

firstsource
Firstsource Solutions Limited
 (formerly ICICI OneSource Limited)

(Our Company was incorporated on December 6, 2001 as ICICI Infotech Upstream Limited. Subsequently, our Company's name was changed to ICICI OneSource Limited on April 2, 2002. We recently changed the name of our Company to Firstsource Solutions Limited on November 21, 2006. For details on changes in our name and registered office, please refer to the section titled "History and Corporate Structure" on page 77.)
 Registered Office: 6th Floor, Peninsula Chambers, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013
 Company Secretary and Compliance Officer: Ganapathy Sastri

Tel: (91 22) 6666 0888, Fax: (91 22) 6663 5481, Email: ipo@firstsource.com, Website: www.firstsource.com

PUBLIC ISSUE OF 69,300,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (WHICH INCLUDES A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE), AGGREGATING RS. [●] MILLION (THE "ISSUE") BY FIRSTSOURCE SOLUTIONS LIMITED (THE "COMPANY" OR "THE ISSUER"). THE ISSUE CONSISTS OF A FRESH ISSUE OF 60,000,000 EQUITY SHARES BY OUR COMPANY AND AN OFFER FOR SALE OF 9,300,000 EQUITY SHARES BY SIF (THE "SELLING SHAREHOLDER"). THE ISSUE COMPRISES OF A NET ISSUE TO THE PUBLIC OF 68,100,000 EQUITY SHARES OF RS. 10 EACH (THE "NET ISSUE") AND A RESERVATION OF UP TO 1,200,000 EQUITY SHARES OF RS. 10 EACH FOR THE ELIGIBLE EMPLOYEES OF OUR COMPANY. THE ISSUE WOULD CONSTITUTE 16.65% OF THE POST-ISSUE PAID-UP EQUITY CAPITAL OF OUR COMPANY. THE NET ISSUE WOULD CONSTITUTE A MINIMUM OF 16.36% OF THE POST-ISSUE PAID-UP EQUITY CAPITAL OF OUR COMPANY.

PRICE BAND: RS. 54 TO RS. 64 PER EQUITY SHARE OF FACE VALUE RS. 10 EACH

THE FLOOR PRICE IS 5.4 TIMES OF THE FACE VALUE AND THE CAP PRICE IS 6.4 TIMES OF THE FACE VALUE

In case of revision in the Price Band, the Bidding/Issue Period will be extended by three additional days after revision of the Price Band subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band and the 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 websites of the Book Running Lead Managers and the Co-Book Running Lead Manager and at the terminals of the Syndicate.

In accordance with Rule 19 (2) (b) of the Securities Contract (Regulation) Rules, 1957, this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process whereby at least 60% of the Net Issue will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), 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 will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 1,200,000 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.

RISK IN RELATION TO THE FIRST ISSUE

This being the first public issue of Equity Shares of our Company, there has been no formal market for the Equity Shares of our Company. The face value of the Equity Shares is Rs.10 per Equity Share and the Issue Price is [●] times of the face value. The Issue Price (as determined by our Company and the Selling Shareholder, in consultation with the Book Running Lead Managers and the Co-Book Running Lead Manager on the basis of assessment of market demand for the Equity Shares offered by way of the Book Building Process) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of our Company or regarding the price at which the Equity Shares will be traded after listing. **We have not opted for a grading of this Issue from a credit rating agency.**

GENERAL RISKS

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

ISSUER AND SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

The Issuer and the Selling Shareholder, having made all reasonable inquiries, accept responsibility for and confirm that this Red Herring Prospectus contains all information with regard to the Issuer and the Issue that 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 information or the expression of any 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 NSE and BSE for the listing of our Equity Shares pursuant to letters dated December 15, 2006 and December 18, 2006, respectively. For purposes of this Issue, the Designated Stock Exchange is NSE.

BOOK RUNNING LEAD MANAGERS



DSP MERRILL LYNCH LIMITED
 Mafatlal Centre, 10th Floor,
 Nariman Point,
 Mumbai 400 021
 Tel: (91 22) 6632 8000
 Fax: (91 22) 2204 8518
 Email: firstsource_ipo@ml.com
 Contact Person: N. S. Shekhar
 Website: www.dspml.com



DEUTSCHE EQUITIES INDIA PRIVATE LIMITED
 DB House,
 Hazarimal Somani Marg, Fort,
 Mumbai 400 001
 Tel: (91 22) 6658 4600
 Fax: (91 22) 2200 6765
 Email: fssl.ipo@db.com
 Contact Person: Sameer Taimni
 Website: http://india.db.com

REGISTRAR TO THE ISSUE



SHAREPRO SERVICES (INDIA) PRIVATE LIMITED
 3rd Floor, Satam Estate,
 Chakala, Andheri (East),
 Mumbai 400 099
 Tel: (91 22) 2821 5168
 Fax: (91 22) 2837 5646
 Email: ipofirstsource@shareproservices.com
 Contact Person: V. Kumaresan
 Website: www.shareproservices.com

ISSUE PROGRAMME

BID/ISSUE OPENS ON : MONDAY, JANUARY 29, 2007

BID/ISSUE CLOSES ON : FRIDAY, FEBRUARY 2, 2007

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SECTION I: GENERAL

DEFINITIONS AND ABBREVIATIONS

Term	Description
“We”, “us”, “our”, “the Issuer”, “the Company” and “our Company”	Unless the context otherwise indicates or implies, refers to Firstsource Solutions Limited on a consolidated basis

Company Related Terms

Term	Description
Aranda	Aranda Investments (Mauritius) Pte Ltd., a company incorporated under the laws of Mauritius and having its registered office at 4 th Floor, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius, an indirect, wholly owned subsidiary of Temasek Holdings (Private) Limited, and any affiliates of Aranda Investments (Mauritius) Pte Ltd. to whom their Equity Shares may be transferred
Articles	Articles of Association of our Company
ASG	Account Solutions Group, LLC, a Subsidiary of the Company, incorporated in the United States and having its principal place of business at 205 Bryant Woods South, Amherst, New York 14228, United States
Auditors	The statutory auditors of our Company, BSR & Co., Chartered Accountants
Board/Board of Directors	Board of Directors of our Company, unless otherwise specified
BPM	Business Process Management, Incorporated, a Subsidiary of the Company, incorporated in the United States and having its principal place of business at 3601 West 133 rd Street, Leawood, KS 66209, United States
BPM Acquisition	The acquisition of the entire issued share capital of BPM by Firstsource Solutions U.S.A. pursuant to a stock purchase agreement dated December 21, 2006.
Directors	Directors of Firstsource Solutions Limited, unless otherwise specified
ESOP 2002	Employee stock option plan for the Directors and employees of our Company and employees of the Subsidiaries approved by the shareholders by way of a resolution dated August 22, 2002 and subsequent amendments thereto
ESOP 2003	Employee stock option plan for the Directors and employees of our Company and employees of the Subsidiaries approved by the shareholders by way of a resolution dated September 3, 2003 and subsequent amendments thereto
ESOPs	The ESOP 2002 and the ESOP 2003
FirstRing	FirstRing Inc., a Subsidiary of the Company, incorporated in the United States and having its principal place of business at 205 Bryant Woods South, Amherst, New York 14228, United States
FirstSource Solutions Argentina	FirstSource Solutions S.A. (formerly “ICICI OneSource S.A. (Argentina)), a Subsidiary of the Company, incorporated in Argentina and having its registered office at San Martin 344, 4 th Floor, Buenos Aires, Argentina
Firstsource Solutions U.K.	Firstsource Solutions U.K. Limited (formerly ICICI OneSource Limited (U.K.)), a Subsidiary of the Company, incorporated in England and Wales and having its registered office at 26-28 Hammersmith Grove, London W6 7BA, United Kingdom

Term	Description
Firstsource Solutions U.S.A.	Firstsource Solutions U.S.A., Inc (formerly ICICI OneSource Limited (U.S.A.)), a Subsidiary of the Company, incorporated in the United States and having its principal place of business at 205 Bryant Woods South, Amherst, New York 14228, United States
ICICI Bank	ICICI Bank Limited, a company incorporated under the Companies Act, 1956 and licensed as a bank under the Banking Regulation Act, 1949, having its registered office at Landmark Building, Race Course Circle, Alkapuri, Vadodara 390 007 and having its corporate office at ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051
Key Managerial Personnel	Those individuals described in the section titled “Key Managerial Personnel” on page 103 of this Red Herring Prospectus
Memorandum	Memorandum of Association of our Company
Metavante	Metavante Corporation, a company incorporated in the United States under the laws of the State of Wisconsin and having its corporate office at 4900 West Brown Deer Road, Milwaukee, Wisconsin 53223-2422, United States, acting through itself or one of its affiliates
MP 2000	MedPlans 2000, Inc., a Subsidiary of the Company, incorporated in the United States and having its principal place of business at 3601 West, 133 rd Street, Leawood, KS 66209, United States
MPP	MedPlans Partners, Inc., a Subsidiary of the Company, incorporated in the United States and having its principal place of business at 3601 West, 133 rd Street, Leawood, KS 66209, United States
Pipal	Pipal Research Corporation, a Subsidiary of the Company, incorporated in the United States and having its registered office at 601 W. Randolph, Chicago, IL 60661, United States
Pipal Research and Analytics	Pipal Research and Analytics India Private Limited, a Subsidiary of the Company, incorporated in India and having its registered office at 3 rd floor, Piccadilly House, 275 Captain Gaur Marg, Srinivasapuri, New Delhi - 110 065
POCDs	Participatory optionally convertible debentures of Rs. 10 each issued to ICICI Bank and subsequently converted into Series ‘A’ POCPS
POCPS	Participatory optionally convertible preference shares of Rs. 10 each issued to ICICI Bank and ICICI Trusteeship Services Limited, acting on behalf of ICICI Information Technology Fund, and subsequently converted into Series ‘A’ POCPS, unless the context indicates otherwise
Preference Shares	Collectively the POCPS, Series ‘A’ POCPS, Series ‘B’ POCPS, Series ‘C’ POCPS and Series ‘D’ POCPS
Registered Office	6 th Floor, Peninsula Chambers, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai - 400 013
Registrar to the Company	Registrar to the Company, being 3i Infotech Limited
RevIT	RevIT Systems Private Limited, a Subsidiary of the Company, incorporated in India and having its registered office at 6 th floor, Peninsula Chambers, Ganpatrao Kadam Marg, Lower Parel, Mumbai - 400 013

Term	Description
Series 'A' POCPS	Fully paid-up 0.00000000001% participatory optionally convertible preference shares of Rs. 10 each issued to ICICI Bank and SIF
Series 'B' POCPS	Fully paid-up 0.00000000001% participatory optionally convertible preference shares of Rs. 10 each issued to WestBridge Capital Partners
Series 'C' POCPS	Fully paid-up 0.00000000001% participatory optionally convertible preference shares of Rs. 10 each issued to WestBridge Capital Partners and Aranda
Series 'D' POCPS	Fully paid-up 0.00000000001% participatory optionally convertible preference shares of Rs. 10 each issued to WestBridge Capital Partners, Aranda and Metavante
Sherpa	Sherpa Business Solutions, Inc., a Subsidiary of the Company, incorporated in the United States and having its principal place of business at 850 Stephenson Highway, Suite 508, Troy, MI 48083, United States
SIF	The Western India Trustee & Executor Co. Limited, a company incorporated under the Indian Companies Act, 1913 and having its registered office at Vishwasth Bhavan, 218 Pratap Ganj Peth, Satara - 415 002, India in its capacity as Trustee of ICICI Strategic Investments Fund, which is constituted as an irrevocable trust under the Indian Trusts Act, 1882, acting through its investment manager ICICI Venture Funds Management Company Limited
Subsidiaries	(i) FirstRing; (ii) ASG; (iii) Pipal; (iv) Pipal Research and Analytics; (v) Firstsource Solutions U.K.; (vi) Firstsource Solutions U.S.A.; (vii) BPM; (viii) MPP; (ix) MP 2000; (x) RevIT; (xi) Sherpa; and (viii) FirstSource Solutions Argentina
WestBridge or WestBridge Capital Partners	WestBridge Ventures I Investment Holdings, a company incorporated under the laws of Mauritius and having its registered office at 3rd Floor, Les Cascades, Edith Cavell Street, Port Louis, Mauritius, acting through itself or one of its affiliates, now managed by Sequoia Capital India

Issue Related Terms

Term	Description
Allotment/Allot	The allotment of Equity Shares pursuant to the Issue, unless otherwise specified
Allottee	The successful Bidder to whom the Equity Shares are/have been Allotted
Banker(s) to the Issue	ICICI Bank and Deutsche Bank AG
Basis of Allotment	The basis on which Equity Shares will be Allotted to Bidders under the Issue, which is described in the section titled "Basis of Allotment" on page 301 of this Red Herring Prospectus
Bid	An indication to make an offer during the Bidding/Issue Period by a prospective investor to subscribe to Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid cum Application Form	The form in which the Bidder shall make an offer to subscribe to Equity Shares of our Company on the terms of the Red Herring Prospectus and the Bid cum Application Form

Term	Description
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form
Bidding/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 Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation
Bid/Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation
Book Building Process/Method	Book building route provided by Chapter XI of the SEBI Guidelines, in terms of which this Issue is being made
BRLMs	Book Running Lead Managers to the Issue, in this case DSP Merrill Lynch Limited and Deutsche Equities India Private Limited
CAN/Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The high end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted
CBRLM	Co-Book Running Lead Manager to the Issue, in this case ICICI Securities Limited
Cut-off Price	The Issue Price finalised by our Company in consultation with the BRLMs and the CBRLM
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 of Directors shall Allot Equity Shares to successful Bidders
DEIPL	Deutsche Equities India Private Limited
Designated Stock Exchange	The National Stock Exchange of India Limited
DP ID	Depository Participant's Identity
Draft Red Herring Prospectus	The Draft Red Herring Prospectus issued on November 22, 2006 in accordance with Section 60B of the Companies Act, which did not contain complete particulars on the price at which the Equity Shares are offered and the size (in terms of value) of the Issue
DSPML	DSP Merrill Lynch Limited
ECS	Electronic Clearing Service
Eligible Employee	A permanent employee of our Company who is an Indian national and is based, working and present in India on the date of submission of the Bid cum Application Form
Eligible NRI	NRI from jurisdictions outside India where it is not unlawful to make an offer or invitation under the Issue

Term	Description
Employee Reservation Portion	Up to 1,200,000 Equity Shares, being the portion of the Issue available for allocation to Eligible Employees
Equity Shares	Equity Shares of our Company of Rs. 10 each unless otherwise specified
Escrow Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement to be entered into by our Company, the Selling Shareholder, the Registrar to the Issue, BRLMs, CBRLM, the Syndicate Member and the Escrow Collection Bank(s) for collection of the Bid Amounts and, where applicable, refunds 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 Banker to the Issue with whom the Escrow Account will be opened and in this case ICICI Bank and Deutsche Bank AG
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The low end of the Price Band, at or above which the Issue Price will be finalised and below which no Bids will be accepted
Fresh Issue	Issue of 60,000,000 Equity Shares by our Company to the public
FVCI	Foreign Venture Capital Investor registered under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000
I-SEC	The CBRLM to the Issue, being ICICI Securities Limited
Issue	The public issue of 69,300,000 Equity Shares of Rs. 10 each at a price of Rs. [●] each for cash, aggregating Rs. [●]. The Issue consists of a Fresh Issue of 60,000,000 Equity Shares by the Company and an Offer For Sale of 9,300,000 Equity Shares by SIF. The Issue comprises a Net Issue to the public of 68,100,000 Equity Shares and the Employees Reservation Portion of up to 1,200,000 Equity Shares
Issue Price	The final price at which Equity Shares will be issued and Allotted on the terms of the Prospectus. The Issue Price will be decided by our Company and the Selling Shareholder in consultation with the BRLMs and the CBRLM, on the Pricing Date
Issue Proceeds	The proceeds of the Issue that are available to the Company, namely the proceeds of the Fresh Issue
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Mutual Fund Portion	5% of the QIB Portion, or 2,043,000 Equity Shares (assuming the QIB Portion is for 60% of the Net Issue), available for allocation to Mutual Funds only
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Net Issue	The Issue less the Employee Reservation Portion
Net Proceeds	The proceeds of the Fresh Issue less the Issue expenses. For further information about use of the Issue Proceeds and the Issue expenses see the section titled "Objects of the Issue" on page 33 of this Red Herring Prospectus

Term	Description
Non-Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000 (but not including NRIs other than Eligible NRIs)
Non-Institutional Portion	The portion of the Issue, being up to 6,810,000 Equity Shares of Rs. 10 each, available for allocation to Non-Institutional Bidders
Offer for Sale	Transfer of 9,300,000 Equity Shares by the Selling Shareholder in this Issue
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the Pay-in Period means the period commencing on the Bid/Issue Opening Date; and extending until the Bid/Issue Closing Date (ii) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the Pay-in Period means the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date
Price Band	Price band of a minimum price (floor of the price band) of Rs. 54 and the maximum price (cap of the price band) of Rs. 64 and includes revisions thereof
Pricing Date	The date on which our Company, the Selling Shareholder, in consultation with the BRLMs and the CBRLM, finalises the Issue Price
Promoters	ICICI Bank and SIF
Prospectus	The Prospectus to be filed with the RoC in accordance with Section 60 of the Companies Act, containing, inter alia, the Issue Price that is determined at the end of the Book Building Process and the size of the Issue
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account on the Designated Date
QIB Margin Amount	An amount representing at least 10% of the Bid Amount
QIB Portion	The portion of the Issue, being 40,860,000 Equity Shares of Rs. 10 each, to be Allotted to QIBs
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million
RTGS	Real Time Gross Settlement
Refund Banker	ICICI Bank
Refunds through electronic transfer of funds	Refunds through ECS, Direct Credit or RTGS, as applicable
Registrar to the Issue	Registrar to the Issue, in this case Sharepro Services (India) Private Limited
Retail Individual Bidder(s)	Individual Bidders (including HUFs) who have not Bid for Equity Shares for an amount more than or equal to Rs. 100,000 in any of the bidding options in the Issue (including HUF applying through their Karta and Eligible NRIs)

Term	Description
Retail Portion	The portion of the Issue, being up to 20,430,000 Equity Shares of Rs. 10 each, available for allocation to Retail Individual Bidders
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their Bid cum Application Forms or any previous Revision Form(s)
RHP or Red Herring Prospectus	This Red Herring Prospectus which will be filed with RoC in accordance with Section 60B of the Companies Act at least 3 days before the Bid/Issue Opening Date
Selling Shareholder	SIF
Stock Exchange(s)	BSE and NSE, as the context may require
Syndicate	The BRLMs, the CBRLM and the Syndicate Member
Syndicate Agreement	Agreement between the Syndicate our Company and the Selling Shareholder in relation to the collection of Bids in this Issue
Syndicate Member	ICICI Brokerage Services Limited
TRS/Transaction Registration Slip	The slip or document issued by the Syndicate to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs, the CBRLM and the Syndicate Member
Underwriting Agreement	The agreement between the Underwriters, the Selling Shareholder and our Company to be entered into on or after the Pricing Date

Conventional and General Terms/Abbreviations

Term	Description
A/c	Account
Act or Companies Act	Companies Act, 1956 and amendments thereto
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
BPO	Business Process Outsourcing
BSE	Bombay Stock Exchange Limited
CDSL	Central Depository Services (India) Limited
Crore	Rs. 1,00,00,000 (Ten Million Rupees)
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996 as amended from time to time
DP/Depository Participant	A depository participant as defined under the Depositories Act, 1996
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EGM	Extraordinary General Meeting

Term	Description
EPS	Earnings Per Share i.e. profit after tax for a fiscal year divided by the weighted average outstanding number of equity shares at the end of that fiscal year
FDI	Foreign Direct Investment
FEDAI	Foreign Exchange Dealers Association of India
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto
FEMA Regulations	FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations 2000 and amendments thereto
FII(s)	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investor) Regulations, 1995 registered with SEBI under applicable laws in India
Financial Year/Fiscal/FY	Period of twelve months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board
FTSE	Financial Times Stock Exchange
FTSE 100	A share index of the 100 most highly capitalised companies listed on the London Stock Exchange
Fortune Global 500	An annual global ranking of companies based on revenue published by Fortune
GBP/Pound Sterling/Sterling/£	Pounds sterling, the official currency of the United Kingdom
GDP	Gross Domestic Product
Government	Government of India
HUF	Hindu Undivided Family
I-SEC	ICICI Securities Limited, also referred to as the CBRLM
IT	Information Technology
I.T. Act	The Income Tax Act, 1961, as amended from time to time
ITES	Information Technology Enabled Services
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offering
Lakh/Lac	Rs. 1,00,000 (One Hundred Thousand Rupees)
NA	Not Applicable
NAV	Net Asset Value being paid-up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit and Loss Account, divided by number of issued equity shares
NDSL	National Securities Depository Ltd.
NR	Non-resident
NRE Account	Non Resident External Account
NRI	Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited

Term	Description
NYSE	New York Stock Exchange
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Foreign Security by a Person resident outside India) Regulations, 2000
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number allotted under the Income Tax Act, 1961
RBI	The Reserve Bank of India
RoC	Registrar of Companies, Maharashtra (Mumbai)
Rs.	Indian Rupees
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended from time to time
Stock Exchange(s)	BSE and/or NSE, as the context may require
STP Scheme	Software Technology Parks of India Scheme
US/USA	United States of America
US GAAP	Generally Accepted Accounting Principles in the United States of America
USD/US\$	United States Dollars

Industry Related Terms

Term	Description
BFSI	Banking, Financial Services and Insurance
BPO	Business Process Outsourcing
COPC	Customer Operations Performance Centre Inc.
CRM	Customer-Relationship Management
FTE	Full-time equivalent
ISP	Internet Service Provider
IT	Information Technology
ITES	Information Technology Enabled Services
NASSCOM	National Association of Software and Services Companies
NASSCOM-McKinsey Report	The joint report published in December 2005 by NASSCOM and McKinsey & Company titled "NASSCOM-McKinsey Report 2005 - Extending India's leadership in the global IT and BPO industries"

PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

Financial Information

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our restated consolidated financial statements, prepared in accordance with Indian GAAP and the SEBI Guidelines, which are set out in the section titled “Financial Statements” on page 134 of this Red Herring Prospectus. Our fiscal year commences on April 1 and ends on March 31 of the next calendar year. All references to a particular fiscal year are to the twelve-month period ended on March 31 of that year and all references to the nine months ended December 31, 2006 and the nine months ended December 31, 2005 are to the nine month period from April 1, 2006 to December 31, 2006 and the nine month period from April 1, 2005 to December 31, 2005, respectively.

The degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited.

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

Currency Information

All references to “Rupees” or “Rs.” are to Indian Rupees, the official currency of the Republic of India. All references to “US\$”, “USD” or “U.S. Dollars” are to United States Dollars, the official currency of the United States of America. All references to “Sterling”, “Pound Sterling”, “GBP” or “£” are to Pound Sterling, the official currency of the United Kingdom.

This Red Herring Prospectus contains translations of certain U.S. Dollar and other currency amounts into Indian Rupees that have been presented solely to comply with the requirements of Clause 6.9.7.1 of the SEBI Guidelines. These convenience translations should not be construed as a representation that those U.S. Dollar or other currency amounts could have been, or can be converted into Indian Rupees, at any particular rate, the rates stated below or at all.

The following table sets forth, for each period indicated, the number of Rupees for which one U.S. Dollar and GBP could be exchanged at for the FEDAI rates.

The details of the FEDAI rates are as follows:

	Nine months ended December 31, 2006	Nine months ended December 31, 2005	Fiscal 2006	Fiscal 2005	Fiscal 2004
U.S. Dollar					
Period End	Rs. 44.26	Rs. 45.04	Rs. 44.61	Rs. 43.74	Rs. 43.71
Average	Rs. 45.63	Rs. 44.25	Rs. 44.28	Rs. 44.94	Rs. 46.02
GBP					
Period End	Rs. 86.84	Rs. 77.63	Rs. 77.49	Rs. 82.33	Rs.80.16
Average	Rs. 84.41	Rs. 79.50	Rs. 79.08	Rs. 82.95	Rs.77.88

Source: fedai.org.in

Market Data

Market and industry data used in this Red Herring Prospectus has generally been obtained or derived from industry publications and sources such as the *NASSCOM-McKinsey Report*. These publications typically 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. Accordingly, no investment decisions should be made based on such information. Although our Company and the Selling Shareholder believe that the industry data used in this Red Herring Prospectus is reliable, it has not been verified. We have also included certain internal Company reports that we believe to be reliable, but which have not been verified by any independent sources.

The extent to which the market and industry data used in this Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

We discuss the number of clients that our Company has at various points throughout this Red Herring Prospectus. For these purposes, each distinctive client logo (even logos which may be part of the same general corporate group) which represents an ongoing business commitment to us has been considered to be a separate client. Clients of Pipal, clients from which we earn one-time, project-based revenues and certain clients from which we receive an insignificant amount of income have not been included in the calculation of our number of clients as presented herein.

FORWARD-LOOKING STATEMENTS

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

Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- Trends in the BPO industry which may result in declining commission rates;
- Significant currency fluctuations between the U.S. dollar and the pound sterling (in which currencies our income is principally denominated), other currencies and the Indian rupee (in which a significant portion of our costs are denominated);
- Changes in government policies or legislations that apply to or affect our business, including laws limiting or penalising outsourcing;
- The loss of or decline in business from any of our key clients to which we have significant exposure;
- General economic and business conditions in India and other countries;
- Potential mergers, acquisitions or restructurings and increased competition;
- Changes in political and economic conditions in India;
- Changes in the foreign exchange control regulations in India; and
- The change of our corporate name and brand to “Firstsource Solutions Limited” and the impact of rebranding, if any, on our overall performance.

For further discussion of factors that could cause our actual results to differ from our expectations, see the sections titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on pages xiii and 211 of this Red Herring Prospectus, respectively. Neither our Company, the Selling Shareholder, any of the Underwriters nor any of their respective affiliates has any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof. In accordance with SEBI requirements our Company, the Selling Shareholder, the BRLMs and the CBRLM 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

Investing in our shares involves substantial risks. In addition to the other information in this Red Herring Prospectus, you should carefully consider the following factors before investing in our shares. Any of the risk factors we describe below could adversely affect our business, financial condition and/or results of operations. The market price of our shares could decline if one or more of these risks and uncertainties develop into actual events, causing you to lose all or part of the money you paid to buy our shares. Certain statements in "Risk Factors" are forward-looking statements. See also the section titled "Forward-Looking Statements" on page xii of this Red Herring Prospectus.

Risks Related To Our Business

1. *We rely on a small number of clients for a large proportion of our income, and loss of any of these clients could adversely affect our profitability.*

We currently derive and believe that we will continue to derive a substantial portion of our income from a limited number of large clients. Our five largest clients accounted for 50.6% of our income from services in fiscal 2006 and 53.6% of our income from services in the nine months ended December 31, 2006. Certain of our client contracts allow them to terminate such contracts without cause, in some cases with little or no penalty. We expect that a significant portion of our income will continue to be attributable to a limited number of clients in the near future. In addition, most of our clients have not committed to provide us with a minimum volume of work or to exclusively use us for their outsourcing needs. Some of these clients could stop outsourcing work to us without terminating or being in breach of their contract. The loss or financial difficulties of any of our most significant clients, or significant decreases in the volumes of work from our clients, would have a material adverse effect on our business, results of operations, financial condition and cash flows.

