incorporated in the year 2006, for launching the company’s first real estate fund which was registered with the SEBI as a “Venture Capital Fund” (as defined under the SEBI (Venture Capital Funds) Regulations, 1996).

The Company raised funds through private equity from Connect Capital Holdings in the year 2000. Greater Pacific Capital (GPC) concluded a strategic investment in the Company in October 2005. Apart from fresh Investment in the Company, GPC also bought out Connect Capital Holdings’ stake in the Company, thereby taking its equity stake to 20%. The Company also attracted capital from Galleon Diversified Fund, Heliconia Pte Ltd (which is currently a wholly owned subsidiary of GIC (Ventures) Pte Ltd held through a wholly owned subsidiary Lathe Investment Pte Ltd), BIH SA and Shuaa Capital in 2006. Recently, investment in the company was made by Lehman Brothers Netherlands Horizons BV and Galleon Special Opportunities Master Fund Limited – Galleon Crossover Segregated Portfolio. The Company does not have any strategic or financial partners.

### Acquisitions

The companies mentioned below have been acquired by our Company and have become our subsidiaries:

- (a) Crossborder Investments Private Limited acquired on March 3, 2000.
- (b) Edelweiss Securities Limited formerly known as Rooshnil Securities Private Limited was acquired on July 9, 2002.
- (c) Edelcap Securities and Transaction Services Private Limited which was earlier Tiffin Investments Private Limited, was acquired on December 10, 2006.
- (d) Edelweiss Insurance Brokers Limited was acquired on July 5, 2000 through subscription of its equity shares.

### Changes in our Registered Office

At the time of incorporation, the registered office of our Company was situated at 413, Dalamal Towers, Nariman Point, Mumbai 400 021. Subsequently, the registered office of our Company has been shifted twice, the details of which are provided below:

From	To	Date of resolutions of our Board	Filing with the RoC
413, Dalamal Towers, Nariman Point, Mumbai 400 021	1 <sup>st</sup> Floor, Shalaka Sangh Cooperative Housing Society, 9 Maharishi Karve Road, Cooperage Queen Barrack Area, Mumbai 400 021	September 18, 2000	October 17, 2000

From	To	Date of resolutions of our Board	Filing with the RoC
1 <sup>st</sup> Floor, Shalaka Sangh Cooperative Housing Society, 9 Maharishi Karve Road, Queen Barrack Area, Mumbai 400 021	14 <sup>th</sup> Floor, Express Towers, Nariman Point, Mumbai 400 021	July 2, 2004	July 2, 2004

### Key events and milestones

A chronology of some key events and milestones of our Company and our Subsidiaries are as follows:

Year	Events
2000	Acquisition of Crossborder Investments Private Limited
2001	F & O license obtained in the year 2001
2002	NBFC registration of Crossborder Investments Private Limited Acquisition of Rooshnil Securities Private Limited
2004	Commencement of Commodity Broking
2005	Commencement of Insurance Broking
2006	NBFC registration of ECL Finance Limited
2006	Managed the first Qualified Institutional Placement under the new regulatory framework in India.
2006	Advised the first AIM listing of a listed Indian corporate.
2007	Clearing Member License

### Main objects

The main objects of our Company, as contained in its Memorandum of Association, are as follows:

1. To carry on the business as Securities Brokers, Share and Stock brokers, finance and investment brokers, sub-brokers, under-writers, sub-underwriters and consultants for and to purchase, acquire, hold, sell, buy, invest, trade, exchange, deal, barter, borrow, lend, guarantee, give, comfort for pledge, hypothecate, charge and deal in investment instruments of all kinds and types whether securities or not including shares, stocks, debentures, bonds, cumulative convertible preference shares, certificates of deposits, commercial papers, participation certificates, other securities by original subscription, coupons, warrants, options and such other derivatives, units of Unit Trust of India and other mutual funds or any other securities issued by the Companies, Governments, Corporations, Co-operatives, Firms, Trusts, Societies, Authorities whether situated in India or abroad and to carry on financial operations of all kinds including credit rating, money changers, OTC dealers, Stock Exchange members, bought out deals, placement of shares, hedging. Also to carry on the business of portfolio management services.
2. To carry on the business of an investment Company and to invest the capital and other moneys of the Company in the purchase or upon the Security of shares, stocks, units, debentures, debenture-stocks, bonds, mortgages, obligations and securities of any kind issued or guaranteed by any company, corporation or undertaking of whatever nature whether incorporated or otherwise, and wheresoever constituted or carrying on business and to buy, sell or otherwise deal in Shares, Stocks, Debenture-stocks, Bonds, Notes, Mortgages, Obligation and other securities issued or guaranteed by any Government, Sovereign, Ruler, Commissioners, Trusts, Municipal, Local or other authority or body whatsoever nature in India or abroad. Also to carry on the business of investment and research advisory services.
3. To act as money changers, brokers, buyers and sellers of all foreign currencies, to take positions and to trade on the movements of foreign currencies on behalf of customers or otherwise, to hold operate and transact in foreign currencies by maintaining foreign currency bank accounts or otherwise, and to issue or act as agents for travelers cheques, credit cards and all instruments in any currency, subject to all rules, regulations and approvals as may be necessary.

4. To carry on the business of Management Consultants, Merchant Bankers and Advisors on all aspects of Corporate Financial and Commercial matters.
5. To undertake and carry on the business and activities as an Asset Management Company and/or to sponsor the setup of an mutual fund, asset management company and trustee company.

Our main and ancillary objects, as contained in our Memorandum of Association, enable us to undertake our existing activities and the activities for which the funds are being raised through this Issue.

#### **Changes in the Memorandum of Association**

The following changes have been made to our Memorandum since incorporation:

<b>Date of Shareholders' Approval</b>	<b>Amendment</b>
March 25, 2003	Clause V of the Memorandum of Association of the Company was amended to increase the authorised share capital of the Company to Rs. 3,50,00,000 consisting of 35,00,000 equity shares of Rs. 10/ each ranking pari passu with the existing equity shares.
November 7, 2003	<p>Amendment to clause III (c) titled "Other Objects" of the Memorandum of Association of our Company thereby adding clauses 124-128 which are reproduced below:</p> <p>Clause 124: "To carry on the business of trading in agricultural products, metals including precious metals, precious stones, diamonds, petroleum and energy products and all other commodities and securities, in spot markets and in futures and all kinds of derivatives of all the above commodities and securities. To carry on business as brokers, sub brokers, market makers, arbitrageurs, investors and/or hedgers in agricultural products, metals including precious metals, precious stones, diamonds, petroleum and energy products and all other commodities and securities, in spot markets and in futures and all kinds of derivatives of all the above commodities and securities permitted under the laws of India. To become members and participate in trading, settlement and other activities of commodity exchange/s (including national multi - commodity exchange/s) facilitating, for itself or for clients, trades and clearing/settlement of trades in spots, in futures and in derivatives of all the above commodities permitted under the laws of India."</p> <p>Clause 125: "To undertake and carry on the business and activities as an Asset Management Company and to provide, render portfolio management services, management and advisory services and to act as managers, undertakers, advisors, executors, trustees, administrators, attorneys, representative or nominees to and of any fund including offshore funds, pension funds, provident funds, superannuation funds, venture capital funds, technology funds for seed capital, risk capital foundation, insurance fund, investment pools and trusts formed in India or any other country, by any company, person, government, state, local, authority, association, institution, agency or organization including the management of the properties and assets of any kind, as also of providing, undertaking and rendering financial consultancy and exchange of research on commercial basis to the extent they are not in conflict with the activities of the mutual fund."</p> <p>Clause 126: "To carry on in India or elsewhere the business to act as corporate agent, commission agent, representative Sub Insurance agent Surveyor, Advisor, Collaborator, Consultant, Franchiser, Broker, Correspondent of life insurance companies and General Insurance Companies in all its branches such as Whole Life Insurance, Endowment Insurance, Double benefit and multiple benefit Insurance, Joint Life Insurance, Medical Insurance, Group Insurance, Fire Insurance, Riot Insurance, Earthquake and natural calamity Insurance, Crop Insurance, Animal Life Insurance, Loss of profit Insurance, Theft insurance, Transit insurance, Annuity plans , Gratuity plans, Fixed income plans,</p>

<b>Date of Shareholders' Approval</b>	<b>Amendment</b>
	<p>Accidental insurance, pension scheme and such other insurance, Assurance plans and schemes as may be developed from time to time and for the purpose to apply, approach, tender, acquire, hold, procure and obtain such rights, titles, entitlements, licences and permissions from government, semi-government, local authorities, Public bodies, Public institutions and government undertakings or from other authorities.”</p>
	<p>Clause 127: “To lend and advance money or give credit to such persons or companies and on such terms as may be deemed expedient and in particular to customers / clients of the Company / that of its subsidiaries either directly or indirectly and others having dealings with the Company and / or its subsidiaries and to guarantee the performance of any contract or obligation and payment of money of or any such persons or companies and generally to give guarantees and indemnities.”</p>
	<p>Clause 128: “To carry on the business as debt brokers, primary dealers, satellite dealers, sub dealers, brokers of fixed income instruments, and consultants for and to purchase, invest, acquire, hold, sell, buy, trade, exchange, deal, barter, borrow, lend, hypothecate, charge, and deal in debt and other fixed income instruments of all types kinds whether secured, securitised or not including bonds, debentures government and Reserve Bank of India, securities, certificate of deposits, commercial papers, coupons, warrants, options and such other derivative instruments issued by Companies, Government, Corporations, Cooperatives, Authorities statutory or otherwise whether situated in India or abroad. To act as money changers, brokers, buyers and sellers of foreign currencies, to take positions and to trade on movements of foreign currencies for itself or on behalf of customers/clients or otherwise, to hold operate and transact in foreign currency bank accounts or otherwise, and to issue and act as agents for all instruments in any currency, subject to all rules, regulations and approvals as may be necessary. To carry on the business of market makers, primary dealers, authorized dealers, satellite dealers, forex trading subject to Reserve Bank of India's, SEBI's, Stock Exchanges and other regulatory bodies permission and dealers in foreign currencies, futures and options, hedging and SWAP deals.”</p>
<p>September 17, 2004</p>	<p>Clause V of the Memorandum of Association of our Company was amended and substituted by the following clause:</p> <p>“The Authorised Share Capital of the Company is Rs.5,00,00,000(Rupees Five Crores Only) divided into 45,00,000 (Forty Five Lakh) Equity Shares of the face value of Rs.10 (Rupees Ten only) each and 5,00,000 (Five Lakh) Preference Shares of the face value of Rs.10(Rupees Ten Only) each subject to being increased or reduced in accordance with the Articles of Association of the Company and the Companies Act, 1956. Subject to the provisions of the Articles of Association of the Company and the Companies Act, 1956, the shares in the capital of the Company for the time being (whether forming part of the original capital or of any increased capital of the Company) may be divided into classes, with any preferential or qualified rights, privileges, conditions and/or restrictions attached thereto, whether in respect of dividend, voting, returns, conversion, distribution of assets of the Company or otherwise.”</p>
<p>February 21, 2005</p>	<p>Amendment to clause III(A) titled “Main Objects of the Company” of the Memorandum of Association of our Company thereby adding the following clause:</p> <p>“To undertake and carry on the business and activities as an Asset Management Company and/or to sponsor the setup of an mutual fund, asset management company and trustee company”</p> <p>Clause V of the Memorandum of Association of our Company was amended and substituted by the following clause:</p>

<b>Date of Shareholders' Approval</b>	<b>Amendment</b>
	<p>“The authorized share capital of the Company is Rs. 6,00,00,000 (Rupees Six crores only) divided into 2,62,50,000 (Two crore sixty two lacs fifty thousand) Equity Shares of the face value of Rs. 2 (Rupees Two only) each and 7,50,000 (Seven lacs fifty thousand) Preference Shares of the face value of Rs. 10 (Rupees Ten only) each subject to being increased or reduced in accordance with the Articles of Association of the Company and the Companies Act, 1956. Subject to the provisions of the Articles of Association of the Company and the Companies Act, 1956, the shares in the capital of the Company for the time being (whether forming part of the original capital or of any increased capital of the Company) may be divided into classes, with any preferential or qualified rights, privileges, conditions and/or restrictions attached thereto, whether in respect of dividend, voting, returns, conversion, distribution of assets of the Company or otherwise.”</p>
September 2, 2005	<p>Clause V of the Memorandum of Association of our Company was amended and substituted by the following clause:</p> <p>“The Authorised Share Capital of the Company is Rs. 6,00,00,000 divided into 2,62,50,000 Equity Shares of the face value of Rs.2 (Rupees Two only) each and 37,50,000 Preference Shares of the face value of Rs.2 (Rupees Two Only) each subject to being increased or reduced in accordance with the Articles of Association of the Company and the Companies Act, 1956. Subject to the provisions of the Articles of Association of the Company and the Companies Act, 1956, the shares in the capital of the Company for the time being (whether forming part of the original capital or of any increased capital of the Company) may be divided into classes, with any preferential or qualified rights, privileges, conditions and/or restrictions attached thereto, whether in respect of dividend, voting, returns, conversion, distribution of assets of the Company or otherwise.”</p>
January 9, 2006	<p>Clause V of the Memorandum of Association of our Company was amended and substituted by the following clause:</p> <p>“The Authorised Share Capital of the Company is Rs. 10,00,00,000 divided into 9,25,00,000 Equity Shares of the face value of Re.1 each and 75,00,000 Preference Shares of the face value of Re.1 each subject to being increased or reduced in accordance with the Articles of Association of the Company and the Companies Act, 1956. Subject to the provisions of the Articles of Association of the Company and the Companies Act, 1956, the shares in the capital of the Company for the time being (whether forming part of the original capital or of any increased capital of the Company) may be divided into classes, with any preferential or qualified rights, privileges, conditions and/or restrictions attached thereto, whether in respect of dividend, voting, returns, conversion, distribution of assets of the Company or otherwise.”</p>
May 18, 2007	<p>Clause V(a) of the Memorandum of Association of the Company was altered to increase the authorised share capital of the Company to Rs. 160,000,000 consisting of 150,000,000 equity shares with a face value of Re. 1 each and 10,000,000 preference Shares with a face value of Re. 1 each.</p>
July 20, 2007	<p>Clause V(a) of the Memorandum of Association of the Company was altered to increase the authorised share capital of the Company to Rs. 420,000,000 by the creation of 50,000,000 Equity shares with a face value of Rs. 5 each and 2,000,000 Preference Shares with a face value of Rs. 5 each.</p>
September 12, 2007	<p>Clause V(a) of the Memorandum of Association of the Company was altered to increase the authorised share capital of the Company to Rs. 520,000,000 consisting of 100,000,000 Equity shares with a face value of Rs. 5 each and 4,000,000 Preference Shares with a face value of Rs. 5 each.</p>

## Details of our Subsidiaries

Our Company has eleven direct and two indirect subsidiaries, corporate details of which are discussed below. For further details of business of our Subsidiaries please see the section titled “Our Business” beginning on page 70.

### *Edelweiss Securities Limited (“ESL”)*

ESL was originally incorporated on August 20, 1993 as “Kayjay Financial Research Services Private Limited.” Subsequently, the name was changed to “KJS Securities Private Limited” by a fresh certificate of incorporation dated on February 13, 1998. The name was further changed to “Rooshnil Securities Private Limited” by a fresh certificate of incorporation dated May 4, 1998. The name was changed to Edelweiss Securities Private Limited by a fresh certificate of incorporation dated May 12, 2004. The change of the registered office of Edelweiss Securities Limited from the state of Maharashtra to the state of Andhra Pradesh was confirmed by an order of Company Law Board dated November 24, 2006 and this order was registered with the RoC, Andhra Pradesh on January 5, 2007. Subsequently, the status of Edelweiss Securities Limited changed from a private to a public limited company pursuant to a resolution of its shareholders dated April 20, 2007 and a fresh certificate of incorporation was granted by the RoC, Andhra Pradesh on June 8, 2007. ESL was acquired on July 9, 2002. Presently, ESL has its registered office at Office No 303, 3<sup>rd</sup> Floor, Mayank Plaza, opposite Green Park, Ameerpet, Hyderabad, Andhra Pradesh – 500 016 and is presently engaged in the business of an investment company, including financial research, analysis, appraisal of shares, securities, to acquire by purchase or otherwise shares, stocks, debentures, debenture-stock, bonds, obligations or securities of any company or corporation and to deal in the same as brokers, sub-brokers or underwriters or sub-underwriters.

### *Sale and Purchase Agreement between Mr. Nilesh Shah, Ms. Roopa Shah and Nilesh Shah, HUF (“Sellers”), Edelweiss Capital Limited (“Purchaser”) and Rooshnil Securities Private Limited (“Rooshnil”) executed on December 26, 2000. (“Sale Agreement”)*

The Sale Agreement was entered into for the sale of 100 % shareholding of Rooshnil by the Sellers to the Purchaser, in order to make Rooshnil, a wholly owned subsidiary of the Purchaser. The Sale Agreement has a non compete clause, which states that for the period of four years, without the prior written consent of the Purchaser:

- (a) the Sellers cannot carry on a business in competition to Rooshnil’s business;
- (b) the Sellers cannot solicit or entice in relation to a business which is in competition to the business of Rooshnil, a customer who was a substantial customer of Rooshnil;
- (c) to knowingly entice or offer employment to any employee of Rooshnil;
- (d) disclose any confidential information relating to Rooshnil;
- (e) to say or do anything that might have a detrimental effect on Rooshnil.

The termination of the Sale Agreement would occur on breach or consent prior to the closing of the Sale Agreement.

*Shareholders as on October 20, 2007*

Shareholder	No. of shares	%
<b>EQUITY SHARE</b>		
Our Company	4,499,940	99.99
Our Company jointly with Mr. Rashes Shah	10	
Our Company jointly with Mr. Venkatchalam Ramaswamy	10	
Our Company jointly with Mr. Nilesh Shah	10	
Our Company jointly with Mr. Rujan Panjwani	10	
Our Company jointly with Mr. Naresh Kothari	10	
Our Company jointly with Ms. Vidya Shah	10	
<i>Sub Total</i>	4,500,000	100
<b>PREFERENCE SHARE</b>		
The Company	15,000,000	100
<i>Sub Total</i>	15,000,000	100
<b>TOTAL</b>	19,500,000	

Directors as on October 20, 2007

The Board of Directors of ESL currently comprises:

1. Mr. Rashesh Shah
2. Mr. Venkatchalam Ramaswamy
3. Mr. Naresh Kothari
4. Mr. Hiralal Chopra

Financial performance

(Rs. million except per share data)

	March 31, 2005	March 31, 2006	March 31, 2007
Sales and other income	407.67	1,076.16	2,611.13
Profit/Loss after tax	113.09	326.51	772.16
Equity capital (par value Rs.10 per share)	45.00	45.00	45.00
Preference share capital	-	150.00	150.00
Earnings per share (Rs.)	25.13	67.95	171.59
Book value per equity share (Rs.)	47.68	193.41	365.01
Reserves & Surplus	169.58	675.37	1,447.53

**Crossborder Investments Private Limited (“CIPL”)**

CIPL was incorporated in Mumbai on October 27, 1994 as “Crossborder Investments Private Limited.” The change of registered office of CIPL from the state of Maharashtra to the state of Andhra Pradesh was confirmed by an order of Company Law Board dated January 2, 2007 and this order was registered with the RoC, Andhra Pradesh on January 17, 2007. CIPL’s current registered office is at Office No 303, 3<sup>rd</sup> Floor, Mayank Plaza, Opposite Green Park, Ameerpet Hyderabad Andhra Pradesh – 500 016 and is presently engaged in the business of an investment company, to invest in, acquire, subscribe for, mortgage or hold shares, bonds, stocks, debentures and all other securities issued or guaranteed by any company, Government or public body constituted in India or elsewhere and to carry on in India or abroad the business of financing such as money lending, bill discounting, factoring, corporate lending to advance money with or without securities and provide financing to industrial enterprises. CIPL was acquired by our Company on March 3, 2000.

Shareholders as on October 20, 2007

Shareholder	No. of shares	%
<b>EQUITY SHARE</b>		
Our Company	430,005	99.99
Our Company jointly with Mr. Rashesh Shah	10	
Our Company jointly with Mr. Deepak Mittal	1	
Our Company jointly with Mr. Venkatchalam Ramaswamy	1	
Our Company jointly with Ms. Vidya Shah	1	
Our Company jointly with Mr. Prasad Baji	1	
Our Company jointly with Mr. Vikas Khemani	1	
<i>Sub Total</i>	430,020	100
<b>PREFERENCE SHARE</b>		
Our Company	800,000	53.46
Galleon Fleet Fund Limited.	696,300	46.54
<i>Sub Total</i>	1,496,300	100
<b>TOTAL</b>	1,926,320	

*Directors as on October 20, 2007*

The Board of Directors of CIPL comprises:

1. Mr. George Mathew
2. Mr. Gaurang Tailor
3. Mr. Rajeev Mehrotra

*Financial performance*

*(Rs. million except per share data)*

	<b>March 31, 2005</b>	<b>March 31, 2006</b>	<b>March 31, 2007</b>
Sales and other income	39.74	60.95	288.93
Profit/Loss after tax	14.18	32.73	100.68
Equity capital (par value Rs.10 per share)	1.80	4.30	4.30
Preference share capital	-	8.00	14.96
Earnings per share (Rs.)	78.76	106.61	234.13
Book value per equity share (Rs.)	191.50	784.16	2,637.51
Reserves & Surplus	32.67	324.90	1,114.92

***ECAL Advisors Limited (“ECAL”)***

ECAL was incorporated in Mumbai on October 5, 2004 as “ECAL Advisors Limited.” ECAL received its certificate of commencement of business on October 27, 2004. The name was changed to ECAL Advisors Limited by a fresh certificate of incorporation dated September 6, 2007. The change of the registered office of ECAL from the state of Maharashtra to the state of Andhra Pradesh was confirmed by an order of Company Law Board dated November 24, 2006 and this order was registered with the RoC, Andhra Pradesh on January 5, 2007. Presently, ECAL has its registered office at Office No 303, 3<sup>rd</sup> Floor, Mayank Plaza, Opposite Green Park, Ameerpet, Hyderabad, Andhra Pradesh – 500 016 and is presently engaged in the business of trading in agricultural products, metals including precious metals, precious stones, diamonds, petroleum and energy products and all other commodities and securities; as brokers, sub brokers, market makers, arbitrageurs, investors and/or hedgers in the above mentioned commodities and securities, and to become members and participate in trading, settlement and other activities of commodity exchange/s for itself or for its clients.

*Shareholders as on October 20, 2007*

<b>Shareholder</b>	<b>No. of shares</b>	<b>%</b>
<b>EQUITY SHARE</b>		
Our Company	799,400	99.92
Our Company jointly with Mr. Rashesh Shah	100	
Our Company jointly with Mr. Venkatchalam Ramaswamy	100	
Our Company jointly with Mr. Shriram Iyer	100	
Our Company jointly with Mr. Prasad Baji	100	
Our Company jointly with Mr. Srikanth Iyengar	100	
Our Company jointly with Mr. Rujan Panjwani	100	
<i>Sub Total</i>	800,000	100
<b>PREFERENCE SHARE</b>		
Our Company	500,000	100
<i>Sub Total</i>	500,000	100
<b>TOTAL</b>	1,300,000	

*Directors as on October 20, 2007*

The Board of Directors of ECAL comprises:

1. Mr. Prasad Baji
2. Mr. Rujan Panjwani
3. Mr. Vikas Khemani

*Financial performance**(Rs. million except per share data)*

	March 31, 2005	March 31, 2006	March 31, 2007
Sales and other income	0.32	44.98	162.91
Profit/Loss after tax	(0.11)	9.19	(42.34)
Equity capital (par value Rs.10 per share)	8.00	8.00	8.00
Preference share capital	-	-	5.00
Earnings per share (Rs.)	(0.43)	11.48	(52.93)
Book value per equity share (Rs.)	9.86	21.35	1,218.42
Reserves & Surplus	(0.11)	9.08	961.73

***ECL Finance Limited (“ECL Finance”)***

ECL Finance was incorporated in Mumbai on July 18, 2005 as “ECL Financial Limited”. ECL Finance received its certificate of commencement of business on August 4, 2005. Presently, its registered office is located at 14<sup>th</sup> Floor Express Towers, Nariman Point, Mumbai 400 021, Maharashtra. ECL Finance is presently engaged in the business of financing, money lending, bill discounting, factoring, corporate lending with or without securities; providing finance to industrial enterprises and participating in consortium finance with other institutions or body corporates.

*Shareholders as on October 20, 2007*

Shareholder	No. of shares	%
<b>EQUITY SHARE</b>		
Our Company	323,446,243	73.99
Our Company jointly with Mr. Rashesh Shah	20	
Our Company jointly with Mr. Venkatchalam Ramaswamy	20	
Our Company jointly with Mr. Deepak Mittal	20	
Our Company jointly with Mr. Shriram Iyer	20	
Our Company jointly with Mr. Rajeev Mehrotra	20	
Our Company jointly with Mr. Prasad Baji	20	
<i>Sub Total</i>	323,446,363	74
Lehman Brothers Netherlands Horizon B.V.	113,643,317	26
<b>TOTAL</b>	437,089,680	100

*Directors as on October 20, 2007*

The Board of Directors of ECL Finance comprises:

1. Mr. Anurag Madan
2. Mr. Deepak Mittal
3. Mr. Rajeev Mehrotra
4. Mr. Shyam Maheshwari

*Financial performance**(Rs. million except per share data)*

	March 31, 2006	March 31, 2007
Sales and other income	0.26	30.03
Profit/Loss after tax	(0.07)	14.11
Equity capital (par value Rs.10 per share)	20.50	22.50
Preference share capital	-	-
Earnings per share (Rs.)	(0.03)	6.88
Book value per equity share (Rs.)	9.97	59.80
Reserves & Surplus	(0.07)	112.05

As ECL Finance was incorporated in fiscal 2006, the financial results for Fiscal 2005 are not available.

***Edelcap Securities and Transaction Services Private Limited (“Edelcap STSPL”)***

Edelcap STSPL was originally incorporated in Mumbai on June 28, 2005 as “Tiffin Investments Private Limited”, which was acquired on December 10, 2006. Its name was subsequently changed to “Edelcap Securities and Transaction Services Private Limited” and a fresh certificate of incorporation was granted on May 4, 2007. Edelcap STSPL’s registered office is located at 14<sup>th</sup> Floor Express Towers, Nariman Point, Mumbai 400 021, Maharashtra and is currently engaged in the business of a loan and investment company and for this purpose it provides finance, whether by making loans or advances or otherwise, and lends or advances money with or without interest, either upon or without security.

***Initial Shareholder Agreement between Amaranth LLC (“Amaranth”) and Crossborder Investments Private Limited (“CIPL”) dated August 29, 2005***

CIPL and Amaranth into an initial shareholders agreement (“**Tiffin Initial Shareholders Agreement**”) dated August 29, 2005 for investing in Tiffin Investment Private Limited. According to the terms of the Tiffin Initial Shareholders Agreement, Amaranth would invest rupee equivalent of USD 0.5 million (51% fully paid up and issued share capital) and CIPL will invest rupee equivalent of USD 0.48 million (49% fully paid up and issued share capital), which included rupee equivalent of USD 100,000 to be utilized to purchase 10,000 shares held by the original promoters. After subscription and transfer, Amaranth would hold 2,156,000 equity shares, while CIPL would hold 2,071,450 equity shares.

The Tiffin Initial Shareholders Agreement however, provided that if Tiffin Investment Private Limited did not get NBFC registration from the RBI within 120 days of filing, then Amaranth would be obliged to sell its shares to CIPL who would be obliged to buy it at Rs. 10 per share.

Amaranth gave put option exercise notice through its letter dated October 20, 2006 and agreed to sell its shares at Rs. 21 million to CIPL on December 6, 2006, through its letter dated November 29, 2006.

*Shareholders as on October 20, 2007*

Shareholder	No. of shares	%
<b>EQUITY SHARE</b>		
CIPL	4,227,445	99.99
CIPL jointly with Mr. Rashesh Shah	1	
CIPL jointly with Mr. Deepak Mittal	1	
CIPL jointly with Mr. Venkatchalam Ramaswamy	1	
CIPL jointly with Ms. Vidya Shah	1	
CIPL jointly with Mr. Rajeev Mehrotra	1	
CIPL jointly with Mr. Naresh Kothari	1	
<b>TOTAL</b>	<b>4,227,451</b>	<b>100</b>

*Directors as on October 20, 2007*

The Board of Directors of Edelcap STSPL comprises:

1. Mr. Rajeev Mehrotra
2. Mr. Bahram Vakil
3. Mr. Adil Patrawala
4. Ms. Rita Dalal

*Financial performance**(Rs. million except per share data)*

	<b>March 31, 2006</b>	<b>March 31, 2007</b>
Sales and other income	-	5.03
Profit/Loss after tax	(0.60)	1.00
Equity capital (par value Rs.10 per share)	42.27	42.27
Preference share capital	-	-
Earnings per share (Rs.)	(0.14)	0.24
Book value per equity share (Rs.)	9.86	10.09
Reserves & Surplus	(0.60)	0.40

As Edelcap STSPL was incorporated in Fiscal 2006, the financial results for Fiscal 2005 are not available.

***Edelweiss Insurance Brokers Limited (“EIBL”)***

EIBL was originally incorporated in Mumbai on February 8, 2000 as “Ideacradle.com Private Limited”. Subsequently, pursuant to resolution dated March 16, 2000, the word “Private” was deleted and its name was changed to “Ideacradle.com Limited” on May 2, 2000. The name was further changed to “Ideacradle Advisors Limited” on January 9, 2004. The name was further changed to “Edelweiss Insurance Brokers Limited” and the fresh certificate of incorporation for changes in name was granted by the RoC on November 19, 2004. The shareholders of Ideacradle.com Limited passed Special Resolution on December 26, 2003 altering provisions of its Memorandum of association with respect to its objects. This Special Resolution along with the modified Memorandum of Association was registered with Registrar of Companies in Mumbai on January 7, 2004. The shareholders of Ideacradle Advisors Limited passed a special resolution on October 29, 2004 altering the provisions of its memorandum of association with respect to its objects. This Special Resolution along with the modified Memorandum of Association registered with Registrar of Companies in Mumbai on November 19, 2004. EIBL was acquired on July 5, 2000 through subscription of its equity shares.

EIBL has its registered office at 14<sup>th</sup> Floor Express Towers, Nariman Point, Mumbai 400 021, Maharashtra and is presently engaged in the business of insurance and reinsurance business intermediaries as Composite Brokers, in accordance with the relevant provisions of the Insurance Act, 1938 and Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002 and amendments thereof.

*Shareholders as on October 20, 2007*

<b>Shareholder</b>	<b>No. of shares</b>	<b>%</b>
<b>EQUITY SHARE</b>		
Our Company	499,750	71.90
Our Company jointly with Mr. Deepak Mittal	10	
<i>Sub Total</i>	499,760	71.91
Mr. Rashesh Shah	97,600	14.04
Mr. Venkatchalam Ramaswamy	97,600	14.04
Mr. Shriram Iyer	10	
Ms. Sonali Vijayvargiya	10	
Ms. Akhila Chawla	10	
Mr. Ashish Kacholia	10	
<b>TOTAL</b>	<b>695,000</b>	<b>100</b>

*Directors as on October 20, 2007*

The Board of Directors of EIBL comprises:

1. Mr. Rashesh Shah
2. Mr. Venkatchalam Ramaswamy
3. Mr. Shriram Iyer
4. Mr. Hiralal Chopra

*Financial performance*

*(Rs. million except per share data)*

	March 31, 2005	March 31, 2006	March 31, 2007
Sales and other income	0.74	10.62	33.90
Profit/Loss after tax	0.24	3.65	5.96
Equity capital (par value Rs.10 per share)	5.00	6.95	6.95
Preference share capital	-	-	-
Earnings per share (Rs.)	1.58	6.58	8.57
Book value per equity share (Rs.)	12.86	17.31	25.88
Reserves & Surplus	1.43	5.08	11.04

***Edelweiss Trustee Services Private Limited (“ETSPL”)***

ETSPL was incorporated in Mumbai on August 8, 2005 as “Edelweiss Trustee Services Private Limited” and its registered office is located at 14<sup>th</sup> Floor Express Towers, Nariman Point, Mumbai 400 021, Maharashtra. ETSPL is presently engaged in the business of undertaking all the functions and duties of trustee and to undertake and execute trusts of all kinds whether public or private including undertaking and carrying on the office or offices and duties of trustee, executor, administrator, attorney or nominee of or for funds of all kinds including mutual funds, offshore funds, pension funds, superannuation funds, provident fund, real estate funds, venture capital funds, debenture holders, to hold the property in trust for the benefit of the beneficiaries of the trust; to carry on the business of mutual funds and for that purpose devise, formulate, market and distribute schemes and plans for raising funds, devise various schemes for raising funds in any manner from personal bodies corporate, trusts, societies, association of persons in India or abroad and to invest funds raised and to acquire, hold, manage, dispose of all or any property or assets and securities for the benefit of the contributory beneficiaries of the trust.

***Indenture of Trust between (1) our Company, (2) Vijay K. Choraria, (3) Atul Ruia (jointly the “Settlers”) and Edelweiss Trustee Services Private Limited (the “Trustee”) dated September 9, 2005 (“Trust Deed”)***

The Trust Deed has been entered into for the purpose of establishing the Edelweiss Investment Trust Fund (“**Trust Fund**”). The trust has been set up to carry put the functions of a venture capital fund and to promote any fund or scheme or make any portfolio investments. Further, the trust will invest in equity or equity related or convertible instruments issued by an investee undertaking or any other form of financial assistance in the form of investments in its share capital or debt securities.

The trust shall be terminated at the Trustee’s behest, subject to the contribution agreements and the private placement memorandum of the schemes entered into by the company. The trust will be terminated at a date decided by the Trustee, if all schemes have been terminated.

The Trustee is bound to discharge all obligations, duties and responsibilities entrusted to it under this Trust Deed, applicable laws, the private placement memorandum and the contribution agreement.

The Trustee is to delegate its powers to an investment manager vide an investment management agreement. The Trustee is competent to contract and to act as a beneficial owner of the properties. The trustee is liable only for the monies, stock funds and securities as it may have received.

There will be no indemnification to the Trustee in case of deliberate failure or breach of trust arising out of gross negligence, fraud or dishonesty, failure to show the degree of care and diligence required to carry out its duties or deliberately failure to protect the interest of the contributors/unit holders.

The Trustee will be discharged of its duties on resignation, winding up or if super majority of contributors/unit holders decide that the Trustee should be removed. The Settlers have the power to remove the Trustee with cause.

The Trustee, based on advice of the investment manager may make decisions that may conflict with the interest of the Settlers. The contributors can withdraw their capital contributions as long as they can get 75% of the total capital contributions of that scheme to agree. If the fund or the scheme is faced with adverse tax consequences, the Trustee can ask the contributor to revoke his capital contribution.

*Shareholders as on October 20, 2007*

<b>Shareholder</b>	<b>No. of shares</b>	<b>%</b>
<b>EQUITY SHARE</b>		
Our Company	49,994	99.98
Our Company jointly with Mr. Shriram Iyer	1	
Our Company jointly with Mr. Rajeev Mehrotra	1	
Our Company jointly with Mr. Rashesh Shah	1	
Our Company jointly with Mr. Venkatchalam Ramaswamy	1	
Our Company jointly with Ms. Vidya Shah	1	
Our Company jointly with Mr. Prasad Baji	1	
<b>TOTAL</b>	<b>50,000</b>	<b>100</b>

*Directors as on October 20, 2007*

The Board of Directors of ETSPL comprises:

1. Mr. Shriram Iyer
2. Mr. Arakoni Ramaswamy
3. Mr. Venkatraman Venkatesan
4. Mr. Sivaramakrishnan Iyer

*Financial performance*

*(Rs. million except per share data)*

	<b>March 31, 2006</b>	<b>March 31, 2007</b>
Sales and other income	-	1.47
Profit/Loss after tax	(0.11)	0.64
Equity capital (par value Rs.10 per share)	0.50	0.50
Preference shares	-	-
Earnings per share (Rs.)	(20.95)	17.84
Book value per equity share (Rs.)	7.78	20.58
Reserves & Surplus	(0.11)	0.53

As ETSPL was incorporated in Fiscal 2006, the financial results for Fiscal 2005 are not available.

***Edelweiss Asset Management Private Limited (“EAMPL”)***

EAMPL was incorporated in Mumbai on August 23, 2007 as “Edelweiss Asset Management Private Limited”. Presently, its registered office is located at 14<sup>th</sup> Floor Express Towers, Nariman Point, Mumbai 400 021, Maharashtra. EAMPL is formed to act as Asset Management Company for our Mutual Fund .

*Shareholders as on October 20, 2007*

<b>Shareholder</b>	<b>No. of shares</b>	<b>%</b>
<b>EQUITY SHARE</b>		
Our Company	10,999,998	99.99
Mr. Rashesh Shah	1	
Mr. Venkatchalam Ramaswamy	1	
<b>TOTAL</b>	<b>11,000,000</b>	<b>100</b>

*Directors as on October 20, 2007*

The Board of Directors of EAMPL comprises:

1. Mr. Rashesh Shah
2. Mr. Venkatachalam Ramaswamy

***Edelweiss Trusteeship Company Private Limited (“ETCPL”)***

ETCPL was incorporated in Mumbai on September 3, 2007 as “Edelweiss Trusteeship Company Private Limited”. Presently, its registered office is located at 14<sup>th</sup> Floor Express Towers, Nariman Point, Mumbai 400 021, Maharashtra. ETCPL is formed to act as Trusteeship Company for our Mutual Fund .

*Shareholders as on October 20, 2007*

<b>Shareholder</b>	<b>No. of shares</b>	<b>%</b>
<b>EQUITY SHARE</b>		
Our Company	99,998	99.99
Mr. Rashesh Shah	1	
Mr. Venkatchalam Ramaswamy	1	
<b>TOTAL</b>	<b>100,000</b>	<b>100</b>

*Directors as on October 20, 2007*

The Board of Directors of ETCPL comprises:

1. Mr. Rashesh Shah
2. Mr. Venkatachalam Ramaswamy

***Edelweiss Asset Reconstruction Company Limited (“EARCL”)***

EARCL was incorporated in Mumbai on October 5, 2007 as “Edelweiss Asset Reconstruction Company Limited”. Presently, its registered office is located at 14<sup>th</sup> Floor Express Towers, Nariman Point, Mumbai 400 021, Maharashtra. EARCL is formed with the object of carrying on Asset Reconstruction business.

*Directors as on October 20, 2007*

The Board of Directors of EARCL comprises:

1. Mr. Rashesh Shah
2. Mr. Venkatachalam Ramaswamy
3. Mr. Naresh Kothari

***Iris Distribution Company Limited (“IDCL”)***

IDCL was incorporated in Mumbai on October 9, 2007 as “Iris Distribution Company Limited”. Presently, its registered office is located at 14<sup>th</sup> Floor Express Towers, Nariman Point, Mumbai 400 021, Maharashtra. IDCL is formed with the object of carrying on the business of marketing and distribution of financial products.

*Directors as on October 20, 2007*

The Board of Directors of IDCL comprises:

1. Mr. Rujan Panjwani
2. Mr. Deepak Mittal
3. Mr. Naresh Kothari

***Edelweiss Capital USA LLC (“ECUSA”)***

ECUSA was organized as a limited liability company in Delaware, United States of America on June 8, 2001. Its registered office is located at Suite 5013, Empire State Building, 350 Fifth Avenue, New York, New York 10118. ECUSA was incorporated with the object of acting as a broker and a dealer in securities, to purchase or otherwise acquire, hold, own, convey, maintain, improve, operate, mortgage, sell, lease and otherwise deal in and dispose of real and personal property of any kind. The term is for thirty years unless terminated sooner. As of date it does not hold any broker/dealer registration.

***Operating Agreement of EC USA entered into on June 27, 2002***

The purposes of ECUSA are to: (a) to act as broker and dealer of securities; (b) to purchase or otherwise acquire, hold, own, convey, maintain, improve, operate, mortgage, sell lease, sub lease or otherwise deal in and dispose of real and personal property of any kind; and (c) to perform any and all other activity as are now or hereafter authorized by the Delaware General Corporation Law and (d) to do any and all things necessary, convenient or incidental to the achievement of the foregoing.

ECUSA cannot undertake any of the following extraordinary transaction (“**Extraordinary Transactions**”) without the approval of the member or members:

- (a) it engaging in any business other than as broker/dealer
- (b) it lending money to any member or affiliate
- (c) it entering into any contract, agreement or instrument calling for an expenditure or capital commitment in excess of USD 10,000
- (d) it borrowing in excess of USD 10,000.
- (e) The sale or other disposition of all or substantially all of the assets of ECUSA as part of a single transaction or plan (provided, however, that the affirmative vote of the directors will not be required with respect to any sale or disposition of ECUSA’s assets in the ordinary course of business, including but not limited to the public offering of stock of any subsidiary);
- (f) The providing of any guarantee or indemnity to secure the liabilities or obligations of another party
- (g) The filing of a petition or answer seeking any reorganization arrangement composition readjustment liquidation, dissolution or similar relief under any statute, law or regulation, or
- (h) The consenting to, or acquiescence in the appointment of a trustee for, receiver for ECUSA or the
- (i) Liquidation of all or substantially all of ECUSA’s assets and property or
- (j) The dissolution of ECUSA.

No member shall transfer all or all of any portion of its interest in ECUSA or any rights therein, including, but not limited to any equity units without the consent of the majority of the members. Any transfer or attempted transfer by any member in violation of the preceding sentence shall be null and void and of no effect whatever. Without limiting the foregoing, any assignee of a member’s interest shall not become a member without the unanimous written consent of all the members. Each member further holds ECUSA and each member (and each member’s successors and assigns) wholly and completely harmless from any cost, liability or damage incurred by any of such indemnified persons as a result of the transfer.

*Shareholders as on October 20, 2007*

<b>Shareholder</b>	<b>No. of shares</b>	<b>%</b>
<b>EQUITY SHARE</b>		
Our Company	5000	100
<b>TOTAL</b>	<b>5000</b>	<b>100</b>

*Directors as on October 20, 2007*

The Board of Directors of ECUSA comprises:

1. Mr. Rashesh Shah
2. Mr. Venkatchalam Ramaswamy
3. Mr. Sanjay Waghani

*Financial performance*

*(Rs. million except per share data)*

	<b>March 31, 2005</b>	<b>March 31, 2006</b>	<b>March 31, 2007</b>
Sales and other income	1.93	6.66	-
Profit/Loss after tax	0.10	4.37	(2.21)
Equity capital	2.39	2.39	2.39
Preference share capital	-	-	-
Earnings per share (Rs.)	19.24	873.33	(441.89)
Book value per equity share (Rs.)	5.77	885.31	439.11
Reserves & Surplus	(2.36)	2.20	(0.20)

EC USA LLC does not have any significant business activities and the routine expenses for operations of the company have been the primary reason for loss.

***EC Global Limited, Mauritius (“ECGL”)***

ECGL was originally incorporated in Mauritius as a ‘Category I Global Business Company’ on December 29, 2004 with the company registration No. 53879 CI/GBL. Its registered office is located at C/o Citco( Mauritius) Limited, 5<sup>th</sup> Floor, One Cathedral Square, Jules Koenig Street, Port Louis, Republic of Mauritius and is presently engaged in the business of investments and to acquire and hold shares, debentures, debenture stock, bonds, notes, obligations or securities issued or guaranteed by any government, sovereign ruler, public body or commissioner in any part of the world.

*Shareholders as on October 20, 2007*

<b>Shareholder</b>	<b>No. of shares</b>	<b>%</b>
<b>ORDINARY SHARE</b>		
CIPL	10,000	100
<b>TOTAL</b>	<b>10,000</b>	<b>100</b>

We have also issued redeemable ordinary shares for an amount aggregating to USD 21 million to Galleon International Master Fund SPC, Limited – Galleon Mezzanine Fund. We have also received an amount of USD 10 million from Galleon for the purposes of subscription of redeemable ordinary shares.

*Directors as on October 20, 2007.*

The Board of Directors of ECGL comprises:

1. Mr. Mohammad Yousouf Abbas
2. Mr. Gorac Nath Govind
3. Mr. Venkatchalam Ramaswamy
4. Mr. Sanjay Waghani
5. Mr. Rujan Panjwani

### Financial performance

(Rs. million except per share data)

	March 31, 2006	March 31, 2007
Sales and other income	(13.80)	(0.47)
Profit/Loss after tax	(21.63)	(24.46)
Equity capital	0.44	0.44
Preference shares	-	-
Earnings per share (Rs.)	(2,162.76)	(2,445.65)
Book value per equity share (Rs.)	(2,133.28)	(3,811.82)
Reserves & Surplus	(21.77)	(38.56)

As ECGL was incorporated in December 2004, the financial results for Fiscal 2005 are not available.

The loss made by ECGL is because of mark-to-market on its portfolio. The loss for EC Global Limited for the fiscal year 2007 was Rs. 22.15 million as against the consolidated profit before tax of for Company of Rs. 1,737.73 million.

### Other Confirmations

None of our Subsidiaries is listed on any stock exchange and none of them has completed any public or rights issue in the past three years preceding this Red Herring Prospectus.

Further, none of our Subsidiaries has become a sick company under the provisions of SICA or is currently under winding up and none of them have negative net worth.

### Details of our Associate company

#### ***Blue River Capital Advisors (India) Private Limited (“Blue River”)***

Blue River was incorporated on May 20, 2005 as a private limited company in India. The registered office of Blue River is located at 20<sup>th</sup> Floor, Express Towers, Nariman Point, Mumbai 400 021. The main object of Blue River is to carry out the business of advisory and consultancy services for private equity/investment funds. Blue River has entered into advisory services agreement with Blue River Capital Management I, LLC, Mauritius dated December 1, 2006 (“**Blue River Advisory Agreement**”) under which Blue River provides investment advisory services to Blue River Capital Management Company I, LLC, Mauritius and in turn earns advisory service fees from it.

#### ***Services Agreement between Blue River and our Company, dated October 6, 2005 (“Blue River Services Agreement”)***

Blue River and our Company has entered into the Blue River Services Agreement by which Blue River seeks to utilize the services and knowledge base of our Company pertaining to Indian market and regarding investment opportunities in India. Our Company has also agreed to support Blue River in relation to access of its professionals, back office functions, corporate client relationships, published research and research analyst’s time, if so requested and required.

The Blue River Services Agreement shall be co-terminus with the term of the Blue River Advisory Agreement through which Blue River has been appointed as India advisor by Blue River Capital Management Company I, LLC an asset management company acting on behalf of Blue River Capital I, LLC.

#### ***Binding Agreement between our Company, Shujaat Khan and Muneesh Chawla (together referred to as “Parties”) dated April 22, 2006 (“Blue River Binding Agreement”)***

The key terms of the Blue River Binding Agreement are summarized below:

The Parties had entered into a Binding Agreement with respect to a fund set up in Mauritius, called the Blue River Capital I, LLC (“**Fund**”) launched by them to undertake private equity investment management activities which is managed by an asset management company in Mauritius called Blue River Capital Management Company I, LLC (“**Management Company**”). The Blue River Binding Agreement sets out the broad understanding of the parties as to their respective rights and obligations with respect to the Fund.

As per the terms of the Blue River Binding Agreement our Company had the obligation of contributing to the initial holding ratio of the Management Company of 4:4:2 between the Company and the two individual Parties. The profits earned from the fees of the Management Company net of all expenses would be shared by the Parties in the ratio of their shareholding. The terms further state that our Company would nominate Mr. Rashesh Shah to the Management Company and will ensure that he spends such time and effort as may be required by the other parties for discharging their responsibilities. Mr. Rashesh Shah will be available on an as needed basis and will commit up to one third of his time for this purpose, while recognizing that it is not practicably possible to quantifiably measure his time allocation. In the event, our Company for any reason proposes to replace Mr. Rashesh Shah with any other senior person, the same shall be subject to the approval of majority in interest of the shares that may be issued by the Fund to third party investors. Presently Mr. Rashesh Shah is neither a director nor a shareholder of the Management Company.

Under the terms of the Blue River Binding Agreement our Company has agreed to not launch or otherwise participate in another entity engaged in private equity investment management related to India without prior permission of the other party until a date earlier of (i) when 70% of the Fund’s capital is committed towards investments and fees; or (ii) a successor fund is raised. Our Company will be free to participate in any other entity with business objectives not similar to that of Blue River Capital. Our Company would be free to invest an amount less than USD 1.00 million in companies being assessed as prospective target companies for the Fund, Management Company, the Indian advisor and their affiliates.

The termination of the Fund is scheduled on the eight anniversary of the initial closing of the Fund. The Parties agree that none of them will terminate the Blue River Binding Agreement without cause.

***Blue River Capital Management Company I, LLC (“Management Company”): Shareholders Agreement dated April 30, 2007***

The Management Company has been formed for the purposes of acting as *inter alia*, the management company for the Fund and manages any securities and other assets received from time to time with relation to the Fund, EC Global Limited, a Mauritius based Affiliate of our Company and two other Mauritius entities have invested in the Management Company in proportion of 4:4:2 and entered into the Shareholder’s Agreement to record the terms and understanding in this regard. EC Global Limited is entitled to a 33% share in the capital interest gain which is the Management Company’s disproportionate twenty percent share of the profit allocated in the Management Company’s capital account in the manner therein. This Shareholder’s Agreement supersedes all previous agreements and understandings on this subject matter.

***Blue River Capital Advisors (India) Private Limited***

*Shareholders as on October 20, 2007*

Shareholder	No. of shares	%
<b>EQUITY SHARE</b>		
Our Company	100,000	40
Mr. Shujaat Khan	100,000	40
Mr. Muneesh Chawla	50,000	20
<b>TOTAL</b>	<b>250,000</b>	<b>100</b>

*Directors as on October 20, 2007*

1. Mr. Muneesh Chawla
2. Mr. Shujaat Khan
3. Mr. Rahul Mehta
4. Mr. Deepak Mittal
5. Mr. Mahadevan Chandrasekaran

*Financial performance**(Rs. million except per share data)*

	March 31, 2006	March 31, 2007
Sales and other income	13.16	63.69
Profit/Loss after tax	(0.08)	7.16
Equity capital (par value Rs.10 per share)	0.1	0.2
Earnings per share (Rs.)	8	359
Book value per equity share (Rs.)	0.18	11.34
Reserves & Surplus	(0.08)	2.58

As Blue River was incorporated in Fiscal 2006, the financial results for Fiscal 2005 are not available.

***Edelweiss Real Estate Advisors Private Limited (“ERAPL”)***

Its registered office is located at 14<sup>th</sup> Floor Express Towers, Nariman Point, Mumbai 400 021, Maharashtra and is presently engaged in the business of and activities as a fund manager, to provide, render management and advisory services to any kind of real estate fund, to acquire, invest in, hold, sell, dispose, lease, rent real estate/property, invest in companies in similar business, providing advisory services in relation thereto.

***Subscription cum Shareholders Agreement between our Company, Sharyans Resources Limited (“Sharyans”), Atul Ruia (“Atul”), Edelweiss Real Estate Advisors Private Limited (“ERAPL”) executed on May 22, 2007 (“ERAPL Subscription cum Shareholding Agreement”)***

Our Company is to make an investment of Rs. 0.5 million in ERAPL by subscribing to its share capital, Sharyans to make an investment of Rs. 0.5 million and Atul to make investments of Rs. 0.25 million. The parties to the ERAPL Subscription cum Shareholding Agreement are to subscribe to the equity share capital of the Company in the following manner:

1. 50,000 equity shares of Rs. 10 each aggregating Rs. 0.5 million to our Company;
2. 50,000 equity shares of Rs. 10 each aggregating Rs. 0.5 million to Sharyans; and
3. 25,000 equity shares of Rs. 10 each aggregating Rs. 0.25 million to Atul.

Further, our Company will acquire all the shares held by Mr. Anurag Madan, Mr. George Mathew, Mr. Rashesh Shah, Mr. Venkatchalam Ramaswamy, Ms. Vidya Shah and Mr. Prasad Baji.

Post subscription and acquisition by our Company, the share capital of the Company would be as follows:

Name of the Shareholder	Number of Shares	Percentage of Holdings
Our Company	50,000	40
Sharyans	50,000	40
Atul	25,000	20
<b>TOTAL</b>	125,000	100%

In case, any shareholder decides to sell his shares (“**Transferring Shareholders**”), written notice must be sent to the other shareholders (“**Non Transferring Shareholders**”) informing them of such intention. The other shareholders have the right to buy the shares from the Transferring Shareholders at same price and conditions as are being offered to the third party. This right extends for fifteen days within which the Non Transferring Shareholders must notify the Transferring Shareholders about their intention to purchase such shares. In case the aggregate number of shares intended to be purchased by the Non Transferring Shareholders is less than the shares being sold, then the Transferring Shareholder has the right to refuse the offer to buy. The transfer, if any, between the Transferring Shareholders and the Non Transferring Shareholders must be completed within 10 days of acceptance by the Transferring Shareholder of the Non Transferring Shareholders’ offer.

Any shareholder or any entity directly or indirectly controlled by them shall have the right to acquire new shares offered by the Company.

In the event of our Company exercising its right to sell its equity shares to any third party or strategic investor (“**Potential Buyer**”), the other shareholders shall be obligated to sell along with our Company, such quantum of shareholding as may be required by the Potential Buyer, on the same price, terms and conditions as the shares sold by our Company.

In the event of our Company exercising its right to sell the equity shares of itself to Potential Buyer other than an affiliate, the other shareholders shall have the right to sell along with our Company such quantum of shareholding in proportion to their original shareholding on the same price, terms and conditions as the shares sold by our Company.

The ERAPL Subscription cum Shareholding Agreement Termination may be terminated if any shareholder’s shareholding falls below 10% or by mutual consent amongst other reasons.

***Investment Management Agreement between Edelweiss Trustee Services Private Limited (“ET SPL”) and ERAPL (“Investment Manager”) dated September 12, 2005 (“Investment Management Agreement”)***

The Investment Management Agreement is to appoint investment manager for the first scheme of the trust, namely the Edelweiss Property Fund-I. The basic duty of the Investment Manager includes formulate investment guidelines, business development activities, identifying and outsourcing deal flows and proposals for investment, review and actively monitor the performance of portfolio companies with applicable material legal provisions and regulations. The Investment Manager’s power is basically to act as an agent and manager of the trustee.

In case of conflict of interest with other real estate assets held by the Investment Manager, he is to undertake affiliate transaction at arms length, but will not go competitive bidding and tendering.

The Investment Management Agreement to terminate on the date of dissolution of the fund. The trustee can remove Investment Manager in case of (a) liquidation of the Investment Manager (b) in the event of the court deciding that the Investment Manager has committed gross negligence, fraud and willful misconduct, (c) the super majority of class A unit holders decide to remove the Investment Manager.

*Shareholders as on October 20, 2007*

<b>Shareholder</b>	<b>No. of shares</b>	<b>%</b>
<b>EQUITY SHARE</b>		
Our Company	50,000	40
Sharyans	50,000	40
Atul	25,000	20
<b>TOTAL</b>	<b>125,000</b>	<b>100</b>

*Directors as on October 20, 2007*

The Board of Directors of ERAPL comprises:

1. Mr. Anurag Madan
2. Mr. George Mathew
3. Mr. Deepak Mittal

*Financial performance*

*(Rs. million except per share data)*

	<b>March 31, 2006</b>	<b>March 31, 2007</b>
Sales and other income	-	15.44
Profit/Loss after tax	(0.15)	4.81
Equity capital (par value Rs.10 per share)	0.50	0.50
Preference shares	-	-
Earnings per share (Rs.)	(27.46)	134.04
Book value per equity share (Rs.)	7.10	103.24
Reserves & Surplus	(0.15)	4.66

As ERAPL was incorporated in Fiscal 2006, the financial results for Fiscal 2005 are not available.

### **Other Confirmations**

Our Associate Company is not listed on any stock exchange and has not completed any public or rights issue in the past three years preceding this Red Herring Prospectus.

Further, our Associate Company has not become a sick company under the provisions of SICA and is not currently under winding up.

### **Material Agreements**

***Shareholders' Agreement between Heliconia Pte Limited, ("Heliconia" ) and (i) Mr. Rashesh Shah (ii) Mr. Venkatchalam Ramaswamy (iii) Ms. Vidya Shah (iv) Ms. Sharmishta G. Shah (v) Iris Securities Private Limited (vi) Ms. Kaavya Venkat (vii) Ms. Aparna T.C. (together "Existing Sponsors") and our Company***

The Company and the Existing Sponsors have entered into a shareholders' agreement dated December 12, 2006 with Heliconia ("**Heliconia Shareholders' Agreement**"). The Heliconia Shareholders' Agreement has been entered into pursuant to the issue of 447,644 convertible preference shares under the share subscription agreement dated December 12, 2006 and acquisition of approximately 2,837,928 Equity Shares of Re. 1 each.

The key terms of this Heliconia Shareholders' Agreement are summarized below:

Heliconia shall have a nominee director ("**Heliconia's Nominee Director**") on the Board. Certain significant policy and management decisions of our Company shall be referred to the Board before implementation and execution and shall be executed with the consent of Heliconia's Nominee Director.

If the Company proposes to make an Initial Public Offering ("**IPO**"), it shall constitute a three member IPO committee ("**IPO Committee**") three months prior to the filing of the red herring prospectus, consisting at least one non executive Director who does not represent any shareholder holding more than four per cent of the issued share capital of the Company on a fully diluted and converted basis ("**Independent Director**") and for so long as the Investor holds at least four percent on a fully diluted and converted basis of the share capital of the Company, one Heliconia Nominee Director as member thereof. The IPO Committee shall be empowered to decide matters affecting the valuation, timing, mode and appropriate major internationally recognized securities exchange, including, but not limited to the BSE, the NSE or any other such exchange as may be decided between the parties ("**Recognised Exchange**") for listing of the Shares after the IPO. The IPO Committee shall not recommend a price per Share at the IPO which is less than (i) the price per equity share, namely a share of nominal value of Rs. 1 in the Company ("**Equity Share**") of Rs. 329.51; or (ii) if the net profit after tax as shown in the March 2007 accounts is equal to or less than Rs. 1,160 million the price per Equity Share of Rs. 315.61 (as adjusted as a result of any splitting or consolidation of such equity shares or bonus shares after the date of the Heliconia Shareholders' Agreement ) ("**Floor Price**")

If at any time our Company or any of its affiliates wish to raise further share capital by the issue (except in respect of and in relation to any existing employee stock option scheme of the Company) of additional Shares or securities convertible into Shares (in the case of our Company) or additional share capital or securities convertible into such share capital (in the case of our Company's affiliates) ("**Additional Securities**"), the shareholders shall cause an offer ("**Rights Offer**") to be made by the Company to each shareholder, in accordance with the provisions of applicable law in proportion to their legal ownership of the Shares (on a fully converted and diluted basis) as of the Additional Securities offered to them pursuant to the Rights Offer, within a period of thirty (30) days from receipt of notice of the Rights Offer. However, in case such Rights Offer is being made primarily to facilitate compliance by the Existing Sponsors of dominant promoter group requirements, Heliconia has waived any right it may have had under the Heliconia Shareholders' Agreement.

The Heliconia Shareholders' Agreement also contains provisions pursuant to which, for a period of 1 year from the date of coming into force of the Heliconia Shareholders' Agreement, Heliconia could be required to be offered "Most Favoured Investor" terms in respect of any issue of Additional Securities to any person or transfer of Shares by the Existing Sponsors.

Subject to applicable law, Heliconia or any person other than a Existing Sponsors or its affiliate (“**Permitted Transferee**”) shall always have the right to :

- (a) convert any or all of the preference shares held by it on or prior to such date that is no longer than fifteen days prior to the date on which the Company in good faith informs the shareholders its intention to file the red herring prospectus with the SEBI, into equity shares
- (b) subscribe for such number of equity shares, preference shares or other securities that are mandatorily convertible into or exchangeable with, equity shares or preference shares at a price to be agreed between the Company and Heliconia immediately prior to or simultaneously with the IPO in order to maintain its then existing share ownership in the Company.

If in case of the above, Heliconia decides to convert or subscribe for such shares or securities each of Heliconia and the Existing Sponsors shall exercise its voting rights at the relevant board and shareholder meetings to give effect to such conversion or subscription. In addition, the shareholders shall cause the Company to, and the Company shall issue the requisite equity Shares, preference shares or any such securities to Heliconia pursuant to such conversion or subscription.

Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy undertake to Heliconia that they will not at any time, in any relevant capacity or as principal, partner, director, employee or representative during the three years commencing on the date that the Existing Sponsor ceases to be a shareholder or an employee of the Company (“**Restricted period**”), directly or indirectly carry on in India, U.S.A., Mauritius or any other place the Company may carry on business (“**Restricted Area**”) any business which competes directly or indirectly with the business of the Company.

The Heliconia Shareholders’ Agreement also provides certain other rights to Heliconia, including, inter alia, the right to offer its pro-rata portion of its equity share in a sale of existing equity shares in an IPO.

None of the shareholders shall, or shall attempt to:

- a. Whether pursuant to any statutory right or otherwise (directly or indirectly) transfer, sell, assign, gift, exchange, grant an option or otherwise dispose of or alienate (“**Transfer**”) any of the shares held by it or any interest in such Shares; and
- b. Pledge, charge, restrict or otherwise encumber any of the Shares held by it in contravention the agreement.

The Heliconia Shareholders’ Agreement provides for a Right of First Refusal to the shareholders in case of any transfer of shares by such shareholders to a bona fide third party purchaser of Share through a bona fide sale (“**Intended Transferee**”) is a person who is conducting alternative asset management (excluding private equity) real estate, distressed debt and mezzanine debt, merchant banking (including corporate finance advisory and mergers and acquisitions advisory) and equity brokerage (of exchange traded instruments) (“**Competitor**”) activities as that of the Company and its subsidiaries as carried on, at the date of the Heliconia Shareholders’ Agreement (“**Restricted Activity**”)

The Heliconia Shareholders’ Agreement also provides for tag-along rights in the event of any Existing Sponsor intends to exercise its rights to sell any Shares (“**Tag-along Shares**”) to any person other than a Existing Sponsor or its affiliate (“**Permitted Transferee**”) (“**Intended Purchaser**”).

The Heliconia Shareholders’ Agreement will terminate (a) with respect to a particular party:

- (i) if the share ownership of Heliconia falls below four percent of the issued share capital, then only in respect of Heliconia; (ii) on the IPO of the company; and (iii) if all of the equity shares held by any shareholder are transferred pursuant to the Heliconia Shareholders’ Agreement, or any shareholder ceases to be a shareholder for any reason, only in respect of such shareholder.

***Investment Agreement between our Company, Lehman Brothers Netherlands Horizons B.V. and Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy dated June 5, 2007***

Our Company has entered into an investment agreement with Lehman Brothers Netherlands Horizons B.V. (“**Lehman B.V.**”) and Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy dated June 5, 2007 (“**Lehman**”).

**Investment Agreement**”). Under the Lehman Investment Agreement, Lehman is to be allotted 180,000 compulsorily convertible preference shares of the face value of Re. 1 each (“**Subscription Shares**”), fully paid and free and clear of all encumbrances, for a price of Rs. 3,500 per Subscription Share.

The key terms of the Lehman Investment Agreement are summarized below:

The share subscription amount would be Rs. 630 million (**Share Subscription Amount**)

Each Subscription Share shall be compulsorily converted into equity shares of our Company fifteen days prior to the filing of the red herring prospectus with the SEBI.

The convertible preference shares shall be converted into equity shares of face value of Re. 1 at conversion price of Rs.560 (“**Conversion Price**”). Thus the number of equity shares allotted on conversion will be equal to the Share Subscription Amount divided by the Conversion Price. This implies that for every Subscription Share held, Lehman B. V. shall be entitled to get such number of equity shares so that the aggregate value of the resultant equity shares is equal to Share Subscription Amount.

The Lehman Investment Agreement provides that our Company’s management will have the right of first refusal in respect of all or part of the shares so proposed to be sold, if Lehman B. V. decides to transfer any of the shares held by it in our Company. The Lehman Investment Agreement provides that the Company management shall have the pro rata right to drag along Lehman B.V., in the event it proposes to sell more than fifty percent of its equity shareholding in our Company (“**Strategic Sale**”) on the terms and conditions of the Strategic Sale. Lehman B. V. shall send a notice of the offer to the Company’s management and the Company’s management or its assignee’s shall have the right to purchase all but not less than all, of Lehman shares in such proportion as the Company’s management or its assignee’s may agree in writing. The Lehman Investment Agreement gives Lehman B. V. the right to tag-along pro rata to its shareholding at the relevant time, in the event of a Strategic Sale on the terms and conditions of the Strategic Sale.

*Deed of Termination executed on December 12, 2006 (“GPC Termination Deed”) between GPC Mauritius I LLC, our Company, GPC Mauritius III LLC, (i) Mr. Rashesh Shah, (ii) Ms. Vidya Shah, (iii) Ms. Sharmishta Shah, (iv) Mr. Venkatchalam Ramaswamy, (v) Ms. Aparna T.C. and (vi) Ms. Kaavya Venkat (“Promoters”); together called (“Parties”)*

The key terms of the GPC Termination Deed are summarized below:

The Parties had entered into an investment and shareholders agreement dated October 19, 2005 (“**GPC Investment Agreement**”). GPC Mauritius I LLC (“**GPC**”) is desirous of selling an aggregate of 2,837,928 equity shares of Re. 1 each to Heliconia Pte Limited under the share sale and purchase agreement dated December 12, 2006. GPC also wishes to sell an aggregate of 999,800 equity shares of Re. 1 to Galleon International Master Fund SPC Limited (“**Galleon Mezzanine Fund**”) under the share sale and purchase agreement dated December 12, 2006

The Company to use its best endeavors to ensure the listing of its shares on or before September 30, 2011

The Parties have agreed that upon completion, the GPC Investment Agreement shall stand terminated except of the rights and obligation of the parties with respect to the restrictions on competition, investor restrictions as long as GPC has a representative on the Board, confidentiality clauses, provisions on transfer by investors, announcements, notice, dispute resolution and governing law.

If any of GPC and GPC III, (collectively the “**Investors**”) intend to transfer any shares held by it and/or its affiliates, they shall not do so, unless it first gives the Promoters a written notice of the number of shares proposed to be transferred giving the Promoters the right to submit a written offer to buy such shares.

The Investors shall not sell the shares to a competitor without giving the Company the notice of such an intention and obtaining consent from the Promoters before effecting such sale.

If the Promoters have an offer from a third party, which is in existence and is engaged in substantially the same business as our Company and the sale of the shares, which, in the opinion of the Board is in the long term interest, the Promoters may require the Investors to sell their respective proportionate shareholding to such strategic investors on the same terms and conditions of the sale of shareholding of the Promoters’ shareholding.

Each of the parties to the GPC Termination Deed have confirmed their intention to either list the shares or sell them by September 30, 2011.

If at any time after 6 years of the such listing, the Company proposed to permit the holders of its shares to offer any shares held by them in an offering proposed to be made by the Company for the purpose of registering Shares (or ADRs, GDRs) on one or more stock exchanges outside India (“**Offshore Offerings**”), then the Company shall subject to the law in force at the relevant time, also permit the Investors, along with the other holders of shares, to offer a proportionate number of shares held by it in such Offshore Offering.

The Promoters have granted tag-along rights on the transfer of shares to the Investors on the same terms and conditions as may apply to a transfer of shares by them.

***Investment Agreement between our Company, Shuaa Capital Psc (“Shuaa”) and Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy (“Shuaa Investment Agreement”) dated December 13, 2006***

The key terms of the Shuaa Investment Agreement are summarized below:

Shuaa is to be allotted compulsorily convertible preference shares (“**Subscription Shares**”), fully paid and free and clear of all encumbrances. The number of Subscription Shares will be obtained by dividing the amount of Indian Rupees credited to our Company’s bank account by our Company’s bankers upon conversion of the amount remitted by the Investor in USD to acquire the Subscription Shares. (“**Rupee Share Subscription Amount**”) by Rs. 1500 per Subscription Share of face value Re. 1 each (“**Subscription Price**”).

The subscription amount for issuance of the Subscription Shares shall be USD 10 million. Each of the Subscription Shares shall carry a dividend coupon rate of 8%.

Each convertible preference share shall be compulsorily converted into equity shares of our Company 15 days prior to the filing of the red herring prospectus with the SEBI.

The Subscription Shares shall be converted into equity shares of our Company on face value Re. 1 at conversion price of Rs.370 (“**Conversion Price**”). Thus the number of equity shares allotted on conversion will be equal to the Rupee Share Subscription Amount divided by the Conversion Price. Thus implies that for every Subscription Share held, Shuaa shall be entitled to get such number of equity shares so that the aggregate value of the resultant equity shares is equal to Rupee Share Subscription Amount.

In the event the Company does another round of fund raising by issuing equity shares or other equity share linked instruments to another investor within 30 days of the completion at a price lower than the Conversion Price provided for herein, the Conversion Price shall be adjusted downwards to bring it in line with the price agreed with such incoming investor, subject to a floor conversion price of rupee equivalent of Rs. 329.45 per equity share. It is clarified for the avoidance of doubt that there shall be no upward revision in the Conversion Price for the Investor.

The Company shall at all times reserve and keep available shares out of its authorized but un-issued equity shares, solely for the purpose of issuance upon the conversion of the Subscription Shares, such number of equity shares issuable upon conversion of all outstanding compulsorily convertible preference shares.

The Company’s management or its assignee’s shall have the right of first refusal in respect of all or part of the shares so proposed to be sold if Shuaa decides to transfer any of the shares held by it in our Company. The Company’s management or its assignee’s shall have the right to purchase all but not less than all, of the Shuaa’s.

The Company management shall have the pro rata drag along with Shuaa on the terms and conditions of the strategic sale in the event it proposes to sell more than fifty percent of its equity shareholding in our Company. (“**Strategic Sale**”)

Shuaa has the right to tag along pro rata to its shareholding at the relevant time, in the event of a Strategic Sale on the terms and conditions of the Strategic Sale.

***Investment Agreement between our Company, BIH SA (“BIH”) and Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy executed on December 21, 2006 (“BIH Investment Agreement”)***

The key terms of the BIH Investment Agreement are summarized below:

BIH is to be allotted compulsorily convertible preference shares ("**Subscription Shares**"), fully paid and free and clear of all encumbrances. The number of Subscription Shares will be obtained by dividing the amount of Indian rupees credited to our Company's bank account by the Company's bankers upon conversion of the amount remitted by the Investor in USD to acquire the shares ("**Rupee Share Subscription Amount**") by Rs. 1500 per Subscription Share of face value Re. 1 each ("**Subscription Price**").

The Subscription Amount for issuance of the Subscription Shares shall be USD 5 million. Each Subscription Share shall carry a dividend coupon rate of 8%. The number of Subscription Shares to be allotted would be rounded off to the nearest integer.

Each Subscription Share shall be compulsorily be converted into equity shares of our Company fifteen (15) days prior to the filing of the red herring prospectus with the SEBI.

The Subscription Shares shall be converted into equity shares on face value Re. 1 at conversion price of Rs.370 ("**Conversion Price**"). Thus the number of equity shares allotted on conversion will be equal to the Rupee Share Subscription Amount divided by the Conversion Price. Thus for every Subscription Share held, BIH shall be entitled to get such number of Equity Shares so that the aggregate value of the resultant equity shares is equal to Rupee Share Subscription Amount.

In the event, our Company does another round of fund raising by issuing equity shares or other equity share linked instruments to another investor within 30 days of the completion at a price lower than the conversion, the Conversion Price shall be adjusted downwards to bring it in line with the price agreed with such incoming investor, subject to a floor conversion price of rupee equivalent of USD 7.32 per equity share. It is clarified for the avoidance of doubt that there shall be no upward revision in the Conversion Price for BIH.

The Company management to have the right of first refusal in respect of all or part of the shares so proposed to be sold if BIH decides to transfer any of the shares held by it in the Company.

The Company management shall have the pro rata right to drag along BIH on the terms and conditions and in the event the Company management proposes to sell more than fifty percent of its equity shareholding in our Company. ("**Strategic Sale**")

BIH has the right to tag along pro rata to its shareholding at the relevant time, in the event of a Strategic Sale.

***Investment Agreement between our Company and Galleon Diversified Fund Limited ("**Galleon**") executed on August 31, 2006 ("**Galleon Investment Agreement**")***

The key terms of the Galleon Investment Agreement are summarized below:

Galleon is to be allotted 1,163,250 compulsorily convertible preference shares ("**Subscription Shares**"), fully paid and free and clear of all encumbrances.

The Subscription Amount for issuance of the Subscription Shares shall be USD 25 million. The subscription price means the quotient obtained by dividing the amount of Indian rupees credited to our Company's bank account by our Company's bankers upon conversion of the amount remitted by the Investor in USD to acquire the shares ("**Rupee Share Subscription Amount**") by the number of Subscription Shares.

Each Subscription Share shall be converted into equity share fifteen (15) days prior to the filing of the red herring prospectus with the SEBI. .

The Subscription Shares shall be converted into equity shares on face value Re.1 at conversion price of Rs. 444 ("**Conversion Price**")

At any time within the period of six months after the completion date, at the request of the Company, Galleon would sell up to 233,000 Subscription Shares to another investor subject to Galleon making an internal rate of return of 12% per annum and Galleon shall have the option to follow on to the terms and agreements of other strategic investor during that period of time.

Galleon will have the right to nominate one member on our Board.

The Company management to have the right of first refusal in respect of all or part of the shares so proposed to be sold if Galleon decides to transfer any of the shares held by them in our Company.

The Company management shall have the pro rata right to drag along Galleon on the terms and conditions of the strategic sale. Galleon will have the right to pro rata tag along with the Company management in the event of a strategic sale.

***Subscription Agreement between our Company and Lehman Brothers Netherlands Horizons B.V. (“Lehman Brothers”) executed on February 21, 2007 (“Lehman Brothers Subscription Agreement”)***

The key terms are summarized below:

The Company to issue and allot eighteen million fully convertible debentures (“**FCDs**”) of face value of Rs. 100 each to Lehman Brothers. Lehman Brothers to subscribe and pay for the FCDs in cash, an amount equal to Rs. 1800 million (“**Issuance Amount**”). The memorandum and articles of association (“**Constitutional Documents**”) of the Company shall be amended to incorporate provisions necessary to convert the FCDs into redeemable cumulative preference shares (“**RPS**”) set out in this agreement.

The holder of the FCDs shall be entitled to a coupon payment of 13.4% per annum on the FCDs calculated from the date of completion until the date of allotment of the RPS, the date on which the Company exercises its rights to early redemption of the RPS and any earlier date as may be demanded by Lehman Brothers under the Lehman Brothers Subscription Agreement (“**Redemption Date**”). Provided that in the event of conversion of the FCDs by way of exercise of an early conversion/redemption option by the Company, prior to the expiry of 10 months from completion of the subscription as laid out in the Lehman Brothers Subscription Agreement, the holder of FCDs will be entitled to a coupon payment of 11.6% per annum on the FCDs.

The holder of the RPS shall be entitled to preferential dividend of 0.001% per annum payable (“**RPS Dividend**”) on the RPS for the period commencing on and including the date of the conversion up to and including the RPS Redemption Date (the date varies from (a) upon maturity of the RPS, that is 12 months from the date of the allotment of the FCDs, (b) the date on which our Company exercises its rights to early redemption or (c) such earlier date as may be demanded by Lehman Brothers in case of an event of default) , provided that the RPS Dividend shall not be more than the maximum amount permitted under applicable law. The RPS Dividend shall be payable on an annual basis, provided that any accrued RPS Dividend shall be paid to the holder of the RPS at the time of redemption of the RPS. The RPS Dividend and all other charges shall accrue from day to day and shall be computed on the basis of 365 days year and actual number of days elapsed.

The RPS shall redeem upon the redemption date without requirement of any instructions or notice from the holder.

The holder of RPS is entitled to receive notice of a shareholders meeting and shall be entitled to vote along with other preference shareholders if it varies or modifies their rights.

If the Company fails to pay the debenture coupon on its due date, interest shall accrue on such unpaid sum from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to the description below is 2% per annum in addition to the debenture coupon.

Default interest (if unpaid) arising on an overdue amount under the Lehman Brothers Subscription Agreement or FCDs will be compounded with that overdue amount at the end of each interest period applicable to that overdue amount but will remain immediately due and payable.

The circumstances treated as an event of default under the Lehman Brothers Subscription Agreement (“**Event of Default**”) include the following: (i) cross default in case any indebtedness of the Company or any subsidiary above USD 5 million is not paid when due nor within any originally applicable grace period; (ii) failure to comply with final judgments or failure to pay any sum due from it within the stipulated time period; (iii) in the event that Mr. Rashesh Shah, Mr. Venkatchalam Ramaswamy, their relatives or companies wholly owned by them and or their affiliates do not legally and beneficially hold at least 26% of the shares (of each class) of preference and equity interest in the Company; and (iv) if the Company ceases to carry on its business, or changes the general nature or scope of its business from that carried on at the date of the Lehman Brothers Subscription Agreement.

The FCDs shall be mandatorily convertible into RPS in accordance with the amendment agreement to the Lehman Brothers Subscription Agreement, dated May 25, 2007, or upon or after the happening of an Event of Default.

Upon conversion of the FCDs, Lehman Brothers shall be entitled to receive RPS. The RPS issued to Lehman Brothers pursuant to the conversion shall not be transferable by Lehman Brothers to any person.

Notwithstanding the other terms of the issue of the FCDs, the holder of the FCDs may require that the FCDs be redeemed in case of an Event of Default.

The Company shall not incur any debt with respect to (a) moneys borrowed, any amount raised by acceptance under any acceptance credit, bill acceptance or bill endorsement facility or dematerialized equivalent; (b) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instrument; (c) the amount of any liability in respect of any lease or hire purchase contract which in accordance with Indian GAAP, be treated as a finance or capital lease, receivables sold or discounted (other than receivables to the extent that they are sold on a non-recourse basis), any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing, any shares expressed to be redeemable, any contingent liabilities to third parties (“**Indebtedness**”) without Lehman Brothers’ consent, except if the debt equity ratio of the Company after incurring such Indebtedness shall not be greater than 1:1, i.e. the total debt shall not exceed the total equity capital.

The Company shall ensure that its annual accounts, so far as applicable, in accordance with Indian GAAP.

The tangible net worth of the Company (consolidated with all its wholly owned subsidiaries) shall not be less than USD 100 million.

The Company shall not pay any dividend on equity shares during the term of this agreement in excess of sum of Rs. 50 million.

The Lehman Brothers Subscription Agreement shall stand terminated upon the redemption of all of the FCDs/RPS.

The representation and warranties made by the parties, the indemnity provided by the Company to Lehman Brothers against all costs, charges, expenses, losses and liabilities with regard to direct tax implications of the issue, FCDs, dispute settlement, confidentiality and notice provisions shall survive the termination of the Lehman Brothers Subscription Agreement, provided that the provisions of indemnity clause shall survive for a period of five years from the date of redemption in the case of RPS.

***Amendment to the Subscription Agreement between our Company and Lehman Brothers Netherlands Horizons B.V. (“Lehman Brothers”) executed on May 25, 2007 (“Lehman Brothers Amendment Agreement”)***

The key terms are summarized below:

The tangible net worth of the Issuer (consolidated with all its wholly owned subsidiaries) shall not be less than Rs. 4,500 million.

The clause on payment of dividend, which provided that the Company shall not pay any dividend on equity shares during the term of this agreement in excess of sum of Rs. 50 million, in the Lehman Brothers Subscription Agreement (as described above), was deleted by the Lehman Brothers Amendment Agreement.

The Company shall not incur any debt with respect to moneys borrowed, any amount raised by acceptance under any acceptance credit, bill acceptance or bill endorsement facility or dematerialized equivalent; any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or similar instrument; the amount of any liability in respect of any lease or hire purchase contract which in accordance with Indian GAAP, be treated as a finance or capital lease, receivables sold or discounted (other than receivables to the extent that they are sold on a non-recourse basis), any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing, any shares expressed to be redeemable, any contingent liabilities to third parties (“**Indebtedness**”) without

Lehman Brothers' consent, except if the debt to equity ratio of the Company after incurring such Indebtedness shall not be greater than 2:1, i.e. the total debt shall not exceed two times the total equity capital.

It is agreed between the parties that in the event of regulatory changes leading to an accelerated repayment or in the event of the Company's merchant bankers or legal counsel in any initial public offering of the Company advising that the transaction contemplated by the Lehman Brothers Amendment Agreement be wound up or restructured to a form materially different from the existing form prior to the launching of the IPO, at the request of the Company, Lehman Brothers shall use its reasonable effort to reinvest or restructure the amount invested ("**Reinvestment**") hereunder to the Company or its designated subsidiary, directly or through Lehman Brothers' affiliate, in any manner acceptable to the parties hereto; provided, however that, such Reinvestment shall (i) be in terms at least equal to those in the Lehman Brothers Amendment Agreement, the debenture certificate representing the fully convertible debenture and the share certificate representing the fully convertible debentures ("**FCDs**") and the share certificates representing the redeemable cumulative preference shares ("**Transaction Documents**") and protecting Lehman Brothers' economic, reputation and other interests (ii) be made pursuant to and in compliance with any application laws an regulation (iii) acceptable to the merchant banker or legal counsel advising the Issuer in connection with said IPO. For the avoidance of doubt and notwithstanding anything to the contrary, the Company shall indemnify and reimburse on demand by Lehman Brothers any reasonable costs, incurred or borne by Lehman Brothers or any of its affiliates arising out of such Reinvestment, including without limitation, any incurrence of tax, penalties, tariffs, and break costs.

FCDs shall be mandatorily convertible into redeemable preference shares in accordance with the maturity schedule set out below or after the happening of the Event of Default.

<b>Date of mandatory conversion of FCD into RPS</b>	<b>Amount</b>	<b>Date of redemption of RPS</b>	<b>Amount</b>
January 21 2012	600,000,000	February 12, 2012	600,000,000
January 21 2013	600,000,000	February 12, 2013	600,000,000
January 21 2014	600,000,000	February 12, 2014	600,000,000

***Share Subscription Agreement between our Company, Mr. Rashesh Shah, Mr. Venkatchalam Ramaswamy and BIH, SA ("**BIH**") executed on March 2, 2006 ("**BIH Share Subscription Agreement**")***

The key terms are summarized below:

Completion date of the BIH Share Subscription Agreement to be March 15, 2006 or any other date agreed by BIH and our Company.

BIH agreed to subscribe to 245,000 shares of our Company through the BIH Share Subscription Agreement and acquire another 245,000 shares of our Company through a separate share purchase agreement with GPC Mauritius I, LLC ("**GPC**"). All the shares to be subscribed to by BIH shall rank pari passu with the existing shares of our Company in all respects including entitlement for dividends.

In the event Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy propose to sell shares held by them to a third party in excess of 50% of their shareholding in our company ("**Strategic Sale**"), then such Strategic Sale shall not be consummated unless the incoming purchaser offers to buy from BIH all the shares held by it at that time, on the same terms and conditions as those offered to Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy.

BIH to have drag along rights in the event of a Strategic Sale.

Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy would have a right of first offer if BIH intends to transfer any of its shares.

***Acquisition of shares of our Company by Minosa, SA ("**Minosa**") executed on February 20, 2006 ("**Minosa Acquisition Agreement**")***

The key terms are summarized below:

The end date for the Minosa Acquisition Agreement is March 15, 2006 and the transaction size is USD 1 million involving 245,000 equity shares of face value of Re. 1 each and the average price per share to be Rs. 181.

In the event Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy propose to sell shares held by them to a third party in excess of 50% of their shareholding in our company ("**Strategic Sale**"), then Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy ("Promoters") will have right to drag along Minosa on the same terms and conditions.

Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy to have right of first refusal if Minosa decides to transfer any of its shares.

Minosa to have right to tag along with Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy in the event of a Strategic Sale.

***Acquisition of shares of Edelweiss Capital by Pegasus Finance Corporation ("Pegasus") executed on February 20, 2006 ("Pegasus Acquisition Agreement"):***

The key terms are summarized below:

The end date for the Pegasus Acquisition Agreement is March 15, 2006 and the transaction size is USD 1 million involving 245,000 equity shares of face value of Re. 1 each and the average price per share to be Rs. 181.

In the event Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy propose to sell shares held by them to a third party in excess of 50% of their shareholding in our company ("**Strategic Sale**"), then Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy ("Promoters") will have right to drag along Pegasus on the same terms and conditions.

Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy to have right of first refusal if Pegasus decides to transfer any of its shares.

Pegasus to have right to tag along with Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy in the event of a Strategic Sale.

***Shareholders Agreement between our Company and Lehman Brothers Netherlands Horizons B.V ("Lehman") and ECL Finance Limited ("ECL Finance") executed on May 18, 2007 ("Lehman Shareholders Agreement")***

The key terms are summarized below:

Lehman agreed to subscribe to 113,643,317 equity shares of the face value of Re. 1 each of ECL Finance ("**Subscription Shares**"), in such a manner that as on the completion, our Company and its nominees to hold 74% of the shareholding in ECL Finance and Lehman to hold 26% of the shareholding. Lehman shall pay an aggregate amount of Rs. 680.60 million for all the Subscription Shares ("**Subscription Price**")

No shareholder shall transfer any shares or any right, except as permitted under the Lehman Shareholders Agreement and unless otherwise agreed in writing by Lehman and our Company. Any attempt to transfer shall be void and ECL Finance shall not record any such transfer. A transfer to an eligible third party is allowed and transfer restrictions are not to be avoided by holding of shares indirectly through a company or other entity.

Our Company and Lehman are not allowed to transfer shares for a period of two years from the date of issue and allotment of the Subscription Shares to Lehman ("**Completion Date**"), either held by them or their affiliates unless otherwise agreed in writing by Lehman or our Company.

After the lock in period, Lehman and our Company each will have a right of first offer if the other party wants to transfer its shares.

Lehman has a right to tag along with our Company after the expiry of the lock in period in the event of a transfer by our Company of its shareholding to an eligible third party.

Our Company has a drag along right in the event Lehman fails to exercise its tag along right.

It is the intention of the parties to initiate an initial public offering of ECL Finance ("**ECL Finance IPO**") within a period of four years from Completion Date. If ECL Finance IPO does not take place within five years from the Completion Date ("**Exit Option Trigger Event**"), Lehman shall have a right but not the obligation to consult with ECL Finance to initiate an ECL Finance IPO. If our Company and Lehman are unable to reach an

agreement then Lehman will, subject to three months notice to ECL Finance, have the right but not the obligation to sell some or all of its shares by way of secondary offering of the shares to the public by way of an ECL Finance IPO triggered by it.

As long as Lehman's pro rata shareholding in the Company is equal to or more than 15% and the Company confers on any third person such rights that when considered as a package are more favourable than the rights granted to Lehman, Lehman shall have the right to terminate the Lehman Shareholders' Agreement and cause the Company to make it a party to such new agreement and be entitled to rights no less than those offered to such third persons.

An investor exit option trigger event shall occur if ECL Finance fails to subscribe to the debentures as provided in the share subscription agreement or the controlling group ceases to have control as defined in the Takeover Code. On the happening of such an event, ECL Finance or Lehman can sell or purchase its own or the others shares as the case may be, as long as the purchase price and the exit price divided by the lower of the two shall not exceed 15%

***Memorandum of Understanding entered into between (i) our Company, (ii) Edelweiss Securities Limited, (iii) ECAL Advisors Limited, (iv) Crossborder Investments Private Limited, (v) Edelweiss Insurance Brokers Limited, (vi) Edelweiss Real Estate Advisors Private Limited, (vii) Edelweiss Trustee Services Private Limited, (viii) Edelcap Securities and Transaction Services Private Limited (formerly Tiffin Investments Private Limited) Investments Private Limited, (ix) ECL Finance Limited, (x) Edelweiss Property Fund and (xi) E-Cap Partners dated June 30, 2006 ("MoU"):***

This MoU was entered into for the purpose of sharing and dividing common expenses such as establishment, personnel and research expenditure in a logical manner in accordance with allocation mentioned in this MOU.

For the common benefit expenses incurred, parties will raise monthly, quarterly, yearly debit notes upon other parties as per the norms of allocation.

## OUR PROMOTERS AND PROMOTER GROUP

### Our Promoters

The following individuals are the Promoters of our Company:

1. Mr. Rashesh Shah;
2. Mr. Venkatchalam Ramaswamy;
3. Ms. Vidya Shah; and
4. Ms. Aparna TC.

The details of our Promoters are provided herein below:



**Mr. Rashesh Shah:** For details of Mr. Rashesh Shah, please see the section titled “Our Management” beginning on page 95.

PAN: AAGPS5933G  
Passport Number: F7041345  
Voter ID Number: MT/04/024/189357  
Drivers License: 81/C/27817



**Mr. Venkatchalam Ramaswamy:** For details of Mr. Venkatchalam Ramaswamy, please see the section titled “Our Management” beginning on page 95.

PAN: AADPR1740H  
Passport Number: F6350759  
Voter ID Number: Not Available  
Drivers License: 61588



**Ms. Vidya Shah**, aged 41 years, one of our Promoters holds a bachelors degree in Commerce from the University of Mumbai and PGDBM from Indian Institute of Management, Ahmadabad. She has more than 10 years of work experience and has worked previously with ICICI Limited in the Leasing and Financing Department, served as a Head of Crossborder and Structured Finance of Peregrine Capital India Private Limited and also as a Head of Telecommunications Practice in NM Rothschild India Private Limited.

PAN: AMEPS3037M  
Passport Number: B1335735  
Voter ID Number: MT/04/024/189408  
Drivers License: Not available



**Aparna T. C.**, 40 years, one of our Promoters, holds a bachelors degree in engineering from the Gogte Institute of Technology and masters degree in sciences in electronic engineering from Stony Brook University. She has more than 10 years of work experience and has worked previously with Yokogawa Electronics, Tata Consultancy Services Limited and Citibank N. A.

PAN: AEUPC2507C  
Passport Number: B0849636  
Voter ID Number: Not Available  
Drivers License: 43479

Mr. Rashesh Shah and Ms. Vidya Shah are related by marriage and Mr. Venkatchalam Ramaswamy and Ms. Aparna T.C. are related by marriage.

For details of the background, address, educational qualifications, experience, terms of appointment as Directors and other directorships of Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy, see the section titled “Our Management” beginning on page 95.

#### **Other understandings and confirmations**

We confirm that the details of the permanent account number, bank account numbers and passport numbers has been submitted to the Stock Exchanges at the time of filing the Draft Red Herring Prospectus with the Stock Exchanges.

Further, our Promoters and Promoter Group entities (mentioned below), including relatives of the Promoters, have confirmed that they have not been detained as willful defaulters by the RBI or any other Governmental authority.

Additionally, there are no violations of securities laws committed by them in the past or are pending against them and none of our Promoters or persons in control of bodies corporate forming part of our Promoter Group have been restricted from accessing the capital markets for any reasons, by SEBI or any other authorities.

#### **Promoter Group**

In addition to our Promoters, the following natural persons (being the immediate relatives of our Promoters), HUFs, partnerships, companies and other entities shall form part of our Promoter Group:

<b>S. No.</b>	<b>Name</b>	<b>Relationship with Promoters</b>
1.	Ms. Sharmishta Shah	Mother of Mr. Rashesh Shah
2.	Mr. Neel Shah	Son of Mr. Rashesh Shah
3.	Ms. Avanti Shah	Daughter of Mr. Rashesh Shah
4.	Ms. Sejal Parekh	Sister of Mr. Rashesh Shah
5.	Ms. Shilpa Mody	Sister of Mr. Rashesh Shah
6.	Mr. Sripad Desai	Father of Ms. Vidya Shah
7.	Ms. Sneha Desai	Mother of Ms. Vidya Shah
8.	Ms. Meena Subramaniam	Sister of Ms. Vidya Shah
9.	Mr. Arakoni Venkatchalam Ramaswamy	Father of Mr. Venkatchalam Ramaswamy
10.	Ms. Bhuvaneshwari Ramaswamy	Mother of Mr. Venkatchalam Ramaswamy
11.	Ms. Kaavya Venkat	Daughter of Mr. Venkatchalam Ramaswamy
12.	Ms. Vidya Shanker	Sister of Mr. Venkatchalam Ramaswamy
13.	Mr. Tuluvinakoppa Narasimhaiah Chandrashekar	Father of Ms. Aparna T.C.
14.	Ms. Tuluvinakoppa Chandrashekar Vasanthi	Mother of Ms. Aparna T.C.
13.	Ms. Archana C	Sister of Ms. Aparna T.C.
14.	Mr. T. C. Ashwin Kumar	Brother of Ms. Aparna T.C.

#### **Promoter Group Companies and Entities**

The companies that are part of the Promoter Group have been provided below. The companies that form part of the Promoter Group include:

- (a) a company in which 10% or more of the share capital is held by our Promoters or their immediate relatives; and
- (b) a company in which a company specified above holds 10% or more, of the share capital; and
- (c) a company promoted by our Promoters.

<b>S. No.</b>	<b>Name of Promoter Group Company</b>
1.	Oak Holdings Private Limited
2.	Ivy Financial Services Private Limited
3.	iCleo.com Limited

The partnership firms, trusts and HUF's that form part of our Promoter Group are as follows:

S. No.	Name of the firm/Trust/HUF
1.	E Cap Partners
2.	Rashesh Shah (HUF)
3.	Edelweiss Employees Welfare Trust*

\* As per Explanation II to clause 6.8.3.2 of the SEBI Guidelines, the Edelweiss Employees Welfare Trust is not a part of the Promoter Group. However, since the trustees of this trust are two of our Promoters, Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy, for the purpose of disclosure under this section, the details of the same have been provided further below.

Other than those stated above, there are no partnership firms, trusts, HUFs, proprietorships or other entities that are part of the Promoter Group.

The details of our Promoter Group companies and entities are as provided below:

#### 1. ICleo.com Limited ("ICleo")

ICleo was incorporated on September 20, 1999 in the state of Maharashtra as "ICleo.com Private Limited". It became a deemed public company under section 43A of the Companies Act, 1956, then in force. As ICleo did not opt for restoration as a private company, it continued as a public company. The registered office of ICleo is located at 113/114 Bajaj Bhavan, Nariman Point, Mumbai 400 021. The main object of ICleo is carrying on the business of setting up internet site / portal for women oriented information.