Furthermore, major events affecting our clients, such as bankruptcy, change of management, mergers and acquisitions could adversely impact our business. If any of our major clients becomes bankrupt or insolvent, we may lose some or all of our business from that client and our receivables from that client would increase and may have to be written off, adversely impacting our income and financial condition. Our business could also be adversely affected by the acquisition of a major client if the combined entity chooses not to engage us to provide it with services and solutions, which has happened to us in the past. Our business is dependent on the decisions and actions of our clients, and there are a number of factors that are outside our control, which might result in the termination of a project or the loss of a client.

Our clients, some of which have experienced rapid changes in their prospects, substantial price competition and pressures on their profitability, have in the past and may in the future demand price reductions, develop and implement newer technologies, automate some or all of their processes or change their outsourcing strategy by moving more work in-house or to other providers, any of which could reduce our profitability. Any significant reduction in or the elimination of the use of the services we provide to any of our clients, or any requirement to lower our prices, would harm our business.

2. *Our clients are largely concentrated in a few industries, which exposes us to the overall performance of, and outsourcing trends within, those industries.*

A substantial portion of our BPO clients are concentrated in the BFSI industry. In fiscal 2006, 63.5% of our income from services was derived from clients in the BFSI industry, 25.0% of our income from services was derived from clients in the telecommunications and media industry and 5.7% of our income from services was derived from clients in the healthcare industry. In the nine months ended December 31, 2006, 53.3% of our income from services was derived from clients in the BFSI industry, 34.4% of our income from services was derived from clients in the telecommunications and media industry and 6.1% of our income from services was derived from clients in the healthcare industry. Our business and growth largely depend on continued demand

for our services from clients and potential clients in these industries and new industries where we may focus our expansion efforts in the future. Under the terms of the agreement with Metavante, we have agreed that Metavante will be the exclusive marketer of our offshore BPO BFSI services, with certain exceptions, in North America. This exclusivity agreement imposes certain limits on our ability to expand our services to new clients in the BFSI industry in North America and we can not assure you that this will be beneficial to our Company. A downturn in any of these industries, particularly the BFSI industry or the telecommunications and media industry, or a slowdown or reversal of the trend to outsource business processes in general or to outsource business processes to India specifically, in any of these industries, could decrease demand for our services. Other developments, such as consolidation, particularly involving our clients, could also cause the demand for our services in these industries to decline.

3. Our inability to effectively manage our rapid growth could have a material adverse effect on our operations, results of operations and financial condition.

Since we were founded in December 2001, we have experienced rapid growth and significantly expanded our operations. Since 2001, we have completed six acquisitions, expanded our operations to 20 delivery centres within India, the United States, the United Kingdom and Argentina and increased our employee base to 10,717 full-time employees as of December 31, 2006. We recently expanded our operations in the United States through the BPM Acquisition, which was completed on December 29, 2006, and we intend to further increase the scale of our operations, including through the addition of delivery centres that we currently have under development in the Philippines and in India in the remainder of fiscal 2007 and in fiscal 2008. From fiscal 2004 through fiscal 2006, our total income has grown at a compound annual growth rate of 74.4% from Rs. 1,807.8 million in fiscal 2004 to Rs. 5,499.2 million in fiscal 2006. We intend to continue expansion in the foreseeable future to pursue existing and potential market opportunities.

This rapid growth places significant demands on our management and operational resources. In order to manage growth effectively, we must implement and improve operational systems, procedures and internal controls on a timely basis. If we fail to implement these systems, procedures and controls on a timely basis, or if there are weaknesses in our internal controls that would result in inconsistent internal standard operating procedures, we may not be able to service our clients' needs, hire and retain new employees, pursue new business, complete future acquisitions or operate our business effectively. Failure to effectively transfer new client business to our service delivery centres, properly budget transfer costs or accurately estimate operational costs associated with new contracts could result in delays in executing client contracts, trigger service level penalties, give the client the right to terminate the contract for breach, or cause our profit margins not to meet our expectations or our historical profit margins. Our inability to execute our growth strategy, to ensure the continued adequacy of our current systems or to manage our expansion effectively could have a material adverse effect on our business, results of operations, financial condition and cash flows.

4. We may fail to attract and retain enough sufficiently trained employees to support our operations, as competition for highly skilled personnel is intense and we experience significant employee turnover rates.

The BPO industry is highly labour intensive and our success depends to a significant extent on our ability to attract, hire, train and retain qualified employees, including our ability to attract employees with needed skills in the geographic areas in which we operate. The industry, including our Company, experiences high employee turnover. For the nine months ended December 31, 2006, our turnover rate for billable employees—employees who execute business processes for our clients following the completion of our six-month probationary period was approximately 29.7%. There is significant competition for professionals in India with skills necessary to perform the services we offer to our clients. Increased competition for these professionals, in the BPO industry or otherwise, could have an adverse effect on us. High attrition rates among our tenured employees, in particular, could result in a loss of domain and process knowledge, which could result in poor service quality and lead to breaches by us of our contractual obligations. Some of our contracts may be terminated by the

client if certain of our key personnel working on the client project leave our employment and we are unable to find suitable replacements. A significant increase in the turnover rate among our employees in India, particularly among the highly skilled workforce needed to provide BPO services, would increase our recruiting and training costs and decrease our operating efficiency, productivity and profit margins and could lead to a decline in demand for our services. High turnover rates increase our expenditures and therefore impact our profit margins due to higher recruitment, training and retention costs as a result of maintaining larger hiring, training and human resources departments and higher operating costs due to having to reallocate certain business processes among our operating facilities where we have access to the skilled workforce needed for the business.

Our ability to maintain and renew existing engagements and obtain new business will depend, in large part, on our ability to attract, train and retain personnel with skills that keep pace with the demand for outsourcing, evolving industry standards and changing client preferences. A lack of sufficiently qualified personnel could also inhibit our ability to establish operations in new markets and our efforts to expand geographically. Our failure either to attract, train and retain personnel with the qualifications necessary to fulfil the needs of our existing and future clients or to assimilate new employees successfully could have a material adverse effect on our business, results of operations, financial condition and cash flows.

5. Wage increases in India may prevent us from sustaining our competitive advantage and may reduce our profit margin.

Our most significant costs are the salaries and related benefits of our operations staff and other employees. Wage costs in India have historically been significantly lower than wage costs in the United States and Europe for comparably skilled professionals, which has been one of our competitive advantages. However, because of rapid economic growth in India, increased demand for BPO to India and increased competition for skilled employees in India, wages for comparably skilled employees in India are increasing at a faster rate than in the United States and Europe, which is reducing this competitive advantage. We may need to increase the levels of employee compensation more rapidly than in the past to remain competitive in attracting and retaining the quality and number of employees that our business requires. Wage increases in the long-term may reduce our profit margins. Additionally, because the large majority of our employees are based in India and paid in Indian rupees, while our income is primarily in U.S. dollars and pounds sterling, our employee costs as a percentage of income may increase or decrease significantly if the exchange rates among the Indian rupee, the pound sterling and the U.S. dollar fluctuate significantly. See the risk factor titled “Because substantially all of our income is denominated in foreign currencies and the majority of our expenses are denominated in Indian rupees, we face currency exchange risk” on page xxxii of this Red Herring Prospectus.

6. We operate in a highly competitive environment and if we are not able to compete effectively, our income and profitability will be adversely affected.

The market for BPO services is rapidly evolving and is highly competitive. We expect that the competition we face will continue to intensify. We face competition from:

- offshore BPO providers, particularly in India, such as Genpact;
- the BPO divisions of global IT companies and global “pure play” BPO providers located in the United States, such as Accenture, Electronic Data Systems Corp./Mphasis, International Business Machines, NCO Group, Affiliated Computer Systems, Inc. and Outsourcing Solutions, Inc.;
- the BPO divisions of IT companies located in India, such as Infosys Technologies Limited and Wipro Technologies Limited; and
- companies, including certain of our clients, that choose to perform their own business processes internally through offshore captive business processing units established specifically for this purpose.

A number of our international competitors are setting up operations in India. Further, many of our other international competitors with existing operations in India are expanding these operations, which have become an important element of their delivery strategy. This has resulted in increased employee attrition among Indian BPO services companies and increased wage pressure to retain skilled employees and reduce such attrition. Many of our competitors have significantly greater financial, technical and marketing resources and generate greater income than we do. Moreover, our competitors' success depends upon a number of factors that are beyond our control, including their ability to attract and retain highly qualified technical employees, the price at which they offer comparable services and their responsiveness to client needs.

Some of our clients may, for various reasons including to diversify geographical risk, seek to reduce their dependence on any one country and may seek to outsource their operations to countries such as China and the Philippines. In addition, some of our clients have sought to outsource their operations to onshore BPOs. Although we operate onshore facilities for certain of our clients in the United States and the United Kingdom, a significant increase in "onshoring" would reduce the competitive advantages we derive from operating out of India.

We cannot assure you that we will be able to retain our clients in the face of such competition. If we lose clients as a result of competition, our market share will decline, which would have a material adverse effect on our business and profitability.

7. *Outsourcing of certain business processes may become obsolete with the development of technology that may automate and eliminate the need for some of the services we currently provide.*

Businesses are constantly evolving and seeking ways to increase their efficiency, control costs and maintain high levels of service quality. In time, as businesses become more efficient at managing their own processes internally and through technological advances, we expect that the need to outsource certain processes currently performed by us may be substantially reduced or eliminated. A significant reduction in services that we provide as the result of process obsolescence and technological improvements will have a material adverse effect on our business.

8. *Some of our clients may terminate contracts without cause and with little or no notice or payment of penalty before completion or may choose not to renew contracts, which could adversely affect our business and reduce our income.*

Certain of our contracts with our clients have an initial term of three to five years, while certain others are rolling short-term contracts. Typically, these contracts can be terminated by our clients with cause by giving little or no notice. Most of the contracts can also be terminated without cause and only some of those contracts provide for compensation to be paid to us if the client terminates in such circumstances. The length of notice required to terminate without cause varies; some clients must give six months' notice, while other clients may terminate immediately upon giving notice. Termination of a key client contract or a number of smaller contracts could adversely affect our business and reduce our income. Failure to meet contractual requirements could also result in service level penalties, termination of a contract for cause, or a client not renewing their contract at the end of its term. In addition, most of our clients have not committed to provide us with a minimum volume of work or to exclusively use us for their outsourcing needs. Some of those clients could stop sourcing work to us without terminating or being in breach of their contract.

A contract termination or significant reduction in work assigned to us by a key client or a number of smaller clients could cause us to experience a higher than expected number of unassigned employees and unutilised infrastructure deployed and dedicated to those clients, which would increase our expenditure as a percentage of income until we are able to reduce or reallocate our resources. We may not be able to replace any client that elects to terminate or not renew its contract with us, which would adversely affect our business and income.

9. *We have in the past lost business from clients and any such losses in the future could adversely affect our business.*

We have in the past lost business from some of our clients, as they ramp down volumes of work or eliminate certain processes that they outsource to our Company. We have also lost clients altogether, as they have ceased doing business with us. In many cases, this has been the result of events affecting our clients over which we have no control, such as changes in management and mergers and acquisitions. For example, a significant client is currently in the process of completely ramping down its service lines outsourced to us, while another is expected to partially ramp down over the next few months. While we have never lost a client due to “termination for cause” (our failure to meet performance standards or otherwise default under the contract), we have, from time to time, been in default under service level agreements, which gives the client the right to terminate our contract for cause. We are currently in such a default situation with respect to one of our significant clients, and are in the process of working with this client to remedy the default. The loss of these clients or the loss of business from any of our clients, as a result of ramp-downs or defaults under our contracts or otherwise, could have a material adverse effect on our business.

10. *Any breach of the terms under our financing arrangements could trigger a cross-default under our other financing arrangements, lead to termination of one or more of our financing arrangements and/or force us to sell assets.*

Our financing arrangements contain restrictive covenants regarding, among other things, our reorganisation, amalgamation or merger, payment of dividends, our incurrence of additional indebtedness, the disposition of assets and the expansion of our business. These agreements also require us to maintain certain financial ratios. Should we breach any financial or other covenants contained in any of our financing arrangements, we may be required to immediately repay our borrowings either in whole or in part, together with any related costs. Furthermore, our financing arrangements may contain cross-default provisions which could automatically trigger defaults under other financing arrangements, in turn magnifying the effect of any individual default. We may be forced to sell some or all of the assets in our portfolio if we do not have sufficient cash or credit facilities to make repayments. Additionally, if our borrowings are secured against all or a portion of our assets, lenders may be able to sell those assets to enforce their claims for repayment.

11. *The nature of the contracts we have with our clients contain inherent risks and contain certain provisions, which, if exercised, could result in lower future income and negatively affect our profitability.*

We do not have formal or long-term contracts for all of our clients. Further, we are currently performing services for some clients whose contracts have expired and have not yet been renewed or have contracts which have not yet been executed. Certain other clients, specifically those for whom we perform collection services, have short-term contracts that can be terminated immediately without cause upon the client giving notice.

In a number of our contracts we commit to fixed-rate pricing with our clients and therefore bear the risk that our expenses with respect to a particular client engagement could be higher than we estimated at the time of entering into the contract. If we fail to estimate accurately the resources and time required for a contract, future wage inflation rates or currency exchange rates, or if we fail to complete our contractual obligations within the contracted timeframe, our income and profitability may be negatively affected.

In addition, many of our contracts contain provisions, which, could adversely affect our profitability. These provisions include, among others:

- termination clauses which allow the contract to be terminated for cause or convenience;
- “competitive price” clauses, which require us to reduce the price to that client if we have offered the same services to a new client at a lower price or if, as the result of a market study, our price is found to be higher than that of our competitors;

- “step-in” clauses, which allow the client to step-in and take over the operations or transfer the work to another service provider, if we fail to deliver services at the agreed upon performance levels;
- “non-compete” clauses, which prevent us from using the same personnel to provide services to our clients’ competitors for the duration of the contract and for a period thereafter;
- “change of control” clauses, which provide the client with the right to terminate the contract for cause if there is a change of control in the Company or if one of the clients’ competitors gains a significant stake in our Company;
- clauses entitling the client to service level credits, which can then be set against fees, if we do not meet pre-agreed service level requirements, or liquidated damages if we do not meet key milestones in the implementation process;
- requirements to assist the client for a certain period of time post-termination to find providers to replace our services; and
- in certain contracts, liability that is not limited or capped.

Moreover, we are unable to predict what types of contractual arrangements we will enter into in the future, and certain of these may contain additional terms that are unfavorable to us or pose risks to our business. Any of these contractual provisions could reduce our income, hinder our ability to compete in the market and operate profitably and could result in the payment of significant penalties by us to our clients, any of which in turn could have an adverse effect on our business, results of operations, financial condition and cash flows.

12. *We have a long selling cycle for our BPO services that requires significant funds and management resources and a long implementation cycle that requires significant resource commitments.*

We have a long selling cycle for our BPO services, which requires significant investment of capital, resources and time by both our clients and us. Before committing to use our services, potential clients require us to expend substantial time and resources presenting to them the value of our services and assessing the feasibility of integrating our systems and processes with theirs. Our clients then evaluate our services before deciding whether to use them. Therefore, our selling cycle, which can range in duration from weeks to months, is subject to many risks and delays over which we have little or no control, including our clients’ decision to choose alternatives to our services (such as other providers or in-house offshore resources) and the timing of our clients’ budget cycles and approval processes. In addition, we may not be able to successfully conclude a contract after the selling cycle is complete.

Implementing our services involves a significant commitment of resources over an extended period of time from both our clients and us. Our clients may also experience delays in obtaining internal approvals or delays associated with technology or system implementations, thereby delaying further the implementation process. Our clients and future clients may not be willing or able to invest the time and resources necessary to implement our services, and we may fail to close sales with potential clients to which we have devoted significant time and resources, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

When we are engaged by a client after the selling process, it typically takes from a number of weeks to integrate the client’s systems with ours, and in some cases up to a number of months thereafter to build up our infrastructure and employee levels to meet the client’s requirements. Depending on the complexity of the processes being implemented, these time periods may be significantly longer and implementing these processes can be subject to potential delays similar to certain of those affecting the selling cycle. Furthermore, during this time we must recruit large number of employees across all levels in a very short time frame, and we must invest in set-up, infrastructure and training. These expenditures can adversely impact our financial performance.

Because of the nature of our contracts, we sometimes commit resources to projects prior to receiving advances, progress or other payments from clients in amounts sufficient to cover expenditures on projects as they are incurred. Delays in client payments may subject us to working capital shortages. If a client defaults in making its payments on a project to which we have devoted significant resources or if a project in which we have invested significant resources is delayed, cancelled or does not ramp-up at the projected pace, it could have a material adverse effect on our operating results.

13. *Our profitability will suffer if we are not able to maintain our asset usage levels and pricing and control our costs.*

Our profit margin, and therefore our profitability, is largely a function of our asset usage and the rates we are able to recover for our services. If we are not able to maintain the pricing for our services or appropriate asset usage, without corresponding cost reductions, our profitability will suffer.

Our profitability is also a function of our ability to control our costs and improve our efficiency. As we increase the number of our employees and execute our strategies for growth, we may not be able to manage a significantly larger and more geographically diverse workforce, which could adversely affect our ability to control our costs or improve our efficiency. Similarly, any change in the mix of income from services could also impact our results, as certain of our services have much higher margins than others.

14. *We may be required to write off some or all of the goodwill we recognise from our acquisitions.*

When we make an acquisition, we recognise the excess of our cost of acquisition over the value of our equity in the acquired company as goodwill in the consolidated financial statements. We determine the value of our equity interest on the basis of the book value of the acquired company on the date of our investment. We periodically review our goodwill in respect of each of our acquired business units to determine whether there has been a decline in its carrying value. As of December 31, 2006, our cumulative goodwill amounted to Rs. 5,419.3 million. We could be required to write off some or all of this amount to the extent that we determine that we are required to impair the value thereof in accordance with our accounting policy. This could have a material adverse effect on our profit and loss statement and on our results of operations.

15. *Our operating results may experience significant variability and as a result it may be difficult for us to make accurate financial forecasts.*

Our operating results may vary significantly from period to period. The long selling cycle for our services and the budget and approval processes of prospective clients make it difficult to predict the timing of new client acquisitions. The timing of income recognition under new client agreements also varies depending on when we complete the implementation phase. The completion of implementation varies significantly based upon the complexity of the processes being implemented. Our period-to-period results have in the past and may also in the future fluctuate due to other factors, including business acquisitions, client losses, delays or failure by our clients to provide anticipated business, variations in employee utilisation resulting from changes in our clients' operations, delays or difficulties in expanding our operational facilities and infrastructure (including hiring new employees or constructing new delivery centres), changes to our pricing structure or that of our competitors, currency fluctuation, seasonal changes in the operations of our clients and other events identified in the section titled "Forward-Looking Statements" on page xii of this Red Herring Prospectus.

Our income is also affected by changes in pricing under our contracts at the time of renewal or by pricing under new contracts. Sometimes the pricing under these contracts is linked to the volume of business a client refers to us, yet many of our contracts do not commit our clients to provide us with a minimum level of business.

In addition, we recognise income in our collections business when debts are recovered from the debtors, as a percentage of the total amount of debt collected during a fixed period of time. Therefore, the income from our

collections business, and our resulting profitability, are a function of the quality of debt and the liquidation rates of the relevant debt, which cannot be predicted at the time we enter into a contract. This may result in lower income for us.

These factors may make it difficult to make accurate financial forecasts or replace anticipated income that we do not receive as a result of delays in implementing our services or client losses. If our actual results do not meet any estimated results that we announce, or if we underperform market expectations as a result of such factors, trading prices for our Equity Shares could be adversely affected.

16. Our senior management team and other key team members in our business units are critical to our continued success and the loss of such personnel could harm our business.

Our future success substantially depends on the continued service and performance of the members of our senior management team and other key team members in each of our business units for the management of our daily operations and the planning and execution of our business strategy. These personnel possess technical and business capabilities that are difficult to replace. There is intense competition for experienced senior management and personnel with technical and industry expertise in the BPO industry and if we lose the services of any of these or other key individuals and are unable to find suitable replacements in a timely manner, our ability to realise our strategic objectives could be impaired. In addition, some of our client contracts can be terminated if certain key individuals working on those projects leave and we are unable to find a suitable replacement in a timely manner. Although we have entered into a tailored management contract with our chief executive officer, other members of our management team are employed under standard employment contracts, which may not adequately incentivise them to remain with our Company or protect our Company in the event of their departure or otherwise. In addition, certain of those agreements contain non-compete and other provisions that may not be enforceable under Indian law and in any event these agreements do not ensure the continued service of these executive officers. Furthermore, we do not maintain any “key man” insurance for any of our directors or members of senior management. The loss of key members of our senior management or other key team members, particularly to competitors, could have a material adverse effect on our business, results of operations, financial condition and cash flows.

17. We have incurred losses in the past and have a limited operating history. We may not be profitable in the future and may not be able to secure additional business.

We incurred losses in fiscal 2003, our first full year of operations. In future periods, we expect our expenditure to continue to increase. If our income does not grow at a faster rate than these expected increases in our expenses, or if our operating expenses are higher than we anticipate, we may not be profitable and we may incur additional losses. In addition, the offshore BPO industry is a relatively new industry, and we have a limited operating history. We started our business in 2001 and only began commercial operations in 2002. We may not be able to secure additional business or retain current business or add a sufficient level of new clients in the future.

18. The change of our corporate name and brand to “Firstsource Solutions Limited” may adversely affect our profitability, including because we do not have intellectual property rights thereto.

We have recently changed our name to Firstsource Solutions Limited. We have expended substantial resources to establish the ICICI OneSource name and reputation in the BPO services market place and have taken measures to protect the OneSource trademark and logo from infringement. We cannot predict the impact of the change in our corporate name and brand on our business and operations, and the lack of an established brand image for the Firstsource name in the BPO services marketplace may cause a disruption in sales, cause confusion and so adversely affect our profitability. Further, as we have not yet applied for trademark protection for the Firstsource name or trademark, our intellectual property rights in respect thereof are not protected, which may adversely affect our business.

19. We may need to make significant investments in upgrading our technological infrastructure and in maintaining sufficient levels of bandwidth and connectivity redundancy, each of which would impact our profitability.

Our technological and connectivity infrastructure is essential to our business and must be kept up to date and at sufficient levels to maintain the level of services provided to our clients. Connectivity to client systems is a major key component of our solution and service offerings. In order to ensure uninterrupted services to our clients, we may need to continue to invest in building and maintaining a redundant network and procuring additional bandwidth. These will translate into additional expenses for us and may impact our profitability. Further, our current technology, such as our hardware, software and network systems may become obsolete and we may have to make significant investments in upgrading our technological infrastructure to be current with market trends. This would require significant capital expenditure from us and would impact our profitability.

20. If we cause disruptions to our clients' businesses or provide inadequate service, our clients may have claims for substantial penalties against us.

Most of our contracts with clients contain service level and performance requirements, including requirements relating to the quality of our services and the timing and quality of responses to the client's customer inquiries. In some cases, the quality of services that we provide is measured by quality assurance ratings and surveys which are based in part on the results of direct monitoring by our clients of interactions between our employees and our client's customers. Failure to meet service requirements of a client or errors made by our associates in the course of delivering services to our clients could disrupt the client's business and result in a reduction in income or a claim for substantial damages against us. Some of our agreements specifically stipulate standards of service that, if not met by us, will result in lower payment to us. In addition, a failure or inability to meet a contractual requirement could seriously damage our reputation and affect our ability to attract new business.

Our dependence on our offshore delivery centres requires us to maintain active data and voice communications between our main delivery centres in India, the United States, the United Kingdom, Argentina, our international technology hubs and our clients' offices. Although we maintain redundant facilities and communications links, disruptions could result from, among other things, technical and electricity breakdowns, computer glitches and viruses and adverse weather conditions. Any significant failure of our equipment or systems, or any major disruption to basic infrastructure like power and telecommunications in the locations in which we operate, could impede our ability to provide services to our clients, have a negative impact on our reputation, cause us to lose clients, reduce our income and harm our business.

Most, but not all, of our client contracts contain limitations on liability, but such limitations may be unenforceable or otherwise may not protect us from liability for damages. In addition, certain liabilities, such as claims of third parties for which we may be required to indemnify our clients, are generally not limited under those agreements. Although we believe we have adequate insurance coverage, the coverage may not continue to be available on reasonable terms or in sufficient amounts to cover one or more large claims, and our insurers may disclaim coverage as to any future claims. The successful assertion of one or more large claims against us that exceed available insurance coverage, or changes in our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have a material adverse effect on our business, reputation, results of operations, financial condition and cash flows.

21. We may be liable to our clients for substantial damages caused by unauthorised disclosure of sensitive and confidential information or breach of intellectual property rights, whether through a breach of our computer systems, through our employees or our sub-contractors or their employees or otherwise.

We are typically required to manage, utilise and store sensitive or confidential client data in connection with the services we provide and to protect our clients' intellectual property rights. Under the terms of our client contracts, we are required to keep such information strictly confidential. The collection, use and processing of personal data is more heavily regulated in the United Kingdom and the United States and the transfer of

personal data to an outsourcing company in a jurisdiction with a less robust data protection regime is an issue that may cause concern for clients in those jurisdictions. Consequently, our contracts with those clients contain robust provisions relating to confidentiality and data protection. Our client contracts do not always include a limitation on our liability to them with respect to breaches of our obligation to maintain the confidentiality of the information we receive from them and a number of our client contracts can be terminated immediately in the event of a breach of the data protection or confidentiality provisions. We do not have insurance coverage for mismanagement of misappropriation of such information. We seek to implement measures to protect sensitive and confidential client data and to protect our clients' intellectual property, but notwithstanding these measures, if any person, including any of our employees or sub-contractors or their employees, penetrates our network security or otherwise mismanages or misappropriates sensitive or confidential client data or breaches a client's intellectual property rights, we could be subject to significant liability and lawsuits from our clients or their customers for breaching contractual confidentiality or data protection provisions or privacy laws. The occurrence of such events could have a negative impact on our reputation, which would harm our business.

22. *We may not be fully insured for all losses we may incur.*

Although we attempt to limit and mitigate our liability for damages arising from negligent acts, errors or omissions through contractual provisions, limitations of liability set forth in our contracts may not be enforceable in all instances or may not otherwise protect us from liability for damages. In addition, certain liabilities, such as claims of third parties for which we may be required to indemnify our clients, are generally not limited under those agreements. Although we believe we have adequate insurance coverage, including coverage for errors or omissions and breaches of network security, that coverage may not continue to be available on reasonable terms or to be available in sufficient amounts to cover one or more large claims, and our insurers may disclaim coverage as to any future claim. Insurance coverage may be an inadequate remedy where the loss suffered is not easily quantifiable, for example, in the event of severe damage to our reputation. The successful assertion of one or more large claims against us that exceed available insurance coverage, or changes in our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have a material adverse effect on our business, reputation, results of operations, financial condition and cash flows.

23. *Our industry may not develop in ways that we currently anticipate due to negative public reaction in the United States, the United Kingdom and elsewhere to offshore outsourcing, recently proposed legislation or otherwise.*

We have based our strategy of future growth on certain assumptions regarding our industry and future developments in the BFSI, telecommunications and media, and healthcare markets. For example, we believe that there will continue to be changes in product and service requirements, and investments in the products offered by our clients will continue to increase. However, the trend to outsource business processes may not continue and could reverse. Offshore outsourcing is a politically sensitive topic in the United States, the United Kingdom and elsewhere, and many organisations and public figures have publicly expressed concern about a perceived association between offshore outsourcing providers and the loss of jobs in those countries. In addition, there has been recent publicity about the negative experience of certain companies that use offshore outsourcing, particularly in India. Current or prospective clients may elect to perform such services themselves or may be discouraged from transferring these services to offshore providers to avoid any negative perception that may be associated with using an offshore provider. Any slowdown or reversal of existing industry trends would harm our ability to compete effectively with competitors that operate out of facilities located in the United States and elsewhere.

In fiscal 2006, we derived 49.4% of our income from services from the United States (which, for these purposes, we define to include Canada, although income from Canada accounted for less than 1% of this amount). A

variety of U.S. federal and state legislation has been proposed that, if enacted, could restrict or discourage U.S. companies from outsourcing their services to companies outside the United States. For example, legislation has been proposed that would require offshore providers to identify where they are located. Because many of our clients are located in the United States, any expansion of existing laws or the enactment of new legislation restricting offshore outsourcing could adversely impact our ability to do business with U.S. clients and have a material and adverse effect on our business, results of operations, financial condition and cash flows. In addition, it is possible that legislation could be adopted that would restrict U.S. private sector companies that have federal or state government contracts from outsourcing their services to offshore service providers. Such restrictions could affect our ability to attract or retain clients that have such contracts in the future.

In other countries, such as the United Kingdom where we derived 48.0% of our income from services in fiscal 2006, there has also been negative publicity and concern expressed regarding the possible effect of job losses caused by outsourcing. Recent legislation in the United Kingdom, the U.K.'s Transfer of Undertakings (Protection of Employment) Regulations 2006, provides that where there is a business transfer or a service provision change ("transfer of an undertaking"), employees engaged in that business will be transferred to the buyer or new service provider on their current terms of employment. Some outsourcing arrangements fall into the definition of a transfer of an undertaking under these regulations and consequently the relevant employees and obligations and liabilities relating to them, such as their statutory rights to compensation for redundancy and wrongful dismissal, can be automatically transferred from the current employer to the outsourcing company. These regulations could deter British companies from outsourcing work to us and could also result in our being held liable for compensation due to British workers. The Transfer of Undertakings (Protection of Employment) Regulations 2006 came into force in April 2006 and expand on the previous Transfer of Undertakings (Protection of Employment) Regulations 1981. We have indemnities in our existing contracts with clients in the United Kingdom to address the losses or additional costs that could be incurred by us due to the application of the previous regulations, but they may not be sufficient to cover the losses or additional costs incurred as a result of the current regulations. We intend to obtain indemnities against this legislation in our client contracts going forward, but to the extent that we are not able to do so or our indemnities are insufficient to protect us against losses or additional costs incurred as a result of these new regulations we could incur those additional costs. Although we are not able to assess the potential impact of these new regulations at this time, we expect this legislation to have a material adverse effect on potential business from clients in the United Kingdom.

If the United States, the United Kingdom or any of the other countries where we do significant business were to enact further legislation that make it more difficult or costly to outsource business processes, or otherwise impose increased liabilities in connection therewith, we would lose clients in the enacting countries. Further, even if anti-outsourcing legislation is not enacted, certain of our current or prospective clients could nonetheless face political pressure to restrict their outsourcing activities. If our clients in the United Kingdom, the United States or other countries are restricted or discouraged from outsourcing work to India, we could be faced with significant liabilities or could lose income, both of which would have a material adverse effect on our results of operations.

24. We have in the past entered into related party transactions and may continue to do so in the future.

We have entered into transactions with our principal shareholders and with certain subsidiaries and their respective affiliates. For example, income for services performed for ICICI Bank and its subsidiaries and affiliates amounted to Rs. 162.7 million, or 3.0% of our income from services, in fiscal 2006. While we believe that all such transactions have been conducted on an arms-length basis and contain commercial terms, there can be no assurance that we could not have achieved more favorable terms had such transactions not been entered into with related parties. Furthermore, it is likely that we will enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations.

25. *ICICI Bank, Aranda, WestBridge Capital Partners and Metavante will continue to exercise significant influence over us, and their interests in our business may be different to yours.*

The substantial majority of our issued share capital is currently beneficially owned by ICICI Bank, SIF, Aranda, WestBridge Capital Partners (now managed by Sequoia Capital India) and Metavante. Immediately following the consummation of this Issue, but assuming no other changes in shareholding, our Promoters will beneficially own 106,149,599 Equity Shares (or 25.50%) of our issued share capital; Aranda will beneficially own 91,925,269 Equity Shares (or 22.08%) of our issued share capital; WestBridge Capital Partners will beneficially own 38,983,367 Equity Shares (or 9.37%) of our issued share capital; and Metavante will beneficially own 85,765,863 Equity Shares (or 20.60%) of our issued share capital.

Each of these parties can exercise significant influence over our business policies and affairs and all matters requiring a shareholders' vote, including the composition of our Board of Directors; the adoption of amendments to our certificate of incorporation; the approval of mergers, strategic acquisitions or joint ventures or the sales of substantially all of our assets; and lending and investment policies, capital expenditures and dividend policies.

Our Promoters are also the promoters of 3i Infotech Limited, which operates in the information technology industry and currently acts as our registrar. Our Promoters held a collective 48.32% interest in 3i Infotech Limited as of December 31, 2006. This could result in a conflict of interest between us and 3i Infotech Limited and if the Promoters decide to use companies other than us to develop its IT-related businesses in India, our business strategy and competitive positioning could be adversely affected.

This concentration of ownership also may delay, defer or even prevent a change in control of our Company and may make some transactions more difficult or impossible without the support of these shareholders. The interests of these shareholders may conflict with your interests.

26. *We may not succeed in identifying suitable acquisition targets or integrating any acquired business into our operations, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.*

Our growth strategy involves gaining new clients and expanding our service offerings, both organically and through strategic acquisitions. Historically, we have relied on expanding some of our service offerings and gaining new clients through strategic acquisitions—see the section titled “Acquisition History” on page 217 of this Red Herring Prospectus. It is possible that in the future we may not succeed in identifying suitable acquisition targets available for sale on reasonable terms, have access to the capital required to finance potential acquisitions or be able to consummate any acquisition. The inability to identify suitable acquisition targets or investments or the inability to complete such transactions may affect our competitiveness and our growth prospects. In addition, our management may not be able to successfully integrate any acquired business, including BPM, into our operations and any acquisition we do complete, including the BPM Acquisition, may not result in long-term benefits to us. For example, if we acquire a company, we could experience difficulties in assimilating that company's personnel, operations, technology and software. In addition, the key personnel of the acquired company may decide not to work for us or the acquired client could terminate its contract(s) with us. Failure to conclude an acquisition successfully could have a material adverse effect on our operating results. Future acquisitions may also result in the incurrence of indebtedness or the issuance of additional equity securities and may present difficulties in financing the acquisition on attractive terms.

Acquisitions also typically involve a number of other risks, including diversion of management's attention, legal liabilities and the need to amortise acquired intangible assets, any of which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

27. Our management will have significant flexibility in applying the Net Proceeds of the Issue.

We intend to use the Net Proceeds of the Issue for acquisitions, financing the setting up of our proposed delivery centres, repayment of a loan from our Promoter, ICICI Bank, and for general corporate purposes as described in the section titled “Objects of the Issue” on page 33 of this Red Herring Prospectus. As of the date of this Red Herring Prospectus, however, we have not yet entered into any definitive commitment for any such acquisition, investment or joint venture, and we have not yet entered into any definitive agreements to utilise the Net Proceeds of the Issue for setting up our proposed delivery centres except for our Chennai facility. Further, out of the total capital expenditure of Rs. 462.85 million to be incurred on setting up of new facilities, as on date we have placed orders for Rs. 106.24 million (excluding the lease deposit of Rs. 13.90 million). There can be no assurance that we will be able to conclude definitive agreements for such acquisitions or expenditures on terms anticipated by us or at all.

Pending utilisation of the Net Proceeds of the Issue we intend to invest the funds in high quality interest bearing liquid instruments including money market mutual funds, deposits with banks, for the necessary duration. The utilisation of the Net Proceeds will be monitored by our management and our Board of Directors and will not be subject to any monitoring by any independent agency.

Further, our management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently our funding requirement and deployment of funds may also change. This may also include rescheduling the proposed utilisation of Net Proceeds and increasing or decreasing expenditure for a particular object vis-à-vis the utilisation of the Net Proceeds.

28. International expansion in countries and regions where we have limited local experience may prove to be challenging.

In order to position ourselves as a global BPO provider, we have expanded our operations into Northern Ireland (Belfast and Londonderry) and Argentina and are developing a delivery centre in the Philippines, where we have very limited business experience. We continually consider expanding our operations elsewhere, such as Eastern Europe, China and other regions where we have no local experience. Due to the lack of local experience we are uncertain whether we will be able to set up and stabilise operations easily or at all in these regions. The set-up costs coupled with the delays associated with acquiring recognition in local markets, infrastructure readiness and the challenges of competing with established local firms, especially for hiring and retaining employees, can create a time lag between the initial capital outlay and the generation of a return on the capital employed. Moreover, the competitive advantage of our geographic expansion and global delivery model may be diluted should our competitors undertake expansion into our targeted markets in a more effective manner.

In addition to the uncertainty regarding our ability to generate additional income from operations in new markets, there are risks inherent in doing business in certain countries, including, among others, regulatory requirements, legal uncertainty regarding liability, trade barriers, difficulties in staffing and managing foreign operations, different payment and accounting practices, problems in collecting accounts receivable, cultural barriers, political instability and potentially adverse tax consequences. Any of the foregoing could adversely affect the success of our international expansion strategy.

29. We have expanded our capacity without client agreements in place to utilise this capacity.

Historically, we have expanded our capacity ahead of signing contracts to provide new services and we will continue to do so in order that we are prepared for anticipated business growth. We have excess capacity available in some of our existing delivery centres. These centres are currently only partially utilised and we do not have client contracts in place to fully maximise our capacity utilisation. If we are unsuccessful in increasing the demand for our services to match our increased capacity, we will not be able to leverage these investments and expenses to improve our profitability.

30. *We operate entirely out of leased facilities which can be terminated for cause by the lessor.*

We operate entirely out of leased properties which can be terminated for cause by the lessor. In case of such termination, we may encounter delay in finding suitable alternative properties in required timeframe or may not find alternatives at all. Because of the nature of our business, continuity of operations and access to facilities and systems is of critical importance. As a result, the termination, or threat of termination, of any of our leases would have a substantial disruptive effect on our ongoing business, distract our management and employees and may increase our expenses. Such an event may also damage our reputation, affect our ability to recruit and retain employees, affect our ability to attract and retain clients and permit affected clients to claim contractual damages or terminate or renegotiate their contracts with us. The termination of any of our leases could have a material adverse effect on our business and our financial condition.

31. *Certain of our operating leases may not be enforceable.*

The operating leases for certain of our delivery centres in India have not been registered under the provisions of the Registration Act, 1908 and/or have not been stamped in accordance with the applicable stamp acts. Consequently, such lease deeds may be inadmissible as evidence in a court of law, meaning that we are not able to enforce them, unless the defects are rectified. In order to rectify these defects at this stage, we could be required to pay material penalties and costs. Any failure to remedy this situation, however, means that we may be unable to enforce our right to access certain of our key operating facilities, which could impair our ability to service our clients and have a material adverse effect on our business and our financial condition.

32. *Our facilities are at risk of damage by natural disasters.*

Our operational facilities and communication hubs may be damaged in natural disasters such as earthquakes, floods, heavy rains, tsunamis, tornados, hurricanes and cyclones. For example, in the recent floods in Mumbai in July 2005 and the snow storms in Buffalo, New York in October 2006, our operations were adversely affected as a result of the disruption of these cities' public utility and transport services, making it difficult for our associates to commute to our offices. Further, natural disasters, such as the tsunami that affected Southeast Asia, including India, on December 26, 2004, may lead to disruption of information systems and telephone service for sustained periods. Damage or destruction that interrupts our provision of outsourcing services could damage our relationships with our clients and may cause us to incur substantial additional expenses to repair or replace damaged equipment or facilities. We may also be liable to our clients for disruption in service resulting from such damage or destruction. While we believe we have adequate insurance, our insurance coverage may not be sufficient. Furthermore, we may be unable to secure such insurance coverage at premiums acceptable to us in the future or secure such insurance coverage at all. Prolonged disruption of our services as a result of natural disasters would also entitle our clients to terminate their contracts with us.

33. *We provide daily transportation to a majority of our employees and we are vulnerable to risks related to employee safety, road safety and other related hazards.*

In the recent past, the BPO industry has encountered a series of problems in connection with transportation of employees to and from work, such as automobile accidents and incidents of violent personal crime, which have in certain cases led to serious personal injury and death. Although we have taken reasonable precautions and security measures, incidents which are completely out of our control that threaten the safety of our employees may occur. Additionally, transporting employees is subject to road risks, including serious accidents and death. In the event of any such occurrence, we may be subject to liability, police inquiry and litigation. All of these will result in negative publicity for our Company and will adversely impact our ability attract and retain talented employees. This may also impact our market reputation, making it difficult for us to attract new or retain existing clients.

34. *Failure to adhere to the regulations that govern our business could have an adverse impact on our operations.*

Our clients are often subject to regulations that may require that we comply with certain rules and regulations in performing services for them that would not otherwise apply to us. Debt collection services, for example, are subject to the Fair Debt Collection Practices Act, which regulates debt collection practices. In addition, many U.S. states require a debt collector to apply for, be granted and maintain a license to engage in debt collection activities in that state. We are currently licensed (or exempt from licensing requirements) to provide debt collection services in a number of U.S. states that have non-exempt requirements and have separate “per-customer” exemptions with respect to our ongoing collection obligations. Other laws and regulations that apply to certain portions of our business may include the Fair Credit Reporting Act, the Gramm-Leach-Bliley Act, the Health Insurance Portability and Accountability Act of 1996, the Truth in Lending Act, the Fair Credit Billing Act, “Do Not Call” legislation and U.S. Federal Deposit Insurance Corporation, or the FDIC, rules and regulations in the United States, and data protection and privacy laws and regulations in the United Kingdom. In addition, we are also governed by the Financial Services Authority in the United Kingdom in respect of services that we provide to certain of our BFSI clients. With our planned expansion into new industries and geographies, we expect to become subject to new regulatory regimes with which we are not familiar. If we do not maintain our licenses or other qualifications to provide our services, we may not be able to provide services to existing clients or be able to attract new clients and could lose income, which could have a material adverse effect on our business. In addition, our failure to comply with any applicable laws and regulations could subject us to substantial damages, civil fines and/or criminal penalties.

35. *If we are unable to obtain required approvals and licenses or renewals thereof in a timely manner, our business and operations may be adversely affected.*

We require certain approvals, licenses, registrations and permissions for operating our business, some of which may have expired and for which we may have either made or are in the process of making an application for obtaining the approval or its renewal. We may not receive such approvals or renewals in the time frame anticipated by us or at all, which could adversely affect our business. Our failure to obtain any of these or any other applicable approvals or licenses, or renewals thereof, required to operate our business in a timely manner, or at all, may have a material adverse effect on the continuity of our business and may hinder our operations in the future. For more information, see the section titled “Government Approvals” on page 260 of this Red Herring Prospectus.

36. *The international nature of our business exposes us to several risks, such as significant currency fluctuations and changes in the regulatory requirements of multiple jurisdictions.*

We have operations in India, the United States, the United Kingdom and Argentina and we service clients across Europe, North America and Asia. Our corporate structure also spans multiple jurisdictions, with intermediate and operating subsidiaries incorporated in India, the United States, the United Kingdom and Argentina. As a result, we are exposed to risks typically associated with conducting business internationally, many of which are beyond our control. These risks include:

- significant currency fluctuations between the U.S. dollar and the pound sterling (in which our income is principally denominated) and the Indian rupee (in which a significant portion of our costs are denominated);
- social political or regulatory developments that may result in an economic slowdown in any of these regions;
- legal uncertainty owing to the overlap of different legal regimes, and problems in asserting contractual or other rights across international borders;
- potentially adverse tax consequences, such as scrutiny of transfer pricing arrangements by authorities in the countries in which we operate;

- potential tariffs and other trade barriers;
- changes in regulatory requirements;
- the burden and expense of complying with the laws and regulations of various jurisdictions; and
- terrorist attacks and other acts of violence or war.

The occurrence of any of these events could have a material adverse effect on our results of operations and financial condition.

37. We, our Subsidiaries, our Promoters and their subsidiaries and affiliates are involved in certain legal proceedings. These claims, if determined against us, could adversely impact our business and financial condition.

There are certain ongoing legal proceedings against our Company pending at different levels of adjudication before various courts and tribunals. No assurance can be given as to whether these matters will be settled in favour of or against us. As of December 31, 2006, there were five civil proceedings pending against our Company and we had filed two civil cases and two criminal claims against third parties before various courts. As of December 31, 2006, there were six formal and informal claims made against our Subsidiaries. The total aggregate value of the claims filed against our Company and our Subsidiaries was Rs. 293.34 million as of December 31, 2006.

The majority of these claims arise in the normal course of business and we believe, based on the facts of the cases and consultation with our counsel, that these cases generally do not involve a risk of material adverse impact on our financial performance. Where we assess that there is a probably risk of loss, it is our policy to make provisions for the loss. We do not, however, make provisions or disclosures in our financial statements where our assessment is that the risk is insignificant. Should our assessment of such risk change, our view on making such provisions or disclosures would also change accordingly. There can be no assurance that a judgment in any of the cases to which we are a party would be favorable to us.

For further details of outstanding litigation against our Company, our Subsidiaries, our Promoters and our promoter group please see the section titled "Outstanding Litigation and Material Developments" on page 236 of this Red Herring Prospectus.

38. If our contingent liabilities materialise, our financial condition and results of operations could be adversely affected.

Our contingent liabilities as of December 31, 2006 totalled Rs. 2,093.8 million. These contingent liabilities included Rs. 201.1 million in earn-outs due to former members of ASG's management, Rs 154.9 million in earn-outs due to members of BPM management based on future performance criterion, Rs. 45.2 million in disputed tax claims, Rs. 46.6 million in claims by vendors, which are not acknowledged as debt and Rs. 1,646.0 million in bank guarantees given in relation to certain borrowings by Subsidiaries. If any of these contingent liabilities materialises, our profitability could be adversely affected.

39. Some of our Promoter Group companies have incurred losses in recent years.

Some of the subsidiaries of our Promoter, ICICI Bank, have incurred losses in recent years.

(Rs. in million except as specifically stated)

	Fiscal 2004	Fiscal 2005	Fiscal 2006
ICICI Securities Holdings Inc.	-	(13.3)	-
ICICI Prudential Life Insurance Company Limited	(2,215.7)	(2,116.2)	(1,878.8)
ICICI Bank U.K. Limited (US\$ in thousands)	(2,247)*	-	-
ICICI Bank Canada	(208.62)**	(329.27)**	-
ICICI International Limited (US\$ in thousands)	-	-	(13.7)

* The financial period was from February 11, 2003 to March 31, 2004.

** For the period September 12, 2003 to December 31, 2004 and financial year ended December 31, 2005 respectively.

40. Our Company has issued Equity Shares within the last 12 months at a price which may be lower than the Issue Price.

The Company has issued Equity Shares within the last 12 months at a price which may be lower than the Issue Price. For a table setting out the details of such issuances, please see the section titled “Equity Shares issued within the last 12 months at a price which may be lower than the Issue Price” on page 21 of this Red Herring Prospectus.

41. Equity Shares have recently been transferred by the Promoters of the Company.

ICICI Bank has agreed to transfer 17,200,000 Equity Shares and 3,600,000 Equity Shares to Galleon Technology Offshore Limited and Galleon Technology Partners II, L.P., respectively, at a price of Rs. 62 per Equity Share. Galleon Technology Offshore Limited and Galleon Technology Partners II, L.P. have paid the base amount of consideration to ICICI Bank and have agreed to further pay ICICI Bank the amount by which the Floor Price exceeds Rs. 62 per Equity Share following the determination of the Floor Price.

As at the date of this Red Herring Prospectus, the Equity Shares to be transferred to Galleon Technology Offshore Limited and Galleon Technology Partners II, L.P. have been transferred to “ICICI BANK LIMITED - FIRSTSOURCE ESCROW ACCOUNT”, opened with ICICI Bank as escrow agent.

Metavante formerly had a call option over Equity Shares held by ICICI Bank and SIF pursuant to a share purchase agreement between Metavante, ICICI Bank and SIF dated March 31, 2006. Metavante elected to exercise its call option on SIF. As a result, SIF transferred 36,233,539 Equity Shares of Rs. 10 each at a price of Rs. 36.34 per Equity Share to Metavante on December 29, 2006. These Equity Shares were transferred at a price that may be at variance with the Issue Price. For details of the call option, see the section titled “History and Corporate Structure” on page 77 of this Red Herring Prospectus.

Our Promoter, ICICI Bank, transferred 5,500,000 Equity Shares to Metavante on December 28, 2006 at a price of Rs. 62 per Equity Share. Metavante has agreed to further pay ICICI Bank the amount by which the Floor Price exceeds Rs. 62 per Equity Share once the Floor Price is determined. This transfer was not related to the exercise of the call option discussed in the paragraph above.

Our Promoter, SIF, has transferred 94,465,761 Equity Shares to ICICI Bank on January 17, 2007 at par. For further information, see the section titled “Notes to Capital Structure” beginning on page 118 of this Red Herring Prospectus.

Risks Related to India And The International Nature Of Our Business

42. Our financial condition could be negatively affected if the Government of India reduces or withdraws tax exemptions or benefits and other incentives it currently provides to companies within our industry, or if the same are not available for other reasons.

We benefit from certain tax incentives provided by the Government of India. For example, currently we do not pay service tax on the income we earn in connection with the export of our services out of India. If in the future the Government of India changes the service tax law, requiring us to pay a service tax on our income from exports or to pay an increased service tax on our domestic business, our results would be impacted and our profitability would decline. Further, export profits from our operations in India are exempt from taxes under the Income Tax Act, 1961, because they constitute profits from industrial undertakings situated in a Software Technology Park of India. Under Sections 10A and 10B of the Income Tax Act, 1961, this exemption is available only until March 2009. Our delivery centres in India are currently making use of this tax holiday for profits generated from exported services. After March 2009, we expect to be required to pay taxes at standard rates on the profits earned from these delivery centres, which may increase our overall tax liability and adversely affect our profitability.

43. The complexity of transfer pricing across countries may result in substantial tax liabilities to us.

Each country's transfer pricing regulations require that international transactions involving associated enterprises be at an arm's-length price. Transactions between our Company and our Subsidiaries in other countries fall into this classification, at least for purposes of Indian tax laws and regulations. Accordingly, we determine the pricing among our associated enterprises on the basis of detailed functional and economic analysis involving benchmarking against transactions with entities that are not under common control. If the applicable income tax authorities, on review of our tax returns, determine that the transfer price we applied was not appropriate, we may incur increased tax liability, including accrued interest and penalties. These penalties could be substantial and have an adverse effect on our business. Please also see the section titled "Outstanding Litigation and Material Developments" on page 236 of this Red Herring Prospectus for details regarding current tax litigation against our Company, including in connection with transfer pricing issues.

44. A substantial portion of our assets and operations are located in India, and we are subject to regulatory, economic and political uncertainties in India.

Our primary operations are based in India, and a substantial majority of our assets and our associates are located in India. We intend to continue to develop and expand our offshore facilities in India. In the early 1990s, India experienced significant inflation, low growth in gross domestic product and shortages of foreign currency reserves. The Indian government, however, has exercised and continues to exercise significant influence over many aspects of the Indian economy. India's government has provided significant tax incentives and relaxed certain regulatory restrictions in order to encourage foreign investment in specified industries of the economy, including the BPO industry. Certain of those programs, which have benefited us, include tax holidays, liberalised import and export duties and preferential rules on foreign investment and repatriation. We cannot assure you that liberalisation policies will continue. The Government of India is considering introducing a reservation policy to the private sector in India, pursuant to which all private sector companies operating in India, including certain of our Subsidiaries, would be required to reserve a certain percentage of jobs for the economically underprivileged population in the states where such companies are incorporated. If this policy is adopted, our ability to hire employees of our choice may be affected due to restrictions on our pool of potential employees and competition for these associates.

Furthermore, the rate of economic liberalisation could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange rates and other matters affecting investment in our securities could also change. Since 1996, the Government of India has changed six times. The current Indian government

is a coalition of many parties, some of which are communist and other far left parties in India, some of which do not want to continue India's current economic policies. Various factors, including a collapse of the present coalition government due to the withdrawal of support of coalition members, could trigger significant changes in India's economic liberalisation and deregulation policies, disrupt business and economic conditions in India generally and our business in particular. Our financial performance and the market price of our shares may be adversely affected by changes in inflation, exchange rates and controls, interest rates, Government of India policies (including taxation policies), social stability or other political, economic or diplomatic developments affecting India in the future.

45. *Terrorist attacks and other acts of violence involving India, the United States, the United Kingdom or other countries could adversely affect the financial markets, result in a loss of client confidence and adversely affect our business, results of operations, financial condition and cash flows.*

Certain events that are beyond our control, including the terrorist attacks in Mumbai on July 11, 2006, in London on July 7, 2005, in New Delhi on December 13, 2001 and in New York City and Washington, D.C., on September 11, 2001, and other acts of violence or war, including those involving India, the United States, the United Kingdom or other countries, may adversely affect worldwide financial markets and could potentially lead to economic recession, which could adversely affect our business, results of operations, financial condition and cash flows, and more generally, any of these events could lower confidence in India as an outsourcing base. Southern Asia has, from time to time, experienced instances of civil unrest and hostilities among neighbouring countries, including India, Pakistan and China. In recent years there have been several instances of military confrontations along the Indo-Pakistani border. There continues to be potential for hostilities between India and Pakistan due to recent terrorist activities, troop mobilisations along the border and the geopolitical climate along the border. Although this has not been the case to date, such political tensions could create a perception that there is a risk of disruption of services provided by India-based companies, which could have a material adverse effect on the market for our services. Furthermore, if India were to become engaged in armed hostilities, particularly hostilities that were protracted or involved the threat or use of nuclear weapons, we might not be able to continue to operate.

46. *An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could have a material adverse effect on our business and results of operations.*

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concerns could have a negative impact on the economies, financial markets and business activities in the countries in which our end markets are located, which could have a material adverse effect on our business. The outbreak in 2003 of Severe Acute Respiratory Syndrome in Asia and the outbreak of avian influenza, or bird flu, across Asia and Europe, including recent outbreaks in parts of India, have adversely affected a number of countries and companies. Although we have not been adversely impacted by these recent outbreaks, we can give no assurance that a future outbreak of an infectious disease among humans or animals or any other serious public health concerns will not have a material adverse effect on our business.