*Shareholders as on October 20, 2007*

Shareholder	No. of shares	%
Island Investments Private Limited	75,000	37.22
Choksi Technologies Private Limited	45,000	22.33
Mr. Rashesh Shah	30,000	14.89
Mr. Venkatchalam Ramaswamy	30,000	14.89
Angel Softech Private Limited	13,101	6.50
Mr. Rohit Anand	7,620	3.78
Mr. Rajeev Gujral	7,620	3.78
Ms. Neeti Anand	1,525	0.75
Ms. Vandana Luthra	610	0.30
<b>Total</b>	<b>201,476</b>	<b>100.00</b>

*Directors as on October 20, 2007*

The Board of Directors of ICleo comprises:

1. Mr. Rashesh Shah
2. Mr. Venkatchalam Ramaswamy
3. Mr. Shaunak Choksi

*Financial performance*

*(Rs. million except per share data)*

	March 31, 2005	March 31, 2006	March 31, 2007
Sales and other income	-	-	-
Profit/Loss after tax	(0.01)	(0.01)	(0)
Equity capital (par value Rs. 10 per share)	2.10	2.10	2.10
Preference share capital	-	-	-
Earnings per share (Rs.)	(0.03)	(0.03)	(0.01)
Book value per equity share (Rs.)	(12.11)	(12.14)	(12.15)
Reserves & Surplus	(4.65)	(4.66)	(4.66)

## 2. Ivy Financial Services Private Limited (“Ivy”)

Ivy was incorporated on June 23, 2006 in the state of Maharashtra, as a private limited company. The registered office of Ivy is located at 14<sup>th</sup> Floor, Express Towers, Nariman Point, Mumbai 400 021. The main object of the company is to carry on financing activities.

*Shareholders as on October 20, 2007*

Shareholder	No. of shares	%
Mr. Rashesh Shah	5,000	50.00
Mr. Venkatachalam Ramaswami	5,000	50.00
<b>Total</b>	<b>10,000</b>	<b>100.00</b>

*Directors as on October 20, 2007*

The Board of Directors of Ivy comprises:

1. Mr. Rashesh Shah
2. Mr. Venkatachalam Ramaswamy

*Financial performance*

*(Rs. million except per share data)*

	March 31, 2005	March 31, 2006	March 31, 2007
Sales and other income	-	-	-
Profit/Loss after tax	-	-	(0.18)
Equity capital (par value Rs. 10 per share)	-	-	0.10
Preference share capital	-	-	-
Earnings per share (Rs.)	-	-	(18.32)
Book value per equity share (Rs.)	-	-	(8.32)
Reserves & Surplus	-	-	(0.18)

## 3. Oak Holdings Private Limited (“Oak”)

Oak was incorporated in the state of Maharashtra on June 27, 2006 as a private limited company, “Iris Securities Private Limited”. The name “Iris Securities Private Limited” was subsequently changed to Oak Holdings Private Limited on January 24, 2007. The registered office of Oak is located at 14<sup>th</sup> Floor, Express Towers, Nariman Point, Mumbai 400 021. The main object of Oak is to carry on the business of an investment company.

*Shareholders as on October 20, 2007*

Shareholder	No. of shares	%
Mr. Rashesh Shah	380,000	98.70
Ms. Vidya Shah	5,000	1.30
<b>Total</b>	<b>385,000</b>	<b>100.00</b>

Galleon Fleet Fund Limited holds 387,000 preference shares of face value of Rs. 10 each, which were allotted in April 2007.

*Directors as on October 20, 2007*

The Board of Directors of Oak comprises:

1. Ms. Vidya Shah
2. Ms. Sharmishta Shah

*Financial performance**(Rs. million except per share data)*

	March 31, 2005	March 31, 2006	March 31, 2007
Sales and other income	-	-	-
Profit/Loss after tax	-	-	(0.25)
Equity capital (par value Rs. 10 per share)	-	-	3.85
Preference share capital	-	-	-
Earnings per share (Rs.)	-	-	(0.64)
Book value per equity share (Rs.)	-	-	10.00
Reserves & Surplus	-	-	-

**4. E Cap Partners (“ECap”)**

ECap, a partnership firm, was registered on August 20, 2002. The main object of ECap includes dealing in securities/stocks/shares/mutual fund units and any other permissible marketable instrument. ECap has its registered office at 104, P J Towers, Dalal Street, Fort, Mumbai 400 023.

*Partners as on October 20, 2007*

1. Mr. Rashesh Shah
2. Mr. Venkatchalam Ramaswamy
3. Ms. Shaku Panjwani
4. Ms. Pooja Mittal
5. Ms. Tarunika Mehrotra
6. Ms. Sharmistha Shah
7. Ms. Vidya Shah
8. Ms. Vidya Shankar

*Financial performance**(Rs. million)*

	March 31, 2005	March 31, 2006	March 31, 2007
Capital Account	84.44	110.42	8.08
Sales and other income	31.03	49.38	2.69
Profit/Loss after tax	16.22	40.31	0.78

**5. Edelweiss Employee Welfare Trust (“EEWT”)**

EEWT was formed on March 25, 2003. The registered office of EEWT is located at 14<sup>th</sup> Floor, Express Towers, Nariman Point, Mumbai 400 021. The main object of EEWT is to provide for the welfare of and to provide incentive and reward eligible employees of our Company and Subsidiaries.

*Trustees as on October 20, 2007*

1. Mr. Rashesh Shah
2. Mr. Venkatchalam Ramaswamy

*Financial performance**(Rs. million)*

	March 31, 2005	March 31, 2006	March 31, 2007
Trust fund	0.02	1.16	1.36
Sales and other income	0.02	1.16	0.21
Profit/Loss after tax	0.02	1.14	0.20

**6. Rashesh Shah (HUF)**

Rashesh Shah (HUF) was formed on December 10, 1995, is engaged in the business of investments, with Mr. Rashesh Shah as its *Karta*.

Members as on October 20, 2007

1. Mr. Rashesh Shah
2. Ms. Vidya Shah
3. Master Neel Shah
4. Ms. Avanti Shah

*Financial performance*

	(Rs. in million)		
	March 31, 2005	March 31, 2006	March 31, 2007
Other income	0.001	0.01	0.002
Profit/Loss after tax	0.001	0.16	0.002
Equity capital (par value Rs. 10 per share)	-	-	-
Earnings per share (Rs.)	-	-	-
Book value per equity share (Rs.)	-	-	-
Reserves & Surplus	-	-	-

**Sick companies**

None of the Promoter Group companies listed above has been declared as a sick company under the SICA. There are no winding up proceedings against any of the Promoter Group companies. Except as disclosed in this section the Promoter Group companies do not have negative net worth. Further, no application has been made by any of them to RoC to strike off their names.

**Disassociation by the Promoters in the last three years**

Our promoters have disassociated from Edelcap Insurance Advisors Limited and EC Partners. The date of such disassociation is November 15, 2005 and April 1, 2006 respectively.

**Common Pursuits**

Except for Ivy Financial Services Private Limited, Oak Holdings Limited and E Cap Partners, which have been incorporated with the object of carrying on financial services and dealing in securities/stocks/shares/mutual fund units and any other permissible marketable instruments, respectively, none of our Promoter Group Companies have an interest in any venture that is involved in any activities similar to those conducted by our Company, our Subsidiaries or any member of our Promoter Group. However, Ivy Financial Services Private Limited, Oak Holdings Limited and E Cap Partners have not obtained any regulatory approvals and are currently not carrying nor do they intend to carry on any business similar to any of those conducted by our Company. For further details regarding Oak Holdings Limited, Ivy Financial Services Private Limited and E Cap Partners, see the section titled "Our Promoters and Promoter Group" beginning on page 142. We shall adopt the necessary procedures and practices as permitted by law to address any conflict situations, as and when they may arise. For further details on the related party transactions, to the extent of which our Company is involved, see the section titled "Financial Statements" beginning on page 150.

**Interests of our Promoters**

Our Promoters are interested in our Company to the extent that they have promoted our Company, their shareholding in our Company and to extent of them being directors of our Company. For further interest of certain of our Promoters, see the section titled "Our Management - Interests of Directors" on page 95.

**Interest in the property of our Company**

The Promoters do not have any interest in any property acquired by our Company within two years preceding the date of this Red Herring Prospectus or proposed to be acquired by our Company.

**Payment of benefits to our Promoters during the last two years**

Except as stated in the section titled “Financial Statements” beginning on page 150, there has been no payment of benefits to our Promoters during the last two years from the date of filing of this Red Herring Prospectus.

**Litigation**

For details regarding litigation involving Promoters, see the section titled “Outstanding Litigation and Material Developments”, beginning on page 460.

**Related party transactions**

For details of related party transactions, see the section titled “Financial Statements” beginning on page 150.

## DIVIDEND POLICY

Our Company has no stated dividend policy. The declaration and payment of dividends on our Equity Shares will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition.

The table below provides information of dividends declared by our Company during the last five fiscal years.

	Year ended March 31,				
	2007	2006	2005	2004	2003
Face value of Equity Shares (Rs. per share)	Rs. 1	Rs. 1	Rs. 2	Rs. 10	Rs. 10
Dividend (Rs.)	11.26 million	4.88 million	2.79 million	2.05 million	1.37 million
Dividend tax (Rs.)	1.58 million	0.68 million	0.36 million	0.26 million*	0.17 million*
Dividend per Equity Share (Rs.) final	0.30	0.15	0.20	0.75	0.50
Dividend rate (%)	30.0	15.0	10.0	7.5	5.0

\* Corporate Tax on dividend

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

## SECTION V : FINANCIAL INFORMATION

### FINANCIAL STATEMENTS

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#### **Auditors' Report**

The Board of Directors  
Edelweiss Capital Limited

We have examined the attached financial information of Edelweiss Capital Limited ('the Company'), its following subsidiaries viz: Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited), Crossborder Investments Private Limited, ECL Finance Limited, ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited), Edelweiss Insurance Brokers Limited, Edelweiss Trustee Services Private Limited, EC Global Limited and Edelcap Securities and Transaction Services Private Limited (formerly Tiffin Investments Private Limited) and its associate viz: Edelweiss Real Estate Advisors Private Limited, as at 31 August 2007 and for the period from 1 April 2007 to 31 August 2007, being the last date to which the accounts of the Company and its subsidiaries have been made up and audited.

Further, we have also examined the attached financial information of the Company and its following subsidiaries viz: Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited), Crossborder Investments Private Limited, ECL Finance Limited, ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited), Edelweiss Insurance Brokers Limited, Edelweiss Real Estate Advisors Private Limited, Edelweiss Trustee Services Private Limited and Edelcap Securities and Transaction Services Private Limited (formerly Tiffin Investments Private Limited), as at 31 March 2007 and for the financial year ended 31 March 2007 extracted from the audited financial statements for year ended 31 March 2007 and approved by the Board of Directors of respective companies for presentation to the members of the Company.

The attached financial information mentioned above has been prepared in accordance with Paragraph B (1) of Part – II of Schedule II of the Companies Act, 1956, of India ('the Act') and amendments thereof and Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related clarifications, and the amendments upto June 10, 2007 thereto, to the extent applicable, in connection with the Red Herring Prospectus being issued by the Company for the initial public offering of equity shares.

We have accepted the relevant accounts and statements in respect of EC Global Limited, Mauritius for the financial year ended 31 March 2007, audited and reported upon by KPMG, Mauritius, the auditors of EC Global Limited for the above financial year.

We have accepted the relevant accounts and statements in respect of Edelweiss Capital USA, LLC for the financial years/period ended 31 March 2003, 31 March 2004, 31 March 2005, 31 March 2006, 31 March 2007 and 31 August 2007, audited and reported upon by Brace & Sussman, PLLC, the auditors of Edelweiss Capital USA, LLC for the above financial years/periods.

We have also accepted the relevant accounts and statements in respect of Edelweiss Capital Limited and its following subsidiaries: Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) and Crossborder Investments Private Limited for the financial years ended 31 March 2003, 31 March 2004, 31 March 2005 and 31 March 2006, ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited) for the financial years/period ended 31 March 2005 and 31 March 2006, Edelweiss Insurance Brokers Limited, Edelweiss Real Estate Advisors Private Limited, Edelweiss Trustee Services Private Limited for the year/period ended 31 March 2006, audited and reported upon by Price Waterhouse, the auditors of the Company and its above subsidiaries for the above financial years/periods.

We have accepted the relevant accounts and statements in respect of Edelweiss Insurance Brokers Limited for the financial years ended 31 March 2003, 31 March 2004 and 31 March 2005, audited and reported upon by Price Waterhouse & Co., the auditors of Edelweiss Insurance Brokers Limited for the financial years.

We have accepted the relevant accounts and statements in respect of Edelcap Securities and Transaction Services Private Limited (formerly Tiffin Investments Private Limited) for the period ended 31 March 2006, audited and reported upon by R.P. Soni, the auditors of Edelcap Securities and Transaction Services Private Limited (formerly Tiffin Investments Private Limited) for the above period.

We have accepted the relevant accounts and statements in respect of ECL Finance Limited for the period ended 31 March 2006, audited and reported upon by Jain Ambavat & Associates, the auditors of ECL Finance Limited for the above period.

We have accepted the relevant accounts and statements in respect of EC Global Limited, Mauritius for the period ended 31 March 2006, audited and reported upon by PricewaterhouseCoopers, the auditors of EC Global Limited for the above period.

We have accepted the relevant accounts and statements in respect of E-C Partners for the financial years/period ended 31 March 2003, 31 March 2004 and period till 30 November 2005, E-Cap Partners for the financial years/period ended 31 March 2003, 31 March 2004 and period till 15 November 2005, Edelcap Insurance Advisors for the financial years/period 31 March 2005 and 31 March 2006, audited and reported upon by Jain Ambavat & Associates, the auditors of these subsidiaries for the above financial years/period.

We have examined the consolidated financial statements of Edelweiss Capital Limited and all its subsidiaries ('the Group') for the period ended 31 August 2007, being the last date to which the accounts of the Group have been prepared and audited and reported by us.

We have also examined the consolidated financial statements of Edelweiss Capital Limited and all its subsidiaries ('the Group') for the financial year ended 31 March 2007 approved by the Board of Directors and audited and reported by us.

We have accepted the relevant accounts and statements in respect of consolidated financial statements of Edelweiss Capital Limited and its subsidiaries for the financial years ended 31 March 2005 and 31 March 2006, audited and reported upon by Price Waterhouse, the auditors of the group for the above financial years. The unconsolidated financial statements of the Company and its subsidiaries for years ended 31 March 2003 and 31 March 2004 were audited by Price Waterhouse, by Price Waterhouse & Co., by Jain Ambavat & Associates and Brace & Sussman PLLC. We have placed reliance on such audited financials and reviewed preparation of consolidated financial statements of the Company and its subsidiaries for the financial years ended 31 March 2003 and 31 March 2004 to adhere with provisions of Accounting Standard 21 'Consolidated Financial Statements' and Accounting Standard 23 'Accounting for Investments in Associates in Consolidated Financial Statements'.

In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act'), the SEBI Guidelines along with the related clarifications thereto issued by the SEBI, the guidance note on the Reports in Company Prospectus issued by the Institute of Chartered Accountants of India ('ICAI') and our terms of reference with the Company requesting us to make this report for the purpose of disclosure in the Red Herring Prospectus being issued by the Company in connection with the initial public offering of equity shares, we report that:

- a) The restated consolidated statement of assets and liabilities of the Group for the years/period ended 31 March 2003, 31 March 2004, 31 March 2005, 31 March 2006, 31 March 2007 and 31 August 2007 as set out in Annexure I to this report after making such adjustments and regroupings, as in our opinion, are appropriate and as more fully described in the notes appearing in Annexure IV to this report.
- b) The restated consolidated statement of profit and loss of the Group for the years/period ended 31 March 2003, 31 March 2004, 31 March 2005, 31 March 2006, 31 March 2007 and 31 August 2007 as set out Annexure II to this report after making such adjustments and regroupings, as in our opinion, are appropriate and as more fully described in the notes appearing in Annexure IV to this report.
- c) The above restated consolidated summary statements, including the adjustments and regroupings which are more fully described in the note on adjustments appearing in Annexure IV to this report have been extracted from the consolidated audited financial statements of the Company as at and for the years/period ended 31 March 2005, 31 March 2006, 31 March 2007 and 31 August 2007. The audit of unconsolidated financial statements of the Company and its subsidiaries for years ended 31 March 2003 and 31 March 2004 were audited by Price Waterhouse, by Price Waterhouse & Co., by Jain Ambawat & Associates and Brace & Sussman PLLC. We have placed reliance on such audited financials and reviewed preparation of consolidated financial statements of the Company and its subsidiaries for the financial years ended 31 March 2003 and 31 March 2004 to adhere with provisions of Accounting Standard 21 'Consolidated Financial Statements' and Accounting Standard 23 'Accounting for Investments in Associates in Consolidated Financial Statements'.
- d) We have also examined the following financial information relating to the Group prepared and approved by the management of the Company for the purpose of inclusion in the Red Herring Prospectus:
  - i. Statement of consolidated restated cash flows for the financial years ended 31 March 2003, 31 March 2004, 31 March 2005, 31 March 2006 and 31 March 2007 and period ended 31 August 2007 as appearing in Annexure III to this report after making such adjustments and regroupings, as in our opinion, are appropriate and as more fully described in the notes appearing in Annexure IV to this report;
  - ii. Details of other income as appearing in Annexure V to this report;
  - iii. Statement of dividend paid/proposed as appearing in Annexure VI to this report;
  - iv. Summary of accounting ratios as appearing in Annexure VII to this report;
  - v. Capitalization statement as appearing in Annexure VIII to this report;
  - vi. Details of secured loans as appearing in Annexure IX to this report;
  - vii. Details of unsecured loans as appearing in Annexure X to this report;
  - viii. Statement of loans and advances, as appearing in Annexure XI to this report; and
  - ix. Details of investments as appearing in Annexure XII to this report.
- e) In our opinion, the above financial information of the Group, read with significant accounting policies appearing in Annexure IV to this report after making adjustments and regroupings as considered appropriate, has been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines.

- f) The restated statement of assets and liabilities of the Company as at 31 March 2003, 31 March 2004, 31 March 2005, 31 March 2006, 31 March 2007 and 31 August 2007 as set out in Annexure XIII to this report after making such adjustments and regroupings, as in our opinion, are appropriate and as more fully described in the notes appearing in Annexure XVI to this report.
- g) The restated statement of profits and losses of the Company for the financial years ended 31 March 2003, 31 March 2004, 31 March 2005, 31 March 2006 and 31 March 2007 and period ended 31 August 2007 as set out in Annexure XIV to this report after making such adjustments and regroupings as, in our opinion, are appropriate and as more fully described in the notes appearing in Annexure XVI to this report.
- h) The above restated summary statements, including the adjustments and regroupings which are more fully described in the note on adjustments appearing in Annexure XVI to this report have been extracted from the Audited Financial Statements of the Company as at and for the years ended 31 March 2003, 31 March 2004, 31 March 2005, 31 March 2006 and 31 March 2007 and period ended 31 August 2007.
- i) We have examined the following financial information relating to the Company prepared and approved by the management of the Company for the purpose of inclusion in the Red Herring Prospectus:
- i. Statement of restated cash flows for the financial years ended 31 March 2003, 2004, 2005, 2006 and 2007 and period ended 31 August 2007, as appearing in Annexure XV to this report after making such adjustments and regroupings, as in our opinion, are appropriate and as more fully described in the notes appearing in Annexure XVI to this report;
  - ii. Details of other income as appearing in Annexure XVII to this report;
  - iii. Statement of dividend paid/proposed as appearing in Annexure XVIII to this report;
  - iv. Summary of accounting ratios as appearing in Annexure XIX to this report;
  - v. Capitalization statement as appearing in Annexure XX to this report;
  - vi. Details of secured loans as appearing in Annexure XXI to this report;
  - vii. Details of unsecured loans as appearing in Annexure XXII to this report;
  - viii. Statement of loans and advances, as appearing in Annexure XXIII to this report;
  - ix. Details of investments as appearing in Annexure XXIV to this report; and
  - x. Statement of tax shelter as appearing in Annexure XXV to this report.
- j) In our opinion, the above financial information of the Company, read with significant accounting policies included in Annexure XVI to this report, after making adjustments and regroupings as considered appropriate and has been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines.
- k) We have also examined the attached restated statement of assets and liabilities, statement of profit and loss statement of restated cash flows and notes thereon of each of the subsidiaries/associate of the Company i.e. of Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) appearing in Annexure XXVI, of Crossborder Investments Private Limited appearing in Annexure XXVII, of Edelweiss Insurance Brokers Limited appearing in Annexure XXX, of Edelweiss Capital USA, LLC appearing in Annexure XXXII as at 31 March 2003, 31 March 2004, 31 March 2005, 31 March 2006, 31 March 2007 and 31 August 2007 and for each of the years/period ended on those dates; of ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited) appearing in Annexure XXIX as at 31 March 2005, 31 March 2006, 31 March 2007 and 31 August 2007 and for each of the years/periods ended on those dates; of ECL Finance Limited appearing in Annexure XXVIII, of EC Global Limited appearing in Annexure XXXI, of Edelweiss Real Estate Advisors Private Limited appearing in Annexure

XXXIII, Edelweiss Trustee Services Private Limited appearing in Annexure XXXIV, of Edelcap Securities and Transaction Services Private Limited (formerly Tiffin Investments Private Limited) appearing in Annexure XXXV as at 31 March 2006, 31 March 2007 and 31 August 2007 and for each of the years/periods ended on those dates; of E-C Partners appearing in Annexure XXXVI as at 31 March 2003 and 31 March 2004 and for each of the years/periods ended 30 November 2005, of E-Cap Partners appearing in Annexure XXXVII as at 31 March 2003 and 31 March 2004 and for each of the years/periods ended 15 November 2005; and Edelcap Insurance Advisors appearing in Annexure XXXVIII as at 31 March 2005 and 31 March 2006 and for each of the years/periods ended on those dates.

This report is intended solely for your information and for inclusion in the Red Herring Prospectus in connection with the initial public offer of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **BSR & Associates**  
*Chartered Accountants*

Mumbai  
19 October 2007

**Akeel Master**  
*Partner*  
Membership No: 046768

**Annexure I**

**Edelweiss Capital Limited (consolidated)**

(Currency: Indian rupees in millions)

Statement of assets and liabilities, as restated

	As at	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
A.	Fixed assets						
	Gross block	255.14	213.27	105.71	58.77	38.46	34.43
	Less: accumulated depreciation	93.91	75.85	38.36	17.86	16.23	13.71
	Net block	161.23	137.42	67.35	40.91	22.23	20.72
	Capital work-in-progress	38.93	32.69	-	-	-	-
	Total	200.16	170.11	67.35	40.91	22.23	20.72
B.	Investments	4,267.78	824.38	323.66	102.10	360.61	34.01
C.	Deferred tax asset (net)	15.08	11.26	4.18	1.69	-	-
D.	Current assets, loans and advances						
	Stock-in-trade	7,277.68	5,756.43	1,404.52	271.29	65.68	131.43
	Sundry debtors	410.68	583.19	364.10	122.22	111.15	11.95
	Cash and bank balances	9,935.72	2,650.82	636.53	120.29	103.69	72.34
	Other current assets	591.69	75.49	10.33	3.47	1.55	2.63
	Loans and advances	6,195.62	2,615.71	700.30	499.97	137.06	32.75
	Total	24,411.39	11,681.64	3,115.78	1,017.24	419.13	251.10
	Total assets	28,894.41	12,687.39	3,510.97	1,161.94	801.97	305.83
E.	Liabilities and provisions						
	Deferred tax liability (net)	-	-	-	-	1.48	1.03
	Minority interest	2,269.66	1,398.79	3.43	62.12	13.47	29.96
	Loan funds						
	Secured loans	88.23	67.55	71.22	58.60	43.41	0.12
	Unsecured loans	9,677.76	3,802.28	433.92	61.78	174.32	14.90
	Current liabilities and provisions						
	Current liabilities	7,854.37	1,461.54	1,173.15	403.84	245.68	27.47
	Provisions	208.60	134.03	45.09	36.25	20.71	5.68
	Total liabilities and provisions	20,098.62	6,864.19	1,726.81	622.59	499.07	79.16
F.	Net worth (A+B+C+D-E)	8,795.79	5,823.20	1,784.16	539.35	302.90	226.67

**Annexure I (Continued)****Edelweiss Capital Limited (consolidated)**

(Currency: Indian rupees in millions)

Statement of assets and liabilities, as restated (Continued)

<b>As at</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>	<b>31-Mar-05</b>	<b>31-Mar-04</b>	<b>31-Mar-03</b>
Represented by:						
Shareholders funds						
Share capital	335.28	50.44	37.84	28.60	27.50	27.30
Stock options outstanding account	40.53	36.20	25.03	13.97	1.13	-
Share application money pending allotment		-	-	0.11	0.60	-
Reserves and surplus	8,419.98	5,736.56	1,721.29	496.67	273.67	199.37
<b>Total net worth (as restated)</b>	<b>8,795.79</b>	<b>5,823.20</b>	<b>1,784.16</b>	<b>539.35</b>	<b>302.90</b>	<b>226.67</b>

**Annexure II**

**Edelweiss Capital Limited (consolidated)**

(Currency: Indian rupees in millions)

Statement of profit and loss, as restated

<b>Period/year ended on</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>	<b>31-Mar-05</b>	<b>31-Mar-04</b>	<b>31-Mar-03</b>
<b>Income</b>						
Fee, brokerage and commission income	1,371.88	2,154.30	992.88	423.98	141.00	52.65
Trading and arbitrage income	1,034.62	1,142.19	447.36	212.75	106.78	24.53
Investment and dividend income	188.40	264.67	104.13	112.18	51.60	8.27
Interest income	250.91	128.59	25.50	13.38	3.54	5.12
Other income	2.81	22.78	10.12	8.20	3.07	2.16
<b>Total income</b>	<b>2,848.62</b>	<b>3,712.53</b>	<b>1,579.99</b>	<b>770.49</b>	<b>305.99</b>	<b>92.73</b>
<b>Expenditure</b>						
Employee costs	640.39	816.85	346.39	182.76	73.14	25.93
Operating and other expenses	550.50	933.06	464.75	196.13	89.46	48.35
Depreciation	18.87	37.70	20.52	9.67	5.17	3.78
Financial expenses	359.93	186.89	53.83	34.44	18.65	3.47
Goodwill on consolidation written off	-	0.30	-	-	-	14.77
<b>Total expenditure</b>	<b>1,569.69</b>	<b>1,974.80</b>	<b>885.49</b>	<b>423.00</b>	<b>186.42</b>	<b>96.30</b>
<b>Net profit before tax and extraordinary items</b>	<b>1,278.94</b>	<b>1,737.73</b>	<b>694.50</b>	<b>347.49</b>	<b>119.57</b>	<b>(3.57)</b>
<b>Provision for taxation</b>						
- Income tax (including short provision for earlier years)	437.85	647.35	225.13	116.48	37.98	6.34
- Deferred tax charge/(credit)	(3.85)	(7.07)	1.49	(3.17)	0.45	(0.09)
- Fringe benefit tax	3.52	5.70	3.34	-	-	-
<b>Net profit after tax &amp; before extraordinary items</b>	<b>841.42</b>	<b>1,091.75</b>	<b>464.54</b>	<b>234.18</b>	<b>81.14</b>	<b>(9.82)</b>
Extraordinary items (net of tax)	-	-	20.72	-	-	-
<b>Net profit after extraordinary items and before minority interest</b>	<b>841.42</b>	<b>1,091.75</b>	<b>443.82</b>	<b>234.18</b>	<b>81.14</b>	<b>(9.82)</b>
Share of minority interest in profit for the year	32.13	1.67	37.93	9.36	4.49	0.75
Adjustment on account of change in minority interest	-	-	0.40	-	-	-
<b>Net profit/(loss) after minority interest</b>	<b>809.29</b>	<b>1,090.08</b>	<b>405.49</b>	<b>224.82</b>	<b>76.65</b>	<b>(10.57)</b>
<b>Balance in profit/(loss) account brought forward</b>	<b>1,654.22</b>	<b>628.89</b>	<b>282.85</b>	<b>76.90</b>	<b>23.79</b>	<b>36.72</b>
Less: Adjustment on account of minority interest	-	-	0.70	-	-	-
<b>1,654.22</b>	<b>628.89</b>	<b>282.15</b>	<b>76.90</b>	<b>23.79</b>	<b>36.72</b>	

**Annexure II (Continued)****Edelweiss Capital Limited (consolidated)**

(Currency: Indian rupees in millions)

Statement of profit and loss, as restated (Continued)

<b>Period/year ended on</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>	<b>31-Mar-05</b>	<b>31-Mar-04</b>	<b>31-Mar-03</b>
Balance available for appropriations	2,463.51	1,718.97	687.64	301.72	100.44	26.15
Appropriations						
Transfer to general reserve	-	27.06	4.39	-	-	0.78
Transfer to special reserve under section 45-IC of the Reserve Bank of India Act, 1934, of India	-	22.96	6.55	2.84	1.80	0.04
Interim dividend	-	11.27	-	-	-	-
Transfer to/(from) debenture redemption reserve	(44.46)	1.88	42.18	12.85	19.42	-
Proposed dividend	-	-	4.88	2.80	2.06	1.37
Dividend distribution tax	-	1.58	0.68	0.37	0.26	0.17
Dividend distribution tax for prior year	-	-	0.07	0.01	-	-
Balance in profit and loss account, as restated	2,507.96	1,654.22	628.89	282.85	76.90	23.79
<b>Total</b>	<b>2,463.51</b>	<b>1,718.97</b>	<b>687.64</b>	<b>301.72</b>	<b>100.44</b>	<b>26.15</b>

**Annexure III**

**Edelweiss Capital Limited (consolidated)**

(Currency: Indian rupees in millions)

Cash flow statement, as restated

	<b>Period/year ended on</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>	<b>31-Mar-05</b>	<b>31-Mar-04</b>	<b>31-Mar-03</b>
A	Cash flow from operating activities						
	Profit/(loss) before taxation	1,278.94	1,737.73	694.50	347.49	119.57	(3.57)
	Adjustments for						
	Depreciation	18.87	37.70	20.52	9.67	5.17	3.78
	Net provision for loss on equity index/stock options	20.99	12.05	1.97	4.27	0.05	0.12
	Provision for gratuity	7.61	8.33	1.75	(0.23)	0.45	1.08
	Amortisation of employee stock option plan cost	4.34	11.17	11.06	12.84	1.13	-
	Profit on sale of investments	(71.72)	(200.08)	(88.58)	-	-	-
	Dividend on current investments	(8.52)	(19.20)	(0.70)	-	-	-
	Diminution in value of long term investments (written back)/provided (net)	-	(12.88)	(1.50)	(1.24)	6.84	2.81
	Diminution in value of current investments (written back)/provided (net)	-	(1.37)	(2.77)	4.18	0.18	-
	Goodwill on consolidation written off	-	0.30	-	-	-	14.77
	(Profit)/loss on sale of fixed assets (net)	(0.05)	(0.01)	0.01	3.60	(0.14)	-
	Provision for doubtful debts written back	(0.01)	(1.06)	-	2.72	(0.27)	-
	Provision for doubtful debts	0.23	3.81	0.40	-	-	-
	Bad debts and advances written off	2.24	2.89	0.12	3.02	0.02	0.70
	Financial expenses	359.93	186.89	53.83	34.44	18.65	-
	Extraordinary item	-	-	(28.74)	-	-	-
	Interest income - gross	(163.32)	(68.27)	(25.50)	(13.38)	(3.54)	(5.12)
	Operating cash flow before working capital changes	1,449.53	1,698.00	636.37	407.38	148.11	14.57

**Annexure III (Continued)**

**Edelweiss Capital Limited (consolidated)**

(Currency: Indian rupees in millions)

Cash flow statement, as restated (Continued)

<b>Period/year ended on</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>	<b>31-Mar-05</b>	<b>31-Mar-04</b>	<b>31-Mar-03</b>
Adjustments for						
(Increase)/decrease in stock in trade	(1,521.25)	(4,351.91)	(1,133.24)	(205.61)	65.75	(101.91)
(Increase)/decrease in debtors	170.07	(224.73)	(242.40)	(16.81)	(98.96)	(8.92)
(Increase)/decrease in other current assets	(386.84)	(28.46)	-	-	-	-
(Increase)/decrease in other receivables	(3,590.49)	(1,925.14)	(202.30)	(365.83)	(104.36)	59.44
Increase/(decrease) in trade payables	6,321.40	261.32	775.46	156.83	218.22	8.88
Cash (used in)/generated from operations	2,442.42	(4,570.92)	(166.11)	(24.04)	228.76	(27.94)
Income taxes (paid)/refund received	(374.41)	(566.87)	(225.87)	(101.56)	(24.17)	0.97
Net cash (used in)/generated from operating activities	2,068.01	(5,137.79)	(391.98)	(125.60)	204.59	(26.97)
<b>B Cash flow from investing activities</b>						
Interest received	28.65	31.57	18.64	11.46	4.62	2.50
Dividend received on current investments	8.52	19.20	0.70	-	-	-
Purchase of fixed assets	(49.09)	(140.76)	(55.48)	(33.85)	(8.01)	(12.02)
Proceeds from sale of fixed assets	0.19	0.32	0.01	1.90	1.46	-
Purchase of investments (net)	(3,371.64)	(286.69)	(120.21)	255.57	(333.62)	62.54
Net cash (used in)/generated from investing activities	(3,383.37)	(376.36)	(156.34)	235.08	(335.55)	53.02

**Annexure III (Continued)**

**Edelweiss Capital Limited (consolidated)**

(Currency: Indian rupees in millions)

Cash flow statement, as restated (Continued)

	<b>Period/year ended on</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>	<b>31-Mar-05</b>	<b>31-Mar-04</b>	<b>31-Mar-03</b>
C	Cash flow from financing activities						
	Proceeds from issue of share capital including premium received	2,157.78	2,942.99	834.69	1.96	0.79	0.94
	Change in minority interest	843.33	1,393.69	(97.72)	39.29	(20.98)	29.21
	Change in foreign exchange translation reserve	1.92	7.65	(0.11)	-	(0.02)	0.01
	Dividend paid	-	(16.15)	(2.80)	(2.06)	(1.37)	-
	Dividend distribution tax paid	-	(2.26)	(0.44)	(0.27)	(0.17)	-
	(Repayment of)/proceeds from secured loans	20.68	(3.67)	12.63	15.18	43.29	(0.37)
	(Repayment of)/proceeds from unsecured loans	5,875.49	3,368.37	372.14	(112.54)	159.42	14.76
	Interest paid on loans	(298.94)	(162.18)	(53.83)	(34.44)	(18.65)	-
	Net cash generated from/(used in) financing activities	8,600.26	7,528.44	1,064.56	(92.88)	162.31	44.55
	Net increase in cash and cash equivalents (A+B+C)	7,284.90	2,014.29	516.24	16.60	31.35	70.60
	Cash and cash equivalent as at the beginning of the year/period	2,650.82	636.53	120.29	103.69	72.34	1.74
	Cash and cash equivalent as at the end of the year/period	9,935.72	2,650.82	636.53	120.29	103.69	72.34

## Annexure IV

### Edelweiss Capital Limited (consolidated)

#### 1 Significant accounting policies

##### 1.1 Principles of consolidation

a. The consolidated financial statements relate to Edelweiss Capital Limited ('the Company') and its subsidiary entities and associates ('the Group'). The consolidated financial statements have been prepared on the following basis:

- In respect of Subsidiary enterprises (including partnership firm), the financial statements have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after as far as possible eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses in accordance with Accounting Standard 21 - Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
- In case of Associate Enterprises (including partnership firm), the financial statements have been consolidated as per Accounting Standard 23 – Accounting for investment in Associates issued by the Institute of Chartered Accountants of India.
- Assets and liabilities of the foreign subsidiaries are translated into Indian rupees at the rate of exchange prevailing as at the balance sheet date. Revenue and expense are translated into Indian Rupees at the average exchange rate prevailing during the year and the resulting net translation adjustment has been disclosed as Foreign exchange translation reserve in reserves and surplus.
- The excess of cost over the Company's investments in the subsidiary company is recognised in the consolidated financial statements as Goodwill which has been charged off in the profit and loss account in the year of acquisition. The excess of Company's share in equity and reserves of the subsidiary company over the cost of acquisition is treated as capital reserve.
- The share of Minority interest in the net profit of subsidiaries/partnership firms for the year is identified and adjusted against the income of the group to arrive at the net income attributable to the Company.
- The share of Minority interest in net assets of subsidiaries/partnership firms is identified and presented in the consolidated financial statements separate from liabilities and the equity of the Company.
- The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

b. Investments other than in subsidiaries and associates have been accounted as per Accounting Standard 13 on Accounting for Investments.

c. The subsidiary enterprises and associates considered in the consolidated financial statements are listed below:

Name of the Entity	Country of Incorporation	Proportion of ownership Interest 31 August 2007
Edelweiss Securities Limited#	India	100.00%
Crossborder Investments Private Limited	India	100.00%
Edelweiss Insurance Brokers Limited	India	71.91%
ECAL Advisors Limited^	India	100.00%
Edelweiss Capital USA, LLC	U.S.A.	100.00%
ECL Finance Limited	India	74.00%
EC Global Limited *	Mauritius	100.00%
Edelweiss Trustee Services Private Limited	India	100.00%
Edelcap Securities and Transaction Services Private Limited @*	India	100.00%

# formerly Edelweiss Securities Private Limited

^ formerly Edelweiss Commodities & Advisors Limited

@ formerly Tiffin Investments Private Limited

\* held through Crossborder Investments Private Limited

d. During the year 2006-2007, the Company has increased its stake in Edelcap Securities and Transaction Services Private Limited from 49% to 100% on 12 December 2006 through Crossborder Investments Private Limited, a 100% subsidiary of the Company.

## Annexure IV (Continued)

### Edelweiss Capital Limited (consolidated)

#### 1 Significant accounting policies (Continued)

- e. The Company has diluted its interest in Edelweiss Insurance Brokers Limited, a subsidiary company, from 99.95% to 79.96% on 24 October 2005 and from 79.96% to 71.91% on 31 March 2006. In the absence of separate financial statements drawn on the said dates of dilution, it is assumed that the profits of the subsidiary has arisen evenly through out the year for arriving at the share of profit of the minority interest in the consolidated financial statements.
- f. EC Global Limited, a subsidiary company of Crossborder Investment Private Limited, was incorporated on 29 December 2004. The first financial statements drawn by the subsidiary covering the period 29 December 2004 to 31 March 2006 has been considered for the purpose of consolidation for the previous year. The subsidiary had no commercial operations during the period 29 December 2004 to 31 March 2005 and as such had no impact on the consolidated financial statements for the year ended 31 March 2005.
- g. During the period ended 31 August 2007, the Company has diluted its interest in ECL Finance Limited from 100% to 74% by issuance of fresh equity to third party.
- h. During the period ended 31 August 2007, the Company has diluted its interest in Edelweiss Real Estate Advisors Private Limited from 100% to 40% on 9 August 2007 by issuance of fresh equity to third parties. In the absence of separate financial statements drawn on the said dates of dilution, it is assumed that the profits of the subsidiary has arisen evenly through out the year for arriving at the share of profit of the minority interest in the consolidated financial statements. Subsequent to 9 August 2007, investment in Edelweiss Real Estate Advisors Private Limited has been accounted according to Accounting Standard 23 – Accounting for investment in Associates

#### 1.2 Basis of preparation of financial statements

The accompanying financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company. The financial statements are presented in Indian rupees in million.

#### 1.3 Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any differences of actual to such estimates are prospectively made in current or future periods.

## Annexure IV (Continued)

### Edelweiss Capital Limited (consolidated)

#### 1 Significant accounting policies (Continued)

##### 1.4 Revenue recognition

- Advisory and transactional services fee income is accounted for, on an accrual basis in accordance with the terms & contracts entered into between the Company and the counterparty.
- Brokerage income is recognised on trade date basis and is inclusive of service tax.
- Income from derivative transactions is recognised on accrual basis.
- Income from security transactions is recognised on accrual basis.
- Income from commodity transactions is recognised on accrual basis.
- Profit/(loss) on Error trades are included in “Income from Arbitrage and Trading in Securities and Derivatives” and “Income from Arbitrage and Trading in commodity Derivatives” under the respective heads.
- Brokerage and commission income earned from insurance companies is recognised on accrual basis exclusive of service tax.
- Portfolio management fees are accounted on accrual basis as follows:
  - a. In case of percentage based fees, as a percentage of the unaudited net asset value at the end of each financial quarter, on a quarterly basis.
  - b. In case of return based fee, as a percentage of the annual profit, on an annual basis.
- Interest income is recognised on accrual basis.
- Dividend income is recognised when the right to receive payment is established.
- Revenue from fund management services is recognised in accordance with the terms and conditions of the investment management agreement between the Company and the Fund. The amount recognised as revenue is exclusive of service tax.
- In respect of other heads of income, income from depository operations etc., the Company follows the practice of accruing income on a prudent basis.
- Revenue from rendering of trustee services is recognised in accordance with the terms and conditions of the “Compensation Agreement” between the Company and the Fund. The amount recognised as revenue is exclusive of service tax.

##### 1.5 Equity index/stock – futures

- a) “Initial Margin”, representing initial margin paid, and “Margin Deposits”, representing additional margin over and above initial margin, for entering into contracts for equity index/stock futures, which are released on final settlement/squaring-up of underlying contracts, are disclosed as under loans and advances.
- b) Equity index/stock futures are marked-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities, respectively, in the “Mark-to-Market Margin – Equity Index/Stock Futures Account”, represents the net amount paid or received on the basis of movement in the prices of index/stock futures till the balance sheet date.
- c) As on the balance sheet date, profit/loss on open positions in index/stock futures are accounted for as follows:
  - Credit balance in the “Mark-to-Market Margin – Equity Index/Stock Futures Account”, being anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
  - Debit balance in the “Mark-to-Market Margin – Equity Index/Stock Futures Account”, being anticipated loss is adjusted in the profit and loss account.
- d) On final settlement or squaring-up of contracts for equity index/stock futures, the profit or loss is calculated as the difference between settlement/squaring-up price and contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract in “Mark-to-Market Margin – Equity Index/Stock Futures Account” is recognised in the profit and loss account. When more than one contract in respect of the relevant series of equity index futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using weighted average method for calculating profit/loss on squaring-up.

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

1 Significant accounting policies (Continued)

1.6 Equity index/stock – options

- a) “Equity Index/Stock Options Margin Account”, representing initial margin paid, and “Margin Deposit”, representing additional margin paid over and above initial margin, for entering into contracts for equity index/stock options, which are released on final settlement/squaring-up of underlying contracts, are disclosed under loans and advances.
- b) “Equity Index/Stock Option Premium Account” represents premium paid or received for buying or selling the options, respectively.
- c) As at the balance sheet date, in the case of long positions, provision is made for the amount by which the premium paid for those options exceeds the premium prevailing on the balance sheet date, and in the case of short positions, for the amount by which premium prevailing on the balance sheet date exceeds the premium received for those options, and reflected in “Provision for Loss on Equity Index/Stock Option Account”.
- d) When the option contracts are squared-up before expiry of the options, the premium prevailing on that date is recognised in Profit and Loss Account. If more than one option contract in respect of the same index/stock with the same strike price and expiry date to which the squared-up contract pertains is outstanding at the time of squaring-up of the contract weighted average method is followed for determining profit or loss. On expiry of the contracts and on exercising the options, the difference between final settlement price and the strike price is transferred to the profit and loss account. In both the above cases premium paid or received for buying or selling the option, as the case may be, is recognised in the profit and loss account for all squared-up/settled contracts.

1.7 Commodities Stock – Futures

- a) “Initial Margin”, representing initial margin paid, and “Margin Deposits”, representing additional margin over and above initial margin, for entering into contracts for commodities futures, which are released on final settlement/squaring-up of underlying contracts, are disclosed under loans and advances.
- b) Commodities futures are marked-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities respectively, in the “Mark-to-Market Margin – Commodities Stock Futures Account”, represents the net amount paid or received on the basis of movement in the prices of commodities futures till the balance sheet date.
- c) As on the balance sheet date, profit/loss on open positions in commodities futures are accounted for as follows:
  - Credit balance in the “Mark-to-Market Margin – Commodities Stock Futures Account”, being anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
  - Debit balance in the “Mark-to-Market Margin – Commodities Stock Futures Account”, being anticipated loss, is adjusted in the profit and loss account.
- d) On final settlement or squaring-up of contracts for commodities futures, the profit or loss is calculated as the difference between settlement/squaring-up price and contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract in “Mark-to-Market Margin – Commodities Stock Futures Account” is recognised in the profit and loss account. When more than one contract in respect of the relevant series of commodities futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using weighted average method for calculating profit/loss on squaring-up.

## Annexure IV (Continued)

### Edelweiss Capital Limited (consolidated)

#### 1 Significant accounting policies (Continued)

##### 1.7 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

The Company provides pro-rata depreciation from the month in which asset is acquired/put to use. In respect of assets sold, pro-rata depreciation is provided upto the month in which the asset is sold

Depreciation is charged on written down value basis at the rates prescribed by the Schedule XIV of the Companies Act, 1956 as given below:

Class of asset	Rate of depreciation
Office equipment	13.91%
Computers	40.00%
Vehicles	25.00%
Electrical fittings	13.91%
Furniture and fixtures	18.10%

Leasehold improvements are amortized on a straight-line basis over the period of lease.

All fixed assets individually costing less than Rs. 5,000 are fully depreciated in the year of installation.

Software expense includes expenditure by way of license for various office applications which have been written off in the year of purchase on a prudent basis.

##### 1.8 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

##### 1.9 Stock-in-trade

- a) The securities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and disclosed as current assets.
- b) The securities and commodities held as stock-in-trade under current assets are valued at lower of average cost and market value. In case of units of Mutual Funds, Net Asset Value is considered as market value.

##### 1.10 Investments

Investments are classified into long term investments and current investments. Investments which are intended to be held for one year or more are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments.

Long term investments are accounted at cost and any decline in the carrying value other than temporary in nature is provided for. Current investments are valued at cost or market/fair value, whichever is lower. In case of investments in units of a mutual fund, the net asset value of units is considered as the market/fair value.

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

1 Significant accounting policies (Continued)

1.11 Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rate on that date. The exchange differences, if any, are recognised in the profit and loss account and related assets and liabilities are accordingly restated in the balance sheet except those related to acquisition of fixed assets which are adjusted in the carrying amount of the related fixed assets.

1.12 Retirement benefits

Contribution payable to the recognised provident fund, which is a defined contribution scheme, is charged to the profit and loss account in the period in which they occur.

Gratuity which is a defined benefit is accrued based on the actuarial valuation as at the balance sheet date carried out by an independent actuary.

Unused leave of staff lapses at year end and accordingly is not encashable.

1.13 Debenture redemption reserve

In terms of Section 117C of the Companies Act, 1956, amounts equivalent to the principal value of the debentures is transferred to Debenture Redemption Reserve proportionately over the term of the debentures.

1.14 Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) and fringe benefit tax.

Deferred taxation

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

Fringe benefit tax

Provision for Fringe Benefit Tax ('FBT') is made on the basis of applicable FBT on the taxable value of chargeable expenditure of the Company as prescribed under the Income Tax Act, 1961.

Securities Transaction Tax

Securities Transaction Tax ('STT') to the extent allowable u/s 88E of the Income Tax Act, 1961 has been included in provision for income tax.

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

1 Significant accounting policies (Continued)

1.15 Preliminary expenses

Preliminary expenses are charged to the profit and loss account in the year in which they are incurred.

1.16 Operating leases

Lease rentals in respect of operating lease are charged to the profit and loss account as per the terms of the lease arrangement on a straight line basis.

1.17 Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting year.

Number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are included.

1.18 Employee stock option plans

Pursuant to the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employee Share-based Payments, the independent valuer computes the fair value of its shares using the earnings capitalization method considering weighted average adjusted profit after tax for last 3 years of all the subsidiary companies. Accordingly, the difference, if any between the fair value and the issue price is charged to the profit and loss account as the compensation cost on account of Employee Stock Option Plan over the period of grant and vesting date.

1.19 Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

1.20 Reserve Bank of India prudential norms

Crossborder Investments Private Limited and ECL Finance Limited, the subsidiaries of the Company follow the guidelines issued by the Reserve Bank of India, in respect of income recognition, provisioning for non-performing assets and valuation of investments.

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

1 Significant accounting policies (Continued)

1.21 Interim financial statements

The accounting policies followed in the preparation of the condensed financial statements for the period ended 31 August 2007 are same as stated above except for retirement benefits and taxation.

a. Retirement benefits

In accordance with the announcement of the Institute of Chartered Accountants of India, the Company has implemented revised Accounting Standard 15 - Employee Benefits with effect from 1 April 2007. However, there is no financial impact as a result of the adoption of this Accounting Standard.

Gratuity which is a defined benefit is calculated on a year to date basis by using the actuarially determined rates at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements or other significant one time events.

b. Taxation

Provision for taxes and deferred tax have been determined based on effective tax rate applicable for the full year estimated financial statements for the year ending 31 March 2008 as required under Accounting Standard 25 – Interim Financial Reporting issued by the Institute of Chartered Accountants of India.

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts

2.1 Segment reporting

Segment reporting disclosures have been prepared in accordance with Accounting Standard 17 – Segment Reporting issued by the Institute of Chartered Accountants of India.

The Company's management has classified its business into the following segments:

- Broking
- Trading/investments in securities, commodities and derivative instruments
- Advisory and transactional services
- Portfolio management services (started from the financial year ended 31 March 2005)
- Financing activity (started from the financial year ended 31 March 2005)
- Others

Revenue & expenses for the period and assets & liabilities are either specifically identifiable with individual segments or have been allocated to segments on an appropriate basis.

Based on such allocations, segment results for the period/year ended 31 August 2007 and 31 March 2007, 31 March 2006, 31 March 2005, 31 March 2004 and 31 March 2003 and segment assets & liabilities as at 31 August 2007, 31 March 2007, 31 March 2006, 31 March 2005, 31 March 2004 and 31 March 2003 have been prepared.

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (continued)

2.1 Segment reporting (continued)

(Indian rupees in millions)

Particulars	Broking						Advisory and transactional services					
	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Segment revenue												
Income from external customers	919.85	1,415.17	694.59	259.12	97.74	30.21	424.99	697.54	267.93	154.34	40.80	24.54
Income from inter segments	-	-	-	-	-	-	-	-	-	-	-	-
Excess provision written back	-	-	-	-	-	-	-	-	-	0.20	-	-
Brokerage, interest & other income	-	8.08	15.70	8.63	3.32	-	-	-	-	-	-	-
Total	919.85	1,423.25	710.29	267.75	101.06	30.21	424.99	697.54	267.93	154.54	40.80	24.54
Segment result	201.92	483.13	235.98	89.60	33.55	7.04	341.74	445.95	147.73	97.22	18.40	9.50
Income tax												
Current tax	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-	-	-	-	-	-	-
Fringe benefit tax	-	-	-	-	-	-	-	-	-	-	-	-
Extraordinary item (net of tax)	-	-	20.72	-	-	-	-	-	-	-	-	-
Profit after tax												
Other information												
Carrying amount of segment assets	1,286.41	1,194.24	740.53	177.13	238.27	85.10	219.36	93.64	71.49	24.28	9.47	1.03
Carrying amount of segment liabilities	5,844.30	307.43	773.44	565.77	226.90	58.34	66.35	115.63	40.73	29.09	7.10	1.71
Capital expenditure	-	46.68	36.73	6.78	-	-	-	-	6.81	18.57	-	-
Depreciation	12.00	19.65	8.09	1.32	-	-	-	-	8.97	5.62	-	-
Other non cash expenditure	0.00	0.02	-	-	-	-	1.96	2.87	0.12	2.79	0.11	0.17

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (continued)

2.1 Segment reporting (continued)

(Indian rupees in millions)

Particulars	Trading/investments in securities, commodities & derivatives						Portfolio Management Services					
	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Segment revenue												
Income from external customers	1,183.09	1,390.27	549.26	323.68	158.38	32.79	2.22	15.07	28.57	9.20	-	-
Income from inter segments	-	-	-	-	-	-	-	-	-	-	-	-
Excess provision written back	-	12.88	3.65	3.96	-	-	-	-	-	-	-	-
Brokerage, interest & other income	-	-	6.81	5.43	-	-	-	-	-	-	-	-
Total	1,183.09	1,403.15	559.72	333.07	158.38	32.79	2.22	15.07	28.57	9.20	-	-
Segment result	1,039.67	1,063.09	426.52	225.17	116.35	25.52	(0.15)	6.15	17.49	0.73	-	-
Income tax												
Current tax	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-	-	-	-	-	-	-
Fringe benefit tax	-	-	-	-	-	-	-	-	-	-	-	-
Extraordinary item (net of tax)	-	-	-	-	-	-	-	-	-	-	-	-
Profit after tax												
Other information												
Carrying amount of segment assets	13,347.27	8,134.61	1,984.90	452.37	617.54	277.78	1.01	10.13	19.97	9.70	-	-
Carrying amount of segment liabilities	217.27	410.58	116.99	(203.34)	187.46	5.11	2.38	4.21	8.23	3.74	-	-
Capital expenditure	-	9.31	10.33	1.07	-	-	-	-	0.49	1.16	-	-
Depreciation	2.47	4.04	1.79	0.21	-	-	-	-	0.64	0.35	-	-
Other non cash expenditure	-	-	1.50	3.26	6.52	-	-	-	-	-	-	-

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (continued)

2.1 Segment reporting (continued)

(Indian rupees in millions)

Particulars	Financing activity						Un-allocated						Total					
	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Segment revenue																		
Income from external customers	98.30	51.68	6.06	-	-	-	66.87	21.49	(21.37)	(1.96)	3.10	5.19	2,695.32	3,591.22	1,525.04	744.38	300.02	92.73
Income from inter segments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess provision written back	-	-	-	-	-	-	-	-	-	0.04	-	-	-	12.88	3.65	4.20	-	-
Brokerage, interest & other income	-	-	-	-	-	-	153.30	100.35	28.79	7.85	2.65	-	153.30	108.43	51.30	21.91	5.97	-
Total	98.30	51.68	6.06	-	-	-	220.17	121.84	7.42	5.93	5.75	5.19	2,848.62	3,712.53	1,579.99	770.49	305.99	92.73
Segment result	82.95	40.16	2.17	-	-	-	(387.18)	(300.75)	(135.39)	(65.23)	(48.73)	(45.63)	1,278.95	1,737.73	694.50	347.49	119.57	(3.57)
Income tax																		
Current tax	-	-	-	-	-	-	437.85	647.35	225.13	116.48	37.98	6.34	437.85	647.35	225.13	116.48	37.98	6.34
Deferred tax	-	-	-	-	-	-	(3.85)	(7.07)	1.49	(3.17)	0.45	(0.09)	(3.85)	(7.07)	1.49	(3.17)	0.45	(0.09)
Fringe benefit tax	-	-	-	-	-	-	3.52	5.70	3.34	-	-	-	3.52	5.70	3.34	-	-	-
Extraordinary item (net of tax)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20.72	-	-	-
Profit after tax													841.43	1,091.75	443.82	234.18	81.14	(9.82)
Other information																		
Carrying amount of segment assets	2,484.62	891.75	181.48	-	-	-	11,555.74	2,363.02	512.60	498.46	(63.31)	(58.08)	28,894.41	12,687.39	3,510.97	1,161.94	801.97	305.83
Carrying amount of segment liabilities	29.36	3.03	35.46	-	-	-	13,938.95	6,023.31	751.96	227.33	77.61	14.00	20,098.61	6,864.19	1,726.81	622.59	499.07	79.16
Capital expenditure	-	-	-	-	-	-	49.09	84.77	1.12	6.64	8.01	1.70	49.09	140.76	55.48	34.22	8.01	1.70
Depreciation	-	-	-	-	-	-	4.41	14.01	1.03	2.17	5.17	3.78	18.87	37.70	20.52	9.67	5.17	3.78
Other non cash expenditure	-	-	-	-	-	-	-	-	-	0.33	0.28	14.97	1.96	2.89	1.62	6.38	6.91	15.14

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (continued)

2.2 Related parties

(A) Key management personnel:

Rashesh Shah  
Venkat Ramaswamy  
Navtej Nandra  
Nilesh Shah  
Naresh Kothari  
Sunil Wadhvani  
Ramanan Raghavendran

(B) Relatives of key management personnel with whom transactions have taken place during the period/year:

Aparna T. C.  
Vidya Shah  
Roopa Shah  
A.V. Ramaswamy  
Snehalata Gupta  
Rushil Shah  
Kirtilal Shah  
Sharda Shah  
Sejal Shah  
Neel Shah  
Kaavya Venkat  
Sharmishta Shah

(C) Enterprises in which key management personnel exercise significant influence, with whom transactions have taken place during the period/year:

E C Partners (the firm has been dissolved as at 30 November 2004)  
E-Cap Partners (the Company retired as a partner w.e.f. 15 November 2005)  
Edelweiss Insurance Advisors (the Company retired as a partner w.e.f. 1 April 2006)  
Oak Holdings Private Limited  
Niranjan Nanavati HUF  
Rashesh Shah HUF  
Nilesh Shah HUF

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

Related parties (Continued)

(D) Transactions with related parties:

(Indian rupees in millions)

Particulars	Enterprises in which Key Management Personnel and the Company exercise Significant Influence						Key Management Personnel					
	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
<b>Capital account</b>												
Equity shares capital	-	(4.00)	-	-	-	-	(4.03)	-	(16.00)	-	-	-
Securities premium		(376.00)	-	-	-	-	-	-	-	-	-	-
Preference shares capital		-	-	-	-	-	-	(2.60)	(1.95)	-	-	-
Share application money paid		-	-	-	-	0.01	-	-	-	-	-	-
Optionally fully convertible debentures issued		-	-	-	-	-	-	-	-	(3.00)	(3.50)	-
Optionally fully convertible debentures redeemed		-	-	-	-	-	-	-	-	4.50	2.00	-
<b>Current account transactions</b>												
ICD accepted	(27.00)	-	-	-	-	-	-	-	-	-	-	-
ICD repaid	24.90	-	-	-	-	-	-	-	-	-	-	-
Amounts taken	-	(3.29)	(82.31)	-	-	-	-	(5.00)	-	-	-	-
Amounts given	-	-	62.68	-	-	-	-	5.00	-	-	-	-

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

2.2 Related parties (Continued)

(D) Transactions with related parties:

(Indian rupees in millions)

Particulars	Enterprises in which key management personnel and the Company exercise significant influence						Key management personnel					
	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Secondary market transactions:												
Purchases	51.07	263.22	145.73	92.82	277.35	227.56	107.42	196.86	71.37	37.95	64.96	35.13
Sales	(51.08)	(376.88)	(149.63)	(93.86)	(275.78)	(221.04)	(107.13)	(194.92)	(73.14)	(73.10)	(56.55)	(41.73)
Brokerage received	(0.03)	(0.23)	(0.29)	(0.24)	(0.43)	(0.42)	(0.13)	(0.60)	(0.15)	(0.18)	(0.19)	(0.14)
Fees received	-	-	-	-	-	-	-	(0.06)	(2.64)	-	(0.02)	(0.08)
Interest paid	-	-	-	-	-	-	-	-	-	0.32	0.36	-
Dividend paid	-	-	-	-	-	-	-	5.88	1.03	0.77	0.53	-
Guarantee commission	-	-	-	-	-	-	-	-	-	-	3.34	-
Remuneration	-	-	-	-	-	-	10.78	107.18	53.23	19.46	7.77	5.45
Interest received	-	-	(0.16)	-	-	-	-	-	-	-	-	-
Interest paid	0.30	-	-	-	-	-	-	-	-	-	-	-

## Annexure IV (Continued)

Edelweiss Capital Limited (consolidated)

2 Notes to the accounts (Continued)

2.2 Related parties (Continued)

(D) Transactions with related parties:

(Indian rupees in millions)

Particulars	Enterprises in which key management personnel and the Company exercise significant influence						Key management personnel					
	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Reimbursements												
- Rent	(0.38)	(0.61)	(0.30)	-	-	-	1.50	-	-	-	-	-
- Utilities	(0.13)	(0.28)	(0.08)	-	-	-	-	-	-	-	-	-
- Communication	-	(0.01)	(0.01)	-	-	-	-	-	-	-	-	-
- Leasehold improvement expenses	-	(0.13)	(0.08)	-	-	-	-	-	-	-	-	-
- Office expenses	-	(0.01)	(0.01)	-	-	-	-	-	-	-	-	-
- Employee Cost	(0.39)	-	-	-	-	-	-	-	-	-	-	-
- Printing & stationery	(0.03)	(0.01)	-	-	-	-	-	-	-	-	-	-
- Legal & professional fees	(0.03)	(0.06)	-	-	-	-	-	-	-	-	-	-

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

2.2 Related parties (Continued)

(D) Transactions with related parties:

(Indian rupees in millions)

Particulars	Relatives of key management personnel						Total					
	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Capital account												
Equity shares capital	-	-	(0.93)	-	-	-	(4.03)	(4.00)	(16.93)	-	-	-
Securities premium	-	-	-	-	-	-	-	(376.00)	-	-	-	-
Preference shares capital	-	-	-	-	-	-	-	(2.60)	(1.95)	-	-	-
Share application money paid	-	-	-	-	-	-	-	-	-	-	-	0.01
Optionally fully convertible debentures issued	-	-	-	(3.00)	(2.00)	-	-	-	-	(6.00)	(5.50)	-
Optionally fully convertible debentures redeemed	-	-	-	3.00	2.00	-	-	-	-	7.50	4.00	-
Current account transactions												
ICD accepted	-	-	-	-	-	-	(27.00)	-	-	-	-	-
ICD repaid	-	-	-	-	-	-	24.90	-	-	-	-	-
Amounts taken	-	(5.00)	-	-	-	-	-	(13.29)	(82.31)	-	-	-
Amounts given	-	5.00	-	-	-	-	-	10.00	62.68	-	-	-
Secondary market transactions:												
Purchases	54.86	74.18	6.95	66.82	108.98	29.51	213.35	534.26	224.05	197.59	451.29	292.20
Sales	(80.02)	(88.50)	(2.42)	(80.06)	(103.33)	(43.06)	(238.23)	(660.30)	(225.19)	(247.02)	(435.66)	(305.83)
Brokerage received	(0.14)	(0.41)	(0.04)	(0.35)	(0.46)	(0.18)	(0.30)	(1.24)	(0.48)	(0.77)	(1.08)	(0.74)

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

2.2 Related parties (Continued)

(D) Transactions with related parties:

(Indian rupees in millions)

Particulars	Relatives of key management personnel						Total					
	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Fees received	-	-	-	-	-	(0.01)	-	(0.06)	(2.64)	-	(0.02)	(0.09)
Interest paid	-	-	-	-	0.20	-	-	-	-	0.32	0.56	-
Dividend paid	-	1.98	0.43	0.32	0.22	-	-	7.86	1.46	1.09	0.75	-
Guarantee commission	-	-	-	-	-	-	-	-	-	-	3.34	-
Remuneration	0.48	4.09	4.20	0.12	1.72	0.83	11.26	111.27	57.43	19.58	9.49	6.28
Interest received	-	-	-	-	-	-	-	-	(0.16)	-	-	-
Interest paid	-	-	-	-	-	-	0.30	-	-	-	-	-
Reimbursements												
- Rent	0.48	1.16	1.16	1.06	0.64	-	1.60	0.55	0.86	1.06	0.64	-
- Utilities	-	-	-	-	-	-	(0.13)	(0.28)	(0.08)	-	-	-
- Communication	-	-	-	-	-	-	-	(0.01)	(0.01)	-	-	-
- Leasehold improvement expenses	-	-	-	-	-	-	-	(0.13)	(0.08)	-	-	-
- Office expenses	-	-	-	-	-	-	-	(0.01)	(0.01)	-	-	-
- Employee Cost	-	-	-	-	-	-	(0.39)	-	-	-	-	-
- Printing & stationery	-	-	-	-	-	-	(0.03)	(0.01)	-	-	-	-
- Legal & professional fees	-	-	-	-	-	-	(0.03)	(0.06)	-	-	-	-

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

2.2 Related parties (Continued)

(E) Balances as at 31 August 2007:

(Indian rupees in millions)

<b>Particulars</b>	<b>Enterprises in which key management personnel and the Company exercise significant influence</b>	<b>Key management personnel</b>	<b>Relatives of key management personnel</b>	<b>Total</b>
Investments	-	-	-	-
Unsecured Loan	(2.10)	-	-	(2.10)
Sundry creditor	-	-	-	-
Sundry debtors	0.21	-	-	0.21
Loans and advances	3.64	-	-	3.64

**Annexure IV (Continued)****Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

2.3 Managerial remuneration

(Indian rupees in millions)

	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Salary and Bonus	11.24	106.77	50.47	17.17	3.46	4.94
Rent	1.50	0.41	2.66	2.56	1.24	-
Perquisite *		-	0.03	0.03	0.01	0.01
Gratuity		-	-	0.15	0.17	0.5
Total	12.74	107.18	53.16	19.91	7.78	5.45

For the period ended 31 August 2007, provision for bonus is made in the books on an overall Company basis. Thus the aforementioned remuneration numbers are excluding bonus.

For the period ended 31 August 2007, year ended 31 March 2007 and 31 March 2006, the Provision for gratuity is based on actuarial valuation done on an overall Company basis. However, for the financial years ended 31 March 2005, 2004 and 2003, the same was calculated as per the Payments of Gratuity Act.

\* Valued as per Income Tax Act, 1961, of India

2.4 Contingent liability

For the period ended 31 August 2007

a) Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited), a subsidiary of the Company has provided bank guarantees aggregating to Rs. 3,105.00 million as on 31 August 2007 for the following purposes to:

- i) The National Stock Exchange of India Limited - Rs. 2,954.00 million for meeting margin requirements and security deposit.
- ii) Bombay Stock Exchange Limited - Rs. 150.00 million and Rs. 1.00 million for meeting margin requirements and towards security deposit respectively.

The Company has pledged fixed deposits with banks aggregating of Rs. 1,555.00 million for obtaining the above bank guarantees.

It has pledged fixed deposits with banks aggregating of Rs. 1,555.00 million for obtaining the above bank guarantees.

Further, it has pledged the fixed deposits with the following:

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

2.4 Contingent liability (Continued)

- i) OTCEI Rs. 0.30 million for meeting base capital requirements;
- ii) Bombay Stock Exchange Limited Rs. 13.00 million for meeting base capital requirements;
- iii) National Stock Exchange of India Limited Rs. 5,663.30 million for meeting base capital requirements;
- iv) Centurion Bank of Punjab Limited Rs. 30.10 million for overdraft facility against fixed deposit;
- v) Citibank Rs. 125.00 million for overdraft facility against fixed deposit;
- vi) ICICI Bank Rs. 100.20 million for overdraft facility against fixed deposit; and
- vii) IndusInd Bank Rs. 20.00 million for overdraft facility against fixed deposit.

Income tax demands against Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited), a subsidiary of the Company not acknowledged as debts amounts to Rs. 28.59 million. The subsidiary company has already paid demand under protest against such contingent liability amounting to Rs. 15.04 million in the previous year.

- b) ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited), a subsidiary company has provided bank guarantee aggregating Rs. 30.00 million as on 31 August 2007 to the Multi Commodity Exchange of India Limited for meeting margin requirements.

It has pledged fixed deposit with banks amounting to Rs. 15.00 million for obtaining the above bank guarantee.

- c) Taxation matters in respect of which appeal is pending – Rs. 6.81 million. This is being disputed by Edelweiss Capital Limited and hence not provided for. The demand paid under protest against such contingent liability is Rs. 5.44 million.
- d) Taxation matters in respect of which appeal is pending – Rs. 28.59 million. This is being disputed by Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited), a subsidiary company and hence not provided for. The demand paid under protest against such contingent liability is Rs. 15.04 million.
- e) Taxation matters in respect of which appeal is pending – Rs. 0.36 million. This is being disputed by the Crossborder Investments Private Limited, a subsidiary company and hence not provided for. The demand paid under protest against such contingent liability is Rs. 0.18 million.
- f) The Company has issued corporate guarantees to the extent of Rs. 5,430.00 million, in favour of banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) and ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited) (subsidiary companies).
- g) The Company has provided performance guarantee from banks to the extent of Rs. 65.00 million for the premises obtained on rent.

For the year ended 31 March 2007

- a) Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited), a subsidiary of the Company has provided bank guarantees aggregating to Rs. 1,815.00 million as on 31 March 2007 for the following purposes to:

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

2.4 Contingent liability (Continued)

- i) The National Stock Exchange of India Limited - Rs. 300.50 million and Rs. 2.50 million for meeting margin requirements and towards security deposit respectively.
- ii) Bombay Stock Exchange Limited - Rs. 240.00 million and Rs. 1.00 million for meeting margin requirements and towards security deposit respectively.
- iii) Infrastructure Leasing & Financial Services Limited - Rs. 1,271.00 million towards initial margin.

It has pledged fixed deposits with banks aggregating of Rs. 910.00 million for obtaining the above bank guarantees.

Further, it has pledged the fixed deposits with the following:

- i) OTCEI Rs. 0.30 million for meeting base capital requirements.
  - ii) Bombay Stock Exchange Limited Rs. 13 million for meeting base capital requirements.
  - iii) Central Depository Services Limited Rs. 2.84 million for meeting claims and rebates.
  - iv) National Stock Exchange of India Limited Rs. 20 million for meeting base capital requirements.
  - v) Infrastructure Leasing & Financial Services Limited Rs. 80 million towards initial margin.
- b) ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited), a subsidiary company has provided bank guarantee aggregating Rs. 24 million as on 31 March 2007 to the Multi Commodity Exchange of India Limited for meeting margin requirements.

It has pledged fixed deposit with bank amounting to Rs. 11 million for obtaining the above bank guarantee.

- c) Taxation matters in respect of which appeal is pending – Rs. 6.81 million. This is being disputed by Edelweiss Capital Limited and hence not provided for. The demand paid under protest against such contingent liability is Rs. 4.57 million.
- d) Taxation matters in respect of which appeal is pending – Rs. 28.59 million. This is being disputed by Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited), a subsidiary company and hence not provided for. The demand paid under protest against such contingent liability is Rs. 15.04 million.
- e) Taxation matters in respect of which appeal is pending – Rs. 0.36 million. This is being disputed by the Crossborder Investments Private Limited, a subsidiary company and hence not provided for. The demand paid under protest against such contingent liability is Rs. 0.18 million.
- f) The Company has issued corporate guarantees to the extent of Rs. 3,690 million, in favour of Banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) and ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited) (Subsidiary Companies).

For the year ended 31 March 2006

- a) Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited), a subsidiary of the Company has provided bank guarantees aggregating to Rs. 685 million as on 31 March 2006 for the following purposes to:
- i) The National Stock Exchange of India Limited - Rs. 125.50 million and Rs. 2.50 million for meeting margin requirements and towards security deposit respectively.
  - ii) Bombay Stock Exchange Limited - Rs. 110.00 million and Rs. 1.00 million for meeting margin requirements and towards security deposit respectively.
  - iii) Infrastructure Leasing & Financial Services Limited - Rs. 446.00 million towards initial margin.

It has pledged fixed deposits with banks aggregating of Rs. 354.67 million for obtaining the above bank guarantees.

Further, it has pledged fixed deposits with the following:

- i) OTCEI Rs. 0.30 million for meeting base capital requirements.
- ii) Bombay Stock Exchange Limited Rs. 1.00 million for meeting base capital requirements.
- iii) Central Depository Services Limited Rs. 5.00 million for meeting claims and rebates.

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

2.4 Contingent liability (Continued)

- b) ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited), a subsidiary company has provided bank guarantee aggregating Rs. 4.00 million as on 31 March 2006 to the Multi Commodity Exchange of India Limited for meeting margin requirements.

It has pledged fixed deposit with bank amounting to Rs. 1 million for obtaining the above bank guarantee.

- c) Taxation matters in respect of which appeal is pending –Rs. 8.65 million. This is being disputed by Edelweiss Capital Limited and hence not provided for. The demand paid under protest against such contingent liability is Rs 3.70 million.
- d) Income tax demands against the Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) not acknowledged as debts Rs. 0.08 million.
- e) The Company has issued corporate guarantees to the extent of Rs. 1,205.00 million, in favour of Banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) and ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited) (Subsidiary Companies).
- f) In case of Edelweiss Insurance Brokers Limited, a subsidiary company, the balance with Scheduled Bank on Fixed Deposits includes Rs. 1.03 million which one marked as lien in favour of Insurance Regulatory and Development Authority.

For the year ended 31 March 2005

- a) Taxation matters
- (i) Taxation matters in respect of which appeal is pending – Rs. 4.93 million. This is being disputed by the Company and hence not provided for. The demand paid under protest against such contingent liability is Rs. 3.70 million.
- (ii) Income tax demands against the Company not acknowledged as debts Rs. 0.04 million.
- b) The Company has issued corporate guarantees to the extent of Rs. 345.00 million, in favour of Banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited.
- c) Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited), one of the subsidiaries of the Company has provided bank guarantees aggregating Rs.145.00 million as on 31 March 2005 for the following purposes to:
- i) The National Stock Exchange of India Limited Rs. 30.50 million and Rs. 2.50 million for meeting margin requirements and towards security deposit respectively.
- ii) Bombay Stock Exchange Limited Rs. 15.00 million and Rs. 1.00 million for meeting margin requirements and towards security deposit respectively.
- iii) Infrastructure and Leasing Financial Services Limited Rs. 96.00 million towards initial margin.
- d) Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) has pledged fixed deposits with banks aggregating of Rs. 69.91 million for obtaining the above bank guarantees.
- Also, Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) has pledged fixed deposits with:
- i) OTCEI Rs. 0.30 million for meeting base capital requirements.
- ii) Bombay Stock Exchange Limited Rs. 3.00 million for meeting base capital requirements.
- e) In case of Edelweiss Insurance Brokers Limited, a subsidiary company, the balance with Scheduled Bank on Fixed Deposits includes Rs. 2.03 million which one marked as lien in favour of Insurance Regulatory and Development Authority.

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

2.4 Contingent liability (Continued)

For the year ended 31 March 2004

- a) Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited), one of the subsidiaries of the Company has provided bank guarantees aggregating Rs. 120 million as on 31 March 2004 for the following purposes to:
- i) The National Stock Exchange of India Limited -Rs. 40.50 million and Rs. 2.50 million for meeting margin requirements and towards security deposit respectively.
  - ii) Bombay Stock Exchange Limited - Rs. 15.00 million and Rs. 1.00 million for meeting margin requirements and towards security deposit respectively.
  - iii) Infrastructure and Leasing Financial Services Limited - Rs. 61.00 million towards initial margin.

Further, Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) has pledged fixed deposits with banks aggregating of Rs. 54.81 million for obtaining the above bank guarantees.

It has pledged the fixed deposits with:

- i) OTCEI Rs. 0.30 million for meeting base capital requirements.
  - ii) Bombay Stock Exchange Limited Rs. 3.00 million for meeting base capital requirements.
- b) Taxation matters in respect of which appeal is pending – Rs.7.48 million. This is being disputed by Edelweiss Capital Limited and hence not provided for.
- c) Edelweiss Capital Limited has issued corporate guarantees to the extent of Rs. 295.00 million, in favour of Banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) (subsidiary company).

For the year ended 31 March 2003

- a) Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited), one of the subsidiaries of the Company has provided bank guarantees aggregating Rs. 73 million as on 31 March 2003 for the following purposes to:
- i) The National Stock Exchange of India Limited - Rs. 19.50 million and Rs. 2.50 million for meeting margin requirements and towards security deposit respectively.
  - ii) Bombay Stock Exchange Limited - Rs. 15 million and Rs. 1 million for meeting margin requirements and towards security deposit respectively.
  - ii) Infrastructure and Leasing Financial Services Limited - Rs. 35 million towards initial margin.

Further, Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) has pledged fixed deposits with banks aggregating of Rs. 29.20 million for obtaining the above bank guarantees.

It has pledged fixed deposits with:

- i) OTCEI Rs. 0.30 million for meeting base capital requirements.
  - ii) The Stock Exchange, Mumbai Rs. 3.00 million for meeting base capital requirements.
- b) Edelweiss Capital Limited has issued corporate guarantees to the extent of Rs. 235 million, in favour of Banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) (Subsidiary Company).
- c) Further, Edelweiss Capital Limited is acting as a guarantor to the hire purchase agreement entered into by Edelweiss Insurance Brokers Limited (Subsidiary Company) with Kotak Mahindra Primus Limited. The outstanding balance in the books of Edelweiss Insurance Brokers Limited as at 31 March 2003 aggregates Rs. 0.12 million.

**Annexure IV (Continued)****Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

2.5 Capital commitment

For the period ended 31 August 2007

Capital commitments (net of advances) – Rs. 68.53 million.

For the year ended 31 March 2007

Capital commitments (net of advances) – Rs. 320.92 million.

For the year ended 31 March 2006

Capital commitments (net of advances) –Rs. 16.21 million.

For the year ended 31 March 2005

Capital commitments (net of advances) – Rs. 18.89 million

For the year ended 31 March 2004

Capital commitment (net of advances) - Rs. 0.07 million

There were no capital commitments reported by the Company for the year ended 31 March 2003.

2.6 Provisions

For the period ended 31 August 2007

During the financial year 2005-06, Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) had received claims from certain Beneficial Owners (BO) on account of transactions in depository accounts at its branch through counterfeit signatures by the remisers on delivery instructions slips. In respect of any future claims by BOs, a provision of Rs. 6.10 million has been made during the financial year 2005-06 by the management. The movement in the same is shown below:

(Indian rupees in millions)

<b>Nature of liability</b>	<b>Provision as on 1 April 2007</b>	<b>Addition</b>	<b>Amount used</b>	<b>Unused amount reversed</b>	<b>Provision as on 31 August 2007</b>
Claims and rebates	6.10	-	-	-	6.10
Total	6.10	-	-	-	6.10

**Annexure IV (Continued)****Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

2.6 Provisions (Continued)

For the year ended 31 March 2007

During the financial year 2005-06, the Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) had received claims from certain Beneficial Owners (BO) on account of transactions in depository accounts at its branch through counterfeit signatures by the remisers on delivery instructions slips. In respect of any other future claims by BOs, a provision of Rs. 6.10 million has been made during the financial year 2005-06 by the management. The movement in the same is shown below:

(Indian rupees in millions)

<b>Nature of liability</b>	<b>Provision as on 1 April 2006</b>	<b>Addition</b>	<b>Amount used</b>	<b>Unused amount reversed</b>	<b>Provision as on 31 March 2007</b>
Claims and rebates	6.10	-	-	-	6.10
Total	6.10	-	-	-	6.10

For the year ended 31 March 2006

During the year under audit, Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) had received claims from certain Beneficial Owners (BO) on account of transactions in Depository accounts at its branch through counterfeit signatures by the remisers on delivery instructions slips. Based on reports of the special auditor of the Company, auditors of CDSL, and conciliation proceedings in certain cases, claims have been paid/provided for an amount aggregating to Rs. 22.63 million. Insurance claims have been lodged against these cases. Further, in respect of any other future claims by BOs, a provision of Rs. 6.10 million has been made by the management. The movement in the same is shown below:

(Indian rupees in millions)

<b>Nature of liability</b>	<b>Provision As on 1 April 2005</b>	<b>Addition</b>	<b>Amount used</b>	<b>Unused amount reversed</b>	<b>Provision as on 31 March 2006</b>
Claims and rebates	-	6.10	-	-	6.10
Total	-	6.10	-	-	6.10

2.7 Long term Investment – Unquoted

For the period 31 August 2007

During the year 2005-2006, Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) had subscribed to and was allotted 10,000 fully paid equity shares of the face value of Re.1 each for cash at par of Bombay Stock Exchange Limited (BSEL) in accordance with the BSE (Corporatisation and Demutualization) Scheme 2005 (the Scheme). The same being in the nature of long term investments have been accordingly disclosed in schedule "Investments" to the balance sheet. Further, pursuant to the Scheme, the Company had classified during the year 2005-2006, the book value of its Bombay Stock Exchange (BSE) membership card amounting to Rs. 8.50 million from schedule "Fixed Assets" to schedule "Investments". Of these, 9,123 fully paid up equity shares have been sold in the current period.

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

2.7 Long term investments – Unquoted (Continued)

For the year ended 31 March 2007

During the year 2005-2006, Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) had subscribed to and was allotted 10,000 fully paid equity shares of the face value of Re.1 each for cash at par of Bombay Stock Exchange Limited (BSEL) in accordance with the BSE (Corporatisation and Demutualization) Scheme 2005 (the Scheme). The same being in the nature of long term investments have been accordingly disclosed in Schedule "Investments" to the Balance Sheet. Further, pursuant to the Scheme, the Company had classified during the year 2005-2006, the book value of its Bombay Stock Exchange (BSE) membership card amounting to Rs. 8.50 million from Schedule "Fixed Assets" to Schedule "Investments".

For the year ended 31 March 2006

In accordance with the BSE (Corporatisation and Demutualization) Scheme 2005 (the Scheme), Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) has subscribed to and was allotted 10,000 fully paid equity shares of the face value of Re.1 each for cash at par of Bombay Stock Exchange Limited (BSEL) which are in the nature of long term investments and have accordingly been disclosed in Schedule "Investments" to the Balance Sheet. Further, pursuant to the Scheme, the Company has classified the book value of its Bombay Stock Exchange (BSE) membership card amounting to Rs. 8.5 million from Schedule "Fixed Assets" to Schedule "Investments".

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

2.8 Employee stock option plans (ESOP)

For the period ended 31 August 2007

Pursuant to the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employee Share-based Payments, fair value of the Company's shares is determined under earnings capitalization method considering weighted average adjusted profit after tax for last 3 years of all the subsidiary companies. Accordingly the charge debited to the profit & loss account towards compensation cost on accounting for ESOP for the period ended 31 August 2007 is Rs. 4.34 million.

<b>Exercise price (Rs.)</b>	<b>0.83</b>	<b>79.17</b>	<b>10.42</b>	<b>10.42</b>	<b>20.83</b>	<b>79.17</b>	<b>166.67</b>	<b>79.17</b>	<b>166.67</b>
<b>Scheme</b>	<b>D</b>		<b>E</b>	<b>F</b>			<b>G</b>		
<b>Total options approved by the members</b>	<b>6,096,000</b>		<b>2,922,000</b>	<b>2,400,000</b>			<b>4,800,000</b>		
Grants as at 1 April 2007	1,500	1,500	-	76,500	231,000	324,318	240,000	1,624,800	246,000
Add - options granted during the period	-	-	-	-	-	-	-	-	-
Less - options lapsed/cancelled during the period	-	-	-	(6,000)	(9,000)	(19,206)	-	(19,200)	-
Less - options exercised during the period	-	-	-	-	-	-	-	-	-
Grants as at 31 August 2007	1,500	1,500	-	70,500	222,000	305,112	240,000	1,605,600	246,000
Options vested as at 1 April 2007	-	-	-	-	-	-	-	-	-
Add - options vested during the period	-	-	-	6,000	6,000	-	60,000	-	-
Less - options exercised during the period	-	-	-	-	-	-	-	-	-
Less - options lapsed during the period	-	-	-	-	-	-	-	-	-
Options vested as at 31 August 2007	-	-	-	6,000	6,000	-	60,000	-	-
Options exercisable by 30 September 2011	-	-	-	6,000	-	-	-	-	-
Options exercisable by 31 March 2012	-	-	-	-	6,000	-	60,000	-	-

The above table has been adjusted for corporate actions.

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

2.8 Employee stock option plans (ESOP) (continued)

For the year ended 31 March 2007

Pursuant to the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employee Share-based Payments, fair value of the Company's shares is determined under earnings capitalization method considering weighted average adjusted profit after tax for last 3 years of all the subsidiary companies. The Company has granted the options under its Employee Stock Option Plan scheme on 1 October 2006 having an exercise price of Rs. 95 and on 31 March 2007 having an exercise price of Rs. 200. The fair value of shares as determined as per the method specified above is Rs.117 as on 1 October 2006 and Rs 167 as on 31 March 2007. Accordingly the charge debited to profit & loss account towards compensation cost on accounting for the Employee Stock Option Plan is Rs. 2.49 million.

<b>Exercise Price (Rs.)</b>	<b>1</b>	<b>95</b>	<b>12.5</b>	<b>12.5</b>	<b>25</b>	<b>95</b>	<b>200</b>	<b>95</b>	<b>200</b>
<b>Scheme</b>	<b>D</b>		<b>E</b>	<b>F</b>				<b>G</b>	
<b>Total Options approved by the members</b>	<b>5,080,000</b>		<b>2,435,000</b>	<b>2,000,000</b>				<b>4,000,000</b>	
Grants as at 1 April 2006	2,095,890	5,000	2,087,620	335,000	725,000	259,250	-	1,168,500	-
Add - Options granted until 31 March 2007	-	-	-	-	-	225,000	200,000	200,000	205,000
Less - Options lapsed/cancelled until 31 March 2007	(766,750)	-	(338,620)	(50,000)	(50,000)	(56,250)	-	(14,500)	-
Less - Options exercised until 31 March 2007	(1,327,890)	(3,750)	(1,749,000)	(221,250)	(482,500)	(157,736)	-	-	-
Grants as at 31 March 2007	1,250	1,250	-	63,750	192,500	270,264	200,000	1,354,000	205,000
Options vested as at 1 April 2006	1,483,260	-	1,895,750	88,750	175,000	-	-	-	-
Add - Options vested until 31 March 2007	276,880	3,750	157,870	158,750	322,500	157,736	-	-	-
Less - Options exercised until 31 March 2007	(1,327,890)	(3,750)	(1,749,000)	(221,250)	(482,500)	(157,736)	-	-	-
Less - Options lapsed until 31 March 2007	(432,250)	-	(304,620)	(26,250)	(15,000)	-	-	-	-
Options vested as at 31 March 2007	-	-	-	-	-	-	-	-	-

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

2.8 Employee stock option plans (ESOP) (continued)

For the year ended 31 March 2006

Pursuant to the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employee Share-based Payments, fair value of the Company's shares as determined under earnings capitalization method considering weighted average adjusted profit after tax for last 3 years of all the subsidiary companies, is Rs. 87.90. The Company has granted the options under its Employee Stock Option Plan scheme only on March 31, 2006 having an exercise price of Rs. 95. The charge debited to profit & loss account towards compensation cost on accounting for the Employee Stock Option Plan is Rs. 11.06 million.

Exercise Price (Rs.)	1	95	12.5	12.5	25	95	95
ESOP	D		E	F			G
Total Options approved by the members	5,080,000		2,435,000	2,000,000			4,000,000
Grants as at April 1, 2005	2,636,250	-	2,145,620	865,000	750,000	-	-
Add - Options granted during the year	5,000	5,000	-	-	5,000	259,250	1,168,500
Less - Options lapsed/cancelled during the year	(349,250)	-	(52,000)	(530,000)	(30,000)	-	-
Less - Options exercised during the year	(196,110)	-	(6,000)	-	-	-	-
Grants as at March 31, 2006	2,095,890	5,000	2,087,620	335,000	725,000	259,250	1,168,500
Options vested as at April 1, 2005	1,135,610	-	1,483,060	-	-	-	-
Add - Options vested during the year	809,010	-	448,440	108,750	175,000	-	-
Less - Options exercised during the year	(196,110)	-	(6,000)	-	-	-	-
Less - Options lapsed during the year	(265,250)	-	(29,750)	(20,000)	-	-	-
Options vested as at March 31, 2006	1,483,260	-	1,895,750	88,750	175,000	-	-
Options exercisable by March 31, 2007	447,350	-	253,610	-	-	-	-
Options exercisable by September 30, 2007	8,750	-	-	-	-	-	-
Options exercisable by March 31, 2008 (extended)	298,150	-	380,250	-	-	-	-
Options exercisable by March 31, 2008	729,010	-	369,240	-	-	-	-
Options exercisable by March 31, 2009	-	-	444,210	-	-	-	-
Options exercisable by September 30, 2009	-	-	-	88,750	-	-	-
Options exercisable by March 31, 2010	-	-	448,440	-	175,000	-	-
	1,483,260	-	1,895,750	88,750	175,000	-	-

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

2.8 Employee stock option plans (ESOP) (continued)

For the year ended 31 March 2005

Pursuant to the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employee Share-based Payments, fair value of the Company's shares as determined under earnings capitalization method considering weighted average adjusted profit after tax for last 3 years of all the subsidiary companies, is Rs. 53.87. The Company has granted the options under its Employee Stock Option Plan scheme having an exercise price of Re. 1, Rs. 12.50 and 25. The charge debited to profit & loss account towards compensation cost on accounting for the Employee Stock Option Plan is Rs. 12.84 million.

Exercise Price (Rs.)	2	25	25	50
ESOP	D	E	F	
<b>Total Options approved by the members</b>	<b>2,540,000</b>	<b>1,217,500</b>	<b>1,000,000</b>	
Grants as at April 1, 2004	1,693,075	1,212,750	-	-
Add – Options granted during the year	40,000	-	437,500	375,000
Less – Options lapsed during the year	(165,685)	(81,500)	(5,000)	-
Less – Options exercised during the year	(249,265)	(58,440)	-	-
Grants as at March 31, 2005	1,318,125	1,072,810	432,500	375,000
Options vested as at April 1, 2004	434,000	592,745	-	-
Add – Options vested during the year	416,760	233,230	-	-
Less – Options exercised during the year	(249,265)	(58,440)	-	-
Less – Options lapsed during the year	(33,690)	(26,005)	-	-
Options vested as at March 31, 2005	567,805	741,530	-	-
Options exercisable by March 31, 2006	191,045	190,125	-	-
Options exercisable by March 31, 2007	376,760	129,930	-	-
Options exercisable by March 31, 2008	-	190,745	-	-
Options exercisable by March 31, 2009	-	230,730	-	-
	567,805	741,530	-	-

**Annexure IV (Continued)****Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

2.8 Employee stock option plans (ESOP) (continued)

For the year ended 31 March 2004

Pursuant to the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employee Share-based Payments, fair value of the Company's shares as determined under earnings capitalization method considering weighted average adjusted profit after tax for last 3 years of all the subsidiary companies, is Rs. 15.44. The Company has granted the options under its Employee Stock Option Plan scheme having an exercise price of Re. 1 and Rs. 12.50. The charge debited to profit & loss account towards compensation cost on accounting for the Employee Stock Option Plan is Rs. 1.13 million.

<b>Exercise Price (Rs.)</b>	<b>10</b>	<b>125</b>
<b>ESOP</b>	<b>D</b>	<b>E</b>
Total Options approved by the members	508,000	243,500
Grants as at April 1, 2003	356,650	239,000
Add – Options granted during the year	82,000	18,150
Less – Options lapsed during the year	(21,025)	(14,600)
Less – Options Exercised during the year	(79,010)	-
Grants as at March 31, 2004	338,615	242,550
Options vested as at April 1, 2003	98,430	75,512
Add – Options Vested during the year	69,724	45,631
Less – Options Exercised during the year	(79,010)	-
Less – Options lapsed during the year	(2,344)	(2,594)
Options vested as at March 31, 2004	86,800	118,549
Options exercisable by March 31, 2005	17,076	-
Options exercisable by March 31, 2006	69,724	41,900
Options exercisable by March 31, 2007	-	31,018
Options exercisable by March 31, 2008	-	45,631
	86,800	118,549

**Annexure IV (Continued)****Edelweiss Capital Limited (consolidated)**

2 Notes to the accounts (Continued)

2.8 Employee stock option plans (ESOP) (continued)

For the year 31 March 2003

Pursuant to the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employee Share-based Payments, fair value of the Company's shares as determined under earnings capitalization method considering weighted average adjusted profit after tax for last 3 years of all the subsidiary companies, is Rs. 1.44. The Company has granted the options under its Employee Stock Option Plan scheme having an exercise price of Re. 1 and Rs. 12.50. The charge debited to profit & loss account towards compensation cost on accounting for the Employee Stock Option Plan is Rs. Nil.

Exercise Price	10	125	45	10	125
	Original Scheme			New Scheme	
ESOP	A	B	C	D	E
Total Options approved by the members	850,000	370,000	-	-	-
Options exercised	50,500	-	-	-	-
Board of Directors approved merging of schemes A and B, the holders were given an option of accelerated vesting of 418,000 options and the balance 751,500 options were extinguished	-	-	418,000	-	-
In the Extra-Ordinary General Meeting held on January 31, 2002, the members formed ESOP 2002 with a pool of 751,500 shares, under which there are two schemes viz. D and E	-	-	-	508,000	243,500
Grants as at March 31, 2003	-	-	-	356,650	239,000
Options vested as at March 31, 2003	-	-	-	98,430	75,512
Options exercisable by March 31, 2004	-	-	-	57,500	43,025
Options exercisable by March 31, 2005	-	-	-	40,930	32,487

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

3. Notes on adjustments for restated financial statements

a) Summary

Below mentioned is a summary of results of restatement made in the audited accounts for the respective years and its impact on the profits/losses of the Company

(Indian rupees in millions)

Particulars	Refer Note	For the year ended 31					
		August 2007	March 2007	March 2006	March 2005	March 2004	March 2003
Profit/(loss) after tax as per audited accounts		844.72	1,100.43	454.88	247.02	81.89	(10.20)
Adjustments for							
Changes in accounting policies							
Brokerage income	1 (b)	-	-	66.36	22.27	6.84	1.44
Service tax on brokerage income	1 (b)	-	-	(66.36)	(22.27)	(6.84)	(1.44)
Preliminary expenses written back	1 (c)	-	-	-	-	0.02	0.02
Deferred revenue expenditure written back	1 (d)	-	-	-	-	0.36	0.36
Amortization of employee stock option cost	1 (e)	(3.30)	(8.68)	(11.06)	(12.84)	(1.13)	-
Net total adjustments		(3.30)	(8.68)	(11.06)	(12.84)	(0.75)	0.38
Profit/(loss) after tax as per restatement		841.42	1,091.75	443.82	234.18	81.14	(9.82)

b) Service tax

Effective 1 April 2006, the Company changed its accounting policy to account brokerage income inclusive of service tax. In the prior years, brokerage income was accounted for as net of service tax. Consequently, for the year ended 31 March 2003, 2004, 2005 and 2006 brokerage income has been restated inclusive of service tax.

c) Preliminary expenses written back

During the year ended 31 March 2003, 2004, and 2005 preliminary expenses incurred were amortised over a period of five years from the year in which they were incurred. For the purposes of this statement, such preliminary expenses were expensed in the year in which expenses were incurred as per the requirements of Accounting Standard 26 – Intangible Assets issued by the Institute of Chartered Accountants of India.