47. *Because substantially all of our income is denominated in foreign currencies and the majority of our expenses are denominated in Indian rupees, we face currency exchange risk.*

The exchange rate between the Indian rupee and the pound sterling and the rupee and the U.S. dollar has changed substantially in recent years and may continue to fluctuate significantly in the future. During fiscal 2005, the value of the rupee against the pound sterling depreciated by 2.70% and the value of the rupee against the U.S. dollar depreciated by 0.07% according to the FEDAI. During fiscal 2006, the value of the rupee against the pound sterling appreciated by 5.88% and the value of the rupee against the U.S. dollar depreciated by 1.98%. In fiscal 2006, 48.7% of our income was denominated in pounds sterling and 48.5% of our income was denominated in U.S. dollars. At the same time, the majority of our expenses (approximately 63.4% of our

total expenditures in fiscal 2006, including depreciation) were denominated in Indian rupees. We expect that a majority of our income will continue to be generated in foreign currencies and that a significant portion of our expenses will continue to be denominated in Indian rupees. Accordingly, our operating results have been and will continue to be impacted by fluctuations in the exchange rate between the India rupee and the pound sterling and the Indian rupee and the U.S. dollar, as well as exchange rates with other foreign currencies. Additionally, our investments in our foreign subsidiaries are denominated in foreign currencies, which further increases this exposure. Although we take steps to hedge our foreign currency exposure, our results of operations may be adversely affected if the Indian rupee fluctuates significantly against the pound sterling or the U.S. dollar or our hedging strategy is unsuccessful.

48. *If more stringent labour laws or other industry standards in the jurisdictions in which we operate become applicable to us, or if we fail to meet certain employment quotas in Northern Ireland, our profitability may be adversely affected.*

We are subject to a number of stringent labour laws and restrictive contractual covenants related to levels of employment in several jurisdictions in which we have delivery centres. India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes financial obligations on employers upon retrenchment. Although we are exempt from certain labour law legislation, there can be no assurance that such laws will not become applicable to BPO providers in India in the future.

Further, our Argentina operations are subjected to strict labour laws. Wage inflation norms are defined by the government, which may require us to bear wage inflation at rates that exceed general economic inflation rates in our Argentina delivery centre. In addition, we have received a grant from the Government of Northern Ireland to be used to subsidise the costs in our Northern Ireland centres, which is subject to certain conditions, including a requirement that we employ a minimum number of residents of Northern Ireland in these centres. In the event of us failing to meet this and other conditions, the amount of the grant will be reduced proportionately by the level of the shortfall of such required employees, which would impact our financial results and profitability.

In addition, we are subject to certain industry standards regarding our employees, particularly with regard to overtime and transportation of employees. Our employees may also in the future form unions. If these labour laws in these or other jurisdictions or industry standards become more stringent or are more strictly enforced, if we fail to meet the employment quota in our Northern Ireland centres or if our employees unionise in any jurisdiction, it may become difficult for us to maintain flexible human resource policies, discharge employees or downsize, any of which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Risks Related To The Issue

49. *Because the initial public offering price per common share is substantially higher than our book value per common share, purchasers in this offering will immediately experience a substantial dilution in net tangible book value.*

Purchasers of our Equity Shares will experience immediate and substantial dilution in net tangible book value per Equity Share from the Issue Price. As of December 31, 2006, our net tangible book value was Rs. 6,537.6 million (excluding share application monies), or Rs. 18.35 per Equity Share. After giving effect to the Issue of 60,000,000 Equity Shares we have offered hereby, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, and the application of the Net Proceeds therefrom, our pro forma as adjusted net tangible book value as of December 31, 2006, would have been Rs. [●] million, or Rs. [●] per Equity Share. This represents an immediate dilution in pro forma net tangible book value of Rs. [●] per Equity Share to new investors purchasing Equity Shares in this Issue.

Upon consummation of this Issue, we will have 416,261,048 Equity Shares in issue. Of these Equity Shares, 69,350,750 Equity Shares will be freely tradable, without restriction, in the public market, unless purchased by our affiliates. Upon completion of this Issue, assuming that there is no change in their current shareholding other than the Offer for Sale, our existing shareholders will beneficially own 346,961,048 Equity Shares, which will represent 83.35% of our post issue share capital. 31,644,644 of the Equity Shares held by WestBridge Capital Partners are not subject to the one-year Indian statutory “lock-up”. WestBridge Capital Partners has agreed with the Underwriters to subject these Equity Shares to a contractual locked-up for a period of 30 days following listing of the Equity Shares pursuant to this Issue. Following the consummation of this Issue, WestBridge will be entitled to dispose of 31,644,644 Equity Shares, representing 7.60% of our post issue share capital, following the expiration of the 30-day “lock-up” period. The Underwriters are entitled to waive these lock-up provisions at their discretion prior to the expiration date of the lock-up agreement. The current holders of 232,013,444 Equity Shares, representing 55.74% of our post issue paid-up share capital, will be entitled to dispose of their Equity Shares following the expiration of a one-year Indian statutory “lock-up” period.

Any future equity offerings by us, including issuances of stock options under our employee stock option plans, or any perception by investors that such issuances might occur, may lead to the dilution of investor shareholding in our Company or affect the market price of our shares and could impact our ability to raise capital through an offering of our securities. Additionally, sales of a large number of our shares by our principal shareholders, ICICI Bank, SIF, Aranda, WestBridge Capital Partners and Metavante, could adversely affect the market price of our shares.

50. *We have not declared or paid dividends in the past and may not pay dividends in the future.*

We have never declared or paid any cash dividends and whether or not we pay dividends in the future will depend upon a number of factors, including our results of operations and financial condition, contractual restrictions (including the terms of some of our financing arrangements that currently restrict our ability to pay dividends) and other factors considered relevant by our Board of Directors and shareholders. There is no assurance that we will declare and pay, or have the ability to declare and pay, any dividends on our shares at any point in the future.

51. *The price of our Equity Shares may be volatile, and you may be unable to resell your Equity Shares at or above the Issue Price or at all.*

Prior to this Issue, there has been no public market for our Equity Shares, and an active trading market may not develop or be sustained upon the completion of this Issue. In addition, valuations of companies in our industry are presently relatively high compared to historical levels and may not be sustained in future, and may also not be reflective of future valuations for companies operating in the BPO industry. The Issue Price of the Equity Shares offered hereby was determined through our negotiations with the Underwriters and may not be indicative of the market price of the Equity Shares after this Issue. The market price of our Equity Shares after this Issue will be subject to significant fluctuations in response to, among other factors, variations in our operating results and the performance of our business; general economic, political and social factors; market conditions specific to the BPO services industry and the overall market for financial, IT and telecommunications services; the performance of the Indian and global economy; significant developments in India’s fiscal regime and volatility in the Indian and global securities markets. There has been recent volatility in the Indian stock markets and our share price could fluctuate significantly as a result of such volatility in the future.

Notes To Risk Factors

- Public issue of 69,300,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [•] per Equity Share, aggregating Rs. [•]. The Issue consists of a Fresh Issue of 60,000,000 Equity Shares and an Offer for Sale of 9,300,000 Equity Shares by SIF. The Issue comprises a Net Issue to the public of 68,100,000 Equity Shares of Rs. 10 each and a reservation of up to 1,200,000 Equity Shares of Rs. 10 each for the Eligible Employees. The Issue would constitute 16.65% of the post-Issue paid-up equity capital of our Company. The Net Issue would constitute 16.36% of the post-Issue paid-up equity capital of our Company.
- In accordance with Rule 19 (2) (b) of the 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 whereby at least 60% of the Net Issue will be allocated on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. 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 will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further up to 1,200,000 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.
- The net worth of our Company was Rs. 4,324.22 million as of March 31, 2006 and Rs. 6,539.42 million as of December 31, 2006. For further information, see the section titled “Financial Statements” beginning on page 134 of this Red Herring Prospectus.
- The average cost of acquisition of our Equity Shares by our Promoters is Rs. 10 per Equity Share. The average cost of acquisition of Equity Shares by our Promoters has been calculated by taking the average of the amount paid by them to acquire the Equity Shares issued by us.
- For details of our related party transactions, please refer to the section titled “Related Party Transactions” on page 128 of this Red Herring Prospectus.
- Our Promoters, Directors and Key Managerial Personnel are interested in our Company by virtue of their shareholding and the employee stock options held by them in our Company. For more information, see the sections titled “Capital Structure” and “Our Management” on pages 16 and 93, respectively, of this Red Herring Prospectus.
- Other ventures promoted by our Promoter are interested to the extent of their shareholding in our Company. For further information, please see the section titled “Capital Structure” on page 16 of this Red Herring Prospectus. Certain of our Promoters’ group companies also have contracts with our Company in relation to their business. For further information, see the section titled “Related Party Transactions” on page 128 of this Red Herring Prospectus.
- Trading in Equity Shares of our Company for all investors shall be in dematerialised form only.
- Any clarification or information relating to the Issue shall be made available by the BRLMs, CBRLM the Selling Shareholder and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever. Investors may contact the BRLMs, CBRLM and the Syndicate Member for any complaints pertaining to the Issue.

- Investors may note that in case of over-subscription in the Issue, Allotment to Bidders in all of the categories shall be on a proportionate basis. Under-subscription, if any, in any category, except the QIB Portion, would be met with spill over from other categories at ours and the Selling Shareholder's discretion, in consultation with the BRLMs and CBRLM. For more information, please refer to the section titled "Basis of Allotment" on page 301 of this Red Herring Prospectus.
- Investors are advised to refer to the section titled "Basis for Issue Price" on page 41 of this Red Herring Prospectus.
- Our Company was incorporated as ICICI Infotech Upstream Limited on December 6, 2001. We changed our name to ICICI OneSource Limited on April 2, 2002. We have grown to be among India's top ranked BPO companies. With over 10,000 employees, both direct and operations in India, US, UK and Argentina, our global footprint is growing. We have over the years gained other investors like Metavante, Aranda (which is an indirect, wholly owned subsidiary of Temasek Holdings (Private) Limited) and WestBridge (which is managed by Sequoia Capital India) who have brought in their own value to our Company. As a result the ICICI group today holds less than 50% of our Equity Shares. The timing was therefore right to establish an identity apart from the ICICI group and hence we changed our name to Firstsource Solutions Limited on November 21, 2006. We changed our registered office from Zenith House, Keshav Rao Khade Marg, Mahalaxmi, Mumbai to the present Registered Office at 6th Floor, Peninsula Chambers, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013 with effect from January 6, 2003.

SECTION III: INTRODUCTION

SUMMARY OF OUR BUSINESS, STRENGTHS, STRATEGY AND RECENT DEVELOPMENTS

Overview

We are a leading provider of offshore BPO services to clients primarily in the BFSI, telecommunications and media, and healthcare industries. We are the third-largest “pure-play” BPO provider in India (BPO providers that are not affiliated with information technology companies) and NASSCOM ranked our Company as the fifth-largest BPO provider overall in India, in terms of revenue for fiscal 2006.

We provide a comprehensive range of services to clients in each of our focus industries, including:

- **BFSI:** customer acquisition, accounts set-up, customer service and account maintenance, dispute resolution, mortgage origination and servicing, insurance policy issuance and administration, payment processing, collections, research and analytics.
- **Telecommunications and media:** customer acquisition, provisioning and fulfilment support, customer service, billing support, dispute resolution, churn management and collections.
- **Healthcare:** mail and document management, claims processing, claims pricing, claims adjudication and adjustment, and healthcare provider database maintenance.

Our total income has grown at a compound annual growth rate of 74.4% from Rs. 1,807.8 million in fiscal 2004 to Rs. 5,499.2 million in fiscal 2006. Over the same period, our profits after tax have increased at a compound annual growth rate of 536.0% from Rs. 6.1 million in fiscal 2004 to Rs. 246.7 million in fiscal 2006. Our total income and profit after tax for the nine months ended December 31, 2006 were Rs. 5,621.4 million and Rs. 623.4 million, respectively.

We have increased the number of our delivery centres from four as of March 31, 2004 to 20 as of December 31, 2006, including eleven in India, six in the United States, two in the United Kingdom and one in Argentina. We have grown from 4,009 full-time employees and 21 clients as of March 31, 2004 to 10,717 employees and 74 clients as of December 31, 2006. Our current clients include six “Fortune Global 500” banks, two “Fortune Global 500” telecommunications companies and three “Fortune 100” healthcare companies.

In March 2006, we entered into a strategic partnership with Metavante, a subsidiary of the Marshall & Ilsley Corporation. Pursuant to our partnership, we are Metavante’s exclusive offshore and preferred onshore BPO service partner and we have access to Metavante’s banking domain consultants and preferred rights to the use of its widely-accepted technology platforms for providing outsourcing services. With certain exceptions, Metavante is also our exclusive channel partner for the North American banking and financial institutions market, thereby giving us access to Metavante’s clients, which include super-regional, regional and local banks and financial institutions in the United States.

Competitive Strengths

We believe the following business strengths allow us to compete successfully in the BPO industry:

Offshore BPO market leadership

As an early mover in the BPO industry, we have been able to achieve critical mass, attract senior and middle-management talent, establish key client relationships and a track record of operational excellence as well as develop robust and scalable global delivery systems.

Strategic positioning in our target industry sectors

We are strategically positioned to benefit from the growth opportunities in our key target industries – BFSI, telecommunications and media, and healthcare. Our key strengths within these sectors are our size, deep domain expertise, proven track record, ability to provide end-to-end services, multi-shore capabilities, partnership with Metavante in BFSI industry and our marquee client base.

Established relationships with large global companies

We worked with 74 clients as of December 31, 2006, including thirteen "Fortune 500" and "FTSE 100" companies. Many of these relationships have strengthened over time as we obtain repeat work from these clients and gain a greater share of their BPO expenditure.

Strategic partnership with Metavante

In March 2006, we entered into a strategic partnership with Metavante. Our partnership with Metavante offers us access to super-regional, regional and local banks and financial institutions that are beyond our traditional customer base of national and international banks and financial institutions. This is a market segment that we believe is currently under-served by BPO providers and offers us significant growth potential.

Multi-shore delivery model

We have established a broad delivery base for our services, with 20 global delivery centres, including 11 located in seven different cities in India, six in the United States, two in the United Kingdom and one delivery centre in Argentina.

Diversified business model

Our income is diversified across a range of geographies and industries and we are not overly reliant on a small number of customers.

Experienced management team

The experience of our management team is a key competitive advantage. Our management team has a track record to grow the BPO business, domain knowledge in the industries we serve and relevant experience in the geographies in which we operate.

Ability to manage aggressive growth

We have aggressively grown our business through both organic and inorganic growth, including six strategic business acquisitions.

Business Strategy

Our strategic vision is to maintain our leading position in the high-growth offshore BPO industry. Our strategies to achieve this goal are as follows:

Continue to aggressively grow our business

We intend to grow income from existing clients by maintaining and enhancing our service quality and process excellence, continuing to invest in account and relationship management teams, expanding our service offerings to cover a broad range of services and cross-selling our various areas of expertise across different industry sectors and geographies. We intend to acquire new clients by capitalising on our reputation and client base, as well as by increasing our brand presence and further strengthening our sales and marketing function.

Make strategic acquisitions and alliances

Another important element of our growth strategy is to seek out opportunities for acquisitions and strategic partnerships, as we have done in the past. Strategic partnerships such as our relationship with Metavante can provide us with access to new and otherwise difficult to penetrate market segments or allow us to bundle our service offerings with a complementary product or service.

Maintain our focus on process excellence

We use structured process management systems to establish dashboards and metrics from the Customer Operations Performance Centre, Inc. (COPC) standards to measure performance for both our processes and our employees. In addition, we believe our ongoing programs to map and optimise customer processes increase our value proposition to the customer.



Invest in middle management

All of our employees are important to our Company and we believe that our middle management is particularly critical to our business, as they are responsible for managing teams, understanding our clients' expectations and our contractual obligations to them, ensuring consistent and quality service delivery and deploying our process excellence framework.

Continue to invest in proprietary technology platforms

We believe that outsourcing companies with significant process and domain knowledge will be in the best position to provide efficient and effective outsourcing solutions to their customers. We intend to continue to invest in developing our own proprietary technology platforms and our strategic relationship with Metavante also provides us with access to proprietary technologies and software platforms around which we are developing comprehensive service offerings.

Recent Developments

On December 29, 2006, we acquired 100% of the outstanding share capital of Business Process Management, Inc., or BPM, a U.S.-based business process outsourcing company providing services principally to participants in the U.S. healthcare industry. As of December 31, 2006, BPM, together with its two subsidiary companies, MedPlans 2000, Inc. and MedPlans Partners, Inc., had 303 employees operating out of three service delivery centres located in Illinois, Kansas and Kentucky, USA. We believe that the BPM Acquisition will allow us to expand our service offerings to provide an end-to-end value proposition to our clients in the healthcare industry with both front- and back-office capabilities. For further details of the BPM Acquisition, see the section titled "Recent Developments" beginning on page 70 of this Red Herring Prospectus.

SUMMARY FINANCIAL INFORMATION

The following table sets forth selected financial information derived from our consolidated restated financials for the financial years ended March 31, 2003, 2004, 2005 and 2006, which are in line with the audited consolidated financial statements and for the nine months period ended December 31, 2005 and 2006. These financials have been prepared in accordance with the requirements of the Companies Act and the SEBI Guidelines, along with the related clarifications issued by SEBI, for the purpose of disclosure in the Red Herring Prospectus. The Company's financial statements and the information regarding the basis of preparation are set out in the Auditors' Report in the section titled "Financial Statements" on page 134 of this Red Herring Prospectus. This selected financial information should be read in conjunction with those financial statements and the accompanying notes thereto.

Statement Of Consolidated Restated Profit And Loss Account

(Rupees In Million)

Particulars	For the year ended March 31,				For the nine months period ended December 31,	
	2003	2004	2005	2006	2005	2006
INCOME						
Income from services	745.97	1,791.87	3,219.02	5,487.48	3,876.87	5,484.65
Other income	25.56	15.87	15.72	11.71	8.53	136.80
Total (A)	771.53	1,807.74	3,234.74	5,499.19	3,885.40	5,621.45
EXPENDITURE						
Operating cost	432.17	746.38	1,101.62	1,853.99	1,382.99	1,798.42
Personnel cost	371.05	852.84	1,600.60	2,834.88	2,061.05	2,637.80
Finance charges	6.00	11.67	29.24	89.27	65.51	74.16
Depreciation / amortization	67.19	171.63	329.90	451.46	335.47	441.51
Total (B)	876.41	1,782.52	3,061.36	5,229.60	3,845.02	4,951.89
Profit/(loss) before tax (A)-(B)	(104.88)	25.22	173.38	269.59	40.38	669.56
Provision for tax						
- Current tax (including foreign taxes)	0.16	1.55	-	15.55	6.70	38.53
- Fringe benefit tax	-	-	-	11.05	6.95	9.30
- Deferred tax charge/(release)	4.44	17.56	(2.93)	0.38	0.24	3.88
Profit/ (loss) after tax before minority interest	(109.48)	6.11	176.31	242.61	26.49	617.85
Minority interest	-	-	(4.79)	(4.07)	(2.87)	(5.54)
Profit/(loss) after tax and minority interest	(109.48)	6.11	181.10	246.68	29.36	623.39
- Profit/ (loss) brought forward from previous year/period	-	(109.48)	(103.37)	77.73	77.73	324.41
Profit/(loss) balance available for appropriation	(109.48)	(103.37)	77.73	324.41	107.08	947.80
Appropriations	-	-	-	-	-	-
Profit/(loss) carried forward to the balance sheet	(109.48)	(103.37)	77.73	324.41	107.08	947.80

Note:

- 1) To be read together with the summary of significant accounting policies and notes to statement of restated assets and liabilities and restated profit and loss. (Annexure – XIII).
- 2) For the financial year ending March 31, 2002, Firstsource Solutions Limited (formerly ICICI OneSource Limited) ('Parent company') did not have any subsidiary as a result of which no consolidated financials are available and are hence not included in the above table. For the standalone financials of Firstsource Solutions Limited for the financial year ended March 31, 2002 please refer to page 137 of the Red Herring Prospectus.

Statement Of Consolidated Restated Assets And Liabilities

(Rupees In Million)

Particulars	As at March 31,				As at December 31,	
	2003	2004	2005	2006	2005	2006
A Goodwill on consolidation	733.61	1,462.50	3,611.94	4,072.61	3,970.67	5,419.25
B Fixed assets						
(i) Gross block	447.63	945.18	2,027.52	2,575.82	2,538.56	3,343.88
Less : Accumulated depreciation/amortisation	107.49	528.82	1,077.45	1,486.52	1,372.63	1,967.31
Net block	340.14	416.36	950.07	1,089.30	1,165.93	1,376.57
(ii) Capital work in progress/ advances	7.84	172.60	54.53	64.27	33.41	130.87
Net block	347.98	588.96	1,004.60	1,153.57	1,199.34	1,507.44
C Investments	301.82	-	-	-	-	0.1
D Deferred tax asset – net	18.91	1.36	4.25	3.88	4.02	-
E Current assets, loans and advances						
(i) Sundry debtors	215.59	331.53	618.93	1,006.94	957.03	933.67
(ii) Cash and bank balances	306.37	81.09	269.39	170.28	145.75	698.73
(iii) Loans and advances	123.87	236.84	318.07	457.34	405.93	1,083.69
	645.83	649.46	1,206.39	1,634.56	1,508.71	2,716.09
A+B+C+D+E	2,048.15	2,702.28	5,827.18	6,864.62	6,682.74	9,642.88
F Liabilities and provisions						
Secured loans	-	0.62	647.92	731.15	756.29	738.59
Unsecured loans	700.00	199.71	394.67	569.14	695.59	1,205.42
Current liabilities and provisions	157.63	247.28	667.62	1,190.94	1,077.35	1,114.60
	857.63	447.61	1,710.21	2,491.23	2,529.23	3,058.61
G Minority Interest	-	-	55.83	49.17	51.53	44.85
H Net worth (A+B+C+D+E-F-G)	1,190.52	2,254.67	4,061.14	4,324.22	4,101.98	6,539.42
I Represented by						
(i) Share Capital						
- Equity share capital	500.00	500.10	2,007.46	2,018.75	2,016.47	3,562.61
- Share application money	-	1.18	-	1.96	0.05	1.79
- Preference share capital	800.00	1,856.72	1,975.95	1,975.95	1,975.95	-
	1,300.00	2,358.00	3,983.41	3,996.66	3,992.47	3,564.40
(ii) Reserves and surplus						
- Securities premium	-	0.03	-	3.15	2.43	2,027.22
- Capital redemption reserve	-	-	-	-	-	-
- Profit and loss account	(109.48)	(103.37)	77.73	324.41	107.08	947.80
	(109.48)	(103.34)	77.73	327.56	109.51	2,975.02
Net worth ((i) + (ii))	1,190.52	2,254.67	4,061.14	4,324.22	4,101.98	6,539.42

Note:

- 1) To be read together with the summary of significant accounting policies and notes to statement of restated assets and liabilities and restated profit and loss. (Annexure – XIII).
- 2) For the financial year ending March 31, 2002, Firstsource Solutions Limited (formerly ICICI OneSource Limited) ('Parent company') did not have any subsidiary as a result of which no consolidated financials are available and are hence not included in the above table. For the standalone financials of Firstsource Solutions Limited for the financial year ended March 31, 2002 please refer to page 136 of the Red Herring Prospectus.

Statement Of Consolidated Restated Cash Flows

(Rupees In Million)

Particulars	For the year ended March 31,				For the nine months period ended December 31,	
	2003	2004	2005	2006	2005	2006
Cash flow from operating activities						
Net profit/ (loss) for the year/period	(109.48)	6.11	181.10	246.68	29.36	623.39
Adjustments for:						
Depreciation	68.65	171.63	329.90	451.46	335.46	441.51
Provision for doubtful debts/advances	13.61	(1.72)	22.37	(1.98)	3.79	26.87
Interest cost	6.00	11.67	29.24	89.27	65.51	74.16
Provision for tax	0.16	1.55	-	26.60	13.65	47.82
Deferred tax	4.44	17.56	(2.93)	0.38	0.24	3.88
Interest and Dividend income	(15.37)	(5.89)	(3.85)	(9.34)	(6.80)	(15.03)
Loss/(profit) on sale of investments (net)	(10.01)	(8.23)	(10.85)	(0.05)	-	(52.22)
Loss /(profit) on sale of fixed assets (net)	0.05	(0.18)	(0.82)	1.47	2.13	0.26
Foreign exchange loss/(gain), net	1.22	2.64	1.32	8.32	13.79	(42.49)
Employee stock award in a subsidiary	-	-	-	-	-	1.71
Minority interest	-	-	(4.79)	(4.07)	(2.87)	(5.54)
Preliminary and Pre-operative expenses written off	14.56	-	-	-	-	-
Operating (loss)/ profit before changes in working capital	(26.17)	195.14	540.69	808.74	454.26	1,104.32
Adjustments for (increase)/ decrease in working capital						
Sundry debtors	(135.18)	(74.36)	(141.32)	(387.50)	(380.37)	200.41
Loans and advances	(58.20)	(74.89)	(52.84)	(135.19)	(53.35)	(589.84)
Current liabilities and provisions	101.95	(223.51)	64.80	119.88	40.67	215.68
Net changes in working capital	(91.43)	(372.76)	(129.36)	(402.81)	(393.05)	(173.75)
Income tax paid	-	-	(2.96)	(35.36)	(13.65)	(32.27)
Cash generated from/ (used in) operations	(117.60)	(177.62)	408.37	370.57	47.56	898.30

(Rupees In Million)

Particulars	For the year ended March 31,				For the nine months period ended December 31,	
	2003	2004	2005	2006	2005	2006
Cash flow from investing activities						
Purchase of investment in mutual funds	(2,787.08)	(591.07)	(4,162.53)	(55.00)	-	(3,070.00)
Sale of investment in mutual funds	2,495.28	901.14	4,173.39	55.05	-	3,122.13
Interest income received	14.40	5.02	1.79	7.27	5.18	13.24
Business acquisition, net of cash acquired	(943.57)	(582.29)	(1,956.66)	(72.96)	(74.38)	(1,837.38)
Capital expenditure	(343.04)	(322.10)	(614.00)	(593.59)	(476.78)	(746.52)
Sale of Fixed assets	0.09	0.54	25.52	6.42	1.19	4.88
Net cash (used in) /generated from investing activities	(1,563.92)	(588.76)	(2,532.49)	(652.81)	(544.79)	(2,513.65)
Cash flow from financing activities						
Proceeds from unsecured loan	-	199.71	663.95	2,893.76	1,815.01	815.19
Proceeds from secured loan	-	-	546.81	83.22	148.89	24.14
Repayment of secured loan	-	-	(0.62)	-	(20.77)	(11.37)
Repayment of unsecured loan	-	-	(494.01)	(2,722.99)	(1,516.38)	(203.05)
Proceeds from issuance of preference shares	800.00	356.72	1,619.23	-	-	1,579.24
Proceeds from issuance of debentures	700.00	-	-	-	-	-
Proceeds from issuance of equity shares and share application money, net of expenses	484.50	1.31	6.15	16.39	11.44	12.58
Interest paid	-	(16.78)	(29.20)	(87.19)	(64.60)	(72.93)
Expenses incurred for increase in authorized share capital	(5.99)	-	-	-	-	-
Net cash (used in)/ generated from financing activities	1,978.51	540.96	2,312.31	183.19	373.59	2,143.80
Effect of exchange differences on cash and cash equivalents	0.05	0.14	0.11	(0.06)	*	*
Net increase/(decrease) in cash and cash equivalents	296.99	(225.42)	188.19	(99.05)	(123.64)	528.45
Cash and cash equivalents at the beginning of the year/period	9.33	306.37	81.09	269.39	269.39	170.28
Cash and cash equivalents at the end of the period	306.37	81.09	269.39	170.28	145.75	698.73

Note:

- 1) To be read together with the summary of significant accounting policies and notes to statement of restated assets and liabilities and restated profit and loss. (Annexure – XIII).
- 2) For the financial year ending March 31, 2002, Firstsource Solutions Limited (formerly ICICI OneSource Limited) ('Parent company') did not have any subsidiary as a result of which no consolidated financials are available and are hence not included in the above table. For the standalone financials of Firstsource Solutions Limited for the financial year ended March 31, 2002 please refer to page 138 of the Red Herring Prospectus.
- 3) * indicates balance less than Rs 5,000.

THE ISSUE

Equity Shares offered by:

Our Company	60,000,000 Equity Shares
The Selling Shareholder	9,300,000 Equity Shares

Total Issue Size **69,300,000 Equity Shares**

of which

Employee Reservation Portion	up to 1,200,000 Equity Shares*
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Therefore

Net Issue to the public **68,100,000 Equity Shares**

of which

Qualified Institutional Buyers (QIBs) Portion	at least 40,860,000 Equity Shares*
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of which

Available for Mutual Funds only	2,043,000 Equity Shares*
Balance of QIB Portion (available for QIBs including Mutual Funds)	38,817,000 Equity Shares*
Non-Institutional Portion	up to 6,810,000 Equity Shares*
Retail Portion	up to 20,430,000 Equity Shares*

Pre and post-Issue Equity Shares

Equity Shares outstanding prior to the Issue	356,261,048 Equity Shares
Equity Shares outstanding after the Issue	416,261,048 Equity Shares

Use of Issue Proceeds

See the section titled "Objects of the Issue" on page 33 of this Red Herring Prospectus for information about the use of the Issue Proceeds. The Company will not receive any proceeds from the Offer for Sale.

* Allocation shall be made on a proportionate basis.

GENERAL INFORMATION

Company Related Information

Registered Office

The Registered Office of our Company is situated at:

Firstsource Solutions Limited
6th Floor, Peninsula Chambers,
Peninsula Corporate Park,
Ganpatrao Kadam Marg, Lower Parel,
Mumbai - 400 013
Tel: (91 22) 6666 0888
Fax: (91 22) 6663 5481
Email: ipo@firstsource.com
Website: www.firstsource.com
Registration Number: U 64202 MH 2001 PLC 134147

Address of RoC

The address of the RoC is as follows:

Registrar of Companies, Maharashtra (Mumbai)
Everest House,
Marine Lines,
Mumbai - 400 020

Board of Directors

Our Board comprises the following:

- Dr. Ashok Ganguly (Non-executive Chairman, Independent Director);
- Ananda Mukerji (Managing Director and Chief Executive Officer);
- Shikha Sharma (Nominee Director, SIF);
- K. P. Balaraj (Nominee Director, WestBridge Capital Partners);
- Dinesh Vaswani (Nominee Director, Aranda);
- Donald Layden Jr. (Nominee Director, Metavante);
- Charles Miller Smith (Independent Director);
- Shailesh Mehta (Independent Director);
- Y. H. Malegam (Independent Director); and
- Lalita D. Gupte (Independent Director).

For further details of our Directors, see the section titled "Our Management" on page 93 of this Red Herring Prospectus.

Company Secretary and Compliance Officer

Our Company Secretary and Compliance Officer is Ganapathy Sastri. His contact details are as follows:

Ganapathy Sastri

6th Floor, Peninsula Chambers,
Peninsula Corporate Park,
Ganpatrao Kadam Marg, Lower Parel,
Mumbai - 400 013
Tel: (91 22) 6666 0888
Fax: (91 22) 6663 5481
Email: complianceofficer@firstsource.com

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

Other Advisors To The Company And Parties Relating To The Issue

Book Running Lead Managers

DSP Merrill Lynch Limited

Mafatlal Centre, 10th Floor
Nariman Point
Mumbai - 400 021
Tel: (91 22) 6632 8000
Fax: (91 22) 2204 8518
Email: firstsource_ipo@ml.com
Contact Person: N. S. Shekhar
Website: www.dspml.com

Deutsche Equities India Private Limited

DB House,
Hazarimal Somani Marg, Fort,
Mumbai - 400 001
Tel: (91 22) 6658 4600
Fax : (91 22) 2200 6765
Email : fssl.ipo@db.com
Contact Person : Sameer Taimni
Website: <http://india.db.com>

Co-Book Running Lead Manager

ICICI Securities Limited

ICICI Centre,
H. T. Parekh Marg,
Churchgate,
Mumbai - 400 020
Tel : (91 22) 2288 2460
Fax : (91 22) 22 82 6580
Email : fsl_ipo@isecltd.com
Contact Person : Raghini Rajaram
Website : www.icicisecurities.com

Syndicate Member

ICICI Brokerage Services Limited

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

Domestic legal counsel to the Issuer**Amarchand & Mangaldas & Suresh A. Shroff & Co.**

5th Floor, Peninsula Chambers,
Peninsula Corporate Park,
Ganpatrao Kadam Marg,
Lower Parel,
Mumbai - 400 013
Tel: (91 22) 2496 4455
Fax: (91 22) 2496 3666

Domestic legal counsel to the Underwriters**Nishith Desai Associates**

93-B, Mittal Court,
Nariman Point,
Mumbai - 400 021
Tel: (91 22) 6669 5000
Fax: (91 22) 6669 5001

International legal counsel to the Underwriters**Linklaters**

10th Floor, Alexandra House,
Chater Road, Central,
Hong Kong
Tel: (852) 2842 4888
Fax: (852) 2810 8133

Registrar to the Issue**Sharepro Services (India) Private Limited**

3rd Floor, Satam Estate,
Chakala, Andheri (East),
Mumbai - 400 099
Tel: (91 22) 2821 5168
Fax: (91 22) 2837 5646
Email: ipofirstsource@shareproservices.com
Contact Person: V. Kumaresan
Website: www.shareproservices.com

Bankers to the Issue and Escrow Collection Banks**ICICI Bank Limited**

Free Press House,
215, Nariman Point,
Mumbai - 400 023
Tel: (91 22) 2285 3594
Fax: (91 22) 2288 3082

Deutsche Bank AG

Kodak House,
222, Dr. D.N. Road, Fort,
Mumbai - 400 001
Tel: (91 22) 6658 4000
Fax: (91 22) 2207 6553

Bankers to the Company

ICICI Bank Limited

Free Press House,
215, Nariman Point,
Mumbai - 400 023
Tel: (91 22) 2285 3594
Fax: (91 22) 2288 3082

Auditors to the Company

BSR & Co., Chartered Accountants

Kamala Mills Compound,
448, Senapati Bapat Marg,
Lower Parel,
Mumbai - 400 013
Tel: (91 22) 3989 6000
Fax: (91 22) 2491 3132

Inter Se Allocation Of Responsibilities Between The BRLMs And CBRLM

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

Inter se allocation of responsibilities			
	Activities	Responsibility	Co-ordinator
1.	Capital structuring with relative components and formalities such as type of instruments, etc.	DSPML, DEIPL	DSPML
2.	Due diligence of Company's operations/management/business plans/legal etc. Drafting and design of Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLMs shall ensure compliance with stipulated requirements and completion of all prescribed formalities with the Stock Exchanges, RoC and SEBI including finalising the Prospectus and RoC filing	DSPML, DEIPL	DSPML
3.	Drafting and approval of all publicity material including corporate advertisement, brochure, etc. other than statutory advertisement mentioned in 2 above	DSPML, DEIPL, I-SEC	DEIPL
4.	Appointment of intermediaries including Registrar to the Issue, Bankers to the Issue, printers, monitoring agency and advertising agency	DSPML, DEIPL, I-SEC	I-SEC
5.	Non-institutional marketing and retail marketing of the Issue, which will cover, <i>inter alia</i> :	DSPML, DEIPL, I-SEC	I-SEC
	- Formulating marketing strategies, preparation of publicity budget - Finalising media and public relations strategy - Finalising centres for holding conferences for brokers, etc. - Follow-up on distribution of publicity and Issuer material including form, Prospectus and deciding on the quantum of the Issue material - Finalising collection centres - Managing the book and co-ordinating the same with the Stock Exchanges		

Inter se allocation of responsibilities			
	Activities	Responsibility	Co-ordinator
6.	Domestic institutional marketing of the Issue, which will cover, inter alia: • Finalising the list and division of investors for one to one meetings • Finalising road show schedule and investor meeting schedules • Road show presentation	DSPML, DEIPL, I-SEC	DEIPL
7.	International institutional marketing of the Issue, which will cover, inter alia: • Finalising the list and division of investors for one to one meetings, and • Finalising road show schedule and investor meeting schedules • Road show presentation	DSPML, DEIPL, I-SEC	DSPML
8.	Finalising pricing in consultation with the Company	DSPML, DEIPL, I-SEC	DSPML
9.	Post-Bidding activities, including management of Escrow Accounts, co-ordination with Registrar to the Issue and Bankers to the Issue, refund to Bidders, etc. The post-Issue activities of the Issue will involve essential follow-up steps, which must include finalising the listing of instruments and dispatch of refunds, with the various agencies connected with the work such as the Registrar to the Issue, Bankers to the Issue and the Refund Banker. BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable them to discharge their responsibility through suitable agreements with the Company	DSPML, DEIPL, I-SEC	DEIPL

Credit Rating

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

IPO Grading

We have not opted for the grading of this Issue from a credit rating agency.

Trustees

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

Book Building Process

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

- Our Company and the Selling Shareholder;
- The BRLMs and the CBRLM;
- The Syndicate Member who is an intermediary registered with SEBI or registered as a broker with BSE/NSE and eligible to act as an Underwriter. The Syndicate Member is appointed by the BRLMs and the CBRLM; and
- Registrar to the Issue.

In accordance with Rule 19 (2) (b) of the 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 whereby at least 60% of the Net Issue will be allocated on a proportionate basis

to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. 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 will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 1,200,000 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.

Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date. Please refer to the section titled “Terms of the Issue” on page 281 of this Red Herring Prospectus.

We will comply with the SEBI Guidelines and any other ancillary directions issued by SEBI for this Issue. In this regard, we have appointed the BRLMs and the CBRLM to manage the Issue and procure subscriptions to the Issue.

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

Illustration of Book Building and Price Discovery Process

(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)

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

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

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e. Rs. 22 in the above example. The Issuer, in consultation with the BRLMs and the CBRLM, 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 “Who Can Bid?” on page 286 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 to the Bid cum Application Form (see the section titled “Permanent Account Number or PAN” on page 298 of this Red Herring Prospectus); and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares, but prior to the filing of the Prospectus with the RoC, our Company and the Selling Shareholder will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs and the CBRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Member does not fulfil its underwriting obligations. The Underwriting Agreement is dated [●], 2007.

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

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

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. In Million)
DSP Merrill Lynch Limited Mafatlal Centre, 10 th Floor Nariman Point, Mumbai - 400 021	23,099,900	[●]
Deutsche Equities India Private Limited DB House, Hazarimal Somani Marg, Fort, Mumbai - 400 001	23,099,900	[●]
ICICI Securities Limited ICICI Centre, H. T. Parekh Marg, Churchgate, Mumbai - 400 020	23,099,900	[●]
ICICI Brokerage Services Limited ICICI Centre, H. T. Parekh Marg, Churchgate, Mumbai - 400 020	300	[●]

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

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

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

CAPITAL STRUCTURE

Share Capital Before And After The Issue

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

	Rs. In Million (except share data)	
	Aggregate Value at Face Value of Rs. 10 each	Aggregate Value at Issue Price
A. Authorised capital		
600,000,000 Equity Shares of Rs. 10 each	6,000.00	
250,000,000 Preference Shares of Rs. 10 each	2,500.00	
B. Issued, subscribed and paid-up capital before the Issue		
356,261,048 Equity Shares	3,562.61	
Nil Preference Shares	Nil	
C. Issue in accordance with this Red Herring Prospectus		
69,300,000 Equity Shares issued by the Company	693.00	[•]
<i>of which</i>		
Fresh Issue 60,000,000 Equity Shares*	600.00	[•]
Offer for Sale 9,300,000 Equity Shares*	93.00	[•]
D. Employee Reservation Portion		
Up to 1,200,000 Equity Shares	12.00	[•]
E. Net Issue to the public		
68,100,000 Equity Shares	681.00	[•]
<i>to be allocated as follows:</i>		
QIB Portion At least 40,860,000 Equity Shares*	408.60	[•]
<i>of which</i>		
Available for Mutual Funds only 2,043,000 Equity Shares*	20.43	[•]
Non-Institutional Portion Up to 6,810,000 Equity Shares*	68.10	[•]
Retail Portion Up to 20,430,000 Equity Shares*	204.30	[•]
F. Equity share capital after the Issue		
416,261,048 Equity Shares	416.26	[•]
G. Share Premium Account (consolidated)		
Before the Issue	2,027.22	
After the Issue	[•]	

* Allocation shall be made on a proportionate basis.

** All of the Preference Shares have been converted into Equity Shares and consequently there are no outstanding Preference Shares in issue at the date of this Red Herring Prospectus. For further details of the conversions, please see the table titled "Equity share capital history of our Company" and the section titled "History and Corporate Structure" on pages 18 and 77, respectively, of this Red Herring Prospectus.

The Issue would constitute 16.65% of the post-issue paid-up equity capital of the Company. The Net Issue would constitute a minimum of 16.36% of the post-issue paid-up equity capital of the Company.

The Issue has been authorised by the Board of Directors in their meetings on October 27, 2006 and November 20, 2006, and by the shareholders of our Company at an EGM held on November 22, 2006. For further information, please see the section titled "Authority for the Issue" on page 269 of this Red Herring Prospectus.

The Issue comprises a Fresh Issue of 60,000,000 Equity Shares by our Company and an Offer for Sale of 9,300,000 Equity Shares by SIF.

Changes In Authorised Share Capital

1. The initial authorised share capital of Rs. 1,000,000 comprising 100,000 Equity Shares of Rs. 10 each was increased to Rs. 500,000,000 comprising 50,000,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at an EGM held on March 26, 2002.
2. The authorised share capital of Rs. 500,000,000 comprising 50,000,000 Equity Shares of Rs. 10 each was increased to Rs. 1,355,000,000 comprising 55,500,000 Equity Shares of Rs. 10 each and 80,000,000 Preference Shares of Rs. 10 each pursuant to a resolution of the shareholders at an EGM held on August 22, 2002.
3. The authorised share capital of Rs. 1,355,000,000 comprising 55,500,000 Equity Shares of Rs. 10 each and 80,000,000 Preference Shares of Rs. 10 each was increased to Rs. 3,000,000,000 comprising 55,500,000 Equity Shares of Rs. 10 each and 244,500,000 Preference Shares of Rs. 10 each pursuant to a resolution of the shareholders at an EGM held on July 16, 2003.
4. The authorised share capital of Rs. 3,000,000,000 comprising 55,500,000 Equity Shares of Rs. 10 each and 244,500,000 Preference Shares of Rs. 10 each was increased to Rs. 4,000,000,000 comprising 210,000,000 Equity Shares of Rs. 10 each and 190,000,000 Preference Shares of Rs. 10 each pursuant to a resolution of the shareholders at an AGM held on May 27, 2004.
5. The authorised share capital of Rs. 4,000,000,000 comprising 210,000,000 Equity Shares of Rs. 10 each and 190,000,000 Preference Shares of Rs. 10 each was increased to Rs. 4,500,000,000 comprising 250,000,000 Equity Shares of Rs. 10 each and 200,000,000 Preference Shares of Rs. 10 each pursuant to a resolution of the shareholders at an EGM held on August 2, 2004.
6. The authorised share capital of Rs. 4,500,000,000 comprising 250,000,000 Equity Shares of Rs. 10 each and 200,000,000 Preference Shares of Rs. 10 each was increased to Rs. 8,500,000,000 comprising 450,000,000 Equity Shares of Rs. 10 each and 400,000,000 Preference Shares of Rs. 10 each pursuant to a resolution of the shareholders at an EGM held on March 23, 2006.
7. The authorised share capital of Rs. 8,500,000,000 comprising 450,000,000 Equity Shares of Rs. 10 each and 400,000,000 Preference Shares of Rs. 10 each was altered to Rs. 8,500,000,000 comprising 600,000,000 Equity Shares of Rs. 10 each and 250,000,000 Preference Shares of Rs. 10 each pursuant to a resolution of the shareholders at an EGM held on November 22, 2006.

NOTES TO CAPITAL STRUCTURE

1. Share Capital History

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 Equity Share Capital (Rs.)	Cumulative Share Premium (Rs.)
March 21, 2002	50,000*	10	10	Cash	Allotment to ICICI Infotech Services Limited, ICICI Trusteeship Services Limited on behalf of ICICI Information Technology Fund and six other individuals	50,000	500,000	
June 21, 2002	34,950,000	10	10	Cash	Allotment to ICICI Trusteeship Services Limited on behalf of ICICI Information Technology Fund	35,000,000	350,000,000	
June 21, 2002	15,000,000	10	10	Cash	Allotment to ICICI Bank (then ICICI Limited)	50,000,000	500,000,000	
October 10, 2003	10,000	10	13.11	Cash	Allotment to WestBridge	50,010,000	500,100,000	31,100
April 26, 2004	107,500	10	11.25	Cash	Note 1	50,117,500	501,175,000	165,475
June 18, 2004	105,000,000	10	10	Conversion of Series 'A' POCPs into Equity Shares	Allotment to SIF pursuant to the conversion of Series 'A' POCPs and POCDs	155,117,500	1,551,175,000	165,475
June 18, 2004	45,000,000	10	10	Conversion of Series 'A' POCPs into Equity Shares	Allotment to ICICI Bank pursuant to the conversion of Series 'A' POCPs and POCDs	200,117,500	2,001,175,000	165,475
July 30, 2004	2,500	10	11.25	Cash	Note 1	200,120,000	2,001,200,000	168,600
July 30, 2004	2,500	10	12.83	Cash	Note 1	200,122,500	2,001,225,000	175,675

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 Equity Share Capital (Rs.)	Cumulative Share Premium (Rs.)
July 30, 2004	245,000	10	18.53	Cash	Allotment to Shailesh Mehta	200,367,500	2,003,675,000	2,265,525
September 3, 2004	20,000	10	19.85	Cash	Allotment to Aranda	200,387,500	2,003,875,000	2,462,525
October 21, 2004	6,250	10	11.25	Cash	Note 1	200,393,750	2,003,937,500	2,470,338
January 21, 2005	96,250	10	11.25	Cash	Note 1	200,490,000	2,004,900,000	2,590,650
January 21, 2005	256,250	10	12.89	Cash	Note 2	200,746,250	2,007,462,500	3,331,213
April 22, 2005	2,500	10	12.89	Cash	Note 2	200,748,750	2,007,487,500	3,338,438
July 29, 2005	18,750	10	11.25	Cash	Note 1	200,767,500	2,007,675,000	3,361,875
July 29, 2005	3,750	10	12.83	Cash	Note 1	200,771,250	2,007,712,500	3,372,488
July 29, 2005	9,375	10	12.89	Cash	Note 2	200,780,625	2,007,806,250	3,399,581
December 19, 2005	108,125	10	11.25	Cash	Note 1	200,888,750	2,008,887,500	3,534,738
December 19, 2005	5,000	10	12.83	Cash	Note 1	200,893,750	2,008,937,500	3,548,888
December 19, 2005	748,750	10	12.89	Cash	Note 2	201,642,500	2,016,425,000	5,712,775
December 19, 2005	5,000	10	19.85	Cash	Note 2	201,647,500	2,016,475,000	5,762,025
March 21, 2006	7,500	10	11.25	Cash	Note 1	201,655,000	2,016,550,000	5,771,400
March 21, 2006	212,500	10	12.89	Cash	Note 2	201,867,500	2,018,675,000	6,385,525
March 21, 2006	7,500	10	19.85	Cash	Note 2	201,875,000	2,018,750,000	6,459,400
April 20, 2006	10,000	10	30.75	Cash	Allotment to Metavante	201,885,000	2,018,850,000	6,663,900
April 27, 2006	123,750	10	11.25	Cash	Note 1	202,008,750	2,020,087,500	6,818,588
April 27, 2006	32,500	10	12.89	Cash	Note 2	202,041,250	2,020,412,500	6,912,513
April 27, 2006	7,500	10	19.85	Cash	Note 2	202,048,750	2,020,487,500	6,986,388
July 27, 2006	170,000	10	11.25	Cash	Note 1	202,218,750	2,022,187,500	7,198,888
July 27, 2006	7,500	10	12.83	Cash	Note 1	202,226,250	2,022,262,500	7,220,113
July 27, 2006	480,000	10	12.89	Cash	Note 2	202,706,250	2,027,062,500	8,607,313
July 27, 2006	541,250	10	19.85	Cash	Note 2	203,247,500	2,032,475,000	13,938,625
October 27, 2006	26,250	10	11.25	Cash	Note 1	203,273,750	2,032,737,500	13,971,438
October 27, 2006	15,000	10	12.83	Cash	Note 1	203,288,750	2,032,887,500	14,013,888
October 27, 2006	31,250	10	12.89	Cash	Note 2	203,320,000	2,033,200,000	14,104,200
October 27, 2006	15,000	10	19.85	Cash	Note 2	203,335,000	2,033,350,000	14,251,950

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 Equity Share Capital (Rs.)	Cumulative Share Premium (Rs.)
October 27, 2006	41,250	10	22.20	Cash	Note 2	203,376,250	2,033,762,500	14,755,200
November 22, 2006	19,983,128	10	17.85	Conversion of Series 'B' POCPS	Allotment to WestBridge	223,359,378	2,233,593,780	171,622,755
November 22, 2006	69,889,107	10	19.85	Conversion of Series 'C' POCPS	Allotment to Aranda	293,248,485	2,932,484,850	860,030,459
November 22, 2006	11,651,516	10	19.85	Conversion of Series 'C' POCPS	Allotment to WestBridge	304,900,001	3,049,000,010	974,797,891
November 22, 2006	22,006,162	10	30.75	Conversion of Series 'D' POCPS	Allotment to Metavante	326,906,163	3,269,061,630	1,431,425,753
November 22, 2006	7,338,723	10	30.75	Conversion of Series 'D' POCPS	Allotment to WestBridge	334,244,886	3,342,448,860	1,583,704,255
November 22, 2006	22,016,162	10	30.75	Conversion of Series 'D' POCPS	Allotment to Aranda	356,261,048	3,562,610,480	2,040,539,617

* Originally ICICI Infotech Services Limited had agreed to subscribe to 49,400 shares at the time of incorporation of the Company, however, subsequently we allotted only 100 shares to ICICI Infotech Services Limited and the remaining 49,300 shares were allotted to ICICI Trusteeship Services Limited A/c ICICI Information Technology Fund.

Note 1: Allotment to employees pursuant to exercise of employee stock options granted under ESOP 2002.

Note 2: Allotment to employees pursuant to exercise of employee stock options granted under ESOP 2003.

For further details see "History and Corporate Structure" on page 77 of this Red Herring Prospectus.

Preference share capital history of our Company*

Date of Allotment	No. of Preference Shares	Type of Preference Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reasons for Allotment	Cumulative No. of Equity Shares Capital (Rs.)	Cumulative Paid-up Equity Share Capital (Rs.)	Cumulative Share Premium
January 19, 2003	56,000,000	POCPS	10	10	Cash	Agreement with SIF	56,000,000	560,000,000	Nil
January 19, 2003	24,000,000	POCPS	10	10	Cash	Agreement with ICICI Bank	80,000,000	800,000,000	Nil
October 10, 2003	80,000,000	Series 'A' POCPS	10	10	Conversion of POCPS into Series 'A' POCPS	Agreement with SIF & ICICI Bank	80,000,000	800,000,000	Nil

Date of Allotment	No. of Preference Shares	Type of Preference Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reasons for Allotment	Cumulative No. of Equity Shares Capital (Rs.)	Cumulative Paid-up Equity Share (Rs.)	Cumulative Share Premium
October 10, 2003	70,000,000	Series 'A' POCPS	10	10	Conversion of POCDS into Series 'A' POCPS	Agreement with SIF & ICICI Bank	150,000,000	1,500,000,000	Nil
October 10, 2003	35,672,100	Series 'B' POCPS	10	10	Cash	Agreement with WestBridge	185,672,100	1,856,721,000	Nil
September 3, 2004	138,785,306	Series 'C' POCPS	10	10	Cash	Agreement with Aranda	324,457,406	3,244,574,060	Nil
September 3, 2004	23,137,500	Series 'C' POCPS	10	10	Cash	Agreement with WestBridge	347,594,906	3,475,949,060	Nil
April 20, 2006	67,664,250	Series 'D' POCPS	10	10	Cash	Agreement with Metavante	415,259,156	4,152,591,560	Nil
April 20, 2006	22,565,000	Series 'D' POCPS	10	10	Cash	Agreement with WestBridge	437,824,156	4,378,241,560	Nil
April 20, 2006	67,695,000	Series 'D' POCPS	10	10	Cash	Agreement with Aranda	505,519,156	5,055,191,560	Nil

* All of the Preference Shares have been converted into Equity Shares and consequently there are no outstanding Preference Shares in issue at the date of this Red Herring Prospectus. For further details of the conversions, please see the table titled "Equity share capital history of our Company" and the section titled "History and Corporate Structure" on pages 18 and 77, respectively, of this Red Herring Prospectus.

Equity Shares issued in the last 12 months at a price which may be lower than the Issue Price

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reasons for Allotment
March 21, 2006	7,500	10	11.25	Cash	Note 1
March 21, 2006	212,500	10	12.89	Cash	Note 2
March 21, 2006	7,500	10	19.85	Cash	Note 2
April 20, 2006	10,000	10	30.75	Cash	Allotment to Metavante
April 27, 2006	123,750	10	11.25	Cash	Note 1
April 27, 2006	32,500	10	12.89	Cash	Note 2
April 27, 2006	7,500	10	19.85	Cash	Note 2
July 27, 2006	170,000	10	11.25	Cash	Note 1
July 27, 2006	7,500	10	12.83	Cash	Note 1
July 27, 2006	480,000	10	12.89	Cash	Note 2
July 27, 2006	541,250	10	19.85	Cash	Note 2
October 27, 2006	26,250	10	11.25	Cash	Note 1

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reasons for Allotment
October 27, 2006	15,000	10	12.83	Cash	Note 1
October 27, 2006	31,250	10	12.89	Cash	Note 2
October 27, 2006	15,000	10	19.85	Cash	Note 2
October 27, 2006	41,250	10	22.20	Cash	Note 2
November 22, 2006	19,983,128	10	17.85	Conversion of Series 'B' POCPS	Allotment to WestBridge
November 22, 2006	69,889,107	10	19.85	Conversion of Series 'C' POCPS	Allotment to Aranda
November 22, 2006	11,651,516	10	19.85	Conversion of Series 'C' POCPS	Allotment to WestBridge
November 22, 2006	22,006,162	10	30.75	Conversion of Series 'D' POCPS	Allotment to Metavante
November 22, 2006	7,338,723	10	30.75	Conversion of Series 'D' POCPS	Allotment to WestBridge
November 22, 2006	22,016,162	10	30.75	Conversion of Series 'D' POCPS	Allotment to Aranda

Note 1: Allotment to employees pursuant to exercise of employee stock options granted under ESOP 2002.

Note 2: Allotment to employees pursuant to exercise of employee stock options granted under ESOP 2003.