**Annexure IV (Continued)**

**Edelweiss Capital Limited (consolidated)**

3. Notes on adjustments for restated financial statements (Continued)

d) Deferred revenue expenditure written back

Deferred revenue expenditure, represents fees paid to the Securities and Exchange Board of India to carry on the business of merchant banking and portfolio management and share issue expenses. During the year ended 31 March 2003, 2004 and 2005 fees paid were amortised over a period of three years from the year in which they were incurred and share issue expenses were amortised over a period of ten years from the year in which they were incurred. For the purposes of this statement, such deferred revenue expenses were appropriately adjusted in the year in which expenses were incurred as per the requirements of Accounting Standard 26 –Intangible Assets issued by the Institute of Chartered Accountants of India.

e) Amortization of employee stock option cost

The Guidance Note – ‘Accounting for Employee Share-based Payments’ issued by the Institute of Chartered Accountants of India became applicable to the Company with effect from 1 April 2006. In order to maintain consistency for these statements across years, the Guidance note has been followed for Employee Stock Options granted from 1 April 2003 and the cost on these Employee Stock Options has been amortised as per the requirements of the Guidance Note for the purpose of these statements.

f) Material regroupings

Appropriate adjustments have been made in the restated summary statements of assets and liabilities, Profits and Losses, wherever required, by a reclassification of the corresponding items of income, expenses, assets and liabilities, in order to bring them in line with the groupings as per the audited financials of the Company for the year ended 31 August 2007 and the requirements of the Guidelines issued by the Securities and Exchange Board of India (Disclosure and Investor Protection Guidelines 2000) as amended from time to time.

4. Statement of Auditors Qualification

Other Audit qualification matters for emphasis which do not require any corrective adjustment in the financial information are as follows:

i) Other Audit qualification matters for emphasis which do not require any corrective adjustment in the financial information are as follows:

For the year ended 31 March 2005

The auditors have drawn attention in the Auditor’s Report on Consolidated Financial Statement for the year ended 31 March 2005 regarding non-compliance with Insurance Regulatory and Development Authority (Insurance Broking) Regulations 2002, pertaining to concentration of business and obtaining Professional Indemnity Insurance by Edelweiss Insurance Broking Limited, one of the subsidiaries of the Company.

**Annexure V****Edelweiss Capital Limited (consolidated)**

Details of other income

( Indian rupees in millions)

<b>Period/year ended</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>	<b>31-Mar-05</b>	<b>31-Mar-04</b>	<b>31-Mar-03</b>
Bad debts recovery		-	-	-	0.35	0.67
Excess provision for doubtful advances written back	0.01	1.06	-	2.72	0.27	-
Excess provision for gratuity written back (net)		-	-	0.24	-	-
Profit on sale of fixed assets	0.05	0.01	-	0.17	0.95	-
Foreign exchange gain		-	0.76	-	-	-
Marketing fees	-	-	0.28	-	-	-
Reimbursements of marketing and promotional expenses	0.55	10.62	1.73	-	-	-
Custodian charges	0.48	-	-	-	-	-
Miscellaneous income	1.72	11.09	7.35	5.07	1.50	1.49
<b>Total</b>	<b>2.81</b>	<b>22.78</b>	<b>10.12</b>	<b>8.20</b>	<b>3.07</b>	<b>2.16</b>
Profit/(loss) before tax, restated	1,278.94	1,737.73	694.50	347.49	119.57	(3.57)
Percentage	0.22%	1.31%	1.46%	2.36%	2.57%	-

**Annexure VI**

**Edelweiss Capital Limited (consolidated)**

Statement of dividend paid/proposed

Class of shares	For the period ended			For the year ended																
	31-Aug-07			31-Mar-07			31-Mar-06			31-Mar-05			31-Mar-04			31-Mar-03				
	Face value of share rupee			Face value of share rupee			Face value of share rupee			Face value of share rupee			Face value of share rupee			Face value of share rupee				
Equity shares																				
Equity share capital as at year end (Rs.)	5.00	332,678,040		1.00	44,916,806		1.00	37,836,166		2.00	28,603,500		10.00	27,496,850		10.00	27,304,000			
Rate of interim dividend					30.00%	21-Mar-07														
Rate of final dividend								15.00%			10.00%			7.50%						5.00%
Aggregate amount of equity dividend (Rs.)					11,101,115			4,882,004			2,797,010			2,055,032						1,365,200
0.01% Convertible preference shares																				
Preference share capital as at year end (Rs.)					1.00	861,486														
Rate of interim dividend						0.01%	21-Mar-07													
Rate of final dividend																				
Aggregate amount of preference dividend (Rs.)																				
8% convertible preference shares																				
Preference share capital as at year end (Rs.)					1.00	2,059,107														
Rate of interim dividend						8.00%	21-Mar-07													
Rate of final dividend																				

Class of shares	For the period ended			For the year ended														
	31-Aug-07			31-Mar-07			31-Mar-06			31-Mar-05			31-Mar-04			31-Mar-03		
	Face value of share rupee			Face value of share rupee			Face value of share rupee			Face value of share rupee			Face value of share rupee			Face value of share rupee		
Aggregate amount of preference dividend (Rs.)				58,719														
12% Redeemable preference shares																		
Preference share capital as at year end (Rs.)	5.00	2,600,000		1.00	2,600,000													
Rate of interim dividend				12.00%	21-Mar-07													
Rate of final dividend																		
Aggregate amount of preference dividend (Rs.)				106,109														

## Annexure VII

### Edelweiss Capital Limited (consolidated)

Summary of accounting ratios (on restated profits/losses)

	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Basic earnings per share (Rs)	15.19	22.16	11.36	6.88	2.47	(0.30)
Diluted earnings per share (Rs)	14.88	20.59	9.94	6.34	2.22	(0.27)
Return on net worth %	27.66%	28.70%	38.20%	55.61%	30.64%	-4.19%
Net asset value per equity share (Rs)	132.16	93.54	39.30	15.71	9.18	6.92
Weighted average number of basic equity shares outstanding during the year/period	55,389,450	49,248,544	39,056,025	34,015,565	32,880,516	32,518,812
Weighted average number of dilutive equity shares outstanding during the year/period	56,551,693	53,014,253	44,658,768	36,912,086	36,512,856	36,234,060
Total number of shares outstanding at the end of the year/period	66,535,608	53,900,167	45,403,399	38,838,600	37,510,620	37,279,200

Notes:

1. The ratios have been computed as below:

Basic earnings per share (Rs) =	$\frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year/period}}$
Diluted earnings per share (Rs) =	$\frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of dilutive equity shares outstanding during the year/period}}$
Return on net worth (%) =	$\frac{\text{Net profit after tax}}{\text{Average Net worth excluding revaluation reserve at the end of the year/period}}$
Net asset value per equity share (Rs) =	$\frac{\text{Net worth excluding revaluation reserve and preference share capital at the end of the year/period}}{\text{Number of dilutive equity shares outstanding at the end of the year/period}}$

2. Net profit, as restated as appearing in the statement of profits and losses has been considered for the purpose of computing the above ratios. These ratios are computed on the basis of the standalone (unconsolidated) restated financial statements of the Company.

3. Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings per share" issued by the Institute of Chartered Accountants of India.

4. Number of dilutive equity shares outstanding at the end of the year/period, includes the potential equity shares to be issued on conversion of compulsorily convertible preference shares

5. Number of shares for the year ended 31 March 2007, 2006, 2005, 2004 and 2003 have been adjusted for bonus shares issued during period ended 31 August 2007.

**Annexure VIII****Edelweiss Capital Limited (consolidated)**

## Capitalisation Statement

(Indian rupees in millions)

<b>As at 31 August 2007</b>	<b>Pre-issue as at</b>	<b>Post issue</b>
Borrowing		
Short - Term debt	7,926.91	
Long - Term debt	1,839.08	
Total Debt	9,765.99	
Shareholders' funds		
Share capital	335.28	
Stock options outstanding account	3.54	
Reserves and surplus	8,456.97	
Total shareholders funds	8,795.79	
Long-term debt/equity ratio	0.21	

Notes:

\*Share capital and reserves and surplus post issue can be calculated only on the conclusion of the book building process.

**Annexure IX****Edelweiss Capital Limited (consolidated)**

Details of secured Loans

(Indian rupees in millions)

<b>Period/year ended</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>	<b>31-Mar-05</b>	<b>31-Mar-04</b>	<b>31-Mar-03</b>
Bank overdraft	19.13	25.45	30.17	39.33	25.01	-
Other loan from bank	-	7.21	-	-	18.40	-
Vehicles loan	6.73	6.05	6.02	1.61	-	-
Housing loan	32.36	26.12	-	-	-	-
Other loans	30.00	2.72	35.03	17.65	-	-
Hire purchase loan from a finance company	-	-	-	-	-	0.12
<b>Total</b>	<b>88.22</b>	<b>67.55</b>	<b>71.22</b>	<b>58.59</b>	<b>43.41</b>	<b>0.12</b>

## Notes

1. Other loan comprises of loan taken from Infrastructure Leasing & Financial Services Limited. The same is secured by way of pledge of securities placed with the Company by the customers and is repayable on demand.
2. Bank overdraft and other loan from bank are repayable on demand.
3. Vehicles loan is secured by hypothecation of vehicles acquired
4. Housing loan is secured by hypothecation of the flat under construction
5. Hire purchase loan is secured by hypothecation of the vehicle.
6. Loan from Bank is secured by way of pledge of securities.

**Annexure X****Edelweiss Capital Limited (consolidated)**

Details of unsecured loans

(Indian rupees in millions)

Period/year ended	Note	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Fully convertible debentures	1	1,800.00	1,800.00	-	-	-	-
Inter corporate deposit	2	602.23	444.70	271.56	4.05	3.05	3.11
Optionally fully convertible debentures	3	219.74	172.22	162.36	57.73	46.72	11.79
Deposits accepted	4	94.25	85.25	-	-	-	-
Commercial paper	5	5,500.00	1,300.00	-	-	-	-
Less: Unamortised discount on commercial paper		183.40	26.34	-	-	-	-
		5,316.60	1,273.66	-	-	-	-
Nifty linked debentures	6	94.94	23.50	-	-	-	-
Other loans	7	1,050.00	2.95	-	-	124.55	-
Non convertible debentures	8	500.00					
		9,677.76	3,802.28	433.92	61.78	174.32	14.90

Notes:-

1. Fully convertible debentures are convertible into redeemable preference shares
2. Unsecured inter corporate deposits are repayable within one year.
3. Optionally fully convertible debentures are repayable within one year with an option for conversion into equity shares. The interest rates payable on the Optionally fully convertible debentures ranges from 10% to 13.4%. These debentures have been issued by subsidiary companies namely, Edelweiss Securities Limited, (formerly Edelweiss Securities Private Limited) Crossborder Investments Private Limited and ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited).
4. Unsecured deposits accepted are repayable within one year.

**Annexure X (continued)**

**Edelweiss Capital Limited (consolidated)**

Details of unsecured loans (continued)

5. The details of commercial papers issued is as follows:

(Indian rupees in millions)

Issued to	Face Value of issue (in Rs.)	Issue Date	Maturity Date	No of Days	Discounted Value	Maturity Value
KotakMahindraMutualFund	500,000	13-Feb-07	12-Feb-08	364	90.93	100.00
LotusIndiaAMCPvtLtd	500,000	22-May-07	19-Oct-07	150	258.63	270.00
LotusIndiaAMCPvtLtd	500,000	22-May-07	19-Oct-07	150	172.42	180.00
DeutscheMutualFund	500,000	11-Jun-07	7-Sep-07	88	107.44	110.00
DeutscheMutualFund	500,000	11-Jun-07	7-Sep-07	88	185.57	190.00
ABNAmroMutualFund	500,000	25-Jun-07	21-Sep-07	88	244.60	250.00
JMFinancialMutualFund	500,000	25-Jun-07	21-Sep-07	88	244.60	250.00
DeutscheMutualFund	500,000	25-Jun-07	18-Sep-07	85	244.77	250.00
DeutscheMutualFund	500,000	25-Jun-07	18-Sep-07	85	48.95	50.00
LotusIndiaAMCPvtLtd	500,000	28-Jun-07	20-Jun-08	358	181.97	200.00
INGVysyaMutualFund	500,000	3-Jul-07	27-Sep-07	86	489.34	500.00
TATAMutualFund	500,000	16-Jul-07	15-Oct-07	91	245.56	250.00
BirlaMutualFund	500,000	17-Jul-07	17-Mar-08	244	236.93	250.00
PruICICIMutualFund	500,000	17-Jul-07	17-Mar-08	244	94.77	100.00
ABNAmroMutualFund	500,000	10-Aug-07	25-Jul-08	350	229.43	250.00
ABNAmroMutualFund	500,000	10-Aug-07	25-Jul-08	350	91.77	100.00
LotusIndiaAMCPvtLtd	500,000	10-Aug-07	8-Aug-08	364	137.21	150.00
PruICICIMutualFund	500,000	27-Aug-07	22-Aug-08	361	453.98	500.00
ABNAmroMutualFund	500,000	27-Aug-07	22-Aug-08	361	226.99	250.00
RelianceMutualFund	500,000	28-Aug-07	23-Nov-07	87	244.81	250.00
INGVysyaMutualFund	500,000	29-Aug-07	27-Nov-07	90	489.26	500.00
UTIMutualFund	500,000	30-Aug-07	29-Nov-07	91	244.57	250.00
LotusIndiaAMCPvtLtd	500,000	30-Aug-07	29-Nov-07	91	293.49	300.00
<b>Total</b>					<b>5,257.99</b>	<b>5,500.00</b>

6. Nifty linked debentures are repayable with in one year.

7. The details of other loans are as follows:

(Indian rupees in millions)

Period/year ended	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	Remarks
Standard Chartered Investments and Loans (India) Limited	550.00						Last date of repayment of the loan -November 30, 2008
Kotak Mahindra Prime Limited	500.00	-	-	-	-	-	Last date of repayment of the loan - July 28, 2010
Loan from Rajeev Mehrotra, director of Crossborder Investments Private Limited, a subsidiary company	-	2.95	-	-	-	-	Repayable on demand
Infrastructure Leasing & Financial Services Limited	-	-	-	-	24.65	-	Repayable on demand
Sahara India Financial Corporation Limited	-	-	-	-	99.90	-	Repayable within 30 days
<b>Total</b>	<b>1,050.00</b>	<b>2.95</b>	<b>-</b>	<b>-</b>	<b>124.55</b>	<b>-</b>	

8. Unsecured non-convertible debentures are repayable with in one year.

**Annexure XI**

**Edelweiss Capital Limited (consolidated)**

Summary of Loans and Advances

(Indian rupees in millions)

<b>As at</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>	<b>31-Mar-05</b>	<b>31-Mar-04</b>	<b>31-Mar-03</b>
Advances recoverable in cash or in kind or for value to be received						
- Unsecured - Considered Good	308.45	114.70	8.66	20.19	4.23	1.24
- Unsecured - Considered doubtful		-	-	-	2.72	2.72
	308.45	114.70	8.66	20.19	6.95	3.96
Less: Provision for doubtful advances	-	-	-	-	2.72	2.72
Net Advances recoverable in cash or in kind or for value to be received	308.45	114.70	8.66	20.19	4.23	1.24
Financing activity						
-Secured	1,746.09	785.10	207.64	4.48	-	-
-Unsecured	54.53	97.09	-	-	-	-
	1,800.62	882.19	207.64	4.48	-	-
Loan to Edelweiss Employee Welfare Trust	74.37	47.45		2.22	1.92	-
Security/Other deposits	78.60	23.11	39.41	15.82	35.69	5.05
Margin Deposit	174.42	240.12	93.47	287.48	2.20	8.05
Margin Deposits - Stock Borrowing		-	-	-	33.70	-
Employee loans	116.66	44.36	-	0.45	0.10	0.08
Initial margin	62.65	173.22	5.78	1.22	-	0.16
Deposits placed with Commodity/Stock Exchange/NSCCL	3,465.68	867.22	325.73	132.98	59.03	18.11
Inter corporate deposits placed	25.50	27.20	-	-	-	-
Equity Index/Stock Options Premium Account (net of provision for loss)	88.68	196.14	19.61	35.14	0.19	0.06
<b>Total</b>	<b>6,195.63</b>	<b>2,615.71</b>	<b>700.30</b>	<b>499.98</b>	<b>137.06</b>	<b>32.75</b>

**Annexure XII**

**Edelweiss Capital Limited (consolidated)**

Details of Investments

(Indian rupees in millions)

As at	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Long term investment in units of mutual fund/venture capital fund - unquoted	213.51	153.90	5.01	2.00	2.00	-
Long term investments in equity shares - quoted	889.60	60.78	183.77	11.06	19.94	6.07
Long term investments in equity/preference shares - unquoted	55.15	38.55	61.51	32.79	45.42	52.93
Less : Diminution in value of investments	18.41	18.40	31.29	32.79	34.03	27.40
Net long term investments in equity/preference shares - unquoted	36.74	20.15	30.22	-	11.39	25.53
Long term investments in associate	4.32					
Current investments (others)						
- Quoted investments in units of mutual fund/securities	123.55	179.37	104.66	57.34	92.03	-
- Unquoted investments in units of mutual fund	3,000.06	400.18	-	31.70	40.30	-
Net current investments	3,123.61	579.55	104.66	89.04	132.33	-
Share application money pending allotment		10.00	-	-	194.96	2.40
Total	4,267.78	824.38	323.66	102.10	360.62	34.00
Aggregate book value of quoted investments	1,013.15	240.15	288.43	68.40	111.97	6.07
Aggregate market value of quoted investments	1,036.66	302.88	484.44	74.29	127.25	3.60

**Annexure XIII**

**Edelweiss Capital Limited**

(Currency: Indian rupees in millions)

Statement of assets and liabilities, as restated

	As at 31	August-07	March-07	March-06	March-05	March-04	March-03
A.	Fixed assets						
	Gross block	49.75	46.46	44.95	37.17	23.90	17.37
	Less: Accumulated depreciation	34.57	33.59	23.36	13.11	12.79	8.21
	Net block	15.18	12.87	21.59	24.06	11.11	9.16
	Capital work-in-progress	11.98	9.59	-	-	-	-
	Total	27.16	22.46	21.59	24.06	11.11	9.16
B.	Investments	4,891.06	2,479.30	759.84	157.16	299.05	158.15
C.	Deferred tax asset (net)	4.52	2.52	-	0.72	-	-
D.	Current assets, loans and advances						
	Stock-in-trade	-	-	-	-	1.52	5.89
	Sundry debtors	215.54	73.12	69.34	6.12	2.08	0.94
	Cash and bank balances	52.64	29.37	0.11	9.52	16.17	1.58
	Other current assets	-	-	-	-	-	0.01
	Loans and advances	4,183.45	3,925.88	564.33	247.63	74.39	70.63
	Total	4,451.63	4,028.37	633.78	263.27	94.16	79.05
	Total assets	9,374.37	6,532.65	1,415.21	445.21	404.32	246.36
E.	Liabilities and provisions						
	Deferred tax liability (net)	-	-	0.67	-	0.67	1.01
	Loan funds						
	Secured loans	11.32	9.29	2.96	1.61	-	-
	Unsecured loans	2,381.50	1,800.00	-	-	88.58	-
	Current liabilities and provisions						
	Current liabilities	162.76	219.00	84.94	42.81	33.91	8.91
	Provisions	37.92	3.15	28.70	15.33	4.40	2.47
	Total liabilities and provisions	2,593.50	2,031.44	117.27	59.75	127.56	12.39
F.	Net worth (A+B+C+D-E)	6,780.87	4,501.21	1,297.94	385.46	276.76	233.97
	Represented by:						
	Shareholders funds						
	Share capital	335.28	50.44	37.84	28.60	27.50	27.30
	Stock options outstanding account	40.54	36.20	25.03	13.97	1.13	-
	Share application money pending allotment	-	-	-	0.11	0.60	-
	Reserves and surplus	6,405.05	4,414.57	1,235.07	342.78	247.53	206.67
	Total net worth (as restated)	6,780.87	4,501.21	1,297.94	385.46	276.76	233.97

**Annexure XIV**

**Edelweiss Capital Limited**

(Currency: Indian rupees in millions)

Statement of profit and loss, as restated

<b>Period/year ended on 31</b>	<b>August-07</b>	<b>March-07</b>	<b>March-06</b>	<b>March-05</b>	<b>March-04</b>	<b>March-03</b>
<b>Income</b>						
Advisory and transactional services fee income	388.00	576.38	273.39	160.70	42.23	25.84
Trading and arbitrage income	(1.93)	(94.60)	-	3.98	18.29	1.63
Investment and dividend income	26.94	144.11	12.88	99.98	43.29	14.68
Interest income	163.71	121.77	25.10	2.08	-	5.11
Other income	0.25	4.95	0.05	6.47	0.81	0.04
<b>Total income</b>	<b>576.97</b>	<b>752.61</b>	<b>311.42</b>	<b>273.21</b>	<b>104.62</b>	<b>47.30</b>
<b>Expenditure</b>						
Employee costs	132.23	240.76	113.58	85.98	22.33	16.91
Operating and other expenses	116.05	125.07	69.35	48.45	22.66	21.88
Depreciation	1.80	10.23	10.25	7.90	4.58	3.13
Financial expenses	141.34	20.16	0.27	2.71	2.60	0.03
<b>Total expenditure</b>	<b>391.42</b>	<b>396.22</b>	<b>193.45</b>	<b>145.04</b>	<b>52.17</b>	<b>41.95</b>
<b>Net profit before tax</b>	<b>185.55</b>	<b>356.39</b>	<b>117.97</b>	<b>128.17</b>	<b>52.45</b>	<b>5.35</b>
<b>Provision for taxation</b>						
-Income tax (Including short provision for earlier years)	68.41	96.00	43.00	32.50	9.60	2.33
-Deferred tax charge/(benefit)	(2.00)	(3.20)	1.40	(1.40)	(0.33)	(0.54)
-Fringe benefit tax	1.62	1.63	1.21	-	-	-
<b>Net profit after tax&amp; before extraordinary items</b>	<b>117.52</b>	<b>261.96</b>	<b>72.36</b>	<b>97.07</b>	<b>43.18</b>	<b>3.56</b>
Extra ordinary items(net of tax)	-	-	-	-	-	-
<b>Net profit after extraordinary items</b>	<b>117.52</b>	<b>261.96</b>	<b>72.36</b>	<b>97.07</b>	<b>43.18</b>	<b>3.56</b>
Prior year adjustments	-	-	-	-	-	-
<b>Net profit after tax</b>	<b>117.52</b>	<b>261.96</b>	<b>72.36</b>	<b>97.07</b>	<b>43.18</b>	<b>3.56</b>
<b>Balance in profit and loss account brought forward</b>	<b>465.36</b>	<b>243.31</b>	<b>180.97</b>	<b>78.20</b>	<b>46.21</b>	<b>44.19</b>
<b>Balance available for appropriation</b>	<b>582.88</b>	<b>505.27</b>	<b>253.33</b>	<b>175.26</b>	<b>89.39</b>	<b>47.75</b>
<b>Appropriations</b>						
Transfer to general reserve	-	27.06	4.39	-	-	-
Interim dividend	-	11.27	-	-	-	-
Transfer to/(from) debenture redemption reserve	-	-	-	(8.88)	8.88	-
Proposed dividend	-	-	4.88	2.80	2.06	1.37
Tax on proposed dividend	-	1.58	0.75	0.37	0.26	0.17
<b>Balance in profit and loss account, as restated</b>	<b>582.88</b>	<b>465.36</b>	<b>243.31</b>	<b>180.97</b>	<b>78.19</b>	<b>46.21</b>
<b>Total</b>	<b>582.88</b>	<b>505.27</b>	<b>253.33</b>	<b>175.26</b>	<b>89.39</b>	<b>47.75</b>

**Annexure XV**

**Edelweiss Capital Limited**

(Currency: Indian rupees in millions)

Cash flow statement, as restated

	<b>Period/year ended on</b>	<b>31-August-07</b>	<b>31-March-07</b>	<b>31-March-06</b>	<b>31-March-05</b>	<b>31-March-04</b>	<b>31-March-03</b>
<b>A</b>	<b>Cash flow from operating activities</b>						
	Profit before taxation	185.55	356.39	117.97	128.17	52.45	5.35
	Adjustments for						
	Depreciation	1.80	10.23	10.25	7.90	4.58	3.13
	Net provision for loss on equity index/stock options	-	-	-	-	0.05	0.12
	Provision for gratuity	1.49	2.04	0.35	(0.24)	0.24	0.30
	Income from investments in partnership firms	-	-	(3.59)	(22.53)	(20.69)	(5.68)
	Profit on sale of investments	(19.30)	(115.95)	(4.80)	(75.99)	(5.70)	(1.19)
	Dividend on current investments	(7.64)	(15.28)	-	-	-	-
	Diminution in value of long term investments (written back)/provided (net)	-	(12.88)	(1.50)	(1.24)	6.09	3.31
	Diminution in value of current investments (written back)/provided (net)	-	-	(2.14)	2.01	0.13	-
	(Profit)/Loss on sale of fixed assets	(0.05)	(0.01)	-	3.77	-	-
	Provision for doubtful advances written back	-	(0.66)	-	-	-	-
	Provision for doubtful debts written back	-	-	-	(2.72)	(0.47)	-
	Provision for doubtful debts	-	-	-	-	-	0.47
	Bad debts and advances written off	2.00	2.88	0.10	2.80	0.02	0.69
	Amortisation of employee stock option plan cost	3.29	11.17	11.06	12.84	1.13	-
	Financial expenses	120.69	20.08	-	2.71	2.60	0.03
	Interest income - gross	-	(121.77)	(25.10)	(2.08)	-	(5.11)
	Operating cash flow before working capital changes	287.83	136.24	102.60	55.40	40.43	1.42
	Adjustments for						
	(Increase)/decrease in stock in trade	-	-	-	1.52	4.37	18.77
	(Increase)/decrease in debtors	(144.42)	(6.00)	(63.34)	(4.12)	(0.69)	(1.24)
	(Increase)/decrease in other current assets	-	-	-	-	0.01	(0.01)
	(Increase)/decrease in other receivables	(259.37)	(3,358.12)	(316.71)	(173.24)	(3.81)	21.60
	Increase/(decrease) in trade payables	(45.55)	116.46	42.13	8.90	24.99	(8.64)
	Cash generated from/(used in) operations	(161.51)	(3,111.42)	(235.32)	(111.54)	65.30	31.90
	Income taxes (paid)/refund received	(34.94)	(121.44)	(33.58)	(22.17)	(8.69)	2.36
	Net cash generated from/(used in) operating activities	(196.45)	(3,232.86)	(268.90)	(133.71)	56.61	34.26
<b>B</b>	<b>Cash flow from investing activities</b>						
	Interest received	-	121.77	25.10	2.08	-	5.11
	Dividend received on current investments	7.64	13.66	-	-	-	-
	Purchase of fixed assets	(6.64)	(11.13)	(7.78)	(26.12)	(6.53)	(1.39)
	Proceeds from sale of fixed assets	0.19	0.02	-	1.50	-	-
	Purchase of investments (net)	(2,392.45)	(1,590.63)	(590.64)	239.65	(120.72)	(38.73)

<b>Period/year ended on</b>	<b>31-August-07</b>	<b>31-March-07</b>	<b>31-March-06</b>	<b>31-March-05</b>	<b>31-March-04</b>	<b>31-March-03</b>
Net cash generated from/(used in) investing activities	(2,391.26)	(1,466.31)	(573.32)	217.11	(127.25)	(35.01)
<b>C</b> Cash flow from financing activities						
Proceeds from issue of share capital including premium received	2,158.83	2,943.00	834.69	1.96	0.79	0.94
Change in foreign exchange translation reserve	-	-	-	-	-	-
Dividend paid	-	(16.15)	(2.80)	(2.06)	(1.37)	-
Dividend distribution tax paid	-	(2.26)	(0.44)	(0.27)	(0.17)	-
Proceeds from/(repayment of) unsecured loans	581.50	1,800.00	-	(88.58)	88.58	(0.16)
Proceeds from/(repayment of) secured loans	2.03	6.33	1.36	1.61	-	-
Interest paid on loans	(131.38)	(2.49)	-	(2.71)	(2.60)	(0.03)
Net cash generated from/(used in) financing activities	2,610.98	4,728.43	832.81	(90.05)	85.23	0.75
Net increase/(decrease) in cash and cash equivalents (A+B+C)	23.27	29.26	(9.41)	(6.65)	14.59	-
Cash and cash equivalent as at the beginning of the period/year	29.37	0.11	9.52	16.17	1.58	1.58
Cash and cash equivalent as at the end of the period/year	52.64	29.37	0.11	9.52	16.17	1.58

## Annexure XVI

### Edelweiss Capital Limited

#### 1. Significant accounting policies

##### 1.1 Basis of preparation of financial statements

The accompanying financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company.

##### 1.2 Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any differences of actual to such estimates are prospectively made in current or future periods.

##### 1.3 Revenue recognition

- Advisory and Transactional services fee income is accounted for, on an accrual basis in accordance with the terms & contracts entered into between the Company and the counterparty.
- Portfolio management fees are accounted on accrual basis as follows:
  - a. In case of percentage based fees, as a percentage of the unaudited net asset value at the end of each financial quarter, on a quarterly basis.
  - b. In case of return based fee, as a percentage of the annual profit, on an annual basis.
- Interest income is recognised on accrual basis.
- Dividend income is recognised when the right to receive payment is established.
- Income from derivative transaction is recognised on accrual basis.
- Income from security transaction is recognised on accrual basis.

##### 1.4 Equity index/stock – futures

- a. "Initial Margin – Equity Index/Stock Futures Account", representing initial margin paid, and "Margin Deposits", representing additional margin over and above initial margin, for entering into contracts for Equity Index/Stock Futures, which are released on final settlement/squaring-up of underlying contracts, are disclosed as under loans and advances.
- b. Equity index/stock futures are marked-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities, respectively, in the "Mark-to-Market Margin – Equity Index/Stock Futures Account", represents the net amount paid or received on the basis of movement in the prices of index/stock futures till the balance sheet date.
- c. As on the balance sheet date, profit/loss on open positions in index/stock futures are accounted for as follows:
  - Credit balance in the "Mark-to-Market Margin – Equity index/Stock Futures Account", being anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
  - Debit balance in the "Mark-to-Market Margin – Equity Index/Stock Futures Account", being anticipated loss is adjusted in the profit and loss account.
- d. On final settlement or squaring-up of contracts for equity index/stock futures, the profit or loss is calculated as difference between settlement/squaring up price and contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract in "Mark-to-Market Margin – Equity Index/Stock Futures Account" is recognised in the profit and loss account. When more than one contract in respect of the relevant series of equity index futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using weighted average method for calculating profit/loss on squaring-up.

##### 1.5 Equity index/stock – options

- a. "Equity Index/Stock Options Margin Account", representing initial margin paid, and "Margin Deposit", representing additional margin paid over and above initial margin, for entering into contracts for equity index/stock options, which are released on final settlement/squaring-up of underlying contracts, are disclosed under loans and advances.
- b. "Equity Index/Stock Option Premium Account" represents premium paid or received for buying or selling the options, respectively.
- c. As at the balance sheet date, in the case of long positions, provision is made for the amount by which the premium paid for those options exceeds the premium prevailing on the balance sheet date, and in the case of short positions, for the amount by which premium prevailing on the balance sheet date exceeds the premium received for those options, and reflected in "Provision for Loss on Equity Index/Stock Option Account".

Annexure XVI (Continued)

Edelweiss Capital Limited

1. Significant accounting policies (Continued)

1.5 Equity index/stock – options (Continued)

- d. When the option contracts are squared-up before expiry of the options, the premium prevailing on that date is recognised in profit and loss account. If more than one option contract in respect of the same index/stock with the same strike price and expiry date to which the squared-up contract pertains is outstanding at the time of squaring-up of the contract weighted average method is followed for determining profit or loss. On expiry of the contracts and on exercising the options, the difference between final settlement price and the strike price is transferred to the profit and loss account. In both the above cases premium paid or received for buying or selling the option, as the case may be, is recognised in the profit and loss account for all squared-up/settled contracts.

1.6 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

The Company provides pro-rata depreciation from the month in which asset is acquired/put to use. In respect of assets sold, pro-rata depreciation is provided upto the month in which the asset is sold.

Depreciation is charged on written down value basis at the rates prescribed by the Schedule XIV of the Companies Act, 1956 as given below:

Class of asset	Rate of depreciation
Office Equipment	13.91%
Computers	40.00%
Vehicles	25.00%
Electrical fittings	13.91%
Furniture and fixtures	18.10%

Leasehold improvements are amortized on a straight-line basis over the period of lease.

All fixed assets individually costing less than Rs. 5,000 are fully depreciated in the year of installation.

Software expense includes expenditure by way of license for various office applications which have been written off in the year of purchase on a prudent basis.

1.7 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

1.8 Stock-in-trade

- a. The securities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and disclosed as current assets.
- b. The securities held as stock-in-trade under current assets are valued at lower of average cost and market value. In case of units of Mutual Funds, Net Asset Value is considered as market value.

1.9 Investments

Investments are classified into long term investments and current investments. Investments which are intended to be held for one year or more are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments.

Long term investments are accounted at cost and any decline in the carrying value other than temporary in nature is provided for. Current investments are valued at cost or market/fair value, whichever is lower. In case of investments in units of a mutual fund, the net asset value of units is considered as the market/fair value.

1.10 Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rate on that date. The exchange differences, if any, are recognised in the profit and loss account and related assets and liabilities are accordingly restated in the balance sheet.

## Annexure XVI (Continued)

### Edelweiss Capital Limited

#### 1. Significant accounting policies (Continued)

##### 1.11 Retirement benefits

Contribution payable to the recognised provident fund, which is a defined contribution scheme, are charged to the profit and loss account in the period in which they occur.

Gratuity which is a defined benefit is accrued based on the actuarial valuation as at the balance sheet date carried out by an independent actuary.

Unused leave of staff lapses at year end and accordingly is not encashable.

##### 1.12 Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) and fringe benefit tax.

###### Deferred taxation

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

###### Fringe benefit tax

Provision for Fringe benefit tax ('FBT') is made on the basis of applicable FBT on the taxable value of chargeable expenditure of the Company as prescribed under the Income Tax Act, 1961.

###### Securities transaction tax

Securities transaction tax (STT) to the extent allowable under section 88E of the income tax Act, 1961 of India has been included in the provision for income tax.

##### 1.13 Operating leases

Lease rentals in respect of operating lease are charged to the profit and loss account as per the terms of the lease arrangement on a straight line basis.

##### 1.14 Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting year.

Number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are included.

##### 1.15 Employee stock option plans

Pursuant to the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employee Share-based Payments, the Company computes the fair value of its shares using the earnings capitalization method considering weighted average adjusted profit after tax for last 3 years of all the subsidiary companies. Accordingly, the difference, if any between the fair value and the issue price is charged to the profit and loss account as the compensation cost on account of Employee Stock Option Plan over the period of grant and vesting date.

##### 1.16 Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

1.17 Interim financial statements

The accounting policies followed in the preparation of the condensed financial statements for the period ended 31 August 2007 are same as stated above except for retirement benefits and taxation.

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

1. Significant accounting policies (Continued)

1.17 Interim financial statements (Continued)

a. Retirement benefits

In accordance with the announcement of the Institute of Chartered Accountants of India, the Company has implemented revised Accounting Standard 15 - Employee Benefits with effect from 1 April 2007. However, there is no financial impact as a result of the adoption of this Accounting Standard.

Gratuity which is a defined benefit is calculated on a year to date basis by using the actuarially determined rates at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements or other significant one time events.

b. Taxation

Provision for taxes and deferred tax have been determined based on effective tax rate applicable for the full year estimated financial statements for the year ending 31 March 2008 as required under Accounting Standard 25 – Interim Financial Reporting issued by the Institute of Chartered Accountants of India.

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts

2.1 Contingent liability

For the period ended 31 August 2007

- a. Taxation matters in respect of which appeal is pending – Rs. 6.81 million. This is being disputed by the Company and hence not provided for. The demand paid under protest against such contingent liability is Rs. 5.44 million.
- b. The Company has issued corporate guarantees to the extent of Rs. 5,430.00 million, in favour of Banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) and ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited) (Subsidiary Companies).
- c. The Company has provided performance guarantee from banks to the extent of Rs. 65.00 million for the premises obtained on rent.
- d. Capital commitments (net of advances) at 31 August 2007 is Rs. 68.53 million.

For the year ended 31 March 2007

- a. Taxation matters in respect of which appeal is pending – Rs.6.81 million. This is being disputed by the Company and hence not provided for. The demand paid under protest against such contingent liability is Rs.4.57 million.
- b. The Company has issued corporate guarantees to the extent of Rs.3,690.00 million, in favour of Banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited and Edelweiss Commodities & Advisors Limited (Subsidiary Companies).
- c. Capital commitments (net of advances) – Rs.320.92 million.

For the year ended 31 March 2006

- a. Taxation matters in respect of which appeal is pending – Rs.8.65 million. This is being disputed by the Company and hence not provided for. The demand paid under protest against such contingent liability is Rs.3.69 million.
- b. The Company has issued corporate guarantees to the extent of Rs.1,205.00 million, in favour of Banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) and ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited) (Subsidiary Companies).
- c. Capital commitments (net of advances) – Rs.16.21 million.

For the year ended 31 March 2005

- a. Taxation matters in respect of which appeal is pending –Rs.4.93 million. This is being disputed by the Company and hence not provided for. The demand paid under protest against such contingent liability is Rs.3.69 million.
- b. The Company has issued corporate guarantees to the extent of Rs.345.00 million, in favour of Banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) and ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited) (Subsidiary Companies).
- c. Capital commitments (net of advances) –Rs.16.21 million.

For the year 31 March 2004

- a. Taxation matters in respect of which appeal is pending – Rs.7.48 million. This is being disputed by the Company and hence not provided for.
- b. The Company has issued corporate guarantees to the extent of Rs.295.00 million, in favour of Banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) (Subsidiary Company).

For the year 31 March 2003

- a. The Company has issued corporate guarantees to the extent of Rs.235.00 million, in favour of Banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited) (Subsidiary Company).
- b. The Company is acting as a guarantor to the hire purchase agreement entered into by Edelweiss Insurance Brokers Limited (Subsidiary Company) with Kotak Mahindra Primus Limited. The outstanding balance in the books of Edelweiss Insurance Brokers Limited aggregates Rs.0.12 million.

**Annexure XVI (Continued)****Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.2 Managerial remuneration

(Indian rupees in millions)

<b>Period/year ended</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>	<b>31-Mar-05</b>	<b>31-Mar-04</b>	<b>31-Mar-03</b>
Salary and bonus	8.42	43.99	20.16	10.29	4.65	3.46
Gratuity	-	-	-	(0.26)	0.06	0.26
Rent	1.5	0.41	2.66	2.56	1.24	-
Perquisites	-	-	0.03	0.03	0.01	0.01
<b>Total</b>	<b>9.92</b>	<b>44.40</b>	<b>22.85</b>	<b>12.62</b>	<b>5.96</b>	<b>3.73</b>

For the period ended 31 August 2007, provision for bonus is made in the books on an overall Company basis. Thus, the aforementioned remuneration numbers for the period ended 31 August 2007 are excluding bonus.

Provision for gratuity based on actuarial valuation done on an overall Company basis is excluded above.

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.3 Employee stock option plans

For the period ended 31 August 2007

Pursuant to the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employee Share-based Payments, fair value of the Company's shares is determined under earnings capitalization method considering weighted average adjusted profit after tax for last 3 years of all the subsidiary companies. Accordingly the charge debited to the profit & loss account towards compensation cost on accounting for ESOP for the period ended 31 August 2007 is Rs. 4.34 million.

<b>Exercise price (Rs.)</b>	<b>0.83</b>	<b>79.17</b>	<b>10.42</b>	<b>10.42</b>	<b>20.83</b>	<b>79.17</b>	<b>166.67</b>	<b>79.17</b>	<b>166.67</b>
<b>Scheme</b>	<b>D</b>		<b>E</b>	<b>F</b>			<b>G</b>		
<b>Total options approved by the members</b>	<b>6,096,000</b>		<b>2,922,000</b>	<b>2,400,000</b>			<b>4,800,000</b>		
Grants as at 1 April 2007	1,500	1,500	-	76,500	231,000	324,318	240,000	1,624,800	246,000
Add - options granted during the period	-	-	-	-	-	-	-	-	-
Less - options lapsed/cancelled during the period	-	-	-	(6,000)	(9,000)	(19,206)	-	(19,200)	-
Less - options exercised during the period	-	-	-	-	-	-	-	-	-
Grants as at 31 August 2007	1,500	1,500	-	70,500	222,000	305,112	240,000	1,605,600	246,000
Options vested as at 1 April 2007	-	-	-	-	-	-	-	-	-
Add - options vested during the period	-	-	-	6,000	6,000	-	60,000	-	-
Less - options exercised during the period	-	-	-	-	-	-	-	-	-
Less - options lapsed during the period	-	-	-	-	-	-	-	-	-
Options vested as at 31 August 2007	-	-	-	6,000	6,000	-	60,000	-	-
Options exercisable by 30 September 2011	-	-	-	6,000	-	-	-	-	-
Options exercisable by 31 March 2012	-	-	-	-	6,000	-	60,000	-	-

The above table has been adjusted for corporate actions.

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.3 Employee stock option plans (continued)

For the year ended 31 March 2007

Pursuant to the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employee Share-based Payments, fair value of the Company's shares is determined under earnings capitalization method considering weighted average adjusted profit after tax for last 3 years of all the subsidiary companies. The Company has granted the options under its employee stock option plan scheme on 1 October 2006 having an exercise price of Rs.95 and on 31 March 2007 having an exercise price of Rs.200. The fair value of each share as determined as per the method specified above is Rs.117 as on 1 October 2006 and Rs.167 as on 31 March 2007. The charge debited to profit & loss account towards compensation cost on accounting for the employee stock option plan is Rs.11.17 million.

Exercise Price (Rs.)	1	95	12.5	12.5	25	95	200	95	200
Scheme	D		E	F			G		
Total Options approved by the members	5,080,000		2,435,000	2,000,000			4,000,000		
Grants as at 1 April 2006	2,095,890	5,000	2,087,620	335,000	725,000	259,250	-	1,168,500	-
Add - Options granted until 31 March 2007	-	-	-	-	-	225,000	200,000	200,000	205,000
Less - Options lapsed/cancelled until 31 March 2007	(766,750)	-	(338,620)	(50,000)	(50,000)	(56,250)	-	(14,500)	-
Less - Options exercised until 31 March 2007	(1,327,890)	(3,750)	(1,749,000)	(221,250)	(482,500)	(157,736)	-	-	-
Grants as at 31 March 2007	1,250	1,250	-	63,750	192,500	270,264	200,000	1,354,000	205,000
Options vested as at 1 April 2006	1,483,260	-	1,895,750	88,750	175,000	-	-	-	-
Add - Options vested until 31 March 2007	276,880	3,750	157,870	158,750	322,500	157,736	-	-	-
Less - Options exercised until 31 March 2007	(1,327,890)	(3,750)	(1,749,000)	(221,250)	(482,500)	(157,736)	-	-	-
Less - Options lapsed until 31 March 2007	(432,250)	-	(304,620)	(26,250)	(15,000)	-	-	-	-
Options vested as at 31 March 2007	-	-	-	-	-	-	-	-	-

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.3 Employee stock option plans (continued)

For the year 31 March 2006

Pursuant to the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employee Share-based Payments, fair value of the company's shares as determined under earnings capitalization method considering weighted average adjusted profit after tax for last 3 years of all the subsidiary companies, is Rs.87.90. The Company has granted the options under its employee stock option plan scheme only on 31 March, 2006 having an exercise price of Rs.95. The charge debited to profit & loss account towards compensation cost on accounting for employee stock option plan is Rs.11.06 million.

Exercise Price (Rs.)	1	95	12.5	12.5	25	95	95
ESOP	D		E	F			G
Total Options approved by the members	5,080,000		2,435,000	2,000,000			4,000,000
Grants as at 1 April 2005	2,636,250	-	2,145,620	865,000	750,000	-	-
Add - Options granted during the year	5,000	5,000	-	-	5,000	259,250	1,168,500
Less - Options lapsed/cancelled during the year	(349,250)	-	(52,000)	(530,000)	(30,000)	-	-
Less - Options exercised during the year	(196,110)	-	(6,000)	-	-	-	-
Grants as at 31 March 2006	2,095,890	5,000	2,087,620	335,000	725,000	259,250	1,168,500
Options vested as at 1 April 2005	1,135,610	-	1,483,060	-	-	-	-
Add - Options vested during the year	809,010	-	448,440	108,750	175,000	-	-
Less - Options exercised during the year	(196,110)	-	(6,000)	-	-	-	-
Less - Options lapsed during the year	(265,250)	-	(29,750)	(20,000)	-	-	-
Options vested as at 31 March 2006	1,483,260	-	1,895,750	88,750	175,000	-	-
Options exercisable by 31 March 2007	447,350	-	253,610	-	-	-	-
Options exercisable by 30 September 2007	8,750	-	-	-	-	-	-
Options exercisable by 31 March 2008 (extended)	298,150	-	380,250	-	-	-	-
Options exercisable by 31 March 2008	729,010	-	369,240	-	-	-	-
Options exercisable by 31 March 2009	-	-	444,210	-	-	-	-
Options exercisable by 30 September 2009	-	-	-	88,750	-	-	-
Options exercisable by 31 March 2010	-	-	448,440	-	175,000	-	-
	1,483,260	-	1,895,750	88,750	175,000	-	-

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.3 Employee stock option plans (continued)

For the year ended 31 March 2005

Pursuant to the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employee Share-based Payments, fair value of the Company's shares as determined under earnings capitalization method considering weighted average adjusted profit after tax for last 3 years of all the subsidiary companies, is Rs.53.87. The Company has granted the options under its employee stock option plan scheme having an exercise price of Re. 1, Rs.12.50 and 25. The charge debited to profit & loss account towards compensation cost on accounting for employee stock option plan is Rs.12.84 million.

Exercise Price (Rs.)	2	25	25	50
ESOP	D	E	F	
Total Options approved by the members	2,540,000	1,217,500	1,000,000	
Grants as at 1 April 2004	1,693,075	1,212,750	-	-
Add – Options granted during the year	40,000	-	437,500	375,000
Less – Options lapsed during the year	(165,685)	(81,500)	(5,000)	-
Less – Options exercised during the year	(249,265)	(58,440)	-	-
Grants as at 31 March 2005	1,318,125	1,072,810	432,500	375,000
Options vested as at 1 April 2004	434,000	592,745	-	-
Add – Options vested during the year	416,760	233,230	-	-
Less – Options exercised during the year	(249,265)	(58,440)	-	-
Less – Options lapsed during the year	(33,690)	(26,005)	-	-
Options vested as at 31 March 2005	567,805	741,530	-	-
Options exercisable by 31 March 2006	191,045	190,125	-	-
Options exercisable by 31 March 2007	376,760	129,930	-	-
Options exercisable by 31 March 2008	-	190,745	-	-
Options exercisable by 31 March 2009	-	230,730	-	-
	567,805	741,530	-	-

**Annexure XVI (Continued)****Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.3 Employee stock option plans (continued)

For the year ended 31 March 2004

Pursuant to the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employee Share-based Payments, fair value of the Company's shares as determined under earnings capitalization method considering weighted average adjusted profit after tax for last 3 years of all the subsidiary companies, is Rs.15.44. The Company has granted the options under its employee stock option plan scheme having an exercise price of Re. 1 and Rs.12.50. The charge debited to profit & loss account towards compensation cost on accounting for employee stock option plan is Rs.1.13 million.

<b>Exercise Price (Rs.)</b>	<b>10</b>	<b>125</b>
<b>ESOP</b>	<b>D</b>	<b>E</b>
Total Options approved by the members	508,000	243,500
Grants as at 1 April 2003	356,650	239,000
Add – Options granted during the year	82,000	18,150
Less – Options lapsed during the year	(21,025)	(14,600)
Less – Options Exercised during the year	(79,010)	-
Grants as at 31 March 2004	338,615	242,550
Options vested as at 1 April 2003	98,430	75,512
Add – Options Vested during the year	69,724	45,631
Less – Options Exercised during the year	(79,010)	-
Less – Options lapsed during the year	(2,344)	(2,594)
Options vested as at 31 March 2004	86,800	118,549
Options exercisable by 31 March 2005	17,076	-
Options exercisable by 31 March 2006	69,724	41,900
Options exercisable by 31 March 2007	-	31,018
Options exercisable by 31 March 2008	-	45,631
	86,800	118,549

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.3 Employee stock option plans (continued)

For the year ended 31 March 2003

Pursuant to the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employee Share-based Payments, fair value of the Company's shares as determined under earnings capitalization method considering weighted average adjusted profit after tax for last 3 years of all the subsidiary companies, is Rs.1.44. The Company has granted the options under its employee stock option plan scheme having an exercise price of Re. 1 and Rs.12.50. The charge debited to profit & loss account towards compensation cost on accounting for employee stock option plan is Rs.Nil.

Exercise Price	10	125	45	10	125
	Original Scheme			New Scheme	
ESOP	A	B	C	D	E
Total Options approved by the members	850,000	370,000	-	-	-
Options exercised	50,500	-	-	-	-
Board of Directors approved merging of schemes A and B; the holders were given an option of accelerated vesting of 418,000 options and the balance 751,500 options were extinguished	-	-	418,000	-	-
In the Extra-Ordinary General Meeting held on 31 January 2002, the members formed ESOP 2002 with a pool of 751,500 shares, under which there are two schemes viz. D and E	-	-	-	508,000	243,500
Grants as at 31 March 2003	-	-	-	356,650	239,000
Options vested as at 31 March 2003	-	-	-	98,430	75,512
Options exercisable by 31 March 2004	-	-	-	57,500	43,025
Options exercisable by 31 March 2005	-	-	-	40,930	32,487

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.4 Segment reporting

Segment reporting disclosures have been prepared in accordance with Accounting Standard 17 – Segment Reporting issued by the Institute of Chartered Accountants of India.

The Company's management has classified its business into the following segments:

- Advisory and transactional services
- Trading/investments in securities and derivatives and other instruments
- Portfolio management services
- Unallocated

Revenue and expenses for the period and assets and liabilities are either specifically identifiable with individual segments or have been allocated to segments on an appropriate basis.

Based on such allocations, segment results for the period ended 31 August 2007 and year ended 31 March 2007, 31 March 2006, 31 March 2005, 31 March 2004 and 31 March 2003 and segment assets & liabilities as at 31 August 2007, 31 March 2007, 31 March 2006, 31 March 2005, 31 March 2004 and 31 March 2003 have been prepared.

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.4 Segment reporting (continued)

(Indian rupees in millions)

Particulars	Advisory and transactional services					
	August-07	March-07	March-06	March-05	March-04	March-03
Segment revenue						
Income from external customers	384.15	551.15	243.04	150.83	39.76	24.54
Excess provision written back	-	-	-	0.20	-	-
Brokerage, interest & other income	-	-	-	-	-	-
Total	384.15	551.15	243.04	151.03	39.76	24.54
Segment result	224.13	290.90	125.56	74.46	18.92	9.50
Income tax	-	-	-	-	-	-
Current tax	-	-	-	-	-	-
Deferred tax charge/(benefit)	-	-	-	-	-	-
Fringe benefit tax	-	-	-	-	-	-
Profit/(loss) for the period/year	-	-	-	-	-	-
Other information						
Carrying amount of segment assets	159.65	62.26	71.34	21.63	9.25	1.03
Carrying amount of segment liabilities	66.35	115.63	40.61	29.09	7.10	1.71
Capital expenditure	-	-	-	18.57	4.63	-
Depreciation	-	-	-	5.62	3.25	-
Non cash expenditure other than depreciation	1.96	-	-	2.80	-	-

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.4 Segment reporting (continued)

(Indian rupees in millions)

Particulars	Trading/Investments in securities and derivatives and other instruments					
	August-07	March-07	March-06	March-05	March-04	March-03
Segment revenue						
Income from external customers	25.01	36.63	9.24	102.71	61.58	16.32
Excess provision written back	-	12.88	3.65	3.96	-	-
Brokerage, interest & other income	-	-	-	-	-	-
Total	25.01	49.51	12.88	106.68	61.58	16.32
Segment result	17.85	34.55	6.76	95.48	53.25	11.67
Income tax	-	-	-	-	-	-
Current tax	-	-	-	-	-	-
Deferred tax charge/(benefit)	-	-	-	-	-	-
Fringe benefit tax	-	-	-	-	-	-
Profit/(loss) for the period/year	-	-	-	-	-	-
Other information						
Carrying amount of segment assets	327.10	628.14	760.18	383.06	339.88	165.16
Carrying amount of segment liabilities	4.00	7.08	1.98	2.00	90.65	4.60
Capital expenditure	-	-	-	0.58	0.13	-
Depreciation	-	-	-	0.18	0.09	-
Non cash expenditure other than depreciation	-	-	-	3.26	6.22	-

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.4 Segment reporting (continued)

(Indian rupees in millions)

Particulars	Portfolio management services					
	August-07	March-07	March-06	March-05	March-04	March-03
Segment revenue						
Income from external customers	2.22	15.07	28.57	8.39	2.05	0.83
Excess provision written back	-	-	-	-	-	-
Brokerage, interest & other income	-	-	-	-	-	-
Total	2.22	15.07	28.57	8.39	2.05	0.83
Segment result	(0.15)	6.15	17.49	0.09	1.81	0.53
Income tax	-	-	-	-	-	-
Current tax	-	-	-	-	-	-
Deferred tax charge/(benefit)	-	-	-	-	-	-
Fringe benefit tax	-	-	-	-	-	-
Profit/(loss) for the period/year	-	-	-	-	-	-
Other information						
Carrying amount of segment assets	1.01	10.13	19.97	3.36	1.15	0.24
Carrying amount of segment liabilities	2.38	4.21	8.23	3.66	0.08	0.04
Capital expenditure	-	-	-	1.16	0.26	-
Depreciation	-	-	-	0.35	0.18	-
Non cash expenditure other than depreciation	0.04	-	-	-	-	-

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.4 Segment reporting (continued)

(Indian rupees in millions)

Particulars	Unallocated					
	August-07	March-07	March-06	March-05	March-04	March-03
Segment revenue						
Income from external customers	-	-	-	-	-	-
Excess provision written back	-	-	-	0.04	-	-
Brokerage, interest & other income	165.59	136.88	26.92	7.08	1.23	5.61
Total	165.59	136.88	26.92	7.12	1.22	5.61
Segment result	(56.28)	24.79	(31.84)	(41.86)	(21.53)	(16.35)
Income tax	-	-	-	-	-	-
Current tax	68.41	96.00	43.00	32.50	9.60	2.33
Deferred tax charge/(benefit)	(2.00)	(3.20)	1.40	(1.40)	(0.33)	(0.54)
Fringe benefit tax	1.62	1.63	1.20	-	-	-
Profit/(loss) for the period/year	-	-	-	-	-	-
Other information						
Carrying amount of segment assets	8,886.61	5,832.12	563.72	37.16	54.04	79.93
Carrying amount of segment liabilities	2,520.77	1,904.52	66.45	25.00	29.73	6.04
Capital expenditure	6.64	11.13	7.78	5.80	1.50	1.39
Depreciation	1.80	10.23	10.25	1.76	1.05	3.13
Non cash expenditure other than depreciation	-	14.04	12.68	12.84	1.13	-

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.4 Segment reporting (continued)

(Indian rupees in millions)

Particulars	Total					
	August-07	March-07	March-06	March-05	March-04	March-03
Segment revenue						
Income from external customers	411.38	602.85	280.85	261.93	103.39	41.69
Excess provision written back	-	12.88	3.65	4.20	-	-
Brokerage, interest & other income	165.59	136.88	26.92	7.08	1.23	5.61
Total	576.97	752.61	311.42	273.21	104.62	47.30
Segment result	185.55	356.39	117.97	128.17	52.45	5.35
Income tax						
Current tax	68.41	96.00	43.00	32.50	9.60	2.33
Deferred tax charge/(benefit)	(2.00)	(3.20)	1.40	(1.40)	(0.33)	(0.54)
Fringe benefit tax	1.62	1.63	1.20	-	-	-
Profit/(loss) for the period/year	117.52	261.96	72.37	97.07	43.18	3.56
Other information						
Carrying amount of segment assets	9,374.37	6,532.65	1,415.21	445.21	404.32	246.36
Carrying amount of segment liabilities	2,593.50	2,031.44	117.27	59.75	127.56	12.39
Capital expenditure	6.64	11.13	7.78	26.11	6.52	1.39
Depreciation	1.80	10.23	10.25	7.91	4.57	3.13
Non cash expenditure other than depreciation	2.00	14.04	12.68	18.90	7.35	-

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.5 Related party

(A) i) Subsidiaries with whom transactions have taken place during the period ended 31 August 2007 and year ended 31 March 2007, 31 March 2006, 31 March 2005, 31 March 2004 and 31 March 2003:

Edelweiss Securities Limited (formerly Edelweiss Securities Private Limited)  
ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited)  
Edelweiss Insurance Brokers Limited  
Crossborder Investments Private Limited  
Edelweiss Capital USA, LLC  
Edelweiss Real Estate Advisors Limited  
Edelweiss Trustee Services Private Limited  
ECL Finance Limited

ii) Others:

Greater Pacific Capital, LLC

(B) Associate Enterprise:

Edelweiss Real Estate Advisors Limited (w. e. f. 10th August 2007)

(C) Enterprises in which key management personnel and the Company exercise significant influence:

E-C Partners (the firm has been dislolved as at 30 November 2004)  
E-Cap Partners (the Company retired as a partner w.e.f 15 November 2005)  
Edelcap Insurance Advisors (the Company retired as a partner w.e.f 1 April 2006)  
Oak Holdings Private Limited

(D) Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual:

Rashesh Shah  
Venkat Ramaswamy  
Sunil Wadhvani  
Ramanan Raghavendran  
Aparna T.C  
Kaavya Venkat  
Vidya Shah  
Navtej Nandra  
A.V. Ramaswamy  
Snehalata Gupta

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

Related party (continued)

(E) Transactions with related parties:

(Indian rupees in millions)

Particulars	Subsidiaries					
	Aug-07	2007	2006	2005	2004	2003
Capital account transactions						
Equity shares including premium	1,802.34	100.80	20.70	-	-	-
Fully convertible debentures	1,020.90	-	-	-	-	-
Share application money	-	-	0.80	-	0.47	-
Preference shares	-	1,000.00	350.00	-	-	-
Share application money paid	-	-	-	-	-	21.97
Share application money received back	-	-	-	-	-	(20.05)
Loans taken						
Intercompany deposits (ICD) accepted	-	-	-	-	-	-
Intercompany deposits (ICD) repaid	-	-	-	-	-	-
Loans given						
Optionally fully convertible debentures subscribed	-	-	450.00	-	-	-
Optionally fully convertible debentures redeemed	-	-	(450.00)	-	-	-
Loans taken						
Optionally fully convertible debentures issued	-	-	-	-	-	-
Optionally fully convertible debentures redeemed	-	-	-	-	-	-
Current account transactions						
Amounts received	(26,121.09)	(18,125.62)	(1,994.06)	(1,080.43)	(1,432.55)	(238.12)
Amounts given	26,057.80	21,145.10	2,517.32	1,085.31	1,367.44	212.29
Deposits refunded	-	-	-	(4.60)	-	-
Advances for office premises						
Amounts given	-	-	-	27.04	-	-
Amounts taken	-	-	-	(27.04)	-	-
Secondary market transactions with broker						
Purchases of derivative instruments#	1,036.73	6,753.57	-	4,871.62	15,131.05	829.30
Sale of derivative instruments#	925.04	(6,815.88)	(28.43)	(5,088.94)	(15,223.54)	(902.72)
Brokerage paid	0.11	-	-	0.34	1.39	1.25
Primary market transactions						
Brokerage paid	5.07	6.75	10.54	-	-	-
Interest received	131.05	(121.69)	(17.16)	(2.07)	-	(4.40)
Interest received on OFCD	-	-	(6.26)	-	-	-
Interest on FCD	31.92	-	-	-	-	-
Fees received	-	-	-	-	-	-
Interim Dividend	-	-	-	-	-	(7.20)
Reimbursements						
Salary	-	(1.03)	-	-	-	-
Rent	(12.02)	(15.12)	(22.74)	(8.38)	(5.01)	(1.85)
Electricity	(3.09)	(4.83)	(3.68)	(1.49)	(1.50)	(0.46)

Particulars	Subsidiaries					
	Aug-07	2007	2006	2005	2004	2003
Office expense	(1.26)	(1.00)	(1.18)	-	-	-
Telephone	(0.23)	(0.13)	-	(1.04)	(0.88)	(0.41)
Travel	(0.55)	(0.23)	-	-	-	-
Legal & professional	-	(1.97)	-	-	(0.36)	-
Time writing charges	-	-	-	(0.08)	(15.74)	(2.72)
Miscellaneous	-	-	-	(0.52)	(0.28)	-
Leasehold improvement expenses	-	-	-	(2.86)	-	-
Printing and stationery	(3.66)	-	-	-	-	-
Interest paid	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
Remuneration	-	-	-	-	-	-
Income from partnership firms						
Share of profits	-	-	-	-	-	-
Interest received	-	-	-	-	-	-
Amount invested	-	-	-	-	-	-
Amount withdrawn	-	-	-	-	-	-

# Represents transactions carried out through subsidiary company in their capacity as a agent. These amounts are inclusive of the brokerage. Figures in bracket represent income/liabilities/cash outgo.

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.5 Related party (continued)

(E) Transactions with related parties:

(Indian rupees in millions)

Particulars	Key Management Personnel					
	Aug-07	2007	2006	2005	2004	2003
Capital account transactions						
Equity shares including premium	4.03	-	(16.00)	-	-	-
Fully convertible debentures	-	-	-	-	-	-
Share application money	-	-	-	-	-	-
Preference shares	-	(2.60)	-	-	-	-
Share application money paid	-	-	-	-	-	-
Share application money received back	-	-	-	-	-	-
Loans taken						
Intercompany deposits (ICD) accepted	-	-	-	-	-	-
Intercompany deposits (ICD) repaid	-	-	-	-	-	-
Loans given						
Optionally fully convertible debentures subscribed	-	-	-	-	-	-
Optionally fully convertible debentures redeemed	-	-	-	-	-	-
Loans taken						
Optionally fully convertible debentures issued	-	-	-	(3.00)	(3.50)	-
Optionally fully convertible debentures redeemed	-	-	-	4.50	2.00	-
Current account transactions						
Amounts received	-	(5.00)	-	-	-	-
Amounts given	-	5.00	-	-	-	-
Deposits refunded	-	-	-	-	-	-
Advances for office premises						
Amounts given	-	-	-	-	-	-
Amounts taken	-	-	-	-	-	-
Secondary market transactions with broker						
Purchases of derivative instruments#	-	-	-	-	-	-
Sale of derivative instruments#	-	-	-	-	-	-
Brokerage paid	-	-	-	-	-	-
Primary market transactions						
Brokerage paid	-	-	-	-	-	-
Interest received	-	-	-	-	-	-
Interest received on OFCD	-	-	-	-	-	-
Interest on FCD	-	-	-	-	-	-
Fees received	-	(0.06)	(2.64)	-	(0.02)	(0.08)
Interim Dividend	-	-	-	-	-	-
Reimbursements						
Salary	-	-	-	-	-	-
Rent	1.50	-	-	-	-	-
Electricity	-	-	-	-	-	-
Office expense	-	-	-	-	-	-
Telephone	-	-	-	-	-	-
Travel	-	-	-	-	-	-

Particulars	Key Management Personnel					
	Aug-07	2007	2006	2005	2004	2003
Legal & professional	-	-	-	-	-	-
Time writing charges	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Leasehold improvement expenses	-	-	-	-	-	-
Printing and stationery	-	-	-	-	-	-
Interest paid	-	-	-	0.32	0.36	-
Dividend paid	-	5.88	1.03	0.77	0.53	-
Remuneration	8.42	44.40	22.92	12.59	5.96	3.72
Income from partnership firms						
Share of profits	-	-	-	-	-	-
Interest received	-	-	-	-	-	-
Amount invested	-	-	-	-	-	-
Amount withdrawn	-	-	-	-	-	-

# Represents transactions carried out through subsidiary company in their capacity as a agent. These amounts are inclusive of the brokerage. Figures in bracket represent income/liabilities/cash outgo.

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.5 Related party (continued)

(E) Transactions with related parties:

(Indian rupees in millions)

Particulars	Relatives of Key Management Personnel					
	Aug-07	2007	2006	2005	2004	2003
Capital account transactions						
Equity shares including premium	-	-	(0.93)	-	-	-
Fully convertible debentures	-	-	-	-	-	-
Share application money	-	-	-	-	-	-
Preference shares	-	-	-	-	-	-
Share application money paid	-	-	-	-	-	-
Share application money received back	-	-	-	-	-	-
Loans taken						
Intercompany deposits (ICD) accepted	-	-	-	-	-	-
Intercompany deposits (ICD) repaid	-	-	-	-	-	-
Loans given						
Optionally fully convertible debentures subscribed	-	-	-	-	-	-
Optionally fully convertible debentures redeemed	-	-	-	-	-	-
Loans taken						
Optionally fully convertible debentures issued	-	-	-	(3.00)	(2.00)	-
Optionally fully convertible debentures redeemed	-	-	-	3.00	2.00	-
Current account transactions						
Amounts received	-	(5.00)	-	-	-	-
Amounts given	-	5.00	-	-	-	-
Deposits refunded	-	-	-	-	-	-
Advances for office premises						
Amounts given	-	-	-	-	-	-
Amounts taken	-	-	-	-	-	-
Secondary market transactions with broker						
Purchases of derivative instruments#	-	-	-	-	-	-
Sale of derivative instruments#	-	-	-	-	-	-
Brokerage paid	-	-	-	-	-	-
Primary market transactions						
Brokerage paid	-	-	-	-	-	-
Interest received	-	-	-	-	-	-
Interest received on OFCD	-	-	-	-	-	-
Interest on FCD	-	-	-	-	-	-
Fees received	-	-	-	-	-	(0.06)
Interim Dividend	-	-	-	-	-	-
Reimbursements						
Salary	-	-	-	-	-	-
Rent	0.48	1.16	1.16	1.06	0.64	-
Electricity	-	-	-	-	-	-
Office expense	-	-	-	-	-	-
Telephone	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Legal & professional	-	-	-	-	-	-
Time writing charges	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-

Particulars	Relatives of Key Management Personnel					
	Aug-07	2007	2006	2005	2004	2003
Leasehold improvement expenses	-	-	-	-	-	-
Printing and stationery	-	-	-	-	-	-
Interest paid	-	-	-	-	0.20	-
Dividend paid	-	1.98	0.43	0.32	0.22	-
Remuneration	0.02	0.11	0.12	0.12	0.12	0.12
Income from partnership firms						
Share of profits	-	-	-	-	-	-
Interest received	-	-	-	-	-	-
Amount invested	-	-	-	-	-	-
Amount withdrawn	-	-	-	-	-	-

# Represents transactions carried out through subsidiary company in their capacity as a agent. These amounts are inclusive of the brokerage. Figures in bracket represent income/liabilities/cash outgo.

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.5 Related party (continued)

(E) Transactions with related parties:

(Indian rupees in millions)

Particulars	Other Enterprises where Key Management Personnel exercise significant influence					
	Aug-07	2007	2006	2005	2004	2003
Capital account transactions						
Equity shares including premium	-	(380.00)	-	-	-	-
Fully convertible debentures	-	-	-	-	-	-
Share application money	-	-	-	-	-	-
Preference shares	-	-	-	-	-	-
Share application money paid	-	-	-	-	-	-
Share application money received back	-	-	-	-	-	-
Loans taken						
Intercompany deposits (ICD) accepted	25.10	-	-	-	-	-
Intercompany deposits (ICD) repaid	23.00	-	-	-	-	-
Loans given						
Optionally fully convertible debentures subscribed	-	-	-	-	-	-
Optionally fully convertible debentures redeemed	-	-	-	-	-	-
Loans taken						
Optionally fully convertible debentures issued	-	-	-	-	-	-
Optionally fully convertible debentures redeemed	-	-	-	-	-	-
Current account transactions						
Amounts received	-	(6.39)	(83.81)	(188.37)	(362.08)	(60.40)
Amounts given	-	2.00	63.18	188.37	338.02	84.98
Deposits refunded	-	-	-	-	-	-
Advances for office premises						
Amounts given	-	-	-	-	-	-
Amounts taken	-	-	-	-	-	-
Secondary market transactions with broker						
Purchases of derivative instruments#	-	-	-	-	-	-
Sale of derivative instruments#	-	-	-	-	-	-
Brokerage paid	-	-	-	-	-	-
Primary market transactions						
Brokerage paid	-	-	-	-	-	-
Interest received	-	-	-	-	-	-
Interest received on OFCD	-	-	-	-	-	-
Interest on FCD	-	-	-	-	-	-
Fees received	-	-	-	-	-	-
Interim Dividend	-	-	-	-	-	-
Reimbursements						
Salary	-	-	-	-	-	-
Rent	-	(0.31)	(0.30)	(0.47)	(0.52)	-
Electricity	-	(0.10)	(0.08)	(0.09)	(0.16)	-
Office expense	-	-	-	-	-	-
Telephone	-	-	-	(0.01)	(0.06)	-

Particulars	Other Enterprises where Key Management Personnel exercise significant influence					
	Aug-07	2007	2006	2005	2004	2003
Travel	-	-	-	-	-	-
Legal & professional	-	-	-	-	(0.15)	-
Time writing charges	-	-	-	-	(0.75)	-
Miscellaneous	-	-	-	(0.01)	(0.02)	-
Leasehold improvement expenses	-	(0.13)	(0.08)	(0.11)	-	-
Printing and stationery	-	-	-	-	-	-
Interest paid	0.30	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
Remuneration	-	-	-	-	-	-
Income from partnership firms						
Share of profits	-	-	(3.59)	(16.24)	(14.05)	(2.84)
Interest received	-	-	(0.16)	(6.29)	(6.64)	(2.84)
Amount invested	-	-	-	0.05	0.01	0.02
Amount withdrawn	-	-	(0.01)	-	-	-

# Represents transactions carried out through subsidiary company in their capacity as a agent. These amounts are inclusive of the brokerage. Figures in bracket represent income/liabilities/cash outgo.

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.5 Related party (continued)

(E) Transactions with related parties:

(Indian rupees in millions)

Particulars	Associate enterprise					
	Aug-07	2007	2006	2005	2004	2003
Capital account transactions						
Equity shares including premium	-	-	-	-	-	-
Fully convertible debentures						
Share application money	-	-	-	-	-	-
Preference shares	-	-	-	-	-	-
Share application money paid	-	-	-	-	-	-
Share application money received back	-	-	-	-	-	-
Loans taken						
Intercompany deposits (ICD) accepted	-	-	-	-	-	-
Intercompany deposits (ICD) repaid	-	-	-	-	-	-
Loans given						
Optionally fully convertible debentures subscribed	-	-	-	-	-	-
Optionally fully convertible debentures redeemed	-	-	-	-	-	-
Loans taken						
Optionally fully convertible debentures issued	-	-	-	-	-	-
Optionally fully convertible debentures redeemed	-	-	-	-	-	-
Current account transactions						
Amounts received	1.90	-	-	-	-	-
Amounts given	1.90	-	-	-	-	-
Deposits refunded	-	-	-	-	-	-
Advances for office premises						
Amounts given	-	-	-	-	-	-
Amounts taken	-	-	-	-	-	-
Secondary market transactions with broker						
Purchases of derivative instruments#	-	-	-	-	-	-
Sale of derivative instruments#	-	-	-	-	-	-
Brokerage paid	-	-	-	-	-	-
Primary market transactions						
Brokerage paid	-	-	-	-	-	-
Interest received	-	-	-	-	-	-
Interest received on OFCD	-	-	-	-	-	-
Interest on FCD	-	-	-	-	-	-
Fees received	-	-	-	-	-	-
Interim Dividend	-	-	-	-	-	-
Reimbursements						
Salary	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Electricity	-	-	-	-	-	-
Office expense	-	-	-	-	-	-
Telephone	-	-	-	-	-	-
Travel	-	-	-	-	-	-
Legal & professional	-	-	-	-	-	-
Time writing charges	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-

Particulars	Associate enterprise					
	Aug-07	2007	2006	2005	2004	2003
Leasehold improvement expenses	-	-	-	-	-	-
Printing and stationery	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
Remuneration	-	-	-	-	-	-
Income from partnership firms						
Share of profits	-	-	-	-	-	-
Interest received	-	-	-	-	-	-
Amount invested	-	-	-	-	-	-
Amount withdrawn	-	-	-	-	-	-

# Represents transactions carried out through subsidiary company in their capacity as a agent. These amounts are inclusive of the brokerage. Figures in bracket represent income/liabilities/cash outgo.

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.5 Related party (continued)

(E) Transactions with related parties:

(Indian rupees in millions)

Particulars	Total					
	Aug-07	2007	2006	2005	2004	2003
Capital account transactions						
Equity shares including premium	1,806.37	(279.20)	3.77	-	-	-
Fully convertible debentures	1,020.90	-	-	-	-	-
Share application money	-	-	0.80	-	0.47	-
Preference shares	-	997.40	350.00	-	-	-
Share application money paid	-	-	-	-	-	21.97
Share application money received back	-	-	-	-	-	(20.05)
Loans taken						
Intercompany deposits (ICD) accepted	25.10	-	-	-	-	-
Intercompany deposits (ICD) repaid	23.00	-	-	-	-	-
Loans given						
Optionally fully convertible debentures subscribed	-	-	450.00	-	-	-
Optionally fully convertible debentures redeemed	-	-	(450.00)	-	-	-
Loans taken						
Optionally fully convertible debentures issued	-	-	-	(6.00)	(5.50)	-
Optionally fully convertible debentures redeemed	-	-	-	7.50	4.00	-
Current account transactions						
Amounts received	26,122.99	(18,142.01)	(2,077.87)	(1,268.80)	(1,794.63)	(298.52)
Amounts given	26,059.70	21,157.10	2,580.50	1,273.68	1,705.46	297.27
Deposits refunded	-	-	-	(4.60)	-	-
Advances for office premises						
Amounts given	-	-	-	27.04	-	-
Amounts taken	-	-	-	(27.04)	-	-
Secondary market transactions with broker						
Purchases of derivative instruments#	1,036.73	6,753.57	-	4,871.62	15,131.05	829.30
Sale of derivative instruments#	925.04	(6,815.88)	(28.43)	(5,088.94)	(15,223.54)	(902.72)
Brokerage paid	0.11	-	-	0.34	1.39	1.25
Primary market transactions						
Brokerage paid	5.07	6.75	10.54	-	-	-
Interest received	131.05	(121.69)	(17.16)	(2.07)	-	(4.40)
Interest received on OFCD	-	-	(6.26)	-	-	-
Interest on FCD	31.92	-	-	-	-	-
Fees received	-	(0.06)	(2.64)	-	(0.02)	(0.14)
Interim Dividend	-	-	-	-	-	(7.20)
Reimbursements						
Salary	-	(1.03)	-	-	-	-
Rent	(10.04)	(14.27)	(21.88)	(7.79)	(4.89)	(1.85)
Electricity	(3.09)	(4.93)	(3.76)	(1.58)	(1.66)	(0.46)
Office expense	(1.26)	(1.00)	(1.18)	-	-	-
Telephone	(0.23)	(0.13)	-	(1.05)	(0.94)	(0.41)
Travel	(0.55)	(0.23)	-	-	-	-
Legal & professional	-	(1.97)	-	-	(0.51)	-
Time writing charges	-	-	-	(0.08)	(16.49)	(2.72)
Miscellaneous	-	-	-	(0.53)	(0.30)	-

Particulars	Total					
	Aug-07	2007	2006	2005	2004	2003
Leasehold improvement expenses	-	(0.13)	(0.08)	(2.97)	-	-
Printing and stationery						
Interest paid	0.30	-	-	0.32	0.56	-
Dividend paid	-	7.86	1.46	1.09	0.75	-
Remuneration	8.44	44.51	23.04	12.71	6.08	3.84
Income from partnership firms						
Share of profits	-	-	(3.59)	(16.24)	(14.05)	(2.84)
Interest received	-	-	(0.16)	(6.29)	(6.64)	(2.84)
	-	-	-	-	-	-
Amount invested	-	-	-	0.05	0.01	0.02
Amount withdrawn	-	-	(0.01)	-	-	-

# Represents transactions carried out through subsidiary company in their capacity as a agent. These amounts are inclusive of the brokerage. Figures in bracket represent income/liabilities/cash outgo.

**Annexure XVI (Continued)****Edelweiss Capital Limited**

2. Other material notes to the accounts (continued)

2.5 Related party (continued)

(F) Balances with related parties as at 31 August 2007:

(Indian rupees in millions)

<b>Particulars</b>	<b>Subsidiaries</b>	<b>Key management personnel</b>	<b>Relatives of key management personnel</b>	<b>Other enterprises where key management personnel exercise significant influence</b>	<b>Associate enterprise</b>	<b>Total</b>
Investments	4,673.90	-	-	-	0.50	4,674.40
Share application money pending allotment	-	-	-	-	-	-
Contribution towards the corpus of Edelweiss Investment trust	0.01	-	-	-	-	0.01
Loans and advances	3,935.38	-	-	0.35	-	3,935.73
Margin deposits	-	-	-	-	-	-
Corporate guarantees	5,430.00	-	-	-	-	5,430.00
Sundry debtors	110.24	-	-	0.21	-	110.45
Unsecured loans taken	-	-	-	-	2.10	2.10
Bonus payable	-	-	-	-	-	-

**Annexure XVI (Continued)**

**Edelweiss Capital Limited**

3. Notes on adjustments for restated financial statements

a. Summary

Below mentioned is a summary of results of restatement made in the audited accounts for the respective years and its impact on the profits/losses of the Company

(Indian rupees in millions)

Period/year ended on	Refer Note	31-August-2007					
			31-March-2007	31-March-2006	31-March-2005	31-March-2004	31-March-2003
Profit/(loss) after tax as per audited accounts		120.82	270.64	83.43	109.90	43.98	3.20
Adjustments for							
Changes in accounting policies							
Preliminary expenses written back	1 (b)	-	-	-	0.01	0.01	0.01
Deferred revenue expenditure written back	1 (c)	-	-	-	-	0.33	0.33
Amortization of employee stock option cost	1 (d)	(3.30)	(8.68)	(11.06)	(12.84)	(1.13)	-
Net total adjustments		(3.30)	(8.68)	(11.06)	(12.83)	(0.79)	0.34
Profit/(loss) after tax as per restatement		117.52	261.96	72.37	97.07	43.18	3.56

b. Preliminary expenses written back

During the year ended March 31, 2003, 2004, and 2005 preliminary expenses incurred were amortized over a period of five years from the year in which they were incurred. For the purposes of this statement, such preliminary expenses were expensed in the year in which expenses were incurred as per the requirements of Accounting Standard 26 – Intangible Assets issued by the Institute of Chartered Accountants of India.

c. Deferred revenue expenditure written back

Deferred revenue expenditure, represents fees paid to the Securities and Exchange Board of India to carry on the business of merchant banking and portfolio management. During the year ended March 31, 2003 and 2004 deferred revenue expenditure were amortised over a period of three years from the year in which they were incurred. For the purposes of this statement, such deferred revenue expenses were expensed in the year in which expenses were incurred as per the requirements of Accounting Standard 26 –Intangible Assets issued by the Institute of Chartered Accountants of India.

d. Amortization of employee stock option cost

The Guidance Note – ‘Accounting for Employee Share-based Payments’ issued by the Institute of Chartered Accountants of India became applicable to the Company with effect from April 1, 2006. In order to maintain consistency for these statements across years, the Guidance note has been followed for Employee Stock Options granted from April 1, 2003 and the cost on these Employee Stock Options has been amortised as per the requirements of the Guidance Note for the purpose of these statements.

e. Material regroupings

Appropriate adjustments have been made in the restated summary statements of assets and liabilities, profits and losses, wherever required, by a reclassification of the corresponding items of income, expenses, assets and liabilities, in order to bring them in line with the groupings as per the audited financials of the Company for the year ended March 31, 2007 and the requirements of the Guidelines issued by the Securities and Exchange Board of India (Disclosure and Investor Protection Guidelines 2000) as amended from time to time.

## Annexure XVI (Continued)

### Edelweiss Capital Limited

#### 4. Statement of Auditors Qualification

Other Audit qualification matters for emphasis which do not require any corrective adjustment in the financial information are as follows:

- i. Under Companies (Auditor's Report) Order in the year ended 31 March 2007
  - a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been generally regular in depositing amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident fund, Income-tax, Service tax, Profession tax, Cess and other material statutory dues applicable to it with the appropriate authorities. As explained to us, the Company did not have any dues on account of Employees' State Insurance and Investor Education and Protection Fund, Customs duty and Excise duty.
- ii. Under Companies (Auditor's Report) Order in the year ended 31 March 2006
  - a. The Company's internal audit system needs to be strengthened to make it commensurate with its size and the nature of its business.
  - b. According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- iii. Under Companies (Auditor's Report) Order in the year ended 31 March 2005
  - a. In our opinion, the Company's present internal audit system is generally commensurate with its size and the nature of its business. However, there is further scope for expansion and coverage of internal audit.
  - b. According to the books of account and records as produced and examined by us, in accordance with generally accepted auditing practices in India and also Management representations, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities in India.
- iv. Under Companies (Auditor's Report) Order in the year ended 31 March 2004
  - a. In our opinion, the Company's present internal audit system is generally commensurate with its size and the nature of its business. However, there is further scope for expansion and coverage of internal audit.
  - b. According to the books of account and records as produced and examined by us, in accordance with the generally accepted auditing practices in India and also Management representations, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities in India.
- v. Under Manufacturing and Other Companies (Auditor's Report) Order in the year ended 31 March 2003
  - a. As the purchase and sale of securities and derivatives is through recognised stock exchanges in India, in the opinion of the Management, it is not possible to identify transactions, if any, with companies, firms or other parties listed in the register maintained under Section 301 of the Act. The Company has not purchased materials and sold materials and services aggregating Rs. 50,000 or more in value during the year from/to any of the parties listed in the register maintained under Section 301 of the Act.
  - b. In our opinion, the Company's present internal audit system is generally commensurate with its size and the nature of its business. However, there is further scope for expansion and coverage of internal audit.

**Annexure XVII****Edelweiss Capital Limited**

Details of other income

(Indian rupees in millions)

<b>As at</b>	<b>31-August-07</b>	<b>31-March-07</b>	<b>31-March-06</b>	<b>31-March-05</b>	<b>31-March-04</b>	<b>31-March-03</b>
Liabilities no longer required written back	-	-	-	-	-	0.04
Bad debts recovery - gross	-	-	-	-	0.35	-
Excess provision for doubtful advances written back	-	0.66	-	2.72	0.46	-
Excess provision for gratuity written back (net)	-	-	-	0.24	-	-
Profit on sale of fixed asset	0.05	0.01	-	-	-	-
Foreign exchange gain	-	0.33	-	-	-	-
Miscellaneous income	0.20	3.96	0.05	3.51	-	-
<b>Total</b>	<b>0.25</b>	<b>4.96</b>	<b>0.05</b>	<b>6.47</b>	<b>0.81</b>	<b>0.04</b>
Profit before tax, restated	185.55	356.39	117.97	128.17	52.45	5.35
Percentage	0.13%	1.39%	0.04%	5.05%	1.54%	0.75%

**Annexure XVIII**

**Edelweiss Capital Limited**

Statement of dividend paid/proposed

Class of shares	For the period ended			For the year ended												
	31-Aug-07		31-Mar-07			31-Mar-06			31-Mar-05			31-Mar-04		31-Mar-03		
	Face value of share rupee		Face value of share rupee			Face value of share rupee			Face value of share rupee			Face value of share rupee		Face value of share rupee		
Equity shares																
Equity share capital as at year end (Rs.)	5.00	332,678,040	1.00	44,916,806		1.00	37,836,166		2.00	28,603,500		10.00	27,496,850		10.00	27,304,000
Rate of interim dividend				30.00%	21-Mar-07											
Rate of final dividend							15.00%			10.00%			7.50%			5.00%
Aggregate amount of equity dividend (Rs.)				11,101,115			4,882,004			2,797,010			2,055,032			1,365,200
0.01% Convertible preference shares																
Preference share capital as at year end (Rs.)			1.00	861,486												
Rate of interim dividend				0.01%	21-Mar-07											
Rate of final dividend																
Aggregate amount of preference dividend (Rs.)																
8% convertible preference shares																
Preference share capital as at year end (Rs.)			1.00	2,059,107												
Rate of interim dividend				8.00%	21-Mar-07											
Rate of final dividend																
Aggregate amount of preference dividend (Rs.)				58,719												
12% Redeemable preference shares																
Preference share capital as at year end (Rs.)	5.00	2,600,000	1.00	2,600,000												
Rate of interim dividend				12.00%	21-Mar-07											
Rate of final dividend																
Aggregate amount of preference dividend (Rs.)				106,109												

**Annexure XIX****Edelweiss Capital Limited**

Summary of accounting ratios (on restated profits/losses)

	31-August-2007	31-March-2007	31-March-2006	31-March-2005	31-March-2004	31-March-2003
Basic earnings per share (Rs)	2.12	5.32	1.85	2.85	1.31	0.11
Diluted earnings per share (Rs)	2.08	4.94	1.62	2.63	1.18	0.10
Return on net worth %	5.00%	9.03%	8.60%	29.32%	16.91%	1.53%
Net asset value per equity share (Rs)	101.87	72.30	28.59	11.23	8.39	7.14
Weighted average number of basic equity shares outstanding during the year/period	55,389,450	49,248,544	39,056,025	34,015,565	32,880,516	32,518,812
Weighted average number of dilutive equity shares outstanding during the year/period	56,551,693	53,014,253	44,658,768	36,912,086	36,512,856	36,234,060
Total number of shares outstanding at the end of the year/period	66,535,608	53,900,167	45,904,999	38,838,600	37,510,620	37,279,200

Notes:

1. The ratios have been computed as below:

Basic earnings per share (Rs) =	$\frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year/period}}$
Diluted earnings per share (Rs) =	$\frac{\text{Net profit attributable to equity shareholders}}{\text{Weighted average number of dilutive equity shares outstanding during the year/period}}$
Return on net worth (%) =	$\frac{\text{Net profit after tax}}{\text{Average Net worth excluding revaluation reserve at the end of the year/period}}$
Net asset value per equity share (Rs) =	$\frac{\text{Net worth excluding revaluation reserve and preference share capital at the end of the year/period}}{\text{Number of dilutive equity shares outstanding at the end of the year/period}}$

2. Net profit, as restated as appearing in the Statement of profits and losses, as restated has been considered for the purpose of computing the above ratios. These ratios are computed on the basis of the standalone (unconsolidated) restated financial statements of the Company.

3. Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings Per Share" issued by the Institute of Chartered Accountants of India.

4. Number of dilutive equity shares outstanding at the end of the year/period, includes the potential equity shares to be issued on conversion of compulsorily convertible preference shares.

5. Number of shares for the year ended 31 March 2007, 2006, 2005, 2004 and 2003 have been adjusted for bonus shares issued during period ended 31st August 2007.

**Annexure XX**

**Edelweiss Capital Limited**

Capitalisation statement

(Indian rupees in millions)

	<b>Pre issue</b>	<b>Post issue*</b>
Borrowing		
Short term debt	31.50	
Long term debt	2,361.32	
Total debt	2,392.82	
Shareholders' funds		
- Share capital	335.28	
- Reserves (excluding revaluation reserve)	6,445.59	
Total shareholders' funds	6,780.87	
Long term debt/equity	0.35	

Notes:

\*Share capital and reserves and surplus post issue can be calculated only on the conclusion of the book building process.

**Annexure XXI**

**Edelweiss Capital Limited**

Details of secured loans

(Indian rupees in millions)

<b>Period/year ended</b>	<b>August-07</b>	<b>March-07</b>	<b>March-06</b>	<b>March-05</b>	<b>March-04</b>	<b>March-03</b>
Vehicles loan	1.81	2.17	2.96	1.61	-	-
Housing loan	9.51	7.12	-	-	-	-
<b>Total</b>	<b>11.32</b>	<b>9.29</b>	<b>2.96</b>	<b>1.61</b>	<b>-</b>	<b>-</b>

Notes

1. Vehicles loan is secured by hypothecation of vehicles acquired.
2. Housing loan is secured by hypothecation of the flat under construction.