2. **Promoter Contribution and Lock-in**

History of shareholding of the Promoters

Date of Allotment/ Transfer	No. of Equity Shares	Face Value (Rs.)	Price (Rs.)	Nature of Consideration	Reasons for Allotment/ Transfer	Cumulative No. of Equity Shares	Nature of Transaction
A. ICICI Bank							
June 21, 2002	15,000,000	10	10	Cash	Initial allotment	15,000,000	Purchase
June 18, 2004	45,000,000	10	10	Cash	Conversion of Series 'A' POCPS into Equity Shares	60,000,000	Purchase
March 31, 2006	22,016,162	10	30.75	Cash	Transfer of Equity Shares to Metavante	37,983,838	Sale
December 28, 2006	5,500,000	10	62*	Cash	Transfer of Equity Shares to Metavante	32,483,838	Sale
December 27, 2006*	20,800,000	10	62*	Cash	Transfer of Equity Shares to "ICICI BANK LIMITED - FIRSTSOURCE ESCROW ACCOUNT" **	11,683,838	Sale
January 17, 2007	94,465,761	10	10	Cash	Transfer of Equity Shares from SIF to ICICI Bank	106,149,599	Purchase

Date of Allotment/ Transfer	No. of Equity Shares	Face Value (Rs.)	Price (Rs.)	Nature of Consideration	Reasons for Allotment/ Transfer	Cumulative No. of Equity Shares	Nature of Transaction
B. SIF							
March 18, 2003	49,300	10	10	Cash	Transfer from ICICI Trusteeship Services Ltd	49,300	Purchase
March 18, 2003	34,950,000	10	10	Cash	Transfer from ICICI Trusteeship Services Ltd	34,999,300	Purchase
June 18, 2004	105,000,000	10	10	Cash	Conversion of Series 'A' POCPS into Equity Shares	139,999,300	Purchase
December 29, 2006	36,233,539	10	36.34	Cash	Transfer of Equity Shares to Metavante***	103,765,761	Sale
January 17, 2007	94,465,761	10	10	Cash	Transfer of Equity Shares from SIF to ICICI Bank	9,300,000	Sale

* Metavante, Galleon Technology Offshore, Limited and Galleon Technology Partners II, L.P. have agreed further to pay ICICI Bank the amount by which the Floor Price exceeds Rs. 62 per Equity Share following determination of the Floor Price.

** The Equity Shares that will be held by Galleon Technology Offshore, Limited and Galleon Technology Partners II, L.P. are currently being held in escrow.

*** This transfer is the result of Metavante exercising its call option pursuant to a share purchase agreement between Metavante, ICICI Bank and SIF dated March 31, 2006. For details of the call option, see the section titled "History and Corporate Structure" on page 77 of this Red Herring Prospectus.

All Equity Shares which are being locked in are eligible for computation of Promoters' contribution and are being locked in under Clauses 4.6 and 4.11.1 of the SEBI Guidelines.

Details of Promoters' contribution locked in for three years

Name of Promoter	Date of Allotment/ Acquisition and when made fully paid-up	Nature of Allotment	Nature of Consideration	Number of Equity Shares locked in*	Face Value (Rs.)	Purchase Price (Rs.)	% of Post-Issue Paid-up Capital
ICICI Bank	January 17, 2007	Equity Shares	Cash	83,252,210	10	10	20%
TOTAL				83,252,210			20%

* Commencing from the date of the Allotment of the Equity Shares in the Issue.

The Promoters' contribution has been brought in to the extent of not less than the specified minimum lot and from the persons defined as promoters under the SEBI Guidelines.

Details of share capital locked in for one year

In addition to the lock-in of the Promoters' contribution specified above, the less the Equity Shares being offered in the Offer for Sale comprising 263,708,838 Equity Shares of our Company shall be locked in for a period of one year from the date of Allotment of Equity Shares in this Issue other than those Equity Shares disclosed in the table below.

Details of share capital not locked in for one year

Particulars	Number of Equity Shares
Equity Shares held by employees pursuant to the ESOPs	50,750
Equity Shares held by WestBridge Capital Partners, which is a registered FVCI and has held those fully paid up shares/convertible instruments for more than one year.	31,644,644*

* WestBridge Capital Partners has agreed with the Underwriters to subject these Equity Shares to a contractual lock-up for period of 30 days following listing of the Equity Shares pursuant to this Issue. The Underwriters are entitled to waive these lock-up provisions at their discretion prior to the expiration dates of such lock-up agreement.

Our Directors and the Key Managerial Personnel who have been granted options or Equity Shares on the exercise of the options pursuant to ESOPs have confirmed to us that they do not intend to sell any shares arising from such options for three months after the date of listing of the Equity Shares in this Issue. Other employees holding Equity Shares at the time of listing and/or Equity Shares on the exercise of vested options may sell Equity Shares within the three month period after the listing. 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.

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.

In accordance with 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 our Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In accordance with 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 that are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In addition, the Equity Shares subject to lock-in will be transferable subject to compliance with the SEBI Guidelines, as amended from time to time.

3. Shareholders Of Our Company And The Number Of Equity Shares Held By Them

Our top ten shareholders and the number of Equity Shares held by them as of the date of filing this Red Herring Prospectus with SEBI

No.	Name of the Shareholder	No. of Equity Shares	Shareholding (%)
1.	ICICI Bank	106,149,599	29.80
2.	Aranda	91,925,269	25.80
3.	Metavante	85,765,863	24.07
4.	WestBridge	38,983,367	10.94
5.	ICICI BANK LIMITED - FIRSTSOURCE ESCROW ACCOUNT*	20,800,000	5.84
6.	SIF	9,300,000	2.61
7.	Raja Gopalakrishnan	593,750	0.17
8.	Raju Bhatnagar	525,000	0.15
9.	Jyotsna Goswami	250,000	0.07
10.	Rup Goswami	250,000	0.07
	TOTAL HELD BY TOP 10 SHAREHOLDERS	354,542,848	99.52

* *The Equity Shares ascribed to ICICI BANK LIMITED - FIRSTSOURCE ESCROW ACCOUNT are being held for the benefit of Galleon Technology Offshore, Limited and Galleon Technology Partners II, L.P. and are currently being held in escrow. For further information, see the risk factor entitled "Equity Shares have recently been transferred by the Promoters of the Company" on page xxix of this Red Herring Prospectus.*

Our top ten shareholders and the number of Equity Shares held by them as of ten days prior to the filing of this Red Herring Prospectus with SEBI

No.	Name of the Shareholder	No. of Equity Shares	Shareholding (%)
1.	SIF	103,765,761	29.13
2.	Aranda	91,925,269	25.80
3.	Metavante	85,765,863	24.07
4.	WestBridge	38,983,367	10.94
5.	ICICI BANK LIMITED - FIRSTSOURCE ESCROW ACCOUNT*	20,800,000	5.84
6.	ICICI Bank	11,683,838	3.28
7.	Raja Gopalakrishnan	593,750	0.1
8.	Raju Bhatnagar	525,000	0.15
9.	Jyotsna Goswami	250,000	0.07
10.	Rup Goswami	250,000	0.07
	TOTAL HELD BY TOP 10 SHAREHOLDERS	354,542,848	99.52%

* *The Equity Shares ascribed to ICICI BANK LIMITED - FIRSTSOURCE ESCROW ACCOUNT are being held for the benefit of Galleon Technology Offshore, Limited and Galleon Technology Partners II, L.P. are being held in escrow account. For further information, see the risk factor entitled "Equity Shares have recently been transferred by the Promoters of the Company" on page xxviii of this Red Herring Prospectus.*

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 SEBI*

No.	Name of the Shareholder	No. of Equity Shares	Shareholding (%)
1.	SIF	139,999,300	69.86
2.	ICICI Bank	60,000,000	29.94
3.	Shailesh Mehta	245,000	0.12
4.	K Ganesh	56,250	0.03
5.	Meena	43,750	0.02
6.	Aranda	20,000	0.01
7.	WestBridge	10,000	0.00
8.	Divya Krishnan	3,750	0.00
9.	Dayalu Arasappa	2,500	0.00
10.	Munish Kumar Arora	2,500	0.00
	TOTAL HELD BY TOP 10 SHAREHOLDERS	200,383,050	99.98

* *As on January 20, 2005*

4. Shareholding Pattern Of Our Company Before And After The Issue

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

Shareholder Category	Equity Shares owned before the Issue		Equity Shares owned after the Issue	
	Number	%	Number	%
Promoters ^				
SIF	9,300,000	2.61	Nil	0.00
ICICI Bank	106,149,599	29.80	106,149,599	25.50
<i>Sub Total (A)</i>	<i>115,449,599</i>	<i>32.41</i>	<i>106,149,599</i>	<i>25.50</i>
Promoter Group				
ICICI Web Trade Limited	100	0.00	100	0.00
ICICI Investment Management Company	200	0.00	200	0.00
ICICI Trusteeship Services Limited	100	0.00	100	0.00
<i>Sub Total (B)</i>	<i>400</i>	<i>0.00</i>	<i>400</i>	<i>0.00</i>
SUB TOTAL (C=A+B)	115,449,999	32.41	106,149,999	25.50
Investors				
Aranda	91,925,269	25.80	91,925,269	22.08
Metavante	85,765,863	24.07	85,765,863	20.60
WestBridge	38,983,367	10.94	38,983,367	9.37
ICICI BANK LIMITED - FIRSTSOURCE ESCROW ACCOUNT*	20,800,000*	5.84	20,800,000	4.99
<i>Sub Total (D)</i>	<i>237,474,499</i>	<i>66.66</i>	<i>237,474,499</i>	<i>57.05</i>
Employees**	65,750	0.02	1,265,750	0.30
Directors***	245,000	0.07	245,000	0.06
<i>Sub Total (E)</i>	<i>310,750</i>	<i>0.09</i>	<i>1,510,750</i>	<i>0.36</i>
Public (F)****	3,025,800	0.85	71,125,800	17.09
TOTAL SHARE CAPITAL (C+D+E+F)	356,261,048	100.00	416,261,048	100.00

* The Equity Shares that will be held by Galleon Technology Offshore, Limited and Galleon Technology Partners II, L.P. pre-Issue are currently being held in escrow account. For further information, see the risk factor entitled "Equity Shares have recently been transferred by the Promoters of the Company" on page xxix of this Red Herring Prospectus.

** Assuming Employee Reservation Portion is fully subscribed by the Eligible Employees of our Company.

*** Represents the shares held by Mr. Shailesh J. Mehta in his personal capacity.

**** Includes Equity Shares that may have been transferred from employees to public shareholders on exercise of options under the ESOPs pursuant to the Issue.

^ SIF and ICICI Bank have both transferred Equity Shares since the date of the Draft Red Herring Prospectus. For further information about these transfers, please see the table below and the risk factor titled "Equity Shares have recently been transferred by the Promoters of the Company" on page xxix of this Red Herring Prospectus.

5. Our Company, our Directors, the BRLMs and the CBRLM 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.
6. Our Promoters have not been issued Equity Shares for consideration other than cash.
7. Our Promoters, Directors and our Promoter Group have not purchased or sold any Equity Shares within the six months preceding the date of filing of this Red Herring Prospectus with SEBI other than as disclosed below:

Transferor	Transferee	Number of Equity Shares	Price per Equity Share (Rs.)	Date of Transfer
SIF	ICICI Bank	94,465,761	10	January 17, 2007
ICICI Bank	ICICI BANK LIMITED – FIRSTSOURCE ESCROW ACCOUNT*	20,800,000	62**	December 27, 2006
ICICI Bank	Metavante	5,500,000	62**	December 28, 2006
SIF	Metavante***	36,233,539	36.34	December 29, 2006
Reclamation Properties (India) Pvt. Ltd	ICICI Trusteeship Services Limited	100	10	October 27, 2006
Reclamation Realty (India) Pvt. Ltd	ICICI Investment Management Company Limited	100	10	October 27, 2006

* The Equity Shares that will be held by to Galleon Technology Offshore, Limited and Galleon Technology Partners II, L.P. are currently being held in escrow account. Also see ** below.

** Metavante, Galleon Technology Offshore, Limited and Galleon Technology Partners II, L.P. have agreed further to pay ICICI Bank the amount by which the Floor Price exceeds Rs. 62 per Equity Share following determination of the Floor Price.

*** This transfer is the result of Metavante exercising its call option pursuant to a share purchase agreement between Metavante, ICICI Bank and SIF dated March 31, 2006. For details of the call option, see the section titled "History and Corporate Structure" on page 77 of this Red Herring Prospectus.

8. **Employee Stock Option Schemes**

We have two employee stock option schemes in force, which are applicable to all of our Directors, employees and employees of our Subsidiaries.

Employee Stock Option Scheme	Outstanding Options	Remarks
ESOP 2002	1,700,000	The special resolution passed by our Company at its EGM dated August 22, 2002 approved the grant of up to 10% of the then existing issued equity share capital. The special resolution passed by the shareholders of our Company at an EGM on September 3, 2003 approved the grant of options under the ESOP 2003 within the approved limit of 10% of the then existing issued equity share capital. By way of a resolution dated August 26, 2005, the shareholders approved the grant of options up to a limit 28,443,681 options which was further increased to a limit of 48,159,517 on May 3, 2006. Further, by way of a resolution dated November 20, 2006, the Directors approved a grant of 8,182,000 options which further increased the limit of options to 56,341,517.
ESOP 2003	39,211,750	

ESOP 2002

Particulars

Options granted

Exercise price of options

Details

4,565,000

<i>Year</i>	<i>No. of options exercised</i>	<i>Exercise Price</i>
Fiscal 2005	2,500	12.83
Fiscal 2005	212,500	11.25
Fiscal 2006	258,125	11.25
Fiscal 2006	8,750	12.83
Fiscal 2007	30,000	12.83
Fiscal 2007	206,250	11.25

Total options vested

2,383,750 (includes options exercised)

Options exercised

718,125

Total number of Equity Shares arising as a result of full exercise of options already granted

700,625

Options forfeited/lapsed/cancelled

2,146,875

Variations in terms of options

Nil

Money realised by exercise of options

8,144,081,

Options outstanding (in force)

1,700,000

Details of options granted to:

(i) Directors and Key Managerial Personnel

Refer Note 1 below

(ii) 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

<i>Name</i>	<i>No. of options</i>
Ganesh K. (resigned)	225,000
Susheel Kurien (resigned)	225,000
Prashant M. J.	125,000
Gayatri Anand	30,000
Namit Kaushal	30,000
Krishnan V.	30,000
Devendra Mankare	20,000

(iii) 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

Nil

Vesting schedule

<i>No. of options</i>	<i>From the date of grant</i>
25%	at the end of 12 months
12.5%	at the end of 18 months
12.5%	at the end of 24 months
12.5%	at the end of 30 months
12.5%	at the end of 36 months
12.5%	at the end of 42 months
12.5%	at the end of 48 months

Lock-in

None

Impact on profits and EPS of the last three years

Nil

ESOP 2003

Particulars

Options granted

Exercise price of options

Details

49,568,000

<i>Year</i>	<i>No. of options exercised</i>	<i>Exercise Price</i>
Fiscal 2005	256,250	12.89
Fiscal 2006	20,000	19.85
Fiscal 2006	1,005,625	12.89
Fiscal 2007	621,250	19.85
Fiscal 2007	58,750	22.20
Fiscal 2007	506,250	12.89

Total options vested

11,618,498 (includes options exercised)

Options exercised

2,468,125

Total number of Equity Shares arising as a result of full exercise of options already granted

2,390,625

Options forfeited/lapsed/cancelled

7,888,125

Variations in terms of options

Yes*

Money realised by exercise of options

36,824,194

Options outstanding (in force)

39,211,750

Details of options granted to:

- (i) Directors and Key Managerial Personnel
- (ii) 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

Refer Note 1 below

<i>Name</i>	<i>No. of options</i>
Ayan Chatterjee (resigned)	1,400,000
Raja Gopalakrishnan (resigned)	925,000
Raju Bhatnagar (resigned)	1,400,000

- (iii) 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

<i>Name</i>	<i>No. of options</i>
Ananda Mukerji	2,655,500
Raju Bhatnagar (resigned)	1,400,000
Raja Gopalakrishnan (resigned)	925,000
Sanjiv Dalal	925,000
Matthew Vallance	1,525,000
Aashu Calapa	975,000
Rahul Basu	925,000

Fully diluted EPS on a pre-Issue basis

Nil

Vesting schedule*

<i>No. of options</i>	<i>From the date of grant</i>
25%	at the end of 12 months
12.5%	at the end of 18 months
12.5%	at the end of 24 months
12.5%	at the end of 30 months
12.5%	at the end of 36 months
12.5%	at the end of 42 months
12.5%	at the end of 48 months

Lock-in

None

Impact on profits and EPS of the last three years

Nil

* The Compensation cum Board Governance Committee of the Company at its meeting held on April 27, 2006 amended the vesting schedule for options granted on May 1, 2006 to General Managers and above grade of employees and to non-executive Directors. The vesting schedule for 15,980,000 options granted pursuant to the above is set forth below

No. of Options	From the Date of Grant
50%	at the end of 24 months
50%	at the end of 36 months

Options granted to our Directors and our Key Managerial Personnel

Name of Director/ Key Managerial Personnel of the Company and its Subsidiaries	No. of options granted under ESOP 2002	No. of options vested under ESOP 2002	No. of options outstanding under ESOP 2002 (inc. unvested)	No. of options granted under ESOP 2003	No. of options vested under ESOP 2003	No. of options outstanding under ESOP 2003 (inc. unvested)	No. of Equity Shares held*
Ananda Mukerji	400,000	400,000	400,000	4,655,500	1,991,623	4,655,500	Nil
Raju Venkatraman	Nil	Nil	Nil	3,000,000	350,000	3,000,000	Nil
Matthew Vallance	175,000	175,000	175,000	2,825,000	1,143,750	2,825,000	Nil
Rahul Basu	175,000	175,000	175,000	1,425,000	693,750	1,425,000	Nil
Sanjiv Dalal	175,000	175,000	175,000	1,425,000	693,750	1,425,000	Nil
Aashu Calapa	125,000	125,000	125,000	1,475,000	731,250	1,475,000	Nil
Rajesh Subramaniam	125,000	125,000	125,000	1,275,000	306,250	1,275,000	Nil
Charles Miller Smith	Nil	Nil	Nil	495,000	153,125	495,000	Nil

Name of Director/ Key Managerial Personnel of the Company and its Subsidiaries	No. of options granted under ESOP 2002	No. of options vested under ESOP 2002	No. of options outstanding under ESOP 2002 (inc. unvest ed)	No. of options granted under ESOP 2003	No. of options vested under ESOP 2003	No. of options outstanding under ESOP 2003 (inc. unvested)	No. of Equity Shares held*
Ashok Ganguly	Nil	Nil	Nil	1,090,000	306,250	1,090,000	Nil
Shailesh Mehta	Nil	Nil	Nil	250,000	Nil	250,000	245,000
Y. H. Malegam	Nil	Nil	Nil	250,000	Nil	250,000	Nil
Santanu Nandi	Nil	Nil	Nil	1,300,000	Nil	1,300,000	Nil
Sanjeev Sinha	Nil	Nil	Nil	1,000,000	281,250	1,000,000	Nil

* Also includes the Equity Shares acquired other than by way of exercise of options.

Our Directors and the Key Managerial Personnel who have been granted options or Equity Shares on the exercise of the options pursuant to the ESOPs have confirmed to us that they do not intend to sell any Equity Shares arising from such options for three months after the date of listing of the Equity Shares under this Issue. Other employees holding Equity Shares at the time of the listing of Equity Shares under the Issue and Equity Shares on exercise of vested options may sell their Equity Shares within the three month period after the listing of the Equity Shares. This disclosure is made in accordance with paragraph 15.3 (b) and 15.3 (c) of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 2000.

9. In accordance with Rule 19 (2) (b) of the 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 whereby at least 60% of the Net Issue will be allocated on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. 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 will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category, except the QIB Portion, would be met with spill over from other categories at our discretion in consultation with the BRLMs and the CBRLM.
10. Up to 1,200,000 Equity Shares have been reserved for allocation to the Eligible Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price. Only Eligible Employees, as defined, would be eligible to apply in this Issue under the Employee Reservation Portion. Employees that do not fall within the definition of Eligible Employee are not eligible to participate in the Employee Reservation Portion. If the aggregate demand in the Employee Reservation Portion is greater than 1,200,000 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis subject to a minimum Allotment to any Employee of 100 Equity Shares. Under-subscription, if any, in the Employee Reservation Portion shall be added back to the Net Issue.
11. Except for options granted under the ESOPs, there are no outstanding warrants, options or rights to convert debentures, preference shares, loans or other instruments convertible into Equity Shares.
12. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue and Bidders are subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.
13. We have not raised any bridge loan against the Issue Proceeds.
14. Our Promoters and members of our Promoter Group will not participate in this Issue.
15. Subject to the Equity Shares to be issued pursuant to the ESOPs, 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 pursuant to this Issue have been listed.

16. We presently do not intend or propose to alter our capital structure for a period of six months from the date of filing of this Red Herring Prospectus, 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, except that if we enter into acquisitions or joint ventures, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures. However, during such period or at a later date, we may issue Equity Shares pursuant to the ESOPs.
17. The Equity Shares held by the Promoters are not subject to any pledge.
18. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.
19. There shall be only one denomination of Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
20. As of the date of filing of this Red Herring Prospectus, the total number of holders of Equity Shares is 73. Please note that this figure does not take account the transfer of Equity Shares from the "ICICI Bank Limited – Firstsource Escrow Account" to Galleon Technology Offshore, Limited and Galleon Technology Partners II, L.P. since those Equity Shares are held in the escrow account at the time of filing this Red Herring Prospectus. For further information about these transfers, see the risk factor entitled "Equity Shares have recently been transferred by the Promoters of the Company" on page xxix of this Red Herring Prospectus.
21. At the time the Draft Red Herring Prospectus was filed, it was contemplated that the initial public offering would consist of a fresh issue of 60,000,000 Equity Shares by the Company and an offer for sale of 35,626,105 Equity Shares by SIF. The total number of Equity Shares intended to be offered in the initial public offering at that stage was therefore 95,626,105 Equity Shares. There was a possibility that the Company or SIF would issue or sell some or all of the Equity Shares prior to the initial public offering ("Pre-IPO Placement") reducing the total number of Equity Shares offered in the initial public offering. The Draft Red Herring Prospectus included disclosures to that effect. Metavante had a call option over Equity Shares held by ICICI Bank and SIF pursuant to a share purchase agreement between Metavante, ICICI Bank and SIF dated March 31, 2006. Since the date of the Draft Red Herring Prospectus, Metavante elected to exercise this call option. As a result, SIF transferred 36,233,539 Equity Shares of Rs. 10 each at a price of Rs. 36.34 per Equity Share to Metavante on December 29, 2006. The transfer of Equity Shares by SIF to Metavante consisted of a Pre-IPO Placement of 26,326,105 Equity Shares pursuant to which the Offer for Sale component is therefore reduced to 9,300,000 Equity Shares. For details of the call option, see the section titled "History and Corporate Structure" on page 77 of this Red Herring Prospectus.

OBJECTS OF THE ISSUE

Introduction

The objects of the Fresh Issue are:

- Acquisitions;
- To set up our new facilities;
- To repay a loan of our Company;
- General corporate purposes; and
- Issue expenses.

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

The Net Proceeds, which are the proceeds of the Fresh Issue after deducting all Issue expenses, are estimated to be Rs. [●] million. We shall not receive any proceeds from the Offer for Sale.

The details of the Net Proceeds are summarised in the table below:

	Rs. In Million
Gross proceeds	[●]
Issue related expenses	[●]
Net Proceeds	[●]

The utilisation of Net Proceeds as estimated by the management is as follows:

	(Rs. In Million)
	Estimated Amount
Acquisitions	1,800.00
Setting up of new facilities	462.85
Repayment of a loan of our Company	450.00
General corporate purposes	[●]
TOTAL	[●]

The requirement of funds as estimated by our Management shall be utilised by fiscal 2008. The fund requirement and deployment are based on current 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 other financial condition, business or strategy, as discussed further below. In the event of a surplus of the Net Proceeds of the Issue, the Company will use the surplus towards general corporate purposes or towards repayment or prepayment of debt as determined by the management.

We operate in a highly competitive, dynamic market condition, and may have to revise our estimates from time to time on account of new initiatives that we may pursue including any industry consolidation measure, such as potential acquisition opportunities. Any such change in our plans may require us to reschedule our expenditure programs, undertake initiatives which are not currently planned, discontinue projects currently planned and an increase or decrease in the expenditure for a particular activity in relation to current plans, at the discretion of the management of our Company. In case of variations in the actual utilisation 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 Fresh

Issue. If surplus funds are unavailable, the required financing will be through our internal accruals and debt.

Details Of Use Of Net Proceeds

Acquisitions and other strategic initiatives

Our growth strategy involves gaining new clients and expanding our service offerings, both organically and through strategic acquisitions. We have completed six acquisitions and expanded our service offerings into new industry sectors, pursuant to such acquisitions. Please see the section entitled "History and Corporate Structure" on page 77 of this Red Herring Prospectus for more details on our past acquisitions.

We seek to further enhance our position in the BPO industry and widen our service offerings through strategic acquisitions in existing or new industry sectors. Towards this end, we propose to target companies in India and overseas which have expertise in the domain in which they operate in and which have a good client base. We typically enter into non-binding letters of intent once the potential target company has been identified, evaluate the risks associated with such an acquisition and then either enter into a binding agreement with the target company or terminate the non-binding letter of intent.

As of the date of this Red Herring Prospectus, we have not yet entered into any definitive commitment for any acquisition, investment or joint venture.

We intend to utilise Rs. 1,800.00 million of the Net Proceeds of the Issue towards acquisitions. The above amount is based on the management's current estimates of the amounts to be utilised towards acquisitions. The actual deployment of funds would depend on a number of factors, including the timing of acquisitions, number of acquisitions and size of the target companies. The proceeds allocated towards acquisition may not be the total value of the acquisition, but may provide us with leverage to enter into binding agreements.

Our Company proposes to utilise such part of the Net Proceeds allocated for acquisition purposes, by March 31, 2008. In the event that there is a shortfall of the funds required for the acquisitions then, such shortfall shall be met out of the amounts allocated for general corporate purposes and/or through internal accruals and in the event that there is a surplus, such amounts shall be utilised towards general corporate purposes.

Capital Expenditure

Setting up the new facilities

Currently, we have 20 delivery centres, of which 11 are located in India, six are located in the United States, and two are located in the United Kingdom and one in Argentina. We currently have an aggregate capacity of over 9,100 seats across these geographies. For more details, see the section titled "Our Business" on page 51 of this Red Herring Prospectus.

As part of our expansion plan, we intend to set up new facilities in India to support the increase in business from existing and new clients. We currently have definitive plans for setting up our Chennai facility. We also intend to set up additional facilities in other parts of India based on the estimates of our Chennai facility. These facilities are expected to be set up by fiscal 2008.

The breakdown of the expenditure proposed to be incurred in setting up these facilities is:

(Rs. In Million)

Item	Estimated expenditure in Fiscal 2007	Estimated expenditure in Fiscal 2008	TOTAL
Lease Deposit	33.50	Nil	33.50
Interior and Furnishing cost	154.44	70.40	224.84
Technology and Equipment Cost	155.81	48.70	204.51
TOTAL	343.75	119.10	462.85

Chennai facility

Of the proposed facilities as mentioned above, we have finalised one of our facilities to be based out of Chennai and have signed the Letter of Intent for the lease of the said premises.