**Annexure XXII**

**Edelweiss Capital Limited**

Details of unsecured loans

(Indian rupees in millions)

Period/year ended	August-07	March-07	March-06	March-05	March-04	March-03
12.97% Fully convertible debentures	1,800.00	1,800.00	-	-	-	-
15.00 % Optionally fully convertible debentures	-	-	-	-	13.98	-
Intercompany deposit	31.50	-	-	-	-	-
Term Loan	550.00	-	-	-	-	-
Other loans	-	-	-	-	74.60	-
<b>Total</b>	<b>2,381.50</b>	<b>1,800.00</b>	<b>-</b>	<b>-</b>	<b>88.58</b>	<b>-</b>

Notes:

1. Fully convertible debentures are convertible into redeemable preference shares
2. Unsecured inter corporate deposits are repayable within one year.
3. The details of other loans are as follows

(Indian rupees in millions)

Name of the Lender	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	Remarks
Standard Chartered Investments and Loans (India) Limited	550.00	-	-	-	-	-	Last date of repayment of the loan -November 30, 2008
<b>Total</b>	<b>550.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

**Annexure XXIII**

**Edelweiss Capital Limited**

Summary of loans and advances

(Indian rupees in millions)

<b>As at</b>	<b>31-August-07</b>	<b>31-March-07</b>	<b>31-March-06</b>	<b>31-March-05</b>	<b>31-March-04</b>	<b>31-March-03</b>
Advances recoverable in cash or in kind or for value to be received						
- Secured - Considered Good	-	-	-	-	-	-
- Unsecured - Considered Good	261.27	72.84	16.56	13.94	26.81	0.25
- Considered doubtful	-	-	-	-	2.72	2.72
	261.27	72.84	16.56	13.94	29.53	2.97
Less: Provision for doubtful advances	-	-	-	-	2.72	2.72
Net Advances recoverable in cash or in kind or for value to be received	261.27	72.84	16.56	13.94	26.81	0.25
Loan to subsidiary companies	3,710.44	3,779.74	518.12	5.29	0.60	65.76
Less: Provision for doubtful advances	-	-	-	-	-	0.47
	3,710.44	3,779.74	518.12	5.29	0.60	65.29
Interest accrued on advances	-	-	13.15	-	-	-
Loan to E-Cap Partners (where directors of the Company are partners)	-	-	2.84	-	-	-
Loan to Edelweiss Employee Welfare Trust	74.37	47.45	-	2.22	1.92	-
Security/Other deposits	62.45	18.05	12.87	10.46	6.68	3.92
Margin Deposit	-	-	-	215.51	1.51	0.02
Margin Deposits - Stock Borrowing	-	-	-	-	33.70	-
Employee loans	74.92	6.00	0.79	0.21	-	0.05
Initial margin	-	-	-	-	2.98	1.04
Deposits placed with Commodity/Stock Exchange	-	-	-	-	-	-
Inter corporate deposits placed	-	-	-	-	-	-
Equity Index/Stock Options Premium Account (net of provision for loss)	-	-	-	-	0.19	0.06
Advance tax and tax deducted at source (net of provision for taxation)	-	1.80	-	-	-	-
<b>Total</b>	<b>4,183.45</b>	<b>3,925.88</b>	<b>564.33</b>	<b>247.63</b>	<b>74.39</b>	<b>70.63</b>

**Annexure XXIV**

**Edelweiss Capital Limited**

Details of investments

(Indian rupees in millions)

As at	31- August-07	31- March-07	31- March-06	31- March-05	31- March-04	31- March-03
Subsidiaries/associates	4,674.40	1,851.16	750.36	109.66	97.16	96.69
Long term investment in units of mutual fund/venture capital fund - unquoted	213.51	134.01	5.01	2.00	2.00	-
Long term investments - quoted	-	-	1.23	9.87	10.41	4.00
Long term investments in equity/preference shares - unquoted	21.28	19.27	32.03	32.54	45.17	52.47
Less : Diminution in value of investments	18.16	18.16	31.04	32.54	33.78	27.69
Net long term investments - quoted	3.12	1.11	0.99	-	11.39	24.78
Long term Investment in Partnership Firms						
- Capital Account	-	-	0.05	0.05	0.02	0.02
- Current Account						
Opening Balance	-	1.40	23.88	26.90	30.26	-
Add: Additions during the year	-	-	60.10	188.37	338.02	84.98
Interest on Current Account	-	-	-	6.29	6.64	2.84
Profit for the year	-	-	3.59	16.24	14.05	2.84
Less: Drawings	-	1.40	87.62	237.85	388.99	90.68
Net investment in Partnership Firms	-	-	1.45	23.94	26.91	30.28
Current investments (others)						
- Quoted investments in units of mutual fund/securities	0.03	92.83	-	11.69	39.85	-
- Unquoted investments in units of mutual fund	-	400.19	-	-	-	-
Net current investments	0.03	493.02	-	11.69	39.85	-
Share application money pending allotment	-	-	0.80	-	111.33	2.40
<b>Total</b>	<b>4,891.06</b>	<b>2,479.30</b>	<b>759.84</b>	<b>157.16</b>	<b>299.05</b>	<b>158.15</b>
Aggregate book value of quoted investments	0.03	92.83	1.23	21.56	50.27	4.00
Aggregate market value of quoted investments	0.04	97.67	38.36	27.25	63.90	3.60

**Annexure XXV**

**Edelweiss Capital Limited**

Tax Shelter Statement

(Indian rupees in millions)

As at 31 March		2007	2006	2005	2004	2003
Net Profit/(Loss) before tax	A	365.07	129.02	141.00	53.24	5.01
Income tax rates						
Normal tax rates applicable (%)		33.66%	33.66%	36.59%	35.88%	36.75%
Minimum Alternate Tax (MAT) rates applicable u/s 115JA/JB (%)		11.22%	8.42%	7.84%	7.69%	7.88%
Tax at normal income tax rates	B	122.88	43.43	51.59	19.10	1.84
Adjustments :						
Permanent differences						
Exempted income						
Share of profit from partnership firm u/s 10 (2A)		-	3.59	16.24	14.05	2.84
Profit on sale of investments (net)		52.43	4.80	39.28	3.54	1.19
Dividend u/s 10(34)		15.28	0.85	0.21	16.90	-
Other adjustments						
Expenses disallowed u/s 14 A		-	(0.53)	-	-	-
Employees Stock Option Plan compensation		(2.49)	-	-	-	-
Expenses for increase in authorised share capital		-	-	(0.18)	-	-
Loss on sale of fixed assets		0.01	-	(3.77)	-	-
Loss on sale of investments		-	-	-	-	-
Provision for diminution in the value of investments/write back (net)		12.88	3.65	2.19	(6.22)	(3.31)
Donation		(0.92)	(0.33)	(0.44)	(0.03)	-
Other		-	(0.33)	(0.23)	(0.05)	-
Deduction u/s 80 M		-	-	-	-	1.37
Total permanent differences	C	77.19	11.70	53.30	28.19	2.09
Timing differences						
Expenses disallowed u/s 40 (a)		13.15	(13.15)	-	-	-
Expenses disallowed u/s 43 B		(1.70)	(0.08)	-	-	-
Difference between tax depreciation and book depreciation		(6.16)	(5.27)	(1.17)	(0.87)	(0.62)
Disallowances of provision for retirement benefits/40 A(7)		(2.04)	(0.35)	-	(0.24)	(0.30)
Computer software licence		(1.43)	(0.33)	(2.22)	(0.65)	(0.24)
Provision for doubtful advances		-	-	-	0.47	(0.47)
Others		-	-	(0.21)	(0.33)	(0.33)
Leasehold improvement expenses		-	-	10.96	0.99	0.37
Total timing differences	D	1.82	(19.18)	7.36	(0.63)	(1.59)
Net adjustments	(C+D)	79.01	(7.48)	60.66	27.56	0.50
Tax saving thereon	E	26.59	(2.51)	22.19	9.89	0.19
Tax saving on long term capital gain (At special rate**)		7.13	-	3.16	-	-
Total Tax Savings		33.72	(2.51)	25.35	9.89	0.19
Profit/(Loss) as per income tax returns (F= A-C-D)	F	286.06	136.49	80.35	25.69	4.50
Brought forward loss/unabsorbed depreciation adjusted	G	-	-	-	-	-
Taxable income/(loss) (H= F-G)	H	286.06	136.49	80.35	25.69	4.50
Tax as per normal provisions	I	89.16	45.94	26.24	9.21	1.65

<b>As at 31 March</b>		<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Taxable income/(loss) as per MAT	J	349.78	119.30	131.09	28.76	6.24
Tax as per MAT	K	39.25	10.04	10.28	2.21	0.49
Tax as per income tax as returned (L) Higher of (I) and (K)	L	89.16	45.94	26.24	9.21	1.65
Interest u/s 234 B and 234 C	M	1.04	2.38	0.47	0.14	-
Total tax as per return	(M+L)	90.20	48.32	26.71	9.35	1.65
Carried forward capital loses						
Short term		(0.34)	(0.39)	-	-	-
Long term		-	-	-	11.92	2.05
Carried forward business loss		-	-	-	-	-
Carried forward depreciation loss		-	-	-	-	-
Carried forward loss as per return		(0.34)	(0.39)	-	11.92	2.05

\*\*Tax Shelter available on long term capital gain @ 15.68 % in A.Y. 2005-06 and @11.22 % in A.Y. 2007-08

**Annexure XXVI**

**Edelweiss Securities Limited  
(formerly Edelweiss Securities Private Limited)**

(Currency: Indian rupees in millions)

Statement Of Assets And Liabilities, As Restated

As at	31- August-07	31- March-07	31- March-06	31- March-05	31- March-04	31- March-03
A.						
Fixed assets						
Gross block	158.33	122.74	58.56	20.70	13.36	12.95
Less: Accumulated depreciation	57.65	41.21	14.30	4.21	2.55	2.76
Net block	100.68	81.53	44.26	16.49	10.81	10.19
B.						
Investments	3,000.80	8.51	8.51	0.94	136.09	-
C.						
Deferred tax asset (net)	5.40	4.84	4.63	0.93	-	-
D.						
Current assets, loans and advances						
Stock-in-trade	3,595.31	3,886.34	1,358.69	244.24	41.89	115.39
Sundry debtors	222.41	456.99	251.21	113.10	126.23	19.54
Cash & bank balances	8,683.27	2,492.65	598.45	98.17	87.06	44.09
Other current assets	152.34	35.16	8.99	3.47	1.56	2.60
Loans and advances	4,138.10	394.34	452.82	464.33	94.38	28.39
Total	16,791.43	7,265.48	2,670.16	923.31	351.12	210.01
Total assets	19,898.31	7,360.36	2,727.56	941.67	498.02	220.20
E.						
Liabilities & provisions						
Deferred tax liability (net)	-	-	-	-	0.85	0.06
Loan funds						
Secured loans	22.56	35.68	32.22	39.33	43.41	-
Unsecured loans	6,946.65	2,225.16	713.74	61.77	85.74	78.67
Current liabilities & provisions						
Current liabilities	10,793.32	3,369.14	1,101.13	611.20	261.42	63.62
Provisions	135.12	87.85	10.10	14.79	5.21	0.78
Total liabilities and provisions	17,897.65	5,717.83	1,857.19	727.09	396.63	143.13
F.						
Net worth (A+B+C+D-E)	2,000.66	1,642.53	870.37	214.58	101.39	77.07
Represented by:						
Shareholders funds						
Share capital	195.00	195.00	195.00	45.00	45.00	45.00
Reserves & surplus	1,805.66	1,447.53	675.37	169.58	56.39	32.07
Total net worth (as restated)	2,000.66	1,642.53	870.37	214.58	101.39	77.07

**Edelweiss Securities Limited**  
(formerly Edelweiss Securities Private Limited)

(Currency: Indian rupees in millions)

Statement of Profit And Loss, as restated

Period/year ended on	31-August-07	31-March-07	31-March-06	31-March-05	31-March-04	31-March-03
Income						
Brokerage and commission income	857.92	1,326.20	689.67	256.10	97.73	32.13
Trading and arbitrage income	538.04	1,155.69	421.37	153.55	29.49	14.72
Investment and dividend income	106.35	34.69	8.95	6.01	14.85	7.25
Interest income	143.27	86.47	16.68	13.16	3.53	4.29
Other income	4.96	8.08	5.83	1.12	1.21	1.76
Total income	1,650.54	2,611.13	1,142.50	429.94	146.81	60.15
Expenditure						
Employee cost	463.01	520.42	209.90	82.44	22.86	10.01
Operating and other expenses	363.13	662.12	361.15	138.52	73.40	29.99
Depreciation	16.43	26.92	10.12	1.66	0.34	0.43
Financial expenses	258.73	203.28	68.46	28.41	13.73	7.13
Total expenditure	1,101.30	1,412.74	649.63	251.03	110.33	47.56
Profit before tax and extraordinary items	549.24	1,198.39	492.87	178.91	36.48	12.59
Provision for taxation						
- Income tax (including short provision for earlier years)	190.00	422.95	164.03	67.51	11.36	1.75
- Deferred tax charge/(benefit)	(0.55)	(0.22)	0.29	(1.79)	0.80	0.43
- Fringe benefit tax	1.65	3.50	2.04	-	-	-
Profit after tax & before extraordinary items	358.14	772.16	326.51	113.19	24.32	10.41
Extraordinary items (net of tax)	-	-	20.72	-	-	-
Net profit after extraordinary items	358.14	772.16	305.79	113.19	24.32	10.41
Balance in profit & loss account brought forward	1,204.86	390.13	126.52	35.06	21.29	18.86
Balance available for appropriation	1,563.00	1,162.29	432.31	148.25	45.61	29.27
Appropriations						
Transfer to general reserve	-	-	-	-	-	0.78
Interim dividend	-	-	-	-	-	7.20
Transfer to/(from) debenture redemption reserve	-	(42.57)	42.18	21.73	10.55	-
Balance in profit & loss account, as restated	1,563.00	1,204.86	390.13	126.52	35.06	21.29
Total	1,563.00	1,162.29	432.31	148.25	45.61	29.27

**Edelweiss Securities Limited**  
**(formerly Edelweiss Securities Private Limited)**

(Currency: Indian rupees in millions)

Cash flow statement, as restated

Period/year ended on	31- August-07	31- March-07	31- March-06	31- March-05	31- March-04	31- March-03
A Cash flow from operating activities						
Profit before taxation	549.24	1,198.39	492.87	178.91	36.48	12.59
Adjustments for						
Depreciation	16.43	26.92	10.12	1.66	0.34	0.43
Net provision for loss on equity index options	0.06	4.62	2.42	4.27	-	-
Profit on sale of investments	(39.64)	(3.74)	(0.35)	(3.43)	(5.56)	-
(Profit)/loss on sale of fixed assets (net)	-	-	0.01	-	(0.95)	-
Provision for doubtful debts	-	3.81	-	-	-	-
Provision no longer required written back	-	-	-	-	(0.27)	(1.76)
Provision on short sale of shares	-	-	-	-	0.44	-
Miscellaneous balance written back/written off	-	-	0.15	(0.02)	-	-
Provision for gratuity	4.40	5.19	1.40	0.01	0.20	0.26
Interest income	(143.27)	(86.47)	(16.68)	(13.16)	(3.53)	(4.29)
Extraordinary item	-	-	(28.74)	-	-	-
Interest expense	240.52	182.58	68.46	28.41	13.73	7.14
Operating cash flow before working capital changes	627.74	1,331.30	529.66	196.65	40.88	14.37
Adjustments for						
(Increase)/decrease in stock in trade	291.03	(2,527.65)	(1,114.44)	(169.80)	73.50	(59.17)
(Increase)/decrease in debtors	234.57	(209.58)	(138.27)	13.70	(106.69)	104.83
(Increase)/decrease in other current assets	(5.07)	-	-	-	-	-
(Increase)/decrease in other receivables	(3,743.78)	53.87	9.55	(373.45)	(66.00)	26.26
Increase/(decrease) in current liabilities	7,351.59	2,272.69	476.82	348.46	198.69	(72.83)
Cash generated from/(used in) from Operations	4,756.08	920.63	(236.68)	15.56	140.38	13.46
Income taxes (paid)/refund received	(148.80)	(353.89)	(174.24)	(57.93)	(7.12)	0.01
Net cash generated from/(used in) from operating activities	4,607.28	566.74	(410.92)	(42.37)	133.26	13.47

**Edelweiss Securities Limited**  
(formerly Edelweiss Securities Private Limited)

(Currency: Indian rupees in millions)

	31- August-07	31- March-07	31- March-06	31- March-05	31- March-04	31- March-03
<b>B</b>						
Cash flow from investing activities						
Share application money pending allotment	-	-	-	-	(83.63)	-
Purchase of fixed assets (net)	(35.59)	(64.18)	(46.39)	(7.34)	(0.02)	(0.23)
(Purchase)/sale of investments (net)	(2,952.65)	3.74	1.28	106.03	(46.89)	-
Interest received	31.17	60.29	11.16	11.25	4.58	2.56
Net cash generated from/(used in) from investing activities	(2,957.07)	(0.15)	(33.95)	109.94	(125.96)	2.33
<b>C</b>						
Cash flow from financing activities						
Proceeds from issue of shares including premium	-	-	350.00	-	-	20.00
Share issue expenses	-	-	-	-	-	(0.02)
Dividend paid	-	-	-	-	-	(7.20)
Bank overdraft	(6.31)	(4.72)	(9.17)	14.32	25.00	-
Loan from bank	492.79	7.21	-	(18.40)	18.40	-
Loan from Edelweiss Capital Limited	(498.63)	243.07	274.83	-	(59.85)	(11.33)
Deposits accepted	9.00	85.25	-	-	-	-
Commercial paper issued	4,042.94	1,273.65	-	-	-	-
Vehicle loan	0.40	0.97	2.06	-	-	-
Issue of non convertible debentures	500.00	-	-	-	-	-
Issue of optionally fully convertible debentures	115.14	(110.11)	107.63	24.99	21.26	3.88
Other loans	-	-	-	(49.95)	49.95	-
Inter corporate deposit received	53.03	19.55	269.50	1.00	-	3.05
Interest paid	(167.95)	(187.26)	(49.70)	(28.42)	(18.02)	(5.93)
Net cash generated from/(used in) financing activities	4,540.41	1,327.61	945.15	(56.46)	36.74	2.45
Net increase in cash and cash equivalents (A+B+C)	6,190.62	1,894.20	500.28	11.11	44.04	18.25
Cash and cash equivalent as at the beginning of the period/year	2,492.65	598.45	98.17	87.06	43.02	24.77
Cash and cash equivalent as at the end of the period/year	8,683.27	2,492.65	598.45	98.17	87.06	43.02

**Edelweiss Securities Limited**  
**(formerly Edelweiss Securities Private Limited)**

1. Significant accounting policies

a. Basis of preparation of financial statements

The accompanying financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company.

b. Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles require the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any differences of actual to such estimates are prospectively made in current or future periods.

c. Revenue recognition

- Brokerage income is recognised on trade date basis and is inclusive of service tax.
- Revenue from sale of securities is recognized on accrual basis.
- Revenue from derivative transactions is recognised on accrual basis.
- Profit/(loss) on error trades are included in "Income from Arbitrage and Trading in Securities and Derivatives" under the respective heads.
- Research services fee income is accounted for on an accrual basis.
- Interest income is recognised on accrual basis.
- Dividend income is recognised when the right to receive payment is established.
- In respect of other heads of income, income from depository operations etc., the Company follows the practice of accruing income on a prudent basis.

d. Equity Index/Stock – futures

- i. "Initial Margin – Equity Index/Stock Futures Account", representing initial margin paid, and "Margin Deposits", representing additional margin over and above initial margin, for entering into contracts for equity Index/Stock futures, which are released on final settlement/squaring-up of underlying contracts, are disclosed as under loans and advances.
- ii. Equity Index/Stock futures are marked-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities, respectively, in the "Mark-to-Market Margin – Equity Index/Stock Futures Account", represents the net amount paid or received on the basis of movement in the prices of Index/Stock futures till the balance sheet date.
- iii. As on the balance sheet date, profit/loss on open positions in Index/Stock futures are accounted for as follows:
  - Credit balance in the "Mark-to-Market Margin – Equity Index/Stock Futures Account", being anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
  - Debit balance in the "Mark-to-Market Margin – Equity Index/Stock Futures Account", being anticipated loss is adjusted in the profit and loss account.
- iv. On final settlement or squaring-up of contracts for Equity Index/Stock Futures, the profit or loss. Accordingly, debit or credit balance pertaining to the settled/squared-up contract in "Mark-to-Market Margin – Equity Index/Stock Futures Account" is recognised in the profit and loss account. When more than one contract in respect of the relevant series of equity index futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using weighted average method for calculating profit/loss on squaring-up.

e. Equity Index/Stock – options

- i. "Equity Index/Stock Options Margin Account", representing initial margin paid, and "Margin Deposit", representing additional margin paid over and above initial margin, for entering into contracts for equity Index/Stock options, which are released on final settlement/squaring-up of underlying contracts, are disclosed under loans and advances.
- ii. "Equity Index/Stock Option Premium Account" represents premium paid or received for buying or selling the options, respectively.
- iii. As at the balance sheet date, in the case of long positions, provision is made for the amount by which the premium paid for those options exceeds the premium prevailing on the balance sheet date, and in the case of short positions, for the amount by which premium prevailing on the balance sheet date exceeds the premium received for those options, and reflected in "Provision for Loss on Equity Index/Stock Option Account".

**Edelweiss Securities Limited**  
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1. Significant accounting policies (Continued)

e. Equity Index/Stock – futures (Continued)

- iv. When the option contracts are squared-up before expiry of the options, the premium prevailing on that date is recognised in profit and loss account. If more than one option contract in respect of the same Index/Stock with the same strike price and expiry date to which the squared-up contract pertains is outstanding at the time of squaring-up of the contract weighted average method is followed for determining profit or loss. On expiry of the contracts and on exercising the options, the difference between final settlement price and the strike price is transferred to the profit and loss account. In both the above cases premium paid or received for buying or selling the option, as the case may be, is recognised in the profit and loss account for all squared-up/settled contracts.

f. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

The Company provides pro-rata depreciation from the month in which asset is acquired/put to use. In respect of assets sold, pro-rata depreciation is provided upto the month in which the asset is sold.

Depreciation is charged on written down value method at the rates prescribed by the Schedule XIV of the Companies Act, 1956 as given below:

Class of asset	Rate of depreciation
Office Equipment	13.91%
Computers	40.00%
Vehicles	25.00%
Furniture and fixtures	18.10%

Leasehold improvements are amortized on a straight-line basis over the period of lease.

All fixed assets individually costing less than Rs. 5,000 are fully depreciated in the year of installation.

Software expense includes expenditure by way of license for various office applications which have been written off in the year of purchase on a prudent basis.

g. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

h. Stock-in-trade

- i. The securities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and disclosed as current assets.
- ii. The securities held as stock-in-trade under current assets are valued at lower of average cost and market value. In case of units of Mutual Funds, net asset value is considered as market value.

i. Investments

Investments are classified into long term investments and current investments. Investments which are intended to be held for one year or more are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments. Long term investments are accounted at cost and any decline in the carrying value other than temporary in nature is provided for. Current investments are valued at cost or market/fair value, whichever is lower. In case of investments in units of a mutual fund, the net asset value of units is considered as the market/fair value.

j. Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rate on that date. The exchange differences, if any, are recognised in the profit and loss account and related assets and liabilities are accordingly restated in the balance sheet.

**Edelweiss Securities Limited**  
**(formerly Edelweiss Securities Private Limited)**

1. Significant accounting policies (Continued)

k. Retirement benefits

Contributions payable to the recognised provident fund, which is a defined contribution scheme, are charged to the profit and loss account in the period in which they occur.

Gratuity which is a defined benefit is accrued based on the actuarial valuation as at the balance sheet date carried out by an independent actuary.

Unused leave of staff lapses at year end and accordingly is not encashable.

l. Debenture redemption reserve

In terms of Section 117C of the Companies Act, 1956, amounts equivalent to the principal value of the debentures is transferred to Debenture Redemption Reserve proportionately over the term of the debentures.

m. Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) and fringe benefit tax.

Deferred taxation

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

Fringe benefit tax

Provision for Fringe Benefit Tax (FBT) is made on the basis of applicable FBT on the taxable value of chargeable expenditure of the Company as prescribed under the Income Tax Act, 1961.

Securities transaction tax

Securities Transaction Tax (STT) to the extent allowable under section 88E of the Income Tax Act, 1961 of India has been included in the provision for income tax.

n. Operating leases

Lease rentals in respect of operating lease are charged to the profit and loss account as per the terms of the lease arrangement on a straight line basis.

o. Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting year.

Number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are included.

p. Provisions and contingences

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

**Edelweiss Securities Limited**  
**(formerly Edelweiss Securities Private Limited)**

1. Significant accounting policies (Continued)

q. Interim financial statements

The accounting policies followed in the preparation of the condensed financial statements for the period ended 31 August 2007 are same as stated above except for retirement benefits and taxation.

i. Retirement benefits

In accordance with the announcement of the Institute of Chartered Accountants of India, the Company has implemented revised Accounting Standard 15 - Employee Benefits with effect from 1 April 2007. However, there is no financial impact as a result of the adoption of this Accounting Standard.

Gratuity which is a defined benefit is calculated on a year to date basis by using the actuarially determined rates at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements or other significant one time events.

ii. Taxation

Provision for taxes and deferred tax have been determined based on effective tax rate applicable for the full year estimated financial statements for the year ending 31 March 2008 as required under Accounting Standard 25 – Interim Financial Reporting issued by the Institute of Chartered Accountants of India.

**Edelweiss Securities Limited**  
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2. Other material notes to the accounts

2.1 Contingent Liability

For the period ended 31 August 2007

a. The Company has bank guarantees aggregating to Rs. 3,105.00 million as on 31 August 2007 for the following purposes to:

- i) The National Stock Exchange of India Limited - Rs. 2,954.00 million for meeting margin requirements and towards security deposit.
- ii) Bombay Stock Exchange Limited - Rs. 150.00 million and Rs. 1.00 million for meeting margin requirements and towards security deposit respectively.

The Company has pledged fixed deposits with banks aggregating of Rs. 1,555.00 million for obtaining the above bank guarantees.

b. Fixed deposits have been pledged with:

- i) OTCEI Rs. 0.30 million for meeting base capital requirements.
- ii) Bombay Stock Exchange Limited Rs. 13.00 million for meeting base capital requirements.
- iv) National Stock Exchange of India Limited Rs. 5,663.30 million for meeting base capital requirements.
- iv) Centurion Bank of Punjab Limited Rs. 30.10 million for overdraft facility against fixed deposit
- v) Citibank Rs. 125.00 million for overdraft facility against fixed deposit
- vi) ICICI Bank Rs. 100.20 million for overdraft facility against fixed deposit
- vii) IndusInd Bank Rs. 20.00 million for overdraft facility against fixed deposit

c. Income tax demands against the Company not acknowledged as debts Rs. 28.59 million. The demand paid under protest against such contingent liability is Rs. 15.04 million.

For the year ended 31 March 2007

a. The Company has provided bank guarantees aggregating to Rs. 1,815 million as on March 31, 2007 for the following purposes to:

- i) The National Stock Exchange of India Limited - Rs. 300.50 million and Rs. 2.50 million for meeting margin requirements and towards security deposit respectively.
- ii) Bombay Stock Exchange Limited - Rs. 240.00 million and Rs. 1.00 million for meeting margin requirements and towards security deposit respectively.
- iii) Infrastructure Leasing & Financial Services Limited - Rs. 1,271.00 million towards initial margin.

The Company has pledged fixed deposits with banks aggregating of Rs. 910.00 million for obtaining the above bank guarantees.

b. Fixed deposits have been pledged with:

- i) OTCEI Rs. 0.30 million for meeting base capital requirements.
- ii) Bombay Stock Exchange Limited Rs. 13.00 million for meeting base capital requirements.
- iii) Central Depository Services Limited Rs. 2.84 million for meeting claims and rebates.
- iv) National Stock Exchange of India Limited Rs. 20.00 million for meeting base capital requirements.
- v) Infrastructure Leasing & Financial Services Limited - Rs. 80.00 million towards initial margin.

c. Income tax demands against the Company not acknowledged as debts Rs. 28.59 million. The demand paid under protest against such contingent liability is Rs. 15.04 million.

For the year ended 31 March 2006

a. The Company has provided bank guarantees aggregating to Rs. 685.00 million as on March 31, 2006 for the following purposes to:

- i) The National Stock Exchange of India Limited - Rs. 125.50 million and Rs. 2.50 million for meeting margin requirements and towards security deposit respectively.
- ii) Bombay Stock Exchange Limited - Rs. 110 million and Rs. 1 million for meeting margin requirements and towards security deposit respectively.
- iii) Infrastructure Leasing & Financial Services Limited - Rs. 446 million towards initial margin.

The Company has pledged fixed deposits with banks aggregating of Rs. 354.67 million for obtaining the above bank guarantees.

b. Fixed deposits have been pledged with:

- i) OTCEI Rs. 0.30 million for meeting base capital requirements.

- ii) Bombay Stock Exchange Limited Rs. 1 million for meeting base capital requirements.
  - iii) Central Depository Services Limited Rs. 5 million for meeting claims and rebates.
- c. Income tax demands against the Company not acknowledged as debts Rs. 0.08 million.

**Edelweiss Securities Limited**  
**(formerly Edelweiss Securities Private Limited)**

2. Other material notes to the accounts (Continued)

Contingent Liability (Continued)

For the year ended 31 March 2005

a. The Company has provided bank guarantees aggregating Rs.145 million as on March 31, 2005 for the following purposes to:

- i) The National Stock Exchange of India Limited - Rs. 30.50 million and Rs. 2.50 million for meeting margin requirements and towards security deposit respectively.
- ii) Bombay Stock Exchange Limited - Rs. 15 million and Rs. 1 million for meeting margin requirements and towards security deposit respectively.
- iii) Infrastructure Leasing & Financial Services Limited - Rs. 96 million towards initial margin.

The Company has pledged fixed deposits with banks aggregating of Rs. 69.90 million for obtaining the above bank guarantees.

b. Fixed deposits have been pledged with:

- i) OTCEI Rs. 0.30 million for meeting base capital requirements.
- ii) Bombay Stock Exchange Limited Rs. 3 million for meeting base capital requirements.

c. Income tax demands against the Company not acknowledged as debts Rs. 0.04 million.

d. Capital commitment (net of advances) at the year end Rs. 2.67 million.

For the year ended 31 March 2004

a. The Company has provided bank guarantees aggregating Rs.120 million as on March 31, 2004 for the following purposes to:

- i) The National Stock Exchange of India Limited - Rs. 40.50 million and Rs. 2.50 million for meeting margin requirements and towards security deposit respectively.
- ii) Bombay Stock Exchange Limited - Rs. 15 million and Rs. 1 million for meeting margin requirements and towards security deposit respectively.
- iii) Infrastructure Leasing & Financial Services Limited - Rs. 61 million towards initial margin.

The Company has pledged fixed deposits with banks aggregating of Rs. 54.81 million for obtaining the above bank guarantees.

b. Fixed deposits have been pledged with:

- i) OTCEI Rs. 0.30 million for meeting base capital requirements.
- ii) Bombay Stock Exchange Limited Rs. 3 million for meeting base capital requirements.

Capital commitment (net of advances) at the year end Rs. 0.07 million.

For the year ended 31 March 2003

a. The Company has provided bank guarantees aggregating Rs.73.00 million as on March 31, 2005 for the following purposes to:

- i) The National Stock Exchange of India Limited - Rs. 19.50 million and Rs. 2.50 million for meeting margin requirements and towards security deposit respectively.
- ii) Bombay Stock Exchange Limited - Rs. 15 million and Rs. 1 million for meeting margin requirements and towards security deposit respectively.
- iii) Infrastructure Leasing & Financial Services Limited - Rs. 35 million towards initial margin.

The Company has pledged fixed deposits with banks aggregating of Rs. 29.20 million for obtaining the above bank guarantees.

b. Fixed deposits have been pledged with:

- i) OTCEI Rs. 0.30 million for meeting base capital requirements.
- ii) Bombay Stock Exchange Limited Rs. 3 million for meeting base capital requirements.

Income tax demands against the Company not acknowledged as debts Rs. 0.71 million.

**Edelweiss Securities Limited**  
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2. Other material notes to the accounts (Continued)

2.2 Provisions

For the period ended 31 August 2007

During the financial year 2005-06, Edelweiss Securities Limited had received claims from certain Beneficial Owners ('BO') on account of transactions in depository accounts at its branch through counterfeit signatures by the remisiers on delivery instructions slips. In respect of any further future claims by BOs, a provision of Rs.6.11 million has been made during the financial year 2005-06 by the management. Movement of this provision has been detailed below:

(Indian rupees in millions)

Nature of Liability	Provision as on April 1, 2007	Addition	Amount Used	Unused Amount Reversed	Provision as on August 31, 2007
Claims and rebates	6.11	-	-	-	6.11
Total	6.11	-	-	-	6.11

For the year ended 31 March 2007

During the financial year 2005-06, the Company had received claims from certain Beneficial Owners (BO) on account of transactions in Depository accounts at its branch through counterfeit signatures by the remisiers on Delivery Instructions Slips. In respect of any other future claims by BOs, a provision of Rs. 6.11 million has been made during the financial year 2005-06 by the management as detailed below:

(Indian rupees in millions)

Nature of Liability	Provision as on April 1, 2006	Addition	Amount Used	Unused Amount Reversed	Provision as on March 31, 2007
Claims and rebates	6.11	-	-	-	6.11
Total	6.11	-	-	-	6.11

For the year ended 31 March 2006

During the year under audit, the Company has received claims from certain Beneficial Owners (BO) on account of transactions in Depository accounts at its branch through counterfeit signatures by the remisiers on Delivery Instructions Slips (DISs). Based on reports of the special auditor of the Company, auditors of CDSL, and conciliation proceedings in certain cases, claims have been paid/provided for an amount aggregating to Rs. 22.63 million. Insurance claims have been lodged against these cases. Further, in respect of any other future claims by BOs, a provision of Rs. 6.11 million has been made by the management as detailed below:

(Indian rupees in millions)

Nature of Liability	Provision As on April 1, 2005	Addition	Amount Used	Unused Amount Reversed	Provision as on March 31, 2006
Claims and rebates	-	6.11	-	-	6.11
Total	-	6.11	-	-	6.11

**Edelweiss Securities Limited**  
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2. Other material notes to the accounts (Continued)

2.3 Long term Investment – Unquoted

For the period ended 31 August 2007

During the year 2005-2006 , the Company had subscribed to and was allotted 10,000 fully paid equity shares of the face value of Re.1 each for cash at par of Bombay Stock Exchange Limited (BSEL) in accordance with the BSE (Corporatisation and Demutualization) Scheme 2005 (the Scheme). The same being in the nature of long term investments have been accordingly disclosed in Schedule "Investments" to the Balance Sheet. Further, pursuant to the Scheme, the Company had classified during the year 2005-2006, the book value of its Bombay Stock Exchange (BSE) membership card amounting to Rs. 8.50 million from Schedule "Fixed Assets" to Schedule "Investments".

For the year ended 31 March 2007

During the year 2005-2006 , the Company had subscribed to and was allotted 10,000 fully paid equity shares of the face value of Re.1 each for cash at par of Bombay Stock Exchange Limited (BSEL) in accordance with the BSE (Corporatisation and Demutualization) Scheme 2005 (the Scheme). The same being in the nature of long term investments have been accordingly disclosed in Schedule "Investments" to the Balance Sheet. Further, pursuant to the Scheme, the Company had classified during the year 2005-2006, the book value of its Bombay Stock Exchange (BSE) membership card amounting to Rs. 8.50 million from Schedule "Fixed Assets" to Schedule "Investments".

For the year ended 31 March 2006

In accordance with the BSE (Corporatisation and Demutualization) Scheme 2005 (the Scheme), the Company has subscribed to and was allotted 10,000 fully paid equity shares of the face value of Re.1 each for cash at par of Bombay Stock Exchange Limited (BSEL) which are in the nature of long term investments and have accordingly been disclosed in Schedule "Investments" to the Balance Sheet. Further, pursuant to the Scheme, the Company has classified the book value of its Bombay Stock Exchange (BSE) membership card amounting to Rs. 8.50 million from Schedule "Fixed Assets" to Schedule "Investments".

**Edelweiss Securities Limited**  
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2. Other material notes to the accounts (Continued)

2.4 Segment reporting

Segment reporting disclosures have been prepared in accordance with Accounting Standard 17 – Segment Reporting issued by the Institute of Chartered Accountants of India.

The Company's management has classified its business into the following segments:

- Equity Broking
- Trading/Investments in Securities and Derivatives
- Others

Revenue & expenses for the period and assets & liabilities are either specifically identifiable with individual segments or have been allocated to segments on an appropriate basis.

Based on such allocations, segment results for the period ended 31 August 2007, year ended 31 March 2007, 2006, 2005, 2004 and 2003 and segment assets & liabilities as at 31 August 2007, 31 March 2007, 2006, 2005, 2004 and 2003 have been prepared.

**Edelweiss Securities Limited**  
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2. Other material notes to the accounts (Continued)

2.4 Segment reporting (Continued)

(Indian rupees in millions)

Particulars	Equity broking						Trading/investments in securities & derivatives					
	August 2007	March 2007	March 2006	March 2005	March 2004	March 2003	August 2007	March 2007	March 2006	March 2005	March 2004	March 2003
Segment Revenue												
Income from external customers	857.92	1,326.20	689.67	256.10	97.73	32.13	604.75	1,186.64	430.32	159.56	44.32	21.97
Income from inter-segments	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	8.08	15.70	8.63	3.33	4.11	-	-	6.81	5.43	1.17	-
Total	857.92	1,334.28	705.37	264.73	101.06	36.24	604.75	1,186.64	437.13	164.99	45.49	21.97
Segment result	192.05	425.26	228.83	86.89	33.55	8.50	506.19	995.72	363.94	113.37	12.65	11.69
Income tax												
Current tax	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-	-	-	-	-	-	-
Fringe benefit tax	-	-	-	-	-	-	-	-	-	-	-	-
Extraordinary item (net of tax)	-	-	20.72	-	-	-	-	-	-	-	-	-
Profit/(Loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-
Other information												
Carrying amount of segment assets	403.80	1,165.94	731.84	174.36	258.60	93.64	6,621.71	4,243.15	1,560.03	312.30	206.38	115.40
Carrying amount of segment liabilities	9,069.39	2,608.68	770.89	565.75	252.30	58.34	67.41	321.85	135.53	34.06	99.87	3.86
Capital expenditure	-	46.68	36.73	-	-	-	-	9.31	8.97	-	-	-
Depreciation	12.00	19.65	7.97	1.32	0.20	-	2.47	4.04	1.63	0.03	0.02	-
Non cash expenditure other than depreciation	-	-	-	-	-	-	-	-	-	-	-	-

**Edelweiss Securities Limited**  
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2. Other material notes to the accounts (Continued)

2.4 Segment reporting (Continued)

(Indian rupees in millions)

Particulars	Unallocated						Total					
	August 2007	March 2007	March 2006	March 2005	March 2004	March 2003	August 2007	March 2007	March 2006	March 2005	March 2004	March 2003
Segment Revenue												
Income from external customers	39.64	3.74	-	-	-	-	1,502.31	2,516.58	1,119.99	415.66	142.05	54.10
Income from inter-segments	-	-	-	-	-	-	-	-	-	-	-	-
Other income	148.24	86.47	-	0.22	0.25	1.95	148.24	94.55	22.51	14.28	4.75	6.06
Total	187.88	90.21	-	0.22	0.25	1.95	1,650.55	2,611.13	1,142.50	429.94	146.80	60.16
Segment result	(149.00)	(222.59)	(99.90)	(21.35)	(9.72)	(7.60)	549.24	1,198.39	492.87	178.91	36.48	12.59
Income tax												
Current tax	190.00	422.95	164.03	67.51	11.36	1.75	190.00	422.95	164.03	67.51	11.36	1.75
Deferred tax	(0.55)	(0.22)	0.29	(1.79)	0.80	0.43	(0.55)	(0.22)	0.29	(1.79)	0.80	0.43
Fringe benefit tax	1.65	3.50	2.04	-	-	-	1.65	3.50	2.04	-	-	-
Extraordinary item (net of tax)	-	-	-	-	-	-	-	-	20.72	-	-	-
Profit/(Loss) for the year	-	-	-	-	-	-	358.14	772.16	305.79	113.19	24.32	10.41
Other information												
Carrying amount of segment assets	12,872.80	1,951.27	435.69	455.01	33.03	11.16	19,898.31	7,360.36	2,727.56	941.67	498.01	220.20
Carrying amount of segment liabilities	8,760.85	2,787.31	950.77	127.29	44.46	80.93	17,897.65	5,717.84	1,857.19	727.10	396.63	143.13
Capital expenditure	35.59	8.31	0.70	7.34	1.49	0.23	35.59	64.30	46.40	7.34	1.49	0.23
Depreciation	1.96	3.23	0.52	0.31	0.12	0.43	16.43	26.92	10.12	1.66	0.34	0.43
Non cash expenditure other than depreciation	-	-	-	-	-	-	-	-	-	-	-	-



**Edelweiss Securities Limited**  
(formerly Edelweiss Securities Private Limited)

2. Other material notes to the accounts (Continued)

2.5 Related parties (Continued)

(Indian rupees in millions)

Particulars	Holding Company						Fellow Subsidiaries					
	31-Aug-2007	31-Mar-2007	31-Mar-2006	31-Mar-2005	31-Mar-2004	31-Mar-2003	31August 2007	31March 2007	31March2 006	31March 2005	31March 2004	31March 2003
Capital Account Transactions												
Preference share capital issued	-	-	(150.00)	-	-	-	-	-	-	-	-	-
Securities premium received	-	-	(200.00)	-	-	-	-	-	-	-	-	-
Loans taken												
Debentures issued	-	-	(450.00)	-	-	-	-	-	(15.70)	(4.80)	-	-
Debentures redeemed	-	-	450.00	-	-	-	-	3.00	12.70	4.80	-	-
Inter-corporate deposits issued	-	-	-	-	-	-	400.00	1,192.03	11.00	-	-	-
Inter-corporate deposits redeemed	-	-	-	-	-	-	(400.00)	(1,190.03)	(9.00)	-	-	-
Amounts taken	-	-	(1,449.21)	-	-	-	-	-	-	-	-	-
Amounts given	-	-	1,163.97	-	-	-	400.00	-	-	-	-	-
Loans Given												
Inter-corporate Deposit Placed	-	-	-	-	-	-	-	1,260.00	-	-	-	-
Inter-corporate Deposit Redeemed	-	-	-	-	-	-	-	(1,260.00)	-	-	-	-
Current Account Transactions												
Amounts Taken	(9,616.50)	(10,469.01)	(0.01)	(690.19)	(580.81)	(193.72)	-	(1,563.90)	(211.79)	(137.63)	(739.41)	(16.37)
Amounts Given	10,109.13	10,236.34	0.03	690.19	645.05	212.27	-	1,563.90	211.78	136.60	739.41	24.70
Secondary Market Transactions with broker												
Purchases of derivative instruments#	1,036.73	6,753.57	-	4,871.62	15,131.05	829.30	540,534.72	464,273.13	5,770.48	4,237.85	11,143.75	60.40
Sale of derivative instruments#	(925.04)	(6,815.88)	(28.43)	(5,088.94)	(15,223.54)	(902.72)	(560,051.89)	(462,653.59)	(5,945.53)	(4,248.19)	(11,164.67)	(64.98)
Brokerage received	(0.11)	(0.65)	-	(0.34)	(1.39)	(1.25)	(185.45)	58.23	(0.45)	(0.44)	(0.98)	(0.09)
Fee income	-	-	-	-	-	-	(2.35)	-	-	-	-	-
Clearing fee	-	-	-	-	-	-	0.80	-	-	-	-	-

**Edelweiss Securities Limited**  
**(formerly Edelweiss Securities Private Limited)**

2. Other material notes to the accounts (Continued)

2.5 Related parties (Continued)

(Indian rupees in millions)

Particulars	Holding Company						Fellow Subsidiaries					
	31-Aug-2007	31-Mar-2007	31-Mar-2006	31-Mar-2005	31-Mar-2004	31-Mar-2003	31-Aug-2007	31-Mar-2007	31-Mar-2006	31-Mar-2005	31-Mar-2004	31-Mar-2003
Primary market transactions:												
Brokerage received	(5.07)	(6.75)	(10.54)	-	-	-	-	-	-	-	-	-
Interest Paid on Loan	16.42	46.79	10.14	2.07	-	3.92	45.43	-	-	0.18	-	-
Interest Received on loan	-	-	-	-	-	-	(0.10)	-	-	-	-	-
Interest on debentures	-	-	6.26	-	-	-	-	(2.98)	0.42	-	-	-
Interest received on inter-corporate deposits	-	-	-	-	-	-	-	(12.26)	0.10	-	-	-
Interest paid on inter-corporate deposits	-	-	-	-	-	-	-	15.98	-	-	-	-
Remuneration	-	-	-	-	-	-	-	-	-	-	-	-
Guarantee commission	-	-	-	-	-	-	-	-	-	-	-	-
Interim Dividend	-	-	-	-	-	7.20	-	-	-	-	-	-
Reimbursements												
Rent	10.77	12.65	19.94	10.55	4.70	1.85	(1.10)	(3.87)	(0.96)	-	-	-
Communication	(0.23)	0.09	3.26	0.92	0.78	0.41	(0.20)	(0.10)	-	-	-	-
Utilities	2.58	4.29	1.06	1.40	1.40	0.46	(2.47)	(1.18)	(0.14)	-	-	-
Office expense	1.05	0.95	-	-	-	-	-	(0.03)	-	-	-	-
Printing and stationery	3.66	-	-	-	-	-	0.44	(0.19)	-	-	-	-
Employee cost	-	-	-	-	-	-	(2.46)	(0.94)	-	-	-	-
Legal & professional fees	-	0.07	-	-	0.24	-	(0.02)	(0.22)	-	-	-	-
Time writing charges	-	-	-	-	14.57	2.72	-	-	-	-	(1.05)	-
Travel expense	(0.55)	-	-	-	-	-	0.17	-	(0.02)	-	-	-
Security charges	0.08	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expense	-	-	0.65	0.35	0.25	-	-	-	-	-	-	-

# Inclusive of Brokerage

Figures in bracket represent income/liabilities/cash outgo.

**Edelweiss Securities Limited**  
(formerly Edelweiss Securities Private Limited)

2. Other material notes to the accounts (Continued)

2.5 Related parties (Continued)

(Indian rupees in millions)

Particulars	Key Management Personnel						Relatives of Key Management Personnel					
	31-Aug-2007	31-Mar-2007	31-Mar-2006	31-Mar-2005	31-Mar-2004	31-Mar-2003	31-Aug-2007	31-Mar-2007	31-Mar-2006	31-Mar-2005	31-Mar-2004	31-Mar-2003
Capital Account Transactions												
Preference share capital issued	-	-	-	-	-	-	-	-	-	-	-	-
Securities premium received	-	-	-	-	-	-	-	-	-	-	-	-
Loans taken												
Debentures issued	-	-	-	-	-	-	-	-	-	-	-	-
Debentures redeemed	-	-	-	-	-	-	-	-	-	-	-	-
Inter-corporate deposits issued	-	-	-	-	-	-	-	-	-	-	-	-
Inter-corporate deposits redeemed	-	-	-	-	-	-	-	-	-	-	-	-
Amounts taken	-	-	-	-	-	-	-	-	-	-	-	-
Amounts given	-	-	-	-	-	-	-	-	-	-	-	-
Loans Given												
Inter-corporate Deposit Placed	-	-	-	-	-	-	-	-	-	-	-	-
Inter-corporate Deposit Redeemed	-	-	-	-	-	-	-	-	-	-	-	-
Current Account Transactions												
Amounts Taken	-	-	-	-	-	-	-	-	-	-	-	-
Amounts Given	-	-	-	-	-	-	-	-	-	-	-	-
Secondary Market Transactions with broker												
Purchases of derivative instruments#	107.42	196.86	71.37	37.95	64.96	35.13	54.86	74.18	55.58	66.75	109.03	29.53
Sale of derivative instruments#	(107.13)	(194.92)	(73.14)	(73.10)	(56.55)	(41.73)	(80.02)	(88.50)	(63.84)	(79.72)	(103.02)	(43.95)
Brokerage received	(0.13)	(0.59)	(0.14)	(0.18)	(0.19)	(0.14)	(0.14)	(0.41)	(0.29)	(0.34)	(0.45)	(0.18)
Fee income	-	-	-	-	-	-	-	-	-	-	-	-
Clearing fee	-	-	-	-	-	-	-	-	-	-	-	-

**Edelweiss Securities Limited**  
**(formerly Edelweiss Securities Private Limited)**

2. Other material notes to the accounts (Continued)

2.5 Related parties (Continued)

(Indian rupees in millions)

Particulars	Key Management Personnel						Relatives of Key Management Personnel					
	31-Aug-2007	31-Mar-2007	31-Mar-2006	31-Mar-2005	31-Mar-2004	31-Mar-2003	31-Aug-2007	31-Mar-2007	31-Mar-2006	31-Mar-2005	31-Mar-2004	31-Mar-2003
Primary market transactions:												
Brokerage received	-	-	-	-	-	-	-	-	-	-	-	-
Interest Paid on Loan	-	-	-	-	-	-	-	-	-	-	-	-
Interest Received on loan	-	-	-	-	-	-	-	-	-	-	-	-
Interest on debentures	-	-	-	-	-	-	-	-	-	-	-	-
Interest received on inter-corporate deposits	-	-	-	-	-	-	-	-	-	-	-	-
Interest paid on inter-corporate deposits	-	-	-	-	-	-	-	-	-	-	-	-
Remuneration	-	62.78	30.32	6.88	1.81	1.73	-	-	-	-	-	-
Guarantee commission	-	-	-	-	3.35	-	-	-	-	-	-	-
Interim Dividend	-	-	-	-	-	-	-	-	-	-	-	-
Reimbursements												
Rent	-	-	-	-	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-
Office expense	-	-	-	-	-	-	-	-	-	-	-	-
Printing and stationery	-	-	-	-	-	-	-	-	-	-	-	-
Employee cost	-	-	-	-	-	-	-	-	-	-	-	-
Legal & professional fees	-	-	-	-	-	-	-	-	-	-	-	-
Time writing charges	-	-	-	-	-	-	-	-	-	-	-	-
Travel expense	-	-	-	-	-	-	-	-	-	-	-	-
Security charges	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expense	-	-	-	-	-	-	-	-	-	-	-	-

# Inclusive of Brokerage

Figures in bracket represent income/liabilities/cash outgo.

**Edelweiss Securities Limited**  
**(formerly Edelweiss Securities Private Limited)**

2. Other material notes to the accounts (Continued)

2.5 Related parties (Continued)

(Indian rupees in millions)

Particulars	Other Enterprises where Key Management Personnel exercise significant influence						Enterprises where holding company exercises significant influence					
	31-Aug-2007	31-Mar-2007	31-Mar-2006	31-Mar-2005	31-Mar-2004	31-Mar-2003	31-Aug-2007	31-Mar-2007	31-Mar-2006	31-Mar-2005	31-Mar-2004	31-Mar-2003
Capital Account Transactions												
Preference share capital issued	-	-	-	-	-	-	-	-	-	-	-	-
Securities premium received	-	-	-	-	-	-	-	-	-	-	-	-
Loans taken												
Debentures issued	-	-	(63.50)	-	-	-	-	-	-	-	-	-
Debentures redeemed	-	-	63.50	-	-	-	-	-	-	-	-	-
Inter-corporate deposits issued	-	-	-	-	-	-	-	-	-	-	-	-
Inter-corporate deposits redeemed	-	-	-	-	-	-	-	-	-	-	-	-
Amounts taken	-	-	-	-	-	-	-	-	-	-	-	-
Amounts given	-	-	-	-	-	-	-	-	-	-	-	-
Loans Given												
Inter-corporate Deposit Placed	-	-	-	-	-	-	-	-	-	-	-	-
Inter-corporate Deposit Redeemed	-	-	-	-	-	-	-	-	-	-	-	-
Current Account Transactions												
Amounts Taken	-	-	-	-	-	-	-	-	-	-	-	-
Amounts Given	-	-	-	-	-	-	-	-	-	-	-	-
Secondary Market Transactions with broker												
Purchases of derivative instruments#	51.07	263.22	2,051.51	9,414.40	10,641.38	3,972.54	-	-	-	-	-	-
Sale of derivative instruments#	(51.08)	(376.88)	(2,039.65)	(9,473.92)	(10,777.90)	(3,978.27)	-	-	-	-	-	-
Brokerage received	(0.03)	(0.23)	(0.43)	(0.92)	(1.56)	(1.84)	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-	-	-	-	-
Clearing fee	-	-	-	-	-	-	-	-	-	-	-	-

**Edelweiss Securities Limited**  
(formerly Edelweiss Securities Private Limited)

2. Other material notes to the accounts (Continued)

2.5 Related parties (Continued)

(Indian rupees in millions)

Particulars	Other Enterprises where Key Management Personnel exercise significant influence						Enterprises where holding company exercises significant influence					
	31-Aug-2007	31-Mar-2007	31-Mar-2006	31-Mar-2005	31-Mar-2004	31-Mar-2003	31-Aug-2007	31-Mar-2007	31-Mar-2006	31-Mar-2005	31-Mar-2004	31-Mar-2003
Primary market transactions:												
Brokerage received	-	-	-	-	-	-	-	-	-	-	-	-
Interest Paid on Loan	-	-	-	-	-	-	-	-	-	-	-	-
Interest Received on loan	-	-	-	-	-	-	-	-	-	-	-	-
Interest on debentures	-	-	2.48	-	-	-	-	-	-	-	-	-
Interest received on inter-corporate deposits	-	-	-	-	-	-	-	-	-	-	-	-
Interest paid on inter-corporate deposits	-	-	-	-	-	-	-	-	-	-	-	-
Remuneration	-	-	-	-	-	-	-	-	-	-	-	-
Guarantee commission	-	-	-	-	-	-	-	-	-	-	-	-
Interim Dividend	-	-	-	-	-	-	-	-	-	-	-	-
Reimbursements												
Rent	-	(0.30)	-	-	-	-	(0.38)	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	(0.18)	-	-	-	-	(0.13)	-	-	-	-	-
Office expense	-	-	-	-	-	-	-	-	-	-	-	-
Printing and stationery	-	(0.01)	-	-	-	-	(0.03)	-	-	-	-	-
Employee cost	-	-	-	-	-	-	(0.39)	-	-	-	-	-
Legal & professional fees	-	(0.06)	-	-	-	-	(0.03)	-	-	-	-	-
Time writing charges	-	-	-	-	(1.51)	-	-	-	-	-	-	-
Travel expense	-	-	-	-	-	-	-	-	-	-	-	-
Security charges	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expense	-	-	-	-	-	-	-	-	-	-	-	-

# Inclusive of Brokerage

Figures in bracket represent income/liabilities/cash outgo.

**Edelweiss Securities Limited**  
**(formerly Edelweiss Securities Private Limited)**

2. Other material notes to the accounts (Continued)

2.5 Related parties (Continued)

(Indian rupees in millions)

Particulars	Total					
	31-Aug-2007	31-Mar-2007	31-Mar-2006	31-Mar-2005	31-Mar-2004	31-Mar-2003
Capital Account Transactions						
Preference share capital issued	-	-	(150.00)	-	-	-
Securities premium received	-	-	(200.00)	-	-	-
Loans taken						
Debentures issued	-	-	(529.20)	(4.80)	-	-
Debentures redeemed	-	3.00	526.20	4.80	-	-
Inter-corporate deposits issued	400.00	1,192.03	11.00	-	-	-
Inter-corporate deposits redeemed	(400.00)	(1,190.03)	(9.00)	-	-	-
Amounts taken	-	-	(1,449.21)	-	-	-
Amounts given	400.00	-	1,163.97	-	-	-
Loans Given						
Inter-corporate Deposit Placed	-	1,260.00	-	-	-	-
Inter-corporate Deposit Redeemed	-	(1,260.00)	-	-	-	-
Current Account Transactions						
Amounts Taken	(9,616.50)	(12,032.91)	(211.80)	(827.82)	(1,320.22)	(210.09)
Amounts Given	10,109.13	11,800.24	211.81	826.79	1,384.46	236.97
Secondary Market Transactions with broker						
Purchases of derivative instruments#	541,784.80	471,560.96	7,948.94	18,628.57	37,090.17	4,926.90
Sale of derivative instruments#	(561,215.16)	(470,129.77)	(8,150.59)	(18,963.87)	(37,325.68)	(5,031.65)
Brokerage received	(185.86)	56.35	(1.31)	(2.22)	(4.57)	(3.50)
Fee income	(2.35)	-	-	-	-	-
Clearing fee	0.80	-	-	-	-	-

**Edelweiss Securities Limited**  
(formerly Edelweiss Securities Private Limited)

2. Other material notes to the accounts (Continued)

2.5 Related parties (Continued)

(Indian rupees in millions)

Particulars	Total					
	31-Aug-2007	31-Mar-2007	31-Mar-2006	31-Mar-2005	31-Mar-2004	31-Mar-2003
Primary market transactions:						
Brokerage received	(5.07)	(6.75)	(10.54)	-	-	-
Interest Paid on Loan	61.85	46.79	10.14	2.25	-	3.92
Interest Received on loan	(0.10)	-	-	-	-	-
Interest on debentures	-	(2.98)	9.16	-	-	-
Interest received on inter-corporate deposits	-	(12.26)	0.10	-	-	-
Interest paid on inter-corporate deposits	-	15.98	-	-	-	-
Remuneration	-	62.78	30.32	6.88	1.81	1.73
Guarantee commission	-	-	-	-	3.35	-
Interim Dividend	-	-	-	-	-	7.20
Reimbursements						
Rent	9.29	8.48	18.98	10.55	4.70	1.85
Communication	(0.43)	(0.01)	3.26	0.92	0.78	0.41
Utilities	(0.02)	2.93	0.92	1.40	1.40	0.46
Office expense	1.05	0.92	-	-	-	-
Printing and stationery	4.07	(0.20)	-	-	-	-
Employee cost	(2.85)	(0.94)	-	-	-	-
Legal & professional fees	(0.05)	(0.21)	-	-	0.24	-
Time writing charges	-	-	-	-	12.01	2.72
Travel expense	(0.38)	-	(0.02)	-	-	-
Security charges	0.08	-	-	-	-	-
Miscellaneous expense	-	-	0.65	0.35	0.25	-

# Inclusive of Brokerage

Figures in bracket represent income/liabilities/cash outgo.

**Edelweiss Securities Limited**  
**(formerly Edelweiss Securities Private Limited)**

2. Other material notes to the accounts (Continued)

2.5 Related parties (Continued)

(Indian rupees in millions)

<b>Particulars</b>	<b>Holding Company</b>	<b>Fellow Subsidiaries</b>	<b>Key Management Personnel</b>	<b>Other Enterprises where Key Management Personnel exercise significant influence</b>	<b>Enterprises where holding company exercises significant influence</b>	<b>Total</b>
Unsecured loans	(3.78)	-	-	-	-	(3.78)
Loans and advances	-	410.19	-	0.49	2.81	413.49
Sundry Debtors	-	-	-	-	-	-
Sundry creditors	(199.72)	(3,277.37)	-	-	-	(3,477.09)
Interest accrued but not due	-	-	-	-	-	-
Corporate guarantee	5,400.00	-	-	-	-	5,400.00
Bonus payable	-	-	-	-	-	-

Edelweiss Securities Limited  
(formerly Edelweiss Securities Private Limited)

3. Notes on adjustments for restated financial statements

a. Summary

Below mentioned is a summary of results of restatement made in the audited accounts for the respective years and its impact on the profits/losses of the Company

(Indian rupees in millions)

Particulars	Refer Note	For the period/year ended					
		31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Profit/(Loss) after tax (PAT) as per Audited accounts		358.14	772.16	305.79	113.09	24.29	10.38
Adjustments For							
Changes in Accounting Policies							
Brokerage Income	1(b)	-	-	66.34	22.27	6.84	1.44
Service tax on brokerage income	1(b)	-	-	(66.34)	(22.27)	(6.84)	(1.44)
Preliminary Expenses Written back	1(c)	-	-	-	-	-	0.00
Deferred Revenue Expenditure written back	1(d)	-	-	-	0.10	0.03	0.03
Net Total adjustments		-	-	-	0.10	0.03	0.03
Profit/(Loss) after tax (PAT) as per restatement		358.14	772.16	305.79	113.19	24.32	10.41

b. Service tax

Effective April 1, 2006, the Company changed its accounting policy to account brokerage income from inclusive of service tax. In the prior years, brokerage income was accounted for as net of service tax. Consequently, the year ended March 31, 2003, 2004, 2005 and 2006 brokerage income is restated inclusive of service tax.

c. Preliminary Expenses Written back

During the year ended March 31, 2003, 2004, and 2005, preliminary expenses incurred were amortised over a period of five years from the year in which they were incurred. For the purposes of this statement, such preliminary expenses were expensed in the year in which expenses were incurred as per the requirements of Accounting Standard 26 – Intangible Assets issued by the Institute of Chartered Accountants of India.

d. Deferred revenue expenditure written back

Deferred revenue expenditure consisted of share issue expenses. During the year ended March 31, 2003, 2004 and 2005 deferred revenue expenditure were amortised over a period of ten years from the year in which they were incurred. For the purposes of this statement, such deferred revenue expenses were appropriately expensed in the year in which expenses were incurred as per the requirements of Accounting Standard 26 – Intangible Assets issued by the Institute of Chartered Accountants of India.

e. Material Regroupings

Appropriate adjustments have been made in the restated summary statements of assets and liabilities, profits and losses, wherever required, by a reclassification of the corresponding items of income, expenses, assets and liabilities, in order to bring them in line with the groupings as per the audited financials of the Company for the period ended August 31, 2007 and the requirements of the Guidelines issued by the Securities and Exchange Board of India (Disclosure and Investor Protection Guidelines 2000) as amended from time to time.

**Edelweiss Securities Limited**  
**(formerly Edelweiss Securities Private Limited)**

4. Statement of Auditors Qualification

Other Audit qualification matters for emphasis which do not require any corrective adjustment in the financial information are as follows:

- i Under Companies (Auditor's Report) Order in the year ended 31 March 2007
  - a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been generally regular in depositing amounts deducted/accrued in the books of account in respect of undisputed statutory dues including the Provident fund, Income-tax, Service tax, Profession tax, Employee State Insurance, Stamp duty, Cess and other material statutory dues applicable to it, with the appropriate authorities. As explained to us the Company did not have any dues on account of Investor Education and Protection Fund.
- ii Under Companies (Auditor's Report) Order in the year ended 31 March 2006
  - a. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase and sale of securities held as stock-in-trade, purchase of fixed assets and sale of services except operations in Depository accounts at its branch. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system except as stated above.
  - b. In our opinion, the Company has an internal audit system generally commensurate with its size and nature of its business except for Depository Operations. However, there is need to enlarge the scope and coverage of internal audit.
  - c. According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
  - d. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud by the Company, noticed or reported during the year, nor have we been informed of such case by the Management except that there has been a fraud on the Company in Depository operations.
- iii Under Companies (Auditor's Report) Order in the year ended 31 March 2005
  - a. In our opinion, the Company's present internal audit system is generally commensurate with its size and the nature of its business. However, there is further scope for expansion and coverage of internal audit.
  - b. According to the books of account and records as produced and examined by us, in accordance with generally accepted auditing practices in India and also Management representations, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities in India.
- iv Under Companies (Auditor's Report) Order in the year ended 31 March 2004
  - a. The Company has not taken any loans, secured or unsecured, (except interest free unsecured loans, where terms of repayments are not specified, taken from its holding company) from companies, firms or other parties covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of loans taken from holding company aggregates to Rs. 92.50 million and Rs. Nil respectively.
  - b. In our opinion, the Company's present internal audit system is generally commensurate with its size and the nature of its business. However, there is further scope for expansion and coverage of internal audit.

**Edelweiss Securities Limited**  
**(formerly Edelweiss Securities Private Limited)**

Statement of Auditors Qualification (Continued)

- iv Under Companies (Auditor's Report) Order in the year ended 31 March 2004 (continued)
  - c. According to the books of account and records as produced and examined by us, in accordance with generally accepted auditing practices in India and also Management representations, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities in India.
  
- v Under Manufacturing and Other Companies (Auditor's Report) Order in the year ended 31 March 2003
  - a. In our opinion, sale of services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act and aggregating during year Rs. 0.05 million or more in value in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for the such services or the prices at which the transactions for similar services have been made with other parties. As the purchase and sale of securities and derivatives is through recognised stock exchanges in India, in the opinion of the Management, it is not possible to identify transactions, if any, with companies, firms or other parties listed in the register maintained under Section 301 of the Act. The Company has not purchased materials and sold materials and services aggregating Rs. 0.05 million or more in value during the year from/to any of the parties listed in the register maintained under Section 301 of the Act.
  - b. In our opinion, the Company's present internal audit system is generally commensurate with its size and the nature of its business. However, there is further scope for expansion and coverage of internal audit.

**Edelweiss Securities Limited**  
**(formerly Edelweiss Securities Private Limited)**

Details of other income

(Indian rupees in millions)

<b>Period/year ended</b>	<b>31-August-07</b>	<b>31-March-07</b>	<b>31-March-06</b>	<b>31-March-05</b>	<b>31-March-04</b>	<b>31-March-03</b>
Provision no longer required written back	-	-	-	-	0.27	1.76
Profit on sale of fixed assets (net)	-	-	-	-	0.94	-
Clearing charges	1.28	-	-	-	-	-
Miscellaneous income	3.68	8.08	5.75	1.12	-	-
Foreign exchange gain	-	-	0.08	-	-	-
<b>Total</b>	<b>4.96</b>	<b>8.08</b>	<b>5.83</b>	<b>1.12</b>	<b>1.21</b>	<b>1.76</b>
Profit before tax, restated	549.24	1,198.39	492.87	178.91	36.48	12.59
Percentage	0.90%	0.67%	1.18%	0.63%	3.32%	13.98%

**Annexure XXVII**

**Crossborder Investments Private Limited**

(Currency: Indian rupees in millions)

Statement of assets and liabilities, as restated

	As at	31-August-07	31-March-07	31-March-06	31-March-05	31-March-04	31-March-03
A.	Fixed assets						
	Gross block	43.32	41.51	1.68	0.43	0.43	3.34
	Less: accumulated depreciation	0.91	0.75	0.43	0.42	0.41	2.38
	Net block	42.41	40.76	1.25	0.01	0.02	0.96
	Capital work-in-progress	26.95	23.10	-	-	-	-
	Total	69.36	63.86	1.25	0.01	0.02	0.96
B.	Investments	237.23	200.25	308.35	45.90	9.03	2.32
C.	Deferred tax asset (net)	3.86	3.67	-	0.01	0.02	0.04
D.	Current assets, loans and advances						
	Stock-in-trade	2,595.65	451.83	45.84	17.92	-	4.92
	Sundry debtors	28.09	-	-	-	-	-
	Cash & bank balances	0.50	20.01	5.32	0.05	0.05	9.50
	Other current assets	1,482.80	422.43	32.82	1.29	12.63	-
	Loans and advances	611.09	1,110.45	240.45	4.16	7.90	-
	Total	4,718.13	2,004.72	324.43	23.42	20.58	14.42
	Total assets	5,028.58	2,272.50	634.03	69.34	29.65	17.74

**Crossborder Investments Private Limited**

**(Currency: Indian rupees in millions)**

Statement of assets and liabilities, as restated (Continued)

E.	Liabilities & provisions						
	Deferred tax liability (net)	-	-	0.03	-	-	-
	Loan funds						
	Secured loans	54.35	22.57	36.04	17.65	-	-
	Unsecured loans	3,256.77	1,015.37	248.59	1.00	-	0.37
	Current liabilities & provisions						
	Current liabilities	380.57	84.19	9.50	14.60	6.11	6.07
	Provisions	21.66	16.19	2.67	1.62	3.24	-
	Total liabilities and provisions	3,713.35	1,138.32	296.83	34.87	9.35	6.44
F.	Net worth (A+B+C+D-E)	1,315.23	1,134.18	337.20	34.47	20.30	11.30
	Represented by:						
	Shareholders funds						
	Share capital	19.26	19.26	12.30	1.80	1.80	1.80
	Reserves & surplus	1,295.97	1,114.92	324.90	32.67	18.50	9.50
	Total net worth (as restated)	1,315.23	1,134.18	337.20	34.47	20.30	11.30

**Crossborder Investments Private Limited**

(Currency: Indian rupees in millions)

Statement of profit and loss, as restated

Period/year ended on	31-August-07	31-March-07	31-March-06	31-March-05	31-March-04	31-March-03
Income						
Advisory and research service fee	30.72	11.91	8.52	0.13	-	0.01
Trading and arbitrage income	329.71	129.38	1.36	25.50	22.18	1.34
Investment and dividend income	18.06	65.17	42.46	13.64	1.16	0.17
Interest income	37.64	71.84	6.05	0.27	-	0.17
Other income	0.55	10.62	2.56	0.20	-	0.67
Total income	416.68	288.92	60.95	39.74	23.34	2.36
Expenditure						
Employee cost	9.56	23.74	9.75	14.28	4.76	0.76
Operating and other expenses	78.64	73.00	4.21	5.48	4.04	0.54
Depreciation	0.16	0.32	-	-	0.14	0.17
Financial expenses	59.85	41.51	8.68	0.88	-	0.48
Total expenditure	148.21	138.57	22.64	20.64	8.94	1.95
Profit before tax	268.47	150.35	38.31	19.10	14.40	0.41
Provision for taxation						
- Income tax (including short provision for earlier years)	87.50	53.13	5.48	4.90	5.40	0.11
- Deferred tax charge/(benefit)	(0.19)	(3.71)	0.04	0.01	0.02	0.09
- Fringe benefit tax	0.08	0.27	0.05	-	-	-
Profit after tax	181.08	100.66	32.74	14.19	8.98	0.21
Balance in profit and loss account brought forward	88.21	52.15	25.96	14.61	7.43	7.26
Balance available for appropriation	269.29	152.81	58.70	28.80	16.41	7.47
Appropriations						
Transfer to special reserve under section 45-IC of the Reserve Bank of India Act, 1934, of India	-	20.14	6.55	2.84	1.80	0.04
Transfer to / (from) debenture redemption reserve	(44.46)	44.46	-	-	-	-
Balance in profit and loss account, as restated	313.75	88.21	52.15	25.96	14.61	7.43
Total	269.29	152.81	58.70	28.80	16.41	7.47

**Crossborder Investments Private Limited**

(Currency: Indian rupees in millions)

Cash flow statement, as restated

	31-August-07	31-March-07	31-March-06	31-March-05	31-March-04	31-March-03
<b>A</b>						
Cash flow from operating activities						
Profit before taxation	268.47	150.35	38.31	19.10	14.40	0.41
Adjustments for:						
Depreciation	0.16	0.32	-	-	0.14	0.17
Profit on sale of investments	(12.79)	(28.26)	(40.44)	(13.13)	(1.16)	(0.16)
Provision for diminution in investments (written back)/provided for (net)	-	(1.37)	(0.63)	2.16	0.30	-
(Profit)/loss on sale of fixed assets (net)	-	-	-	-	0.82	-
Dividend	(0.18)	(1.11)	(0.70)	(0.50)	-	-
Provision for gratuity	0.48	0.74	-	-	-	-
Interest income	(1.30)	-	-	(0.19)	-	(0.17)
Interest expense	59.82	41.22	8.54	0.88	-	0.49
Operating cash flow before working capital changes	314.66	161.89	5.08	8.32	14.50	0.74
Adjustments for:						
(Increase)/decrease in sundry debtors	(28.09)	-	-	-	-	2.86
(Increase)/decrease in stock in trade	(2,143.82)	(405.99)	(27.92)	(17.92)	4.92	(0.06)
(Increase)/decrease in other current assets	(1,059.08)	(399.16)	(31.54)	11.32	(12.62)	-
(Increase)/decrease in loans and advances	499.36	(860.44)	(236.29)	3.75	(7.90)	8.73
Increase/(decrease) in current liabilities	245.33	74.69	(5.10)	9.14	0.05	5.11
Cash (used in)/generated from operations	(2,171.64)	(1,429.01)	(295.77)	14.61	(1.05)	17.38
Income taxes (paid)/refund received	(82.60)	(40.60)	(4.48)	(6.52)	(2.16)	0.38
Net cash (used in)/generated from operating activities	(2,254.24)	(1,469.61)	(300.25)	8.09	(3.21)	17.76

**Crossborder Investments Private Limited****(Currency: Indian rupees in millions)**

Cash flow statement, as restated (Continued)

B	Cash flow from investing activities						
	Dividend	0.18	1.11	0.70	0.50	-	-
	Purchase of fixed assets	(5.66)	(62.94)	(1.24)	-	-	-
	(Purchase)/ sale of investments (net)	(24.19)	137.73	(221.38)	(25.90)	(5.85)	0.41
	Interest received	-	-	-	0.19	-	0.17
	Net cash (used in)/generated from investing activities	(29.67)	75.90	(221.92)	(25.21)	(5.85)	0.58
C	Cash flow from financing activities						
	Proceeds from issue of shares including premium	-	696.30	270.00	-	-	-
	Proceeds from/ (repayment of) short term borrowings	2,273.17	753.32	265.98	18.00	(0.39)	(8.50)
	Interest paid on loans	(8.77)	(41.22)	(8.54)	(0.88)	-	(0.49)
	Net cash (used in)/generated from financing activities	2,264.40	1,408.40	527.44	17.12	(0.39)	(8.99)
	Net increase/(decrease) in cash and cash equivalents	(19.51)	14.69	5.27	-	(9.45)	9.35
	Cash and cash equivalent as at the beginning of the period/year	20.01	5.32	0.05	0.05	9.50	0.15
	Cash and cash equivalent as at the end of the period/year	0.50	20.01	5.32	0.05	0.05	9.50

**Crossborder Investments Private Limited****(Currency: Indian rupees in millions)**

Details of other income

<b>Period/ year ended on 31</b>	<b>August 2007</b>	<b>March 2007</b>	<b>March 2006</b>	<b>March 2005</b>	<b>March 2004</b>	<b>March 2003</b>
Recovery of bad/doubtful debts	-	-	-	-	-	0.67
Marketing and promotional expenses reimbursement	0.55	10.62	1.73	-	-	-
Marketing fees	-	-	0.27	-	-	-
Foreign exchange gain	-	-	0.56	0.19	-	-
Processing fees	-	-	-	0.01	-	-
<b>Total</b>	<b>0.55</b>	<b>10.62</b>	<b>2.56</b>	<b>0.20</b>	<b>-</b>	<b>0.67</b>
Profit before tax, restated	268.47	150.35	38.31	19.10	14.40	0.41
Percentage	0.20%	7.06%	6.68%	1.05%	0.00%	163.41%

## Crossborder Investments Private Limited

### 1. Significant accounting policies

#### a. Basis of preparation of financial statements

The accompanying financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company.

#### b. Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any differences of actual to such estimates are prospectively made in current or future periods.

#### c. Revenue recognition

- Advisory and Research Service fee income is accounted for, on an accrual basis in accordance with the terms and contracts entered into between the Company and the counterparty.
- Interest income is recognised on accrual basis.
- Dividend income is recognised when the right to receive payment is established.
- Income from derivative transaction is recognised on accrual basis.
- Income from security transaction is recognised on accrual basis.

#### d. Equity index/stock – futures

- i. "Initial Margin – Equity Index/Stock Futures Account", representing initial margin paid, and "Margin Deposits", representing additional margin over and above initial margin, for entering into contracts for Equity Index/Stock Futures, which are released on final settlement/squaring-up of underlying contracts, are disclosed as under loans and advances.
- ii. Equity index/stock futures are marked-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities, respectively, in the "Mark-to-Market Margin – Equity Index/Stock Futures Account", represents the net amount paid or received on the basis of movement in the prices of index/stock futures till the balance sheet date.
- iii. As on the balance sheet date, profit/loss on open positions in index/stock futures are accounted for as follows:
  - Credit balance in the "Mark-to-Market Margin – Equity Index/Stock Futures Account", being anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
  - Debit balance in the "Mark-to-Market Margin – Equity Index/Stock Futures Account", being anticipated loss is adjusted in the profit and loss account.
- iv. On final settlement or squaring-up of contracts for Equity Index/Stock Futures, the profit or loss is calculated as difference between settlement/squaring up price and contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract in "Mark-to-Market Margin – Equity Index/Stock Futures Account" is recognised in the profit and loss account. When more than one contract in respect of the relevant series of equity index futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using weighted average method for calculating profit/loss on squaring-up.

#### e. Equity index/stock – options

- i. "Equity Index/Stock Options Margin Account", representing initial margin paid, and "Margin Deposit", representing additional margin paid over and above initial margin, for entering into contracts for Equity Index/Stock options, which are released on final settlement/squaring-up of underlying contracts, are disclosed under Loans and Advances.
- ii. "Equity Index/Stock Option Premium Account" represents premium paid or received for buying or selling the options, respectively.
- iii. As at the Balance Sheet date, in the case of long positions, provision is made for the amount by which the premium paid for those options exceeds the premium prevailing on the Balance Sheet date, and in the case of short positions, for the amount by which premium prevailing on the balance sheet date exceeds the premium received for those options, and reflected in "Provision for Loss on Equity Index/Stock Option Account".

1. Significant accounting policies (continued)

e. Equity index/stock – options (continued)

- iv. When the option contracts are squared-up before expiry of the options, the premium prevailing on that date is recognised in the Profit and Loss Account. If more than one option contract in respect of the same index/stock with the same strike price and expiry date to which the squared-up contract pertains is outstanding at the time of squaring-up of the contract weighted average method is followed for determining profit or loss. On expiry of the contracts and on exercising the options, the difference between final settlement price and the strike price is transferred to the Profit and Loss Account. In both the above cases premium paid or received for buying or selling the option, as the case may be, is recognised in the Profit and Loss Account for all squared-up/settled contracts.

f. Commodities stock – futures

- i. “Initial Margin – Commodities Stock Futures Account”, representing initial margin paid, and “Margin Deposits – Commodities Stock Futures Account”, representing additional margin over and above initial margin, for entering into contracts for commodities futures, which are released on final settlement/squaring-up of underlying contracts, are disclosed under loans and advances.
- ii. Commodities futures are marked-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities respectively, in the “Mark-to-Market Margin – Commodities Stock Futures Account”, represents the net amount paid or received on the basis of movement in the prices of commodities futures till the balance sheet date.
- iii. As on the balance sheet date, profit/loss on open positions in commodities futures are accounted for as follows :
- Credit balance in the “Mark-to-Market Margin – Commodities Stock Futures Account”, being anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
  - Debit balance in the “Mark-to-Market Margin – Commodities Stock Futures Account”, being anticipated loss, is adjusted in the profit and loss account.
- iv. On final settlement or squaring-up of contracts for commodities futures, the profit or loss is calculated as the difference between settlement/squaring-up price and contract price. Accordingly, debit or credit balance pertaining to the settled/squared-up contract in “Mark-to-Market Margin – Commodities Stock Futures Account” is recognised in the profit and loss account.

When more than one contract in respect of the relevant series of commodities futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using weighted average cost method for calculating profit/loss on squaring-up.

g. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

The Company provides pro-rata depreciation from the month in which asset is acquired/put to use. In respect of assets sold, pro-rata depreciation is provided upto the month in which the asset is sold.

Depreciation is charged on written down value basis at the rates prescribed by the Schedule XIV of the Companies Act, 1956 as given below:

Class of asset	Rate of depreciation
Office equipment	13.91%
Computers	40.00%
Vehicles	25.00%

All fixed assets individually costing less than Rs. 5,000 are fully depreciated in the year of installation.

Software expense includes expenditure by way of license for various office applications which have been written off in the year of purchase on a prudent basis.

h. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

## Crossborder Investments Private Limited

### 1. Significant accounting policies (continued)

#### i. Stock-in-trade

- i. The securities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and disclosed as current assets.
- ii. The securities and commodities held as stock-in-trade under current assets are valued at lower of average cost and market value. In case of units of Mutual Funds, Net Asset Value is considered as market value.

#### j. Investments

Investments are classified into long term investments and current investments. Investments which are intended to be held for one year or more are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments.

Long term investments are accounted at cost and any decline in the carrying value other than temporary in nature is provided for. Current investments are valued at cost or market/fair value, whichever is lower. In case of investments in units of a mutual fund, the net asset value of units is considered as the market/fair value.

#### k. Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rate on that date. The exchange differences, if any, are recognised in the profit and loss account and related assets and liabilities are accordingly restated in the balance sheet.

#### l. Retirement benefits

Gratuity which is a defined benefit is accrued based on the actuarial valuation as at the balance sheet date carried out by an independent actuary. Unused leave of staff lapses at year end and accordingly is not encashable.

#### m. Operating leases

Lease rentals in respect of operating lease are charged to the profit and loss account as per the terms of the lease arrangement on a straight line basis.

#### n. Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting year.

Number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are included.

#### o. Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) and fringe benefit tax.

##### Deferred taxation

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

##### Fringe benefit tax

Provision for Fringe benefit tax ('FBT') is made on the basis of applicable FBT on the taxable value of chargeable expenditure of the Company as prescribed under the Income Tax Act, 1961.

##### Securities transaction tax

Securities transaction tax (STT) to the extent allowable u/s 88E of the Income Tax Act, 1961 has been included in provision for Income Tax.

## Crossborder Investments Private Limited

### 1. Significant accounting policies (continued)

#### p. Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

#### q. Reserve Bank of India prudential norms

The Company follows the guidelines issued by the Reserve Bank of India, in respect of income recognition, provisioning for non-performing assets and valuation of investments.

#### r. Interim financial statements

The accounting policies followed in the preparation of the condensed financial statements for the period ended 31 August 2007 are same as stated above except for retirement benefits and taxation.

##### a. Retirement benefits

In accordance with the announcement of the Institute of Chartered Accountants of India, the Company has implemented revised Accounting Standard 15 - Employee Benefits with effect from 1 April 2007. However, there is no financial impact as a result of the adoption of this Accounting Standard.

Gratuity which is a defined benefit is calculated on a year to date basis by using the actuarially determined rates at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements or other significant one time events.

##### b. Taxation

Provision for taxes and deferred tax have been determined based on effective tax rate applicable for the full year estimated financial statements for the year ending 31 March 2008 as required under Accounting Standard 25 – Interim Financial Reporting issued by the Institute of Chartered Accountants of India.

**Crossborder Investments Private Limited**

2. Other material notes to the accounts

Contingent liability

For the period ended 31 August 2007 and year ended 31 March 2007

Taxation matters in respect of which appeal is pending – Rs.0.36 million. This is being disputed by the Company and hence not provided for. The demand paid under protest against such contingent liability is Rs. 0.18 million.

Segment reporting

For the year 2003 and 2004

In accordance with the requirements of Accounting Standard 17 on Segmental Reporting, the Company has determined its business segment as “Trading of Marketable Securities and Derivatives”. Thus the segment revenue, segment results, total carrying amount of segment assets, total carrying amount of segment liabilities, total cost incurred to acquire segments assets, the total amount of charge for depreciation during the year are all as reflected in the Financial Statements for the year ended 31 March 2003 and 31 March 2004 and as on that date.

For the year 2005, 2006 and 2007 and period ended 31 August 2007

Segment reporting disclosures have been prepared in accordance with Accounting Standard 17 – Segment Reporting issued by the Institute of Chartered Accountants of India.

The Company’s management has classified its business into the following segments:

- Arbitrage and trading in securities and security derivatives and commodities and commodity derivatives
- Wholesale financing
- Advisory services
- Others

Revenue & expenses for the period and assets & liabilities are either specifically identifiable with individual segments or have been allocated to segments on an appropriate basis.

Based on such allocations, segment results for the period ended 31 August 2007 and segment assets & liabilities as at 31 August 2007 have been prepared.

**Crossborder Investments Private Limited**

2. Other material notes to the accounts (continued)

2.2 Segment reporting (continued)

(Indian rupees in millions)

Particulars	Arbitrage and trading in securities, security derivatives, commodities and commodity derivatives				Wholesale financing business			
	31-Aug-2007	2007	2006	2005	31-Aug-2007	2007	2006	2005
Segment revenue								
Income from external customers	359.54	194.55	43.82	39.14	24.57	51.22	6.06	0.28
Income from inter-segments	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-
Total	359.54	194.55	43.82	39.14	24.57	51.22	6.06	0.28
Segment result	294.98	131.61	29.21	19.26	19.57	39.74	2.17	0.24
Income tax								
Current tax	-	-	-	-	-	-	-	-
Deferred tax charge/(benefit)	-	-	-	-	-	-	-	-
Fringe benefit tax	-	-	-	-	-	-	-	-
Profit/(loss) for the period/year	-	-	-	-	-	-	-	-
Other information								
Carrying amount of segment assets	4,328.26	1,122.79	387.01	65.18	268.53	794.66	181.48	3.95
Carrying amount of segment liabilities	305.30	55.08	151.57	19.04	30.88	2.72	104.80	-
Capital expenditure	-	-	1.24	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Non cash expenditure other than depreciation	-	-	-	-	-	-	-	-

**Crossborder Investments Private Limited**

2. Other material notes to the accounts (continued)

2.2 Segment reporting (continued)

(Indian rupees in millions)

Particulars	Advisory services				Unallocated				Total			
	31-Aug-2007	2007	2006	2005	31-Aug-2007	2007	2006	2005	31-Aug-2007	2007	2006	2005
Segment revenue												
Income from external customers	30.72	11.91	8.50	-	-	-	-	-	414.83	257.68	58.38	39.42
Income from inter-segments	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	1.85	31.24	2.57	0.32	1.85	31.24	2.57	0.32
Total	30.72	11.91	8.50	-	1.85	31.24	2.57	0.32	416.68	288.92	60.95	39.74
Segment result	29.56	9.03	7.35	-	(75.64)	(30.03)	(0.42)	(0.40)	268.47	150.35	38.31	19.10
Income tax												
Current tax	-	-	-	-	87.50	53.13	5.48	4.90	87.50	53.13	5.48	4.90
Deferred tax charge/(benefit)	-	-	-	-	(0.19)	(3.71)	0.04	0.01	(0.19)	(3.71)	0.04	0.01
Fringe benefit tax	-	-	-	-	0.08	0.27	0.05	-	0.08	0.27	0.05	-
Profit/(loss) for the period/year	-	-	-	-	-	-	-	-	181.08	100.66	32.74	14.19
Other information												
Carrying amount of segment assets	30.01	1.92	0.15	-	401.77	353.13	65.39	0.21	5,028.57	2,272.50	634.03	69.34
Carrying amount of segment liabilities	-	-	0.12	-	3,377.16	1,080.52	40.33	15.83	3,713.34	1,138.32	296.82	34.87
Capital expenditure	-	-	-	-	5.66	62.94	1.24	-	5.66	62.94	2.48	-
Depreciation	-	-	-	-	0.16	0.32	-	-	0.16	0.32	-	-
Non cash expenditure other than depreciation	-	-	-	-	-	-	-	-	-	-	-	-

**Crossborder Investments Private Limited**

2. Other material notes to the accounts (continued)

Related parties

(A) Names of related parties by whom control is exercised:

Edelweiss Capital Limited                      Holding Company

(B) Subsidiaries with whom transactions have taken place during the period/year:

EC Global Limited  
Edelcap Securities and Transaction Services Private Limited  
(formerly Tiffin Investments Private Limited)

(C) Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual:

Vidya Shah

(D) Fellow subsidiaries with whom transactions have taken place during the period/year:

Edelweiss Securities Limited  
(formerly Edelweiss Securities Private Limited)  
ECAL Advisors Limited  
(formerly Edelweiss Commodities & Advisors Limited)  
ECL Finance Limited  
Edelweiss Insurance Brokers Limited

**Crossborder Investments Private Limited**

2. Other material notes to the accounts (continued)

2.3 Related Parties (Continued)

(Indian rupees in millions)

Particulars	Holding company						Subsidiaries					
	August 2007	2007	2006	2005	2004	2003	August 2007	2007	2006	2005	2004	2003
Capital account transactions												
Preference shares issued	-	-	8.00	-	-	-	-	-	-	-	-	-
Equity shares issued	-	-	2.50	-	-	-	-	-	-	-	-	-
Share premium	-	-	259.50	-	-	-	-	-	-	-	-	-
Loans given	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany deposit placed	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany deposit redeemed	-	-	-	-	-	-	-	-	-	-	-	-
Loans taken	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany deposit accepted	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany deposit repaid	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Amounts taken	(5,690.45)	(4,649.41)	(1,046.45)	(390.32)	(691.34)	-	-	-	-	-	-	-
Amounts given	3,767.75	3,966.41	804.15	389.32	691.71	-	40.77	129.44	57.99	-	-	-
Advances for office premises	-	-	-	-	-	-	-	-	-	-	-	-
Amounts given	-	-	-	27.04	-	-	-	-	-	-	-	-
Amounts taken	-	-	-	(27.04)	-	-	-	-	-	-	-	-
Secondary market transactions with broker	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of derivative instruments#	-	-	-	-	-	-	-	-	-	-	-	-
Sale of derivative instruments#	-	-	-	-	-	-	-	-	-	-	-	-

# Represents transactions carried out through fellow subsidiary company in their capacity as a broker. These amounts are inclusive of the brokerage.

Figures in bracket represent income/liabilities/cash outgo.

**Crossborder Investments Private Limited**

2. Other material notes to the accounts (continued)

2.3 Related Parties (Continued)

(Indian rupees in millions)

Particulars	Holding company						Subsidiaries					
	August 2007	2007	2006	2005	2004	2003	August 2007	2007	2006	2005	2004	2003
Interest expense	44.80	26.90	6.82	-	-	0.47	-	-	-	-	-	-
Clearing charges	-	-	-	-	-	-	-	-	-	-	-	-
Professional fees	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-	-	-	-
Intercorporate deposit	-	-	-	-	-	-	-	-	-	-	-	-
Reimbursements												
Rent	0.50	0.98	0.47	0.64	0.21	-	-	-	-	-	-	-
Communication	-	0.01	0.06	0.11	0.07	-	-	-	-	-	-	-
Travel & conveyance	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	0.09	0.07	0.06	-	-	-	-	-	-	-
Electricity	0.05	0.21	-	-	-	-	-	-	-	-	-	-
Legal & professional fees	-	-	-	-	0.09	-	-	-	-	-	-	-
Printing & stationery	-	-	-	-	-	-	-	-	-	-	-	-
Time-writing charges	-	-	-	-	0.71	-	-	-	-	-	-	-
Security charges	0.05	-	-	-	-	-	-	-	-	-	-	-
Exchange rate fluctuation	-	-	-	-	-	-	11.11	-	-	-	-	-
Miscellaneous expense	-	0.01	0.03	0.04	0.02	-	-	-	-	-	-	-
Salaries and bonus (including reimbursements)	-	-	-	-	-	-	-	-	-	-	-	-

# Represents transactions carried out through fellow subsidiary company in their capacity as a broker. These amounts are inclusive of the brokerage. Figures in bracket represent income/liabilities/cash outgo.

**Crossborder Investments Private Limited**

2. Other material notes to the accounts (continued)

2.3 Related Parties (Continued)

(Indian rupees in millions)

Particulars	Fellow subsidiaries					
	August 2007	2007	2006	2005	2004	2003
Capital account transactions						
Preference shares issued	-	-	-	-	-	-
Equity shares issued	-	-	-	-	-	-
Share premium	-	-	-	-	-	-
Loans given	-	-	-	-	-	-
Intercompany deposit placed	-	1,290.00	-	-	-	-
Intercompany deposit redeemed	-	(1,290.00)	-	-	-	-
Loans taken	-	-	-	-	-	-
Intercompany deposit accepted	1,050.00	-	-	-	-	-
Intercompany deposit repaid	700.00	-	-	-	-	-
	-	-	-	-	-	-
Amounts taken	-	(1,563.90)	(161.76)	(136.60)	(739.41)	-
Amounts given	34.96	1,563.90	161.76	137.63	739.41	-
Advances for office premises	-	-	-	-	-	-
Amounts given	-	-	-	-	-	-
Amounts taken	-	-	-	-	-	-
Secondary market transactions with broker	-	-	-	-	-	-
Purchases of derivative instruments#	289,265.61	260,078.98	5,172.32	4,110.86	8,428.11	60.42
Sale of derivative instruments#	(301,843.29)	(260,166.45)	(5,349.66)	(4,124.09)	(8,444.83)	(64.92)

# Represents transactions carried out through fellow subsidiary company in their capacity as a broker. These amounts are inclusive of the brokerage.

Figures in bracket represent income/liabilities/cash outgo.

**Crossborder Investments Private Limited**

2. Other material notes to the accounts (continued)

2.3 Related Parties (Continued)

(Indian rupees in millions)

Particulars	Fellow subsidiaries					
	August 2007	2007	2006	2005	2004	2003
Interest expense	9.13	-	-	-	-	-
Clearing charges	0.30	-	-	-	-	-
Professional fees	49.52	22.01	-	-	-	-
Interest income	-	-	-	-	-	-
Intercorporate deposit	(11.78)	(15.54)	-	(0.14)	-	-
Reimbursements						
Rent	-	1.34	0.48	-	-	-
Communication	0.01	-	-	-	-	-
Travel & conveyance	0.02	-	-	-	-	-
Utilities	-	-	0.07	-	-	-
Electricity	-	0.30	-	-	-	-
Legal & professional fees	-	0.01	-	-	-	-
Printing & stationery	(0.35)	-	-	-	-	-
Time-writing charges	-	-	-	-	1.05	-
Security charges	-	-	-	-	-	-
Exchange rate fluctuation	-	-	-	-	-	-
Miscellaneous expense	-	-	0.01	-	-	-
Salaries and bonus (including reimbursements)	-	-	-	-	-	-

# Represents transactions carried out through fellow subsidiary company in their capacity as a broker. These amounts are inclusive of the brokerage.

Figures in bracket represent income/liabilities/cash outgo.

**Crossborder Investments Private Limited**

2. Other material notes to the accounts (continued)

2.3 Related Parties (Continued)

(Indian rupees in millions)

Particulars	Key management personnel						Total					
	August 2007	2007	2006	2005	2004	2003	August 2007	2007	2006	2005	2004	2003
Capital account transactions												
Preference shares issued	-	-	-	-	-	-	-	-	8.00	-	-	-
Equity shares issued	-	-	-	-	-	-	-	-	2.50	-	-	-
Share premium	-	-	-	-	-	-	-	-	259.50	-	-	-
Loans given	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany deposit placed	-	-	-	-	-	-	-	1,290.00	-	-	-	-
Intercompany deposit redeemed	-	-	-	-	-	-	-	(1,290.00)	-	-	-	-
Loans taken	-	-	-	-	-	-	-	-	-	-	-	-
Intercompany deposit accepted	-	-	-	-	-	-	1,050.00	-	-	-	-	-
Intercompany deposit repaid	-	-	-	-	-	-	700.00	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Amounts taken	-	-	-	-	-	-	(5,690.45)	(6,213.31)	(1,208.21)	(526.92)	(1,430.75)	-
Amounts given	-	-	-	-	-	-	3,843.48	5,659.75	1,023.90	526.95	1,431.12	-
Advances for office premises	-	-	-	-	-	-	-	-	-	-	-	-
Amounts given	-	-	-	-	-	-	-	-	-	27.04	-	-
Amounts taken	-	-	-	-	-	-	-	-	-	(27.04)	-	-
Secondary market transactions with broker	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of derivative instruments#	-	-	-	-	-	-	289,265.61	260,078.98	5,172.32	4,110.86	8,428.11	60.42
Sale of derivative instruments#	-	-	-	-	-	-	(301,843.29)	(260,166.45)	(5,349.66)	(4,124.09)	(8,444.83)	(64.92)

# Represents transactions carried out through fellow subsidiary company in their capacity as a broker. These amounts are inclusive of the brokerage. Figures in bracket represent income/liabilities/cash outgo.

**Crossborder Investments Private Limited**

2. Other material notes to the accounts (continued)

2.3 Related Parties (Continued)

(Indian rupees in millions)

Particulars	Key management personnel						Total					
	August 2007	2007	2006	2005	2004	2003	August 2007	2007	2006	2005	2004	2003
Interest expense	-	-	-	-	-	-	53.93	26.90	6.82	-	-	0.47
Clearing charges	-	-	-	-	-	-	0.30	-	-	-	-	-
Professional fees	-	-	-	-	-	-	49.52	22.01	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-	-	-	-
Intercorporate deposit	-	-	-	-	-	-	(11.78)	(15.54)	-	(0.14)	-	-
Reimbursements	-	-	-	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	0.50	2.32	0.95	0.64	0.21	-
Communication	-	-	-	-	-	-	0.01	0.01	0.06	0.11	0.07	-
Travel & conveyance	-	-	-	-	-	-	0.02	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	0.16	0.07	0.06	-
Electricity	-	-	-	-	-	-	0.05	0.51	-	-	-	-
Legal & professional fees	-	-	-	-	-	-	-	0.01	-	-	0.09	-
Printing & stationery	-	-	-	-	-	-	(0.35)	-	-	-	-	-
Time-writing charges	-	-	-	-	-	-	-	-	-	-	1.76	-
Security charges	-	-	-	-	-	-	0.05	-	-	-	-	-
Exchange rate fluctuation	-	-	-	-	-	-	11.11	-	-	-	-	-
Miscellaneous expense	-	-	-	-	-	-	-	0.01	0.04	0.04	0.02	-
Salaries and bonus (including reimbursements)	0.46	3.98	4.09	-	1.60	0.71	0.46	3.98	4.09	-	1.60	0.71

# Represents transactions carried out through fellow subsidiary company in their capacity as a broker. These amounts are inclusive of the brokerage.

Figures in bracket represent income/liabilities/cash outgo.

**Crossborder Investments Private Limited**

2. Other material notes to the accounts (continued)

2.3 Related Parties (Continued)

(F) Balances with related parties as at 31 August 2007

(Indian rupees in millions)

Particulars	Holding company	Subsidiaries	Fellow subsidiaries	Key management personnel	Total
Investment	-	42.41	-	-	42
Unsecured loan taken	(2,869.87)	-	(350.00)	-	(3,220)
Sundry creditors	(44.80)	-	(78.27)	-	(123)
Payable for reimbursements	(1.59)	-	(1.29)	-	(3)
Receivable for reimbursements	-	-	0.22	-	-
Loans and advances	-	217.09	35.86	-	253
Receivable on trading of securities/investments/commodities (net)	-	-	1,468.44	-	1,468
Interest receivable on margin placed with brokers	-	-	11.78	-	12
Bonus payable	-	-	-	-	-

Figures in bracket represent income/liabilities/cash outgo.

**Crossborder Investments Private Limited**

3. Notes on adjustments for restated financial statements

a. Summary

Below mentioned is a summary of results of restatement made in the audited accounts for the respective years and its impact on the profits of the Company:

(Indian rupees in millions)

Particulars	Refer note	For the period ended 31					
		August 2007	March 2007	March 2006	March 2005	March 2004	March 2003
Profit after tax as per audited accounts		181.08	100.66	32.74	14.19	8.98	0.21
Adjustments for							
Changes in accounting policies							
Preliminary expenses written back	3 (b)	-	-	-	-	0.005	0.003
Net total adjustments		-	-	-	-	0.005	0.003
Profit after tax as per restatement		181.08	100.66	32.74	14.19	8.98	0.21

b. Preliminary expenses written back

During the year ended 31 March 2003, 2004, and 2005 preliminary expenses incurred were amortised over a period of five years from the year in which they were incurred. For the purposes of this statement, such preliminary expenses were expensed in the year in which expenses were incurred as per the requirements of Accounting Standard 26 – Intangible Assets issued by the Institute of Chartered Accountants of India.

c. Material regroupings

Appropriate adjustments have been made in the restated summary statements of assets and liabilities, profits and losses, wherever required, by a reclassification of the corresponding items of income, expenses, assets and liabilities, in order to bring them in line with the groupings as per the audited financials of the Company for the period ended 31 August 2007 and the requirements of the Guidelines issued by the Securities and Exchange Board of India (Disclosure and Investor Protection Guidelines 2000) as amended from time to time.