Details and estimated costs

The details of the Chennai facility and the estimated costs are as below:

Item	Units	Details	Estimated expenditure in Fiscal 2007	Estimated expenditure in Fiscal 2008
Location	NA	Perungudi, Chennai	NA	NA
Area	Square Feet	37,235	NA	NA
Number of seats	Numbers	600	NA	NA
Lease Deposit	Rs. Million	13.90	13.90	Nil
Interior and Furnishing cost	Rs. Million	48.44	48.44	Nil
Technology & Equipment cost	Rs. Million	80.31	80.31	Nil
TOTAL			142.65	Nil

The above estimates are based on quotations received from various suppliers as provided in the table below.

(Rs. In Million)

Item Description	Name/Supplier/Model	Date of Available Quotations/Agreements	Total estimated expenditure	Estimated expenditure Fiscal 2007	Estimated expenditure Fiscal 2008
Lease deposit	Aneja Towers, Perungudi, Chennai	Letter of intent dated November 1, 2006	13.90	13.90	Nil
Interior and furnishing cost					
Interior furnishing, furniture and fixtures (including civil and interior works, modular furnitures and chairs, electrical and related works, security systems, airconditioning, interior designing and project management)	Architect and Project Management Consultants : Quadra Architects Private Limited	Quotation dated November 17, 2006	48.44	48.44	Nil
Technology and equipment cost					
<i>IT computing hardware</i>					
Desktops	Lenovo	Quotation dated October 17, 2006	14.83	14.83	Nil

(Rs. In Million)

Item Description	Name/Supplier/Model	Date of Available Quotations/Agreements	Total estimated expenditure	Estimated expenditure Fiscal 2007	Estimated expenditure Fiscal 2008
Servers	Dell	Quotations dated October 17, 2006, November 2, 2006 and November 6, 2006.	3.46	3.46	Nil
Headsets	Plantronics	Quotation dated November 3, 2006	3.20	3.20	Nil
<i>IT computing software</i>					
Licenses	Microsoft /Others		1.40	1.40	Nil
<i>Dialler</i>					
Dialler and ACD	Aspect Software, Inc	Quotation dated October 17, 2006 (including customs duty)	46.72	46.72	Nil
<i>Networking equipment & others</i>					
Firewall, network switches and routers	Cisco & Checkpoint	Estimated	10.70	10.70	Nil
TOTAL			142.65	142.65	Nil

Orders already placed

Out of the total estimated cost of Rs. 142.65 million, the Company has already placed orders worth Rs. 106.24 million (excluding the lease deposit of Rs. 13.90 million) as per details below:

(Rs. In Million)

Item	Estimated Cost	Amount for which purchase order has been issued (A)	Balance for which purchase order is yet to be issued (B)	Total amount paid as on December 31, 2006 (C)	Balance amount to be incurred (A+B-C)
Lease cost	13.90	13.90	-	13.90	-
Interior and furnishing cost	48.44	43.19	5.25	4.33	44.11
Technology and equipment cost	80.31	63.05	17.26	40.55	39.76
TOTAL	142.65	120.14	22.51	58.78*	83.87

* M/s Jain Vinay & Associates vide their letter dated January 15, 2007, have certified the above expenditure, which has been financed through internal accruals.

Items for which the purchase order has been issued

- Lease

(Rs. In Million)

Supplier name	Item description	Reference	Value	Amount paid till date
Aneja Towers, Perungudi, Chennai	Lease deposit	Letter of Intent dated November 1, 2006	13.90	13.90
TOTAL			13.90	13.90

- Interior and furnishing cost

(Rs. In Million)

Supplier name	Item description	Reference	Value	Amount paid till date
Godrej & Boyce Mfg. Co. Ltd.	Modular Furniture, Storages, Lockers, Compactors, Chairs, carpets	ICICI/ MOD/01,04,08	10.00	-
Socomec UPS Pvt.Ltd	UPS	ICICI/UPS/02	4.10	-
Carpet International Thailand	Carpet supply	ICICI/CAR/SUP/03	0.99	1.00
Blue Star Ltd.	HVAC supply	ICICI/HVAC/SUP/05,05A	3.55	1.77
VAC systems	HVAC installation	ICICI/HVAC/INST/06	2.75	0.82
Faradays Micro Systems	Fire and security system	ICICI/SECSYS/07	2.73	-
Ocean interiors (P) Ltd.	Civil and interiors	ICICI/INT/09	7.40	-
APJ (India) Projects Pvt.Ltd	Interior Electrification - Supply	ICICI/ELEC/SUP/10,11	8.79	-
Buildcraft Interior Pvt.Ltd	False Ceiling - Supply & Installation	ICICI/FC/12	1.05	-
Quadra Architects P. Ltd	Project management and consultancy fees	NA	1.84	0.74
TOTAL			43.19	4.33

- Technology and equipment cost

(Rs. In Million)

Supplier name	Item description	Reference	Value	Amount paid till date
IT computing Hardware (Desktops)				
Lenovo India Pvt. Ltd.	Lenovo E50 Desktop	PO/FSL/2006-07/000162, 0001020A	7.74	3.96
Galaxy Office Automation Pvt. Ltd.	256MB Ram	PO/FSL/2006-07/000341	0.04	-
Zenith Computers Limited	Dekstops	PO/FSL/2006-07/000395	9.29	-
	Desktop Total		17.07	3.96

(Rs. In Million)

Supplier name	Item description	Reference	Value	Amount paid till date
IT Computing Hardware (Servers)				
Dell India Pvt. Ltd.	Dell PowerEdge 2950 Servers	PO/FSL/2006-07/000123, 124, 145, 318, 1025	2.11	-
	Servers Total		2.11	-
IT Computing Hardware (Headsets)				
Mach Communication Pvt. Ltd.	Supply of Hedsets & Amplifier	PO/FSL/2006-07/000125, 334	1.14	-
	Headsets Total		1.14	-
IT Computing Software (Licenses)				
Wipro Ltd.	Microsoft Licenses	PO/FSL/2006-07/000336/A, 391	3.37	-
	Software (License) Total		3.37	-
Dialler and ACD				
Aspect Software, Inc.	Supply & Installation of Aspect® ensemble Pro & Aspect ® Spectrum ACD	PO/IOL/2006-07/0001018	38.28	36.59
	Dialler and ACD Total		38.28	36.59
Networking equipment and others				
Cubix Microsystem Singapore PTE. Ltd.	Supply of KVM Switch	PO/FSL/2006-07/000293	0.16	-
Wipro Ltd.	Supply of Cisco Router 2811	PO/FSL/2006-07/000322	0.41	-
Mach Communication Pvt. Ltd.	Supply of Platronics Y-cord	PO/FSL/2006-07/000323	0.02	-
Dhananjay Industrial Engineers Pvt. Ltd.	Supply of Network & Rack	PO/FSL/2006-07/000393	0.49	-
	Networking equipment and others Total		1.08	-

The expected date of delivery of the above is on or prior to March 31, 2007.

Other facilities

We further intend to set up additional facilities in various cities and towns in India. These facilities may be set up in various locations in India depending on the needs of our existing and potential clients and our need to service them according to their requirements.

The amount of capital expenditure for the same is estimated as below:

(Rs. In Million)

Item	Estimated expenditure in Fiscal 2007	Estimated expenditure in Fiscal 2008	Total estimated expenditure
Lease deposit	19.60	Nil	19.60
Interior and furnishing cost	106.00	70.40	176.40
Technology and equipment cost	75.50	48.70	124.20
TOTAL	201.10	119.10	320.20

As per our policy, we shortlist the project management contractors based on a competitive bidding and selection process. We comprehensively evaluate the short-listed proposals for technical and financial competitiveness and their ability to adhere to the completion timelines, before we finally award the contract.

The estimates of lease deposit for the proposed sites are based on the prevailing practice of lease deposit in India. The estimates for interior and furnishing costs provided above are based on quotations received by us for our Chennai centre and other centres developed in the recent past. The estimates for technology and equipment costs are based on past quotations received from various vendors, including Nokia for firewalls, Cisco for LAN/WAN, Nortel for passports, Lenovo/Dell/HP for desktops and servers, GN Netcom for headsets, Microsoft for software, Avaya and Aspect for ACDs and others.

Repayment of loan

We intend to utilise up to Rs. 450 million of the Net Proceeds of the Issue towards repayment of a portion of our debt. The loan that we propose to repay is described below:

Name of the Lender	Date of the Loan Agreement/ Sanction Letter	Proposed Repayment during Fiscal 2008 (Rs. In Million)
ICICI Bank – External Commercial Borrowings	May 10, 2004	450.00
TOTAL		450.00

This loan is due for repayment in fiscal 2008. The Company may choose to further prepay or repay debt in the event of any surplus funds available to it. In the event of any shortfall in using the Net Proceeds of the Issue, the Company will reduce the amount of prepayment/repayment of high cost debt and/or fund the same through internal accrual. For further details relating to our debt, see the section titled “Financial Indebtedness” on page 233 of this Red Herring Prospectus.

General corporate purposes

Any excess amounts collected from the Issue will be deployed for general corporate purposes including towards meeting shortfall, if any, of the stated objects such as acquisition, loan repayment and capital expenditure in India and abroad.

Appraisal

The funds requirement and funding plans are Company’s own estimates, and have not been appraised by any bank/financial institution.

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. All issue related expenses will be paid by our company, except for the Lead management fee and underwriting commissions which would be shared by our Company and the Selling Shareholder. The estimated Issue expenses are as follows:

(Rs. In Million)

Activity	Expenses*
Lead management fee and underwriting commissions	[•]
Advertising and marketing expenses	[•]
Printing and stationery	[•]
Others (Registrars fee, legal fee, etc.)	[•]
TOTAL	[•]

* Will be incorporated after finalisation of the Issue Price.

Working Capital Requirement

The Net Proceeds will not be used to meet our working capital requirements as we expect sufficient internal accruals and existing working capital lines to meet our existing working capital requirements.

Interim Use Of Funds

Our management, in accordance with the policies established by our Board of Directors from time to time, will have flexibility in deploying the Net Proceeds. Pending utilisation for the purposes described above, we intend to invest the funds in high quality interest bearing liquid instruments including money market mutual funds, deposits with banks, for the necessary duration or for reducing overdrafts. The Net Proceeds shall not be invested into equity capital markets.

Monitoring Utilisation Of Funds

Our Board will monitor the utilisation of the Net Proceeds. We will disclose the details of the utilisation of the Net Proceeds, including interim use, under a separate head in our financial statements for fiscal 2007 and fiscal 2008, specifying the purpose for which such proceeds have been utilised or otherwise disclosed as per the disclosure requirements of our listing agreements with the Stock Exchanges.

No part of the Issue Proceeds will be paid by us as consideration to our Promoters, our Directors, promoter group companies or Key Managerial Personnel, except in the normal course of our business.

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

BASIS FOR ISSUE PRICE

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

Qualitative Factors

We believe the following business strengths allow us to compete successfully in the BPO industry:

- Offshore BPO market leadership;
- Strategic positioning in our target industry sectors;
- Established relationships with large global companies;
- Strategic partnership with Metavante;
- Multi-shore delivery model;
- Diversified business model;
- Experienced management team; and
- Ability to manage aggressive growth.

For a detailed discussion of these factors, see section titled "Our Business" on page 51 of this Red Herring Prospectus.

Quantitative Factors

Adjusted Earnings Per Share

Period	EPS*	Weight
9 months ended December 31, 2006	2.33**	4
12 months ended March 31, 2006	1.23	3
12 month ended March 31, 2005	0.95	2
12 month ended March 31, 2004	0.12	1
Weighted Average EPS	1.50	

* EPS provided is the Basic EPS based on consolidated restated financials.

** Annualised.

Price to Earnings Ratio (P/E) in relation to the Price Band

1. Based on 9 months ended December 31, 2006 annualised EPS of Rs. 2.33, the P/E ratio is 23.2 at the Floor Price and 27.5 at the Cap Price.
2. Based on 12 months ended March 31, 2006 EPS of Rs. 1.23, the P/E ratio is 43.9 at the Floor Price and 52.0 at the Cap Price.
3. Based on weighted average EPS of Rs. 1.50 above, the P/E ratio is 36.0 at the Floor Price and 42.7 at the Cap Price.
4. Industry P/E
 - (i) Highest: 49.9
 - (ii) Lowest: 25.8
 - (iii) Average (composite): 36.8

Source: Capital Market Vol XXI/23, Jan 15-28, 2007, Computers- Software- Large

Return on Net Worth

Period	Return on Net Worth (%)	Weight
9 months ended December 31, 2006	12.72*	4
12 months ended March 31, 2006	5.71	3
12 month ended March 31, 2005	4.46	2
12 month ended March 31, 2004	0.27	1
Weighted Average Return on Net Worth	7.72	

* Annualised.

Net worth is defined as share capital + reserves and surplus – miscellaneous expenses.

Return on Net Worth has been calculated as per the following formula:

Net profit after tax as restated/Net worth at the end of the year or period

Minimum Return on total Net Worth after the Issue required to maintain pre-Issue EPS of Rs. 2.33 is [●] %.

Net Asset Value (NAV) per Equity Share

- (i) As of December 31, 2006: Rs. 18.35
- (ii) As of March 31, 2006: Rs. 11.62
- (iii) After the Issue: Rs. [●]

NAV has been calculated as per the following formula:

Net Assets at the end of the year or period/Total number of Equity Shares outstanding at the end of the year or period.

Comparison with industry peers

Based on the nature of activities of the Company, a comparison of its accounting ratios with its closest comparable competitors is given below:

	Firstsource	WNS	EXL Services	Infosys	Wipro	Satyam
For the year ended	31-Mar-06	31-Mar-06	31-Dec-05	31-Mar-06	31-Mar-06	31-Mar-06
EPS (Basic)	Rs. 1.23	US\$0.6	US\$0.4	Rs. 45.0	Rs. 14.7	Rs. 17.7
Return on Net Worth (%)	5.71%	23.4%	22.0%	39.9%	35.7%	26.9%
Book value per Share	Rs. 11.62	US\$2.3	US\$2.9	Rs. 124.1	Rs. 44.7	Rs. 66.1
Share Price*	[●]	US\$29.1	US\$22.7	Rs. 2,222.4	Rs. 626.2	Rs. 495.8
P/E	[●]	48.6x	56.8x	49.4x	42.6x	28.0x

Source: Capital Market, Vol. XXI/23, Jan 15-28, 2007. WNS and EXL Services financials from their U.S. Securities and Exchange Commission filings.

* Price as on January 12, 2007

STATEMENT OF TAX BENEFITS

We hereby report that we have received from Firstsource Solutions Limited (*formerly ICICI OneSource Limited*) ('the Company') the enclosed Annexure 'A' stating the possible tax benefits available to the Company and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which will be based on the business imperatives that the Company faces in future, the Company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. This annexure 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 Company 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:

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

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

For **BSR & Co.**
Chartered Accountants

Mumbai
16 January 2007

Akeel Master
Partner
Membership No: 046768

Annexure A

STATEMENT OF TAX BENEFITS

The information provided below sets out the possible tax benefits available to the Company and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company and its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company and its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, it may or may not choose to fulfill. The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in this issue.

Levy of Income Tax

In India, tax is charged on the basis of the residential status of a person (under terms of the provisions of the Act) on his/her total income in the previous year, at the rates as specified in the Finance Act as applicable in the relevant assessment year. An assessment year is a period of 12 months commencing on the first day of April every year ("**Assessment Year**"). Generally, the previous year means the financial year immediately preceding the Assessment Year.

In general, in the case of a person who is "resident" in India in a previous year, his/her global income is subject to tax in India. In the case of a person who is "non-resident" in India, only the income that is received or deemed to be received or that accrues or is deemed to accrue or arise to such person in India, is subject to tax in India. In the case of a person who is "not ordinarily resident" in India, the income chargeable to tax is the same as in the case of persons who are resident and ordinarily resident except that the income which accrues or arises outside India is not included in his total income unless it is derived from a business controlled or a profession set up in India. In the instant case, the income from the shares of the Company would be considered to accrue or arise in India, and would be taxable in the hands of all persons irrespective of residential status. However, applicable DTAA's may give some relief from tax in India to the non-resident.

Resident

A "Non-Resident" means a person who is not a resident in India. For the purposes of the Act, an individual is considered to be a resident of India during any financial year if he or she is in India in that year for:

- a period or periods amounting to 182 days or more; or
- 60 days or more if within the four preceding years, he/she has been in India for a period or periods amounting to 365 days or more; or
- 182 days or more, in the case of a citizen of India or a person of Indian origin living abroad who visits India; or 182 days or more, in the case of a citizen of India who leaves India for the purposes of employment outside India in any previous year.
- A company is resident in India if it is an Indian company formed and registered under the Companies Act, 1956 or if its control and management of its affairs is situated wholly in India. A firm or other association of persons is resident in India except where the control and management of its affairs is situated wholly outside India.

STATEMENT OF POSSIBLE DIRECT TAX BENEFITS AVAILABLE TO ICICI ONESOURCE LIMITED AND ITS SHAREHOLDERS

1. BENEFITS AVAILABLE TO THE COMPANY UNDER THE INCOME-TAX ACT, 1961 ('I.T. Act')

1.1 Tax benefit under Section 10A of the Income-Tax Act

According to the provisions of Section 10A of the Income-tax Act, the Company while computing its total income, is eligible to claim a deduction in respect of profits derived by its undertaking/s from the I T Enabled services for a period of ten consecutive assessment years, beginning with the assessment year relevant to the previous year in which the undertaking/s begin to render such services. The eligible amount would be the proportion that the profits of the business

of the undertaking/s bear to the export turnover in respect of I T Enabled services of the undertaking/s vis-à-vis the total turnover of the undertaking/s. The benefit is available subject to fulfillment of conditions prescribed by the Section and no benefit under this Section shall be allowed with respect to any such undertaking for the financial year beginning on the 1st day of April, 2009 and subsequent years.

1.2 Tax benefit under Section 10B of the Income-Tax Act

According to the provisions of Section 10B of the Income-tax Act, the Company while computing its total income, is eligible to claim a deduction in respect of profits and gains derived by its hundred per cent export oriented undertaking/s from the I T Enabled services for a period of ten consecutive assessment years, beginning with the assessment year relevant to the previous year in which the undertaking/s begin to render such services. The eligible amount would be the proportion that the profits of the business of the undertaking/s bear to the export turnover in respect of I T Enabled services of the undertaking/s vis-à-vis the total turnover of the undertaking/s. The benefit is available subject to fulfillment of conditions prescribed by the Section and no benefit under this Section shall be allowed with respect to any such undertaking for the financial year beginning on the 1st day of April, 2009 and subsequent years.

1.3 Dividend income

Dividend income, if any, received by the Company from its investment in shares of another domestic company will be exempt from tax under Section 10(34) read with Section 115O of the Income-tax Act. Income, if any, received on units of a Mutual Funds specified under Section 10(23D) of the Income-tax Act will also be exempt from tax under Section 10(35) of the Income-tax Act.

1.4 Computation of capital gains

1.4.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

1.4.2 Section 48 of the Income-tax Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

1.4.3 As per the provisions of Section 112 of the Income-tax Act, long term gains as computed above that are not exempt under Section 10(38) of the Income-tax Act would be subject to tax at a rate of 20 per cent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

As per the provisions of MAT Provision governed by Section 115JB of the Income-tax Act, long term capital gains realized on sale of securities of the Company listed on a recognized stock exchange in India will be taxed at the rate of 10% (plus applicable surcharge and education cess).

1.4.4 As per the provisions of Section 111A of the Income-tax Act, short-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to Securities Transaction Tax ("STT") shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

1.4.5 *Exemption of capital gain from income tax*

According to Section 10(38) of the Income-tax Act, long-term capital gains on sale of equity shares or units of an equity-oriented fund where the transaction of sale is chargeable to STT shall be exempt from tax.

According to the provisions of Section 54EC of the Income-tax Act and subject to the conditions specified therein,

capital gains not exempt under Section 10(38) and arising on transfer of a long term capital asset 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. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

1.4.6 *Credit for Minimum Alternate Taxes ("MAT")*

In terms of Section 115JAA, the company is eligible to claim credit for any tax paid as under Section 115JB or 115JA of the Income-tax Act against income tax liabilities incurred in subsequent years. MAT credit eligible for carry forward to subsequent years is the difference between MAT paid and the tax computed as per the normal provisions of the Income-tax Act.

BENEFITS AVAILABLE TO SHAREHOLDERS

2. BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS

2.1 *Dividends exempt under Section 10(34)*

Dividend income, if any, received from investment in shares of domestic company will be exempt from tax under Section 10(34) read with Section 115O of the Income-tax Act.

2.2 *Computation of capital gains*

The capital gains tax implications would be as mentioned in Clause 1.3.1 to 1.3.4 above, except in case of individuals, Hindu undivided family, Association of persons or Body of individuals, where the applicable surcharge is 10 per cent if the total income exceeds Rs 1,000,000 and needs to be factored in before levy of additional surcharge by way of education cess of 2 per cent. In case where income does not exceed Rs. 1,000,000 the applicable surcharge is nil and additional surcharge by way of education cess of 2 per cent.

In case of a shareholder being a company, which is subject to MAT under Section 115JB of the Income-tax Act, long term capital gains realized on sale of securities of the Company listed on a recognized stock exchange in India will be taxed at the rate of 10% (plus applicable surcharge and education cess).

2.3 *Exemption of Capital Gains from Income – tax*

According to Section 10(38) of the Income-tax Act, long-term capital gains on sale of equity shares or units of an equity-oriented fund where the transaction of sale is chargeable to STT shall be exempt from tax.

According to the provisions of Section 54EC of the Income-tax Act and subject to the conditions specified therein, capital gains not exempt under Section 10(38) and arising on transfer of a long term capital asset 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. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

According to the provisions of Section 54F of the Income-tax Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ("HUF"), gains arising on transfer of a long term capital asset (not being a residential house), other than gains exempt under Section 10(38), are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If part of such net consideration is invested within the prescribed period in a residential house, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

Further, if the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred.

As per the provisions of Section 111A of the Income-tax Act, short term capital gains on sale of equity shares where the

transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

2.4 Rebate under Section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into in a recognised stock exchange, i.e. from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

3. BENEFITS AVAILABLE TO NON-RESIDENT INDIAN SHAREHOLDERS

3.1 Dividends exempt under Section 10(34)

As discussed in Clause 2.1 above

3.2 Computation of capital gains

3.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

3.2.2 Section 48 of the Income-tax Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e. sale proceeds less cost of acquisition/improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

3.2.3 In case investment is made in Indian rupees, the long term capital gain is to be computed after indexing the cost. According to the provisions of Section 112 of the Income-tax Act, long term gains as computed above that are not exempt under Section 10(38) of the Income-tax Act would be subject to tax at a rate of 20 per cent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 per cent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

3.2.4 As per the provisions of Section 111A of the Income-tax Act, short term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

3.2.5 Options available under the Income-tax Act

Where shares have been subscribed to in convertible foreign exchange –

Option of taxation under Chapter XII-A of the Income-tax Act:

Non-Resident Indians (as defined in Section 115C(e) of the Income-tax Act), being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Income-tax Act, which *inter alia* entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange:

- According to the provisions of Section 115D read with Section 115E of the Income-tax Act and subject to the conditions specified therein, long term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit.
- According to the provisions of Section 115F of the Income-tax Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be

chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Income-tax Act. If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Income-tax Act, then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

- Further, if the specified asset or savings certificate in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
- As per the provisions of Section 115G of the Income-tax Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Income-tax Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Income-tax Act.
- Under Section 115H of the Income-tax Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Income-tax Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
- As per the provisions of Section 115 I of the Income-tax Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Income-tax Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Income-tax Act.

3.2.6 *Exemption of capital gain from income tax*

As mentioned in Clause 2.3

3.3 ***Rebate under Section 88E***

As mentioned in Clause 2.4

4. BENEFITS AVAILABLE TO OTHER NON-RESIDENTS

4.1 Dividends exempt under Section 10(34)

As discussed in Clause 2.1 above

4.2 Computation of capital gains

- 4.2.1 Capital assets may be categorised into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".
- 4.2.2 Section 48 of the Income-tax Act contains special provisions in relation to computation of capital gains on transfer of an Indian company's shares by non-residents (other than Foreign Institutional Investors ("FIIs")). Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e. sale proceeds less cost of acquisition/improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.
- 4.2.3 In case investment is made in Indian rupees, the long term capital gain is to be computed after indexing the cost. As per the provisions of Section 112 of the Income-tax Act, long term gains as computed above that are not

exempt under Section 10(38) of the Income-tax Act would be subject to tax at a rate of 20 per cent (plus applicable surcharge and education cess). However, as per the proviso to Section 112 (1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated at the rate of 20 per cent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 per cent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

In case of a shareholder being a company, which is subject to MAT under Section 115JB of the Income-tax Act, long term capital gains realized on sale of securities of the Company listed on a recognized stock exchange in India will be taxed at the rate of 10% (plus applicable surcharge and education cess).

4.2.4 As per the provisions of Section 111A of the Income-tax Act, short term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

4.2.5 Exemption of capital gain from income tax
As mentioned in Clause 2.3

4.3 Rebate under Section 88E

As mentioned in Clause 2.4

5. BENEFITS AVAILABLE TO FIIs

5.1 Dividends exempt under Section 10(34)

As discussed in Clause 2.1 above

5.2 Taxability of capital gains

5.2.1 Any capital gains realised by a FII on the sale of listed equity shares otherwise than on a stock exchange (on which as a result no STT has been paid) would be taxed as per the provisions of Section 115AD of the Income-tax Act, as applicable to FIIs. FIIs will be taxed on the capital gains income at the rate of 10% for long term capital gains and at the rate of 30% / 10% for short term capital gains (excluding applicable surcharge and education cess) as per the provisions of Section 115AD (ii). It is to be noted that the indexation benefits are not available to FIIs.

5.2.2 However, where the equity shares form a part of its stock-in-trade, any income realised in the disposition of such equity shares may be treated as business profits, taxable in accordance with the DTAA's between India and the country of tax residence of the FII. The nature of the equity shares held by the FII is usually determined on the basis of the substantial nature of the transactions, the manner of maintaining books of account, the magnitude of purchases and sales and the ratio between purchases and sales and the holding. If the income realised from the disposition of equity shares is chargeable to tax in India as business income, FIIs could claim rebate from tax payable on such income with respect to STT paid on purchase/sale of equity shares. Business profits may be subject to tax at the rate of 20 / 40% (plus applicable surcharge and education cess).

5.3 Exemption of capital gain from income tax

According to Section 10(38) of the Income-tax Act, long-term capital gains on sale of shares where the transaction of sale is chargeable to STT shall be exempt from tax.

5.4 Rebate under Section 88E

As mentioned in Clause 2.4

6. BENEFITS AVAILABLE TO MUTUAL FUNDS

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

7. BENEFITS AVAILABLE TO VENTURE CAPITAL COMPANIES / FUNDS

As per the provisions of Section 10(23FB) of the Income-tax Act, any income of Venture Capital Companies/Funds registered with the Securities and Exchange Board of India, would be exempt from income tax, subject to the conditions specified.