## Crossborder Investments Private Limited

### 4. Statement of auditor's qualification

Other audit qualification matters for emphasis which do not require any corrective adjustment in the financial information are as follows:

- i. Under Companies (Auditor's Report) Order in the year ended 31 March 2007
  - a. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been generally regular in depositing amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Income-tax, Service tax, Profession tax, Cess and other material statutory dues applicable to it with the appropriate authorities. As explained to us the Company did not have any dues on account of Provident Fund, Employees' State Insurance and Investor Education and Protection Fund, Customs duty and Excise duty.
- ii. Under Companies (Auditor's Report) Order in the year ended 31 March 2006
  - a. In our opinion, the Company has an internal audit system generally commensurate with its size and nature of its business. However, there is further scope for expansion and coverage of internal audit.
  - b. According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- iii. Under Companies (Auditor's Report) Order in the year ended 31 March 2005
  - a. In our opinion, the Company has an internal audit system generally commensurate with its size and nature of its business. However, there is further scope for expansion and coverage of internal audit.
  - b. According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.
- iv. Under Companies (Auditor's Report) Order in the year ended 31 March 2004
  - a. The Company has not granted any loans, secured or unsecured, (except interest free unsecured loans, where terms of repayment are not specified, granted to its holding company) to companies, firms or other parties covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of loans granted to holding company aggregates to Rs. 161,202,195 and Rs. Nil respectively.
  - b. The Company has not taken any loans, secured or unsecured, (except interest free unsecured loans, where terms of repayment are not specified, taken from its holding company) from companies, firms or other parties covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of loans taken from holding company aggregates to Rs. 35,900,000 and Rs. Nil respectively.
  - c. In our opinion, the Company's present internal audit system is generally commensurate with its size and the nature of its business. However, there is further scope for expansion and coverage of internal audit.
  - d. According to the books of account and records as produced and examined by us, in accordance with generally accepted auditing practices in India and also management representations, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities in India.
- v. Under Manufacturing and Other Companies Auditor's Report Order in the year ended 31 March 2003
  - a. As the purchase and sale of securities and derivatives is through recognised stock exchanges in India, in the opinion of the Management, it is not possible to identify transactions, if any, with companies, firms or other parties listed in the register maintained under Section 301 of the Act. The Company has not purchased materials and sold materials and services aggregating Rs. 50,000 or more in value during the year from/to any of the parties listed in the register maintained under Section 301 of the Act.
  - b. In our opinion, the Company's present internal audit system is generally commensurate with its size and the nature of its business. However, there is further scope for expansion and coverage of internal audit.

**Annexure XXVIII****ECL Finance Limited**

(Currency: Indian rupees in millions)

Statement of assets and liabilities, as restated

	As at	31 August 2007	31 March 2007	31 March 2006
A.	Fixed assets			
	Gross block	0.32	-	-
	Less: Accumulated depreciation	0.03	-	-
	Net block	0.29	-	-
B.	Investments	-	-	-
C.	Deferred tax asset (net)	1.12	0.07	0.08
D.	Current assets, loans and advances			
	Stock-in-trade	101.75	150.32	-
	Cash and bank balances	1,017.37	1.52	0.17
	Other current assets	565.73	35.19	-
	Loans and advances	2,234.90	98.80	20.20
	Total	3,919.75	285.83	20.37
	Total assets	3,921.16	285.90	20.45
E.	Liabilities and provisions			
	Loan funds			
	Secured loans	-	-	-
	Unsecured loans	1,070.90	139.57	-
	Current liabilities and provisions			
	Current liabilities	125.53	6.63	0.02
	Provisions	19.62	5.15	-
	Total liabilities and provisions	1,216.05	151.35	0.02
F.	Net worth (A+B+C+D-E)	2,705.11	134.55	20.43
	Represented by:			
	Shareholders funds			
	Share capital	437.09	22.50	20.50
	Reserves & surplus	2,268.02	112.05	-
	Less: debit balance in profit and loss account	-	-	(0.07)
	Total networth, as restated	2,705.11	134.55	20.43

**ECL Finance Limited****(Currency: Indian rupees in millions)**

Statement of profit and loss, as restated

	<b>For the period 1 April 2007 to 31 August 2007</b>	<b>Year ended 31 March 2007</b>	<b>For the period 18 July 2005 to 31 March 2006</b>
Income			
Income from trading/investing activity	123.90	29.48	-
Interest income	101.17	0.19	0.26
Other income	11.37	0.35	-
Total income	236.44	30.02	0.26
Expenditure			
Employee cost	15.45	2.19	-
Operating and other expenses	27.37	4.20	0.36
Financial expense	57.00	3.42	-
Depreciation	0.03	-	-
Total expenditure	99.85	9.81	0.36
Net profit/(loss) before tax	136.59	20.21	(0.10)
Provision for taxation			
- Income tax	50.00	6.09	0.05
- Deferred tax charge/(benefit)	(1.05)	0.01	(0.08)
- Fringe benefit tax	0.02	0.00	-
Net profit/(loss) after tax	87.62	14.11	(0.07)
Balance in profit and loss account brought forward	11.22	(0.07)	-
Balance available for appropriation	98.84	14.04	(0.07)
Appropriations			
Transfer to special reserve under section 45-IC of the Reserve Bank of India Act, 1934, of India	-	2.82	-
Balance carried forward, as restated	98.84	11.22	(0.07)
Total	98.84	14.04	(0.07)

**ECL Finance Limited**

**(Currency: Indian rupees in millions)**

Cash flow statement, as restated

		<b>For the period 1 April 2007 to 31 April 2007</b>	<b>Year ended 31 March 2007</b>	<b>For the period 18 July 2005 to 31 March 2006</b>
<b>A</b>	<b>Cash flow from operating activities</b>			
	Profit/(loss) before taxation	136.59	20.21	(0.10)
	Adjustments for			
	Depreciation	0.03	-	-
	Profit on sale of investments	-	(19.23)	-
	Financial expenses	57.00	3.42	-
	Provision for gratuity	0.78	0.03	-
	Operating cash flow before working capital changes	194.40	4.43	(0.10)
	Adjustments for			
	(Increase)/decrease in stock in trade	48.57	(150.32)	-
	Increase in other current assets	(530.54)	(35.19)	-
	Increase in loans and advances	(2,136.11)	(78.59)	(20.20)
	Increase in sundry creditors	62.54	6.35	0.03
	Cash used in operations	(2,361.14)	(253.32)	(20.27)
	Income taxes paid	(36.32)	(0.96)	(0.06)
	Net cash used in operating activities	(2,397.46)	(254.28)	(20.33)
<b>B</b>	<b>Cash flow from investing activities</b>			
	Purchase of current investments	-	(87.69)	-
	Sale of current investments	-	106.92	-
	Purchase of fixed assets	(0.31)	-	-
	Net cash (used in)/generated from investing activities	(0.31)	19.23	-
<b>C</b>	<b>Cash flow from financing activities</b>			
	Proceeds from issue of share capital including premium	2,482.94	100.00	20.50
	Proceeds from unsecured loans	931.33	139.57	-
	Financial expenses paid	(0.65)	(3.17)	-
	Net cash generated from financing activities	3,413.62	236.40	20.50
	Net increase in cash and cash equivalents (A+B+C)	1,015.85	1.35	0.17
	Cash and cash equivalent as at the beginning of the period/year	1.52	0.17	-
	Cash and cash equivalent as at the end of the period/year	1,017.37	1.52	0.17

## ECL Finance Limited

### 1. Significant accounting policies

#### a. Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company.

#### b. Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any differences of actual to such estimates are prospectively made in current or future periods.

#### c. Revenue recognition

- Interest income is recognised on accrual basis of accounting.
- Dividend income is recognised when the contractual right to receive payment is established.
- Income from derivative transaction is recognised on accrual basis.
- Income from security transaction is recognised on accrual basis.

#### d. Equity index / stock – Futures

- i. "Initial Margin – Equity Index / Stock Futures Account", representing initial margin paid, and "Margin Deposits", representing additional margin over and above initial margin, for entering into contracts for equity index / stock futures, which are released on final settlement / squaring-up of underlying contracts, are disclosed under loans and advances.
- ii. Equity index / stock futures are marked-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities, respectively, in the "Mark-to-Market Margin – Equity Index / Stock Futures Account", represents the net amount paid or received on the basis of movement in the prices of index / stock futures till the balance sheet date.
- iii. As on the balance sheet date, profit / loss on open positions in index / stock futures are accounted for as follows:
  - Credit balance in the "Mark-to-Market Margin – Equity index / Stock Futures Account", being anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
  - Debit balance in the "Mark-to-Market Margin – Equity Index / Stock Futures Account", being anticipated loss is adjusted in the profit and loss account.
- iv. On final settlement or squaring-up of contracts for equity index / stock futures, the profit or loss is calculated as the difference between settlement/ squaring up price and contract price. Accordingly, debit or credit balance pertaining to the settled / squared-up contract in "Mark-to-Market Margin – Equity Index / Stock Futures Account" is recognised in the profit and loss account. When more than one contract in respect of the relevant series of equity index futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using weighted average method for calculating profit / loss on squaring-up.

#### e. Commodities – futures

- i. "Initial Margin – Commodities Futures Account", representing initial margin paid, and "Margin Deposits", representing additional margin over and above initial margin, for entering into contracts for commodities futures, which are released on final settlement/ squaring-up of underlying contracts, are disclosed as under loans and advances.
- ii. Commodities futures are marked-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities, respectively, in the "Mark-to-Market Margin – Commodities Futures Account", represents the net amount paid or received on the basis of movement in the prices of commodities futures till the balance sheet date.
- iii. As on the balance sheet date, profit / loss on open positions in commodities futures are accounted for as follows:
  - Credit balance in the "Mark-to-Market Margin – Commodities Futures Account", being anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
  - Debit balance in the "Mark-to-Market Margin – Commodities Futures Account", being anticipated loss is adjusted in the profit and loss account.

## ECL Finance Limited

### 1. Significant accounting policies (Continued)

#### e. Commodities – futures (Continued)

- iv. On final settlement or squaring-up of contracts for commodities futures, the profit or loss is calculated as the difference between settlement/ squaring up price and contract price. Accordingly, debit or credit balance pertaining to the settled / squared-up contract in “Mark-to-Market Margin – Commodities Futures Account” is recognised in the profit and loss account. When more than one contract in respect of the relevant series of equity index futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using weighted average method for calculating profit / loss on squaring-up.

#### f. Equity index / stock – options

- i. “Equity Index / Stock Options Margin Account”, representing initial margin paid, and “Margin Deposit”, representing additional margin paid over and above initial margin, for entering into contracts for equity index / stock options, which are released on final settlement / squaring-up of underlying contracts, are disclosed under loans and advances.
- ii. “Equity Index / Stock Option Premium Account” represents premium paid or received for buying or selling the options, respectively.
- iii. As at the balance sheet date, in the case of long positions, provision is made for the amount by which the premium paid for those options exceeds the premium prevailing on the balance sheet date, and in the case of short positions, for the amount by which premium prevailing on the balance sheet date exceeds the premium received for those options, and reflected in “Provision for Loss on Equity Index / Stock Option Account”.
- iv. When the option contracts are squared-up before expiry of the options, the premium prevailing on that date is recognised in profit and loss account. If more than one option contract in respect of the same index / stock with the same strike price and expiry date to which the squared-up contract pertains is outstanding at the time of squaring-up of the contract, weighted average method is followed for determining profit or loss. On expiry of the contracts and on exercising the options, the difference between final settlement price and the strike price is transferred to the profit and loss account. In both the above cases premium paid or received for buying or selling the option, as the case may be, is recognised in the profit and loss account for all squared-up / settled contracts.

#### g. Stock-in-trade

- i. The securities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and disclosed as current assets.
- ii. The securities held as stock-in-trade under current assets are valued at lower of average cost and market value. In case of units of Mutual Funds, Net Asset Value is considered as market value.

#### h. Retirement benefits

Gratuity which is a defined benefit is accrued based on the actuarial valuation as at the Balance sheet date carried out by an independent actuary.

Unused leave of staff lapses at year end and accordingly is not encashable.

#### i. Preliminary expenses

Preliminary expenses are charged to the profit and loss account in the year in which they are incurred.

#### j. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

## ECL Finance Limited

### 1. Significant accounting policies (Continued)

#### k. Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) and fringe benefit tax.

##### Deferred taxation

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

##### Fringe benefit tax

Provision for Fringe benefit tax ('FBT') is made on the basis of applicable FBT on the taxable value of chargeable expenditure of the Company as prescribed under the Income Tax Act, 1961.

##### Securities transaction tax

Securities transaction tax (STT) to the extent allowable u/s 88E of the Income Tax Act, 1961 has been included in provision for Income Tax.

#### l. Operating leases

Lease rentals in respect of operating lease are charged to the profit and loss account as per the terms of the lease arrangement on a straight line basis.

#### m. Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting year.

Number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are included.

#### n. Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

**ECL Finance Limited**

1. Significant accounting policies (Continued)

o. Interim financial statements

The accounting policies followed in the preparation of the condensed financial statements for the period ended 31 August 2007 are same as stated above except for retirement benefits and taxation.

a. Retirement benefits

In accordance with the announcement of the Institute of Chartered Accountants of India, the Company has implemented revised Accounting Standard 15 - Employee Benefits with effect from 1 April 2007. However, there is no financial impact as a result of the adoption of this Accounting Standard.

Gratuity which is a defined benefit is calculated on a year to date basis by using the actuarially determined rates at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements or other significant time events.

b. Taxation

Provision for taxes and deferred tax have been determined based on effective tax rate applicable for the full year estimated financial statements for the year ending 31 March 2008 as required under Accounting Standard 25 – Interim Financial Reporting issued by the Institute of Chartered Accountants of India.

**ECL Finance Limited**

2. Other material notes to the accounts

2.1 Segment reporting

Segment reporting disclosures have been prepared in accordance with Accounting Standard 17 – Segment Reporting issued by the Institute of Chartered Accountants of India.

The Company's management has classified its business into the following segments:

Income from arbitrage and trading in securities and commodities  
Income from financing activity  
Others

Revenue & expenses for the period and assets & liabilities are either specifically identifiable with individual segments or have been allocated to segments on an appropriate basis.

Based on such allocations, segment results for the period ended 31 August 2007, year ended 31 March 2007 and period ended 31 March 2006 and segment assets & liabilities as at 31 August 2007, 31 March 2007 and 31 March 2006 have been prepared.

**ECL Finance Limited**

2. Other material notes to the accounts (continued)

2.1 Segment reporting (continued)

(Indian rupees in millions)

Particulars	Income from arbitrage and trading in securities and commodities			Income from financing activity		
	31-Aug-07	31-Mar-07	31-Mar-06	31-Aug-07	31-Mar-07	31-Mar-06
Segment Revenue						
Income from external customers	151.53	29.48	-	84.91	0.46	-
Total	151.53	29.48	-	84.91	0.46	-
Segment Result	142.68	25.28	-	63.39	0.42	-
Income tax						
Current tax	-	-	-	-	-	-
Deferred tax charge/(benefit)	-	-	-	-	-	-
Fringe benefit tax	-	-	-	-	-	-
Profit/(loss) for the period/year	-	-	-	-	-	-
Other information:						
Carrying amount of segment assets	1,659.57	185.50	-	2,221.70	97.09	-
Carrying amount of segment liabilities	0.89	1.28	-	42.32	0.30	-
Capital expenditure	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Non cash expenditure other than depreciation	-	-	-	0.24	-	-

**ECL Finance Limited**

2. Other material notes to the accounts (continued)

2.1 Segment reporting (continued)

(Indian rupees in millions)

Particulars	Others			Total		
	31-Aug-07	31-Mar-07	31-Mar-06	31-Aug-07	31-Mar-07	31-Mar-06
Segment Revenue						
Income from external customers	-	0.08	0.26	236.44	30.02	0.26
Total	-	0.08	0.26	236.44	30.02	0.26
Segment Result	(69.48)	(5.49)	(0.10)	136.59	20.21	(0.10)
Income tax						
Current tax	50.00	6.09	0.05	50.00	6.09	0.05
Deferred tax charge/(benefit)	(1.05)	0.01	(0.08)	(1.05)	0.01	(0.08)
Fringe benefit tax	0.02	0.00	-	0.02	0.00	-
Profit/(loss) for the period/year	-	-	-	87.62	14.11	(0.07)
Other information:						
Carrying amount of segment assets	39.89	3.30	20.45	3,921.16	285.89	20.45
Carrying amount of segment liabilities	1,172.85	149.75	0.02	1,216.05	151.33	0.02
Capital expenditure	0.32	-	-	0.32	-	-
Depreciation	0.03	-	-	0.03	-	-
Non cash expenditure other than depreciation	-	-	-	0.24	-	-

**ECL Finance Limited**

2. Other material notes to the accounts (Continued)

2.2 Related parties

(A) Names of related parties by whom control is exercised:

Edelweiss Capital Limited                      Holding Company

(B) Fellow subsidiaries with whom transactions have taken place during the period/year:

Edelweiss Securities Limited (formerly, Edelweiss Securities Private Limited)  
ECAL Advisors Limited (formerly, Edelweiss Commodities & Advisors Limited)  
Crossborder Investments Private Limited

**ECL Finance Limited**

2. Other material notes to the accounts (Continued)

2.2 Related party (continued)

(C) Transactions with related parties

(Indian rupees in millions)

Particulars	Holding company		
	31-Aug-07	31-Mar-07	31-Mar-06
Capital account transactions			
Share capital issued	(278.45)	(2.00)	(20.50)
Share premium	(1,523.90)	(98.00)	-
Loans taken			
Amounts taken	(1,020.90)	-	-
Amounts given	-	-	-
Loans given			
Inter-corporate deposits subscribed	-	-	-
Inter-corporate deposits	-	-	-
Current account transactions			
Amounts taken	(7,347.05)	(419.80)	(0.34)
Amounts given	7,436.61	333.50	0.34
Loans against shares bought	-	-	-
Secondary market transactions			
Purchases of securities and derivative instruments#	-	-	-
Sale of securities and derivative instruments #	-	-	-
Interest expense	53.70	3.09	-
Interest income on loan	-	-	-
Interest received on inter-corporate deposits	-	-	-
Reimbursements			
Rent	-	-	-
Printing and stationery	-	-	-
Electricity	-	-	-
Employee cost	-	-	-
Legal & professional fees	-	-	-

# (including brokerage)

Figures in bracket represent liabilities/ income/ cash outgo

**ECL Finance Limited**

2. Other material notes to the accounts (Continued)

2.2 Related party (continued)

(C) Transactions with related parties

(Indian rupees in millions)

Particulars	Fellow subsidiaries			Total		
	31-Aug-07	31-Mar-07	31-Mar-06	31-Aug-07	31-Mar-07	31-Mar-06
Capital account transactions						
Share capital issued	-	-	-	(278.45)	(2.00)	(20.50)
Share premium	-	-	-	(1,523.90)	(98.00)	-
Loans taken						
Amounts taken	(783.00)	-	(40.00)	(1,803.90)	-	(40.00)
Amounts given	783.00	-	40.00	783.00	-	40.00
Loans given						
Inter-corporate deposits subscribed	1,370.00	-	-	1,370.00	-	-
Inter-corporate deposits	(700.00)	-	-	(700.00)	-	-
Current account transactions						
Amounts taken	-	-	-	(7,347.05)	(419.80)	(0.34)
Amounts given	-	-	-	7,436.61	333.50	0.34
Loans against shares bought	(34.96)	-	-	(34.96)	-	-
Secondary market transactions						
Purchases of securities and derivative instruments#	81,580.45	3,956.47	-	81,580.45	3,956.47	-
Sale of securities and derivative instruments #	(87,187.32)	(3,757.97)	-	(87,187.32)	(3,757.97)	-
Interest expense	-	-	-	53.70	3.09	-
Interest income on loan	(11.17)	-	-	(11.17)	-	-
Interest received on inter-corporate deposits	(12.71)	-	-	(12.71)	-	-
Reimbursements						
Rent	1.00	0.90	-	1.00	0.90	-
Printing and stationery	0.25	0.12	-	0.25	0.12	-
Electricity	2.50	0.42	-	2.50	0.42	-
Employee cost	2.08	-	-	2.08	-	-
Legal & professional fees	2.35	0.18	-	2.35	0.18	-

# (including brokerage)

Figures in bracket represent liabilities/ income/ cash outgo

**ECL Finance Limited**

2. Other material notes to the accounts (Continued)

2.2 Related party (continued)

(D) Balances with related parties as at 31 August 2007

(Indian rupees in millions)

<b>Particulars</b>	<b>Holding company</b>	<b>Fellow subsidiaries</b>	<b>Total</b>
Unsecured loan taken	(1,020.90)	-	(1,020.90)
Sundry creditors	(53.70)	(4.69)	(58.39)
Payable for reimbursements	-	(5.83)	(5.83)
Intercompany deposits	-	670.00	670.00
Loans & advances	-	(34.96)	(34.96)
Interest receivable	-	5.62	5.62
Receivable on trading of securities/investments/ commodities (net)	-	144.88	144.88

Figures in bracket represent liabilities/ income/ cash outgo

2.3 The Company was incorporated on 18 July 2005 and thus the financial information for the year ended 31 March 2006 is for the period 18 July 2005 to 31 March 2006.

3. Statement of Auditors Qualification

Other Audit qualification matters for emphasis which do not require any corrective adjustment in the financial information are as follows:

- i. Under Companies (Auditor's Report) Order in the year ended 31 March 2007
  - a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been generally regular in depositing amounts deducted/accrued in the books of account in respect of undisputed statutory dues including, Income-tax, Profession tax, Cess and other material statutory dues applicable to it with the appropriate authorities. As explained to us, the Company did not have any dues on account of Service tax, Provident fund, Employees State Insurance, Investor Education and Protection Fund, Customs duty and Excise duty.
- ii. Under Companies (Auditor's Report) Order in the year ended 31 March 2006
  - a) According to the books of account and records as produced and examined by us, in accordance with the accepted auditing practices and also management representations, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities in India.

Statement of Arrears of Statutory Dues Outstanding for more than Six Months:

Name of the Statue	Nature of the Dues	Amount (Rs.)	Period to which amount relate	Due date	Date of Payment
The Maharashtra Profession Tax Act.	Profession Tax	2,500	2005-2006	17/08/2005	Outstanding As on date

- b) The Company has not adopted the internal audit system.

**ECL Finance Limited**

(Currency: Indian rupees in millions)

Details of other income

	<b>For the period 1 April 2007 to 31 August 2007</b>	<b>Year ended 31 March 2007</b>	<b>For the period 18 July 2005 to 31 March 2006</b>
Processing fees	10.87	0.35	-
Fee income	0.50	-	-
Total	11.37	0.35	-
Net profit before tax, as restated	136.59	20.21	(0.10)
Percentage	8.32%	1.73%	

**Annexure XXIX**

**ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited)**

(Currency: Indian rupees in millions)

Statement of assets and liabilities, as restated

	<b>As at</b>	<b>31-August-07</b>	<b>31-March-07</b>	<b>31-March-06</b>	<b>31-March-05</b>
A.	Fixed Assets				
	Gross block	1.40	1.40	0.06	-
	Less: Accumulated depreciation	0.38	0.19	0.01	-
	Net block	1.02	1.21	0.05	-
B.	Investments	-	10.00	3.00	-
C.	Deferred tax asset (net)	0.03	0.01	0.05	0.03
D.	Current assets, loans and advances				
	Stock-in-trade	984.98	1,267.99	-	-
	Sundry debtors	102.35	52.77	-	-
	Cash and bank balances	164.61	75.63	15.16	2.11
	Other current assets	1,805.09	1,938.11	0.08	-
	Loans and advances	77.13	203.06	13.27	6.07
	Total	3,134.16	3,537.56	28.51	8.18
	Total Assets	3,135.21	3,548.78	31.61	8.21
E.	Liabilities and provisions				
	Loan funds				
	Unsecured loans	1,849.85	2,433.58	-	-
	Current liabilities and provisions				
	Current liabilities	254.06	115.66	11.08	0.32
	Provisions	0.38	24.81	3.45	-
	Total liabilities and provisions	2,104.29	2,574.05	14.53	0.32
F.	Net worth (A+B+C+D-E)	1,030.92	974.73	17.08	7.89
	Represented by:				
	Shareholders funds				
	Share capital	13.00	13.00	8.00	8.00
	Reserves and surplus	1,017.92	995.00	9.08	-
	Less: debit balance in profit and loss account	-	(33.27)	-	(0.11)
	Total networth, as restated	1,030.92	974.73	17.08	7.89

**ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited)**

**(Currency: Indian rupees in millions)**

Statement of profit and loss, as restated

<b>Period/year ended on</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>	<b>For the period 5 October 2004 to 31 March 2005</b>
Income				
Brokerage income	7.62	62.41	0.30	-
Income from trading/investing activity	72.86	43.14	44.14	0.27
Fee income	65.17	56.79	-	-
Other income	21.63	0.57	0.57	0.05
Total income	167.28	162.91	45.01	0.32
Expenditure				
Employee cost	3.40	6.54	2.56	0.04
Operating and other expenses	7.68	66.50	26.83	0.42
Depreciation	0.19	0.18	0.01	-
Financial expenses	63.84	72.76	0.26	-
Total expenditure	75.11	145.98	29.66	0.46
Net profit/(loss) before tax	92.17	16.93	15.35	(0.14)
Provision for taxation				
- Income tax	36.00	59.20	6.18	-
- Deferred tax charge/(benefit)	(0.02)	0.03	(0.03)	(0.03)
- Fringe benefit tax	-	0.04	0.01	-
Net profit/(loss) after tax	56.19	(42.34)	9.19	(0.11)
Balance in profit/(loss) account brought forward	(33.26)	9.08	(0.11)	-
Balance in profit/(loss) carried forward, as restated	22.93	(33.26)	9.08	(0.11)

**ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited)**

**(Currency: Indian rupees in millions)**

Cash flow statement, as restated

<b>Period ended on</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>	<b>For the period 5 October 2004 to 31 March 2005</b>
A Cash flow from operating activities				
Profit/(loss) before taxation	92.17	16.93	15.35	(0.14)
Adjustments for				
Depreciation	0.19	0.18	0.01	-
Provision for gratuity	0.27	0.11	-	-
Interest income on inter-corporate deposits	-	(0.44)	(0.57)	(0.04)
Interest income on optionally fully convertible debentures	-	(0.01)	-	-
Interest income on fixed deposits	-	(0.08)	-	-
Interest expense	63.31	72.47	0.22	-
Operating cash flow before working capital changes	155.94	89.16	15.01	(0.18)
Adjustments for				
Increase in sundry debtors	(49.58)	(52.77)	-	-
(Increase)/decrease in stock in trade	293.01	(1,267.99)	-	-
(Increase)/decrease in other current assets	133.03	(1,938.07)	-	-
(Increase)/decrease in loans and advances	131.22	(191.79)	(5.21)	(6.06)
Increase in current liabilities	84.96	104.76	10.59	0.32
Cash (used in)/generated from operations	748.58	(3,256.70)	20.39	(5.92)
Income taxes paid	(65.98)	(37.99)	(2.73)	(0.01)
Net cash (used in)/generated from operating activities	682.60	(3,294.69)	17.66	(5.93)

**ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited)**

**(Currency: Indian rupees in millions)**

Cash flow statement, as restated (Continued)

<b>Period ended on</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>	<b>For the period 5 October 2004 to 31 March 2005</b>
<b>B</b> Cash flow from investing activities				
Deposits placed	-	(95.47)	(11.00)	(4.80)
Deposits redeemed	-	97.47	9.00	4.80
Purchase of fixed assets	-	(1.35)	(0.06)	-
Purchase of current investments	-	(10.00)	(3.00)	-
Sale of current investments	-	3.00	-	-
Interest received	-	0.57	0.49	0.04
Net cash (used in)/generated from investing activities	-	(5.78)	(4.57)	0.04
<b>C</b> Cash flow from financing activities				
Proceeds from issue of share capital including premium	-	1,000.00	-	8.00
Proceeds/(repayment) from unsecured loans	(583.73)	2,433.58	-	-
Interest paid on unsecured loans	(9.89)	(72.64)	(0.04)	-
Net cash (used in)/generated from financing activities	(593.62)	3,360.94	(0.04)	8.00
Net increase in cash and cash equivalents (A+B+C)	88.98	60.47	13.05	2.11
Cash and cash equivalent as at the beginning of the period/year	75.63	15.16	2.11	-
Cash and cash equivalent as at the end of the period/year	164.61	75.63	15.16	2.11

## ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Ltd)

### 1. Significant accounting policies

#### a. Basis of preparation of financial statements

The accompanying financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company.

#### b. Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any differences of actual to such estimates are prospectively made in current or future periods.

#### c. Revenue recognition

- Brokerage income is recognised on trade date basis and is inclusive of service tax.
- Fee income is accounted for, on an accrual basis in accordance with the terms & contracts entered into between the Company and the counterparty.
- Interest income is recognised on accrual basis.
- Income from derivative transactions is recognised on accrual basis.
- Income from security transactions is recognised on accrual basis
- Dividend income is recognised when the right to receive payment is established.
- Income from commodity transactions is recognised on accrual basis
- Profit/ (loss) on error trades are included in "Income from arbitrage and trading in commodity derivatives.

#### d. Equity Index / Stock – Futures

- i. "Initial Margin – Equity Index / Stock Futures Account", representing initial margin paid, and "Margin Deposits", representing additional margin over and above initial margin, for entering into contracts for equity index / stock futures, which are released on final settlement / squaring-up of underlying contracts, are disclosed as under loans and advances.
- ii. Equity index / stock futures are marked-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities, respectively, in the "Mark-to-Market Margin – Equity Index / Stock Futures Account", represents the net amount paid or received on the basis of movement in the prices of index / stock futures till the balance sheet date.
- iii. As on the balance sheet date, profit / loss on open positions in index / stock futures are accounted for as follows:
  - Credit balance in the "Mark-to-Market Margin – Equity index / Stock Futures Account", being anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
  - Debit balance in the "Mark-to-Market Margin – Equity Index / Stock Futures Account", being anticipated loss is adjusted in the profit and loss account.
- iv. On final settlement or squaring-up of contracts for Equity Index / Stock Futures, the profit or loss. Accordingly, debit or credit balance pertaining to the settled / squared-up contract in "Mark-to-Market Margin – Equity Index / Stock Futures Account" is recognised in the profit and loss account. When more than one contract in respect of the relevant series of equity index futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using weighted average method for calculating profit / loss on squaring-up.

#### e. Equity Index / Stock – Options

- i. "Equity Index / Stock Options Margin Account", representing initial margin paid, and "Margin Deposit", representing additional margin paid over and above initial margin, for entering into contracts for equity index / stock options, which are released on final settlement / squaring-up of underlying contracts, are disclosed under loans and advances.
- ii. "Equity Index / Stock Option Premium Account" represents premium paid or received for buying or selling the options, respectively.
- iii. As at the balance sheet date, in the case of long positions, provision is made for the amount by which the premium paid for those options exceeds the premium prevailing on the balance sheet date, and in the case of short positions, for the amount by which premium prevailing on the balance sheet date exceeds the premium received for those options, and reflected in "Provision for Loss on Equity Index / Stock Option Account".

**ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Ltd)**

(Currency: Indian rupees in millions)

1. Significant accounting policies (Continued)

iv. When the option contracts are squared-up before expiry of the options, the premium prevailing on that date is recognised in profit and loss account. If more than one option contract in respect of the same index / stock with the same strike price and expiry date to which the squared-up contract pertains is outstanding at the time of squaring-up of the contract weighted average method is followed for determining profit or loss. On expiry of the contracts and on exercising the options, the difference between final settlement price and the strike price is transferred to the profit and loss account. In both the above cases premium paid or received for buying or selling the option, as the case may be, is recognised in the profit and loss account for all squared-up / settled contracts.

f. Commodities Stock – Futures

- i. “Initial Margin – Commodities Stock Futures Account”, representing initial margin paid, and “Margin Deposits – Commodities Stock Futures Account”, representing additional margin over and above initial margin, for entering into contracts for commodities futures, which are released on final settlement/ squaring-up of underlying contracts, are disclosed under loans and advances.
- ii. Commodities futures are marked-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current Liabilities respectively, in the “Mark-to-Market Margin – Commodities Stock Futures Account”, represents the net amount paid or received on the basis of movement in the prices of commodities futures till the balance sheet date.
- iii. As on the balance sheet date, profit/ loss on open positions in commodities futures are accounted for as follows:
- Credit balance in the “Mark-to-Market Margin – Commodities Stock Futures Account”, being anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
  - Debit balance in the “Mark-to-Market Margin – Commodities Stock Futures Account”, being anticipated loss, is adjusted in the profit and loss account.
- iv. On final settlement or squaring-up of contracts for commodities futures, the profit or loss is calculated as the difference between settlement/ squaring-up price and contract price. Accordingly, debit or credit balance pertaining to the settled/ squared-up contract in “Mark-to-Market Margin – Commodities Stock Futures Account” is recognised in the profit and loss account.

g. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

The Company provides pro-rata depreciation from the month in which asset is acquired/put to use. In respect of assets sold, pro-rata depreciation is provided upto the month in which the asset is sold

Depreciation is charged on written down value basis at rates prescribed by the Schedule XIV of the Companies Act, 1956 as given below:

Class of asset	Rate of depreciation
Computers	40.00%
Office Equipments	13.91%

All fixed assets individually costing less than Rs. 5,000 are fully depreciated in the year of installation.

Software expense includes expenditure by way of license for various office applications which have been written off in the year of purchase on a prudent basis.

h. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

i. Stock-in-trade

- i. The securities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and disclosed as current assets.
- ii. The securities and commodities held as stock-in-trade under current assets are valued at lower of average cost and market value. In case of units of Mutual Funds, Net Asset Value is considered as market value.

## ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Ltd)

### 1. Significant accounting policies (Continued)

#### j. Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rate on that date. The exchange differences, if any, are recognised in the profit and loss account and related assets and liabilities are accordingly restated in the balance sheet.

#### k. Retirement benefits

Gratuity which is a defined benefit is accrued based on the actuarial valuation as at the balance sheet date carried out by an independent actuary.

Unused leave of staff lapses at year end and accordingly is not encashable.

#### l. Debenture redemption reserve

In terms of Section 117C of the Companies Act, 1956, amounts equivalent to the principal value of the debentures is transferred to Debenture Redemption Reserve proportionately over the term of the debentures.

#### m. Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) and fringe benefit tax.

##### Deferred taxation

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

##### Fringe Benefit Tax

Provision for Fringe Benefit Tax ('FBT') is made on the basis of applicable FBT on the taxable value of chargeable expenditure of the Company as prescribed under the Income Tax Act, 1961.

##### Securities Transaction Tax

Securities Transaction Tax (STT) to the extent allowable under section 88E of the Income Tax Act, 1961 has been included in provision for Income Tax.

#### n. Operating leases

Lease rentals in respect of operating lease are charged to the profit and loss account as per the terms of the lease arrangement on a straight line basis.

#### o. Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting year.

Number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are included.

#### p. Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

1. Significant accounting policies (Continued)

q. Interim financial statements

The accounting policies followed in the preparation of the condensed financial statements for the period ended 31 August 2007 are same as stated above except for retirement benefits and taxation.

a. Retirement benefits

In accordance with the announcement of the Institute of Chartered Accountants of India, the Company has implemented revised Accounting Standard 15 - Employee Benefits with effect from 1 April 2007. However, there is no financial impact as a result of the adoption of this Accounting Standard.

Gratuity which is a defined benefit is calculated on a year to date basis by using the actuarially determined rates at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements or other significant one time events.

b. Taxation

Provision for taxes and deferred tax have been determined based on effective tax rate applicable for the full year estimated financial statements for the year ending 31 March 2008 as required under Accounting Standard 25 – Interim Financial Reporting issued by the Institute of Chartered Accountants of India.

**ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Ltd)**

2. Other material notes to the accounts

2.1 Segment reporting

Segment reporting disclosures have been prepared in accordance with Accounting Standard 17 – Segment Reporting issued by the Institute of Chartered Accountants of India.

The Company's management has classified its business into the following segments:

- Income from arbitrage in commodities and derivatives
- Income from arbitrage in securities and derivatives
- Merchant banking and advisory
- Commodity broking
- Others

Revenue & expenses for the period and assets & liabilities are either specifically identifiable with individual segments or have been allocated to segments on an appropriate basis.

Based on such allocations, segment assets and liabilities as at 31 August 2007, 31 March 2007, 31 March 2006 and 31 March 2005 and segmental results for the period ended 31 August 2007, year ended 31 March 2007, 31 March 2006 and for the period ended 31 March 2005 have been prepared.

**ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Ltd)**

2. Other material notes to the accounts (continued)

2.1 Segment reporting (Continued)

(Indian rupees in millions)

Particulars	Arbitrage and trading in commodities and commodity derivatives				Arbitrage and trading in securities and derivatives			
	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05
Segment revenue								
Income from external customers	12.61	87.31	46.43	0.27	60.25	(44.17)	(2.29)	-
Other income	-	-	-	-	20.95	-	-	-
Total	12.61	87.31	46.43	0.27	81.20	(44.17)	(2.29)	-
Segment result	9.29	74.77	17.87	(0.18)	79.75	(85.66)	(2.32)	-
Income tax								
Current tax	-	-	-	-	-	-	-	-
Deferred tax charge/(benefit)	-	-	-	-	-	-	-	-
Fringe benefit tax	-	-	-	-	-	-	-	-
Profit/(loss) for the period/year								
Other information								
Carrying amount of segment assets	160.95	322.07	24.94	6.82	2,679.20	3,083.94	-	-
Carrying amount of segment liabilities	4.15	2.04	8.16	0.10	20.44	29.57	-	-
Capital expenditure	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-

**ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Ltd)**

2. Other material notes to the accounts (continued)

2.1 Segment reporting (Continued)

(Indian rupees in millions)

Particulars	Merchant banking & advisory				Commodity broking			
	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05
Segment revenue								
Income from external customers	65.17	56.79	-	-	7.62	62.41	0.30	-
Other income	-	-	-	-	-	-	-	-
Total	65.17	56.79	-	-	7.62	62.41	0.30	-
Segment result	64.27	54.99	-	-	2.58	46.95	0.04	-
Income tax								
Current tax	-	-	-	-	-	-	-	-
Deferred tax charge/(benefit)	-	-	-	-	-	-	-	-
Fringe benefit tax	-	-	-	-	-	-	-	-
Profit/(loss) for the period/year								
Other information								
Carrying amount of segment assets	102.35	52.77	-	-	0.12	11.12	0.90	-
Carrying amount of segment liabilities	-	-	-	-	159.46	63.90	-	-
Capital expenditure	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-

**ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Ltd)**

2. Other material notes to the accounts (continued)

2.1 Segment reporting (Continued)

(Indian rupees in millions)

Particulars	Unallocated				Total			
	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05
Segment revenue								
Income from external customers	-	-	-	-	145.65	162.34	44.44	0.27
Other income	0.68	0.57	0.57	0.05	21.63	0.57	0.57	0.05
Total	0.68	0.57	0.57	0.05	167.28	162.91	45.01	0.32
Segment result	(63.72)	(74.12)	(0.24)	0.04	92.17	16.93	15.35	(0.14)
Income tax								
Current tax	36.00	59.20	6.18	-	36.00	59.20	6.18	-
Deferred tax charge/(benefit)	(0.02)	0.03	(0.03)	(0.03)	(0.02)	0.03	(0.03)	(0.03)
Fringe benefit tax	-	0.04	0.01	-	-	0.04	0.01	-
Profit/(loss) for the period/year					56.19	(42.34)	9.19	(0.11)
Other information								
Carrying amount of segment assets	192.59	78.88	5.77	1.39	3,135.21	3,548.78	31.61	8.21
Carrying amount of segment liabilities	1,920.24	2,478.54	6.37	0.22	2,104.29	2,574.05	14.53	0.32
Capital expenditure	-	1.35	0.06	-	-	1.35	0.06	-
Depreciation	0.19	0.18	0.01	-	0.19	0.18	0.01	-

**ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Ltd)**

2. Other material notes to the accounts (continued)

2.2 Related parties

(A) Names of related parties by whom control is exercised:

Edelweiss Capital Limited                      Holding Company

(B) Fellow subsidiaries with whom transactions have taken place during the period/year:

Edelweiss Securities Limited  
(formerly known as Edelweiss Securities Private Limited)  
Crossborder Investments Private Limited  
ECL Finance Limited  
Edelcap Securities and Transaction Services Private Limited  
(formerly known as Tiffin Investments Private Limited)

(C) Enterprises in which Holding Company exercises significant influence and with whom transactions have taken place during the period/year:

Edelweiss Real Estate Advisors Private Limited

**ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Ltd)**

2. Other material notes to the accounts (continued)

2.2 Related parties (Continued)

(D) Transactions with related parties

(Indian rupees in millions)

Particulars	Holding Company				Fellow Subsidiaries			
	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05
Capital account transactions								
Share capital issued	-	(5.00)	-	(8.00)	-	-	-	-
Share premium	-	(995.00)	-	-	-	-	-	-
Loans taken								
Inter-corporate deposits accepted	-	-	-	-	(320.00)	(1,302.00)	-	-
Inter-corporate deposits repaid	-	-	-	-	-	1,262.00	-	-
Loans given								
Inter-corporate deposit placed	-	-	-	-	-	97.97	11.00	4.80
Inter-corporate deposit redeemed	-	-	-	-	-	(99.97)	(9.00)	(4.80)
Optionally fully convertible debentures issued	-	-	-	-	-	-	15.70	-
Optionally fully convertible debentures redeemed	-	-	-	-	-	(3.00)	(12.70)	-
Current account transactions								
Amounts taken	(3,398.70)	(6,434.33)	(21.10)	(0.12)	(783.00)	-	(10.02)	-
Amounts given	4,807.60	4,252.33	21.10	0.12	383.00	-	10.03	-
Secondary market transactions with broker								
Purchases of securities and derivative instruments #	-	-	-	-	222,771.22	288,326.34	598.16	-
Sale of securities and derivative instruments #	-	-	-	-	(223,726.55)	(287,289.75)	(595.87)	-
Secondary market transactions acting as broker								
Purchases of derivative instruments #	-	-	-	-	53,009.60	88,088.66	-	-
Sale of derivative instruments #	-	-	-	-	(52,629.46)	(88,560.58)	-	-
Brokerage earned	-	-	-	-	(7.62)	(53.67)	-	-
Interest expense	47.61	44.82	0.21	-	3.82	16.74	-	-
Fee income	-	-	-	-	(49.52)	(22.01)	-	-
Clearing charges	-	-	-	-	0.50	-	-	-
Interest income								
Inter-corporate deposit	-	-	-	-	(20.95)	(0.44)	(0.10)	(0.04)
Optionally fully convertible debentures	-	-	-	-	-	(0.01)	(0.42)	-
Reimbursements								
Rent	0.75	0.44	0.08	0.03	-	0.45	0.48	-
Communication	-	-	-	0.01	0.05	-	-	-
Electricity	0.05	0.10	0.02	-	-	0.10	0.07	-
Conveyance	-	-	-	-	(0.07)	-	-	-
Office Expense	0.08	0.02	-	-	-	0.01	-	-
Telephone	-	0.01	-	0.04	-	0.05	0.01	-
Printing & Stationary	-	-	-	-	(0.59)	-	-	-
Refund of deposits	-	-	-	4.95	-	-	-	-
Repayment of expenses incurred	-	-	-	0.12	-	-	-	-

# Inclusive of Brokerage

Figures in bracket represent liabilities/income/cash outgo

**ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Ltd)**

2. Other material notes to the accounts (continued)

2.2 Related parties (Continued)

Transactions with related parties:

(Indian rupees in millions)

Particulars	Associates				Total			
	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05
Capital account transactions								
Share capital issued	-	-	-	-	-	(5.00)	-	(8.00)
Share premium	-	-	-	-	-	(995.00)	-	-
Loans taken								
Inter-corporate deposits accepted	(10.00)	-	-	-	(330.00)	(1,302.00)	-	-
Inter-corporate deposits repaid	-	-	-	-	-	1,262.00	-	-
Loans given								
Inter-corporate deposit placed	-	-	-	-	-	97.97	11.00	4.80
Inter-corporate deposit redeemed	-	-	-	-	-	(99.97)	(9.00)	(4.80)
Optionally fully convertible debentures issued	-	-	-	-	-	-	15.70	-
Optionally fully convertible debentures redeemed	-	-	-	-	-	(3.00)	(12.70)	-
Current account transactions								
Amounts taken	-	-	-	-	(4,181.70)	(6,434.33)	(31.12)	(0.12)
Amounts given	-	-	-	-	5,190.60	4,252.33	31.13	0.12
Secondary market transactions with broker								
Purchases of securities and derivative instruments #	-	-	-	-	222,771.22	288,326.34	598.16	-
Sale of securities and derivative instruments #	-	-	-	-	(223,726.55)	(287,289.75)	(595.87)	-
Secondary market transactions acting as broker								
Purchases of derivative instruments #	-	-	-	-	53,009.60	88,088.66	-	-
Sale of derivative instruments #	-	-	-	-	(52,629.46)	(88,560.58)	-	-
Brokerage earned	-	-	-	-	(7.62)	(53.67)	-	-
Interest expense	0.30	-	-	-	51.73	61.56	0.21	-
Fee income	-	-	-	-	(49.52)	(22.01)	-	-
Clearing charges	-	-	-	-	0.50	-	-	-
Interest income								
Inter-corporate deposit	-	-	-	-	(20.95)	(0.44)	(0.10)	(0.04)
Optionally fully convertible debentures	-	-	-	-	-	(0.01)	(0.42)	-
Reimbursements								
Rent	-	-	-	-	0.75	0.89	0.56	0.03
Communication	-	-	-	-	0.05	-	-	0.01
Electricity	-	-	-	-	0.05	0.20	0.09	-
Conveyance	-	-	-	-	(0.07)	-	-	-
Office Expense	-	-	-	-	0.08	0.03	-	-
Telephone	-	-	-	-	-	0.06	0.01	0.04
Printing & Stationary	-	-	-	-	(0.59)	-	-	-
Refund of deposits	-	-	-	-	-	-	-	4.95
Repayment of expenses incurred	-	-	-	-	-	-	-	0.12

# Inclusive of Brokerage

Figures in bracket represent liabilities/income/cash outgo

**ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Ltd)**

2. Other material notes to the accounts (continued)

2.2 Related parties (Continued)

(E) Balances with related parties as at 31 August 2007:

(Indian rupees in millions)

Particulars	Holding Company	Fellow Subsidiaries	Associates	Total
Inter-corporate deposits accepted	-	(370.00)	(10.00)	(380.00)
Unsecured loan accepted	(807.86)	(400.00)	-	(1,207.86)
Sundry creditors	(48.95)	(164.11)	-	(213.06)
Receivable on trading of Securities/ Investments/ Commodities (net)	-	1,783.60	-	1,783.60
Sundry debtors	-	72.65	-	72.65
Advances recoverable in cash or in kind or for value to be received	-	20.77	-	20.77

Figures in bracket represent liabilities/income/cash outgo

2.3 Contingent liabilities

For the period ended 31 August 2007:

The Company has provided bank guarantee aggregating Rs 30 million as on 31 August 2007 to The Multi Commodity Exchange of India Limited for meeting margin requirements.

The Company has pledged fixed deposit with bank amounting to Rs 15 million for obtaining the above bank guarantee.

For the year ended 31 March 2007:

The Company has provided bank guarantee aggregating Rs 24 million as on 31 March 2007 to The Multi Commodity Exchange of India Limited for meeting margin requirements.

The Company has pledged fixed deposit with bank amounting to Rs 11 million for obtaining the above bank guarantee.

For the year ended 31 March 2006:

The Company has provided bank guarantee aggregating Rs. 4 million as on 31 March 2006 to The Multi Commodity Exchange of India Limited for meeting margin requirements.

The Company has pledged fixed deposit with bank amounting to Rs 1 million for obtaining the above bank guarantee.

For the year period 31 March 2005:

There were no contingent liabilities reported by the Company for the period ended 31 March 2005.

2.4 The Company was incorporated on 5 October 2004 and thus the financial information for the year 2005 is for the period 5 October 2004 to 31 March 2005.

**ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Ltd)**

## 3. Notes on adjustments for restated financial statements

## a. Summary

Below mentioned is a summary of results of restatement made in the audited accounts for the respective years and its impact on the profits/ losses of the Company

(Indian rupees in millions)

Period/year ended	Refer Note	31-	31-	31-	31-
		Aug-07	Mar-07	Mar-06	Mar-05
Profit/(Loss) after tax (PAT) as per Audited accounts		56.19	(42.34)	9.19	(0.11)
Adjustments For					
Changes in Accounting Policies					
Brokerage income	1 (b)	-	-	0.03	-
Service tax on brokerage income	1 (b)	-	-	(0.03)	-
Net total adjustments			-	-	-
Profit/(loss) after tax (PAT) as per restatement		56.19	(42.34)	9.19	(0.11)

## b. Service tax

Effective 1 April 2006, the Company changed its accounting policy to account brokerage income from inclusive of service tax. In the prior year, brokerage income was accounted for as net of service tax. Consequently, the year ended March 2006 brokerage income is restated on gross basis.

## c. Material regroupings

Appropriate adjustments have been made in the restated summary statements of assets and liabilities, profits and losses, wherever required, by a reclassification of the corresponding items of income, expenses, assets and liabilities, in order to bring them in line with the groupings as per the audited financials of the Company for the period ended 31 August 2007 and the requirements of the Guidelines issued by the Securities and Exchange Board of India (Disclosure and Investor Protection Guidelines 2000) as amended from time to time.

## 4. Statement of Auditors Qualification

Other Audit qualification matters for emphasis which do not require any corrective adjustment in the financial information are as follows:

## i. Under Companies (Auditor's Report) Order in the year ended 31 March 2007

According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been generally regular in depositing amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Income-tax, Profession tax, Service tax, Cess and other material statutory dues applicable to it with the appropriate authorities. As explained to us the Company did not have any dues on account of Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Customs duty and Excise duty.

## ii. Under Companies (Auditor's Report) Order in the year ended 31 March 2006

According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.

**ECAL Advisors Limited (formerly Edelweiss Commodities & Advisors Limited)**

(Currency: Indian rupees in millions)

Details of other income

<b>Period/year ended on</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>	<b>For the period 5-Oct-2004 to 31-Mar-2005</b>
Interest on intercorporate deposit - gross	-	0.45	0.10	0.05
Interest on current investments - optionally fully convertible debentures - gross	-	0.01	0.42	-
Interest on fixed deposit - gross	0.50	0.08	0.05	-
Interest income on margin	20.94	-	-	-
Gain on foreign exchange transaction	-	0.03	-	-
Miscellaneous income	0.19	-	-	-
<b>Total</b>	<b>21.63</b>	<b>0.57</b>	<b>0.57</b>	<b>0.05</b>
Net profit/(loss) before tax, as restated	92.17	16.93	15.35	(0.14)
Percentage	23.47%	3.37%	3.71%	

**Annexure XXX**

Edelweiss Insurance Brokers Limited

(Currency: Indian rupees in millions)

Statement of assets and liabilities, as restated

	As at	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
A.	Fixed assets						
	Gross block	1.85	0.97	-	-	0.69	0.69
	Less: Accumulated depreciation	0.28	0.04	-	-	0.44	0.35
	Net block	1.57	0.93	-	-	0.25	0.34
B.	Investments	-	-	-	-	-	-
C.	Deferred tax asset (net)	0.16	0.11	0.13	-	0.02	-
D.	Current assets, loans and advances						
	Sundry debtors	26.32	17.18	4.51	0.36	-	-
	Cash and bank balances	10.70	9.38	8.46	6.34	0.08	0.04
	Loans and advances	9.68	9.42	1.75	0.02	3.34	0.10
	Other current assets	-	-	-	-	-	0.02
	Total	46.70	35.98	14.72	6.72	3.42	0.16
	Total assets	48.43	37.02	14.85	6.72	3.69	0.50
E.	Liabilities and provisions						
	Loan funds						
	Secured loans	-	-	-	-	-	0.12
	Unsecured loans	13.32	8.22	-	-	-	0.47
	Current liabilities and provisions						
	Current liabilities	12.76	10.61	2.71	0.19	0.90	0.05
	Provisions	0.41	0.20	0.11	0.10	1.10	-
	Total liabilities and provisions	26.49	19.03	2.82	0.29	2.00	0.64
F.	Net worth (A+B+C+D-E)	21.94	17.99	12.03	6.43	1.69	(0.14)

**Edelweiss Insurance Brokers Limited**

(Currency: Indian rupees in millions)

Represented by:						
Shareholders funds						
Share capital	6.95	6.95	6.95	5.00	0.50	0.50
Reserves & surplus	14.99	11.04	5.08	1.43	1.19	-
Less: debit balance in profit and loss account	-	-	-	-	-	(0.64)
Total network (as restated)	21.94	17.99	12.03	6.43	1.69	(0.14)

**Edelweiss Insurance Brokers Limited**

(Currency: Indian rupees in millions)

Statement of profit and loss, as restated

Period/year ended	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Income						
Brokerage income	28.67	32.90	10.19	0.52	-	-
Income from trading / investing activity	-	-	-	-	3.96	-
Provision for doubtful debts written back	-	0.40	-	-	-	-
Other income	0.27	0.60	0.43	0.22	0.01	0.01
Total income	28.94	33.90	10.62	0.74	3.97	0.01
Expenditure						
Employee cost	12.24	14.62	2.68	0.04	0.08	-
Operating and other expenses	10.24	9.51	2.26	0.30	0.88	0.07
Financial expenses	-	-	-	-	0.01	0.03
Depreciation	0.24	0.04	-	0.02	0.09	0.12
Total expenditure	22.72	24.17	4.94	0.36	1.06	0.22
Net Profit/(loss) before tax	6.22	9.73	5.68	0.38	2.91	(0.21)
Provision for taxation						
- Income tax	2.18	3.49	2.14	0.12	1.10	-
- Deferred tax charge / (benefit)	(0.04)	0.02	(0.13)	0.02	(0.02)	-
- Fringe benefit tax	0.13	0.26	0.02	-	-	-
Net profit/(loss) after tax	3.95	5.96	3.65	0.24	1.83	(0.21)
Balance in profit and loss account brought forward	11.04	5.08	1.43	1.19	(0.64)	(0.43)
Balance in profit and loss account carried forward, as restated	14.99	11.04	5.08	1.43	1.19	(0.64)

**Edelweiss Insurance Brokers Limited**

(Currency: Indian rupees in millions)

Cash flow statement, as restated

	Period/year ended on	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
A	Cash flow from operating activities						
	Profit/(loss) before taxation	6.22	9.73	5.68	0.38	2.91	(0.21)
	Adjustments for						
	Depreciation	0.24	0.04	-	0.02	0.09	0.12
	Profit on sale of fixed assets	-	-	-	(0.17)	-	-
	Provision for gratuity	0.21	0.20	-	-	-	-
	Provision for doubtful debts (written back)/provided	0.23	(0.40)	0.40	-	-	-
	Interest expense	-	-	-	-	-	0.03
	Interest income on fixed deposits	(0.27)	(0.55)	(0.31)	(0.05)	0.01	(0.01)
	Operating cash flow before working capital changes	6.63	9.02	5.77	0.18	3.01	(0.07)
	Changes in working capital						
	(Increase)/decrease in loans and advances	(2.37)	(2.46)	(1.53)	3.32	(3.25)	-
	Increase in sundry debtors	(9.37)	(12.28)	(4.55)	(0.36)	-	-
	Decrease in other receivable	-	-	-	-	0.02	-
	Increase/(decrease) in sundry creditors	2.15	7.90	2.52	(0.71)	0.85	(0.01)
	Cash (used in)/ generated from operations	(2.96)	2.18	2.21	2.43	0.63	(0.08)
	Income taxes paid / (refund received)	0.22	9.13	2.15	1.12	(0.01)	(0.02)
	Net cash (used in) /generated from operating activities	(3.18)	(6.95)	0.06	1.31	0.64	(0.06)
B	Cash flow from investing activities						
	Interest received	0.28	0.60	0.11	0.05	-	0.01
	Interest paid	-	-	-	-	(0.01)	(0.03)
	Proceeds from sale of fixed assets	-	-	-	0.40	-	-
	Purchase of fixed assets	(0.88)	(0.95)	-	-	-	-
	Net cash (used) in /generated from investing activities	(0.60)	(0.35)	0.11	0.45	(0.01)	(0.02)

**Edelweiss Insurance Brokers Limited**

(Currency: Indian rupees in millions)

C	Cash flow from financing activities						
	Proceeds from Issue of share capital	-	-	1.95	4.50	-	-
	Proceeds from / (repayment of) secured loans	-	-	-	-	(0.12)	(0.22)
	Proceeds from / (repayment of) unsecured loans	5.10	8.22	-	-	(0.47)	0.33
	Net cash (used in)/ generated from financing activities	5.10	8.22	1.95	4.50	(0.59)	0.11
	Net increase in cash and cash equivalents (A+B+C)	1.32	0.92	2.12	6.26	0.04	0.03
	Cash and cash equivalent as at the beginning of the period/year	9.38	8.46	6.34	0.08	0.04	0.01
	Cash and cash equivalent as at the end of the period/year	10.70	9.38	8.46	6.34	0.08	0.04

**Edelweiss Insurance Brokers Limited**

(Currency: Indian rupees in millions)

Details of Other income

<b>Period / Year ended on</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>	<b>31-Mar-05</b>	<b>31-Mar-04</b>	<b>31-Mar-03</b>
Interest income	0.27	0.55	0.31	0.05	-	- (*)
Interest on income tax refund	-	-	-	-	-	-
Profit on sale of fixed assets	-	-	-	0.17	-	-
Other miscellaneous income	-	0.05	0.12	-	0.01	-
<b>Total</b>	<b>0.27</b>	<b>0.60</b>	<b>0.43</b>	<b>0.22</b>	<b>0.01</b>	<b>0.01</b>
Net profit before tax, restated	3.95	5.96	3.65	0.24	1.83	(0.21)
Percentage	6.84%	10.07%	11.78%	91.67%	0.55%	

\* represents amounts below Rs. 0.01 million.

## Edelweiss Insurance Brokers Limited

### 1. Significant accounting policies

#### a. Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company.

#### b. Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any differences of actual to such estimates are prospectively made in current or future periods.

#### c. Revenue recognition

Brokerage and Commission income is recognised on accrual basis exclusive of service tax. Interest income is recognised on accrual basis.

#### d. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

The Company provides pro-rata depreciation from the month in which asset is acquired/ put to use. In respect of assets sold, pro-rata depreciation is provided upto the month in which the asset is sold.

Depreciation is charged on written down value basis at rates prescribed by the Schedule XIV of the Companies Act, 1956 as given below:

Class of asset	Rate of depreciation
Computers	40.00%
Office equipments	13.91%

All fixed assets individually costing less than Rs. 5,000 are fully depreciated in the year of installation.

Software expense includes expenditure by way of license for various office applications which have been written off in the year of purchase on a prudent basis.

**Edelweiss Insurance Brokers Limited**

1. Significant accounting policies (Continued)

e. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

f. Retirement benefits

Gratuity which is a defined benefit is accrued based on the actuarial valuation as at the balance sheet date carried out by an independent actuary.

Unused leave of staff lapses at year end and accordingly is not encashable.

g. Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) and fringe benefit tax.

Deferred taxation

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

Fringe benefit tax

Provision for fringe benefit tax (FBT) is made on the basis of applicable FBT on the taxable value of chargeable expenditure of the Company as prescribed under the Income tax Act, 1961.

h. Operating leases

Lease rentals in respect of operating lease are charged to the profit and loss account as per the terms of the lease arrangement on a straight line basis.

## Edelweiss Insurance Brokers Limited

### 1. Significant accounting policies (Continued)

#### i. Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting year.

Number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are included.

#### j. Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

#### k. Interim financial reporting

The accounting policies followed in the preparation of the condensed financial statements for the period ended 31 August 2007 are same as stated above except for retirement benefits and taxation.

#### l. Retirement benefits

In accordance with the announcement of the Institute of Chartered Accountants of India, the Company has implemented revised Accounting Standard 15 - Employee Benefits with effect from 1 April 2007. However, there is no financial impact as a result of the adoption of this Accounting Standard.

Gratuity which is a defined benefit is calculated on a year to date basis by using the actuarially determined rates at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements or other significant one time events.

#### m. Taxation

Provision for taxes and deferred tax have been determined based on effective tax rate applicable for the full year estimated financial statements for the year ending 31 March 2008 as required under Accounting Standard 25 – Interim Financial Reporting issued by the Institute of Chartered Accountants of India.



**Edelweiss Insurance Brokers Limited**

2 Other material notes to the accounts (Continued)

2.2 Related party (Continued)

(D) Transactions with related parties

(Indian rupees in millions)

Particulars	Holding Company						Fellow Subsidiaries					
	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Capital account												
Share capital issued	-	-	-	4.50	-	-	-	-	-	-	-	-
Current account transactions												
Amounts taken	(5.10)	(12.15)	-	(0.80)	(95.29)	(0.33)	-	-	-	-	-	-
Amounts given	-	4.00	-	0.80	95.76	-	-	-	-	-	-	-
Secondary market transactions												
Purchases #	-	-	-	-	-	-	-	-	-	126.99	2,715.65	-
Sales #	-	-	-	-	-	-	-	-	-	(124.10)	(2,719.84)	-
Brokerage paid	-	-	-	-	-	-	-	-	-	0.01	0.23	-
Interest expense	0.45	0.09	-	-	-	-	-	-	-	-	-	-
Reimbursements												
- Employee expenses	-	-	-	-	-	-	-	-	(2.15)	-	-	-
- Rent	-	1.05	1.52	0.03	0.10	-	-	-	(0.68)	-	-	-
- Utilities	0.41	0.23	0.31	-	0.03	-	-	-	(0.14)	-	-	-
- Communication	-	0.02	0.05	0.01	0.04	-	0.14	-	(0.03)	-	-	-
- Miscellaneous	-	0.02	0.03	0.04	-	-	-	-	(0.21)	-	-	-
- Travelling	-	0.03	-	-	0.01	-	(0.19)	-	-	-	-	-
- Office Expenses	(0.05)	-	-	-	-	-	-	-	-	-	-	-
- Printing & Stationary	-	-	-	-	-	-	0.24	-	-	-	-	-
- Security Charges	0.05	-	-	-	-	-	-	-	-	-	-	-
- Time writing charges	-	-	-	-	0.46	-	-	-	-	-	-	-
- Legal and professional fees	-	-	-	-	0.03	-	-	-	-	-	-	-

# Inclusive of Brokerage

Figures in bracket represent liabilities/income/cash outgo

Edelweiss Insurance Brokers Limited

2 Other material notes to the accounts (Continued)

2.2 Related party (Continued)

(D) Transactions with related parties

(Indian rupees in millions)

Particulars	Key Management Personnel						Total					
	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Capital account												
Share capital issued	-	-	1.95	-	-	-	-	-	1.95	4.50	-	-
Current account transactions												
Amounts taken	-	-	-	-	-	-	(5.10)	(12.15)	-	(0.80)	(95.29)	(0.33)
Amounts given	-	-	-	-	-	-	-	4.00	-	0.80	95.76	-
Secondary market transactions												
Purchases #	-	-	-	-	-	-	-	-	-	126.99	2,715.65	-
Sales #	-	-	-	-	-	-	-	-	-	(124.10)	(2,719.84)	-
Brokerage paid	-	-	-	-	-	-	-	-	-	0.01	0.23	-
Interest expense	-	-	-	-	-	-	0.45	0.09	-	-	-	-
Reimbursements												
- Employee expenses	-	-	-	-	-	-	-	-	(2.15)	-	-	-
- Rent	-	-	-	-	-	-	-	1.05	0.84	0.03	0.10	-
- Utilities	-	-	-	-	-	-	0.41	0.23	0.17	-	0.03	-
- Communication	-	-	-	-	-	-	0.14	0.02	0.02	0.01	0.04	-
- Miscellaneous	-	-	-	-	-	-	-	0.02	(0.18)	0.04	-	-
- Travelling	-	-	-	-	-	-	(0.19)	0.03	-	-	0.01	-
- Office Expenses	-	-	-	-	-	-	(0.05)	-	-	-	-	-
- Printing & Stationary	-	-	-	-	-	-	0.24	-	-	-	-	-
- Security Charges	-	-	-	-	-	-	0.05	-	-	-	-	-
- Time writing charges	-	-	-	-	-	-	-	-	-	-	0.46	-
- Legal and professional fees	-	-	-	-	-	-	-	-	-	-	0.03	-

# Inclusive of Brokerage

Figures in bracket represent liabilities/income/cash outgo

Edelweiss Insurance Brokers Limited

2 Other material notes to the accounts (Continued)

2.2 Related party (Continued)

Balances with related parties as at 31 August 2007

(Indian rupees in millions)

<b>Particulars</b>	<b>Holding Company</b>	<b>Fellow Subsidiary Company</b>	<b>Key Management Personnel</b>	<b>Total</b>
Unsecured loan taken	(13.32)	-	-	(13.32)
Sundry creditors	-	-	-	-
Provision for Expenses	(1.90)	(0.22)	-	(2.12)
Reimbursement to be collected - Asset	-	0.04	-	0.04

Figures in bracket represent liabilities/income/cash outgo

## Edelweiss Insurance Brokers Limited

### 3. Statement of Auditors Qualification

Other audit qualification matters for emphasis which do not require any corrective adjustment in the financial information are as follows:

- i. Under Companies (Auditor's Report) Order in the year ended 31 March 2007:
  - a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been generally regular in depositing amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Income-tax, Service tax, Profession tax, Cess and other material statutory dues applicable to it with the appropriate authorities. As explained to us the Company did not have any dues on account of Employees' State Insurance, Investor Education and Protection Fund, Customs duty and Excise duty.
- ii. Under main audit report in the year ended 31 March 2005:
  - a) In our opinion and to the best of our information and according to the explanations given to us, the said Financial Statements together with the notes thereon and attached thereto read with note 3 (b) and (c) of Schedule 10 regarding non-compliance with Insurance regulatory And Development Authority (Insurance Brokers) Regulations 2002, pertaining to concentration of business and professional indemnity insurance, give in the prescribed manner the information required by the Act, and also give, a true and fair view in conformity with the accounting principles generally accepted in India.
- iii. Under Companies (Auditor's Report) Order in the year ended 31 March 2005:
  - a) The Company has neither granted nor taken any loans, secured or unsecured, (except interest free unsecured loans, where the terms of repayment are not specified, taken from its holding Company) to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of such loans taken aggregates to Rs. 8.00 million and Rs. NIL respectively.
- iv. Under Companies (Auditor's Report) Order in the year ended 31 March 2004:
  - a) The Company has not taken any loans, secured or unsecured, (except interest free unsecured loans, where terms of repayment are not specified, taken from its holding company) from companies, firms or other parties covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year and the year-end balance of loans taken from holding company aggregates to Rs. 51.62 million and Rs. Nil respectively.
  - b) According to the books of account and records as produced and examined by us, in accordance with generally accepted auditing practices in India and also Management representations, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities in India.

**Edelweiss Insurance Brokers Limited**

3. Statement of Auditors Qualification (Continued)

- v. Under main audit report in the year ended 31 March 2003:
  - a) We draw your attention to Note 5 on Schedule 10, regarding the appropriateness of the “going concern” basis used for the preparation of these Accounts, because the net-worth of the Company has eroded completely as of March 31, 2003, and the validity of the going concern basis would depend upon the continuance of the existing funding by Edelweiss Capital Limited, the holding company. These Accounts do not include any adjustments that would result from discontinuance of the funding by the holding company.
  
- vi. Under Manufacturing and Other Companies Auditor’s Report Order in the year ended 31 March 2003:
  - a) Except for an interest free unsecured loan taken by the Company from its holding company (where terms and conditions of repayment are not stipulated), the Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Act. In terms of sub-section (6) of Section 370 of the Act, provisions of the Section are not applicable to a company on or after the commencement of The Companies (Amendment) Act, 1999, of India.

**Annexure XXXI**

**EC Global Limited**

(Currency: United States Dollars in millions)

Statement of assets and liabilities, as restated

	<b>As at</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>
A.	Fixed assets			
	Gross block	-	-	-
	Less: accumulated depreciation	-	-	-
	Net block	-	-	-
B.	Investments	20.78	0.45	-
C.	Deferred tax asset (net)	-	-	-
D.	Current assets, loans and advances			
	Sundry debtors	-	-	0.80
	Cash and bank balances	0.03	0.14	0.06
	Loans and advances	5.82	20.97	-
	Total	5.85	21.11	0.86
	Total assets	26.63	21.56	0.86
E.	Liabilities and Provisions			
	Loan funds			
	Secured loans	-	-	-
	Unsecured loans	5.30	4.30	1.30
	Current liabilities and provisions			
	Current liabilities	0.39	2.09	0.04
	Provisions	0.05	0.05	-
	Total liabilities and provisions	5.74	6.44	1.34
F.	Net worth (A+B+C+D-E)	20.89	15.12	(0.48)
	Represented by:			
	Shareholders funds			
	Share capital	21.01	0.01	0.01
	Share application money pending allotment	-	16.00	-
	Reserves and surplus	-	-	-
	Less: debit balance in profit and loss account	(0.12)	(0.89)	(0.49)
	Total networth (as restated)	20.89	15.12	(0.48)

**EC Global Limited**

(Currency: United States Dollars in millions)

Statement of profit and loss, as restated

<b>Period/ year ended on</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>For the period 29-Dec-04 to 31-Mar-06</b>
Income			
Fee income	0.61	2.20	0.15
Income from trading / investing activity	0.21	(2.11)	(0.47)
Foreign exchange gain (net)	0.04	-	-
Interest Income	0.09	0.04	0.01
Total income	0.95	0.13	(0.31)
Expenditure			
Employee costs	0.03	0.10	0.04
Operating and other expenses	0.13	0.38	0.14
Financial expenses	-	-	-
Total expenditure	0.16	0.48	0.18
Net profit/(loss) before tax	0.79	(0.35)	(0.49)
Provision for taxation			
- Income tax	0.02	0.05	-
- Deferred tax charge/(benefit)	-	-	-
- Fringe benefit tax	-	-	-
Net profit/(loss) after tax	0.77	(0.40)	(0.49)
Balance in profit and loss account brought forward	(0.89)	(0.49)	-
Balance in profit and loss account carried forward, as restated	(0.12)	(0.89)	(0.49)

**EC Global Limited**

(Currency: United States Dollars in millions)

Cash flow statement, as restated

	<b>Period/ year ended on</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>For the period 29-Dec-04 to 31-Mar-06</b>
A	Cash flow from operating activities			
	Profit / (loss) before taxation	0.79	(0.35)	(0.49)
	Adjustments for			
	Net provision for loss on equity index/ stock options	0.14	-	-
	Dividend - current investments	(0.40)	-	-
	Operating cash flow before working capital changes	0.53	(0.35)	(0.49)
	Adjustments for			
	Decrease / (Increase) in debtors	-	0.80	(0.80)
	Decrease / (Increase) in loans and advances	15.07	(20.97)	-
	(Decrease) / Increase in current liabilities	(1.76)	2.05	0.04
	Cash (used in)/ generated from operations	13.84	(18.47)	(1.25)
	Income taxes paid	(0.02)	-	-
	Net cash (used in)/generated from operating activities	13.82	(18.47)	(1.25)
B	Cash flow from investing activities			
	Purchase of investments	(20.32)	(0.45)	-
	Dividend Income	0.40	-	-
	Net cash (used in)/ generated from investing activities	(19.93)	(0.45)	-
C	Cash flow from financing activities			
	Proceeds from issue of share capital	5.00	-	0.01
	Share application money received	-	16.00	-
	Proceeds from / (repayment of) unsecured loans	1.00	3.00	1.30
	Net cash generated from financing activities	6.00	19.00	1.31
	Net increase in cash and cash equivalents (A+B+C)	(0.11)	0.08	0.06
	Cash and cash equivalent as at the beginning of the period/year	0.14	0.06	-
	Cash and cash equivalent as at the end of the period/year	0.03	0.14	0.06

## E C Global Limited

### 1. Significant accounting policies

#### a. Basis of preparation of financial statements

The accompanying financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with the generally accepted accounting principles. The financial statements are presented in United States Dollars in millions.

The financial statements of the Company were originally prepared and audited under the International Financial Reporting Standards (IFRS) and for the purpose of consolidation these financial statements have been converted into Indian GAAP for the year ended 31 March 2007 and period ended 31 March 2006.

For the period ended 31 August 2007, the financial statements of the Company have prepared and audited under Indian GAAP.

The major GAAP differences are:

#### 1. Accounting for Derivative transactions:

Under IFRS, derivative transactions are accounted at fair value and under Indian GAAP, they are accounted at cost or market value whichever is lower.

#### 2. Accounting for Investments

Under IFRS, investments are classified under three categories held-to-maturity, Available for sale and held for trading. Investments classified as:

- Held-to-maturity are valued at cost and diminution, if any, other than temporary is provided;
- Available for sale are fair valued and gains or losses, if any are passed through the equity account;
- Held for trading are fair valued and gains or losses, if any are passed through the profit and loss account.

Under Indian GAAP, investments are classified under two categories long term investments and current investments. Investments which are intended to be held for one year or more are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments. Long term investments are accounted at cost and any decline in the carrying value other than temporary in nature is provided for. Current investments are valued at cost or market/fair value, whichever is lower.

#### 3. Accounting for Stock-in-trade

Under IFRS, stock-in-trade is valued at fair value and under Indian GAAP; they are valued at cost or market value, which ever is lower.

## E C Global Limited

### 1. Significant accounting policies (Continued)

#### b. Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any differences of actual to such estimates are prospectively made in current or future periods.

#### c. Revenue recognition

- Fee income is accounted for, on an accrual basis in accordance with the terms and contracts entered into between the Company and the counterparty.
- Interest income is recognised on accrual basis.
- Incomes from security and derivative transactions are recognised on accrual basis.

#### d. Equity index / stock – futures

- i. “Initial Margin – Equity Index / Stock Futures Account”, representing initial margin paid, and “Margin Deposits”, representing additional margin over and above initial margin, for entering into contracts for equity index / stock futures, which are released on final settlement / squaring-up of underlying contracts, are disclosed as under loans and advances.
- ii. Equity index / stock futures are marked-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities, respectively, in the “Mark-to-Market Margin – Equity Index / Stock Futures Account”, represents the net amount paid or received on the basis of movement in the prices of index / stock futures till the balance sheet date.
- iii. As on the balance sheet date, profit / loss on open positions in index / stock futures are accounted for as follows:

## E C Global Limited

### 1. Significant accounting policies (Continued)

#### d. Equity index/ stock - futures (Continued)

- Credit balance in the “Mark-to-Market Margin – Equity index / Stock Futures Account”, being anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
- Debit balance in the “Mark-to-Market Margin – Equity Index / Stock Futures Account”, being anticipated loss is adjusted in the profit and loss account.

iv. On final settlement or squaring-up of contracts for equity index / stock futures, the profit or loss is calculated as difference between settlement /squaring up price and contract price. Accordingly, debit or credit balance pertaining to the settled / squared-up contract in “Mark-to-Market Margin – Equity Index / Stock Futures Account” is recognised in the profit and loss account. When more than one contract in respect of the relevant series of equity index futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using weighted average method for calculating profit / loss on squaring-up.

#### e. Equity index / stock – options

- i. “Equity Index / Stock Options Margin Account”, representing initial margin paid, and “Margin Deposit”, representing additional margin paid over and above initial margin, for entering into contracts for equity index / stock options, which are released on final settlement / squaring-up of underlying contracts, are disclosed under loans and advances.
- ii. “Equity Index / Stock Option Premium Account” represents premium paid or received for buying or selling the options, respectively.
- iii. As at the balance sheet date, in the case of long positions, provision is made for the amount by which the premium paid for those options exceeds the premium prevailing on the balance sheet date, and in the case of short positions, for the amount by which premium prevailing on the balance sheet date exceeds the premium received for those options, and reflected in “Provision for Loss on Equity Index / Stock Option Account”.
- iv. When the option contracts are squared-up before expiry of the options, the premium prevailing on that date is recognised in profit and loss account. If more than one option contract in respect of the same index / stock with the same strike price and expiry date to which the squared-up contract pertains is outstanding at the time of squaring-up of the contract weighted average method is followed for determining profit or loss. On expiry of the contracts and on exercising the options, the difference between final settlement price and the strike price is transferred to the profit and loss account. In both the above cases premium paid or received for buying or selling the option, as the case may be, is recognised in the profit and loss account for all squared-up / settled contracts.

## E C Global Limited

### 1. Significant accounting policies (Continued)

#### f. Commodities stock – futures

- i. “Initial Margin – Commodities Stock Futures Account”, representing initial margin paid, and “Margin Deposits – Commodities Stock Futures Account”, representing additional margin over and above initial margin, for entering into contracts for commodities futures, which are released on final settlement/ squaring-up of underlying contracts, are disclosed under loans and advances.
- ii. Commodities futures are marked-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities respectively, in the “Mark-to-Market Margin – Commodities Stock Futures Account”, represents the net amount paid or received on the basis of movement in the prices of commodities futures till the balance sheet date.
- iii. As on the balance sheet date, profit/ loss on open positions in commodities futures are accounted for as follows:
  - Credit balance in the “Mark-to-Market Margin – Commodities Stock Futures Account”, being anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
  - Debit balance in the “Mark-to-Market Margin – Commodities Stock Futures Account”, being anticipated loss, is adjusted in the profit and loss account.
- iv. On final settlement or squaring-up of contracts for commodities futures, the profit or loss is calculated as the difference between settlement/ squaring-up price and contract price. Accordingly, debit or credit balance pertaining to the settled/ squared-up contract in “Mark-to-Market Margin – Commodities Stock Futures Account” is recognised in the profit and loss account.

#### g. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

#### h. Stock-in-trade

The securities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and disclosed as current assets.

The securities held as stock-in-trade and commodities under current assets are valued at lower of average cost and market value. In case of units of Mutual Funds, Net Asset Value is considered as market value.

## **E C Global Limited**

### 1. Significant accounting policies (Continued)

#### i. Investments

Investments are classified into long term investments and current investments. Investments which are intended to be held for one year or more are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments.

Long term investments are accounted at cost and any decline in the carrying value other than temporary in nature is provided for. Current investments are valued at cost or market/fair value, whichever is lower. In case of investments in units of a mutual fund, the net asset value of units is considered as the market/ fair value.

#### j. Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting year.

Number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are included.

#### k. Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period).

##### Deferred taxation

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

**E C Global Limited**

1. Significant accounting policies (Continued)

l. Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

m. Interim financial statements

The accounting policies followed in the preparation of the condensed financial statements for the period ended 31 August 2007 are same as stated above except and taxation.

Taxation:

Provision for taxes and deferred tax have been determined based on effective tax rate applicable for the full year estimated financial statements for the year ending 31 March 2008 as required under Accounting Standard 25 – Interim Financial Reporting issued by the Institute of Chartered Accountants of India.

**E C Global Limited**

2. Other material notes to the accounts

2.01 Segment reporting

Segment reporting disclosures have been prepared in accordance with Accounting Standard 17 – Segment Reporting issued by the Institute of Chartered Accountants of India.

The Company's management has classified its business into the following segments:

- Investments and arbitrage and trading in securities, commodities and derivatives;
- Advisory services; and
- Others.

Revenue & expenses for the period and assets & liabilities are either specifically identifiable with individual segments or have been allocated to segments on an appropriate basis.

Based on such allocations, segmental balance sheet as at 31 August 2007, 31 March 2007 and 31 March 2006 and segmental profit & loss account for the period 31 August 2007 and ended year ended 31 March 2007 and period ended 31 March 2006 have been prepared.

The following table gives information on the segment revenue, expenses and result for the period ended 31 August 2007, year ended 31 March 2007 and period ended 31 March 2006:

**E C Global Limited**

2. Other material notes to the accounts (Continued)

2.1 Segment reporting (Continued)

(United States Dollars in millions)

Particulars	Advisory services			Investments, Arbitrage and trading in securities, commodities and derivatives		
	31-Aug-07	31-Mar-07	31-Mar-06	31-Aug-07	31-Mar-07	31-Mar-06
Segment Revenue						
Income from external customers	0.61	2.20	0.15	0.21	(2.07)	(0.47)
Total	0.61	2.20	0.15	0.21	(2.07)	(0.47)
Segment result	0.59	2.01	0.13	0.08	(2.36)	(0.60)
Income tax						
Current tax	-	-	-	-	-	-
Profit/(Loss) for the year						
Other information						
Carrying amount of segment assets	-	-	-	26.60	20.97	0.80
Carrying amount of segment liabilities	-	-	-	0.24	0.39	-
Capital Expenditure	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Non cash expenditure other than depreciation	-	-	-	-	-	-

**E C Global Limited**

2. Other material notes to the accounts (Continued)

2.1 Segment reporting (Continued)

(United States Dollars in millions)

Particulars	Unallocated			Total		
	31-Aug-07	31-Mar-07	31-Mar-06	31-Aug-07	31-Mar-07	31-Mar-06
Segment Revenue						
Income from external customers	0.13	-	0.01	0.95	0.13	(0.31)
Total	0.13	-	0.01	0.95	0.13	(0.31)
Segment result	0.12	-	(0.02)	0.79	(0.35)	(0.49)
Income tax						
Current tax	0.02	0.05	-	0.02	0.05	-
Profit/(Loss) for the year				0.77	(0.40)	(0.49)
Other information						
Carrying amount of segment assets	0.03	0.59	0.06	26.63	21.56	0.86
Carrying amount of segment liabilities	5.50	6.05	1.34	5.74	6.44	1.34
Capital Expenditure	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Non cash expenditure other than depreciation	-	-	-	-	-	-

**E C Global Limited**

2. Other material notes to the accounts (Continued)

2.2 Related parties

(A) Names of related parties by whom control is exercised

Edelweiss Capital Limited Ultimate holding company  
Crossborder Investments Private Limited Holding company

Transactions with related parties

(United States Dollars in millions)

Particulars	Holding Company		
	31-Aug-07	31-Mar-07	31-Mar-06
Amounts taken	1.00	3.00	1.30

Balances with related parties as at 31 August 2007

(United States Dollars in millions)

Particulars	Holding Company
Unsecured loan taken	5.30

Annexure XXXII

Edelweiss Capital USA, LLC

(Currency: United States Dollars in millions)

Statement of assets and liabilities, as restated

As at	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
A. Fixed assets						
Gross block	_*	_*	_*	_*	_*	_*
Less: Accumulated depreciation	_*	_*	_*	_*	_*	_*
Net block	_*	_*	_*	_*	_*	_*
B. Investments	-	-	-	-	-	-
C. Deferred tax asset (net)	-	-	-	-	-	-
D. Current assets, loans and advances						
Sundry debtors	0.02	0.02	0.02	0.06	0.01	-
Cash and bank balances	0.01	0.03	0.09	0.04	0.01	0.02
Loans and advances	0.01	0.01	-	-	-	-
Total	0.04	0.06	0.11	0.10	0.02	0.02
Total assets	0.04	0.06	0.11	0.10	0.02	0.02
E. Liabilities and Provisions						
Loan funds						
Secured loans	-	-	-	-	-	-
Unsecured loans	-	-	-	-	-	-
Current liabilities and provisions						
Current liabilities	0.01	0.01	0.01	0.10	0.02	0.02
Provisions	-	-	-	-	-	-
Total liabilities and provisions	0.01	0.01	0.01	0.10	0.02	0.02
F. Net worth (A+B+C+D-E)	0.03	0.05	0.10	-	-	-
Represented by:						
Shareholders funds						
Share capital	0.05	0.05	0.05	0.05	0.05	0.04
Share application money pending allotment	-	-	-	-	-	-
Reserves & surplus	-	-	0.05	-	-	-
Less: debit balance in profit and loss account	(0.02)	-	-	(0.05)	(0.05)	(0.04)
Total net worth (as restated)	0.03	0.05	0.10	-	-	-

\* represents amounts below USD 0.01 million.

**Edelweiss Capital USA, LLC**

**(Currency: United States Dollars in millions)**

Statement of profit and loss, as restated

<b>Period/ Year ended on</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>	<b>31-Mar-05</b>	<b>31-Mar-04</b>	<b>31-Mar-03</b>
Income						
Fee income	-	-	0.22	0.08	0.02	-
Income from trading / investing activity	-	-	(0.07)	(0.04)	-	-
Other income	-	-	-	0.01	-	-
Total income	-	-	0.15	0.05	0.02	-
Expenditure						
Employee costs	-	-	-	-	0.01	-
Operating and other expenses	0.02	0.04	0.05	0.05	0.02	0.04
Financial expenses	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Total expenditure	0.02	0.04	0.05	0.05	0.03	0.04
Net Profit / (loss) before tax	(0.02)	(0.04)	0.10	-	(0.01)	(0.04)
Provision for taxation						
- Income tax	-	0.01	-	-	-	-
Net profit / (loss) after tax	(0.02)	(0.05)	0.10	-	(0.01)	(0.04)
Balance in profit and loss account brought forward	-	0.05	(0.05)	(0.05)	(0.04)	-
Balance in profit and loss account, as restated	(0.02)	-	0.05	(0.05)	(0.05)	(0.04)

**Edelweiss Capital USA, LLC**

**(Currency: United States Dollars in millions)**

Cash flow statement, as restated

	<b>Period/ Year ended on</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>	<b>31-Mar-05</b>	<b>31-Mar-04</b>	<b>31-Mar-03</b>
<b>A</b>	Cash flow from operating activities						
	Profit / (loss) before taxation	(0.02)	(0.04)	0.10	-	(0.02)	(0.04)
	Adjustments for						
	Depreciation *	-	-	-	-	-	-
	Operating cash flow before working capital changes	(0.02)	(0.04)	0.10	-	(0.02)	(0.04)
	Adjustments for						
	Decrease / (Increase) in debtors	-	-	0.04	(0.05)	-	-
	Increase in loans and advances	-	(0.01)	-	-	-	-
	(Decrease) / Increase in current liabilities	-	-	(0.09)	0.08	-	0.02
	Cash generated from operations	(0.02)	(0.05)	0.05	0.03	(0.02)	(0.02)
	Income taxes paid	-	(0.01)	-	-	-	-
	Net cash (used in) / generated from operating activities	(0.02)	(0.06)	0.05	0.03	(0.02)	(0.02)
<b>B</b>	Cash flow from investing activities						
	Purchase of fixed assets *	-	-	-	-	-	-
	Net cash generated from / (used in) investing activities	-	-	-	-	-	-
<b>C</b>	Cash flow from financing activities						
	Proceeds from issue of share capital	-	-	-	-	0.01	0.04
	Net cash (used in) / generated from financing activities	-	-	-	-	0.01	0.04
	Net increase/ (decrease) in cash and cash equivalents (A+B+C)	(0.02)	(0.06)	0.05	0.03	(0.01)	0.02
	Cash and cash equivalent as at the beginning of the period/year	0.03	0.09	0.04	0.01	0.02	-
	Cash and cash equivalent as at the end of the period/year	0.01	0.03	0.09	0.04	0.01	0.02

\* represents amounts below UDS 0.01 million.

## Edelweiss Capital USA, LLC

### 1. Significant accounting policies

#### a. Basis of preparation of financial statements

The accompanying financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with the generally accepted accounting principles. The financial statements are presented in United States Dollars in millions.

The financial statements of the Company are originally prepared and audited under the US GAAP and for the purpose of consolidation these financial statements have been converted into Indian GAAP.

The major GAAP differences are:

#### i. Accounting for Derivative transactions:

Under US GAAP, derivative transactions are accounted at fair value and under Indian GAAP, they are accounted at cost or market value which ever is lower.

#### ii. Accounting for Depreciation

Under US GAAP, depreciation is computed using straight-line method over the estimated useful life of the asset. Under Indian GAAP, depreciation is charged on written down value basis at the rates prescribed by the Schedule XIV of the Companies Act, 1956 of India.

#### b. Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any differences of actual to such estimates are prospectively made in current or future periods.

**Edelweiss Capital USA, LLC**

1. Significant accounting policies (Continued)

c. Revenue recognition

- Fee income is accounted for, on an accrual basis in accordance with the terms and contracts entered into between the Company and the counterparty.
- Interest income is recognised on accrual basis.
- Income from derivative transaction is recognised on accrual basis.

d. Equity index / stock – futures

- i. “Initial Margin – Equity Index / Stock Futures Account”, representing initial margin paid, and “Margin Deposits”, representing additional margin over and above initial margin, for entering into contracts for equity index / stock futures, which are released on final settlement / squaring-up of underlying contracts, are disclosed as under loans and advances.
- ii. Equity index / stock futures are marked-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities, respectively, in the “Mark-to-Market Margin – Equity Index / Stock Futures Account”, represents the net amount paid or received on the basis of movement in the prices of index / stock futures till the balance sheet date.
- iii. As on the balance sheet date, profit / loss on open positions in index / stock futures are accounted for as follows:
  - Credit balance in the “Mark-to-Market Margin – Equity index / Stock Futures Account”, being anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.
  - Debit balance in the “Mark-to-Market Margin – Equity Index / Stock Futures Account”, being anticipated loss is adjusted in the profit and loss account.
- iv. On final settlement or squaring-up of contracts for equity index / stock futures, the profit or loss is calculated as difference between settlement /squaring up price and contract price. Accordingly, debit or credit balance pertaining to the settled / squared-up contract in “Mark-to-Market Margin – Equity Index / Stock Futures Account” is recognised in the profit and loss account. When more than one contract in respect of the relevant series of equity index futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using weighted average method for calculating profit / loss on squaring-up.

e. Equity index / stock – options

- i. “Equity Index / Stock Options Margin Account”, representing initial margin paid, and “Margin Deposit”, representing additional margin paid over and above initial margin, for entering into contracts for equity index / stock options, which are released on final settlement / squaring-up of underlying contracts, are disclosed under loans and advances.
- ii. “Equity Index / Stock Option Premium Account” represents premium paid or received for buying or selling the options, respectively.

**Edelweiss Capital USA, LLC**

1. Significant accounting policies (Continued)

e. Equity index / stock – options (Continued)

- iii. As at the balance sheet date, in the case of long positions, provision is made for the amount by which the premium paid for those options exceeds the premium prevailing on the balance sheet date, and in the case of short positions, for the amount by which premium prevailing on the balance sheet date exceeds the premium received for those options, and reflected in “Provision for Loss on Equity Index / Stock Option Account”.
- iv. When the option contracts are squared-up before expiry of the options, the premium prevailing on that date is recognised in profit and loss account. If more than one option contract in respect of the same index / stock with the same strike price and expiry date to which the squared-up contract pertains is outstanding at the time of squaring-up of the contract weighted average method is followed for determining profit or loss. On expiry of the contracts and on exercising the options, the difference between final settlement price and the strike price is transferred to the profit and loss account. In both the above cases premium paid or received for buying or selling the option, as the case may be, is recognised in the profit and loss account for all squared-up / settled contracts.

f. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of fixed assets comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is charged on written down value basis at the rates prescribed by the Schedule XIV of the Companies Act, 1956 as given below:

<b>Class of asset</b>	<b>Rate of depreciation</b>
Office Equipment	13.91%
Computers	40.00%

g. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

## Edelweiss Capital USA, LLC

### 1. Significant accounting policies (Continued)

#### h. Stock-in-trade

- i. The securities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and disclosed as current assets.
- ii. The securities held as stock-in-trade under current assets are valued at lower of average cost and market value. In case of units of Mutual Funds, Net Asset Value is considered as market value.

#### i. Investments

Investments are classified into long term investments and current investments. Investments which are intended to be held for one year or more are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments.

Long term investments are accounted at cost and any decline in the carrying value other than temporary in nature is provided for. Current investments are valued at cost or market/fair value, whichever is lower. In case of investments in units of a mutual fund, the net asset value of units is considered as the market/ fair value.

#### j. Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting year.

Number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are included.

#### k. Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period).

##### Deferred taxation

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

**Edelweiss Capital USA, LLC**

1. Significant accounting policies (Continued)

1. Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

## **Edelweiss Capital USA, LLC**

### 2. Notes to the accounts

#### 2.1 Segment reporting

The Company's business is organised and management reviews the performance based on the business segments as mentioned below:

- Arbitrage and trading in securities, derivatives, commodities and commodity derivatives
- Advisory services
- Others

Revenue & expenses for the period and assets & liabilities are either specifically identifiable with individual segments or have been allocated to segments on an appropriate basis.

Based on such allocations, segmental balance sheet as at 31 August 2007, 31 March 2007, 31 March 2006, 31 March 2005, 31 March 2004 and 31 March 2003 and segmental profit & loss account for the period ended 31 August 2007, year ended 31 March 2007, 31 March 2006, 31 March 2005, 31 March 2004 and 31 March 2003 have been prepared.

The following table gives information on the segment revenue, expenses and result for the period ended 31 August 2007, year ended 31 March 2007, 31 March 2006, 31 March 2005, 31 March 2004 and 31 March 2003:

**Edelweiss Capital USA, LLC**

2. Notes to the accounts (Continued)

2.1 Segment reporting (Continued)

(United States Dollars in millions)

Particulars	Advisory Services						Arbitrage and Trading in Securities, Securities Derivatives					
	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Segment revenue												
Income from external customers	-	-	0.22	0.08	0.02	-	-	-	(0.07)	(0.04)	-	-
Total	-	-	0.22	0.08	0.02	-	-	-	(0.07)	(0.04)	-	-
Segment result	-	-	0.18	0.07	(0.01)	-	-	-	(0.08)	(0.05)	-	-
Income tax	-	-	-	-	-	-	-	-	-	-	-	-
Current tax	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(Loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-
Other information	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount of segment assets	-	-	-	-	0.01	-	-	-	-	-	-	-
Carrying amount of segment liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Non cash expenditure other than depreciation	-	-	-	-	-	-	-	-	-	-	-	-

**Edelweiss Capital USA, LLC**

2. Notes to the accounts (Continued)

2.1 Segment reporting (Continued)

(United States Dollars in millions)

Particulars Period/ Year ended on	Unallocated						Total					
	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Segment revenue												
Income from external customers	-	-	-	0.01	-	-	-	-	0.15	0.05	0.02	-
Total	-	-	-	0.01	-	-	-	-	0.15	0.05	0.02	-
Segment result	(0.02)	(0.04)	-	(0.01)	-	(0.04)	(0.02)	(0.04)	0.10	0.01	(0.01)	(0.04)
Income tax	-	-	-	-	-	-						
Current tax	-	0.01	-	-	-	-	-	0.01	-	-	-	-
Profit/(Loss) for the year	-	-	-	-	-	-	(0.02)	(0.05)	0.10	0.01	(0.01)	(0.04)
Other information	-	-	-	-	-	-						
Carrying amount of segment assets	0.03	0.06	0.11	0.10	0.01	0.02	0.03	0.06	0.11	0.10	0.02	0.02
Carrying amount of segment liabilities	-	0.01	0.01	0.10	0.01	0.02	-	0.01	0.01	0.10	0.01	0.02
Capital expenditure	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Non cash expenditure other than depreciation	-	-	-	-	-	-	-	-	-	-	-	-

**Edelweiss Capital USA, LLC**

2. Notes to the accounts (Continued)

2.2 Related parties

(A) Names of related parties by whom control is exercised

Edelweiss Capital Limited Holding company

Transactions with related party

(United States Dollars in millions)

Particulars	31-Aug-07	Holding Company				
		31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Capital account transactions						
Share application money received	-	-	-	-	(0.10)	(0.05)
Amounts taken	-	-	-	0.09	-	0.14
Amounts given	-	-	(0.10)	-	(0.01)	-

Figures in brackets represents liabilities/income/cash outgo.

Balances with related parties as at 31 August 2007

(United States Dollars in millions)

Particulars	Holding Company
Unsecured loan taken	(0.01)

Figures in brackets represents liabilities/income/cash outgo.

Details of Other Income

(United States Dollars in millions)

As at 31 March	31-Aug-07	31-Mar-07	31-Mar-06	31-Mar-05	31-Mar-04	31-Mar-03
Interest income	-	-	-	-	-	-
Other income	-	-	-	0.01	-	-
Total	-	-	-	0.01	-	-
Net profit before tax, restated	(0.02)	(0.04)	0.10	0.01	(0.02)	(0.04)
Percentage	-	-	-	100.00%	-	-

**Annexure XXXIII**

**Edelweiss Real Estate Advisors Private Limited**

(Currency: Indian rupees in millions)

Statement of assets and liabilities, as restated

As at	31-Aug-07	31-Mar-07	31-Mar-06
A.			
Fixed assets			
Gross block	-	-	-
Less: accumulated depreciation	-	-	-
Net block	-	-	-
B.	0.11	0.06	-
Investments			
C.	0.03	0.02	-
Deferred tax asset (net)			
D.			
Current assets, loans and advances			
Sundry debtors	6.70	5.49	-
Cash and bank balances	2.69	10.60	0.45
Loans and advances	10.20	0.02	-
Total	19.59	16.11	0.45
Total assets	19.73	16.19	0.45
E.			
Liabilities and Provisions			
Loan funds			
Secured loans	-	-	-
Unsecured loans	-	-	-
Current liabilities and provisions			
Current liabilities	6.26	9.00	0.09
Provisions	2.66	2.03	-
Total liabilities and provisions	8.92	11.03	0.09
F.	10.81	5.16	0.36
Net worth (A+B+C+D-E)			
Represented by:			
Shareholders funds			
Share capital	1.25	0.50	0.10
Share application money pending allotment	-	-	0.40
Reserves and surplus	9.56	4.66	-
Less: debit balance in profit and loss account	-	-	(0.14)
Total networth (as restated)	10.81	5.16	0.36

**Edelweiss Real Estate Advisors Private Limited****(Currency: Indian rupees in millions)**

Statement of profit and loss, as restated

	Period ended 31 August 2007	Year ended 31 March 2007	For the period 23 August 2005 to 31 March 2006
Income			
Management fees	11.48	15.29	-
Interest income	0.38	0.15	-
Total income	11.86	15.44	-
Expenditure			
Employee cost	3.61	3.86	-
Operating and other expenses	0.83	1.90	0.14
Fund formation expenses	-	1.90	-
Total expenditure	4.44	7.66	0.14
Net profit/(loss) before tax	7.42	7.78	(0.14)
Provision for taxation			
- Income tax	2.53	3.00	-
- Deferred tax charge/(credit)	(0.01)	(0.02)	-
- Fringe benefit tax	-	-	-
Net profit/(loss) after tax	4.90	4.80	(0.14)
Balance in profit/(loss) account brought forward	4.66	(0.14)	-
Balance carried forward, as restated	9.56	4.66	(0.14)

**Edelweiss Real Estate Advisors Private Limited**

**(Currency: Indian rupees in millions)**

Cash flow statement, as restated

		<b>Period ended 31 August 2007</b>	<b>Year ended 31 March 2007</b>	<b>For the period 23 August 2005 to 31 March 2006</b>
<b>A</b>	<b>Cash flow from operating activities</b>			
	Profit/(loss) before taxation	7.42	7.78	(0.14)
	Adjustments for			
	Interest income	(0.38)	(0.15)	-
	Provision for gratuity	0.03	0.02	-
	Operating cash flow before working capital changes	7.07	7.65	(0.14)
	Adjustments for			
	Increase in loans and advances	(10.03)	-	-
	Increase in sundry debtors	(1.20)	(5.49)	-
	Increase/(decrease) in sundry creditors	(2.75)	8.92	0.09
	Cash (used in)/generated from Operations	(6.91)	11.08	(0.05)
	Income taxes paid	(1.93)	(1.00)	-
	Net cash (used in)/generated from operating activities	(8.84)	10.08	(0.05)
<b>B</b>	<b>Cash flow from investing activities</b>			
	Purchase of investment	(0.05)	(0.06)	-
	Interest received	0.23	0.13	-
	Net cash (used in)/generated from investing activities	0.18	0.07	-
<b>C</b>	<b>Cash flow from financing activities</b>			
	Proceeds from issue of share capital	0.75	-	0.50
	Net cash (used in)/generated from financing activities	0.75	-	0.50
	Net (decrease)/increase in cash and cash equivalents (A+B+C)	(7.91)	10.15	0.45
	Cash and cash equivalent as at the beginning of the year/period	10.60	0.45	-
	Cash and cash equivalent as at the end of the year/period	2.69	10.60	0.45

**Edelweiss Real Estate Advisors Private Limited**

1. Significant accounting policies

a. Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company. The financial statements are presented in Indian rupees.

b. Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any differences of actual to such estimates are prospectively made in current or future periods.

c. Revenue recognition

Revenue from fund management services is recognised in accordance with the terms and conditions of the investment management agreement between the Company and the Fund. The amount recognised as revenue is exclusive of service tax. Interest income is recognised on accrual basis.

d. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

**Edelweiss Real Estate Advisors Private Limited**

1. Significant accounting policies (Continued)

e. Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the profit and loss account.

Monetary assets and liabilities in foreign currency, which are outstanding as at the year-end and not covered by forward contracts, are translated at the year-end at the closing exchange rate and the resultant exchange differences are recognized in the profit and loss account.

f. Retirement benefits

Gratuity which is a defined benefit is accrued based on the actuarial valuation as at the Balance sheet date carried out by an independent actuary.

Unused leave of staff lapses at year end and accordingly is not encashable.

g. Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) and fringe benefit tax.

Deferred taxation

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

Fringe benefit tax

Provision for fringe benefit tax has been recognized on the basis of harmonious contextual interpretation of the provisions of Income Tax Act, 1961.

h. Operating leases

Lease rentals in respect of operating lease are charged to the profit and loss account as per the terms of the lease arrangement on a straight line basis.

## Edelweiss Real Estate Advisors Private Limited

### 1. Significant accounting policies (Continued)

#### i. Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting year.

Number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are included.

#### j. Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

#### k. Interim financial statements

The accounting policies followed in the preparation of the condensed financial statements for the period ended 31 August 2007 are the same as stated above, except for retirement benefits and taxation.

#### a. Retirement benefits

In accordance with the announcement of the Institute of Chartered Accountants of India, the Company has implemented revised Accounting Standard 15 - Employee Benefits with effect from 1 April 2007. However, there is no financial impact as a result of the adoption of this Accounting Standard.

Gratuity which is a defined benefit is calculated on a year to date basis by using the actuarially determined rates at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements or other significant time events.

**Edelweiss Real Estate Advisors Private Limited**

1. Significant accounting policies (Continued)

b. Taxation

Provision for taxes and deferred tax have been determined based on effective tax rate applicable for the full year estimated financial statements for the year ending 31 March 2008 as required under Accounting Standard 25 – Interim Financial Reporting issued by the Institute of Chartered Accountants of India.

**Edelweiss Real Estate Advisors Private Limited**

(Currency: Indian rupees in millions)

2. Other material notes to the accounts

2.1 Segment reporting

The business of the Company is to act as fund manager to Edelweiss Property Fund - I and accordingly it operates only in one segment. Further, there are no geographical segments. Hence, no disclosures are required under Accounting Standard 17 - Segment Reporting issued by the Institute of Chartered Accountants of India.

2.2 Related parties

(A) Enterprises which exercise significant influence over the Company:

Edelweiss Capital Limited	Associate
Sharyans Resources Limited	Associate

(B) Subsidiaries of associate (Edelweiss Capital Limited) with whom transactions have taken place during the period/year:

Edelweiss Securities Limited (formerly, Edelweiss Securities Private Limited)	Subsidiary of Associate
ECAL Advisors Limited (formerly, Edelweiss Commodities & Advisors Limited)	Subsidiary of Associate

(C) Individuals who exercise significant influence over the Company:

Atul Ruia

**Edelweiss Real Estate Advisors Private Limited**

2. Other material notes to the accounts

(D) Transactions with related parties

(Indian rupees in millions)

Particulars	Associate			Subsidiary of Associate			Individuals exercise significant influence over the company		
	31-Aug-07	31-Mar-07	31-Mar-06	31-Aug-07	31-Mar-07	31-Mar-06	31-Aug-07	31-Mar-07	31-Mar-06
Capital account transactions									
Share capital issued	(0.50)	-	-	-	-	-	(0.25)	-	-
Share application money pending allotment	-	-	-	-	-	-	-	-	-
Amounts received	(1.90)	-	-	-	-	-	-	-	-
Amounts repaid	1.90	-	-	-	-	-	-	-	-
Intercompany deposit given	-	-	-	10.00	-	-	-	-	-
Interest received on Inter-company deposit	-	-	-	(0.30)	-	-	-	-	-
Reimbursements									
- Employee expenses	-	-	-	0.39	-	-	-	-	-
- Rent	-	-	-	0.38	-	-	-	-	-
- Accounting charges	-	-	-	0.03	-	-	-	-	-
- Fund formation expenses	-	-	-	-	-	-	-	-	-
- Communication	-	-	-	-	-	-	-	-	-
- Utilities	-	-	-	0.13	-	-	-	-	-
- Traveling	-	-	-	-	-	-	-	-	-
- Printing and Stationery	-	-	-	0.03	-	-	-	-	-

Figures in bracket represent liabilities/income/cash outgo

**Edelweiss Real Estate Advisors Private Limited**

2. Other material notes to the accounts (Continued)

(D) Transactions with related parties (Continued)

(Indian rupees in millions)

Particulars	Holding Company			Fellow Subsidiaries			Total		
	31-Aug-07	31-Mar-07	31-Mar-06	31-Aug-07	31-Mar-07	31-Mar-06	31-Aug-07	31-Mar-07	31-Mar-06
Capital account transactions									
Share capital issued	-	(0.40)	(0.10)	-	-	-	(0.75)	(0.40)	(0.10)
Share application money pending allotment	-	-	(0.40)	-	-	-	-	-	(0.40)
Amounts received	-	-	(0.17)	-	-	-	(1.90)	-	(0.17)
Amounts repaid	-	0.02	0.15	-	-	-	1.90	0.02	0.15
Inter corporate deposit given	-	-	-	-	-	-	10.00	-	-
Interest received on Inter corporate deposit	-	-	-	-	-	-	(0.30)	-	-
Reimbursements									
- Employee expenses	-	1.04	-	-	0.73	-	0.39	1.77	-
- Rent	-	-	0.01	-	1.02	-	0.38	1.02	0.01
- Accounting charges	-	-	-	-	-	-	0.03	-	-
- Fund formation expenses	-	1.90	-	-	-	-	-	1.90	-
- Communication	-	-	0.01	-	-	-	-	-	0.01
- Utilities	-	-	-	-	0.30	-	0.13	0.30	-
- Traveling	-	0.20	-	-	-	-	-	0.20	-
- Printing and Stationery	-	-	-	-	0.06	-	0.03	0.06	-

Figures in bracket represent liabilities/income/cash outgo

**Edelweiss Real Estate Advisors Private Limited**

## 2. Other material notes to the accounts (Continued)

(E) Balances with related parties as at 31 August 2007

(Indian rupees in millions)

Particulars	Associate	Subsidiary of Associate	Individuals who exercise significant influence over the company	Holding company	Fellow subsidiary	Total
Sundry creditors	-	(2.81)	-	-	-	(2.81)
Inter-corporate deposits given	-	10.00	-	-	-	10.00
Interest receivable	-	0.17	-	-	-	0.17

Figures in bracket represent liabilities/income/cash outgo

## 2.3 Changes in capital

The Company issued 75,000 equity shares of face value Rs. 10 each at par on 9 August 2007. Consequently, the company has ceased to be a subsidiary of Edelweiss Capital Limited.

## 3. Statement of Auditors' Qualification

Other audit qualification matters for emphasis which do not require any corrective adjustment in the financial information is as follows:

- a) Under Companies (Auditor's Report) Order in the year ended 31 March 2007:
  - i. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been generally regular in depositing amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Income-tax, Profession tax, Cess and other material statutory dues applicable to it with the appropriate authorities. As explained to us the Company did not have any dues on account of Provident fund, Service tax, Employees State Insurance, Investor Education and Protection Fund, Customs duty and Excise duty.

Annexure XXXIV

**Edelweiss Trustee Services Private Limited**

(Currency: Indian rupees in millions)

Statement of assets and liabilities, as restated

As at	31-Aug-07	31-Mar-07	31-Mar-06
A.			
Fixed assets			
Gross block	-	-	-
Less: Accumulated depreciation	-	-	-
Net block	-	-	-
B.			
Investments	-	-	-
C.			
Deferred tax asset (net)	0.01	0.01	-
D.			
Current assets, loans and advances			
Sundry debtors	0.51	0.19	-
Cash and bank balances	2.14	1.73	0.48
Total	2.65	1.92	0.48
Total assets	2.66	1.93	0.48
E.			
Liabilities and provisions			
Loan funds			
Secured loans	-	-	-
Unsecured loans	-	-	-
Current liabilities and provisions			
Current liabilities	0.93	0.70	0.09
Provisions	0.28	0.20	-
Total liabilities and provisions	1.21	0.90	0.09
F.			
Net worth (A+B+C+D-E)	1.45	1.03	0.39
Represented by:			
Shareholders funds			
Share capital	0.50	0.50	0.10
Share application money pending allotment	-	-	0.40
Reserves & surplus	0.95	0.53	-
Less: debit balance in profit and loss account	-	-	(0.11)
Total networth (as restated)	1.45	1.03	0.39

**Edelweiss Trustee Services Private Limited**

(Currency: Indian rupees in millions)

Statement of profit and loss, as restated

	Period ended 31 August 2007	Year ended 31 March 2007	For the period 8 August 2005 to 31 March 2006
Income			
Trustee fees	1.11	1.47	-
Total income	1.11	1.47	-
Expenditure			
Employee cost	0.38	0.21	-
Operating and other expenses	0.09	0.32	0.11
Total expenditure	0.47	0.53	0.11
Net profit/(loss) before tax	0.64	0.94	(0.11)
Provision for taxation			
- Income tax	0.22	0.31	-
- Deferred tax charge/(benefit)	-	(0.01)	-
Net profit/(loss) after tax	0.42	0.64	(0.11)
Balance in profit/(loss) account brought forward	0.53	(0.11)	-
Balance in profit and loss account carried forward, as restated	0.95	0.53	(0.11)

**Edelweiss Trustee Services Private Limited**

(Currency: Indian rupees in millions)

Cash flow statement, as restated

	Period ended 31 August 2007	Year ended 31 March 2007	For the period 8 August 2005 to 31 March 2006
<b>A</b>			
Cash flow from operating activities			
Profit/(loss) before taxation	0.64	0.94	(0.11)
Adjustments	-	-	-
Operating cash flow before working capital changes	0.64	0.94	(0.11)
Adjustments for			
Increase in sundry debtors	(0.32)	(0.20)	-
Increase in sundry creditors	0.22	0.62	0.09
Cash (used in)/ generated from operations	0.54	1.36	(0.02)
Income taxes paid	(0.13)	(0.11)	-
Net cash (used in)/generated from operating activities	0.41	1.25	(0.02)
<b>B</b>			
Cash flow from financing activities			
Proceeds from issue of share capital (including share application money)	-	-	0.50
Net cash generated from financing activities	-	-	0.50
Net increase in cash and cash equivalents (A+B)	0.41	1.25	0.48
Cash and cash equivalent as at the beginning of the period/year	1.73	0.48	-
Cash and cash equivalent as at the end of the period/year	2.14	1.73	0.48

## **Edelweiss Trustee Services Private Limited**

### 1. Significant accounting policies

#### a. Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company.

#### b. Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any differences of actual to such estimates are prospectively made in current or future periods.

#### c. Revenue recognition

Revenue from rendering of trustee services is recognised in accordance with the terms and conditions of the Compensation Agreement between the Company and the Fund. The amount recognised as revenue is exclusive of service tax. Interest income is recognised on accrual basis.

#### d. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

## Edelweiss Trustee Services Private Limited

### 1. Significant accounting policies (Continued)

#### e. Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period).

#### Deferred taxation

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

#### f. Operating leases

Lease rentals in respect of operating lease are charged to the profit and loss account as per the terms of the lease arrangement on a straight line basis.

#### g. Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting year.

Number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are included.

#### h. Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

**Edelweiss Trustee Services Private Limited**

1. Significant accounting policies (Continued)

i. Interim financial statements

The accounting policies followed in the preparation of the condensed financial statements for the period ended 31 August 2007 are the same as stated above, except for taxation.

Taxation

Provision for taxes and deferred tax have been determined based on effective tax rate applicable for the full year estimated financial statements for the year ending 31 March 2008 as required under Accounting Standard 25 – Interim Financial Reporting issued by the Institute of Chartered Accountants of India.



**Edelweiss Trustee Services Private Limited**

2. Other material notes to the accounts (Continued)

2.2 Related parties

(C) Transactions with related parties

(Indian rupees in millions)

Particulars	Holding Company			Fellow Subsidiary			Total		
	31-Aug-2007	31-Mar-2007	31-Mar-2006	31-Aug-2007	31-Mar-2007	31-Mar-2006	31-Aug-2007	31-Mar-2007	31-Mar-2006
Capital account transactions									
Share capital issued	-	(0.40)	(0.10)	-	-	-	-	(0.40)	(0.10)
Share application money pending allotment	-	-	(0.40)	-	-	-	-	-	(0.40)
Contribution towards the corpus of Edelweiss Investment Trust	-	-	-	-	-	-	-	-	-
Amounts taken	-	-	(0.04)	-	-	-	-	-	(0.04)
Amounts given	-	-	0.04	-	-	-	-	-	0.04
Reimbursements									
- Rent	-	-	0.01	0.05	0.12	-	0.05	0.12	0.01
- Communication	-	-	0.01	-	-	-	-	-	0.01
- Utilities	-	-	-	0.02	0.04	-	0.02	0.04	-
- Printing and stationery	-	-	-	-	0.01	-	-	0.01	-
- Employee expenses	-	-	-	0.38	0.21	-	0.38	0.21	-
- Legal & professional fees	-	-	-	0.01	0.02	-	0.01	0.02	-

(D) Balances outstanding as at 31 August 2007

(Indian rupees in millions)

Particulars	Holding Company	Fellow Subsidiary	Total
Payables	-	(0.82)	(0.82)
Contribution towards the corpus of Edelweiss Investment Trust	(0.01)	-	(0.01)

**Edelweiss Trustee Services Private Limited**

3. Statement of Auditors Qualification

Other audit qualification matters for emphasis which do not require any corrective adjustment in the financial information is as follows:

i. Under Companies (Auditor's Report) Order in the year ended 31 March 2007:

According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been generally regular in depositing amounts deducted/accrued in the books of account in respect of undisputed statutory dues including, Income-tax, Cess and other material statutory dues applicable to it with the appropriate authorities. As explained to us the Company did not have any dues on account of Provident fund, Service tax, Employee State Insurance, Investor Education and Protection Fund, Customs duty and Excise duty.

**Annexure XXXV**

**Edelcap Securities and Transaction Services Private Limited  
(formerly Tiffin Investments Private Limited)**

(Currency: Indian rupees in millions)

Statement of assets and liabilities, as restated

<b>As at</b>	<b>31-Aug-07</b>	<b>31-Mar-07</b>	<b>31-Mar-06</b>
A.			
Fixed assets			
Gross block	-	-	-
Less: Accumulated depreciation	-	-	-
Net block	-	-	-
B.			
Investments	-	-	-
C.			
Deferred tax asset	-	-	-
D.			
Current assets, loans and advances			
Cash & bank balances	3.01	2.28	42.27
Loans and advances	440.96	40.48	-
Total	443.97	42.76	42.27
Total assets	443.97	42.76	42.27
E.			
Liabilities & Provisions			
Loan funds			
Secured loans	-	-	-
Unsecured loans	400.00	-	-
Current liabilities & provisions			
Current liabilities	0.27	0.09	0.60
Provisions			
Total liabilities and provisions	400.27	0.09	0.60
F.			
Net worth (A+B+C+D-E)	43.70	42.67	41.67
Represented by:			
Shareholders funds			
Share capital	42.27	42.27	42.27
Reserves and surplus	1.43	0.40	-
Less: debit balance in profit and loss account	-	-	(0.60)
Total network (as restated)	43.70	42.67	41.67

**Edelcap Securities and Transaction Services Private Limited**  
**(formerly Tiffin Investments Private Limited)**

(Currency: Indian rupees in millions)

Statement of profit and loss, as restated

	For the period ended 31 August 2007	Year ended 31 March 2007	For the period 28 June 2005 to 31 March 2006
Income			
Interest income on inter-corporate deposits	1.78	4.49	-
Liability written back	-	0.54	-
Total income	1.78	5.03	-
Expenditure			
Interest expense	0.10	2.98	-
Operating and other expenses	0.13	0.52	0.60
Total expenditure	0.23	3.50	0.60
Profit/(loss) before tax	1.55	1.53	(0.60)
Provision for taxation			
- Income tax	0.52	0.53	-
Profit/(loss) after tax	1.03	1.00	(0.60)
Balance in profit and loss account brought forward	0.40	(0.60)	-
Balance carried forward (as restated)	1.43	0.40	(0.60)

**Edelcap Securities and Transaction Services Private Limited**  
**(formerly Tiffin Investments Private Limited)**

(Currency: Indian rupees in millions)

Cash flow statement, as restated

	For the period ended 31 August 2007	Year ended 31 March 2007	For the period 28 June 2005 to 31 March 2006
<b>A</b>	<b>Cash flow from operating activities</b>		
	1.55	1.53	(0.60)
	Profit/(loss) before taxation		
	Adjustments for :		
	(1.78)	-	-
	Interest income		
	0.10	-	-
	Financial expenses		
	-	(0.54)	-
	Liability written back		
	(0.13)	0.99	(0.60)
	Operating profit before working capital changes		
	Adjustments for :		
	-	(40.00)	-
	Increase in loans and advances		
	0.09	0.03	0.60
	Increase in current liabilities		
	(0.04)	(38.98)	-
	Cash used in operations		
	(0.23)	(1.01)	-
	Income taxes paid		
	(0.27)	(39.99)	-
	Net cash (used in)/generated from operating activities		
<b>B</b>	<b>Cash flow from investing activities</b>		
	1.00	-	-
	Interest income		
	(400.00)	-	-
	Loans given		
	(399.00)	-	-
	Net cash generated from investing activities		
<b>C</b>	<b>Cash flow from financing activities</b>		
	-	-	42.27
	Issue of shares		
	400.00	-	-
	Proceeds from borrowings		
	400.00	-	42.27
	Net cash generated from financing activities		
	0.73	(39.99)	42.27
	Net (decrease)/ increase in cash and cash equivalents (A+B+C)		
	2.28	42.27	-
	Cash and cash equivalent as at the beginning of the period/year		
	3.01	2.28	42.27
	Cash and cash equivalent as at the end of the period/year		

**Edelcap Securities and Transaction Services Private Limited  
(formerly Tiffin Investments Private Limited)**

1. Significant accounting policies

a. Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company. The financial statements are presented in Indian rupees.

b. Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any differences of actual to such estimates are prospectively made in current or future periods.

c. Revenue recognition

Interest income is recognised on accrual basis of accounting.

d. Provisions and contingencies

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

e. Preliminary expenses

Preliminary expenses are charged to the profit and loss account in the year in which they are incurred.

**Edelcap Securities and Transaction Services Private Limited  
(formerly Tiffin Investments Private Limited)**

1. Significant accounting policies (Continued)

f. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

g. Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) and fringe benefit tax.

Deferred taxation

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

Fringe benefit tax

Provision for Fringe benefit tax ('FBT') is made on the basis of applicable FBT on the taxable value of chargeable expenditure of the Company as prescribed under the Income Tax Act, 1961.

h. Operating leases

Lease rentals in respect of operating lease are charged to the profit and loss account as per the terms of the lease arrangement on a straight line basis.

i. Earnings per share

The basic earnings per share is computed by dividing the net profit attributable to the equity shareholders by weighted average number of equity shares outstanding during the reporting year.

Number of equity shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share and also weighted average number of equity shares which would have been issued on the conversion of all dilutive potential shares. In computing diluted earnings per share only potential equity shares that are dilutive are included.

Edelcap Securities and Transaction Services Private Limited  
(formerly Tiffin Investments Private Limited)

1. Significant accounting policies (Continued)

j. Interim financial statements

The accounting policies followed in the preparation of the condensed financial statements for the period ended 31 August 2007 are the same as stated above, except for taxation.

Taxation

Provision for taxes and deferred tax have been determined based on effective tax rate applicable for the full year estimated financial statements for the year ending 31 March 2008 as required under Accounting Standard 25 – Interim Financial Reporting issued by the Institute of Chartered Accountants of India.

Edelcap Securities and Transaction Services Private Limited  
(formerly Tiffin Investments Private Limited)

2. Other material notes to the accounts

2.1 Segment reporting

The Company does not have any significant operations. Accordingly, there are no reportable segments and hence no disclosure is required under Accounting Standard 17 – Segment Reporting issued by the Institute of Chartered Accountants of India.

2.2 Related parties

(A) Names of related parties by whom control is exercised

Edelweiss Capital Limited	Ultimate Holding Company
Crossborder Investments Private Limited	Holding Company

(B) Fellow subsidiaries with whom transactions have taken place during the year:

Edelweiss Securities Limited (formerly, Edelweiss Securities Private Limited)  
ECAL Advisors Limited (formerly, Edelweiss Commodities & Advisors Limited)

Edelcap Securities and Transaction Services Private Limited  
(formerly Tiffin Investments Private Limited)

2. Other material notes to the accounts (Continued)

2.02 Related parties (Continued)

(C) Transactions with related parties:

(Indian rupees in millions)

Particulars	Fellow subsidiaries		
	31-Aug-07	31-Mar-07	31-Mar-06
Loans taken	(400.00)	-	-
Inter-corporate deposits accepted	-	(900.00)	-
Inter-corporate deposits repaid	-	900.00	-
Interest on inter-corporate deposits paid	0.10	2.98	-
Loans given	400.00	-	-
Inter-corporate deposits given	-	942.00	-
Inter-corporate deposits repaid	-	(902.00)	-
Interest on inter-corporate deposits received	(1.68)	(4.49)	-
Interest on loan given	(0.10)	-	-
Reimbursements			
- Rent	0.05	0.05	-
- Utilities	0.03	0.02	-
- Printing and stationery	0.01	0.01	-
- Accounting charges	0.02	0.02	-

(D) Balances as at 31 August 2007:

(Indian rupees in millions)

Particulars	Fellow subsidiaries
Intercorporate deposits (ICD) given	40.00
Loan taken	(400.00)
Loan given	400.00
Payable for reimbursements	(0.12)
Interest accrued on loan taken	(0.10)
Interest accrued on ICD and loan given	0.78

Figures in brackets indicate liabilities/ income/ cash outgo.

The name of the Company has been changed from Tiffin Investments Private Limited to Edelcap Securities and Transaction Services Private Limited with effect from 4 May 2007.

**Edelcap Securities and Transaction Services Private Limited  
(formerly Tiffin Investments Private Limited)**

3. Statement of Auditors Qualification

Other audit qualification matters for emphasis which do not require any corrective adjustment in the financial information is as follows:

Under Companies (Auditor's Report) Order in the year ended 31 March 2007:

According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has been generally regular in depositing amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Income-tax, Cess and other material statutory dues applicable to it with the appropriate authorities. As explained to us the Company did not have any dues on account of Provident Fund, Service tax, Profession tax, Employees' State Insurance, Investor Education and Protection Fund, Customs duty and Excise duty.

**Annexure XXXVI****E - C Partners**

(Currency: Indian rupees in millions)

Statement of assets and liabilities, as restated

<b>As at 31 March</b>		<b>2004</b>	<b>2003</b>
A.	Fixed assets		
	Gross block	-	-
	Less: Accumulated depreciation	-	-
	Net block	-	-
B.	Investments	-	-
C.	Deferred tax asset (net)	-	-
D.	Current assets, loans and advances		
	Cash and bank balances	0.01	15.35
	Loans and advances	4.29	1.00
	Total	4.30	16.35
	Total assets	4.30	16.35
E.	Liabilities and provisions		
	Loan funds		
	Secured loans	-	-
	Unsecured loans	-	-
	Current liabilities and provisions		
	Current liabilities	0.37	0.65
	Provisions	1.76	2.45
	Total liabilities and provisions	2.13	3.09
F.	Net worth (A+B+C+D-E)	2.17	13.24
	Represented by:		
	Shareholders funds		
	Capital accounts of partners	0.05	0.05
	Current accounts of partners	2.12	13.19
	Total networkth, as restated	2.17	13.24

**E - C Partners**

(Currency: Indian rupees in millions)

Statement of profit and loss, as restated

	For the period 1 April 2004 to 30 November 2004	Year ended 31 March 2004	For the period 19 August 2002 to 31 March 2003
Income			
Trading and arbitrage income	15.34	7.49	9.57
Total Income	15.34	7.49	9.57
Expenditure			
Operating and other expenses	0.17	0.39	0.05
Financial expenses	2.79	1.51	3.49
Total expenditure	2.96	1.90	3.54
Net Profit before tax	12.38	5.59	6.03
Provision for taxation			
- Income tax (including short provision for earlier years)	4.57	2.12	2.45
Net profit after tax , as restated	7.81	3.47	3.58

**E - C Partners**

(Currency: Indian rupees in millions)

Cash flow statement, as restated

		<b>For the period 1 April 2004 to 30 November 2004</b>	<b>Year ended 31 March 2004</b>	<b>For the period 19 August 2002 to 31 March 2003</b>
<b>A</b>	Cash flow from operating activities			
	Profit before taxation	12.38	5.59	6.03
	Adjustments for			
	Interest expense	2.79	1.51	3.49
	Operating cash flow before working capital changes	15.17	7.10	9.53
	Adjustments for			
	(Increase)/ decrease in loans and advances	4.29	(3.29)	(0.99)
	Increase/ (decrease) in current liabilities	(0.37)	(0.28)	0.65
	Cash (used in)/ generated from operations	19.09	3.53	9.18
	Income taxes paid/ (refund received)	6.33	2.81	-
	Net Cash (used in) /generated from operating activities	12.76	0.72	9.18
<b>B</b>	Cash flow from financing activities			
	Movement in partners accounts	(12.78)	(16.06)	6.17
	Net cash generated from/ (used in) financing activities	(12.78)	(16.06)	6.17
	Net increase in cash and cash equivalents (A+B)	(0.02)	(15.34)	15.35
	Cash and cash equivalent as at the beginning of the period/year	0.01	15.35	-
	Cash and cash equivalent as at the end of the period/year	-	0.01	15.35

## E - C Partners

### 1. Significant accounting policies

#### a. Basis of preparation of financial statements

The accompanying financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with the generally accepted accounting principles.

#### b. Revenue recognition

Dividend income is recognised when the right to receive payment is established.  
Income from derivative transaction is recognised on accrual basis.  
Income from security transaction is recognised on accrual basis.

#### c. Equity index / stock – futures

i. “Initial Margin – Equity Index / Stock Futures Account”, representing initial margin paid, and “Margin Deposits”, representing additional margin over and above initial margin, for entering into contracts for equity index / stock futures, which are released on final settlement / squaring-up of underlying contracts, are disclosed as under loans and advances.

ii. Equity index / stock futures are marked-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities, respectively, in the “Mark-to-Market Margin – Equity Index / Stock Futures Account”, represents the net amount paid or received on the basis of movement in the prices of index / stock futures till the balance sheet date.

iii. As on the balance sheet date, profit / loss on open positions in index/ stock futures are accounted for as follows:

Credit balance in the “Mark-to-Market Margin – Equity index / Stock Futures Account”, being anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.

Debit balance in the “Mark-to-Market Margin – Equity Index / Stock Futures Account”, being anticipated loss is adjusted in the profit and loss account.

iv. On final settlement or squaring-up of contracts for equity index/ stock futures, the profit or loss is calculated as difference between settlement /squaring up price and contract price. Accordingly, debit or credit balance pertaining to the settled / squared-up contract in “Mark-to-Market Margin – Equity Index / Stock Futures Account” is recognised in the profit and loss account. When more than one contract in respect of the relevant series of equity index futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using weighted average method for calculating profit / loss on squaring-up.

## E - C Partners

(Currency: Indian rupees in millions)

### 1. Significant accounting policies (Continued)

#### d. Equity index / stock – options

- i. “Equity Index / Stock Options Margin Account”, representing initial margin paid, and “Margin Deposit”, representing additional margin paid over and above initial margin, for entering into contracts for equity index / stock options, which are released on final settlement / squaring-up of underlying contracts, are disclosed under loans and advances.
- ii. “Equity Index / Stock Option Premium Account” represents premium paid or received for buying or selling the options, respectively.
- iii. As at the balance sheet date, in the case of long positions, provision is made for the amount by which the premium paid for those options exceeds the premium prevailing on the balance sheet date, and in the case of short positions, for the amount by which premium prevailing on the balance sheet date exceeds the premium received for those options, and reflected in “Provision for Loss on Equity Index / Stock Option Account”.
- iv. When the option contracts are squared-up before expiry of the options, the premium prevailing on that date is recognised in the profit and loss account. If more than one option contract in respect of the same index / stock with the same strike price and expiry date to which the squared-up contract pertains is outstanding at the time of squaring-up of the contract weighted average method is followed for determining profit or loss. On expiry of the contracts and on exercising the options, the difference between final settlement price and the strike price is transferred to the profit and loss account. In both the above cases premium paid or received for buying or selling the option, as the case may be, is recognised in the profit and loss account for all squared-up / settled contracts.

#### e. Stock-in-trade

- i. The securities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and disclosed as current assets.
- ii. The securities and commodities held as stock-in-trade under current assets are valued at lower of average cost and market value. In case of units of Mutual Funds, Net Asset Value is considered as market value.

#### f. Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) and fringe benefit tax.

##### Deferred taxation

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.



**E - C Partners**

2 Other material notes to the accounts (Continued)

2.2 Related parties (Continued)

(D) Transactions with related parties

(Indian rupees in millions)

Particulars	Holding Company			Fellow Subsidiaries		
	For the period 1 April 2004 to 30 November 2004	Year ended 31 March 2004	For the period 19 August 2002 to 31 March 2003	For the period 1 April 2004 to 30 November 2004	Year ended 31 March 2004	For the period 19 August 2002 to 31 March 2003
Capital account						
Amount received	0.01	-	(0.01)	-	-	-
Current account transactions						
Amounts given	50.90	214.19	55.40	-	-	-
Amounts taken	(50.90)	(212.20)	(49.99)	-	-	-
Income from partnership firms						
Interest on capital	(2.81)	(1.19)	(2.78)	-	-	-
Share of profits	(7.82)	(2.99)	(2.84)	-	-	-
Secondary market transactions						
Purchases	-	-	-	3,631.87	3,151.45	3,092.52
Sales	-	-	-	(3,646.37)	(3,183.73)	(3,103.11)
Brokerage received	-	-	-	(0.30)	(0.46)	(1.06)
Reimbursements						
Rent	0.11	0.21	-	-	-	-
Utilities	0.02	0.06	-	-	-	-
Communication	-	0.04	-	-	-	-
Miscellaneous	-	0.01	-	-	-	-

**E - C Partners**

2 Other material notes to the accounts (Continued)

2.2 Related parties (Continued)

(D) Transactions with related parties

(Indian rupees in millions)

Particulars	Key Management Personnel			Total		
	For the period 1 April 2004 to 30 November 2004	Year ended 31 March 2004	For the period 19 August 2002 to 31 March 2003	For the period 1 April 2004 to 30 November 2004	Year ended 31 March 2004	For the period 19 August 2002 to 31 March 2003
Capital account						
Amount received	0.02	-	(0.02)	0.03	-	(0.03)
Current account transactions						
Amounts given	-	10.31	-	50.90	224.50	55.40
Amounts taken	(0.15)	(2.85)	(5.98)	(51.05)	(215.05)	(55.97)
Income from partnership firms						
Interest on capital	0.01	(0.17)	(0.41)	(2.80)	(1.36)	(3.19)
Share of profits	-	(0.25)	(0.51)	(7.82)	(3.24)	(3.35)
Secondary market transactions						
Purchases	-	-	-	3,631.87	3,151.45	3,092.52
Sales	-	-	-	(3,646.37)	(3,183.73)	(3,103.11)
Brokerage received	-	-	-	(0.30)	(0.46)	(1.06)
Reimbursements						
Rent	-	-	-	0.11	0.21	-
Utilities	-	-	-	0.02	0.06	-
Communication	-	-	-	-	0.04	-
Miscellaneous	-	-	-	-	0.01	-

2.3 E – C Partner is a partnership firm. The firm was incorporated on 19 August 2002 and was dissolved on 30 November 2004. Thus the financial statements for the year ended 31 March 2003 are for the period 19 August 2002 to 31 March 2003 and are not comparable with the financial statements for the year ended 31 March 2004 and period ended 30 November 2004.

**Annexure XXXVII**

**E – Cap Partners**

(Currency: Indian rupees in millions)

Statement of assets and liabilities, as restated

	<b>As at 31 March</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
A.	Fixed assets				
	Gross block	-	-	-	-
	Less: Accumulated depreciation	-	-	-	-
	Net block	-	-	-	-
B.	Investments	95.88	31.70	40.51	-
C.	Deferred tax asset (net)	-	-	-	-
D.	Current assets, loans and advances				
	Stock-in-trade	-	9.12	22.27	5.23
	Sundry debtors	10.98	46.72	-	6.56
	Cash & bank balances	0.12	0.30	0.05	0.73
	Loans and advances	11.68	10.92	0.80	34.50
	Total	22.78	67.06	23.12	47.02
	Total assets	118.66	98.76	63.63	47.02
E.	Liabilities and provisions				
	Loan funds				
	Secured loans	-	-	-	-
	Unsecured loans	-	-	-	-
	Current liabilities and provisions				
	Current liabilities	3.11	0.02	20.42	0.02
	Provisions	5.12	14.30	5.00	-
	Total liabilities and provisions	8.23	14.32	25.42	0.02
F.	Net worth (A+B+C+D-E)	110.43	84.44	38.21	47.00
	Represented by:				
	Shareholders funds				
	Capital accounts of partners	0.05	0.05	0.05	0.05
	Current accounts of partners	110.38	84.39	38.16	46.95
	Total networkth, as restated	110.43	84.44	38.21	47.00

**E – Cap Partners**

(Currency: Indian rupees in millions)

Statement of profit and loss, as restated

	Year ended 31 March 2006	Year ended 31 March 2005	Year ended 31 March 2004	For the period 19 August 2002 to 31 March 2003
Income				
Trading and arbitrage income	56.39	31.03	38.37	0.13
Interest income	2.70	-	-	-
Total income	59.09	31.03	38.37	0.13
Expenditure				
Employee costs	8.00	-	6.76	-
Operating and other expenses	1.40	0.73	0.73	0.03
Financial expenses	0.16	8.18	7.43	0.10
Total expenditure	9.56	8.91	14.92	0.13
Profit before tax	49.53	22.12	23.45	-
Provision for taxation				
- Income tax (including short provision for earlier years)	7.80	5.90	8.40	-
Profit after tax, restated	41.73	16.22	15.05	-

**E – Cap Partners**

(Currency: Indian rupees in millions)

Cash flow statement, as restated

	Year ended 31 March 2006	Year ended 31 March 2005	Year ended 31 March 2004	For the period 19 August 2002 to 31 March 2003
<b>A</b>				
Cash flow from operating activities				
Profit before taxation	49.53	22.12	23.45	-
Adjustments for				
Interest expense	0.16	8.18	7.43	0.10
Operating cash flow before working capital changes	49.69	30.30	30.88	0.10
Adjustments for				
(Increase)/decrease in stock in trade	9.12	13.15	(17.04)	(5.23)
(Increase)/decrease in sundry debtors	35.74	(46.72)	6.56	(6.56)
(Increase)/decrease in loans and advances	(11.68)	0.79	33.70	(34.50)
Increase/(decrease) in current liabilities	3.09	(20.40)	20.40	0.02
Cash (used in)/generated from operations	85.96	(22.88)	74.50	(46.17)
Income taxes paid	(6.05)	(7.52)	(3.40)	-
Net cash generated from/(used in) operating activities	79.91	(30.40)	71.10	(46.17)
<b>B</b>				
Cash flow from investing activities				
(Purchase)/ sale of investments (net)	(64.18)	8.81	(40.51)	-
Net cash generated from/(used in) investing activities	(64.18)	8.81	(40.51)	-
<b>C</b>				
Cash flow from financing activities				
Movement in partners accounts	(15.75)	21.84	(23.84)	46.90
Interest paid on loans	(0.16)	-	(7.43)	-
Net cash generated from/(used in) financing activities	(15.91)	21.84	(31.27)	46.90
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(0.18)	0.25	(0.68)	0.73
Cash and cash equivalent as at the beginning of the year	0.30	0.05	0.73	-
Cash and cash equivalent as at the end of the year	0.12	0.30	0.05	0.73

## E – Cap Partners

1. Significant accounting policies
  - a. Basis of preparation of financial statements

The accompanying financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with the generally accepted accounting principles in India
  - b. Revenue recognition

Dividend income is recognised when the right to receive payment is established.  
Income from derivative transaction is recognised on accrual basis.  
Income from security transaction is recognised on accrual basis.
  - c. Equity index / stock – futures
    - i. “Initial Margin – Equity Index / Stock Futures Account”, representing initial margin paid, and “Margin Deposits”, representing additional margin over and above initial margin, for entering into contracts for equity index / stock futures, which are released on final settlement / squaring-up of underlying contracts, are disclosed as under loans and advances.
    - ii. Equity index / stock futures are marked-to-market on a daily basis. Debit or credit balance disclosed under loans and advances or current liabilities, respectively, in the “Mark-to-Market Margin – Equity Index / Stock Futures Account”, represents the net amount paid or received on the basis of movement in the prices of index / stock futures till the balance sheet date.
    - iii. As on the balance sheet date, profit / loss on open positions in index/ stock futures are accounted for as follows:

Credit balance in the “Mark-to-Market Margin – Equity index / Stock Futures Account”, being anticipated profit, is ignored and no credit for the same is taken in the profit and loss account.

Debit balance in the “Mark-to-Market Margin – Equity Index / Stock Futures Account”, being anticipated loss is adjusted in the profit and loss account.
    - iv. On final settlement or squaring-up of contracts for equity index/ stock futures, the profit or loss is calculated as difference between settlement /squaring up price and contract price. Accordingly, debit or credit balance pertaining to the settled / squared-up contract in “Mark-to-Market Margin – Equity Index / Stock Futures Account” is recognised in the profit and loss account. When more than one contract in respect of the relevant series of equity index futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using weighted average method for calculating profit / loss on squaring-up.

## E – Cap Partners

### 1. Significant accounting policies (Continued)

#### d. Equity index / stock – options

- i. “Equity Index / Stock Options Margin Account”, representing initial margin paid, and “Margin Deposit”, representing additional margin paid over and above initial margin, for entering into contracts for equity index / stock options, which are released on final settlement / squaring-up of underlying contracts, are disclosed under loans and advances.
- ii. “Equity Index / Stock Option Premium Account” represents premium paid or received for buying or selling the options, respectively.
- iii. As at the balance sheet date, in the case of long positions, provision is made for the amount by which the premium paid for those options exceeds the premium prevailing on the balance sheet date, and in the case of short positions, for the amount by which premium prevailing on the balance sheet date exceeds the premium received for those options, and reflected in “Provision for Loss on Equity Index / Stock Option Account”.
- iv. When the option contracts are squared-up before expiry of the options, the premium prevailing on that date is recognised in the profit and loss account. If more than one option contract in respect of the same index / stock with the same strike price and expiry date to which the squared-up contract pertains is outstanding at the time of squaring-up of the contract weighted average method is followed for determining profit or loss. On expiry of the contracts and on exercising the options, the difference between final settlement price and the strike price is transferred to the profit and loss account. In both the above cases premium paid or received for buying or selling the option, as the case may be, is recognised in the profit and loss account for all squared-up / settled contracts.

#### e. Stock-in-trade

The securities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and disclosed as current assets.

The securities and commodities held as stock-in-trade under current assets are valued at lower of average cost and market value. In case of units of Mutual Funds, Net Asset Value is considered as market value.

#### f. Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) and fringe benefit tax.

##### Deferred taxation

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.



**E – Cap Partners**

2 Other material notes to the accounts (Continued)

2.2 Related parties (Continued)

(C) Transactions with related parties

(Indian rupees in millions)

Particulars	Holding Company				Fellow Subsidiaries			
	2006	2005	2004	2003	2006	2005	2004	2003
Capital account								
Amount received	0.01	-	-	(0.01)	-	-	-	-
Current account transactions								
Amounts given	82.31	137.47	147.89	5.00	-	-	-	-
Amounts taken	(62.68)	(137.47)	(125.82)	(34.99)	-	-	-	-
Income from partnership firms								
Interest on capital	-	(3.48)	(5.45)	(0.07)	-	-	-	-
Share of profits	(2.72)	(6.90)	(11.05)	-	-	-	-	-
Loans given								
Debentures	-	-	-	-	63.50	-	-	-
Debentures redeemed	-	-	-	-	(63.50)	-	-	-
Interest Received	(0.16)	-	-	-	-	-	-	-
Secondary market transactions								
Purchases	-	-	-	-	1,905.78	5,689.71	7,212.58	652.46
Sales	-	-	-	-	(1,890.01)	(5,733.24)	(7,318.39)	(654.12)
Brokerage received	-	-	-	-	(0.14)	(0.38)	(0.67)	(0.37)
Reimbursements								
Rent	0.30	0.36	0.31	-	-	-	-	-
Utilities	0.08	0.07	0.09	-	-	-	-	-
Communication	-	0.01	0.02	-	-	-	-	-
Time writing charges	-	-	0.75	-	-	-	-	-
Leasehold improvement expenses	0.08	0.11	-	-	-	-	-	-
Legal and professional fees	-	-	0.12	-	-	-	-	-
Miscellaneous	-	-	0.01	-	-	-	-	-

Figures in brackets indicate liabilities/income/cash outgo.

**E – Cap Partners**

2 Other material notes to the accounts (Continued)

2.02 Related parties (Continued)

(C) Transactions with related parties

(Indian rupees in millions)

Particulars	Key Management Personnel				Total			
	2006	2005	2004	2003	2006	2005	2004	2003
Capital account								
Amount received	-	0.01	-	(0.03)	0.01	0.01	-	(0.04)
Current account transactions								
Amounts given	24.70	19.01	15.80	-	107.01	156.48	163.69	5.00
Amounts taken	(17.10)	(30.72)	(6.60)	(13.37)	(79.78)	(168.19)	(132.42)	(48.36)
Income from partnership firms								
Interest on capital	-	(2.83)	(1.55)	(0.03)	-	(6.31)	(7.00)	(0.10)
Share of profits	(18.18)	(5.61)	(3.15)	-	(20.90)	(12.51)	(14.20)	-
Loans given								
Debentures	-	-	-	-	63.50	-	-	-
Debentures redeemed	-	-	-	-	(63.50)	-	-	-
Interest Received	-	-	-	-	(0.16)	-	-	-
Secondary market transactions								
Purchases	-	-	-	-	1,905.78	5,689.71	7,212.58	652.46
Sales	-	-	-	-	(1,890.01)	(5,733.24)	(7,318.39)	(654.12)
Brokerage received	-	-	-	-	(0.14)	(0.38)	(0.67)	(0.37)
Reimbursements								
Rent	-	-	-	-	0.30	0.36	0.31	-
Utilities	-	-	-	-	0.08	0.07	0.09	-
Communication	-	-	-	-	-	0.01	0.02	-
Time writing charges	-	-	-	-	-	-	0.75	-
Leasehold improvement expenses	-	-	-	-	0.08	0.11	-	-
Legal and professional fees	-	-	-	-	-	-	0.12	-
Miscellaneous	-	-	-	-	-	-	0.01	-

Figures in brackets indicate liabilities/income/cash outgo.

2.3 E – Cap Partner is a partnership firm. The firm was incorporated on 19 August 2002 and hence the financial statements for the year ended 31 March 2003 are for the period 19 August 2002 to 31 March 2003 and are not comparable with the financial statements for the year ended 31 March 2004 and 31 March 2005 and 31 March 2006.

**Annexure XXXVIII****Edelcap Insurance Advisors**

(Currency: Indian rupees in millions)

Statement of assets and liabilities, as restated

<b>As at 31 March</b>		<b>2006</b>	<b>2005</b>
A.	Fixed assets		
	Gross block	0.38	0.38
	Less: Accumulated depreciation	0.20	0.08
	Net block	0.18	0.30
B.	Investments	-	-
C.	Deferred tax asset (net)	-	-
D.	Current assets, loans and advances		
	Stock-in-trade		
	Sundry debtors	2.45	-
	Cash & bank balances	1.54	1.94
	Loans and advances	-	0.16
	Total	3.99	2.10
	Total Assets	4.17	2.40
E.	Liabilities & provisions		
	Loan funds		
	Secured loans	-	-
	Unsecured loans	-	-
	Current liabilities & provisions		
	Current liabilities	2.49	0.02
	Provisions	0.06	0.62
	Total liabilities and provisions	2.55	0.64
F.	Net worth (A+B+C+D-E)	1.62	1.76
	Represented by:		
	Shareholders funds		
	Capital accounts of partners	0.05	0.05
	Current accounts of partners	1.57	1.71
	Total networth, as restated	1.62	1.76

**Edelcap Insurance Advisors**

(Currency: Indian rupees in millions)

Statement of profit and loss, as restated

	Year ended 31 March 2006	For the period 24 April 2004 to 31 March 2005
Income		
Brokerage and commission income	4.97	3.02
Total income	4.97	3.02
Expenditure		
Operating and other expenses	3.47	0.24
Depreciation	0.12	0.07
Financial expenses	-	-
Total expenditure	3.59	0.31
Net Profit/(loss) before tax	1.38	2.71
Provision for taxation		
- Income tax (Including short provision for earlier years)	0.50	1.00
- Fringe benefit tax	0.02	-
Net profit and loss after tax , as restated	0.86	1.71

**Edelcap Insurance Advisors**

(Currency: Indian rupees in millions)

		Year ended 31 March 2006	For the period 24 April 2004 to 31 March 2005
A	Cash flow from operating activities		
	Profit before taxation	1.38	2.71
	Adjustments for		
	Depreciation	0.12	0.07
	Operating cash flow before working capital changes	1.50	2.78
	Adjustments for		
	(Increase) in sundry debtors	(2.44)	-
	(Increase)/ decrease in loans and advances	0.16	(0.16)
	Increase in current liabilities	2.47	0.02
	Cash generated from Operations	1.69	2.64
	Income taxes paid	(1.09)	(0.37)
	Net Cash generated from operating activities	0.60	2.27
B	Cash flow from investing activities		
	Purchase of fixed assets	-	(0.38)
	Net cash (used in) investing activities	-	(0.38)
C	Cash flow from financing activities		
	Movement in partners accounts	(1.00)	0.05
	Net cash generated from/ (used in) financing activities	(1.00)	0.05
	Net increase in cash and cash equivalents (A+B+C)	(0.40)	1.94
	Cash and cash equivalent as at the beginning of the period./year	1.94	-
	Cash and cash equivalent as at the end of the period./year	1.54	1.94

## **Edelcap Insurance Advisors**

### 1. Significant accounting policies

#### Basis of preparation of financial statements

The accompanying financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with the generally accepted accounting principles.

#### Revenue recognition

Brokerage and Commission income is recognized on accrual basis exclusive of service tax.

#### Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) and fringe benefit tax.

#### Deferred taxation

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.



**Edelcap Insurance Advisors****Other material notes to the accounts (Continued)**

## 2.2 Related Parties (Continued)

(C) Transactions with related parties

(Indian rupees in millions)

Particulars	Holding Company		Key Management Personnel		Total	
	2006	2005	2006	2005	2006	2005
Capital Account						
Amount Received	-	(0.05)	-	-	-	(0.05)
Current Account Transactions						
Amounts Given	1.50	-	-	-	1.50	-
Amounts Taken	(0.50)	-	-	-	(0.50)	-
Income from Partnership Firms						
Interest on Capital					-	-
Share of Profits	0.84	1.67	0.02	0.03	0.86	1.70

Figures in brackets indicate liabilities/income/cash outgo.

- 2.3 Edelcap Insurance Advisors is a partnership firm. The firm was incorporated on 24 April 2004 and hence the financial statements for the year ended 31 March 2005 are for the period 24 April 2004 to 31 March 2005 and are not comparable with the financial statements for the year ended 31 March 2006.

## SECTION VI : MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion of our financial condition and results of operations together with our consolidated and unconsolidated audited financial statements and the reports thereon and annexures thereto, which have been restated in accordance with paragraph B(1) of Part II of Schedule II to the Companies Act and with the SEBI Guidelines, and which are all included in this Red Herring Prospectus.*

*The financial statements are prepared in conformity with Indian GAAP. Indian GAAP differs in certain significant respects from U.S. GAAP and other accounting principles and auditing standards in other countries with which prospective investors may be familiar (For more information on these differences, see "Summary of Significant Differences between Indian GAAP and US GAAP" of this Red Herring Prospectus). The degree to which the financial statements included in this Red Herring Prospectus will provide meaningful information is dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Guidelines. Any reliance on the financial disclosures presented in this Red Herring Prospectus by persons not familiar with these Indian practices, law and rules should be limited. We have not attempted to explain these 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 the financial data herein.*

### Overview

We are a diversified financial services company in India, providing investment banking, institutional equities, private client broking, asset management, wealth management, insurance broking and wholesale financing services to corporate, institutional and high net worth individual clients. We are headquartered in Nariman Point, Mumbai and we operate from another 43 offices in 21 Indian cities.

Since our commencement of business in 1996, we have grown from a boutique investment bank into a diversified Indian financial services company organised under agency and capital business lines and operate through the Company and its nine subsidiaries. Our agency business lines include investment banking, institutional equities, private client broking, asset management, wealth management and insurance broking; while our capital business lines includes wholesale financing services and our internal treasury operations. In the year ended March 31, 2007 and in the five months ended August 31, 2007, revenues from our agency business lines (primarily attributable to our investment banking and institutional equities activities) were Rs. 2,154.3 million and Rs. 1371.88 million, respectively while revenues from our capital business lines (primarily attributable to our internal treasury operations) were Rs. 1,406.9 million and Rs. 1223.02 million, respectively.

We employed approximately 1047 full time employees as of August 31, 2007, including 51 research professionals. In the years ended March 31, 2005, 2006 and 2007 and in the five months ended August 31, 2007, our consolidated total income was Rs. 770.5 million, Rs. 1,580.0 million and Rs. 3,712.5 million and Rs. 2848.6 million., respectively. In the years ended March 31, 2005, 2006 and 2007 and in the five months ended August 31, 2007, our consolidated profit after taxation and minority interest was Rs. 224.82 million, Rs. 405.49 million and Rs. 1,090.08 million and Rs. 809.29 million, respectively.

### Factors affecting our results of operations

Our business, prospects, financial condition and results of operations are affected by a number of factors, including the following which we believe are of particular importance:

#### *Conditions in securities market*

A significant portion of our revenue is derived from fee-based advisory services and broking services that are dependent on favourable capital market conditions, investor confidence and other factors that affect the volume of stock trading in India. While we are diversifying our operations by entering into new lines of business which are not directly linked to stock market volumes, a significant part of our current income is so linked. Hence, events adversely impacting stock markets volumes may adversely affect our business. In recent years, the Indian and world securities markets have fluctuated considerably but exhibited a generally upward trend and our revenues have benefited from the increased trading volumes and the increase in the number of clients, though there can be no assurance that this trend will continue.

### ***Changes in Indian economic or financial conditions***

As a financial services company with businesses operating in the domestic Indian market, our results of operations are highly dependent on overall economic conditions in India, including GDP growth rate, the economic cycle and the securities markets. The Indian economy has grown rapidly over the past decade and is expected to continue to grow in the future, driving the underlying demand for investment products and services both in terms of the availability of capital for investment and the availability of such products and services. Any trends or events which have a significant impact on the economic situation in India, including a rise in interest rates or volatility in energy and commodity costs, could have an adverse effect on the financial condition of our customers, lead to a slowdown in sectors important to our businesses and have a disruptive effect on our business.

In addition, any economic downturn in India would also adversely impact the demand for other products we offer. See the section titled "Risk Factors " beginning on page xi.

### ***Client Relationships***

In our agency businesses (particularly investment banking and institutional equities), revenues are largely influenced by the number, as well as quality, of our institutional and corporate clients, and our ability to grow our share of clients' business by providing advisory services, innovative business solutions, quality research and efficient execution. We believe successfully developing new customer relationships, or retaining existing customer relationships, is critical for growing our businesses and consequently our results of operations and earnings.

### ***Competition***

We face significant competition from other Indian and foreign investment banks and brokerage houses operating in the markets in India in which we operate. In recent years, international banks have also entered these markets. Some of these firms have greater resources and/or a more widely recognised brand than us, which may give them a competitive advantage. We have recently entered the wholesale financing business where we face competition from established lenders and new entrants in non-banking financial services. We also face competition from a number of players acting as intermediaries in our agency businesses. We believe our wide product offering, our relationships and industry and product knowledge will allow us to face such competition.

### ***Regulatory developments and authorities***

We operate in sectors that are heavily regulated in India, and we are regulated by, and our activities are subject to supervision and regulation by multiple statutory and regulatory authorities including SEBI, RBI, IRDA, CDSL, NSDL, FMC and the exchanges. In addition, we are regulated in Mauritius by the Financial Services Commission. In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented which are intended to provide tighter control and more transparency in India's securities sectors. Changes in government and other regulatory policies affecting the financial services industry could require changes to our systems and business operations and could involve additional costs and management time. Other general changes in economic and regulatory policy may also affect our business, as they affect the businesses, financial health and investment policies of our customers. India has been charting a course of economic liberalization and deregulation in recent years. Some policy changes may be beneficial to our business, while others may have a negative impact.

### ***People***

We are dependent on our senior management, directors and other key personnel. There is high demand in the Indian financial services industry for senior management and qualified employees and we must continue to reward employees in line with the market to remain competitive and to retain and attract well-qualified individuals (for instance, through our employee stock option schemes; see the section titled "Our Business " beginning on page 70). In addition, our employee base has increased rapidly in the recent past as we have scaled up our activities across the board and expanded into new business products.

### ***Operating costs***

Personnel cost is one of the largest components of our total cost. As we add further businesses and grow our existing ones, we will need an increase of manpower, including investment bankers, brokers, dealers and operational, management and technology staff. The Indian financial services sector is highly competitive, and it can be difficult and expensive to attract and retain talented and experienced employees. Rent cost also makes up a large percentage of our total cost. We lease substantially all our office space. Accordingly, rent cost forms a significant portion of our total expenses, and will increase as our headcount expands and as our existing leases terminate in markets which have experienced large increases in rental rates since our existing leases were signed.

### ***Changes in Interest and Foreign Exchange Rates***

Our wholesale financing business is expected to be an appreciable part of our overall business, and adverse changes in prevailing interest rates may result in a decline in net interest income for this business or lead to a decline in demand for loans. Additionally, adverse changes in prevailing interest and foreign exchange rates can affect the attractiveness of India's capital markets to investors and the ability of our investment banking clients to raise capital. Our results of operations and earnings could be affected by movements in interest rates and exchange rates. See the section entitled "Risk Factors" beginning on page xi.

### ***New businesses***

We have in the past been successful in initiating and growing new lines of business in the financial services sector. Our results in the medium term will depend on the performance of those lines of business we have recently introduced, namely wholesale lending and asset management, and our ability to identify and exploit new lines of business for future growth. As some of our businesses mature and their growth rates moderate, if we are not successful in scaling up our recently introduced businesses or in germinating profitable new business lines, our earnings may be adversely affected.

For further details, see the sections entitled "Risk Factors", "Business" and "Industry Overview" of this Red Herring Prospectus.

### **Consolidated Results of Operations**

As a result of the various factors discussed above that affect our income and expenditure, our results of operations may vary from period to period. The following table sets forth certain information with respect to the results of operations of the Company as derived from our restated financial statements for the periods indicated:

	Five months ended August 31, 2007		Year ended March 31							
			2007		2006		2005		2004	
	(Rs. Million)	% of total income	(Rs. Million)	% of total income	(Rs. Million)	% of total income	(Rs. Million)	% of total income	(Rs. Million)	% of total income
<b>Income</b>										
<b>Agency business lines</b>										
Fee, brokerage and commission income	1,371.88	48.2%	2,154.30	58.0%	992.88	62.8%	423.98	55.0%	141.00	46.1%
<b>Capital business lines</b>										
Trading and arbitrage income	1,034.62	36.3%	1,142.19	30.8%	447.36	28.3%	212.75	27.6%	106.78	34.9%
Investment and dividend income	188.40	6.6%	264.67	7.1%	104.13	6.6%	112.18	14.6%	51.60	16.9%
<b>Others</b>										
Interest income	250.91	8.8%	128.59	3.5%	25.50	1.6%	13.38	1.7%	3.54	1.2%
Other income	2.81	0.1%	22.78	0.6%	10.12	0.6%	8.20	1.1%	3.07	1.0%

	Five months ended August 31, 2007		Year ended March 31							
			2007		2006		2005		2004	
	(Rs. Million)	% of total income	(Rs. Million)	% of total income	(Rs. Million)	% of total income	(Rs. Million)	% of total income	(Rs. Million)	% of total income
<b>Total income</b>	<b>2,848.62</b>	<b>100.0%</b>	<b>3,712.53</b>	<b>100.0%</b>	<b>1,579.99</b>	<b>100.0%</b>	<b>770.49</b>	<b>100.0%</b>	<b>305.99</b>	<b>100.0%</b>
<b>Expenditure</b>										
Employee costs	640.38	22.5%	816.85	22.0%	346.39	21.9%	182.76	23.7%	73.14	23.9%
Operating and other expenses	550.50	19.3%	933.06	25.1%	464.75	29.4%	196.13	25.5%	89.46	29.2%
Depreciation	18.87	0.7%	37.70	1.0%	20.52	1.3%	9.67	1.3%	5.17	1.7%
Financial expenses	359.93	12.6%	186.89	5.0%	53.83	3.4%	34.44	4.5%	18.65	6.1%
Goodwill on consolidation written off	-		0.30	0.0%	-		-		-	
<b>Total expenditure</b>	<b>1,569.68</b>	<b>55.1%</b>	<b>1,974.80</b>	<b>53.2%</b>	<b>885.49</b>	<b>56.0%</b>	<b>423.00</b>	<b>54.9%</b>	<b>186.42</b>	<b>60.9%</b>
Net profit before tax and extraordinary items	1,278.94	44.9%	1,737.73	46.8%	694.50	44.0%	347.49	45.1%	119.57	39.1%
Provision for taxation										
- Income tax (including short provision for earlier years)	437.85	15.4%	647.35	17.4%	225.13	14.2%	116.48	15.1%	37.98	12.4%
- Deferred tax charge / (credit)	(3.85)	(0.14%)	(7.07)	(0.2%)	1.49	0.1%	(3.17)	(0.4%)	0.45	0.1%
- Fringe benefit tax	3.52	0.12%	5.70	0.2%	3.34	0.2%	-	-	-	-
<b>Net profit after tax &amp; before extraordinary items</b>	<b>841.42</b>	<b>29.5%</b>	<b>1,091.75</b>	<b>29.4%</b>	<b>464.54</b>	<b>29.4%</b>	<b>234.18</b>	<b>30.4%</b>	<b>81.14</b>	<b>26.5%</b>
Extraordinary items (net of tax)	-	0%	-		20.72		-		-	
Net profit after extraordinary items and before minority interest	841.42	29.5%	1,091.75	29.4%	443.82	28.1%	234.18	30.4%	81.14	26.5%
Share of minority interest in profit for the year	32.13	1.13%	1.67	0.0%	37.93	2.4%	9.36	1.2%	4.49	1.5%
Adjustment on account of change in minority interest	-		-		0.40	0.03%	-		-	
<b>Net profit / (loss) after minority interest</b>	<b>809.29</b>	<b>28.4%</b>	<b>1,090.08</b>	<b>29.4%</b>	<b>405.49</b>	<b>25.7%</b>	<b>224.82</b>	<b>29.2%</b>	<b>76.65</b>	<b>25.0%</b>

## Financial Operations Overview

The following descriptions set forth information with respect to key components of our income, expenditure, assets and liabilities, as restated, for Fiscal 2007 as well as for five months ended August 31, 2007.

### *Income*

- *Total income.* Our total income is comprised of fee, brokerage and commission income, trading and arbitrage income, investment and dividend income, interest income and other income.
- Fee, brokerage and commission income represents income earned from our Agency business lines, primarily institutional equities and high net worth broking, investment banking, asset management, insurance brokerage and portfolio management. This income aggregated to Rs. 2,154.30 million for the year ended March 31, 2007, contributing 58.0% of total income. For the five months ended August 31, 2007, this income aggregated to Rs. 1,371.88 million, contributing 48.16% of total income.
- Trading and arbitrage income and investment and dividend income collectively represent income earned from our Capital business lines, in particular our internal treasury operations but also our wholesale financing business. This income aggregated to Rs. 1,406.86 million for the year ended March 31, 2007, contributing 37.9% of total income. For the five months ended August 31, 2007, this income aggregated to Rs. 1,223.02 million, contributing 42.93% of total income.
- We earned Rs. 151.37 million of interest income and other income for the year ended March 31, 2007 (contributing 4.1% of total income), Rs. 10.62 million of which was by way of reimbursement from companies for which we act as insurance agents. For the five months ended August 31, 2007, we earned Rs. 253.72 million of interest income and other income (contributing 8.91% of total income).

### *Expenditure*

- *Employee cost.* Employee costs, which include salaries and bonuses, gratuity and staff welfare costs for our 742 employees (as at March 31, 2007), were Rs. 816.85 million for the year ended March 31, 2007, constituting a significant portion of our total expenses. Employee costs for our 1047 employees (as at August 31, 2007), were Rs. 640.38 million for five months ended August 31, 2007.
- *Operating and other expenses.* Our operating and other expenses, which include commissions and brokerage, legal expenses, stock exchange fees and expenses, securities transaction taxes and other expenses for our broking business, rentals and other incidental staff-related expenses, were Rs. 933.06 million for the year ended March 31, 2007. For five months ended August 31, 2007, our operating and other expenses were Rs. 550.50 million.
- *Depreciation.* Our total gross block of assets as at March 31, 2007 stood at Rs. 213.27 million, and we have provided for depreciation of Rs. 37.70 million on these assets. As at August 31, 2007, our total gross block of assets stood at Rs. 255.14 million, and we have provided for depreciation of Rs. 18.87 million on these assets.
- *Financial expenses.* These include interest paid on inter-corporate deposits from third parties, financial charges representing commissions paid for bank guarantees, interest on bank overdraft lines and other financial expenses, which aggregated to Rs. 186.89 million for the year ended March 31, 2007. Financial expenses aggregated to Rs. 359.93 million for the five months ended August 31, 2007.
- *Goodwill on consolidation write-off.* Goodwill on consolidation write-off represents goodwill in relation to companies which we have acquired.
- *Taxation.* We are subject to income tax liability in India pursuant to the Income Tax Act, 1961. Also, pursuant to this act, corporations are in some circumstances subject to a minimum tax liability based on book profit. We make provision for current tax as well as for deferred tax liability based on the effect of timing differences. The Government also has introduced a fringe benefit tax on various benefits and expenditures we are deemed to provide or incur as part of our business, for which we have made provision with effect from the current fiscal year. In addition, our subsidiary EC Global Ltd is subject

to income tax liability in Mauritius pursuant to the Income Tax Act, 1995 of Mauritius. For the year ended March 31, 2007, we have provided for a total amount of Rs. 645.98 million, including income tax and short provision of the same for earlier years, deferred tax credit and fringe benefit tax. For the five months ended August 31, 2007, we have provided for a total amount of Rs. 437.52 million, including income tax and short provision of the same for earlier years, deferred tax credit and fringe benefit tax.

- *Net profit after minority interest.* We earned net profit after minority interest of Rs 1,090.1 million for the year ended March 31, 2007 after providing for current and deferred income tax and fringe benefit tax, extraordinary items and share of minority interest and adjustments on account of changes in minority interest. For the five months ended August 31, 2007, we earned net profit after minority interest of Rs 802.29 million after providing for current and deferred income tax and fringe benefit tax, extraordinary items and share of minority interest and adjustments on account of changes in minority interest.

#### **Assets**

- *Fixed assets.* Our gross block of fixed assets (which represents the purchase price of our fixed assets – primarily land, leasehold improvements, computers and office equipment, furniture and fixtures, and vehicles) less accumulated depreciation and capital work in progress was Rs. 170.11 million as of March 31, 2007. As of August 31, 2007, our gross block of fixed assets less accumulated depreciation and capital work in progress was Rs. 200.16 million.
- *Investments.* Investments represent our long-term and current investments that are not held for trading. These amounted to Rs. 824.38 million as of March 31, 2007. As of August 31, 2007, investments amounted to Rs. 4267.78 million.
- *Current assets, loans and advances.* Current assets, loans and advances includes stock in trade (representing our investments held for trading), sundry debtors (representing amounts due from our trade debtors), cash and bank balances (which include bank balances we are required by exchanges to maintain commensurate with our exposure) and loans and advances (which represent advances made by our wholesale financing business, in operation since 2006, and margin and other deposits with exchanges). Our current assets, loans and advances amounted to Rs. 11,681.64 million as of March 31, 2007. As of August 31, 2007, our current assets, loans and advances amounted to Rs. 24,411.39 million.

#### **Liabilities and Shareholder funds**

- *Minority interest.* This represents the interest of minority shareholders in the capital and profits of those consolidated subsidiaries in which we do not own 100% of share capital, and was Rs. 1398.79 million for the year ended March 31, 2007. As of August 31, 2007, minority interest was Rs. 2,269.66 million.
- *Loan funds.* These represent our borrowings, both long and short term, and were Rs. 3869.83 million for the year ended March 31, 2007. As of August 31, 2007, loan funds were Rs. 9,765.99 million.
- *Current liabilities and provisions.* These represent our trade debts, other trade liabilities and provisions for tax liabilities, and were Rs. 1595.57 million for the year ended March 31, 2007. As of August 31, 2007, current liabilities and provisions were Rs. 8,062.97 million.
- *Shareholder funds (or networth).* Shareholder funds are our total assets less our total liabilities and provisions. For the year ended March 31, 2007 our shareholder funds were Rs. 5,823.20 million. As of August 31, 2007, our shareholder funds were Rs. 8,795.79 million.

## **Results of Operations- Five months ended August 31, 2007**

### ***Income***

*Fee and commission income:* Our aggregate fee and commission income was Rs 1,371.88 million for the five month period from April 1, 2007 to August 31, 2007 as compared to Rs 2,154.30 million for the year ended March 31, 2007.

*Trading and arbitrage income and investment and dividend income:* Our aggregate income from our internal treasury operations was Rs 1223.02 million for the five month period ended August 31, 2007 as compared to Rs 1,406.86 million for the year ended March 31, 2007.

*Interest income:* Our interest income increased to Rs 250.91 million for the five month period ended August 31, 2007 as compared to Rs. 128.59 million for the year ended March 31, 2007.

*Composition of our total income:* Our agency businesses earned Rs 1,371.88 million, our capital business earned Rs 1,223.02 million and other businesses contributed Rs 253.72 million representing a mix of 48%, 43% and 9% for agency, capital and other businesses, respectively, for the five month period ended August 31, 2007. Our revenue mix for the year ended March 31, 2007 was 58%, 38% and 4% for agency, capital and other businesses, respectively.

### ***Expenditure***

*Employee costs:* Our total employee strength was 1,047 as at August 31, 2007 as compared to 742 as at March 31, 2007. Our aggregate expenditure on employee costs was Rs. 640.38 million for the five month period ended August 31, 2007 as compared to Rs. 816.85 million for the year ended March 31, 2007.

*Operating and other expenses:* Operating and other expenses was Rs. 550.50 million for the five month period ended August 31, 2007 as compared to Rs. 933.06 million for the year ended March 31, 2007.

*Depreciation:* Depreciation costs were Rs. 18.87 million for the five month period ended August 31, 2007 as compared to Rs. 37.70 million for the year ended March 31, 2007.

*Financial expenses:* Financial expenses were Rs. 359.93 million for the five month period ended August 31, 2007 as compared to Rs. 186.89 million for the year ended March 31, 2007.

*Net Profits before tax and extraordinary items:* Net Profits before tax and extraordinary items was Rs. 1278.94 million for the five month period ended August 31, 2007 as compared to Rs. 1737.73 million for the year ended March 31, 2007. Net profit before tax and extraordinary items as a percentage of total income was 45% and 47% during five month period ending August 31, 2007 and the year ended March 31, 2007, respectively.

*Provision for taxation.* Provision for taxation amounted to Rs. 437.52 million for the five month period ended August 31, 2007 as compared to Rs. 645.98 million for the year ended March 31, 2007. Our net profit before tax amounted to Rs. 1,278.94 for the five month period ended August 31, 2007 as compared to Rs. 1,737.73 million for the year ended March 31, 2007.

*Net profit after minority interest:* For the five month period ended August 31, 2007, net profit after minority interest was Rs. 809.29 million (28% of total income), compared to Rs. 1,090.08 million (29% of total income) for the year ended March 31, 2007.

### ***Significant developments during the five months ended August 31, 2007***

In June 2007, we issued 527,357 Compulsorily Convertible Preference Shares in Edelweiss Capital to Lehman Brothers Netherlands Horizons BV and Galleon Special Opportunities Master Fund Limited for consideration of US\$45 million. On August 14, 2007, all the existing Compulsorily Convertible Preference Shares in our Company were converted into Equity Shares of Rs. 5 each. In August 2007 we issued a further 600,000 Equity Shares in Edelweiss Capital Limited to certain directors, employees, Promoter group individuals and other investors for consideration of Rs. 516.67 per Equity Share.

In May 2007, Lehman Brothers Netherlands Horizon B.V. subscribed for 113,643,317 shares in ECL Finance for consideration of Rs. 680.72 million. Following this sale, our shareholding in ECL Finance was 74% and Lehman Brothers Netherlands Horizon B.V.'s was 26%. See "Material Agreements – Shareholders Agreement between our Company and Lehman Brothers Netherlands Horizons B.V ("Lehman") and ECL Finance Limited ("ECL Finance") executed on May 18, 2007 ("Lehman Shareholders Agreement")".

On August 9, 2007, our equity stake in ERAPL reduced from 100% to 40%. From that date, Edelweiss Real Estate Advisors Private Limited is no longer treated as our consolidated subsidiary and will be treated as an associate company.

### Comparison of historical results of operations

#### Year ended March 31, 2007 compared to year ended March 31, 2006

##### Income

	Year ended March 31			
	2007		2006	
	(Rs million)	% of Total Income	(Rs million)	% of Total Income
<b>Agency Business Lines</b>				
Fee, brokerage and commission income	2,154.30	58%	992.88	63%
<b>Capital Business Lines</b>				
Trading and arbitrage income	1,142.19	31%	447.36	28%
Investment and dividend income	264.67	7%	104.13	6%
<b>Others</b>				
Other income	22.78	1%	10.12	1%
Interest income	128.59	3%	25.50	2%
<b>Total income</b>	<b>3,712.53</b>	<b>100%</b>	<b>1,579.99</b>	<b>100%</b>

*Fee and commission income:* Our aggregate fee and commission income was Rs. 2,154.30 million for the year ended March 31, 2007, compared to an aggregate income of Rs. 992.88 million for the year ended March 31, 2006, representing an increase of 117%. This was due to an increase in broking income arising from an increase in number of clients and transactions executed for them and increased fee income in our investment banking business.

*Trading and arbitrage income and investment and dividend income:* Our aggregate income from our internal treasury operations increased from Rs. 551.49 million to Rs 1406.86 million for the year ended March 31, 2007, representing an increase of 155%. This is attributable largely to the fact that there was a increase in our net worth (as a consequence of increases in capital and retained earnings) in the year ended March 31, 2007 as compared to the previous financial year (from Rs. 1,784.16 million to Rs. 5,823.20 million), allowing us to invest more capital while it was not allocated to our other businesses.

*Interest income:* Interest income represents miscellaneous interest income and interest income earned from our wholesale financing business (which commenced operation in early 2006). This item increased from Rs. 25.50 million for the year ended March 31, 2006 to Rs. 128.59 million for the year ended March 31, 2007, an increase of 404%, largely due to higher prevailing interest rates and our having available larger amounts of short-term investment funds.

*Composition of our total income:* Our agency businesses earned Rs 2,154.30 million, our capital business earned Rs. 1,406.86 million and other businesses contributed Rs 151.37 million representing a mix of 58%, 38% and 4% for agency, capital and other businesses, respectively, for the year ended March 31, 2007. Our revenue mix for the year ended March 31, 2006 was 63%, 34% and 3% for agency, capital and other businesses, respectively.

## Expenditure

*Employee costs:* Our total employee strength increased from 415 (as at March 31, 2006) to 742 (as at March 31, 2007). This led to increased aggregate expenditure on employee costs from Rs. 346.39 million (for the year ended March 31, 2006) to Rs. 816.85 million (for the year ended March 31, 2007), representing an increase of 136%. The increase in aggregate employee costs was due to an increase in the absolute number of employees as well as a general increase in compensation levels in the financial services sector in India during this period.

*Operating and other expenses:* Operating and other expenses increased from Rs. 464.75 million for the year ended March 31, 2006, to Rs. 933.06 million for the year ended March 31, 2007, representing an increase of 101%. Besides a general increase in operating expenses attributable to increase of volume and scale of our operations as evidenced by the growth in total income, this increase can also be specifically attributed, *inter alia*, increase in stock exchange expenses, service tax expenses and security transaction taxes (from 185.16 million to 470.84 million in the aggregate), increase in rental costs (from 36.51 million to 61.32 million, since the total area leased by us for our operations increased) and an increase in legal and professional fees (from Rs. 56.16 million to Rs. 106.44 million).

*Depreciation:* Depreciation costs increased from Rs. 20.52 million for the year ended March 31, 2006 to Rs. 37.70 million for the year ended March 31, 2007, representing an increase of 84%. This was due to an increase in our gross block of assets from Rs. 105.71 million (as at March 31, 2006) to Rs. 213.27 (as at March 31, 2007).

*Financial expenses:* Financial expenses increased from 53.83 million for the year ended March 31, 2006 to 186.89 million the year ended March 31, 2007 due to an increase in borrowings.

*Net Profits before tax and extraordinary items:* Due to an increase in income from Rs. 1579.99 million to Rs. 3712.53 million (or 135%), which was partially offset by an increase in expenditures from Rs. 885.49 million to Rs. 1974.80 million (or 123%), our net profits before tax and extraordinary items for the year ended March 31, 2007 was Rs. 1,737.73 million (46.8% of total income). This compared with Rs. 694.50 million (44% of total income) for the year ended March 31, 2006, representing a year-on-year increase of 150.2%.

*Provision for taxation.* Provision for taxation amounted to Rs. 645.98 million for the year ended March 31, 2007, or 37.17% of net profit before tax, compared to Rs. 229.96 million, or 33.11% of net profit before tax, for the year ended March 31, 2006.

*Net profit after minority interest:* For the year ended March 31, 2007, net profit after minority interest was Rs. 1090.08 million (29.4% of total income), compared to Rs. 405.49 million (25.7% of total income) for the year ended March 31, 2006. The total year-on-year increase was 168.84%.

## Assets

	Year ended March 31	
	2007	2006
	(Rs million)	
<b>Fixed Assets</b>	170.11	67.35
<b>Investments</b>	824.38	323.66
<b>Deferred tax asset (net)</b>	11.26	4.18
<b>Current assets, loans and advances</b>		
Stock-in-trade	5,756.43	1,404.52
Sundry debtors	583.19	364.10
Cash and bank balances	2,650.82	636.53
Other current assets	75.49	10.33
Loans and advances	2,615.71	700.30
<b>Total Current Assets</b>	11,681.64	3,115.78
<b>Total assets</b>	<b>12,687.39</b>	<b>3,510.97</b>

*Total assets.* Our total assets increased from Rs. 3510.97 million at March 31, 2006 to Rs. 12,687.39 million at March 31, 2007, an increase of 261%.

*Current assets, loans and advances.* Our current assets, loans and advances increased by 275%, from Rs. 3115.78 million at March 31, 2006 to Rs. 11681.64 million at March 31, 2007. During this period, stock in trade increased from Rs. 1,404.52 million to Rs. 5,756.43 million (or 310%) due to an increase in available funds arising from business growth. The Company has increased its treasury operations business over the last year in line with the growth in its balance sheet size. This increase in size of treasury operations has resulted in increase in stock in trade.

Further, due to an increase in the level of our overall business, sundry debtors increased from Rs. 364.10 million to Rs. 583.19 million (or 60%), cash and bank balances increased from Rs. 636.53 million to Rs. 2650.82 million (or 316%) and loans and advances increased from Rs. 700.3 million to Rs. 2615.71 million (or 274%).

The Company has increased its treasury operations business over the last year in line with the growth in its balance sheet size. This increase required placement of margins with the exchange which has increased from Rs. 424.98 million in 2006 to Rs. 1280.56 million in 2007.

Also, on account of growth in wholesale-financing activity, the outstanding balances of loans increased from Rs. 214.78 million to Rs. 996.89 million.

*Fixed Assets.* Our fixed assets increased from Rs. 67.35 million at March 31, 2006 to Rs. 170.11 million at March 31, 2007, an increase of 153%, due to an increase in our gross block in line with our business growth.

*Investments.* Our investments increased from Rs. 323.66 million at March 31, 2006 to Rs. 824.38 million at March 31, 2007, an increase of 155%, due to deployment of surplus funds in units of mutual funds.

#### ***Liabilities and Shareholder funds***

	Year ended March 31	
	2007	2006
	(Rs million)	
<b>Loan funds</b>	3,869.83	505.14
<b>Current liabilities and provisions</b>	1,595.57	1,218.24
<b>Deferred tax liability (net)</b>	-	-
<b>Minority interest</b>	1,398.79	3.43
<b>Total liabilities (including minority interest and shareholders funds)</b>	<b>12,687.39</b>	<b>3,510.97</b>
<b>Shareholders Funds</b>	<b>5,823.20</b>	<b>1,784.16</b>

*Total liabilities and provisions.* Our total liabilities and provisions (including minority interest and shareholders funds) increased from Rs. 3510.97 million at March 31, 2006 to Rs. 12687.39 million at March 31, 2007, an increase of 261%.

*Current liabilities and provisions.* Current liabilities and provisions increased from Rs. 1218.24 million at March 31, 2006 to Rs. 1595.57 million at March 31, 2007 (or 31%) in concert with growth in our business.

*Loan funds.* Secured and unsecured loan funds increased from Rs. 505.14 million at March 31, 2006 to Rs. 3,869.83 million at March 31, 2007 (or 666%) as we borrowed more funds to support our expanding business and to augment working capital.

The increase in unsecured loans of the Company from Rs.433.92 million in 2006 to Rs.3,802.28 During the preceding financial year Edelweiss Securities Limited, started a short term debt programme for which it

received P1+ credit rating from CRISIL. As part of that short term debt programme Edelweiss Securities Limited raised Rs. 1,300 million of short term debt through commercial papers. In addition to this the Company raised long term debt of Rs. 1,800 million through fully convertible debentures.

*Minority interest.* Minority interest in subsidiaries increased from Rs. 3.43 million at March 31, 2006 to Rs. 1398.79 million at March 31, 2007 because we issued redeemable shares to third parties in our subsidiaries Crossborder Investments Private Limited and EC Global Limited.

*Shareholders funds.* Our shareholders funds increased from Rs. 1,784.16 million at March 31, 2006 to Rs. 5,823.20 million at March 31, 2007, an increase of 226%, primarily on account of new capital funds and retained earnings flowing from our business growth.

The Company issued Compulsorily Convertible Preference Shares at a premium of Rs 2,930 million which was the major reason for increase in reserves and surplus along with the profit earned during the year 2007.

**Year ended March 31, 2006 compared to year ended March 31, 2005**

**Income**

	Year ended March 31			
	2006		2005	
	(Rs million)	% of Total Income	(Rs million)	% of Total Income
<b>Agency Business Lines</b>				
Fee, brokerage and commission income	992.88	63%	423.98	55%
<b>Capital Business Lines</b>				
Trading and arbitrage income	447.36	28%	212.75	28%
Investment and dividend income	104.13	6%	112.18	14%
<b>Others</b>				
Other income	10.12	1%	8.20	1%
Interest income	25.50	2%	13.38	2%
<b>Total income</b>	<b>1,579.99</b>	<b>100%</b>	<b>770.49</b>	<b>100%</b>

*Fee and Commission Income:* Our aggregate fee and commission income was Rs. 992.88 million for the year ended March 31, 2006, compared to an aggregate income of Rs. 423.98 million for the year ended March 31, 2005, representing an increase of 134%. This was due to an increase in broking income arising from an increase in number of clients and transactions executed for them and increased fee income in our investment banking business.

*Trading and arbitrage income and Investment and dividend income:* Our aggregate income from our internal treasury operations increased from Rs. 324.93 million for the year ended March 31, 2005 to Rs 551.49 million for the year ended March 31, 2006, representing an increase of 70%. This is attributable largely to the fact that there was an increase in our net worth (as a consequence of increases in capital and retained earnings) in the year ended March 31, 2006 as compared to the previous financial year (from Rs. 539.35 million to Rs. 1784.16 million), allowing us to invest more capital while it was not allocated to our other businesses.

*Interest income:* Interest income represents miscellaneous interest income and interest income earned from our wholesale financing business (which commenced operation in early 2006). This item increased from Rs. 13.38 million for the year ended March 31, 2005 to Rs. 25.50 million for the year ended March 31, 2006, an increase of 90.58%, largely due to our having available larger amounts of short-term investment funds.

*Composition of our total income:* Our agency businesses earned Rs 992.88 million, our capital business earned Rs. 551.49 million and other businesses contributed Rs 35.62 million representing a mix of 63%, 34% and 3% for agency, capital and other businesses, respectively, for the year ended March 31, 2006. Our revenue mix for the year ended March 31, 2005 was 55%, 42% and 3% for agency, capital and other businesses, respectively.

## **Expenditure**

*Employee costs:* Our employees increased from 343 (as at March 31, 2005) to 415 (as at March 31, 2006). Consequently, our aggregate employee costs increased from Rs. 182.76 million (for the year ended March 31, 2005) to Rs. 346.39 million (for the year ended March 31, 2006), representing an increase of 89.53%. The increase in aggregate employee costs was due to an increase in the absolute number of employees, as well as a general increase in compensation levels in the financial services sector in India during this period.

*Operating and other expenses:* The aggregate expenses covered by this line increased from Rs. 196.13 million for the year ended March 31, 2005, to Rs. 464.75 million for the year ended March 31, 2006, representing an increase of 136.96%. Besides a general increase in operating expenses attributable to increase in volume and scale of our operations as evidenced by the growth in total income, this increase can also be specifically attributed, *inter alia*, increase in regulatory costs (from Rs. 65.35 million to Rs. 185.16 million in the aggregate) and an increase in legal and professional fees (from Rs. 7.61 million to Rs. 56.08 million).

*Depreciation:* Depreciation costs increased from Rs. 9.67 million for the year ended March 31, 2005 to Rs. 20.52 million for the year ended March 31, 2006, representing an increase of 112.20%, due to an increase in our gross block of assets.

*Financial expenses:* Financial expenses increased from Rs. 34.44 million for the year ended March 31, 2006 to Rs. 53.83 million the year ended March 31, 2007 due to an increase in borrowings.

*Net Profits before tax and extraordinary items:* Due to an increase in income from Rs. 770.49 million to Rs. 1579.99 million (or 105.06%), which was partially offset by an increase in expenditures from Rs. 423.00 million to Rs. 885.49 million (or 109.34%), our net profits before tax and extraordinary items for the year ended March 31, 2006 was Rs. 694.50 million (43.96% of total income). This compared with Rs. 347.49 million (45.01% of total income) for the year ended March 31, 2005, representing a year-on-year increase of 99.86%.

*Provision for taxation.* Provision for taxation amounted to Rs. 229.96 million for the year ended March 31, 2006, or 33.11% of net profit before tax, compared to Rs. 113.31 million, or 32.61% of net profit before tax, for the year ended March 31, 2005.

*Net profit after minority interest:* For the year ended March 31, 2006, net profit after minority interest was Rs. 405.47 million (25.7% of total income), compared to Rs. 224.82 million (29.2% of total income) for the year ended March 31, 2005. The total year-on-year increase was 80.35%.

In the year ended March 31, 2006, we recorded extraordinary items (net of tax) of Rs. 20.72 million, which was due to amounts paid under the terms of settlement agreements to 36 clients who had brought complaints claiming loss as a consequence of fraud in their accounts. See the sections titled “Outstanding Litigation and Material Developments—B. Litigation instituted by our Subsidiaries—Edelweiss Securities Limited—Civil Suits” and “Outstanding Litigation and Material Developments—III. Litigation involving our Subsidiaries—Edelweiss Securities Limited” of this Red Herring Prospectus.

## **Assets**

	Year ended March 31	
	2006	2005
	(Rs million)	
<b>Fixed Assets</b>	67.35	40.91
<b>Investments</b>	323.66	102.10
<b>Deferred tax asset (net)</b>	4.18	1.69
<b>Current assets, loans and advances</b>		
Stock-in-trade	1,404.52	271.29
Sundry debtors	364.10	122.22

	Year ended March 31	
	2006	2005
	(Rs million)	
Cash and bank balances	636.53	120.29
Other current assets	10.33	3.47
Loans and advances	700.30	499.97
<b>Total Current Assets</b>	<b>3,115.78</b>	<b>1,017.24</b>
<b>Total assets</b>	<b>3,510.97</b>	<b>1,161.94</b>

*Total assets.* Our total assets increased from Rs. 1161.94 million at March 31, 2005 to Rs. 3510.97 million at March 31, 2006, an increase of 202%.

*Current assets, loans and advances.* Our current assets, loans and advances increased by 206%, from Rs. 1017.24 million at March 31, 2005 to Rs. 3115.78 million at March 31, 2006. During this period, stock in trade increased from Rs. 271.29 million to Rs. 1404.52 million (or 418%) due to an increase in available funds arising from business growth; and due to an increase in business, sundry debtors increased from Rs. 122.22 million to Rs. 364.10 million (or 198%), cash and bank balances increased from Rs. 120.29 million to Rs. 636.53 million (or 429%) and loans and advances increased from Rs. 499.97 million to Rs. 700.30 million (or 40%).

*Fixed Assets.* Our fixed assets increased from Rs. 40.91 million at March 31, 2005 to Rs. 67.35 million at March 31, 2006, an increase of 65%, due to an increase in our gross block in line with our business growth.

*Investments.* Our investments increased from Rs. 102.10 million at March 31, 2005 to Rs. 323.66 million at March 31, 2006, an increase of 217%, due to investment of surplus funds in the units of mutual funds.

#### *Liabilities and Shareholder funds*

	Year ended March 31	
	2006	2005
	(Rs million)	
<b>Loan funds</b>	505.14	120.38
<b>Current liabilities and provisions</b>	1,218.24	440.09
<b>Deferred tax liability (net)</b>	-	-
<b>Minority interest</b>	3.43	62.12
<b>Total liabilities (including minority interest and shareholders funds)</b>	<b>3,510.97</b>	<b>1,161.94</b>
<b>Shareholders Funds</b>	<b>1,784.16</b>	<b>539.35</b>

*Total liabilities and provisions.* Our total liabilities and provisions (including minority interest and shareholder funds) increased from Rs. 1161.94 million at March 31, 2005 to Rs. 3510.97 million at March 31, 2006, an increase of 202%.

*Current liabilities and provisions.* Current liabilities and provisions increased from Rs. 440.09 million at March 31, 2005 to Rs. 1218.24 million at March 31, 2006 (or 177%) in concert with growth in our business.

*Loan funds.* Secured and unsecured loan funds increased from Rs. 120.38 million at March 31, 2005 to Rs. 505.14 million at March 31, 2006 (or 320%) as we borrowed more funds to support our expanding business.

*Minority interest.* Minority interest in subsidiaries decreased from Rs. 62.12 million at March 31, 2005 to Rs. 3.43 million at March 31, 2006. This was because we retired as partner from the E-Cap Partners partnership and the EC Partners partnership, in which we were a partner, was dissolved during the period.

*Shareholders funds.* Our shareholders funds increased from Rs. 539.35 million at March 31, 2005 to Rs. 1784.16 million at March 31, 2006, an increase of 231%, primarily on account of new capital funds and retained earnings flowing from our business growth.

***Year ended March 31, 2005 compared to year ended March 31, 2004***

***Income***

	Year ended March 31			
	2005		2004	
	(Rs million)	% of Total Income	(Rs million)	% of Total Income
<b>Agency Business Lines</b>				
Fee, brokerage and commission income	423.98	55%	141.00	46%
<b>Capital Business Lines</b>				
Trading and arbitrage income	212.75	28%	106.78	35%
Investment and dividend income	112.18	14%	51.60	17%
<b>Others</b>				
Other income	8.20	1%	3.07	1%
Interest income	13.38	2%	3.54	1%
<b>Total income</b>	<b>770.49</b>	<b>100%</b>	<b>305.99</b>	<b>100%</b>

*Fee and Commission Income:* Our aggregate fee and commission income was Rs. 423.98 million for the year ended March 31, 2005, compared to an aggregate income of Rs. 141.00 million for the year ended March 31, 2004, representing an increase of 200.70%. This was due to an increase in broking income arising from an increase in the number of clients and the value of transactions executed for them.

*Trading and arbitrage income and Investment and dividend income:* Our aggregate income from our internal treasury operations increased from Rs. 158.38 million for the year ended March 31, 2004 to Rs 324.93 million for the year ended March 31, 2005, representing an increase of 105.16%. This is attributable largely to the fact that there was an increase in our net worth (as a consequence of increases in capital and retained earnings) in the year ended March 31, 2005 as compared to the previous financial year (from Rs. 302.90 million to Rs. 539.35 million), allowing us to invest more capital while it was not allocated to our other businesses.

*Composition of our total income:* Our agency businesses earned Rs 423.98 million, our capital businesses earned Rs. 324.93 million and other businesses contributed Rs 21.58 million representing a mix of 55%, 42% and 3% for agency, capital and other businesses, respectively, for the year ended March 31, 2005. Our revenue mix for the year ended March 31, 2004 was 46%, 52% and 2% for agency, capital and other businesses, respectively.

***Expenditure***

*Employee costs:* Our employees increased from 122 (as at March 31, 2004) to 343 (as at March 31, 2005). Consequently, our aggregate employee costs increased from Rs. 73.14 million (for the year ended March 31, 2004) to Rs. 182.76 million (for the year ended March 31, 2005), representing an increase of 149.9%. The increase in aggregate employee costs was due to an increase in the absolute number of employees as well as a general increase in compensation levels in the financial services sector in India during this period.

*Operating and other expenses:* The aggregate expenses covered by this line increased from Rs. 89.46 million for the year ended March 31, 2004, to Rs. 196.13 million for the year ended March 31, 2005, representing an increase of 119.24%. Besides a general increase in operating expenses attributable to increase in volume and scale of our operations as evidenced by the growth in total income, this increase can also be specifically attributed, *inter alia*, increase in regulatory costs (from Rs. 27.89 million to Rs. 65.35 million in the aggregate) and an increase in legal and professional fees (from Rs. 2.17 million to Rs. 7.61 million).

*Depreciation:* Depreciation costs increased from Rs. 5.17 million for the year ended March 31, 2004 to Rs. 9.67 million for the year ended March 31, 2005, representing an increase of 87.04%, due to an increase in our gross block of assets.

*Financial expenses:* Financial expenses increased from Rs. 18.65 million for the year ended March 31, 2004 to Rs. 34.44 million the year ended March 31, 2005 due to an increase in the average outstanding amount of borrowings.

*Net Profits before tax and extraordinary items:* Due to an increase in income from Rs. 305.99 million to Rs. 770.49 million (or 151.80%), which was partially offset by an increase in expenditures from Rs. 186.42 million to Rs. 423.00 million (or 126.91%), our net profits before tax and extraordinary items for the year ended March 31, 2005 was Rs. 347.49 million (45.10% of total income). This compared with Rs. 119.57 million (39.08% of total income) for the year ended March 31, 2004, representing a year-on-year increase of 190.62%.

*Provision for taxation.* Provision for taxation amounted to Rs. 113.31 million for the year ended March 31, 2005, or 32.61% of net profit before tax, compared to Rs. 38.43 million, or 32.14% of net profit before tax, for the year ended March 31, 2004.

*Net profit after minority interest:* For the year ended March 31, 2005, net profit after minority interest was Rs. 224.82 million (29.2% of total income), compared to Rs. 76.65 million (25.0% of total income) for the year ended March 31, 2004. The total year-on-year increase was 193.31%.

#### Assets

	Year ended March 31	
	2005	2004
	(Rs million)	
<b>Fixed Assets</b>	40.91	22.23
<b>Investments</b>	102.10	360.61
<b>Deferred tax asset (net)</b>	1.69	-
<b>Current assets, loans and advances</b>		
Stock-in-trade	271.29	65.68
Sundry debtors	122.22	111.15
Cash and bank balances	120.29	103.69
Other current assets	3.47	1.55
Loans and advances	499.97	137.06
<b>Total Current Assets</b>	1,017.24	419.13
<b>Total assets</b>	<b>1,161.94</b>	<b>801.97</b>

*Total assets.* Our total assets increased from Rs. 801.97 million at March 31, 2004 to Rs. 1161.94 million at March 31, 2005, an increase of 44.89%.

*Current assets, loans and advances.* Our current assets, loans and advances increased by from Rs. 419.13 million at March 31, 2004 to Rs. 1017.24 million at March 31, 2005. During this period, stock in trade increased from Rs. 65.68 million to Rs. 271.29 million due to an increase in available funds arising from business growth; and due to an increase in business, sundry debtors increased from Rs. 111.15 million to Rs. 122.22 million cash and bank balances increased from Rs. 1.55 million to Rs. 3.47 million and loans and advances increased from Rs. 137.06 million to Rs. 499.97 million .

*Fixed Assets.* Our fixed assets increased from Rs. 22.23 million at March 31, 2004 to Rs. 40.91 million at March 31, 2005, due to an increase in our gross block in line with our business growth.

*Investments.* Our investments decreased from Rs. 360.61 million at March 31, 2004 to Rs. 102.10 million at March 31, 2005, due to the sale of shares of ONGC for which we had applied during the year ended March 31, 2004.

### *Liabilities and Shareholder funds*

	Year ended March 31	
	2005	2004
	(Rs million)	
<b>Loan funds</b>	120.38	217.73
<b>Current liabilities and provisions</b>	440.09	266.39
<b>Deferred tax liability (net)</b>	-	1.48
<b>Minority interest</b>	62.12	13.47
<b>Total liabilities (including minority interest and shareholders funds)</b>	<b>1,161.94</b>	<b>801.97</b>
<b>Shareholders Funds</b>	<b>539.35</b>	<b>302.90</b>

*Total liabilities and provisions.* Our total liabilities and provisions (including minority interest and shareholders funds) increased from Rs. 499.07 million at March 31, 2004 to Rs. 622.59 million at March 31, 2005.

*Current liabilities and provisions.* Current liabilities and provisions increased from Rs. 266.39 million at March 31, 2004 to Rs. 440.09 million at March 31, 2005 in concert with growth in our business.

*Loan funds.* Secured and unsecured loan funds decreased from Rs. 217.73 million at March 31, 2004 to Rs. 120.38 million at March 31, 2005 as the funds borrowed to apply for shares of ONGC were repaid during the year ended March 31, 2005.

*Minority interest.* Minority interest in subsidiaries increased from Rs. 13.47 million at March 31, 2004 to Rs. 62.12 million at March 31, 2005 because other partners in partnership in which we were a partner contributed additional funds.

*Shareholders funds.* Our shareholders funds increased from Rs. 302.90 million at March 31, 2004 to Rs. 539.35 million at March 31, 2005, primarily on account of new capital funds and retained earnings flowing from our business growth.

### **Liquidity and Capital Resources**

Our primary liquidity requirements are to finance our working capital needs and our capital expenditures. We require working capital to meet our requirement for funds in connection with our payments to be made in the ordinary course of business. The principal portion of our working capital requirement is deployed by (a) depositing funds with banks to obtain guarantees so that we can obtain appropriate levels of trading exposure on the exchanges and (b) meeting expenses incurred for operating our agency businesses. These requirements fluctuate on a regular basis depending on business needs.

To fund these costs, we currently rely principally on internal accruals. We have usually relied on short-term credit from banks and short term funds through the issuance of commercial paper and non-convertible debentures to meet margin requirements to fund such needs.

We monitor our liquidity and cash flow positions on a daily basis, including projections for the next five days. We prioritise our utilization of funds and have unutilized sanctioned lines from banks in order to meet unanticipated and sudden cash requirements. We also monitor cash flow requirements under various age buckets to ensure asset liability management. Surplus funds available, if any, are invested in units of money market or liquid mutual funds taking into account our cash requirements.

As at August 31, 2007, we had Rs. 9,765.99 million outstanding of secured and unsecured borrowings.

## Cash Flows

The following table summarises our cash flows for each of the years ended March 31, 2004, 2005, 2006, and 2007 and for the five months ended August 31, 2007.

	Five months ended August 31, 2007	Year ended March 31			
		2007	2006	2005	2004
(Rs in millions)					
Cash flow from / (used in) operating activities	2068.01	(5,137.79)	(391.98)	(125.60)	204.59
Cash flow from / (used in) investing activities	(3,383.37)	(376.36)	(156.34)	235.08	(335.55)
Cash flow from / (used in) financing activities	8,600.26	7,528.44	1,064.56	(92.88)	162.31
Cash and cash equivalents at the beginning of the year	2,650.82	636.53	120.29	103.69	72.34
Net increase in cash and cash equivalents	7,284.90	2,014.29	516.24	16.60	31.35
Cash and cash equivalents at the end of the year	9,935.72	2,650.82	636.53	120.29	103.69

### *Cash flow from / (used in) operating activities*

*Five months ended August 31, 2007:* Net cash generated from operating activities was Rs. 2,068.01 million, resulting primarily from increase in trade payables of Rs. 6,321.40 million and profit before taxation of Rs.1,278.94 million, which were partially offset by an increase in stock in trade of Rs. 1,521.25 million, other current assets of Rs. 386.84 million and other receivables of Rs. 3,590.49 million.

*Year ended March 31, 2007:* Net cash used in operating activities was Rs. 5,137.79 million, resulting primarily from an increase in stock in trade of Rs. 4351.91 million, an increase in receivables of Rs. 1,925.14 million and income taxes paid of Rs. 566.87 million, which were partially offset by profit before taxation of Rs. 1,737.73 million.

*Year ended March 31, 2006:* Net cash used in operating activities was Rs. 391.98 million, resulting primarily from an increase in stock in trade of Rs. 1,133.24 million, an increase in debtors of Rs. 242.40 million, an increase in other receivables of Rs. 202.30 million and income taxes paid of Rs. 225.87 million, which were partially offset by profit before taxation of Rs. 694.50 million and an increase in trade payables of Rs. 775.46 million.

*Year ended March 31, 2005:* Net cash used in operating activities was Rs. 125.60 million, resulting primarily from an increase in stock in trade of Rs. 205.61 million, an increase in other receivables of Rs. 365.83 million and income taxes paid of Rs. 101.56 million, which were partially offset by profit before taxation of Rs. 347.49 million and an increase in trade payables of Rs. 156.83 million.

### *Cash flow from / (used in) investing activities*

*Five months ended August 31, 2007:* Net cash used in investing activities was Rs. 3,383.37 million, resulting primarily from purchase of investments of Rs.3,371.64 million and purchase of fixed assets of Rs. 49.09 million, which were partially offset by interest received of Rs. 28.65 million.

*Year ended March 31, 2007:* Net cash used in investing activities was Rs. 376.36 million, resulting primarily from purchases of investments of Rs. 286.69 million and purchases of fixed assets of Rs. 140.76 million, which were partially offset by interest received of Rs. 31.57 million.

*Year ended March 31, 2006:* Net cash used in investing activities was Rs. 156.34 million, resulting primarily from purchases of investments of Rs. 120.21 million and purchases of fixed assets of Rs. 55.48 million, which were partially offset by interest received of Rs. 18.64 million.

*Year ended March 31, 2005:* Net cash from investing activities was Rs. 235.08 million, resulting primarily sale of investments of Rs. 255.57 million and interest received of Rs. 11.46 million, which were partially offset by purchases of fixed assets of Rs. 33.85 million.

### **Cash flow from / (used in) financing activities**

*Five months ended August 31, 2007:* Net cash from financing activities was Rs. 8,600.26 million, resulting primarily from proceeds from unsecured loans of Rs. 5,875.49 million, proceeds from issue of share capital including premium received of Rs. 2,157.78 million and change in minority interest of Rs. 843.33 million.

*Year ended March 31, 2007:* Net cash from financing activities was Rs. 7528.44 million, resulting primarily from proceeds from unsecured loans of Rs. 3368.37 million, proceeds from issue of share capital including premium received of Rs. 2942.99 million and change in minority interest of Rs. 1393.69 million.

*Year ended March 31, 2006:* Net cash from financing activities was Rs. 1064.56 million, resulting primarily from proceeds from issue of share capital including premium received of Rs. 834.69 million and proceeds from unsecured loans of Rs. 372.14 million, which were partially offset by a change in minority interest of Rs. (97.72) million.

*Year ended March 31, 2005:* Net cash used in financing activities was Rs. 92.88 million, resulting primarily from repayment of unsecured loans of Rs. 112.54 million and interest paid on loans of Rs. 34.44 million, which were partially offset by a change in minority interest of Rs. 39.29 million.

### **Capital Expenditure**

Our capital expenditures consists principally of office network expansion as well as investments in technology and communication infrastructure. Substantially all of our capital expenditures have been incurred in India. We have incurred aggregate capital expenditures of Rs. 33.85 million, Rs. 55.48 million and Rs. 140.76 million during the years ended March 31, 2005, 2006 and 2007, respectively and Rs. 49.09 million during the five months ended August 31, 2007..

### **Contingent Liabilities**

As of August 31, 2007, we had contingent liabilities arising from contracts remaining to be executed on capital account, tax liabilities, bank guarantees, fixed deposits pledged and counter-guarantees of Rs. 14,686.19 million. For more details, please refer to Note 2.3 (*Contingent liability*) in the section titled “Financial Statements” as well as the section titled “Outstanding Litigation and Material Developments” of this Red Herring Prospectus.

### **Indebtedness**

Our total debt outstanding as of August 31, 2007 was Rs. 9,765.99 million. The following table summarises aspects of our outstanding indebtedness as of August 31, 2007:

<b>Indebtedness</b>	<b>Outstanding amount as at August 31, 2007</b>	<b>Payments by March 31,</b>			<b>Payments after March 31, 2010</b>	
		<b>2008</b>	<b>2009</b>	<b>2010</b>		
Rs. millions						
Secured debt	88.23*	51.31	2.40	1.38	0.78	
Unsecured debt	9,677.76	5,233.14	2,144.62	-	2,300.00	

\* includes housing loan amounting to Rs. 32.36 million for which the repayment schedule has not yet been defined.

Our outstanding secured debt as of August 31, 2007 included primarily a bank overdraft facility, a housing loan and a vehicle hire purchase contract.

As of August 31, 2007, our outstanding unsecured debt consisted mainly of:

- Rs. 1,800.00 million of fully convertible debentures, bearing interest of 13.4%.
- Rs. 219.74 million of optional fully convertible debentures issued by ESL, CIPL and ECAL, bearing interest ranging from 10% to 12%.
- Rs. 602.23 million of inter-corporate deposits received for a maximum period of 365 days, bearing interest ranging from 9% to 12.5%.
- Commercial paper having maturity value of Rs. 5,500 million.

The fully convertible debentures are convertible into preference shares and the optional fully convertible debentures have been issued by our subsidiaries.

As at August 31, 2007, CRISIL has rated short term debt of the Group with P1+ for Rs. 9,950 million against which we have raised Rs. 5,500 million, in maturities ranging from 30 to 364 days

Most of our financing arrangements are unsecured. Some of our debt instruments include certain conditions and covenants that require us to obtain consents prior to carrying out certain activities and entering into certain transactions. Failure to obtain these consents could have significant consequences on our business and operations. Specifically, we require, and may be unable to obtain, consents to incur additional debt, issue equity, change our capital structure, increase or modify our capital expenditure plans, pay any dividends, undertake any expansion, provide additional guarantees, change our management structure, or merge with or acquire other companies, whether or not there is any failure by us to comply with the other terms of such agreements.

We believe that our relationships with our lenders and debenture holders are good, and we have in the past obtained consents from them to undertake various actions and have informed them of our activities from time to time. Compliance with the various terms is, however, subject to interpretation and we cannot assure you that we have requested or received all consents from our lenders that are required by our financing documents. As a result, it is possible that a lender or debenture holder could assert that we have not complied with all terms under our existing financing documents. Any failure to comply with the requirement to obtain a consent, or other condition or covenant under our financing agreements that is not waived by our lenders or is not otherwise cured by us, may lead to a termination of our credit facilities, acceleration of all amounts due under such facilities and trigger cross default provisions under certain of our other debt instruments, and may adversely affect our ability to conduct our business and operations or implement our business plans.

#### **Qualitative Disclosure about Market Risks**

Risk is associated with all of our businesses. This includes counterparty risk, market risk, liquidity risk and operational risk. We focus on risk management systems to ensure that there is always an appropriate balance between risk and return and we have implemented comprehensive policies and procedures to identify, measure, monitor and control risk throughout our organization. Our risk management strategy is based on understanding the various types of risk, assessment of the risk and continuous monitoring of the risk.

Credit risk is defined as the possibility of losses associated with the diminution in the credit quality of a borrower or counterparty or failure on its part to meet its obligations in accordance with the agreed terms. To control credit risk we have adopted a credit policy that considers, among other matters, the minimum acceptable credit ratings for customers, dispersion of risk, prudent exposure ceilings and risk mitigation through collateral and guarantees. We also have in place a credit approval process using various credit risk rating models and risk rating criteria, with various levels of credit approval based on exposure amount.

Our earnings and capital are exposed to market risk due to changes in the market level of interest rates, fluctuations in equities and the prices of securities. The objective of market risk management is to avoid excessive exposure of our earnings and equity to loss, and to reduce our exposure to the volatility inherent in financial instruments. Interest rate risk is a critical component of market risk. ECL Finance's net interest income or net interest margin is dependent on the movement of interest rates and mismatches in cash flows or repricing dates. We also engage in derivative transactions for proprietary trading purposes and to hedge our balance sheet. Although we have significant exposure to equities, we manage this exposure in such a way that we do not believe we have appreciable equity price risk.

Liquidity risk refers to our ability to meet our funding requirements for liability repayments and investment and asset opportunities in a timely manner at an optimum cost.

Operational risks are risks arising from matters such as non-adherence to systems and procedures or fraud resulting in financial loss. We attempt to mitigate operational risk by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back up procedures and undertaking regular contingency planning.

#### *Off-Balance Sheet Transactions*

We have not had any off-balance sheet transactions other than as disclosed in Note 2.4 (*Contingent liability*) in the section entitled “Financial Statements” of this Red Herring Prospectus.

#### *Unusual or Infrequent Events or Transactions*

Except as described elsewhere in this Red Herring Prospectus, since March 31, 2007, there have been no events or transactions to our knowledge which may be described as “unusual” or “infrequent”.

#### *Significant economic/regulatory changes*

Our business is highly dependent on the conditions in the capital market including trading volumes in the secondary markets in the equity capital markets in India, the regulatory environment and on general economic conditions in the markets we operate in. For more details, please refer to the section titled “Risk Factors” of this Red Herring Prospectus.

#### *Known Trends or Uncertainties*

Except as described elsewhere in this Red Herring Prospectus, to our knowledge there are no known trends or uncertainties which are expected to have a material adverse impact on our operations or finances.

#### *Future Relationship between Costs and Income*

There are no known factors affecting the future relationship between costs and income which could have a material adverse impact on our operation or finances.

#### *New Product or Business Segment*

We regularly evaluate opportunities to expand through launching new products and services. For example, in the last 18 months we have launched our wholesale financing, asset management and wealth management businesses. We may be required to commit additional human and financial capital for launching new products and services. If we launch new products and services, this may impact our results of operations and finances.

#### *Seasonality of Business*

Our business is not seasonal. Our business is largely dependent on the state of capital markets, level of activity in the secondary market and overall economic conditions prevailing both locally and globally. The level of our operations, income and profitability may be affected by these factors.

#### *Significant Dependence on a Single or Few Suppliers or Customers*

Our operations are not significantly dependent on a single or a few suppliers or customers.

#### *Related Party Transactions*

For details please refer to the discussion in the sections titled “Financial Statements” beginning on page 150.

#### **Significant developments after August 31, 2007 that may affect our future results of operations**

Under the provisions of the New ESOP Scheme, we have 3,937,100 outstanding employee stock options granted to the employees of our Company and our Subsidiaries after August 31, 2007. For further details, please refer to the section titled “Capital Structure” beginning on page 24.

Except as described in this Red Herring Prospectus, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this Red Herring Prospectus which materially and adversely affect, or are likely to so affect, our operations or profitability, the value of our assets or our ability to pay our material liabilities within the next twelve months.

Except as otherwise described in this Red Herring Prospectus, there are no subsequent developments after the date of the Auditor's Report which we believe are expected to have a material adverse impact on our reserves, profits, earnings per share and book value.

### **Critical Accounting Policies**

We have identified the policies below as critical to our business operations and the understanding of our financial condition and results of operations. The impact and any associate risks related to these policies on our business operations is discussed throughout this "Management's Discussion and Analysis of Financial Condition and Results of Operations" where such policies affect our reported and expected financial results. The preparation of our financial statements requires us to make difficult, complex and subjective judgment in selecting the appropriate estimates and assumptions that affect the amounts reported in our financial statements. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, our observance of trends in the industry, information provided by our customers and information available from other outside sources, as appropriate. There can be no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items. As a result of changes in applicable statutory requirements and accounting practices in India, our accounting policies have undergone changes during the periods covered by this discussion. Accordingly, this discussion should be read in conjunction with our financial statements and notes as applicable during the respective fiscal year.

Set forth below are our critical accounting policies under Indian GAAP for the year ended March 31, 2007.

#### ***Principles of consolidation***

The consolidated financial statements relate to the Company and the Group. The consolidated financial statements have been prepared on the following basis:

- In respect of Subsidiary Enterprises (including partnership firm), the financial statements have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after as far as possible eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard 21 - Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
- In case of Associate Enterprises (including partnership firm), the financial statements have been consolidated as per Accounting Standard 23 – Accounting for investment in Associates issued by the Institute of Chartered Accountants of India.
- Assets and liabilities of the foreign subsidiaries are translated into Indian Rupees at the rate of exchange prevailing as at the balance sheet date. Revenue and expense are translated into Indian Rupees at the average exchange rate prevailing during the year and the resulting net translation adjustment has been disclosed as Foreign Exchange Translation Reserve in Reserves and Surplus.
- The excess of cost over the Company's investments in the subsidiary company is recognised in the consolidated financial statements as Goodwill which has been charged off in the Profit and Loss Account in the year of acquisition. The excess of Company's share in equity and reserves of the subsidiary company over the cost of acquisition is treated as Capital Reserve.
- The share of Minority Interest in the net profit of subsidiaries/ partnership firms for the year is identified and adjusted against the income of the group to arrive at the net income attributable to the Company.
- The share of Minority Interest in net assets of subsidiaries/ partnership firms is identified and presented in the consolidated financial statements separate from liabilities and the equity of the Company.
- The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

### ***Basis of preparation of financial statements***

The accompanying financial statements are prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company. The financial statements are presented in Indian rupees in millions.

### ***Revenue Recognition***

- Advisory and Transactional services fee income is accounted for, on an accrual basis in accordance with the terms & contracts entered into between the Company and the counterparty.
- Brokerage income is recognised on trade date basis and is inclusive of service tax.
- Income from derivative transactions is recognised on accrual basis.
- Income from security transactions is recognised on accrual basis.
- Income from commodity transactions is recognised on accrual basis.
- Profit / (loss) on Error trades are included in “Income from Arbitrage and Trading in Securities and Derivatives” and “Income from Arbitrage and Trading in commodity Derivatives” under the respective heads.
- Brokerage and Commission income earned from Insurance companies is recognised on accrual basis exclusive of service tax.
- Portfolio management fees are accounted on accrual basis as follows:
  - a. In case of percentage based fees, as a percentage of the unaudited Net Asset Value at the end of each financial quarter, on a quarterly basis.
  - b. In case of return based fee, as a percentage of the annual profit, on an annual basis.
    - Interest income is recognised on accrual basis.
    - Dividend income is recognised when the right to receive payment is established.
    - Revenue from fund management services is recognised in accordance with the terms and conditions of the investment management agreement between the Company and the Fund. The amount recognised as revenue is exclusive of service tax.
    - In respect of other heads of income, income from depository operations etc., the Company follows the practice of accruing income on a prudent basis.
    - Revenue from rendering of trustee services is recognised in accordance with the terms and conditions of the Compensation Agreement between the Company and the Fund. The amount recognised as revenue is exclusive of service tax.

### ***Equity Index / Stock – Futures***

- a) “Initial Margin”, representing initial margin paid, and “Margin Deposits”, representing additional margin over and above initial margin, for entering into contracts for Equity Index / Stock Futures, which are released on final settlement / squaring-up of underlying contracts, are disclosed as under Loans and Advances.
- b) Equity Index / Stock Futures are marked-to-market on a daily basis. Debit or credit balance disclosed under Loans and Advances or Current Liabilities, respectively, in the “Mark-to-Market Margin –

Equity Index / Stock Futures Account”, represents the net amount paid or received on the basis of movement in the prices of Index / Stock Futures till the balance sheet date.

- c) As on the balance sheet date, profit / loss on open positions in Index / Stock Futures are accounted for as follows:
- Credit balance in the “Mark-to-Market Margin – Equity index / Stock Futures Account”, being anticipated profit, is ignored and no credit for the same is taken in the Profit and Loss Account.
  - Debit balance in the “Mark-to-Market Margin – Equity Index / Stock Futures Account”, being anticipated loss is adjusted in the Profit and Loss Account.
- d) On final settlement or squaring-up of contracts for Equity Index / Stock Futures, the profit or loss is calculated as the difference between settlement/ squaring-up price and contract price. Accordingly, debit or credit balance pertaining to the settled / squared up contract in “Mark-to-Market Margin – Equity Index / Stock Futures Account” is recognised in the Profit and Loss Account. When more than one contract in respect of the relevant series of equity index futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using weighted average method for calculating profit / loss on squaring-up.

#### ***Equity Index / Stock – Options***

- a) “Equity Index / Stock Options Margin Account”, representing initial margin paid, and “Margin Deposit”, representing additional margin paid over and above initial margin, for entering into contracts for Equity Index / Stock options, which are released on final settlement / squaring-up of underlying contracts, are disclosed under Loans and Advances.
- b) “Equity Index / Stock Option Premium Account” represents premium paid or received for buying or selling the options, respectively.
- c) As at the balance sheet date, in the case of long positions, provision is made for the amount by which the premium paid for those options exceeds the premium prevailing on the balance sheet date, and in the case of short positions, for the amount by which premium prevailing on the balance sheet date exceeds the premium received for those options, and reflected in “Provision for Loss on Equity Index / Stock Option Account”.
- d) When the option contracts are squared-up before expiry of the options, the premium prevailing on that date is recognised in Profit and Loss Account. If more than one option contract in respect of the same index / stock with the same strike price and expiry date to which the squared-up contract pertains is outstanding at the time of squaring-up of the contract weighted average method is followed for determining profit or loss. On expiry of the contracts and on exercising the options, the difference between final settlement price and the strike price is transferred to the Profit and Loss Account. In both the above cases premium paid or received for buying or selling the option, as the case may be, is recognised in the Profit and Loss Account for all squared-up / settled contracts.

#### ***Commodities Stock – Futures***

- a) “Initial Margin”, representing initial margin paid, and “Margin Deposits”, representing additional margin over and above initial margin, for entering into contracts for Commodities Futures, which are released on final settlement/ squaring-up of underlying contracts, are disclosed under Loans and Advances.
- b) Commodities Futures are marked-to-market on a daily basis. Debit or credit balance disclosed under Loans and Advances or Current Liabilities respectively, in the “Mark to- Market Margin – Commodities Stock Futures Account”, represents the net amount paid or received on the basis of movement in the prices of Commodities Futures till the balance sheet date.
- c) As on the balance sheet date, profit/ loss on open positions in Commodities Futures are accounted for as follows:

- Credit balance in the “Mark-to-Market Margin – Commodities Stock Futures Account”, being anticipated profit, is ignored and no credit for the same is taken in the Profit and Loss Account.
  - Debit balance in the “Mark-to-Market Margin – Commodities Stock Futures Account”, being anticipated loss, is adjusted in the Profit and Loss Account.
- d) On final settlement or squaring-up of contracts for Commodities Futures, the profit or loss is calculated as the difference between settlement/ squaring-up price and contract price. Accordingly, debit or credit balance pertaining to the settled/ squared-up contract in “Mark-to-Market Margin – Commodities Stock Futures Account” is recognised in the Profit and Loss Account. When more than one contract in respect of the relevant series of commodities futures contract to which the squared-up contract pertains is outstanding at the time of the squaring-up of the contract, the contract price of the contract so squared-up is determined using weighted average method for calculating profit / loss on squaring-up.

#### ***Stock-in-trade***

- a) The securities acquired with the intention of short-term holding and trading positions are considered as stock-in-trade and disclosed as current assets.
- b) The securities and commodities held as stock-in-trade under current assets are valued at lower of average cost and market value. In case of units of Mutual Funds, Net Asset Value is considered as market value.

#### ***Investments***

Investments are classified into long term investments and current investments. Investments which are intended to be held for one year or more are classified as long term investments and investments which are intended to be held for less than one year are classified as current investments. Long term investments are accounted at cost and any decline in the carrying value other than temporary in nature is provided for. Current investments are valued at cost or market/fair value, whichever is lower. In case of investments in units of a mutual fund, the net asset value of units is considered as the market/ fair value.

#### ***Taxation***

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period) and fringe benefit tax.

#### ***Deferred taxation***

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

#### ***Fringe benefit tax***

Provision for Fringe Benefit Tax (‘FBT’) is made on the basis of applicable FBT on the taxable value of chargeable expenditure of the Company as prescribed under the Income Tax Act, 1961.

#### ***Securities Transaction Tax***

Securities Transaction Tax (STT) to the extent allowable u/s 88E of the Income Tax Act, 1961 has been included in provision for Income Tax.

### ***Operating leases***

Lease rentals in respect of operating lease are charged to the profit and loss account as per the terms of the lease arrangement on a straight line basis.

### ***Employee Stock Option Plans***

Pursuant to the Guidance Note issued by the Institute of Chartered Accountants of India on Accounting for Employee Share-based Payments, an independent valuer computes the fair value of its shares using the earnings capitalization method considering weighted average adjusted profit after tax for last 3 years of all the subsidiary companies. Accordingly the difference, if any between the fair value and the issue price is charged to the profit and loss account as the compensation cost on account of Employee Stock Option Plan over the period of grant and vesting date.

### ***Provisions and contingent liabilities***

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

### ***Reserve Bank of India Prudential Norms***

Crossborder Investments Private Limited and ECL Finance Limited, subsidiaries of the Company, follow the guidelines issued by the Reserve Bank of India, in respect of income recognition, provisioning for non-performing assets and valuation of investments.

### ***Recent Changes***

In October 2007, the Institute of Chartered Accountants of India approved two new accounting standards on accounting for financial instruments: *AS-30, Financial Instruments: Recognition and Measurement* and *AS-31, Financial Instruments: Presentation*. These Accounting Standards will come into effect in respect of accounting periods commencing on or after April 1, 2009 and will be optional for a period of two years. AS 30 establishes principles for recognition, derecognition and measurement of financial instruments. For the purpose of this standard, financial instruments are classified into financial assets or financial liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liability. AS 30 also establishes principles for hedge accounting. AS 31 primarily establishes principles for presenting financial instruments as liabilities or equity and related principles of interest, dividends, losses and gains. The principles in AS 30 complement the principles established in AS 30. AS 30 and AS 31 are based on the International Accounting Standards *IAS 39, Financial Instruments: Recognition and Measurement* and *IAS 32, Financial Instruments: Presentation*, respectively. There are no material differences between AS 30 and IAS 39, and between AS 31 and IAS 32.

## SECTION VII : 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 our Subsidiaries, Directors, Promoters and Promoter Group companies, 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 our Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of our Company or Subsidiaries and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, Promoters or Directors. Unless stated to the contrary, the information provided below is as of the date of this Red Herring Prospectus.

Neither the Company nor its Promoters, members of the Promoter Group, Subsidiaries, associates and Directors have been declared as willful defaulters by the RBI or any other Governmental authority and, except as disclosed in this section in relation to litigation, there are no violations of securities laws committed by them in the past or pending against them.

#### **I. Litigation involving our Company**

##### **A. Outstanding litigation and material developments/proceedings involving our Company**

###### *Tax Litigation*

###### *Assessment Year 2001-02*

The Deputy Commissioner of Income Tax by an assessment order dated March 23, 2004 for Assessment Year 2001-2002 had imposed penalty under Section 271(1)(c) of the IT Act for furnishing inaccurate income. Further, pursuant to this order, a notice of demand under Section 156 of the IT Act was received by the Company on April 2, 2004 for a sum of Rs.7.4 million which was reduced by a rectification order dated October 18, 2004, to Rs. 5.4 million.

Our Company appealed against the assessment order to the Commissioner of Income Tax (Appeals) (“**CIT(A)**”) who passed an order on November 25, 2004 partly allowed the appeal. Our Company appealed before the Income Tax Appellate Tribunal (“**ITAT**”) against this order in relation to those prayers which were not allowed. The appeal before the ITAT is pending and the next hearing is adjourned to December 17, 2007.

Income Tax officer has gone against above assessment order of the Commissioner of Income Tax (Appeal) and appealed before the Income Tax Appellate Tribunal (ITAT) on August 7, 2007.

Further, the CIT(A) by its order dated February 2, 2005 gave effect to the relief granted and issued a notice of demand for a sum of Rs. 4.9 million. The Deputy Commissioner of Income Tax (“**DCIT**”) issued a further show cause notice dated January 24, 2006 against our Company as to why penalty should not be levied.

In addition, the DCIT by an order dated March 21, 2006 levied a penalty of Rs. 3.4 million for furnishing incorrect particulars of income. The same was confirmed by an order of the CIT(A). The DCIT also issued a notice of demand in this regard. The Company appealed against the said order of the DCIT to the CIT(A), in response to which, the CIT(A) by its order dated January 29, 2007, allowed the appeal of our Company and cancelled the said penalty. The same was given effect to by the DCIT.

###### *Assessment Year 2003-04*

Assessment order dated March 24, 2006 by the Income Tax officer disallowing the assessee’s claim for bad debts amounting to Rs. 0.69 million and also ordering that penalty proceedings u/s 271 (1) (c) of the IT Act be initiated for filing of inaccurate particulars of income. Pursuant to this, a notice of demand dated March 24, 2006 under Section 156 of the IT Act had been issued against our Company for a sum of Rs. 0.3 million. The Company preferred an appeal to the Commissioner of Income Tax (Appeals) against the assessment order dated

March 24, 2006. The Commissioner of Income Tax (Appeals) through order dated February 23, 2007, deleted certain disallowances made by the assessing officer. Income tax officer gave effect to this order through order dated March 8, 2007 and issued a notice of demand under Section 156 of the IT Act for a sum of Rs. 0.1 million. The Deputy Commissioner of Income Tax has now preferred an appeal in the Income Tax Appellate Tribunal against the Commissioner of Income Tax (Appeals) order dated February 23, 2007, deleting certain disallowances. The Appeal is pending.

#### *Assessment Year 2004-05*

The Deputy Commissioner of Income Tax by an assessment order dated December 15, 2006 refused to allow deduction for (i) expenditure of Rs. 1.6 million incurred for earning dividend, (ii) Rs. 0.99 million being lease hold improvement charges and (iii) Rs. 0.93 million as anticipated loss in futures and option contracts amounting to Rs 0.93. Pursuant to this, a notice of demand under section 156 of the IT Act was issued by the Deputy Commissioner of Income Tax for a sum of Rs. 1.74 million. The Deputy Commissioner of Income Tax also issued a show cause notice for penalty proceedings. Our Company preferred an appeal against the assessment order dated December 15, 2006 to the Commissioner of Income Tax (Appeals). The Commissioner of Income Tax (Appeals) by order dated May 3, 2007 upheld the assessment order. Pursuant to this, the Office of the Tax Recovery Officer through notice dated July 30, 2007 has demanded that our Company pay balance sum of Rs. 0.87 million within 15 days of the receipt, which our Company paid on August 2, 2007. Our Company appealed before the Income Tax Appellate Tribunal (“**ITAT**”) against this order in relation to those prayers which were not allowed. The appeal before the ITAT is pending.

#### *Assessment Year 2005-06*

Notice under section 142 (1) of the Income Tax Act, 1961 served upon our Company by Dy. Commissioner of Income Tax. Assessment for the same is going on.

#### *Writ Petition*

Mr. Satyendra Ramgopal Sharma (“**Petitioner**”) has filed a writ petition (Writ Petition No. 792 of 2007) dated April 4, 2007 against Orbit Corporation Limited and thirteen (13) others including our Company, for quashing and setting aside the SEBI observation letter (bearing number CFD/DIL/ISSUES/IPO/PB/MKS/2006) dated January 31, 2007. The petition inter alia alleges that the offer document dated March 8, 2007 issued by Orbit Corporation Limited is not in accordance with the SEBI guidelines and that it contains misstatements and improper disclosures. The Petitioner has further prayed that in view of the serious violation, the issue should not be allowed to go through and the shares/securities of Orbit Corporation Limited ought not to be listed. Our Company (being Respondent 5) was the sole book running lead managers for this issue.

The Petitioner has prayed for the following:

- (i) for quashing and setting aside the SEBI observation letter (bearing number CFD/DIL/ISSUES/IPO/PB/MKS/2006) dated January 31, 2007;
- (ii) writ of mandamus under Article 226 of Constitution of India directing the SEBI (being Respondent 6) to withdraw or cancel its no objection granted for the said offer document;
- (iii) give directions against the BSE (being Respondent 7) and the NSE (being Respondent 8) not to proceed with the listing of the securities.

The next hearing for the matter has been fixed on October 29, 2007.

#### *Proceedings initiated by regulatory authorities*

The RBI vide its letter dated October 12, 2006 passed an order against our Company for non compliance with the reporting requirements provided in Paragraph 9 (1) (A) and 9 (1)(B) of Schedule 1 to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations 2000 FEMA 20/2000-RB (“**FEMA 20**”) as well as paragraph 9(1) (A) of RBI Circular 16 dated October 4, 2004 (“**Circular 16**”). These violations include delay in reporting of receipt of remittance towards share subscription from certain investors, delay in filing a statutory Form FC-GPR and not obtaining prior approval for transfer of shares from resident to non resident.

Further, Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy as trustees of Edelweiss Employee Welfare Trust, transferred 125, 000 equity shares of Rs. 2 face value to Mr. Navtej Nandra who is a NRI, for which prior approval, as was required, was not obtained.

The above offences were compounded by RBI compounding order CA No 81/2006 dated March 28, 2007 against payment of penalty of Rs. 0.15 million.

#### *Legal Notice*

Our Company has received a letter dated July 12, 2007 from the BSE forwarding a letter dated June 29, 2007 from Jhaveri & Associates, Advocates & Solicitors for Mr. Hameed Ullah Laljee, alleging misleading and incorrect disclosures made by Orbit Corporation Limited in their offer document, with respect to the property known as "Kishori Court" and requesting BSE and NSE to take appropriate action. This notice has been duly replied to by our Company on August 9, 2007.

#### *Complaints from investors:*

Our Company has received 3 e-mail complaints from the investors with respect to our Merchant Banking services. Out of which our Company has replied to 2 complaints and the Company has not received any further communication from the concerned party.

## **II. Litigation against the Directors of our Company**

### **A. Outstanding litigation against the Directors**

Allserve has filed a suit against Aegis, a company on the board of which Mr. Rashesh Shah is a Director. This case was filed by Allserve in the Delaware Chancery court. Allserve has sued Aegis on various grounds including the fact they breached an agreement of merger and initiated merger discussions with Essar. AllServe has failed to establish any contact with Aegis' defense attorneys for over 12 months. This matter is currently pending.

Mataluch has filed a suit against Aegis in the Delaware Chancery court alleging that the short form merger of World Focus was not valid. The Delaware Chancery court dismissed the law suit and held that all the formalities for the merger were properly carried out and so the merger was valid. Mataluch has filed an appeal against this decision of the Delaware Chancery court and the matter is currently pending.

Mr. Rashesh Shah has resigned from the directorship of Aegis on August 31, 2007.

### **B. Outstanding litigation and material developments/proceedings filed by the Directors**

Our directors have not filed any litigation against any parties.

## **III. Litigation involving our Subsidiaries**

### **A. Outstanding litigation and material developments/proceedings against our Subsidiaries**

#### **Edelweiss Securities Limited**

##### *Tax Litigation*

##### *Assessment Year 2004-05*

An assessment order dated December 22, 2006 has been issued by the Deputy Commissioner of Income-tax against Edelweiss Securities Limited refusing to allow the deduction of Rs 7 million in relation to loss on trading and derivative instruments and Rs. 47.8 million in relation to expenditure on speculation loss, refusal for deduction of Rs 0.2 million in relation to penalty paid to the stock exchange, disallowance of deduction of Rs 0.3 million and disallowance of interest deduction of Rs 4.5 million. Penalty proceedings under Section 271(1)(c) of the IT Act were initiated for furnishing inaccurate particulars of income. Pursuant to this, a notice of demand dated December 22, 2006 under section 156 of the IT Act for a sum of Rs. 28.5 million was issued.

Edelweiss Securities Limited has preferred an Appeal before the Commissioner of Income Tax (Appeals), against the assessment order dated December 22, 2006 and application was made for keeping the penalty proceedings under Section 271(1)(c) of the IT Act in abeyance. This appeal is pending.

*Assessment Year 2005-06*

Notice under section 142 (1) of the Income Tax Act, 1961 served upon us by Additional Commissioner of Income Tax. Assessment for the same is pending.

*Legal notices and complaints*

1. ESL received 65 complaints from the BOs registered at its Anand branch stating unauthorized transfer of shares from their respective depository accounts maintained with ESL and discrepancy in statement of holding. In July 2005, M.P.Chitale & Co., Chartered Accountants (“MPC”) were appointed by ESL, to examine their claims and submit its findings. Out of these 65 claims, 29 were held to be untenable primarily based on the fact that the delivery instruction slips on which the shares were transferred out of the BOs’ account were in order. Pursuant to this, ESL in the month of November 2005, informed the same to the 29 BOs. The remaining 36 claims were settled through the conciliation proceedings adopted under the bye-laws of Central Depository Services of India Limited (“CDSL”). The sole conciliator appointed was Retired Justice S. R. Shah, Bombay City Civil Court. ESL entered into settlement agreements with the said 36 BOs and paid an aggregate amount of Rs. 20.6 million in full and final settlement of all the respective BOs’ claims. Some of the BOs registered at the Anand branch of ESL complained to various authorities like BSE, NSE and SEBI over the unauthorized transfer of shares and discrepancies in the demat account statement. In relation to some of these complaints, BSE had opined that these complaints were outside their purview and for certain others, suitable replies were sent out by ESL intimating the redressal of the complaints. Out of these 65 complaints, a copy of the following complaints were also sent to SEBI or the stock exchanges by the complainants:
  - a. ESL received a notice dated November 11, 2005 regarding a complaint from a group of 19 beneficial owners (“BOs”) of Anand Branch, about discrepancies in their demat statement. ESL through reply dated November 22, 2005 intimated SEBI of the status of redressal of grievances of 19 BOs.
  - b. A notice dated December 13, 2005 regarding an anonymous letter, was forwarded by SEBI pertaining to the discrepancies in the demat accounts of BOs at the Anand branch of ESL. ESL through letter dated December 26, 2005 has replied to SEBI.
  - c. ESL received a notice dated February 24, 2006 from SEBI regarding discrepancies in an account statement of the demat account of 3 BO’s of Anand branch. ESL through letter dated March 3, 2006 has intimated the status of the redressal of grievances of the BO’s to the SEBI.
  - d. ESL received a complaint dated February 28, 2006 regarding discrepancies in an account statement of the demat account of Ms. Hansaben Deepak Parekh held at the Anand branch. The Investor Grievance Redressal Committee of BSE opined that the matter was outside its purview and advised the client to take it up with the concerned authority. The matter has been closed by BSE.
  - e. ESL received a complaint dated March 2, 2006 from BSE regarding discrepancies in an account statement of the demat account of Mr. Chirag Desai held at the Anand branch. A reply was sent to the BSE on March 10, 2006 intimating them of the redressal of the complaint.
  - f. ESL received a complaint dated April 24, 2006 from SEBI regarding discrepancies in an account statement of the demat account of Mr. Chirag Desai held at the Anand branch. This complaint pertained to the demat account of the client and not to his broking account. A reply was sent to SEBI on July 17, 2006 to this effect and also on July 20, 2006 intimating redressal of the complaint.
  - g. ESL received a complaint dated May 25, 2006 from NSE regarding discrepancies in an account statement of the demat account of Mr. Chirag Desai held at the Anand branch. This

complaint pertained to the demat account of the client and not to his broking account. A reply was sent to NSE on July 13, 2006 to this effect and also on July 20, 2006 intimating redressal of the complaint.

- h. ESL received a complaint dated June 2, 2006 from SEBI regarding discrepancies in an account statement of the demat account of Mr. Mehul Khanderia held at the Anand branch. A reply intimating the redressal of grievances of the BO was forwarded to SEBI vide letter dated July 17, 2006.
2. Four other BOs have also filed complaints against ESL stating unauthorized transfer of shares from their respective depository accounts maintained with ESL and discrepancy in statement of holding. MPC were asked to examine their claims as well. Out of these, two claims were held to be prima facie untenable, based on the delivery instruction slips on record. For the remaining two, further information and documents were asked for and the BO's have not reverted back.
3. ESL received a complaint dated August 11, 2006 from Mr. S. Sivaraman with respect to settlement of accounts and payment of credit balances along with receipt for purchases. This complaint has been duly replied to.
4. ESL received a complaint dated December 26, 2006 from Hariprasad Singhi HUF with respect to discrepancies in statement of holdings. This complaint has been duly replied to through letter dated January 4, 2007.
5. NSE has forwarded a complaint dated January 17, 2007 from Mr. Avinash Mehta with respect to the auction. This complaint has been duly replied to by ESL through letter dated January 18, 2007.
6. Legal notice received on March 6, 2007 regarding stamp duty claim of Rs. 3.3 million from the Rajasthan stamp duty authority by Edelweiss Securities Limited. Rs. 0.19 million has been paid by Edelweiss Securities Limited as full and final settlement. ESL is in process of obtaining confirmation from Rajasthan Stamp Authorities in this regard.
7. NSE's investor grievance cell has forwarded complaints dated March 16, 2007 and August 7, 2007 from Mr. Sunny Nagpal pertaining to certain disputes in trades and alleged losses in the client's trading account. ESL was directed furnish copies of contract notes, order/trade details and copies of statement of account to the client. These requirements have been met by ESL through its letter dated April 30, 2007 and July 31, 2007. Further reply was furnished to NSE on August 13, 2007.
8. NSE's investor grievance cell has forwarded complaints dated March 16, 2007 and August 7, 2007 from Mr. Rasjeet Singh Nagpal pertaining to certain disputes in trades and alleged losses in the client's trading account. ESL was directed furnish copies of contract notes, order/trade details and copies of statement of account to the client. These requirements have been met by ESL through its letter dated April 18, 2007 and July 31, 2007. Further reply was furnished to NSE on August 13, 2007.
9. NSE's investor grievance cell has forwarded complaints dated March 16, 2007 and August 7, 2007 from Ms. Indu Nagpal pertaining to certain disputes in trades and alleged losses in the client's trading account. ESL was directed furnish copies of contract notes, order/trade details and copies of statement of account to the client. These requirements have been met by ESL through its letter dated April 18, 2007 and July 31, 2007. Further reply was furnished to NSE on August 13, 2007.
10. NSE's investor grievance cell has forwarded a complaint dated May 10, 2007 from Ms. Ravinder Nagpal pertaining to certain disputes in trades and alleged losses in the client's trading account. ESL was directed furnish copies of contract notes, order/trade details and copies of statement of account to the client. These requirements have been met by ESL through its letter dated May 14, 2007. Further, letter dated August 24, 2007 of NSE was replied on August 30, 2007.
11. NSE's investor grievance cell has forwarded a complaint dated May 10, 2007 from Mr. Daljeet Singh Nagpal pertaining to certain disputes in trades and alleged losses in the client's trading account. ESL was directed furnish copies of contract notes, order/trade details and copies of statement of account to the client. These requirements have been met by ESL through its letter dated May 14, 2007. Further, letter dated August 24, 2007 of NSE was replied on August 30, 2007.

12. Complaint dated April 30, 2007 from Ms. Asha Pareek pertaining to certain disputes in trades and alleged losses in the client's trading account (F & O segment), seeking a claim of Rs. 0.36 million. This complaint has been duly replied to by ESL through letter dated June 16, 2007.
13. ESL has received a complaint dated June 27, 2007 from Mr. Dev Prakash Gupta with respect to reimbursing losses for auction amounting to Rs. 0.03 million. This complaint has been duly replied to by ESL through letter dated July 2, 2007.
14. ESL has received 16 e-mail complaints from the investors with respect to its broking services and 2 e-mails with respect to its Depository participant services. ESL has replied to 16 of those 18 e-mail complaints and 2 complaints have still not been replied to. ESL has not received any further communication from the concerned parties as to the 16 e-mail complaints replied to.
15. Sunil Bagaria, client of Edelweiss Securities Ltd. (ESL) had a trade dispute for which ESL filed an arbitration reference (M-033/2006) with NSE against the client. ESL received the award dated March 28, 2007 in its favour which has now been challenged by the client by an arbitration appeal petition no. 292 of 2007 dated June 29, 2007 before the High Court, Mumbai. The petition was served on ESL on August 30, 2007. ESL has filed its reply and the matter is scheduled for hearing on October 25, 2007.

*Fines imposed*

- The F & O segment of the NSE imposed a cumulative fine of Rs. 31,000 and Rs. 55,000 for the inspection carried out for the period 2003-04 and 2005-06 respectively. These fines have been imposed for lapses such as delay in uploading of unique client code data to the exchange, penalty for charging excess brokerage on option contracts, delay in crediting dividend into the clients' trading account due on their collateral lying with us, short collection of initial margins on the F&O segment and penalties imposed for trade modifications.
- The BSE imposed a cumulative fine of Rs. 40,000 for the period April 1, 2002 to March 19, 2003 and Rs. 10,000 for the period January 1, 2004 to December 31, 2004. These fines have been imposed for lapses such as non attachment of trade details as an annexure to the contract notes and delay in obtaining written consents from clients.
- CDSL imposed 26 penalty points on December 29, 2006 during inspection of ESL depository participant. 5 penalty points were imposed with respect to opening of HUF accounts with nominee/joint holders and 100 penalty points were imposed with respect to control over issue of instruction slip to BOs. Out of the total 105 penalty points, CDSL only imposed a token penalty of 26 points which is 25% of the total 105 penalty points. In case, the penalty points accumulated exceed 200, monetary penalty of Rs. 50 for each point is imposed.
- Fines of Rs. 0.11 million, Rs. 0.14 million and Rs. 1.08 million were levied on ESL by the BSE for the years 2004-05, 2005-06 and 2006-07 respectively. These fines were imposed for the recovery for late pay in charges and late fees amongst other reasons.
- Fines of Rs. 0.6 million, Rs. 0.88 million, and Rs. 0.92 million were levied on ESL by the NSE for the years 2004-05, 2005-06 and 2006-07 respectively. These fines were imposed inter alia for non submission charges for unique client codes, auction penalties and violation of margins.
- Fines of Rs. 0.02 million and Rs. 0.13 million were levied by the F&O division of the NSE for the years 2004-05 and 2005-06 respectively. These fines were imposed for violation of exposure norms and violation of margins amongst other reasons.
- A fine of Rs. 0.05 million was imposed on ESL by the Over the Counter Exchange of India ("OTCEI") for not taking prior approval for change in dominant shareholding on May 11, 2006.
- CDSL vide its letter dated September 17, 2007 has levied a penalty of Rs.500/- for non-compliance noted in inspection report for the period 12-11-2005 to 31-01-2007.

*Letters received from NSE regarding Computer to Computer Link Compliance (“CTCL”)*

<b>S. No.</b>	<b>Directions/ Observations Issued</b>	<b>Fines (if any) in Rs.</b>
1.	Letter dated June 21, 2005 regarding mismatch appearing in orders vis-a-vis details uploaded in the CTCL database. ESL was advised to rectify the same.	No fines were imposed.
2.	Letter dated September 15, 2005 regarding levy of charges for delayed uploading of CTCL details for the month of August 2005.	Delay charges of Rs. 400 imposed.
3.	Letter dated January 10, 2006 regarding levy of charges for delayed uploading of CTCL details for the month of December 2005.	Penalty waived due to successful upload of CTCL details.
4.	Letter dated March 6, 2006 regarding validity of NSE’s Certification in Financial Markets (“NCFM”), the expiry of two IDs and non submission of certificate regarding the same.	Penalty of Rs. 0.05 million.
5.	Letter dated May 30, 2006 regarding mismatch appearing in orders vis-a-vis details uploaded in the CTCL database. ESL was advised to rectify the same.	No fines were imposed.
6.	Letter dated July 27, 2006 regarding deactivation of CTCL terminals due in mismatch appearing in orders vis-a-vis details uploaded in the CTCL database. ESL was advised to rectify the same.	No fines were imposed.

*Proceedings initiated by the SEBI*

<b>S. No.</b>	<b>Directions/ Observations Issued</b>
1.	<p>Letter dated February 2, 2005, with respect trading details at BSE/NSE where it was observed that there has been substantial increase in trading activity of a particular scrip during August 2004 to November 2004.</p> <p>Letter dated October 13, 2005 summoning to appear personally in respect of the matter of buying &amp; selling and dealing in the specified scrip.</p> <p>The letters have been duly replied to.</p>
2.	<p>Letters dated October 25, 2005 and December 29, 2005 probing in the volatility observed during the last thirty minutes on the day of expiry of derivative contracts of a particular scrip.</p> <p>Letter dated August 3, 2006, with respect to investigation in the case of the specified scrip for the period of November 18, 2005 to December 9, 2005. Letter dated September 19, 2006, regarding non submission of information/details with respect to investigation in the case of the specified scrip.</p> <p>The letters have been duly replied to.</p>
3.	<p>In relation to a probe conducted by SEBI on trading in a scrip, SEBI, by its letters dated January 17, 2007, January 18, 2007 and January 19, 2007, requested ESL for certain information of trades executed on behalf of its client.</p> <p>The letters have been duly replied to.</p>
4.	<p>Summons dated August 2, 2007 directing ESL to produce before SEBI the documents pertaining to trades executed by one of its clients in a particular scrip between September 2006 and February 22, 2007. The letter has been duly replied to.</p>

*Proceedings initiated by the Stock Exchanges*

In addition, the BSE, the NSE, the SEBI and National Securities Clearing Corporation Limited (“NSCCL”) have issued various other communications, containing certain other directions or

observations. The details of these communications are as described below:

<b>S. No.</b>	<b>Exchange</b>	<b>Directions/ Observations Issued</b>
1.	NSE	Letter dated July 2, 2004, asking for reasons for non confirmation of the trades/OTR by custodians. This letter has been duly replied to.
2.	NSE	Letter dated April 5, 2005 asking for details regarding clients on whose behalf certain trades have been executed in the scrip of IVRCLINFRA between December 9, 2005 to January 28, 2005. This letter has been duly replied to.
3.	NSE	Letter dated April 5, 2005 asking for details regarding clients on whose behalf trades have been executed in the scrip of ADANIEXPO between October 15, 2004 and January 14 2005. This letter has been duly replied to.
4.	NSE	Letter dated April 5, 2005 asking for details regarding clients on whose behalf trades have been executed in the scrip of INDUJENERT for the period October 18, 2004 to March 16, 2005. This letter has been duly replied to.
5.	NSE	Letter dated April 12, 2005 asking for details of clients on whose behalf; trades have been executed in the scrip of ACC between September 1, 2004 and January 1, 2005. This letter has been duly replied to.
6.	NSE	Letter dated April 29, 2005 asking for details on trades done in F&O segment on April 29, 2005, the clients on behalf of whom the trade was executed and the circumstances under which this trade was executed in the format provided in the letter. This letter has been duly replied to.
7.	NSE	Letter dated March 12, 2007 asking for details regarding trades on F&O segment of the NSE on behalf of a client making it impossible for the buyer to exercise these contracts during the lifetime and thus resulting in an apparent loss to the buyer of the contract. This letter has been duly replied to.
8.	NSE	Letter dated February 28, 2007 requesting comments on the circumstances under which the trades were executed on behalf one of the clients in the scrip ESCORTS. This letter has been duly replied to.
9.	NSE	Letter dated May 31, 2006 requiring the Know Your Client details of one of ESL's client. This letter has been duly replied to.
10.	NSE	Letter dated October 5, 2007 highlighting their observations during their inspection of books of accounts and other records of ESL
11.	SEBI	Letter dated July 6, 2005 pertaining to inspection of the books of account and other records of ESL for the period between March 1, 2002 to April 1, 2004, informing ESL about certain irregularities observed. This letter further advised ESL to ensure compliance with provisions of the SCRA and the exchange regulations. There was no monetary penalty levied.
12.	SEBI	Letter dated October 15, 2007 addressed to the client, through ESL as the broker, enquiring about further details of the transaction and whether participatory notes were issued against these transactions.
13.	NSCCL	Letter dated July 7, 2006 and April 5, 2007 regarding non delivery of securities towards delivery obligations. The letters have been duly replied to.

S. No.	Exchange	Directions/ Observations Issued
14.	NSCCL	Letter dated August 25, 2006 regarding non delivery of securities towards delivery obligations. This letter has been duly replied to.
15.	BSE	Letter dated February 3, 2006, asking for details regarding trades done by clients in the scrip Fortune Informatics Limited as the price had increased substantially within a short period of time. This letter has been duly replied to.
16.	BSE	Letter dated March 2006 advising ESL to exercise caution and due diligence while acting on behalf of clients in the scrip Siyaram Silk Mills Limited due to the fact that there has been an increase in the price of the scrip. ESL had issued internal directions to ensure compliance.
17.	BSE	Letter dated September 22, 2006 asking ESL to submit details of all transactions entered into with respect to shares of Helios & Matheson Information Technology Limited for a period covering April 1, 2005 to August 31, 2006 in the given format. This letter has been duly replied to.
18.	BSE	Letter dated March 19, 2007 advising ESL to exercise caution and due diligence while acting on behalf of clients in the scrip of Galada Power & Communication Limited. This letter has been duly replied to.
19.	BSE	Letter dated June 12, 2007 advising ECL to exercise caution and due diligence while acting on behalf of clients in the scrip of ABL Bio Technologies Limited. ESL had issued internal directions to ensure compliance.
20.	BSE	Letter dated August 23, 2007 to conduct the inspection of books of accounts and other documents of ESL, pertaining to the Derivative Segment covering Period from April 2006 to March 2007. BSE has conducted the inspection and observations are awaited.

### **Crossborder Investments Private Limited**

#### *Tax Litigation*

##### *Assessment Year 2004-05*

An Assessment order dated October 31, 2006 was issued against Crossborder Investments Private Limited, refusing to allow the deduction of Rs. 0.46 million. The Assistant Commissioner of Income Tax also issued a show cause notice dated October 31, 2006 for initiating penalty proceedings under Section 271(1)(c) of the IT Act. Pursuant to this, a notice of demand under Section 156 of the IT Act was issued for a sum of Rs. 0.36 million. Crossborder Investments Private Limited has preferred an Appeal before the Commissioner of Income Tax (Appeals), against the assessment order dated October 31, 2006 and application was made for keeping the penalty proceedings under Section 271(1)(c) of the IT Act in abeyance. This appeal is pending.

##### *Assessment Year 2005-06*

Notice under section 142 (1) of the Income Tax Act, 1961 served upon us by Dy. Commissioner of Income Tax. Assessment for the same is pending.

##### *Assessment Year 2006-07*

Notice under section 142 (1) of the Income Tax Act, 1961 served upon us by Dy. Commissioner of Income Tax. Assessment for the same is pending.

## **ECAL Advisors Limited**

### *Inspection by MCX , NCDEX and FMC*

1.	NCDEX	Letter dated October 8, 2007 to conduct the inspection of operations, books of accounts and other documents of ECAL Advisors Ltd for the period April 1, 2006 to March 31, 2007. NCDEX will conduct the inspection on October 24, 2007.
2.	MCX	Letter dated July 17, 2007 to conduct the inspection of books of accounts and other documents of ECAL Advisors Limited for the period April 1, 2006 to March 31, 2007. MCX has conducted the inspection.
3.	FMC	Letter dated October 8, 2007 informing about conducting audit/inspection of books and accounts for Fiscal 2007 and till August 2007 for current financial year.

### *Penalties imposed*

The NCDEX imposed a cumulative fine against ECAL Advisors Limited of Rs. 500 and Rs. 23,469.61 for the years 2005-06 and 2006-07 for a variety of reasons ranging from shortages to disablement.

The MCX imposed a cumulative fine of Rs. 20,348.8 against ECAL Advisors Limited between 2006-07 for variety of reasons ranging from violation in open position to penalty on shortages in delivery.

## **B. Litigation instituted by our Subsidiaries**

### **Edelweiss Securities Limited**

#### *Civil Suit*

Edelweiss Securities Limited. ("Plaintiff") filed Special Civil Suit No. 274 of 2006 against M/s Laxmi Investment, a partnership firm in Anand, Gujarat, acting as remisiers to ESL Mr. Pratik Patel, Mr. Harshit Patel and Mr. Kalpesh Patel, all residents of Vallabh Vidyanagar, Gujarat ("Defendants"). The civil suit was filed before the Senior Civil Judge at Anand on December 5, 2006 and is currently pending. The Plaintiff is a depository participant ("DP") registered with the SEBI since 2004 and the Plaintiff commenced its DP operations on June 9, 2004. Plaintiff entered into a leave and license agreement with the Defendants on March 29, 2004 for the suit premises at Anand. The Defendants were appointed as Remisiers for the Plaintiff. The Plaintiff installed a terminal for trading of shares in the BSE as well as a terminal for DP business at the suit premises. This civil suit arises as a result of fraud conducted by the Defendants on the demat account holders or the beneficial owners who complained that shares were transferred from their accounts without their permission. The Plaintiff in this civil suit have prayed to recover from the Defendants a sum of Rs. 20.6 million being the settlement amount paid by the Plaintiff to 36 of its customers under the terms of the settlement agreements along with interest at the rate of 12% per annum. The Plaintiff has also asked for an alternative relief that the Defendants should be prevented from alienating the suit premises so that the Plaintiff may retain the same or sell it and apply the sale proceeds towards the claim amount. The matter is pending.

#### *Criminal*

FIR registered on April 19, 2007 against Mr. Pratik Patel, Mr. Harshit Patel and Mr. Kalpesh Patel, partners of M/s Laxmi Investment under Sections 379, 420, 463, 467, 468, 471 read with 34 of the Indian Penal Code, to the Station House Officer in Charge, Anand Police Station, Station Road, Anand. The contents of the FIR are the same as the contents of the civil suit filed by Edelweiss Securities Limited above. This matter is currently under investigation.

FIR (No. 30/06) dated November 21, 2006 was filed by Edelweiss Securities Limited against Mr. Manish Thakkar, registered with Sr. Inspector of Police, Borivali Police Station. It has been alleged in this FIR that Mr. Manish Thakkar who was the Branch Manager of the Borivali Branch of Edelweiss Securities. Limited., created a false bank account in the name of 'Edelweiss Securities', issued a false receipt in the name of Edelweiss Securities Limited and encashed a cheque of Rs. 1 million from Mr. Raghuram Shetty. The matter is currently under investigation.

#### **IV. Litigation involving the Promoters of our Company**

Please see section titled “Outstanding litigation and material developments – litigation against the directors of our Company” on page 460.

#### **V. Litigation involving the Promoter Group Companies**

##### ***E Cap Partners***

##### ***Assessment Year 2004-05***

The Assistant Commissioner of Income Tax through assessment order dated November 10, 2006 (i) disallowed set off of derivatives segment loss of Rs. 2.2 million against the income of the share dealing and allowed the same to be carried forward to the subsequent year and (ii) disallowed treating the sum of Rs. 10.7 million as a short term capital gain and treated it as an income of the share dealing. Pursuant to this, the Assistant Commissioner of Income Tax issued a notice of demand dated November 10, 2006 and demanded payment of Rs. 1.55 million. A show cause notice was also issued for initiating penalty proceedings. E Cap Partners has preferred an appeal against the above dated November 10, 2006 to the Commissioner of Income Tax (Appeals). The Commissioner of Income Tax (Appeals) through order dated June 20, 2007, (i) sustained the order of the Assistant Commissioner of Income Tax in disallowing set off of derivatives segment loss of Rs. 2.2 million against the income of the share dealing and (ii) overruled the order of the Assistant Commissioner of Income Tax for disallowing the sum of Rs. 10.7 million as a short term capital gain and deleted the tax of Rs. 0.97 million made on this account.

The Commissioner of Income Tax issued a show cause notice dated December 28, 2006, under Section 263 of the IT Act, against the above mentioned assessment order of the Assistant Commissioner of Income Tax dated November 10, 2006. The show cause notice claimed that the assessment order was erroneous as expenses attributable to earning the dividend income cannot be allowed under Section 14 A of the IT Act and also asked E Cap Partners to appear on January 15, 2007. Pursuant to the hearings conducted, the Commissioner of Income Tax through assessment order dated January 25, 2007, under Section 263 of the IT Act, disallowed a total sum of Rs. 0.49 million under Section 14A of the IT Act, and thereby increased the taxable income to the extent of Rs. 0.25 million. E Cap Partners has preferred an appeal against this order dated January 25, 2007 of the Commissioner of Income Tax to the Income tax Appellate tribunal and the appeal is pending.

Deputy Commissioner of Income tax has served Notice u/s 143 (2) of the Income Tax Act, 1961, hearing is fixed on October 25, 2007.

##### ***Assessment Year 2005-06***

Notice under section 142 (1) of the Income Tax Act, 1961 served upon us by Additional Commissioner of Income Tax. Assessment for the same is pending.

##### ***Assessment Year 2006-07***

Notice under section 143 (2) of the Income Tax Act, 1961 served upon us by Dy. Commissioner of Income Tax. Assessment for the same is pending.

#### **VI. Contingent liabilities not provided for as of March 31, 2007:**

- (a) Edelweiss Securities Limited, a subsidiary of the Company has provided bank guarantees aggregating to Rs. 1,815 million as on 31 March 2007 for the following purposes to:
  - i) **The National Stock Exchange of India Limited** - Rs. 300.50 million and Rs. 2.50 million for meeting margin requirements and towards security deposit respectively.
  - ii) **Bombay Stock Exchange Limited** - Rs. 240 million and Rs. 1 million for meeting margin requirements and towards security deposit respectively.
  - iii) **Infrastructure Leasing & Financial Services Limited** - Rs. 1,271 million towards initial margin.

It has pledged fixed deposits with banks aggregating of Rs. 910 million for obtaining the above bank guarantees.

Further, it has pledged the fixed deposits with the following:

- i) OTCEI for Rs. 0.30 million for meeting base capital requirements.
  - ii) BSE Rs. 13 million for meeting base capital requirements.
  - iii) CDSL for Rs. 2.84 million for meeting claims and rebates.
  - iv) NSE for Rs. 20 million for meeting base capital requirements.
  - v) IL&FS Ltd. for Rs. 80 million towards initial margin.
- (b) ECAL Advisors Limited, a subsidiary company has provided bank guarantee aggregating Rs. 24 million as on 31<sup>st</sup> March, 2007 to the MCX for meeting margin requirements.

It has pledged fixed deposit with bank amounting to Rs. 11 million for obtaining the above bank guarantee.

- c) Taxation matters in respect of which appeal is pending – Rs. 6.81 million. This is being disputed by our Company and hence not provided for. The demand paid under protest against such contingent liability is Rs. 4.57 million.
- d) Taxation matters in respect of which appeal is pending – Rs. 28.59 million. This is being disputed by Edelweiss Securities Limited, a subsidiary company and hence not provided for. The demand paid under protest against such contingent liability is Rs. 15.04 million.
- e) Taxation matters in respect of which appeal is pending – Rs. 0.36 million. This is being disputed by the Crossborder Investments Private Limited, a subsidiary company and hence not provided for. The demand paid under protest against such contingent liability is Rs. 0.18 million.
- f) The Company has issued corporate guarantees to the extent of Rs. 3,690 million, in favour of banks to secure the credit facilities sanctioned by these banks to Edelweiss Securities Limited and ECAL Advisors Limited.

#### **F. Material developments since the last balance sheet date**

Under the provisions of the New ESOP Scheme, we have 3,937,100 outstanding employee stock options granted to the employees of our Company and our Subsidiaries post August 31, 2007. For further details, please refer to the section titled “Capital Structure” beginning on page 24.

## GOVERNMENT AND OTHER APPROVALS

In view of the approvals listed below, our Company 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. For further details in connection with the regulatory and legal framework within which we operate, see the section titled “Regulations and Policies in India” beginning on page 86.

### Approvals related to the Issue

1. The Board of Directors has, pursuant to a resolution dated July 12, 2007, authorized the Issue;
2. The shareholders of our Company have, pursuant to a resolution dated July 20, 2007 under Section 81(1A) of the Companies Act, authorized the Issue;

### Approvals obtained by our Subsidiaries for change in shareholding pattern

Sr. No	Approval granted	Authority	Reference/ Registration number	Date
<b>Edelweiss Securities Limited</b>				
1.	Change in shareholding pattern of our Company pursuant to the Issue.	NSE	NSE/MEM/1713/52658-D	August 7, 2007
<b>ECAL Advisors Limited</b>				
1.	Change in shareholding pattern of our Company pursuant to the Issue.	MCX	MCX/MEM/AR/GK/609/283/07	August 7, 2007
2.	Change in shareholding pattern of our Company pursuant to the Issue.	NCDEX	NCDEX/Memb/838	August 8, 2007

### Approvals with regard to Directors’ remuneration

1. Approval from the Ministry of Company Affairs, Central Government granted to Mr. Venkatchalam Ramaswamy for a total remuneration of Rs. 2.59 million (including salary, perks and bonus) per month. Mr. Venkatchalam Ramaswamy’s gross remuneration for 2006-07 was Rs. 22.28 million; and
2. Approval from Ministry of Company Affairs, Central Government granted to Mr. Rashesh Shah for a total remuneration of Rs. 2.63 million (including salary, perks and bonus) per month. Mr. Rashesh Shah’s gross remuneration for 2006-07 was Rs. 22.1 million.

### Approvals for prior dealings in shares

Our Company has received FIPB Approval FC: II 438 (2000)/501 (2000) dated September 8, 2000 and the amendment to it bearing number FC II: 438 (2000) 503 (2000) dated January 8, 2001 for equity participation.

Our company has received Approval No. FC.II. 438(2000)/503(2000), dated April 9, 2007 from FIPB for transfer of shares from Mr. Sunil Wadhvani and Mr. Ashok Trivedi (Non Resident Indians) to Galleon International Master Fund Limited which is a foreign company.

### Business Approvals

We and our subsidiaries have received the following significant Government and other approvals pertaining to our respective businesses:

Sr. No.	Issuing Authority	Date	License No.	Activity Covered	Validity
<b>A. Edelweiss Capital Limited</b>					
1.	Securities and Exchange Board of India (SEBI)	December 19, 2006	INM000010650	As a Merchant Banker, Investment Advisor and Underwriting of Issues etc.	October 15, 2009
2.	SEBI	August 31, 2007	INP000000555	As a Portfolio Manager	August 31, 2010
3.	SEBI	September 29, 2005	INU000001223	As an Underwriter	September 28, 2008
4.	AMFI, Mumbai	January 27, 2004	ARN-16404	Enrolled as an AMFI Registered Mutual Fund Advisor	January 26, 2009
5.	Office of the Inspector under the Bombay Shops and Establishments Act, 1948	November 7, 2000	A-II/022688	For the Business of Investment Banking and Advisory Services	
6.	Office of the Inspector under the Bombay Shops and Establishments Act, 1948	October 8, 2007	760023230	For the Business of Investment Banking and Advisory Services	
9.	SEBI	December 6, 2006	IMD/SP/06/81631	In-principle approval for setting up of mutual funds	Final approval is subject to the Company complying with the conditions provided in the mutual fund application
<b>B. Edelweiss Securities Limited</b>					
1.	SEBI	May 8, 2003	INB231193310	As a Stock Broker of NSE in the cash segment.	Valid till suspended or cancelled in accordance with regulations
2.	SEBI	March 16, 2006	INF011193332	As a Trading Member of BSE in the derivatives segment.	Valid till suspended or cancelled in accordance with regulations
3.	SEBI	May 7, 2003	INF231193310	As a Trading Member of NSE in the derivatives segment	Valid till suspended or cancelled in accordance with regulations
4.	SEBI	December 31, 2004	INB011193332	As a Stock Broker, BSE in the cash segment.	Valid till suspended or cancelled in accordance with regulations
5.	AMFI, Mumbai	March 29, 2003	ARN-3857	Enrolled as an AMFI Registered Mutual Fund Advisor	March 28, 2008
6.	SEBI	February 6, 2004	IN-DP-CDSL-226-2004	As a Depository Participant with CDSL	Valid till February 5, 2009
7.	Office of the	March 9,	A-II/025026	For the	Valid till December 15,

Sr. No.	Issuing Authority	Date	License No.	Activity Covered	Validity
	Inspector under the Bombay Shops and Establishments Act, 1948	2005		Business of Stock Broking	2007
8.	Office of the Inspector under the Bombay Shops and Establishments Act, 1948	October8, 2007	760023266	For the Business of Stock Broking	Valid till December 15, 2007
9.	BSE	May 3, 2007	MSD/MM-AB/2182/2007	Trading membership of the Wholesale Debt Market segment of the BSE	Valid till further notice.
10.	Regional Provident Fund Commissioner	March 3, 2007	MH/48668	For the business of stock broking	Valid till further notice.
11	SEBI	March 14, 2007	INF 231193310	For clearing member of NSE derivative segment	Valid till further notice.
12.	SEBI	October 11, 2007	INF011193332	For clearing member of BSE derivative segment	Valid till further notice.
13	SEBI	March 12, 1996	INB 200895736	OTCEI dealer	We are in the process of surrendering the said license.
14.	SEBI	May 23, 2000	INS 230617339/23-107	Sub-Broker of OTCEI Securities & Services Limited	We are in the process of surrendering the said license.
15	Regional Office, Maharashtra Employees' State Insurance Corporation	August 16, 2007	31-48946-101	For the business of Stock Broking	Valid till further notice.
<b>C. Edelweiss Insurance Brokers Limited</b>					
1.	Insurance Regulatory and Development Authority (IRDA)	March 24, 2005	DB288/04	To act as a Direct Broker under the Insurance Act, 1938	Valid till March 23, 2008
2.	Office of the Inspector under the Bombay Shops and Establishments Act, 1948	May 11, 2005	A-II/025149	For the Business of Insurance Broking	Valid till December 15, 2007
<b>D. ECAL Advisors Limited</b>					
1.	National Commodity & Derivatives Exchange Limited	April 27, 2005	National Commodity & Derivatives Exchange Limited (NCDEX) membership No. 00574	Admitted as a Member of NCDEX	Valid till further Notice
2.	Multi Commodity Exchange of India Limited.	March 9, 2005	Membership number 12670	Admitted as a Trading-cum-clearing Member	Valid till further Notice

Sr. No.	Issuing Authority	Date	License No.	Activity Covered	Validity
3.	Office of the Inspector under the Bombay Shops and Establishments Act, 1948	February 19, 2005	A-II024987	For Commodities Trading	Valid till December 15, 2007
4.	NCDEX Spot Exchange Limited	May 11, 2007	ID awaited	Admitted as trading cum clearing member	ID awaited
<b>E. ECL Finance Limited</b>					
1.	Reserve Bank of India (RBI)	April 24, 2006	13.01831	As a Non-Banking Financial Institution not accepting public deposits	Valid till further Notice
2.	Office of the Inspector under the Bombay Shops and Establishments Act, 1948	October 19, 2005	A-II/025382	For the Business of Financial Services	Valid till December 15, 2007
3.	Office of the Inspector under the Bombay Shops and Establishments Act, 1948	October 5, 2007	760023226	For the Business of Financial Services	Valid till December 15, 2007
<b>F. Crossborder Investments Private Limited</b>					
1.	RBI	March 30, 2002	B-13.01596	As a Non-Banking Financial Institution not accepting public deposits	Valid till further Notice
2.	Office of the Inspector under the Bombay Shops and Establishments Act, 1948	May 11, 2005	A-II/025150	As a Non Banking Finance Company	Valid till December 15, 2007
<b>G. EC Global Limited, Mauritius</b>					
1.	Financial Services Commission, Republic of Mauritius	January 6, 2007	Global Business License C1/04/01300	Global Business License Category 1	January 5, 2008
<b>H. Edelweiss Trustee Services Private Limited</b>					
1.	Office of the Inspector under the Bombay Shops and Establishments Act, 1948	October 13, 2005	A-II/025381	For the Business of Financial services	Valid till December 15, 2007
<b>I. Edelcap Securities &amp; Transaction Services Private Limited</b>					
1.	Office of the Inspector under the Bombay Shops and Establishments Act, 1948	April 5, 2007	760004486	For the business of Financial Services	Registration valid till December 31, 2009

### Approvals under Section 297 of the Companies Act

Our company has received the following approvals from the Ministry of Company Affairs under Section 297 of the Companies Act:

Sr. No.	Issuing Authority	Date	Approval No.	Activity Covered	Validity
1.	Ministry of Company Affairs	December 26, 2006	RD/297/228/08/06/9896	Approval accorded under Section 297(1) of the Companies Act for entering into contract with Mrs. Shanta Raghavendran for supply of portfolio management services for a period of three years w.e.f. December 22, 2006	Not applicable
2.	Ministry of Company Affairs	October 7, 2005	RD/297/168/06/05/7807	Approval accorded under sec 297(1) of the Companies Act for entering into contract with Mr. Sunil Wadhvani for supply of portfolio management services to him for a period of three years w.e.f. June 16, 2005.	Not applicable
3.	Ministry of Company Affairs	October 7, 2005	RD/297/167/6/05/7803	Approval accorded under sec 297(1) of the Companies Act for entering into contract with Mr. Ramanan Raghavendran for supply of portfolio management services to him for a period of three years w.e.f. June 16, 2005.	Not applicable

- (a.) Estimated value of contract Rs. 5 crores per annum
- (b.) Company to ensure that the contract is competitive and not less advantageous than contracts offered to other parties
- (c.) Company to ensure prices to be paid/received to/from contractee shall not be higher/lower than prevailing market rates
- (d.) Any variation in the contract subject to prior approval of central government

### Intellectual Property Related Approvals

Our company Edelweiss Capital Limited has the following trademark registrations:

Sr. No.	Trade Mark No.	Proprietor	Name of the Mark	Date of Registration	Class	Goods / Service Description
1.	1327094	Edelweiss Capital Limited	“Edelweiss Capital” in plain letters	November 17, 2005	36	Providing Brokerage, Capital Investments, Financial and Insurance Consultancy, Financial Management and

Sr. No.	Trade Mark No.	Proprietor	Name of the Mark	Date of Registration	Class	Goods / Service Description
2.	1327093	Edelweiss Capital Limited	“Edelweiss” in plain letters	November 17, 2005	36	Financial Services etc. Providing Brokerage, Capital Investments, Financial and Insurance Consultancy, Financial Management and Financial Services etc.
3.	1327092	Edelweiss Capital Limited	“Edelweiss Capital” old logo	November 19, 2005	36	Providing Brokerage, Capital Investments, Financial and Insurance Consultancy, Financial Management and Financial Services etc.

***Approvals applied for***

Our Company Edelweiss Capital Limited and its wholly owned subsidiary Edelweiss Securities Limited have filed the following Applications for grant of certificates of Registration:

Sr. No.	Application No.	Applicant	Name of the Mark	Date of Filing	Class	Goods / Service Description
1.	Application No. 1523982	Edelweiss Capital Limited	“iFunds” in plain letters	January 23, 2007	36	Insurance; financial affairs; monetary affairs; real estate affairs.
2.	Application No. 1523981	Edelweiss Capital Limited	“LiquidLoans” in plain letters	January 23, 2007	36	Insurance; financial affairs; monetary affairs; real estate affairs.
3.	Application No. 1523975	Edelweiss Capital Limited	“iETFs” in plain letters	January 23, 2007	36	Insurance; financial affairs; monetary affairs; real estate affairs
4.	Application No. 1457383	Edelweiss Securities Limited	“The Grey Revolution”	May 31, 2006	36	Insurance Investments; financial affairs; monetary affairs; real estate affairs.
5.	Application No. 01426322 associated with registered trade mark 1327092	Edelweiss Capital Limited	Edelweiss logo with the Edelweiss flower and the phrase “Ideas create, values protect”	March 1, 2006	36	Providing Brokerage, Capital Investments, Financial and Insurance Consultancy, Financial Management and Financial Services etc.
6.	Application No. 01426323 associated with registered trade mark 1327092	Edelweiss Capital Limited	The phrase “Ideas create, values protect” in plain format	March 1, 2006	36	Providing Brokerage, Capital Investments, Financial and Insurance Consultancy, Financial Management and Financial Services etc.
7.	Applications bearing numbers 1580515 to 1580555	Edelweiss Capital Limited	“Edelweiss”	July 19, 2007	All classes apart from class 36	Multi class application

### *Tax related approvals*

Tax residence certificate issued on February 10, 2007 for EC Global Limited by the Government of Mauritius under the Convention between the Government of Mauritius and the Government of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital Gains and for the encouragement of Mutual Trade and Investment. This certificate is valid for the period January 6, 2007 to January 5, 2008.

#### *PAN*

1. Edelweiss Insurance Brokers Limited (AAACI17196J)
2. ECAL Advisors Limited (AABCE3819M)
3. Edelweiss Trustee Services Private Limited (AABCE4989J)
4. ECL Finance Limited (AABCE4916D)
5. Edelweiss Capital Limited (AAACE1461E)
6. Edelweiss Securities Limited (AAACK3792N)
7. Crossborder Investments Private Limited (AAACC2233N).
8. Edelcap Securities and Transactions Private Limited (AACCT2871M)
9. Edelweiss Asset Management Private Limited (AABCE8255H)
10. Edelweiss Trusteeship Company Private Limited (AABCE8344B)

#### *TAN*

1. ECAL Advisors Limited (MUME05775A)
2. Edelweiss Insurance Brokers Limited (MUMI03846D)
3. Crossborder Investments Private Limited (MUMC05612F)
4. Edelweiss Capital Limited (MUME02422A)
5. Edelweiss Securities Limited (MUMR14684F)
6. Edelweiss Trustee Services Private Limited (MUME06175B)
7. ECL Finance Limited (MUME06297E)
8. Edelcap Securities and Transactions Private Limited (MUMT13581B)

#### *Service Tax Registrations*

1. Crossborder Investments Private Limited (BAS/DN II/4921) dated November 7, 2005
2. Edelweiss Insurance Brokers Limited (IAS/Div II/328) dated April 20, 2005.
3. Edelweiss Securities Limited formerly Rooshnil Securities Private Limited (MC/Mum-I/510) dated February 18, 2003.
4. ECL Finance Limited (ST/Mumbai/Dn. I/BFS/1350/2007) dated May 14, 2007. Service Tax Code (AABCE4916DST)

5. ECAL Advisors Limited (FCS/Mum I/64) dated January 19, 2005
6. Edelweiss Capital Limited (MC/Mumbai I/209/99) dated July 23, 1999.

*Central Sales Tax Registration*

1. ECAL Advisors Limited (400021/C/3828) dated May 19, 2005.

*VAT Registrations*

1. ECAL Advisors Limited (400021/V/0014) dated May 18, 2005.

*Professional Tax Registrations*

1. Edelweiss Capital Limited (PT/E/1/1/21/18/11616) dated July 10, 1996.
2. Edelweiss Securities Limited formerly known as Rooshnil Securities Private Limited (PT/R/1/1/21/25981) dated December 4, 1998.
3. ECAL Advisors Ltd. (PT/E/1/1/21/18/16295) dated October 17, 2005
4. Edelweiss Trustee Services Private Ltd. (PT/E/1/1/21/18/16328) dated December 6, 2005.
5. ECL Finance Limited (PT/E/1/1/21/18/16362) dated January 3, 2006.
6. Oak Holdings Private Ltd. (P.T.E.C. No. 99761600716P) dated July 18, 2007.
7. Crossborder Investments Private Limited (PTR/1/1/20/28274) dated January 30, 2002

***Shops and establishment registration***

We have also obtained shops and establishment registrations for nine of our branch offices and have applied or are in the process of applying for the rest of our branch offices as is required under applicable law.

***Pending Approvals***

1. Our Company's application for investment in a management company of a private equity fund in Mauritius as a joint venture partner, under the Foreign Exchange Management (Transfer or issue of any Foreign Security) Regulations, 2000, is pending with the RBI
2. Our subsidiary, Crossborder Investments has filed an application with the NSDL to provide Depository Participant services on June 7, 2007. NSDL has given its approval vide their letter dated August 23, 2007, subject to fulfillment of necessary infrastructural requirements and SEBI registration.
3. Our subsidiary ESL has applied on August 20, 2007 to NSE for approval of Internet based Trading Services in CM and F&O segment. NSE vide its letter dated October 9, 2007 has given its provisional permission.
4. Our subsidiary ESL has applied on September 14, 2007 to NSE for membership of Wholesale Debt Market (WDM) segment.

## OTHER REGULATORY AND STATUTORY INFORMATION

### Authority for the Issue

The Board of Directors has, pursuant to a resolution passed at its meetings held on July 12, 2007 authorised the Issue subject to the approval by the shareholders of our Company under Section 81(1A) of the Companies Act.

Our shareholders have authorised the Issue by a special resolution in accordance with Section 81(1A) of the Companies Act, passed at the EGM held on July 20, 2007.

The Board pursuant to its resolution dated August 14, 2007 has approved and authorised the Draft Red Herring Prospectus. Further, the Board pursuant to its resolutions dated October 29, 2007 has approved and authorised the Red Herring Prospectus and the Price Band.

We have also obtained all necessary approvals for this Issue. For further details please refer to the section titled “Government and Other Approvals” beginning on page 472.

### Prohibition by SEBI

Our Company, our Directors, our Promoters, directors or the person(s) in control of our Promoter companies, Promoter group companies, our subsidiaries and companies in which we have a substantial shareholding and companies in which our Directors are associated with as directors, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

Further, our Promoters and Promoter group entities have confirmed that they have not been detained as wilful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

### ELIGIBILITY FOR THE ISSUE

Our Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI DIP Guidelines as explained under, with the eligibility criteria calculated in accordance with unconsolidated financial statements under Indian GAAP:

- the Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years of which not more than 50% is held in monetary assets;
- the Company has a track record of distributable profits in accordance with Section 205 of Companies Act for at least three of the immediately preceding five years;
- the Company has a net worth of at least Rs. 10 million in each of the three preceding full years;
- the aggregate of the proposed Issue size and all previous issues made in the same financial year in terms of size (i.e. offer through the offer document + firm allotment + promoter’s contribution through the offer document) is not expected to exceed five times the pre-Issue net worth of the Company as per the audited balance sheet for the Fiscal year ended March 31, 2007; and
- the Company has not changed its name within the last one year.

The net profit, dividend, net worth, net tangible assets and monetary assets derived from the Restated Financial Statements included in this Red Herring Prospectus under the section “Financial Statements” for the last five Fiscal years ended March 31, 2007, 2006, 2005, 2004 and 2003 is set forth below:

Particulars	<i>(Rs. in million)</i>				
	March 31,				
	2007	2006	2005	2004	2003
Net Tangible Assets	4,498.69	1,297.94	384.74	276.76	233.97
Monetary Assets	29.37	0.11	9.52	16.17	1.58
Monetary Assets as a Percentage of Net Tangible Assets	0.65%	0.01%	2.47%	5.84%	0.68%
Distributable Profit	496.82	247.71	180.98	78.20	46.21
Networth	4,501.21	1297.94	385.46	276.76	233.97

For a complete explanation of the above figures please refer to the section titled "Financial Statement" beginning on page 150.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of prospective allottees to whom the Equity Shares will be Allotted will be not less than 1,000.

*Disclaimer Clause of SEBI*

**AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, KOTAK, CITI AND LEHMAN, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE BOOK RUNNING LEAD MANAGERS, KOTAK, CITI AND LEHMAN, HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED AUGUST 16, 2007 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:**

- (i) **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**
- (ii) **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

**WE CONFIRM THAT:**

- (A) **THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- (B) **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;**
- (C) **THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;**
- (D) **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND**
- (E) **WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS**

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

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

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

*Disclaimer from our Company and the Book Running Lead Manager*

**Our Company, our Directors, and the BRLMs accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website, [www.edelcap.com](http://www.edelcap.com), would be doing so at his or her own risk.**

**Caution**

The BRLMs accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLMs and us dated August 16, 2007 and the Underwriting Agreement to be entered into among the Underwriters and us.

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

Neither the Company nor the Syndicate shall be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

**Note:**

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to the 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 the Company and will not offer, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The 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 of the Company.

**Disclaimer in respect of jurisdiction**

This Issue is being made in India to Persons resident in India (including Indian nationals resident in India), who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted

insurance companies and pension funds and to permitted Non Residents including FIIs, NRIs and other eligible foreign investors. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to or purchase Equity Shares offered hereby in any other jurisdiction to any Person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any Person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus had been filed with SEBI for observations and SEBI has given its observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

**The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A under the Securities Act, and (ii) outside the United States in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.**

Further, each Bidder, where required, will be required to agree in the CAN that such Bidder will not sell or transfer any Equity Shares or any economic interest therein, including any so-called P-Notes 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.

#### ***Disclaimer Clause of BSE***

The Bombay Stock Exchange Limited (“BSE”) has given vide its letter dated September 19, 2007 granted permission to this Company to use the BSE’s name in the Red Herring Prospectus as one of the stock exchanges on which this company’s securities are proposed to be listed. The BSE has scrutinised the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The BSE does not in any manner:-

- (i) warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; or
- (ii) warrant that this Company’s securities will be listed or will continue to be listed on the BSE; or
- (iii) take any responsibility for the financial or other soundness of this company, its promoters, its management or any scheme or project of this Company;

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

#### ***Disclaimer Clause of the NSE***

As required, a copy of the Red Herring Prospectus has been submitted to National Stock Exchange of India Limited (“NSE”). NSE has given vide its letter dated September 14, 2007 given permission to the Issuer to use the NSE’s name in the Red Herring Prospectus as one of the Stock Exchanges on which this Issuer’s securities are proposed to be listed subject to the issuer fulfilling the various criteria for listing including the one related to paid up capital and market capitalisation. The NSE has scrutinised the Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the

Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

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

### ***Filing***

A copy of the Draft Red Herring Prospectus was filed with the SEBI. A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, has been 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 the RoC. A copy of this Red Herring Prospectus has been filed with SEBI at Securities and Exchange Board of India, SEBI Bhavan, G Block, 3<sup>rd</sup> Floor, Bandra Kurla Complex, Bandra East, Mumbai 400 051.

### ***Listing***

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Shares. NSE has been appointed as the Designated Stock Exchange, with which the Basis of Allotment would be finalised.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight 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 eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within seven working days of finalisation of the basis of Allotment for the Issue.

### ***Consents***

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Statutory Auditors, Bankers to the Company and Bankers to the Issue; and (b) Book Running Lead Managers and Syndicate Members, Escrow Collection Bankers, Registrar to the Issue and Legal Advisors to the Issue, Monitoring Agency, the IPO Grading Agency, and the Underwriters, to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the RoC, as required under Sections 60 and 60B of the Companies Act and such consents will not be withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

BSR & Associates, Chartered Accountants, and our statutory auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

CRISIL, the agency engaged by us for the purpose of obtaining IPO grading in respect of this Issue, has given its written consent to the inclusion of their name and reference to its report in the form and context in which it appears in the Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus to the Designated Stock Exchange.

### **Expert Opinion**

Except the report of CRISIL in respect of the IPO grading of this Issue, furnishing the rationale for its grading, our Company has not obtained any expert opinions.

### **Expenses of the Issue**

The estimated Issue expenses are as under:

Expenses	Issue Expenses (Rs.)	Expense breakdown*	
		% of total issue expenses	% of total issue size
Lead management fee and selling and underwriting commissions	•	•	•
Advertising and Marketing expenses	•	•	•
Printing and stationery	•	•	•
Others (Registrars fee, legal fee, listing fee etc.)	•	•	•
<b>Total estimated Issue expenses</b>	•	•	•

\* will be incorporated after finalisation of Issue Price

The total expenses of the Issue are estimated to be approximately Rs. • million. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Issue would be borne by the Company.

### **Fees payable to the BRLMs and Syndicate Members**

The total fees payable to the BRLMs will be as per the engagement letter and the memorandum of understanding dated August 16, 2007 between the Issuer and the BRLMs. A copy of memorandum of understanding is available for inspection at our Registered Office, from 10.00 am to 4.00 pm on Working Days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

### **Fees payable to the Registrar to the Issue**

The fees payable to the Registrar to the Issue will be as per the memorandum of understanding dated August 6, 2007 between the Company and the Registrar, a copy of which is available for inspection at our Registered Office, from 10.00 am to 4.00 pm on Working Days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses, including cost of stationery, postage, stamp duty and communications expenses.

Adequate funds will be provided to the Registrar to the Issue to enable it to send refund orders or Allotment advice by registered post.

### **IPO grading**

This Issue has been graded by CRISIL and has been assigned the CRISIL IPO Grade 4/5, indicating that the fundamentals of the Issue are above average, relative to other listed equity securities in India, through its letter dated October 22, 2007. A copy of the report provided by CRISIL, furnishing the rationale for its grading is available for inspection at our Registered Office from 10.00 am to 4.00 pm on Working Days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

Investors may note that a CRISIL IPO grading is a one-time assessment and reflects CRISIL's current opinion on the fundamentals of the graded equity issue in relation to other listed equity securities in India. A CRISIL IPO grading is neither an audit of the issuer by CRISIL nor is it a credit rating. Every CRISIL IPO grading is based on the information provided by the issuer or obtained by CRISIL from sources it considers reliable.

CRISIL does not guarantee the completeness or accuracy of the information on which the grading is based. A CRISIL IPO grading is not a recommendation to buy / sell or hold the graded instrument; it does not comment on the issue price, future market price or suitability for a particular investor. CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of CRISIL IPO gradings.

**Companies under the same management**

Except for the companies referred to in the section titled “Our Promoters and Promoter Group” commencing on page 142, there are no companies under the same management within the meaning of the erstwhile Section 370(1B) of the Companies Act.

**Particulars regarding public or rights issues during the last five years**

There were no public or rights issues by the Company during the last five years.

**Promise versus performance**

Our Company has not undertaken any public issues of securities previously.

**Outstanding debentures or bond issues or preference shares**

Our Company has no outstanding debentures or bonds or preference shares which are convertible into equity.

**Issues otherwise than for cash**

Our Company has not made any previous issues of shares otherwise than for cash except as stated in the section titled “Capital Structure” beginning on page 24.

**Commission and brokerage on previous/current issues**

No sum has been paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since our Company’s inception.

**Listed ventures of Promoters**

None of the ventures of our Promoters are listed.

**Stock market data for our Equity Shares**

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

**Other disclosures**

Our Promoter Group or our Directors have not purchased or sold any securities of our Company during the six months period preceding the date on which this Red Herring Prospectus is filed with the SEBI.

**Mechanism for redressal of investor grievances**

The MoU between the Registrar to the Issue and us will provide for retention of records with the Registrar to the Issue for a period of at least three years 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.

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed a Shareholders/Investors Grievance Committee on July 12, 2007 comprising Mr. Venkatchalam Ramaswamy, Mr. Kunnasagaran Chinniah and Mr. Sanjay Santhanam . We have also appointed Ms. Shilpa Soti, the Company Secretary as the Compliance Officer for this Issue.

#### **Change in statutory auditors**

The auditors of our Company are appointed (and reappointed) in accordance with provisions of the Companies Act and their remuneration, rights and duties are regulated by Sections 224 to 233 of the Companies Act.

<b>FY 2007</b>	<b>Reason</b>
We have appointed BSR & Associates as statutory auditors for FY 2007.	Appointment
<b>FY 2006</b>	<b>Reason</b>
Price Waterhouse was the statutory auditor of our Company from FY 2001 to FY 2006	Resignation

#### **Capitalisation of reserves or profits**

Our Company has not capitalised its reserves or profits during the last five years, except as stated in the section titled “Capital Structure” beginning on page 24.

#### **Revaluation of assets**

The Company has not revalued its assets in the last five years.

#### **Purchase of property**

There is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the Net Proceeds or the purchase or acquisition of which has not been completed on the date of this Red Herring Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material; or
- disclosure has been made earlier in this Red Herring Prospectus.

Please see the section titled “Our Business” beginning on page 70.

#### **Servicing behavior**

There has been no default in payment of statutory dues or of interest or principal in respect of our borrowings or deposits. Please see the section titled “Financial Statements” beginning on page 150 for details of borrowings in our Company.

## SECTION VIII : ISSUE INFORMATION

### TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Red Herring Prospectus, the Red Herring Prospectus, the Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note (“CAN”) and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, rules, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, the RoC, the FIPB and/or other authorities, as in force on the date of the Issue and to the extent applicable.

#### Authority for the Issue

The Issue has been authorized by a resolution of our Board dated July 12, 2007 and by special resolution passed pursuant to Section 81(1A) of the Companies Act, at the EGM of the shareholders of our Company held on July 20, 2007.

#### Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Companies Act, our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend. The Allottees, in receipt of allotment shares under this issue, will be entitled to dividends and/or any other corporate benefits, if any, declared by our Company after the date of allotment.

#### Mode of Payment of Dividend

Our Company shall pay dividend to the shareholders of our Company as per the provisions of the Companies Act.

#### Face Value and Issue Price

The face value of the Equity Shares is Rs. 5 each, the floor price of the Equity Shares is Rs. 725 per Equity Share and the Cap Price is Rs. 825 per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

#### Compliance with SEBI Guidelines

We shall comply with all applicable disclosure and accounting norms as specified by SEBI from time to time.

#### Rights of the Equity Shareholder

Subject to applicable laws, rules, regulations and guidelines and the provisions of our Articles, the equity shareholders of our Company shall have the following rights:

- (a) Right to receive dividend, if declared;
- (b) Right to attend general meetings and exercise voting powers, unless prohibited by law;
- (c) Right to vote on a poll either in person or by proxy;
- (d) Right to receive offers for rights shares and be allotted bonus shares, if announced;
- (e) Right to receive surplus on liquidation;
- (f) Right of free transferability of shares; and
- (g) 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 the Stock Exchanges and our Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association relating to voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see the section titled “Main Provisions of the Articles of Association of the Company” beginning on page 525.

### **Market Lot and Trading Lot**

As per the applicable law, the trading of our Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares will be in dematerialised form, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. Allotment in this Issue will be done only in electronic form in multiples of 1 Equity Share subject to a minimum Allotment of 8 Equity Shares.

### **Jurisdiction**

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Mumbai, Maharashtra, India.

### **Nomination Facility to the Investor**

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder, may nominate any one person in whom, in the event of the death of the 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/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the registrar and transfer agent of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by our Board, elect either:

- (a) to register himself or herself as the holder of the Equity Shares; or
- (b) to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our 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 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in this Issue will be made only in dematerialised mode, there is no need to make a separate nomination with our Company. Nominations registered with the 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.

### **Minimum Subscription**

If our Company does not receive the minimum subscription of 90% of the Issue, including devolvement of the BRLMs and the Syndicate Members if any, 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 eight days after our Company becomes liable to pay the amount, the Company shall pay interest prescribed under Section 73 of the Companies Act.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, our Company shall ensure that the number of prospective Allottees, to whom the Equity Shares will be Allotted will not be less than 1,000. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith.

**The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration**

requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A under the Securities Act, and (ii) outside the United States in compliance with 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.

#### **Application by Eligible NRIs, FIIs registered with SEBI and FVCIs registered with SEBI**

It is to be distinctly understood that there is no reservation for eligible NRIs and FIIs registered with SEBI or FVCIs registered with SEBI. All Non Residents, NRIs, FIIs and foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor applicants will be treated on the same basis with other categories for the purpose of allocation. As per existing regulations, OCBs cannot participate in the Issue.

#### **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. For details, see the section titled “Main Provisions of the Articles of Association” beginning on page 525.

#### **Withdrawal of the Issue**

The Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment, without assigning any reason therefor. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after Allotment and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. In terms of the SEBI Guidelines, the QIBs shall not be allowed to withdraw their Bids after the Bid/Issue Closing Date.

## SECTION IX : ISSUE STRUCTURE

The present Issue of 8,386,147 Equity Shares, comprising of Net Issue of 8,181,607 Equity Shares and a reservation for employees of upto 204,540 equity shares at a price of Rs. • for cash aggregating to Rs. • million, is being made through the 100% Book Building Process.

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>	<b>Employee Reservation Portion</b>
Number of Equity Shares*	At least 4,908,965 Equity Shares	Allocation of upto 818,160 Equity Shares or Issue less Allotment to QIB Bidders and allocation to Retail Individual Bidders.	Allocation of upto 2,454,482 Equity Shares or Issue less Allotment to QIB Bidders and allocation to Non-Institutional Bidders.	Upto 204,540 Equity Share
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 shall be available for allocation proportionately to Mutual Funds only.	Up to 10% of the Net Issue or the Net Issue less the allocation to QIB Bidders and Retail Individual Bidders .	Up to 30 % of the Net Issue or the Net Issue less the allocation to the QIB Bidders and Non institutional Bidders.	Upto 0.25% of the size of the Issue
Basis of Allotment/Allocation if respective category is oversubscribed	Proportionate as follows: (a) 245,448 Equity Shares shall be allocated on a proportionate basis to Mutual Funds;  (b) 4,663,517 Equity Shares 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 in multiples of 8 Equity Shares so that the Bid Price exceeds Rs. 100,000	Such number of Equity Shares in multiples of 8 Equity Shares so that the Bid Price exceeds Rs. 100,000	8 Equity Shares.	8 Equity Shares

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>	<b>Employee Reservation Portion</b>
Maximum Bid	Such number of Equity Shares not exceeding the size of the Issue , subject to applicable limits.	Such number of Equity Shares not exceeding the size of the Issue , subject to applicable limits.	Such number of Equity Shares in multiples of 8 Equity Shares whereby the Bid Price does not exceed Rs. 100,000.	Such number of Equity Shares in multiples of 8 Equity Shares and not exceeding 204,540 Equity Shares
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid Lot	8 Equity Shares in multiples of 8 Equity Shares	8 Equity Shares in multiples of 8 Equity Shares	8 Equity Shares in multiples of 8 Equity Shares	8 Equity Shares in multiples of 8 Equity Shares
Allotment Lot	8 Equity Shares in multiples of 1 Equity Share	8 Equity Shares in multiples of 1 Equity Share	8 Equity Shares in multiples of 1 Equity Share	8 Equity Shares in multiples of 1 Equity Share
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, scheduled commercial banks, mutual funds, FII, venture capital funds registered with SEBI, FVCI, multilateral and bilateral development financial institutions, and State Industrial Development Corporations, permitted insurance companies registered with the IRDA, subject to applicable law provident funds with minimum corpus of Rs. 250 million and pension funds	Eligible NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Individual Resident Indians (including HUFs in the name of the karta, eligible NRIs) applying for Equity Shares such that the Bid Price does not exceed Rs. 100,000 in value.	All or any of the following:  (i)A permanent employee of the Company as of the date of RHP i.e October 29, 2007 and based working and present in India as on the date of submission of the Bid cum Application Form.  (ii)a director of the Company, except any Promoters or members of the Promoter group, whether a whole time Director, part time Director or otherwise as of the date of the Red Herring Prospectus and based and present in India

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>	<b>Employee Reservation Portion</b>
	with minimum corpus of Rs. 250 million in accordance with applicable law.			as on the date of submission of the Bid cum Application
Terms of Payment	QIB Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Members of the Syndicate.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Members of the Syndicate.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Members of the Syndicate.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Members of the Syndicate.
Margin Amount	At least 10% of Bid Price.	Full Bid Price on bidding.	Full Bid Price on bidding.	Full Bid Price on bidding.

\* Subject to valid Bids being received at or above the Issue Price and subject to a minimum of 60% of the Net Issue being allotted to QIBs. In terms of Rule 19 (2)(b) of the SCRR, this is an Issue for less than 25% of the post Issue capital, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be Allocated for Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. 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 will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue would be allocated to Retail Individual Bidders, subject to valid bids being received from them at or above the Issue Price. Under-subscription, if any in any category, other than the QIB portion would be allowed to be met with the spill over from any other category or a combination of categories at the discretion of our Company in consultation with the BRLMs and the designated Stock Exchange. Further, 204,540 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 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.*

#### **Withdrawal of the Issue**

Our Company, in consultation with the BRLMs, reserves the right not to proceed with the Issue at anytime after the Bid/Issue Opening Date but before the meeting of our Board for Allotment, without assigning any reason therefore. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after Allotment and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. In terms of the SEBI Guidelines, the QIBs shall not be allowed to withdraw their Bids after the Bid/Issue Closing Date.

#### **Letters of Allotment or Refund Orders**

The Company shall give credit to the beneficiary account with Depository Participants within two Working Days from the date of the finalisation of basis of allocation. Please note that only Bidders having a bank account at any of the 15 centres where the clearing houses for the ECS are managed by the RBI are eligible to receive refunds through the modes stated above. For all the other Bidders, including Bidders who have not updated their bank particulars, alongwith the nine-digit MICR code, the refund orders shall be dispatched within 15 days of the Bidding/ Issue Closing Date “Under Certificate of Posting” for refund orders less than or equal to Rs. 1,500 and through speed post/registered post or Direct Credit, NEFT, RTGS or ECS at the sole or first Bidder’s sole option, for refund orders exceeding Rs. 1,500.

**Interest in case of delay in despatch of Allotment Letters/ Refund Orders.**

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

- (i) Allotment shall be made only in dematerialised form within 15 days from the Bid/ Issue Closing Date;
- (ii) 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; and
- (iii) Our Company shall pay interest at 15% per annum, if Allotment is not made, refund orders are not dispatched and/ or demat refund instructions have not been given to the clearing system in the disclosed manner within the 15 day time prescribed above.

Our 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 demands drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demands at other centres will be payable by the Bidders.

**(1) Bidding/Issue Programme**

<b>BID/ISSUE OPENS ON</b>	<b>November 15, 2007</b>
<b>BID/ISSUE CLOSES ON</b>	<b>November 20, 2007</b>

Bids and any revision in Bids shall be accepted only between 10 a.m. and 3 p.m. (Indian Standard Time) during the Bidding Issue Period as mentioned above at the Bidding centres mentioned in the Bid cum application Form and uploaded till (i) 5.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Price is in excess of Rs. 100,000 and (ii) till such time as permitted by the BSE and the NSE, in case of Bids by Retail Individual Bidders, where the Bid Price is up to Rs. 100,000. 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, no later than 3 p.m (Indian Standard Time) on the Bid/Issue Closing Date. 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 public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will be accepted only on working Days.

The Company reserves the right to revise the Price Band during the Bidding/Issue Period in accordance with the SEBI Guidelines 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 advertised at least one day before the Bid /Issue Opening Date. In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of the Price Band subject to the total Bidding /Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue, 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 sites of the BRLMs and at the terminals of the Syndicate

## ISSUE PROCEDURE

### Book Building Procedure

In terms of Rule 19(2) (b) of the SCRR, this is an Issue for less than 25% of post Issue capital of the Company, therefore the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be Allocated to Qualified Institutional Buyers (“QIBs”). 5% of the QIB 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 QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, upto 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, upto 204,540 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 members of the Syndicate only Further, QIB Bids can be submitted only through the BRLMs. In case of QIB Bidders, the Company, in consultation with the BRLMs, as the case may be, may reject Bids procured by, at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same shall be disclosed to such Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company would have a right to reject the Bids only on technical grounds.

Investors should note that Equity Shares would be allotted to all successful Bidders only in dematerialized 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 dematerialized segment of the Stock Exchange.

### *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.

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, FVCI or FIIs Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	Blue
Bidders in the Employee Reservation Portion	Pink

### *Who can Bid?*

1. Persons eligible to invest under all applicable laws, rules, regulations and guidelines
2. 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);
3. 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;

4. 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;
5. Companies and corporate bodies registered under the applicable laws in India and authorised to invest in equity shares;
6. 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;
7. Scientific and/or industrial research authorised to invest in equity shares;
8. Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);
9. Multilateral and bi-lateral development financial institutions;
10. Mutual funds registered with SEBI;
11. FIIs registered with SEBI;
12. Venture capital funds registered with SEBI;
13. State industrial development corporations;
14. Insurance companies registered with the IRDA;
15. As permitted by the applicable laws, provident funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares; and
16. Pension funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares.
17. Permanent employees or Directors (whole-time Directors, part-time Directors or otherwise), other than directors who are promoters or belong to the promoter group, of the Company, who are Indian Nationals and are based in India. The permanent employees should be on the payroll of the Company as of the date of the RHP and the Directors should be Directors on the date of the Red Herring Prospectus.
18. As per existing regulations promulgated under the FEMA, OCBs cannot Bid in the Issue.

**Participation by Associates of the BRLMs and Syndicate Members:**

**The BRLMs shall not be entitled to participate in this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs and Syndicate Members may subscribe to Equity Shares in the Issue either in the QIB Portion or in Non Institutional Portion as may be applicable to such investors, where the Allocation is on a proportionate basis. Such bidding and subscription may be on their own account or on behalf of their clients.**

**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.**

**The information below is given for the benefit of the Bidders. The Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of the 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.**

### **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 245,448 Equity Shares, allocation shall be made to Mutual Funds on proportionate basis to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. 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 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 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 capital carrying voting rights.

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.

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 mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

The 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. 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 for which the Bid has been made.

### **Bids by Eligible NRIs**

Eligible NRI Bidders to comply with the following:

1. Individual Eligible NRIs can obtain the Bid cum Application Forms from the Registered Office and our corporate office, with the members of the Syndicate or the Registrar to the Issue.
2. Eligible NRI Bidders may note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for Allotment. Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application Form meant for Resident Indians (white in colour).

### **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. 8,178,366 Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in us 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 maximum permissible foreign investment limit. 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 FVCI's**

***As per the current regulations, the following restrictions are applicable for investments by SEBI registered VCFs and FVCI's:***

The Securities and Exchange Board of India (Venture Capital) Regulations, 1996 and the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds registered with SEBI. Accordingly, the holding by any individual VCF in one company should not exceed 25% of the corpus of the VCF. An FVCI can invest its entire funds committed for investments into India in one company. Further, VCFs and FVCIs can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer.

The SEBI has issued a press release on October 16, 2006 stating that the shareholding of SEBI-registered VCFs and FVCIs held in a company prior to making an initial public offering would be exempt from lock-in requirements only if the shares have been held by them for at least one year prior to the time of filing the draft prospectus with SEBI.

***As per the current regulations, OCBs cannot participate in this Issue.***

Bids and revision of the Bids by Eligible NRIs and FIIs must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details).
3. Eligible NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and for a Bid Price of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation. Other Non-Resident Bidders for a minimum of such number of Equity Shares and in multiples of 8 thereafter that the Bid Price exceeds Rs. 100,000. For further details, see the section titled “Issue Procedure” beginning on page 495.
4. Bids by Eligible NRIs and FIIs 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.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only, 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 U.S. 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 Non-Resident External (NRE) accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

It is to be distinctly understood that there is no reservation for Eligible NRIs and FIIs and they will be treated on the same basis with other categories for the purpose of allocation.

**As per the existing policy of the government of India, OCBs cannot participate in this Issue.**

Further, NRIs, who are not Eligible NRIs, are not permitted to participate in this Issue.

**Bids by Eligible Employees**

For the purpose of the Employee Reservation Portion, Eligible Employee means permanent employees of the Company or its Subsidiaries, who are Indian nationals, are based in India and are physically present in India on the date of submission of the Bid- cum-Application Form. Bids under Employee Reservation Portion by Eligible Employees shall be

- (a) Made only in the prescribed Bid-cum-Application Form or Revision Form (i.e. pink colour Form).
- (b) Eligible Employees, as defined above, should mention their Employee Number at the relevant place in the Bid-cum-Application Form:
- (c) The sole/ first bidder should be Eligible Employees as defined above.
- (d) Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion.
- (e) Bids by Eligible Employees will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- (f) Eligible Employees who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. This facility is not available to other Eligible Employees whose minimum Bid Amount exceeds Rs. 100,000.
- (g) Bid/ Application by Eligible Employees can be made also in the “Net Issue to the Public” and such bids shall not be treated as multiple bids.
- (h) If the aggregate demand in this category is less than or equal to 204,540 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- (i) Under-subscription, if any, in the Employee Reservation Portion will be added back to the Retail Individual Bidder Portion in equal proportion. 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.
- (j) If the aggregate demand in this category is greater than 204,540 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to the section titled “Issue Procedure - Basis of Allotment” on page 495 of this Red Herring Prospectus.

**The above information is given for the benefit of the Bidders. The Bidders are advised to make their own enquiries about the limits applicable to them. The Company and the BRLMs do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. The Company and the BRLMs are not liable to inform the investors of any amendments or modifications 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 8 Equity Shares and in multiples of 8 Equity Shares thereafter so as to ensure that the Bid Price, (provided revision of Bids, if any), payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Price does not exceed Rs. 100,000. In case the Bid Price is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off Price option, the Bid would be considered for allocation under the Non Institutional Bidders Portion. The option to

bid at Cut-off Price is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase Equity Shares 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 Price exceeds Rs. 100,000 and in multiples of 8 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB margin on submission of Bid.

In case of revision in Bids, the Non Institutional Bidders, who are individuals, have to ensure that the Bid Price is greater than Rs. 100,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Price 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 QIB Bidders are not entitled to bid Cut-off Price.

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.

Refund amounts following a permitted withdrawal of a Bid shall be paid in the manner described under paragraph "Payment of Refund".

For Bidders in the Employee Reservation Portion

The Bid must be for a minimum of 8 Equity Shares and in multiples of 8 Equity Shares thereafter. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding 204,540 Equity Shares. The allotment in the Employee Reservation Portion will be on a proportionate basis.

**Information for the Bidders:**

Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLMs or Syndicate Member[s] or their authorized agent(s) to register their Bids.

The members of the Syndicate shall accept Bids from the Bidder during the Issue Period in accordance with the terms of the Syndicate Agreement.

- (a) Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.
- (b) The Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with the RoC and also publish the same in two widely circulated national newspapers (one each in English and Hindi) and a Marathi newspaper of wide circulation in the place where our Registered Office is situated. This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005.
- (c) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors. 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) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a authorised representative of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.
- (e) The Bidding/Issue Period shall be a minimum of three working days and shall not exceed seven

Working Days. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement.

- (f) The Price Band has been fixed at Rs. 725 to Rs. 825 per Equity Share, Rs. 725 being the lower end of the Price Band and Rs. 825 being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Re.1. Our Company, in consultation with the BRLMs, reserves the right to revise the Price Band during the Bidding Period. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the floor of the Price Band as disclosed in the Red Herring Prospectus.
- (g) In case the Price Band is revised, the Bidding/Issue Period may be extended, if required, by an additional three days, subject to the total Bidding/Issue Period not exceeding 10 Working Days. The revised Price Band and Bidding/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, and by issuing notices in two national newspapers (one each in English and Hindi) and a Marathi newspaper of wide circulation in the place where our Registered Office is situated and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.
- (h) Our Company, in consultation with the BRLMs, can finalise the Issue Price within the Price Band, without the prior approval of, or intimation to, the Bidders.

#### **Method and Process of Bidding**

The Company and the BRLMs shall declare the Bid/Issue Opening Date, the Bid/Issue Closing Date and Price Band in the Red Herring Prospectus to be filed with the RoC and also publish the same in two widely circulated national newspapers (one each in English and Hindi) and a Marathi newspaper. This advertisement, subject to the provisions of Section 66 of the Companies Act, shall be in the format prescribed in Schedule XX-A of the SEBI Guidelines, as amended by the SEBI Circular No. SEBI/CFD/DIL/DIP/17/2005/11/11 dated November 11, 2005. The BRLMs and Syndicate Members shall accept Bids from the Bidders during the Bidding Period in accordance with the terms of the Syndicate Agreement.

The Bidding/Issue Period shall be for a minimum of three Working Days and not exceeding seven Working Days. In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 Working Days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two widely circulated newspapers (one each in English and Hindi) and a Marathi newspaper and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.

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.

- (a) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (refer to the paragraph titled “Bids at Different Price Levels and Revisions of Bids” on page 495) within the Price Band and specify the demand (i.e. the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- (b) 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 section titled “Issue Procedure-Bids at Different Price Levels and Revision of Bids” beginning on page

495.

- (c) 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.
- (d) 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.
- (e) Along with the Bid cum Application Form, all Bidders will make payment in the manner described in the section titled “Issue Procedure-Terms of Payment and Payment into the Escrow Account” commencing on page 495.

#### **Bids at Different Price Levels and Revision of Bids**

The Price Band has been fixed at Rs. 725 to Rs. 825 per Equity Share, Rs. 725 being the Floor Price and Rs. 825 being the Cap Price. The Bidders can Bid at any price within the Price Band in multiples of Re.1.

The Company, in consultation with the BRLMs, reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI Guidelines. 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 Price can move up or down to the extent of 20% of the Floor Price disclosed in the Red Herring Prospectus.

In case of a revision of the Price Band, the Bid/Issue Period shall be extended for three additional Working Days, 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 BSE and the NSE, by issuing a public notice in two widely circulated national newspapers (one each in English and Hindi) and a Marathi newspaper with a wide circulation, and also by indicating the change on the website of the BRLMs and at the terminals of the members of the Syndicate.

The Company, in consultation with the BRLMs, can finalize the Issue Price within the Price Band without the prior approval of, or intimation to, the Bidders.

- (1) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 and Bidders in the Employee Reservation Portion may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non Institutional Bidders and such Bids from QIB Bidders and Non Institutional Bidders shall be rejected.**
- (2) Retail Individual Bidders and bidders in the Employee Reservation Portion who Bid at the Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Bidders in the Employee Reservation Portion Bidding at Cut-Off Price shall deposit the Bid Price based on the Cap Price in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders or the Bidders in the Employee Reservation Portion, who Bid at Cut-off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders or Bidders in the Employee Reservation Portion who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.
- (3) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and the Eligible Employees bidding under the Employee Reservation Portion who had Bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 1,00,000 for Retail Individual Bidders, if such 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 Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders, the

Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from such Bidder and such Bidder is deemed to have approved such revised Bid at Cut-off Price.

- (4) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and the Eligible Employees bidding under 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.
- (5) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 8 Equity Shares, irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000-7,000.

#### **Buildup of the Book and Revision of Bids**

- (a) 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.
- (b) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (c) 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.
- (d) 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.
- (e) 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 BRLMs and their affiliates 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.

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. Only Bids that are uploaded on the online IPO system of the NSE and the BSE shall be considered for Allotment. In the event of a discrepancy of data between the Bids registered on the online IPO system and the physical Bid cum Application form, the decision of the Company in consultation with the BRLMs, based on the physical records of the Bid-cum-Application forms, shall be final and binding on all concerned.

#### **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 NRIs and FIIs applying on a repatriation basis and pink colour for Eligible Employees.).
- (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 Form or Revision Forms are likely to be rejected.

- (c) The Bids from the Retail Individual Bidders must be for a minimum of 8 Equity Shares and in multiples of 8 Equity Shares, thereafter subject to a maximum Bid Price of Rs. 100,000.
- (d) The Bids in the Employee Reservation portion must be for a minimum of such number such number of Equity Shares in multiples of 8 Equity Shares.
- (e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of 8 Equity Shares such that the Bid Price exceeds or is equal to Rs. 100,000 and in multiples of 8 Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (f) Eligible NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of 8 Equity Shares thereafter that the Bid Price exceeds Rs. 100,000.
- (g) Bids by Non-Residents, Eligible NRIs, FVCIs, FIIs etc. 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 to the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

#### **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.

#### **Electronic registration of Bids**

- (a) The members of the Syndicate will register the Bids using the on-line facilities of the NSE and the BSE. 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 NSE and the BSE 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/Issue Period. The members of the Syndicate 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. This information will be available from the BRLMs on a regular basis. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).
- (c) The aggregate demand and price for Bids registered on the electronic facilities of the NSE and the BSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all Bidding centers and at the websites of the NSE and the BSE. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding/ Issue Period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of

the investor in the on-line system:

1. 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 Depository 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
  2. Investor category – individual, corporate, FII, Eligible NRI, FVCI, QIBs, Eligible Employee or Mutual Fund etc.
  3. Numbers of Equity Shares Bid for
  4. Bid price
  5. Bid cum Application Form number
  6. Margin Amount, as applicable, paid upon submission of Bid cum Application Form
  7. 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 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, BRLMs and/or their affiliates have the right to accept the Bid or reject it. However, rejection should be made at the time of receiving the Bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds as listed in the section titled "Issue Procedure-Grounds for Technical Rejection" on page 495.
- (h) The permission given by the NSE and the BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLMs are cleared or approved by the NSE and the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.
- (i) The approval given by the NSE and the BSE should not in any way be deemed or construed to signify that the Red Herring Prospectus has been cleared or approved by the NSE and the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the NSE and the BSE.
- (j) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for Allocation. In case of discrepancy of data between the NSE or the BSE and the members of the Syndicate, the decision of the BRLMs, based on the physical records of Bid cum Application Forms, shall be final and binding on all concerned.

#### **Price Discovery and Allocation**

- (a) After the Bid/Issue Closing Date, the BRLMs will analyse the demand generated at various price levels.
- (b) Our Company, in consultation with the BRLMs, shall finalise the "Issue Price" and the number of Equity Shares to be allocated in each investor category.
- (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 proportionate basis, in the manner specified in the SEBI Guidelines and this Red Herring Prospectus and in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the

Issue Price.

- (d) Under-subscription, if any, in the Non-Institutional category and the Retail Individual category would be met with spill over from any other category at the sole discretion of our Company in consultation with the BRLMs. However, if the aggregate demand by Mutual Funds is less than 245,448 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be Allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLMs, and the Designated Stock Exchange.
- (e) Any under subscription in the Employee Reservation Portion would be included in the Net Issue.
- (f) Allocation to Eligible NRIs, FVCIs, FIIs etc. applying on repatriation basis will be subject to applicable law and the terms and conditions stipulated by the RBI, while granting permission for Allotment of Equity Shares to them in this Issue.
- (g) The BRLMs, in consultation with us, shall notify the other 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.
- (h) Our Company reserves the right to cancel the Issue at any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.
- (i) Allocation to FIIs and Eligible NRIs applying on repatriation basis will be subject to the applicable law.
- (j) The Company in consultation with the BRLMs, reserves the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate. Rejection of Bids made by QIBs, if any, will be made at the time of submission of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing.

The Allotment details shall be put on the website of the Registrar to the Issue.

#### **Signing of Underwriting Agreement and RoC Filing**

Our Company, the BRLMs and the Syndicate Member[s] shall enter into an Underwriting Agreement upon finalisation of the Issue Price. After signing the Underwriting Agreement, our Company would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

#### **Filing of the Prospectus with the RoC**

Our Company will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60, and Section 60B of the Companies Act.

#### **Announcement of Pre-Issue Advertisement**

Subject to Section 66 of the Companies Act, our Company shall, after receiving final observations, if any, on the Draft Red Herring Prospectus, publish an advertisement in the form prescribed by the SEBI Guidelines, in two widely circulated national newspapers (one each in English and Hindi) and a Marathi newspaper with wide circulation.

#### **Advertisement regarding Issue Price and Prospectus**

After filing of the Prospectus with the RoC, a statutory advertisement will be issued by our Company in widely circulated English and Hindi national newspapers and a Marathi newspaper with wide circulation in the place where our Registered Office 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 BRLMs or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been Allotted Equity Shares in the Issue. The approval of the basis of Allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that the Company shall ensure that the demat credit of Equity Shares pursuant to Allotment shall be made on the same date to all investors in this Issue;
- (b) The BRLMs or members of the Syndicate would then dispatch the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of 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 paid the Margin Amount into the Escrow Account at the time of bidding shall pay the balance amount payable into the Escrow Account by the Pay-in Date specified in the CAN; and
- (c) Such Bidders who have been allotted Equity Shares and who have already paid the Bid Amount for the said Equity Shares into the Escrow Account at the time of Bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the Issue Price for the Allotment to such Bidder.
- (d) The issuance of CAN is subject to “Allotment Reconciliation and Revised CANs” as set forth herein.

#### **Allotment Reconciliation and Revised CANs**

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bid applications received. Based on the electronic book, QIBs will be sent a CAN indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange and specified in the physical book. As a result, a revised CAN may be sent to QIBs, under certain circumstances 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 and the Refund Account on the Designated Date, our Company would ensure the credit to the successful Bidders' depository accounts of the Allotted Equity Shares to the Allottees within two Working Days from the date of Allotment.
- (b) As per the SEBI Guidelines, **Equity Shares will be issued 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.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.**

#### **GENERAL INSTRUCTIONS**

***Do's:***

- (a) Check if you are eligible to apply having regard to the applicable laws, rules, regulations, guidelines and approvals and the terms of the Red Herring Prospectus. Ensure that your Bid is within the Price Band.
- (b) Read all the instructions carefully and complete the Bid cum Application Form (white, blue or pink in colour) as the case may be.
- (c) Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be Allotted in the dematerialised form only.
- (d) Ensure that the Bids are submitted at the Bidding centers only on forms bearing the stamp of a member of the Syndicate.
- (e) Ensure that you have been given a TRS for all your Bid options, and ensure that you bid within the Price Band.
- (f) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS.
- (g) In case the PAN has not been allotted mention "Applied for" or "Not Applicable" in the appropriate places and submit Form 60 or Form 61 as the case may be together with permissible documents as proof of address.
- (h) 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
- (i) Ensure that the Demographic Details are updated, true and correct, in all respects.

***Don'ts:***

- (a) Do not Bid for lower than the minimum Bid size.
- (b) Do not Bid/revise Bid price to less than Floor Price or higher than the Cap Price.
- (c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate.
- (d) Do not pay the Bid Price in cash, by money order or by postal order or by stockinvest.
- (e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only.
- (f) Do not Bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders).
- (g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.
- (h) **Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**
- (i) Do not bid at Bid Amount exceeding Rs. 100,000, in case of Bid by a Retail Individual Bidder.
- (j) Do not submit the Bid without the QIB margin, in case of Bids by a QIB.

### **Instructions for completing the Bid Form**

Bidders can obtain the Bid cum Application Form and / or Revision Form from the members of the Syndicate.

### **Bidder's Depository Account Details and Bank Account Details**

**Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant Identification Number and Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the concerned Depository, the Bidders' bank account details, full demographical details including the address and the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. These Bank Account details would be used for giving refunds (including through physical refund warrants, direct credit, ECS, NEFT and RTGS) 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 of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs 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. 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 THE EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.**

**Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.**

These Demographic Details would be used for all correspondence with the Bidders including mailing of the 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, nor the Registrar, Escrow Collection Bank(s) nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.**

In case no corresponding record is available with the Depositories 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 account number/ identity, then such Bids are liable to be rejected.

The Company in its absolute discretion, reserves 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. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.**

**All 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 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 Bids in whole or in part, in either case without assigning any reasons therefor.

In case of Bids made pursuant to a power of attorney by FIIs or FVCIs a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part in either case without assigning any reasons therefrom.

In case of the 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 a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to reject such Bid in whole or in part, without assigning any reasons therefor.

In case of Bids made by insurance companies registered with the IRDA, a certified copy of certificate of registration issued by IRDA 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 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, the 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 or the BRLMs may deem fit.

Our Company, in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar to the Issue that, for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Issue shall use Demographic Details as given on the Bid-cum-Application Form instead of those obtained from the Depositories.

## **PAYMENT INSTRUCTIONS**

### **Escrow Mechanism**

Our Company and the members of the Syndicate shall open Escrow Accounts with the Escrow Collection Banks for collection of Margin/Bid Prices as the case may be payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in this Issue. The Escrow Collection Banks will act in terms of the Red Herring Prospectus, the Prospectus and the Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the funds equivalent to the size of the Issue therein in trust for the Bidders. On the Designated Date, the Escrow

Collection Banks shall transfer the monies from the Escrow Account, as per the terms of the Escrow Agreement, to the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account will be transferred to the Refund Account for the benefit of the Bidders who are entitled to refunds. Payments of refunds to the Bidders shall also be made from the Refund Account(s) with the Refund Banker(s) as per the terms of the Escrow Agreement, Red Herring Prospectus and the Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

### **Terms of Payment and Payment into the Escrow Accounts**

Each Bidder shall pay the applicable Margin/Bid Amount at the time of submission of the Bid cum Application Form by way of a cheque or demand draft in favour of the Escrow Account as per the below stated terms.

- (a) Each category of Bidders i.e. QIB Bidders, Non Institutional Bidders and Retail Individual Bidders and the employees Bidding under the Employee Reservation Portion shall provide the applicable Margin Amount at the time of the submission of the Bid cum Application Form by way of a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s). (For details please see the section titled “Issue Procedure: Terms of Payment and Payment into the Escrow Account” beginning on page 495) and submit the same to the member of the Syndicate to whom the Bid is being submitted. The Margin Amount payable by each category of Bidders is mentioned in the section titled “Issue Structure” beginning on page 491. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid Price has to be paid at the time of submission of the Bid cum Application Form based on the highest Bidding option of the Bidder. However, if the applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid-cum-Application Form. QIB Bidders will be required to deposit a margin of at least 10% at the time of submitting their Bids.
- (b) Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled.
- (c) Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on Bidding, if any, after adjustment for Allotment, will be refunded to such Bidder in terms of the Red Herring Prospectus.
- (d) The payment instruments for payment into the Escrow Account should be drawn in favour of:
  - In case of Resident QIB Bidders: “Escrow Account – ECL Public Issue – QIB -R ”
  - In case of Non Resident QIB Bidders: “Escrow Account – ECL Public Issue – QIB -NR”
  - In case of Resident Non-Institutional and Retail Individual Bidders: “Escrow Account – ECL Public Issue -R”
  - In case of Non-resident Non-Institutional and Retail Individual Bidders: “Escrow Account – ECL Public Issue – NR”
  - In case of Eligible Employees applying under the Employee reservation Portion: “Escrow Account – ECL Public Issue – Employee”
- (e) In case of Bids by Eligible 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 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 or FCNR account.
- (f) In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to a Special Rupee Account.
  - (g) The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank, which will hold the monies deposited in the Escrow Accounts for the benefit of the Bidders until the Designated Date
  - (h) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on Bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.
  - (i) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account.
  - (j) On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for Allotment to the Bidders.
  - (k) 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 banker's 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.
  - (l) Bidders are advised to mention the number of application form on the reverse of the cheque / demand draft to avoid misuse of instruments submitted along with the Bid-cum-Application Form. In case clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Banks, such Bids are liable to be rejected.

#### **SUBMISSION OF BID CUM APPLICATION FORM**

All applications are electronically strung on first name, address and applicant status. These applications are electronically matched for common first name and address and if matched, these are checked manually for age, signature and father/husbands name to determine if they are multiple applications.

Applications which do not qualify as multiple applications as per above procedure are further checked for common DP ID/beneficiary ID. Applications with common DP ID/ beneficiary ID are manually checked to eliminate possibility of data entry error to determine if they are multiple applications.

Applications which do not qualify as multiple applications as per above procedure are further checked for common PAN. All such matched applications with common PAN are manually checked.

#### **OTHER INSTRUCTIONS**

##### **Joint Bids in case of Individuals**

Bids may be made in single or joint names (not more than three). In 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 applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as probable multiple master.
2. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.
3. The Registrar will obtain, from depositories, details of the applicants' address based on the DP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master.
4. The addresses of all the applicants from the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of addresses and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the application processed. A print-out of the addresses will be taken to check for common names. The Application with same name and same address will be treated as multiple applications.
5. The applications will be scrutinised for similar Depository Participant identification and Beneficiary Account Numbers/client identity numbers. In cases where applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
6. Subsequent to the aforesaid procedures, a print out of multiple master will be taken and applications physically verified to tally signatures and also father's/husband's names. On completion of this, 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.

The Company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

In cases where there are more than 20 valid applicants having a common address, such shares will be kept in abeyance, post Allotment and released on confirmation of KYC norms by the depositories.

#### **Permanent Account Number ("PAN")**

Where Bid(s) is/are for Rs. 50,000 or more, the Bidders or, in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. A copy of the PAN card or PAN allotment letter is required to be submitted with the Bid cum Applications Form without this information and documents will be considered incomplete and are liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground. In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should Mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a PAN and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary

evidence in support of address given in the declaration. It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61, as the case may be.

### **The Company's Right to Reject Bids**

In case of QIB Bidders, the Company, in consultation with the BRLMs, may reject Bids provided that the reason for rejecting the Bid shall be provided to such Bidders 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.

Consequent refunds shall be made as described in this Red Herring Prospectus and will be sent to the Bidder's address at the Bidder's risk.

### **Grounds for Technical Rejections**

Bidders are advised to note that Bids are liable to be rejected on, inter alia, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of first Bidder not given;
3. Bank account details for Bidders not given;
4. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such, shall be entitled to apply;
5. Bids by Non Residents, if not in compliance with the appropriate foreign and Indian laws;
6. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and insane persons;
7. PAN photocopy/PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if the Bid is for Rs. 50,000 or more;
8. GIR number furnished instead of PAN;
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 and QIB Bidders;
13. Bids for number of Equity Shares, which are not in multiples of 8;
14. Category not ticked;
15. Multiple Bids as defined in this Red Herring Prospectus;
16. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
17. Bids accompanied by stockinvest/money order/postal order/cash;
18. Signature of sole and/or joint Bidders missing;
19. Bid cum Application Form does not have the stamp of the BRLMs or the Syndicate Members;
20. Bid cum Application Form does not have the Bidder's depository account details;
21. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Form;
22. 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 and the beneficiary account number;
23. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled "Issue Procedure" beginning on page 495;
  24. Bid in respect of which Bid cum Application form do not reach the Registrar prior to the finalization of the basis of allotment;
  25. Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
  26. Bids by OCBs;
  27. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act or other than in reliance on Regulation S under the Securities Act;
  28. Bids by any person outside India if not in compliance with applicable foreign and Indian laws;
  29. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
  30. Bids not uploaded in the Book would be rejected; and
  31. Bids or revision thereof by QIB Bidders and Non – Institutional Bidders where the Bid amount is in excess of Rs. 100,000, uploaded after 5.00 p.m. or any such time as prescribed by Stock Exchange on the Bid / Issue closing Date.
  32. Bids in the Employee Reservation Portion by employees who are not Eligible Employees; and
  33. Bids by QIBs not submitted through BRLMs or members of the Syndicate.

#### **Equity Shares in dematerialised form with NSDL or CDSL**

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a 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 our Company, the respective Depositories and the Registrar to the Issue:

- (a) an agreement dated October 9, 2007 between NSDL, our Company and Registrar to the Issue;
- (b) an agreement dated September 25, 2007 between CDSL, our Company and 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 the Depository Participants of either NSDL or CDSL prior to making the Bid.
- (b) The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
- (c) Equity Shares Allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- (d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with 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) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- (h) The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

## COMMUNICATIONS

All future communication in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid 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 respective beneficiary accounts, refund orders etc.

## 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.”**

**Basis of Allotment.**

### **A. *For Retail Individual Bidders***

- (a) 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 successful Retail Individual Bidders will be made at the Issue Price.
- (b) The Issue size less Allotment to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- (c) If the aggregate demand in this category is for less than or equal to 2,454,482 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.
- (d) If the aggregate demand in this category is greater than 2,454,482 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of 8 Equity Shares and in multiples of one Equity Share thereafter. For the method of proportionate basis of allotment, refer below.

### **B. *For Non-Institutional Bidders***

- (a) 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.

- (b) The Issue size less Allotment to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- (c) If the aggregate demand in this category is less than or equal to 818,160 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their aggregate demand.
- (d) In case the aggregate demand in this category is greater than 818,160 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 8 Equity Shares and in multiples of one Equity Share thereafter. For the method of proportionate basis of Allotment refer below.

**C. For QIB Bidders**

- (a) At least 60% of the Net Issue shall be allotted to the QIB Bidders.
- (b) 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.
- (c) The Issue size less allocation to Non-Institutional Portion and Retail Portion shall be available for proportionate allocation to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.
- (d) However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Funds Portion. After completing proportionate allocation to Mutual Funds for an amount of up to 245,448 Equity Shares (the Mutual Funds Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with Bids by other QIBs, in the remainder of the QIB Portion (i.e. after excluding the Mutual Funds Portion). For the method of allocation in the QIB Portion, see the paragraph titled "Illustration of Allotment to QIBs" appearing below. If the valid Bids by Mutual Funds are for less than 245,448 Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and allocated proportionately to the QIB Bidders. For the purposes of this paragraph it has been assumed that the QIB Portion for the purposes of the Issue amounts to 60% of the Net Issue size, i.e. 4,908,965 Equity Shares.
- (e) Allotment shall be undertaken in the following manner:
  - (I) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
    - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid Bids received above the Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any and not allocated to Mutual Funds shall be available for allotment to all QIB Bidders as set out in (d) above;
  - (II) In the second instance allotment to all QIBs shall be determined as follows:
    - (I) In the event of oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids at or above the Issue Price shall be Allotted Equity

Shares on a proportionate basis for up to 95% of the QIB Portion.

- (ii) Mutual Funds, who have received allocation as per (d) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
- (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

Except for any Equity Shares allocated to QIB Bidders due to undersubscription in the Retail Portion and/or Non Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis of at least 4,908,965 Equity Shares. For the method of proportionate basis of allocation refer below.

The BRLMs, the Registrar to the Issue and the Designated Stock Exchange shall ensure that the basis of Allotment is finalized in a fair and proper manner in accordance with the SEBI Guidelines. 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.

#### 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% of the Net Issue)	120 million Equity Shares
	Of which:	
a.	Reservation For Mutual Funds, (5%)	6 million
b.	Balance for all QIBs including Mutual Funds	114 million
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	500 million

##### 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
	<b>TOTAL</b>	<b>500</b>

# A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

##### C. Details of Allotment to QIB Bidders/Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 6 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 114 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	50	0	11.40	0
A2	20	0	4.56	0
A3	130	0	29.64	0
A4	50	0	11.40	0
A5	50	0	11.40	0
MF1	40	1.2	9.12	10.32
MF2	40	1.2	9.12	10.32
MF3	80	2.4	18.24	20.64
MF4	20	0.6	4.56	5.16
MF5	20	0.6	4.56	5.16
	<b>500</b>	<b>6</b>	<b>114</b>	<b>51.64</b>

Notes:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled "Issue Structure" beginning on page 491.
2. Out of 120 million Equity Shares allocated to QIBs, 6 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 million shares in the QIB Portion.
3. The balance 114 million Equity Shares [i.e. 100 - 5 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 500 Equity Shares (including five Mutual Fund applicants who applied for 200 million Equity Shares).
4. The figures in the fourth column titled "Allocation of balance 114 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:
  - (a) For QIBs other than Mutual Funds (A1 to A5) = Number of Equity Shares Bid for X 95/495.
  - (b) For Mutual Funds (MF1 to MF5) = [(No. of shares bid for (i.e., in column II of the table above) less Equity Shares Allotted ( i.e., column III of the table above)] X 95/495.
  - (c) The numerator and denominator for arriving at allocation of 114 million Equity Shares to the 10 QIBs are reduced by 6 million shares, which have already been Allotted to Mutual Funds in the manner specified in column III of the table above.

#### For Employee Reservation Portion

- (i) 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.
- (ii) If the aggregate demand in this category is less than or equal to Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- (iii) If the aggregate demand in this category is greater than Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 8 Equity Shares and in multiple

of 1 Equity Share thereafter.

- (iv) Only Eligible Employees eligible to apply under Employee Reservation Portion. For the method of proportionate basis of allocation, refer below.

#### **Procedure and Time of Schedule for Allotment and demat Credit of Equity**

The Issue will be conducted through a "100% book building process" pursuant to which the members of the Syndicate will accept Bids for the Equity Shares during the Bidding Period. The Bidding Period will commence on November 15, 2007 and expire on November 20, 2007. Following the expiration of the Bidding Period, the Company, in consultation with the BRLMs, will determine the Issue Price, and, in consultation with the BRLMs, the basis of allocation and entitlement to Allotment based on the Bids received and subject to confirmation by the Stock Exchange(s). Successful Bidders will be provided with a confirmation of their allocation (subject to a revised confirmation of allocation) and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The SEBI Guidelines require the Company to complete the Allotment to successful Bidders within 15 days of the expiration of the Bidding Period. The Equity Shares will then be credited and Allotted to the investors' demat accounts maintained with the relevant Depository Participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence.

#### **Method of Proportionate basis of Allotment in the Issue**

In the event of the Issue being over-subscribed, the Company shall finalise the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs, and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalised in a fair and proper manner.

Bidders will be categorised according to the number of Equity Shares applied for by them and the Allotment shall be made in marketable lots on a proportionate basis as explained below.

1. 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.
2. 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.
3. In all Bids where the proportionate Allotment is less than 8 Equity Shares per Bidder, the Allotment shall be made as follows:
  - (a) Each successful Bidder shall be Allotted a minimum of 8 Equity Shares; and
  - (b) 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.
4. If the proportionate Allotment to a Bidder is a number that is more than 8 but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all in such categories would be Allotted Equity Shares arrived at after such rounding off.
5. If the Equity Shares allocated 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 Equity Shares are not sufficient for 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.

## **DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND ALLOTMENT**

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 2 (two) Working Days of date of Allotment. Our Company shall dispatch refund orders, if any, of value up to Rs. 1,500, "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder's sole risk and adequate funds for this purpose shall be made available to the Registrar for this purpose.

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.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within 7 (seven) working days of finalisation of the basis of Allotment.

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

- Allotment of Equity Shares shall be made only in dematerialised form within 15 (fifteen) days of the Bid /Issue Closing Date;
- dispatch of refund orders within 15 days of the Bid /Issue Closing Date would be ensured; and
- our Company shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if Allotment is not made and refund orders are not dispatched 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 as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.
- Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

### **Mode of making refunds**

The payment of refund, if any, would be done through various modes in the following order of preference:

- (a) ECS – Payment of refunds would be mandatorily done through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned fifteen centres, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS. Refunds through ECS may also be done at other locations based on operational efficiency and in terms of demographic details obtained by Registrar from the depository participants.
- (b) NEFT (National Electronic Fund Transfer) – 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. The process flow in respect of refunds by way of NEFT is at an evolving stage hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.

- (c) Direct Credit – Applicants having bank accounts with the Refund Banker(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.
- (d) RTGS – Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
- (e) For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value 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 Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

#### **Disposal of Investor Grievances by our Company**

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Ms. Shipa Soti, Company Secretary as the Compliance Officer and she may be contacted in case of any pre-Issue or post-Issue-related problems. She can be contacted at the following address:

Ms. Shilpa Soti  
14<sup>th</sup> Floor, Express Towers  
Nariman Point  
Mumbai 400021  
India  
Tel: + 91 22 2286 4400  
Fax: + 91 22 2286 4278  
E-mail: ecl.ipo@edelcap.com

#### **Undertaking by our Company**

Our Company undertakes as follows:

- that the complaints received in respect of this Issue shall be attended to by our Company expeditiously ;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven Working Days of finalisation of the basis of Allotment;
- that the funds required for making refund to unsuccessful applicants as per the modes disclosed shall

be made available to the Registrar to the Issue by the Issuer;

- that the refund orders or Allotment advice to the Eligible NRIs or FIIs shall be dispatched within 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; and
- 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.

Our 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 Net Proceeds.

#### **Utilisation of Issue proceeds**

Our Board of Directors certifies 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 the Issue referred above shall be disclosed under an appropriate separate head in the 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 our balance sheet indicating the form in which such unutilised monies have been invested; and
- we shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

#### **Withdrawal of the Issue**

The Company in consultation with the BRLMs reserves the right not to proceed with the Issue at anytime including after the Bid/Issue Opening Date without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after Allotment and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing date.

## RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy 1991 of the Government of India and FEMA. 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 1991, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investments.

### Subscription by Non-Residents

**The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares may be offered and sold only (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A under the Securities Act, and (ii) outside the United States in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.**

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

There is no reservation for any FIIs or Eligible NRIs and such FIIs or Eligible NRIs will be treated on the same basis with other categories for the purpose of allocation. All non-residents, Eligible NRIs, FIIs and foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor applicants will be treated on the same basis with other categories for the purpose of allocation

The above information is given for the benefit of the Bidders. Our Company and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may 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. However, we shall update this Red Herring Prospectus and keep the public informed of any material changes in matters concerning our business and operations till the listing and commencement of trading of the Equity Shares.

## **SECTION X : MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION OF OUR COMPANY**

Capitalised terms used in this section have the meaning given to such terms in the Articles of Association of the Company.

Pursuant to Schedule II of the Companies Act and the DIP Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares/debentures and/or on their consolidation/splitting are detailed below:

The regulations contained in Table 'A' of Schedule I to the Companies Act (Act 1 of 1956) shall not apply only in so far as the same are not provided for or are not inconsistent with these Articles and the regulations for the management of the Company and for observance of the members thereof and their representatives shall, subject to any exercise of the statutory powers of the Company with reference to repeal or alteration or of addition to, its regulations by special resolution, as prescribed by the Companies Act, 1956, be such as are contained in these Articles.

### **Shares**

#### ***Further Issue of Shares***

Article 4. (a) (1) provides that "Where at any time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the Allotment of shares in the company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the company by Allotment of further shares then:

- (a) Such further shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the company, in proportion, as nearly as circumstances admit, to the capital paid-up on those shares at that date ;
- (b) The offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined;
- (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice referred to in sub-clause (b) shall contain a statement of this right;
- (d) After the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the company."

Article 4. (a) (2) provides that "Notwithstanding anything contained in subclause (1) the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.

- (a) If a special resolution to that effect is passed by the company in general meeting, or
- (b) Where no such resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in that general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the company."

Article 4. (a) (3) provides that "Nothing in sub-clause (c) of (1) hereof shall be deemed:

- (a) To extend the time within which the offer should be accepted; or

- (b) To authorize any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.”

Article 4. (a) (4) provides that “Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debentures issued by the company:

- (a) To convert such debentures or loans into shares in the company ; or
- (b) To subscribe for shares in the company

Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- (a) Either has been approved by the central Government before the issue of debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf ; and
- (b) In the case of debentures or loans or other than debentures issued to, or loans obtained from the Government or any institution specified by the Central Government in this behalf, has also been approved by the special resolution passed by the company in General Meeting before the issue of the loans.”

#### ***Shares at the Disposal of the Directors***

Article 4 (b) provides that “Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the company for the time being shall be under the control of the directors who may issue, allot or otherwise dispose of the same or any of them to such person, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of section 79 of the Act) at a discount and at such time as they may from time to time think fit and with sanction of the company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the directors think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting.”

#### ***Return of Allotments***

Article 5 provides that “As regards all Allotment made from time to time that Company shall duly comply with Section 75 of the Act.”

#### ***Restrictions on Allotments***

Article 6 provides that “If the Company shall offer any of its shares to the public for subscription:

- (a) No Allotment shall be made, unless the amount stated in the prospectus as the minimum subscription has been subscribed, and the sum payable on application thereof has been paid to and received by the Company, but this provision shall not longer apply after the first Allotment of shares offered to the public for subscription.
- (b) The Company shall comply with the provisions of Section 69(4) of the Act.

And if the Company shall propose to commence business on the footing of a statement in lieu of prospectus the Board shall not make any Allotment of shares payable in cash unless seven at least of the shares proposed to be issued shall have been subscribed for in cash footing by seven members and the Section 70 of the Act shall have been complied with.”

### ***Commission and Brokerage***

Article 7 provides that “The Company may exercise the powers of paying commissions conferred by Section 76 of the Act, provided that the rate percent or the amount of commission paid or agreed to be paid shall be disclosed in the manner required by the section and the commission shall not exceed 5 percent of the price at which any shares, in respect whereof the same is paid or 21/2 percent of the price at which any debentures are issued (as the case may be). Such commission may be satisfied by the payment of cash or the Allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares or debentures pay such brokerage as may be lawful.”

### ***Redeemable Preference Shares***

Article 8 provides that “Subject to the provisions of these Articles, the Company shall have power to issue preference shares carrying a right to redemption out of profits which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or liable to be redeemed at the option of the Company and Board may, subject to the provisions of Section 80 of the Act, exercise such power in such manner as may be provided in these Articles.”

### **Calls**

#### ***Board of Directors to make calls***

Article 16 provides that “The Board may, from time to time, subject to the terms on which any shares may have been issued, subject to the provisions of Section 91 of the Act, make such calls as the Board thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively, and not be the conditions of Allotment thereof made payable at fixed time and each member shall pay the amount of every call so made on him to the persons and at the times and places appointed by the Board. A call may be made payable by installments and shall be deemed to have been made when the resolution of the Board authorizing such call was passed.”

#### ***When interest on Call or installment payable***

Article 17 provides that “If the sum payable in respect or any call or installment be not paid on or before the day appointed for payment thereof, the member for the time being in respect of the share for which the call shall have been made or the installment shall be due shall pay interest for the same at the rate of 12 percent per annum from the day appointed for the payment thereof to the time of the actual payment or at such lower rate (if any) as the Board may determine.”

#### ***Restriction on power to make call and calls notice***

Article 18 provides that “No call shall exceed one-half of the nominal amounts of a share, or be made payable within one month after the last preceding call was payable. Not less than fourteen days notice of any call shall be given specifying the time and place of payment and to whom such call shall be paid.”

#### ***Amount payable at fixed times or payable by installment as calls***

Article 19 provides that “If by the terms of issue of any share or otherwise any amount is made payable at any fix time or by installments at fix times whether an account of the amount of one share or by way of premium, every such amount or installment shall be payable as if it were a call duly made by the Board 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.”

#### ***Evidence in actions by Company against member***

Article 20 provides that “On the trial or hearing of any action or suit brought by the Company against any member or his representative to recover any debt or money claimed to be due to the Company in respect of his share, it shall not be necessary to prove the appointment of the Board who made when the claim arose on the Register as a holder, or one of the members in respect of the share for which such claim is made and that the amount claimed is not entered as paid in the books of the Company shall not be necessary to prove the appointment of the Board who made any call, nor that a quorum was present at the Board meeting at which may

call was made nor that the meeting at which any call was duly convened or constituted, nor any other matter whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.”

#### ***Payment of calls in advance***

Article 21 provides that “The Board may, if it thinks fit, receive from any members willing to advance the same all or any part of money due upon the share held by him, beyond the sums actually called for and upon the money so paid or satisfied in advance or so much thereof as from time to time exceeds the amounts of the all then made, upon the share in respect of which such advance has been made, the Company may pay interest at such rate as the members paying such sum in advance and the Board agree upon. Money so paid in excess of the amount of call shall not rank for dividends or confer a right to participate in profits. The Board may at any time repay the amount so advanced upon giving to such member not less than three month's notice in writing. 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.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the company.”

#### **Forfeiture and Lien**

##### ***If Call of installment not paid notice may be given***

Article 23 provides that “If any member fails to pay any call or installment on or before the day appointed for the payment of the same the Board may at any time thereafter during such time as the call or installment remains unpaid, serve a notice on such member requiring him to pay the same, together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.”

##### ***Power of Notice***

Article 24 provides that “The notice shall name a day (not being less than fourteen days from the date of the notice) and a place or places on and at which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time, and at the place appointed the share in respect of which such call was made or installment is payable will be liable to be forfeited.”

##### ***If notice not complied with shares may be forfeited***

Article 25 provides that “If the requisitions of any such notice as aforesaid be not complied with any shares in respect of which such notice has been given was, at any time thereafter, before payment of all calls or installments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.”

##### ***Notice of the Forfeiture***

Article 26 provides that “When any share shall have been forfeited, notice of the resolution shall be given to the member in whose name in stood immediately prior to the forfeiture and an entry of the date thereof, shall forthwith be made in the Register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.”

##### ***Forfeited shares to become property of the Company***

Article 27 provides that “Any share so forfeited shall be deemed to be the property of the company, and the Board may sell, re-allot or otherwise dispose of the same in such manner as it thinks fit.”

##### ***Power to annual forfeiture***

Article 28 provides that “The Board may at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annual the forfeited thereof upon such conditions as its think fit.”

### ***Liability on of forfeiture***

Article 29 provides that “A person whose share has 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 calls or installments, interest and expenses. Owing upon or in respect of such shares at the time of forfeiture together with interest thereon, from time to time of forfeiture until payment at 12 percent per annum and the Board may enforce the payment thereof, or any part thereof, without any deduction or allowance for the value of the share at the time of forfeiture, but shall not be under any obligation to do so.”

### ***Evidence of forfeiture***

Article 30 provides that “A duly verified declaration in writing that the declarant is a Director of the Company, and that certain shares in the Company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the fact therein states as against all persons claiming to be entitled to the shares and such declaration and the receipt of the Company for the consideration, if any, given for the shares on the sale or disposition thereof shall constitute a good title to such shares, and the person to whom any such shares is sold shall be registered as the member in respect of such share and shall not be bound to see to the application of the purchase money, or shall his title to such share be affected by any irregularity or invalidity in the proceedings in reference to such forfeiture sale or disposition.”

### ***Company’s lien in shares***

Article 31 provides that “The Company shall have a first and paramount lien upon every share / debenture, not being fully paid up, registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for moneys called or payable at a fixed time in respect of each share/ debenture whether the time for the payment thereof shall have actually arrived or not and no equitable interest in any share shall be created except upon the footing and condition that Article 14 thereof is to have full effect. Such lien shall extend to all dividends from time to time declared in respect of such share/debenture. Unless otherwise agreed, the registration of a transfer of a share/ debenture shall operate as a waiver of the Company's lien, if any, on such share / debenture. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from the provisions of the clause.”

### ***As to enforce lien sale***

Article 32 provides that “For the purpose of enforcing such lien the Board may sell the share subject thereto in such manner as it thinks fit, but no sale shall be made until such time for payment as aforesaid shall have arrived and until notice in writing of the intention to sell shall have been served on such member his executor or administrator or his committee curator bonus or other legal representative as the case be and default shall have made by him or them in the payment of the moneys called or payable at a fixed time in respect of such share for seven days after the date of such notice.”

### ***Application of proceeds of sale***

Article 33 provides that “The next proceeds of the sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists is presently payable, and the residue, if any shall (subject to a like lien for sums not presently payable as existed upon the share before the sale) be paid to the person entitled to the share at the date of the sale.”

### ***Validity of sales in exercise of lien and after forfeiture***

Article 34 provides that “Upon any sale after forfeiture or for enforcing a lien in purported exercise or the powers herein before given the Board \ may appoint some person to execute an instrument or transfer of the share sold and cause the purchaser's name to be entered in ' the Register in respect of the share, sold, and the purchase shall be not bound to see to the regularity of the proceedings nor to the application of purchase money, and after his name has been entered into the Register in respect of such share and validity of sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.”

### ***Board may issue new certificates***

Article 35 provides that “Where any share under the powers in that behalf herein contained is sold by the Board and the certificate in respect thereof has not been delivered up to the company by the former holder of such share, the Board may issue a new certificate for such share distinguishing it in such manner as it may think fit from the certificate not so delivered up.”

### **Transfer and Transmission**

#### ***Execution of Transfer***

Article 36 provides that “Save as provided in Section 108 of the Act, no transfer of a share shall be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor to the Company together with the certificate or, if no such certificate is in existence, the letter of Allotment of the share. The instrument of transfer of any share shall specify the name address and occupation (if any of the transferee and the transferor shall be deemed to remain the member in respect of such share until the name of the transferee is entered in the Register thereof. Each signature to such transfer shall be duly attested by the signature of one credible witness who shall add his address.”

#### ***Applications by transferor***

Article 37 provides that “Application for the registration of the transfer of a. A share may be made either by the transferor or the transferee provided b. that, where such application is made by transferor, no registration shall in the case of partly paid share be effected unless the Company gives notice of the application to the transferee in the manner prescribed by Section 110 of the Act and subject to the provisions of these Articles the Company shall, unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register the name of the transferee in the same manner and subject to the conditions as if the application for registration of transfer was made by the transferee.”

#### ***Form of transfer***

Article 38 provides that “The instrument of transfer shall be in writing and all the provision of Section 108 of the Act, and of any statutory modifications thereof for the time being shall be duly complied with in respect of all transfers of shares and registration thereof.”

#### ***Notice of transfer to registered holder***

Article 39 provides that “Before registering any transfer tendered for registration the Company may, if it so thinks fit, give notice by letter posted in the ordinary course to the registered holder that such transfer deed has been lodged and that unless objection is taken, the transfer will be registered. If such registered holder fails to lodge and objection in writing at the office of the Company within fifteen days from the posting of such notice to him, he shall be deemed to have admitted the validity of the said transfer.”

#### ***Indemnity against wrongful transfer***

Article 40 provides that “Neither the Company nor its Director shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred and although the transfer may, as between the transferor and the transferee, be liable to be set aside. And in every such case the person registered as transferee, his executors, administrators and assigns alone be entitled to be recognized as the holder of such share and the previous holder shall so far as the Company is concerned be deemed to have transferred his whole title thereof.”

#### ***Board may refuse to register transfer***

Article 41 provides that “Subject to the provisions of Section 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The

Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has a lien on shares.”

***No transfer to minor etc***

Article 42 provides that “No transfer shall be made to a minor or a person of unsound mind.”

***Transfer to be left at office when to be retained***

Article 43 provides that “Every instrument shall be left at the office for registration accompanied by the certificate of share. to be transferred or, if no such certificate is in existence, by the letter of Allotment, of the share and such other evidence as the Board may require to prove the title of the transfer or his right to transfer the share. Every instrument of transfer which shall be registered shall be retained by the Company but any instrument of transfer which the Board may refuse to register shall be returned to the persons depositing the same.”

***Fee on registration transfer***

Article 45 provides that “No fee shall be charged for registration or transmission, probate, succession certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.”

***Transmission of registered shares, as to survivorship***

Article 46 provides that “The executor or administrator of a deceased member (not being one of several members registered jointly in respect of a share) shall be the only person recognized by the Company as having any title to the share registered in the name of such member, and, in case of death of any one or more of the members registered jointly in respect of any share, the survivor shall be the only person recognized by the Company as having any title to or interest in such share, but nothing herein contained shall be taken to release the estate of a deceased member from any liability on the share held by him jointly with any other person. Before recognizing any executor or administrator the Board may require him to obtain a grant of probate or letter of administration or other legal representation, as the case may be, from a competent court in India and having effect in Bombay. Provided nevertheless that in any case where the Board in its absolute discretion thinks fit it shall be lawful for the Board to dispense with the production of probate or letter of administration of such other legal representation upon such terms as to indemnity otherwise as the Board, in its absolute discretion, may consider adequate.”

***As to transfer of shares of instance minor deceased or bankrupt members***

Article 47 provides that “Any committee or guardian of a lunatic or minor member or any person becoming entitled to or to transfer a share in consequence of the death or bankruptcy or insolvency of any member upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or his title as the Board thinks sufficient, may with the consent of the Board (which the Board shall not be bound to give), be registered as a member in respect of such share, or may, subject to the regulations as to transfer herein before contained, transfer such share. This Article is hereinafter referred to as "The Transmission Article".”

***(Transmission Articles) Election under the Transmission Articles***

Article 48 provides that “(1) If the person so becoming entitled under the Transmission Article shall elect to be registered as member in respect of the share himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.

- (2) the person aforesaid shall elect to transfer the share, he shall testify his election by executing an instrument on transfer of the share.
- (3) All the limitation, restrictions and provisions of these Articles relating to the right to transfer and the

registration and instruments of transfer of a share shall be applicable to any such notice or transfer as aforesaid as if the death, lunacy, bankruptcy or insolvency of the member had not occurred and the notice or transfer were transfer signed by that member.”

#### ***Right of persons entitled to share under the transmission Articles***

Article 49 provides that “A person so becoming entitled under the Transmission Article to a share by reason of the death, lunacy, bankruptcy or insolvency of the matter shall subject to the provisions of Article 88, and of Section 206 of the Act be entitled to the same dividends and other advantages to which he would be entitled if he were the registered member in respect of the share. Provided that the Board may at any time give the notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share, until the requirements of the notice have been complied with.”

#### ***Right of Unregistered executors and trustees***

Article 50 provides that “Subject to any other provisions of these Articles and if the directors in their sole discretion are satisfied in regard thereto, a person becoming entitled to a share in consequence of the death of insolvency of a member may receive and give a discharge for any dividends or other money payable in respect of the share.”

#### **Share Warrants**

##### ***Power to issue share warrants***

Article 51 provides that “Subject to the provisions of Section 114 and 115 of the Act, and subject to any directions which may be given by the Company in General Meeting, the Board may issue share warrants in such manner and on such terms and conditions as the Board may deem fit. In case of such issue clauses 40 to 43 of Table 4 in Schedule 1 to the Act, shall apply.”

#### ***Stocks***

Article 52 provides that “The Company may exercise the power of conversion of its shares into stocks and in that case clauses 37 to 39 of Table 'A' in Schedule 1 of the act shall apply.”

#### **Increase and Reduction of Capital**

##### ***Power to increase capital***

Article 53 provides that “The Company in general meeting may from time to time increase the capital by the creation of new share of such amount as may be deemed expedient.”

##### ***On what conditions new shares maybe issued***

Article 54 provides that “Subject to any special rights or privileges for the time being attached to any shares in the capital of the Company than issued the new shares may be issued upon such terms and conditions and with such rights and privileges attached thereto as the General Meeting resolving upon the creation thereof shall direct and, if on direction be given as the Board shall determine, and in particular such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company.”

##### ***Provisions relating to the issue***

Article 55 provides that “Before the issue of any new shares, the Company in general meeting may make provision as to the Allotment and issue of the new shares, and in particular may determine to same shall be offered in the instance and whether at par or at a premium or, subject to the provisions of Section 79 of the Act, at a discount in default of any such provisions, or so far as the same shall not extend, the new shares may be issued in conformity with the provisions of Article 6.”

### ***How far new shares to rank with existing shares***

Article 56 provides that “Except so far as otherwise provided by the condition of issue or by these presents, any capital raised by the creation of new shares shall be considered part of then existing capital of the company, and shall be subject to the provisions herein instruments, transfer and transmission, forfeiture, lien and otherwise.”

### ***Inequality in number of new shares***

Article 57 provides that “If, owing to any inequality in the number of new shares to be issued, and the number of shares held by members entitled to have the offer of such new shares any difficulty shall arise in the appointment of such new shares or any of them amongst the member such difficulty shall, in the absence of any direction in the resolution creating the shares or by the Company in general meeting be determined by the Board.”

### ***Reduction of Capital***

Article 58 provides that “The Company may from time to time by Special Resolution reduce its capital and any capital Redemption Reserve Fund or Share Premium Account in any manner and with and subject to any incident authorized and consent required by law.”

### ***Alteration of Capital***

#### ***Power to subdivide and consolidate***

Article 59 provides that “The Company in General Meeting may:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.
- (b) sub-divide its existing shares; or any of them into shares of smaller amount than is fixed by the Memorandum so however, that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be same as it was in the case of the share from which the reduced share is derived.
- (c) cancel any shares which at the date of the passing of the resolution, have not been taken agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.
- (d) convert all or any of its fully paid shares into stock and re-convert that stock fully paid up shares of any denomination.”

#### ***Sub-division into preference and equity***

Article 60 provides that “The resolution where by any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division one or more of such share shall have some preference or special advantage as regards dividend, capital, voting, or otherwise over or as compared with the others or other, subject nevertheless, to the provisions of Section 85, 87, 88 and 106 of the Act.”

#### ***Surrender of Shares***

Article 61 provides that “Subject to the provisions of Section 100 to 105 inclusive of the Act, the Board may accept from any member the surrender on such terms and conditions as shall be agreed of all or any of his shares.”

#### ***Modification of Right***

##### ***Power to modify rights***

Article 62 provides that “Whenever the capital (by reason of the issue of preference shares or otherwise) is divided into different classes of shares, all or any of the rights and privileges attached to each class may subject

to the provisions of Section 106 and 107 of the Act, the modified, commuted, affected, abrogated varied and any person purporting to contract on behalf of that class, provided such agreements is (A) consented to in writing by the holders of at least three-fourths of the issued shares of that class or (B) sanctioned by a resolution passed at a separate general meeting of the holders of shares of that class in accordance with Section . 106(1)(b) of the Act, and all the provisions hereinafter contained as to general meetings mutatis mutandis, apply to every such meeting, except that the quorum thereof shall be not less than two persons holding or representing by proxy one fifth of the nominal amount of the issued shares of the class.

This Article is not implication to curtail the power of modification which the Company would have if this Article were omitted. The Company shall comply with the provisions of Section 192 of the act as to forwarding a copy of any such agreement or resolution to the register.”

## **Borrowing Powers**

### ***Power to borrow***

Article 63 provides that “The Board may, from time to time, at its discretion, subject to the provisions of Section 292 and 370 of the Act, raise or borrow from the Directors or from elsewhere and secure the payment of any sum of sums or of moneys for the purposes of the Company provided that the Board shall not without the sanction of the Company in General Meeting borrow any sum of money which together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate for the time being of the paid up capital of the Company and its free reserve, that is to say reserve not set aside for any specific purpose.”

### ***Conditions on which money may be borrowed***

Article 64 provides that “The Board may raise to secure the repayment of such sum in all respects as it thinks fit, and in particular, by the issue of bonds, perpetual or redeemable, debentures or debenture-stock; or any mortgage or other security on the undertaking of the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being.”

### ***Issue at discount etc. or with special privileges***

Article 65 provides that “Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, Allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or Allotment of shares shall be issued only with the consent of the company in the General Meeting by a Special Resolution.”

### ***Indemnity may be given***

Article 66 provides that “The Directors or any of them may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon, and shall be entitled to receive such payment as consideration for the giving of any such guarantee as may be determined by the Directors in accordance with and subject to the provisions of Section 310 of the Act, with power to them to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or charge on the undertaking of the companies upon any of its property or assets or otherwise. If the Directors or any of them on any other persons shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.”

### ***Instrument of transfers***

Article 67 provides that “Save as provided in Section 106 of the Act, no transfer of debentures shall be registered unless a proper instrument of transfer duly stamped and executed by the transferor and transferee has been delivered to the Company together with the certificate or certificates of the debentures.”

### ***Notice of refusal to register transfer***

Article 68 provides that “If the Board refuses to register the transfer of any debenture the Company shall, within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and to the transferor notice of the refusal.”

### ***Reserves***

Article 69 provides that “Subject to the provisions of Section 5(2)(A) of the Act, and the Rules made there under, the Board may before recommending any dividend, set aside out of the profits of the Company such sums as it thinks proper as are serve 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 and pending such application at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may from time to time think fit. The Board may also carry toward any profits which it may think prudent not to divide without setting them aside as a reserve.”

### **Proceedings at General Meeting**

#### ***Business of Meeting***

Article 75 provides that “The ordinary business of an Annual General Meeting shall be to receive and consider the profit and loss account the <sup>1</sup> balance sheet and the reports of the Directors and of the Auditors to elect Directors in the places of those retiring by rotation, to appoint Auditors and fix there remuneration and to declare dividend. All other business transacted at an Annual General Meeting and all business transacted at any other General Meeting shall be deemed special business.”

#### ***Quorum to be present when business commenced***

Article 76 provides that “No business shall be transacted at any General Meeting unless a quorum of members is present at the time when the i meeting proceeds to business, save as herein otherwise provided five members present in persons shall be quorum.”

#### ***Resolution to be passed by Company in General Meeting***

Article 77 provides that “Any Act, or resolution which under the provisions of i these Articles or of the Act, is permitted or required to be done ' or passed by the Company in General Meeting shall be sufficiently , so done or passed if elected by Ordinary Resolution as defined in Section 189 (1) to the Act, unless either the act or these Articles specially require such act to be done or resolution passed by a Special Resolution as defined in Section 189 (2) of the Act.”

#### ***Chairman of General Meeting***

Article 78 provides that “The Chairman of the Board shall be entitled to take the Chair at every General Meeting. If there be no such Chairman, or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting, or is willing to act the members shall choose another Director as Chairman and if no Director be present or if all the Director present decline to take this chair, then the members present shall, on a show of hands or an a poll of properly demanded elect one of their member being a member entitled to votes, to be chairman.”

#### ***When, if quorum not present meeting to be dissolved and when to be adjourned***

Article 79 provides that “If within half and hour from the time appointed for the meeting a quorum be not present, the meeting, if convened upon such requisition as aforesaid, shall be dissolved but in any other case it shall stand adjourned to the same day in the next week at the same time and place or to such other day and at such time and place as the Board may by notice appoint and if at such adjourned meeting a quorum be not present, those member who are present those member who are present and not being less than two shall be a quorum and may transact the business for which the meeting was called. If a meeting is adjourned for want of quorum and the adjourned day happened to be a public holiday than the meeting could be held on that day.”

### ***How questions to be decided at meetings casting vote***

Article 80 provides that “Every question submitted to a meeting, shall be decided in the first instance by a show of hands, and in the case of an equality of votes, both on a show of hands and on a poll, the Chairman of the meeting shall have a casting vote in addition to the vote to which he may be entitled as a member.”

### ***What is to be evidence of the panning of a resolution where poll not demanded***

Article 81 provides that “At any General Meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded. by the Chairman of his own motion or be at least five members having the right to vote on the resolution in question and present in person or by proxy or any member or members present in person or by proxy having not less than one-tenth of the total voting power in respect of such resolution or by any member or members present in person of by proxy and holding shares in the Company conferring a right to vote on such resolution, being shares in which an aggregate sum has been paid up which is not less than one-tenth of the total sum paid up on all the shares conferring that right, a declaration by the Chairman that the resolution has or has not been carried or has, not been carried either unanimously, or by a particular majority and an entry to that effect in the book containing the minutes of proceedings of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the vote cast in favour of, or against the resolution.”

### ***Poll***

Article 82 provides that “

- (1) If a poll be demanded as aforesaid it shall be taken forthwith on a question of adjournment or election of a Chairman and in any other case in such manner and at such time, not being later than forty-eight hours from the time when the demand was made and at such place as the Chairman of the meeting directs and, subjects as aforesaid either at once or after an interval or adjournment or otherwise, and the result of the polls shall to be the decision of the meeting on the resolution on which the poll was demanded.
- (2) The demand of a poll may be withdrawn at any time.
- (3) Where a poll is to be taken the Chairman of the meeting shall appoint two scrutinizer, one, at last of whom be a member (not being an officer or employee of the Company present at the meeting provided such a member is available and willing to be appointed to scrutinize the votes given on the poll and to Report to him thereon.
- (4) On a poll a member entitled to more than one vote or his proxy or other person entitled to vote for him, as the case may be, need not, if he/ she votes, use all his/her votes or cast in the same way all the votes he/she uses.
- (5) The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.”

### ***Power to adjourn General Meeting***

Article 83 provides that “(1) The Chairman of an Annual General Meeting, with the consent of the Meeting may adjourn the same from time to time and from place to place. It is at the sole discretion of the Chairman to adjourn a meeting when it is impossible, by reason of disorder or other like cause to conduct the meeting and complete its business but not business shall be transacted at any adjourned Meeting other than the Meeting from which the adjournment place.

- (2) When a meeting is adjourned it shall not be necessary to give by notice of an adjournment or of the business to be transacted at an adjourned meeting.”

## **Voting**

### ***Votes of Members***

Article 84 provides that “(a) Save as hereinafter provided, on a show of hands every member present in person and being a member registered in respect of ordinary shares shall have one vote and every person present either as General Proxy (as defined in Article 83) on behalf of member registered in respect of Equity Shares is he not entitled to vote in his own right or, as a duly authorized representative of a body, corporate, being a member registered in respect of Equity Shares, shall have one vote.

- (b) Save as hereinafter provided, on a poll the voting rights of a member registered in respect of Equity Shares shall be as specified in Section 87 of the Act.
- (c) The members registered in respect of the preference shares shall not be entitled to vote at General Meetings of the Company except :
  - (1) On any resolution placed before the Company at a General Meeting at the date of which the dividend due to any part thereof remains unpaid in respect of an aggregate period of not less than two years proceeding the date of commencement of such meeting and for this purpose the dividend shall be deemed to be few yearly on the 30th day of September in each year in respect of the yearly period ending on the proceeding 31st day of March whether or not such dividend has been declared by the Company, or
  - (2) On the resolution placed before the Company which directly effect the rights attached to the preference shares and for this purpose any resolution for the winding up of the company or for re-payment or reduction its share capital shall be deemed to effect the rights attached to such shares.

Where the member registered in respect of any Preference Shares has a right to vote on any resolution in accordance with the provisions of this Articles his voting rights on a poll as such member shall, subject to any statutory provisions for the time being, applicable, be in the same proportion as the capital paid up on the preference shares bears to the total paid up Equity Shares Capital of the

Company for the time being as defined in Section 87(2) of the Act.

Provided that no Company or body corporate shall vote by proxy so long as a resolution of its Board of Directors under the provisions of Section 187 of the Act is in force and the representative named in such resolution is present at the General Meeting at which the vote by proxy is tendered”

### ***Procedure where Company is the member of the Company***

Article 85 provides that “Where a Company a body corporate (hereinafter called "member Company") is a member of the Company, a person duly appointed by resolution in accordance with the provisions of Section 187 of the Act to present such member Company at a meeting of the Company shall not, by reason of such appointment, be deemed to be a proxy, and the production at a meeting of a copy of such resolution duly signed by one Director or such member company and certified by him as being a true copy of the resolution shall, on production at the meeting, be accepted by the Company as sufficient evidence of the validity of his appointment. Such person shall be entitled to exercise the same rights and powers, including the rights to vote by proxy on behalf of the member company which he represents as that member company could exercise.”

### ***Votes in respect of deceased instance and insolvent members***

Article 86 provides that “Any person entitled under the Transmission Article to transfer any shares may vote at any general meeting in respect thereof in the same manner as if he were the member registered in respect of such shares, provided that forty-eight hours at least before the time of holding the meeting or adjourned meeting as the case may be, at which the proposes to vote he shall satisfy the Board or his right to transfer such shares, unless the Board shall have previously admitted his right to vote at such meeting in respect thereof. If any member be lunatic idiot or non compose mentis he may vote whether on a show of hands or at a poll by his committee curator boins or other legal curator and such last mentioned persons may give their votes by proxy.

### ***Members registered jointly***

Article 87 provides that “Where there are members registered jointly in respect of any share any one of such person may vote at any meeting either personally or by proxy in respect of such share as if he were solely entitled thereof, and if more than one of such members be present at any meeting either personally or by proxy, that one of the said members so present whose name stands first on the Register in respect of such share alone shall be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share is registered shall for the purpose of these Articles be deemed to be members registered jointly in respect thereof.”

### ***Proxies permitted***

Article 88 provides that “On a poll votes may be given either personally or by proxy, or, in the case of a body corporate, by a representative duly authorized as aforesaid. Proxy in case of non-resident member may be appointed by Telegram.”

### ***Instrument appointing a proxy to be in writing***

Article 89 provides that “The instrument appointing a proxy shall be in writing under the hand of the appointer or of his Attorney duly authorized writing or if such appointer is a body corporate be under its common seal or the hand of its officer or Attorney duly authorized. A proxy who is appointed for a specified meeting only shall be called a General Proxy. A person may be appointed a proxy though he is not a member of this Company and every notice convening meeting of the Company shall state this and that the member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him.”

### ***Instrument appointing a proxy to be deposited at the office***

Article 90 provides that “The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, shall be deposited at the office not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument purports to vote in respect thereof and in default the instrument of proxy shall not be treated as valid.”

### ***When vote by proxy valid through authority revoked***

Article 91 provides that “A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death of insanity of the principal, or revocation of the instrument, or transfer of the share in respect of which the vote is given, provided no intimation in writing of the death, insanity revocation or transfer of the share shall have been received by the Company at the office before the vote is given, provided nevertheless that the Chairman of any meeting shall be entitled to require such evidence as he may in his discretion think fit of the due execution of any instrument of proxy and that the same has not been revoked.”

### ***Form of instrument appointing***

Article 92 provides that “Every instrument appointing a special proxy shall be retained by the Company and shall, as nearly as circumstances will admit be in any of the Company set out in Schedule IX of the Act.”

### ***Restriction on voting***

Article 93 provides that “No member shall be entitled to exercise any voting rights either personally or by proxy at any meeting of the Company in respect of any shares registered in his name on which any calls or other sum presently payable by him have not been paid or in regard to which the Company has, and has exercised, only right of lien.”

### ***Admission or rejection of votes***

Article 94 provides that “ (a) Any objection as to the admission or rejection of vote, either on a show of hands, or, on a poll made in due time, shall be referred to the Chairman who shall forthwith determine the same, and such determination made in good faith shall be final and conclusive.

(b) No objection shall be raised to the qualification of any votes except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purpose.”

## **Capitalization**

### ***Capitalization of Reserves***

Article 139 provides that “Any general meeting may resolve that any moneys, investments or other assets forming apart of the undivided profits of the Company standing to the credit of the Reserve or any capital Redemption, Reserve Fund, or in the hands of the company and available for divided or representing premiums received on the issue of shares and standing to the credit of the share Premium Account be capitalized and distributed amongst such of the members as would be entitled to receive the same if distributed by way of dividend and in the same proposition on the footing that they become entitled thereto as capital and that all or any part of such capitalized fund be applied on behalf of such members in paying up in full any unissued shares debentures or debenture stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liabilities on any issued shares and that such distribution or payment shall be accepted by such members in full satisfaction of their interest in the said capitalized sum. Provided that any sum standing to the credit of a share premium account of a capital Redemption Reserve Fund may for the purposes of this Article, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.”

### ***Surplus moneys***

Article 140 provides that “A General Meeting may resolve that any surplus moneys arising from the realisation of any capital assets of the Company of any investments representing the same or any other undistributed profits of the Company not subject to charge for income-tax be distributed among the members on the footing that they receive the same as capital.”

### ***Fractional certificates***

Article 141 provides that “For the purpose of giving effect to any resolution under the two last proceeding Article and Articles 152 hereof the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular may issue fractional certificates and may fix the value of distribution of any specific assets, and may determine that cash payment shall be made to any members upon the footing of the value so fixed in order to adjust to rights of all parties and may vest such cash or specific assets in trustees upon such trusts for the persons entitles to the dividend or capitalised fund as may seem expedient to the Board where requisite a proper contract shall be filled in accordance with Section 75 of the Act, and the Board may appoint any person to sign such a contract on behalf of the persons entitled to the dividend or capitalised fund such appointment shall be effective.”

## **Dividends**

### ***How profit shall be divisible***

Article 142 provides that “Subject to the rights of members entitled to shares (if any with preferential or special right attached thereto) the profits of the Company which it shall from time to time be determined to divide in respect of any year or other period shall be applied in the payment of a dividend on the ordinary shares of the Company but so that a partly paid up share shall only entitle the member in respect thereof to such a proportion of the distribution upon a fully paid up share as the amount paid thereon bears to the nominal amount of such share and so that where capital is paid up in advance of calls upon the footing that the same shall carry interest, such capital shall not, whilst carrying interest, rank for dividend or confer a right to participate in profits.”

### ***Declaration of dividend***

Article 143 provides that “The Company in general Meeting may declare a dividend to be paid to the members according to their rights and interest in the profits and may, subject to the provisions of Section 205 of Act, fix the time for payment.”

***Restriction on amount of dividends***

Article 144 provides that “A larger dividend shall be declares than is recommended by the Board, but the Company in General Meeting may declare a smaller dividend.”

***Dividends out of profits only***

Article 145 provides that “No dividend shall be payable except out of the profits of the Company or out of moneys provided by the Central or a State Government for the payment of the dividend in pursuance of any guarantee given by such Government.”

***What to be deemed net profits***

Article 146 provides that “The declaration of the Board as to the amount of the net profits of the Company shall be conclusive.”

***Interim dividends***

Article 147 provides that “The Board, may from time to time pay to the members such interim dividend as appear to the Board to be justified by the profits of the Company.”

***Debts may be deducted***

Article 148 provides that “The Board may deduct from any dividend payable to any member all sums of moneys, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.”

***Dividend and call together***

Article 149 provides that “Any General Meeting declaring a dividend may make a call on the members of such amounts as the meeting fixes, but so that the call on each number shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the Company and the member, be set off against the call.”

***Dividend in specie***

Article 150 provides that “Any General Meeting declaring a dividend may resolve that such dividend be paid wholly or in part by the distribution of specific assets, and in particular of paid up shares, debentures or debenture stock of the Company, or in any of the such ways.”

***Effects of transfer***

Article 151 provides that “A transfer of shares shall not pass the rights to and dividend declares thereon before the registration of the transfer by the Company.”

***To whom dividends payable***

Article 152 provides that “No dividend shall be paid in respect of any share except to the member registered in respect of such share or to his order or to his bankers but nothing contained in this Article shall be deemed to require the bankers of a member to make a separate application to the Company, for the payment of the dividend.”

***Members registered jointly***

Article 153 provides that “Any one of several persons who are members registered jointly in respect of any share may give effectual receipts for all dividends bonuses and other payments in respect of such share.”

***Notice of dividends***

Article 154 provides that “Notice any dividend whether interim or otherwise shall be given to the persons entitled to share therein in the manner hereinafter provided.”

***Payment by Posted unclaimed dividend***

Article 155 provides that “Unless otherwise directed in accordance with Section 206 of the Act, any dividend, interest or other moneys payable in cash in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the member, or in the case of members registered jointly to the registered address of the first named in the Register or to such person as such address as the member or members, as the case may be, may direct and every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent.

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”

Any money transferred to the unpaid dividend account of a company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the company to the Fund known as Investor Education and Protection Fund established under section 205C of the Act.

No unclaimed or unpaid dividend shall be forfeited by the Board.’

## SECTION XI : OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company from 11.00 a.m. to 5.00 p.m. on Working Days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

#### Material contracts

1. Memorandum of understanding dated August 16, 2007 amongst our Company and the BRLMs.
2. Memorandum of understanding dated August 6, 2007 executed by our Company with the Registrar to the Issue.
3. Escrow agreement dated •, 2007 between us, the BRLMs, Escrow Collection Banks, and the Registrar to the Issue.
4. Syndicate agreement dated •, 2007 between us, the BRLMs and the Syndicate Members.
5. Underwriting agreement dated • between us, the BRLMs and the Syndicate Members.

#### Material documents

1. Our Memorandum and Articles of Association, as amended till date.
2. Our certificates of incorporation.
3. Resolution of the Board of Directors passed at its meeting held on July, 12, authorising the Issue.
4. Resolution of our shareholders passed at the extra ordinary general meeting of our Company held on July 20, 2007 authorising the Issue.
5. Resolutions of our shareholders dated September 12, 2007 for appointment and remuneration of our whole-time Directors.
6. Report of the Auditors, dated October 19, 2007 prepared as per Indian GAAP and mentioned in this Red Herring Prospectus and report from the Auditors dated August 6, 2007 regarding possible tax benefits.
7. Copies of annual reports of our Company for the past five financial years.
8. Consents of Auditors, Bankers to the Company, BRLMs, Syndicate Members, Registrar to the Issue, Bankers to the Issue, IPO Grading Agency, Monitoring Agency, Domestic Legal Counsel to the Company and the Domestic Legal Counsel to the Underwriters International Legal Counsel to the Underwriters, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
9. Applications dated August 17, 2007 for in-principle listing approval from NSE and BSE, respectively.
10. In-principle listing approvals dated September 14, 2007 and September 19, 2007, from NSE and BSE, respectively.

11. Agreement between NSDL, our Company and the Registrar to the Issue dated October 9, 2007.
12. Agreement between CDSL, our Company and the Registrar to the Issue dated September 25, 2007.
13. Due diligence certificate dated August 16, 2007 to SEBI from the BRLMs.
14. SEBI observation letter CFD/DIL/ISSUES/PR/06651/2007 dated October 19, 2007.
15. Consent of the IPO Grading Agency for inclusion of their report dated October 11, 2007 in the form and context in which they appear in the Red Herring Prospectus and the Prospectus and their report/rating rationale dated October 22, 2007.
16. Memorandum of Understanding entered into between (i) Edelweiss Capital Limited, (ii) Edelweiss Securities Limited, (iii) ECAL Advisors Limited, (iv) Crossborder Investments Private Limited, (v) Edelweiss Insurance Brokers Limited, (vi) Edelweiss Real Estate Advisors Private Limited, (vii) Edelweiss Trustee Services Private Limited, (viii) Edelcap Securities and Transaction Services Private Limited (formerly Tiffin Investments Private Limited) Investments Private Limited, (ix) ECL Finance Limited, (x) Edelweiss Property Fund and (xi) E-Cap Partners dated June 30, 2006
17. Shareholder's Agreement between Heliconia Pte Limited, The Existing Sponsors and Edelweiss Capital Limited dated December 12, 2006
18. Investment Agreement between Edelweiss Capital Limited, Lehman Brothers Netherlands Horizons B.V. and Rashesh Shah and Venkatchalam Ramaswamy dated June 5, 2007
19. Deed of Termination between GPC Mauritius I LLC, Edelweiss Capital Limited, GPC Mauritius III LLC, Promoters of Edelweiss Capital (mentioned in Schedule I of the agreement) dated December 12, 2006
20. Investment Agreement between Edelweiss Capital Limited, SHUAA Capital Psc and Rashesh Shah and Venkatchalam Ramaswamy dated December 13, 2006
21. Investment Agreement between Edelweiss Capital Limited, BIH SA and Rashesh Shah and Venkatchalam Ramaswamy dated December 21, 2006
22. Investment Agreement between Edelweiss Capital Limited and Galleon Diversified Fund Limited dated August 31, 2006
23. Subscription Agreement between Edelweiss Capital Limited I and Lehman Brothers Netherlands Horizons B.V. dated February 21, 2007
24. Amendment to the Subscription Agreement between Edelweiss Capital Limited and Lehman Brothers Netherlands Horizons B.V. dated May 25, 2007
25. Share Subscription Agreement between Edelweiss Capital, Promoters of Edelweiss and BIH, Said Banks dated March 2, 2006
26. Agreement for acquisition of shares of Edelweiss Capital by Minosa, Said Banks dated February 20, 2006
27. Agreement for acquisition of shares of Edelweiss Capital by Pegasus Finance Corporation dated February 20, 2006
28. Shareholders Agreement between Edelweiss Capital Limited and Lehman Brothers Netherlands Horizons B.V and ECL Finance Limited dated May 18, 2007
29. Shareholders resolution dated February 21, 2005 for terms and conditions of appointment and remuneration of Mr. Rashesh Shah and Mr. Venkatchalam Ramaswamy
30. Power of Attorney by directors

31. Auditors certificate dated October 22, 2007 certifying the utilisation of the loan taken by ESL from KMPL

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

## DECLARATION

We, the Directors of the Company, certify that all the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, applicable, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made or guidelines issued thereunder, as the case may be. And that all approvals and permissions required to carry on the business of our Company have been obtained, are currently valid and have been complied with. We further certify that all statements in this Red Herring Prospectus are true and correct.

### **Signed by all Directors:**

Mr. Rashesh Shah

Mr. Venkatchalam Ramaswamy

Mr. Ramanan Raghavendran\*

Mr. Sunil Wadhvani\*

Mr. Sanjay Santhanam\*

Mr. Kunnasagaran Chinniah\*

Mr. Narendra J. Jhaveri\*

Mr. P. N. Venkatachalam\*

### **Signed by the Managing Director & Chief Executive Officer:**

Mr. Rashesh Shah

### **Signed by the Chief Financial Officer:**

Mr. Deepak Mittal

\* Through constituted attorney Mr. Deepak Mittal

Date : October 29, 2007

Place : Mumbai, India