8. SECURITIES TRANSACTION TAX

The exemption on long term capital gains and reduction of rate for short term capital gains would be applicable only if the sale/ transfer of the equity shares takes place on a recognised stock exchange in India. All transactions entered into on a recognised stock exchange in India will be subject to STT levied on the transaction value at the applicable rates. In case of purchase / sale of equity shares and units of an equity oriented mutual fund which is settled by way of actual delivery or transfer of the Equity Share/ unit, STT will be levied at the rate of 0.125% on both the buyer and seller of the Equity Share/ unit. For sale of equity shares and units of an equity oriented mutual fund settled otherwise than by way of actual delivery or transfer of the Equity Share/ unit, STT will be levied at the rate of 0.025% on the seller of the Equity Share/ unit. Seller of derivatives would be subjected to an STT of 0.017% while in case of sale of a unit of an equity oriented fund to the mutual fund would attract STT at the rate of 0.25%. The STT can be setoff against business income tax calculated as per the provisions of the Act, provided the gains on the transactions are offered to tax as business income and not as capital gains.

9. TAX DEDUCTION AT SOURCE

Generally, tax, surcharge and education cess on the capital gains, if any, are withheld at the source by the purchaser/person paying for the equity shares in accordance with the relevant provisions of the Act. However, no deduction of tax shall be made from any income by way of capital gains arising from the transfer of securities referred to in Section 115AD of the Act payable to FII's.

10. CAPITAL LOSS

In general terms, loss arising from a transfer of a capital asset in India can only be set off against capital gain. Since long-term capital gains on the sale of listed equity shares in respect of which STT has been paid is not liable to capital gains tax for non-corporate entities, it is doubtful whether any long-term capital loss arising on account of such sale would be allowed to be set off. A short term capital loss can be set off against capital gain whether short term or long-term. To the extent that the loss is not absorbed in the year of transfer, it may be carried forward for a period of eight Assessment Years immediately succeeding the Assessment Year for which the loss was first determined by the tax authority and may be set off against the capital gains assessable for such subsequent Assessment Years. In order to set off a capital loss as above, the non-resident investor would be required to file appropriate and timely returns in India and undergo the usual assessment procedure.

11. TAX TREATY BENEFITS

An investor has an option to be governed by the provisions of the Income-tax Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

12. BENEFITS AVAILABLE UNDER THE WEALTH-TAX ACT, 1957

Assets as defined under Section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

SECTION IV: ABOUT THE COMPANY

OUR BUSINESS

Overview

We are a leading provider of offshore BPO services to clients primarily in the BFSI, telecommunications and media, and healthcare industries. We provide BPO services mostly to clients in the United States and the United Kingdom. Our clients include three of the five largest banks in the United States (by fiscal 2005 revenue), five of the ten largest credit card issuers in the United States (by number of cards issued as of 2005), one of the five largest banks in the United Kingdom (by fiscal 2005 revenue), two "Fortune Global 500" telecommunications companies, a "FTSE 100" integrated entertainment and telecommunications company and three "Fortune 100" healthcare insurance companies. We were the third largest "pure-play" BPO provider (BPO providers that are not affiliated with information technology companies). Based on the annual rankings by NASSCOM, we were the fifth largest BPO provider in India in fiscal 2006 in terms of revenues.

We provide a comprehensive range of services to clients in each of our focus industries. The principal services that we provide in each industry are:

- **BFSI:** Customer acquisition, accounts set-up, customer service and account maintenance, dispute resolution, mortgage origination and servicing, insurance policy issuance and administration, payment processing, collections, research and analytics.
- **Telecommunications and media:** Customer acquisition, provisioning and fulfilment support, customer service, billing support, dispute resolution, churn management and collections.
- **Healthcare:** Mail and document management, claims processing, claims pricing, claims adjudication and adjustment, and healthcare provider database maintenance.

We combine in-depth domain knowledge in these industries with proven expertise in transferring business operations from our clients to our delivery centres and in administering, managing and further improving these processes for our clients. We have to date successfully transferred more than 325 processes covering a broad array of products and services to our service delivery centres.

Our total income has grown at a compound annual growth rate of 74.4% from Rs. 1,807.8 million in fiscal 2004 to Rs. 5,499.2 million in fiscal 2006. Over the same period of time, our profits after tax have increased at a compound annual growth rate of 536.0% from Rs. 6.1 million in fiscal 2004 to Rs. 246.7 million in fiscal 2006. We attribute the growth in our income to increased outsourcing by our existing clients, both through increases in the volumes of work that they outsource to us under existing processes and the outsourcing of new processes and service lines to us (primarily as a result of our cross-selling new services to them), as well as business that we have won from new clients. Our total income and profit after tax for the nine months ended December 31, 2006 were Rs. 5,621.4 million and Rs. 623.4 million, respectively.

We have increased the number of our delivery centres from four as of March 31, 2004 to 20 as of December 31, 2006. Eleven of our global delivery centres are located in seven cities in India, six are in the United States, two are in the United Kingdom and one is located in Argentina. In addition, we have one delivery centre under development in the Philippines, which we expect to become operational in the early part of fiscal 2008. Our operations are supported by a robust and scalable infrastructure network that can be tailored to meet our clients' specific needs. We have grown from 4,009 full-time employees as of March 31, 2004 to 10,717 as of December 31, 2006. In addition, we use trained personnel who are contracted on an as-needed basis. We have grown our client base from 21 clients as of March 31, 2004 to 74 clients as of December 31, 2006. Our clients currently include BSKyB, Capital One, CompuCredit, ICICI Bank, ICICI Prudential, Lloyds TSB Plc., Uniprise (a United Health Group company), Vodafone, WAMU, HSBC and Wachovia. In addition, our clients include a "Fortune 50" telecommunications company, two "Fortune 50" banks, two "Fortune 100" healthcare insurance companies, a major U.S. east coast health plan management company and an NYSE-listed multi-state managed healthcare insurance company.

In March 2006, we entered into a strategic partnership with Metavante, a subsidiary of the Marshall & Ilsley Corporation and the third largest provider of products and services to the financial services industry in the United States (by fiscal 2005 revenue according to *Automation in Banking 2006*, by M. Arthur Gillis, Computer Based Solutions, Inc.). According to information made

public by Metavante, it has relationships with over 1,000 banks (including 91 of the top 100 U.S. banks) and financial institutions. As a part of our partnership, Metavante currently has a 24.07% shareholding in our Company and we are Metavante's exclusive offshore and preferred onshore BPO service partner. Pursuant to this relationship, we have access to Metavante's banking domain consultants and preferred rights to the use of its widely-accepted technology platforms for providing outsourcing services. With some exceptions, Metavante is also our exclusive channel partner for the North American banking and financial institutions market, thereby giving us access to Metavante's clients, which include super-regional, regional and local banks and financial institutions in the United States, a market segment that we believe is currently under-served by BPO providers and offering us significant growth potential.

On November 21, 2006, we changed our name from "ICICI OneSource Limited" to "Firstsource Solutions Limited".

History

We were originally incorporated as ICICI Infotech Upstream Limited on December 6, 2001 and acquired CustomerAsset in 2002 to accelerate our entry into the BPO business. We subsequently acquired FirstRing in 2003 to gain customer acquisition and credit card services capabilities, a majority stake in Pipal in 2004 to acquire research and analysis capabilities, ASG in 2004 to enter into the collections and receivables management market, RevIT in 2005 to enter into the healthcare industry and enhance our transaction processing capabilities and BPM in 2006 to further enhance our capabilities in the healthcare sector. In 2003, WestBridge Capital Partners, now managed by Sequoia Capital India, made its initial investment in our Company and subsequently increased its ownership stake in 2004 and in 2006, resulting in a current 10.94% shareholding in our Company. In 2004, Aranda made its initial investment in our Company and further increased its stake in 2006, resulting in a current 25.80% shareholding in our Company. In March 2006, we entered into our strategic partnership with Metavante to provide an exclusive channel partnership with respect to certain of our BFSI services in North America. Metavante currently has a 24.07% shareholding in our Company.

The BPO Industry

Many companies globally are increasingly focusing their resources on their core competencies and on brand building, as a result of which they are seeking opportunities to outsource certain of their other business processes. By collaborating with third-party vendors for outsourcing these processes, companies are able to benefit from:

- access to specific skill-sets that may be in short supply in their businesses;
- improved process competency and measurable, consistent performance;
- economies of scale in operations and resultant cost advantages;
- business risk mitigation; and
- scalability.

As companies increasingly rely on external BPO vendors to manage business processes that are integral to ongoing operations or to customer servicing, their relationships have evolved into close partnerships that are long-term in nature.

According to the *NASSCOM-McKinsey Report*, the global BPO industry was estimated to be worth between US\$120 billion and US\$150 billion in 2005. The *NASSCOM-McKinsey Report* also estimates that the global offshore BPO industry will grow at a 37.0% compound annual rate, from US\$11.4 billion in 2005 to US\$55.0 billion by 2010. The report estimates that India-based companies accounted for 46% of total offshore BPO revenue in 2005 and projects that India will retain its dominant position within the market. According to the *NASSCOM-McKinsey Report*, the Indian offshore BPO market is expected to grow from US\$5.2 billion in revenue in 2005 to US\$25.0 billion in revenue by 2010, representing a compound annual growth rate of 36.9%.

We believe that the demand for BPO services will be primarily led by industries that are transaction-driven and that involve a high volume of customer interactions, such as BFSI, telecommunications and media, and healthcare. The high cost of servicing a large number of smaller-sized customer accounts makes outsourcing a compelling strategic alternative for business within these industries. The *NASSCOM-McKinsey Report* identifies the banking and insurance industries as representing 49.6% of the potential offshore BPO market and telecommunications and media as 6.8% of India's BPO revenue in 2010 (estimated to be US\$25.0 billion). The *NASSCOM-McKinsey Report* further estimates that BPO providers have to date captured less than 10%

of the total offshore BPO market opportunity.

Some of the key drivers for increasing business process outsourcing in the BFSI, telecommunications and media, and healthcare industries are summarised below:

BFSI

- increased competition and commoditisation of services, leading to pressure on profitability;
- a need to offer more customised solutions in an effort to retain customers; and
- the desire to free up internal resources to focus more on core business competencies.

Telecommunications and Media

- the convergence of media and telecommunications, requiring companies to transform themselves and develop new competencies;
- liberalisation of regulations within the telecommunications services markets, which has increased competition and customer churn rates, forcing companies to focus more on customer service, provisioning and customer retention; and
- downward pressure on average revenues per user in developed markets, requiring an increased focus on cost savings.

Healthcare

- a lack of internal resources trained to operate complex legacy systems;
- significant industry consolidation, which has resulted in processes being inefficiently executed on multiple, incompatible systems and platforms; and
- increasing pressure to reduce administrative costs while maintaining service standards.

In selecting BPO providers, clients focus on a provider's scale, track record, responsiveness, customer service, quality and ability to develop and deliver customised services, to smoothly transition complex processes and ability to innovate.

We believe that certain processes that can be outsourced are not necessarily ready to be outsourced to offshore locations. This includes processes where a high level of vendor-client interaction is required, for example, including for complex and less mature processes or in cases when a client requires specific language skills for running those processes. In these cases, we believe that from a client's perspective, the capability of a BPO provider to offer multi-shore delivery options is important. We believe that offshore outsourcing is appropriate for business processes that are more mature and measurable.

We have been consistently ranked as one of the leading third-party Indian BPO service providers (in terms of revenue) by NASSCOM over the last three years:

- 2004 – seventh largest BPO provider;
- 2005 – fifth largest BPO provider; and
- 2006 – fifth largest BPO provider.

For the year 2005-2006, we are the third "pure-play" BPO provider after Genpact and WNS.

Set out below is a summary of the NASSCOM rankings, which are based on revenues, for the last three years:

Rank	2003-04	2004-05	2005-06
1	WNS	WNS	Genpact
2	Wipro BPO	Wipro BPO	WNS
3	IBM Daksh	HCL BPO Services	Wipro BPO
4	Convergys	IBM Daksh	HCL BPO Services
5	HCL BPO Services	ICICI OneSource*	ICICI OneSource*

Rank	2003-04	2004-05	2005-06
6	Zenta India	EXL Service Holdings	IBM Daksh
7	ICICI OneSource*	MphasiS BPO	Progeon
8	MphasiS BPO	Intelenet Global	Aegis BPO Services
9	EXL Service Holdings	GTL	EXL Service Holdings
10	Tracmail	Progeon	24/7 Customer
11	GTL	24/7 Customer	MphasiS BPO
12	vCustomer	Datamatics	Intelenet Global
13	Hinduja TMT	Hinduja TMT	GTL
14	24/7 Customer	TransWorks	TCS BPO
15	Sutherland	Tracmail	TransWorks

* We changed our name from "ICICI OneSource Limited" to "Firstsource Solutions Limited" on November 21, 2006.

Competitive Strengths

We believe the following business strengths allow us to compete successfully in the BPO industry:

Offshore BPO market leadership

We are the third-largest "pure-play" BPO provider, in terms of revenue, in India and NASSCOM ranked our Company as the fifth-largest BPO provider overall in India in terms of revenue for fiscal 2006. As of December 31, 2006, we provided services for 74 clients, including six "Fortune Global 500" banks, two "Fortune Global 500" telecommunications companies and three "Fortune 100" healthcare insurance companies, across a range of industries and geographies. We believe that we have a strong portfolio of clients. As an early mover in the BPO industry, we have been able to achieve critical mass, attract senior and middle-management talent, establish key client relationships and a track record of operational excellence as well as develop robust and scalable global delivery systems. We believe that our market leadership positions us well to continue to capture future growth opportunities in the BPO industry.

Strategic positioning in our target industry sectors

We have targeted the BFSI, telecommunications and media, and healthcare industries through a combination of organic growth and focused acquisitions, and are strategically positioned to benefit from the attractive growth opportunities in these industries.

- **BFSI**

Our clients in the BFSI industry include three of the five largest banks in the United States (by 2005 revenue), five of the 10 largest credit card companies in the United States (by 2005 number of cards issued) and one of the five largest banks in the United Kingdom (by 2005 revenue). We provide these clients with a broad range of services, including credit evaluation, accounts set-up, customer service and account maintenance, dispute resolution, mortgage origination and servicing, insurance policy issuance and administration, payment processing, collections, research and analytics. Our key strengths within the BFSI sector are our size, in-depth knowledge of retail banking (including credit card issuance and servicing and mortgage processing) and our blue-chip client base. We believe that our partnership with Metavante is a key business differentiator for us within the BFSI industry. See the section titled "Strategic partnership with Metavante" on page 55 of this Red Herring Prospectus.

- **Telecommunications and Media**

Our clients in the telecommunications and media industry include two of the world's largest telecommunications companies in terms of revenue (according to the 2005 "Fortune Global 500" rankings) and a "FTSE 100" integrated entertainment and telecommunications company. We provide these clients with a broad range of services, including customer acquisition,

provisioning and fulfilment support, customer service, billing support, dispute resolution, churn management and collections. We believe that our key strengths within the telecommunications and media sector are our deep domain expertise, proven track record, ability to provide end-to-end services and multi-shore capabilities.

- **Healthcare**

Our clients in the healthcare industry include three "Fortune 100" U.S. healthcare insurance companies, a major U.S. east coast health plan management company, an NYSE-listed multi-state managed healthcare insurance company and a U.S.-based health insurance management company with an independent healthcare network in the midwestern United States. We provide our clients in the healthcare industry with a broad range of services, including mail and document management services, claims processing, claims pricing, claims adjudication and adjustment, and healthcare provider database maintenance. We believe that our key strengths within the healthcare sector are our ability to provide end-to-end services, proprietary platforms and deep domain expertise. We further believe that, as a result of our recently completed BPM Acquisition, our capabilities in this sector have been strengthened significantly.

We have leveraged our experience in the BFSI, telecommunications and media, and healthcare industries and our operational expertise to expand our service offerings to new areas within those industries, as well as to clients in other industries. We believe that our strategic positioning within our key target industries is a significant competitive strength that will provide significant growth opportunities to us.

Established relationships with large global companies

We worked with 74 clients as of December 31, 2006, including thirteen "Fortune 500" and "FTSE 100" companies. Many of these relationships have strengthened over time as we obtain repeat work from these clients and gain a greater share of their BPO expenditure. We believe increased income from our existing clients is a good measure of our clients' satisfaction with our process delivery and their confidence in our capabilities. Our income from services from existing clients (meaning clients from whom we earned income in that fiscal year, in the previous fiscal year and in the next fiscal year) represented 73.7%, 71.8% and 87.1%, of our total income from services in fiscal 2004, fiscal 2005 and fiscal 2006 respectively. We have onshore account management and relationship management teams, which enable us to better understand our clients' requirements to position us to win additional business from them. We believe that our portfolio of clients is an important differentiator, including for purposes of winning new clients.

Strategic partnership with Metavante

In March 2006, we entered into a strategic partnership with Metavante, the financial technology subsidiary of the Marshall & Ilsley Corporation and the third-largest bank technology and payment processor in the United States (according to *Automation in Banking 2006*). Our agreement with Metavante provides for combining Metavante's technology outsourcing capability and proven technology platform in the banking industry with our process management expertise to offer banks and financial institutions a comprehensive outsourcing solution. This, combined with Metavante's established business relationship with over 1,000 banks and financial institutions, gives us a competitive advantage in the market, which is particularly relevant with regard to super-regional, regional and local banks and financial institutions that are beyond our traditional customer base of national and international banks and financial institutions. We think that one of the major drivers of BPO growth in this industry in the future will be penetration of the super-regional, regional and local players. While we believe that it would have been costly and time-consuming to win business from this market segment on our own, our partnership with Metavante gives us better and faster access to this market. Under our strategic arrangement, Metavante has agreed to provide us with exclusive rights to perform any offshore BPO services that they or their clients require and we have agreed to market certain of our offshore BPO services to banks and financial institutions in North America exclusively through them. Metavante currently has a 24.07% shareholding in our Company.

Multi-shore delivery model

We have established a broad delivery base for our services, with 20 global delivery centres, including 11 centres located in seven different cities in India, six delivery centres in the United States, two delivery centres in the United Kingdom and one delivery centre in Argentina. In addition, we have one delivery centre under development in the Philippines, which we expect to become operational in the early part of fiscal 2008. Our delivery infrastructure is scalable and enables us to accommodate volume increases, add new processes, rapidly scale existing processes and meet new customers' demands. We believe that

our delivery footprint offers us a number of important business advantages, including an enhanced ability to service clients that demand a multi-shore capability, physical proximity to many of our important clients and an enhanced business continuity capability.

Diversified business model

Our income is diversified across a range of geographies and industries and we are not overly reliant on a small number of customers. Our customers based in the United States and the United Kingdom contributed 49.4% and 48.0% of our income from services in fiscal 2006, respectively, while clients in the BFSI, telecommunications and media, and healthcare industries, respectively, accounted for 63.5%, 25.0% and 5.7% of our income from services in fiscal 2006. Our top five clients accounted for 50.6% of our income from services in fiscal 2006, with no single customer accounting for more than 16.0% of our income from services. We believe that our diversified income is a competitive strength, as it provides a hedge against cyclical or other adverse developments (including changes in laws or regulations) within any particular industry sector or geography or affecting any one of our clients. We believe that our diversified business model will result in relatively less volatility in our income, profits and cash flows, which will allow us to more effectively plan and invest in the growth of our business.

Experienced management team

The experience of our management team is a key competitive advantage for our Company. We have been able to successfully attract and retain senior executives from top multinational banks and companies as well as retain key executive from companies that we have acquired. The top 31 members of our management team at or above the level of Vice President have cumulative work experience of over 550 years and over 250 years of experience in the outsourcing sector. Our management team has a track record to grow the BPO business, domain knowledge in the industries we serve and relevant experience in the geographies in which we operate. Our management team has diverse strengths including sales, operations management, process excellence, building infrastructure, technology management, scaling businesses and growing the business in a disciplined manner.

Ability to manage aggressive growth

We have aggressively grown our business through a combination of organic and inorganic growth through five strategic business acquisitions. We have developed robust systems and processes to:

- acquire and grow customer relationships;
- recruit and train over 1,000 employees per month;
- build and effectively manage multi-shore delivery centres;
- migrate complex business processes;
- improve productivity and quality;
- maintain employee motivation and develop management talent across all levels; and
- integrate business acquisitions.

Business Strategy

Our strategic vision is to maintain our leading position in the high-growth offshore BPO industry. This will require us to continue growing our operations, increasing our capabilities and expanding our services, while maintaining high quality of service and effective management of our operations. Our strategies to achieve this goal are as follows.

Continue to aggressively grow our business

We intend to consolidate our leadership position in the BPO industry by continuing to aggressively grow our business. Our strategy to do this includes increasing our income from existing clients and acquiring new clients. We also intend to pursue strategic partnerships and acquisitions where appropriate, particularly to gain specific industry expertise or capabilities.

Much of our income growth has historically been attributable to increases in business from existing clients. Our income from existing clients (meaning clients from whom we earned income in that fiscal year, the previous fiscal year and the next fiscal year) represented 73.7 %, 71.8 % and 87.1%, of our income from services in fiscal 2004, fiscal 2005 and fiscal 2006, respectively. We intend to grow income from existing clients by maintaining and enhancing our service quality and process excellence,

continuing to invest in account and relationship management teams, expanding our service offerings to cover a broad range of services and cross-selling our various areas of expertise across different industry sectors and geographies.

We also intend to grow our business by acquiring new clients. We plan to do this by capitalising on our reputation and client base, as well as by increasing our brand presence and further strengthening our sales and marketing function. Our existing clients give us significant credibility in the market and have in the past provided references that have proven valuable for acquiring new clients. Our capabilities across industries in multiple countries enable us to transfer expertise to other service lines and clients.

Make strategic acquisitions and alliances

Another important element of our growth strategy is to seek out opportunities for acquisitions and strategic partnerships. We have used acquisitions to expand our capabilities or gain a foothold in new markets and plan to continue to do so in the future. We have been able to successfully retain and substantially grow our income from a majority of the clients acquired through our acquisitions. Strategic partnerships such as our relationship with Metavante can provide us with access to new and otherwise difficult to penetrate market segments or allow us to bundle our service offerings with a complementary product or service.

Maintain our focus on process excellence

We use structured process management systems to establish dashboards and metrics from the COPC standards to measure performance for both our processes and our employees. In addition, we believe our ongoing programs to map and optimise customer processes increases our value proposition to the customer. Our systems also provide sharing of best practices across the organisation. We believe that our process excellence focus provides us with a differentiation with our customers and we intend to maintain this focus to achieve and manage our rapid future growth.

Invest in middle management

All of our employees are important to our Company and we believe that our middle management is particularly critical to our business. Our middle managers are responsible for managing teams, understanding our clients' expectations and our contractual obligations to them, ensuring consistent and quality service delivery and deploying our process excellence framework. We believe that availability of high quality and well-trained middle managers will continue to be a challenge and the ability to attract, retain and develop such managers is key to success within the BPO industry. We intend to continue to invest heavily in the development of our middle management, including through early identification and "fast-track" programs, client secondments, intensive training programs and lateral hiring.

Continue to invest in proprietary technology platforms

As the outsourcing industry matures, successful outsourcing companies with significant process and domain knowledge will be in the best position to provide efficient and effective outsourcing solutions to their customers. We believe that as input and output become standardised for an increasing number of processes, customers will become more technology platform agnostic. This will present a competitive advantage to outsourcing companies with proprietary and/or customised platforms to deliver such standardised outputs more efficiently.

We believe that investing in proprietary technology platforms is therefore critical to our success. This investment can be in the form of customising existing platforms or developing new platforms. For example, in our collections and transactions management businesses, we intend to continue to invest in developing our own proprietary technology platforms as well as applications, workflows, processes and analytics around non-proprietary technology platforms that offer clients a comprehensive processing solution. Our strategic relationship with Metavante also provides us with privileged access to proprietary technologies and software platforms around which we are developing comprehensive service offerings. We plan to continue to make investments in technology platforms in the future.

Service Offerings

We offer comprehensive process outsourcing services to global clients in three major industries through our multi-shore delivery centres.

BFSI

Our key clients in the BFSI industry are retail banks, credit card issuers, insurance companies and mortgage companies, representing our sector expertise within this industry. We serve a diverse client base that includes three of the five largest banks in the United States (by fiscal 2005 revenue), five of the ten largest credit card issuers in the United States (by number of cards issued as of 2005) and one of the five largest banks in the United Kingdom (by fiscal 2005 revenue). Income from our BFSI clients totalled Rs. 3,483.9 million, representing 63.5% of our income from services, in fiscal 2006 and Rs. 2,922.6 million, representing 53.3% of our income from services, in the nine months ended December 31, 2006.

Our key service offerings in the BFSI segment are depicted below:

Banking solutions	Trust and asset management solutions	Mortgage banking	Card solutions	Insurance solutions	Collections	Research and analytics
Account enquiries and transfers	Income collection	Loan origination processing	Activation and authorization	Insurance cover information and management	First-party collections	Equity research
Direct debits	Periodic accounting and valuation	Funding advice	Lost and stolen card reissuance	Quotation requests	Early-out collections	Fixed income research
Foreign exchange transactions	Portfolio performance audit	Loan servicing	Payment and statement queries and disputes	Policy amendments	Primary collections	M & A independent analysis
Standing order instructions	Firm level audits for security	Redemption servicing	Loyalty and churn management	Mid-term adjustments	Secondary and later stage collections	Competitive intelligence
Lending and overdraft solutions	Prices, accruals, market value and corporate actions	Overpayments and overlapping interest processing	Balance transfer and payment protection	Direct debits	Pre-legal collections	Marketing intelligence
Trust and investment account processing	Reconciliation—client, custodian banks, counterparties	Regulatory compliance		Policy cancellation	Skip tracing	Marketing analytics
Check processing				Underwriting queries		
Deposit operations				Data and trend analysis		

We intend to expand our service offerings to include loan and payment default management services for our retail banking clients, underwriting, actuarial analysis and agent payment reconciliation and processing services for our insurance clients and post-disbursal closing and audit, pooling of loans, agency management and underwriting services for our mortgage clients.

We plan to leverage Metavante's technology platforms, established sales and marketing channels and customer relationships with our BPO expertise and high quality multi-shore delivery capability. We believe this value proposition gives us a competitive advantage in our target market.

We are in the process of creating customised solutions in combination with Metavante's technology platform in the areas of check processing, lock box services, lending and risk management, mortgage origination, deposit operations and remittance processing. For more details about our agreement with Metavante, see the section titled "Strategic partnership with Metavante" on page 55 of this Red Herring Prospectus.

We believe we have deep domain expertise in the collections business and we have developed our own methodology for liquidating debts. In the collections business, our customers typically provide us with a portfolio of debts, which comprises a list of customers who are in various stage of delinquency. Our collections team, using a combination of analytics and scoring models, creates a strategy to contact the customer through multiple channels and liquidate the debt. We have successfully been able to extend this capability to our existing customers in the United Kingdom and Asia. We believe that the collections business represents a significant growth opportunity for us.

Case Studies

Set forth below are examples of some of the processes we are operating for our BFSI clients.

“Fortune Global 50” bank

The bank’s business process outsourcing objective was to increase its competitiveness by improving service quality and re-focusing on customer-facing activity in a cost-effective manner.

Our relationship with this client began in January 2004 with 125 FTEs operating in a single shift. In October 2005, we entered into a new contract with the client under which a minimum of 800 roles were guaranteed and as of December 31, 2006, the program had over 1100 FTEs in a 24 hour per day, seven days per week operation across Mumbai and Kolkata. We have grown this customer relationship from performing simple processes such as account inquiries and transfers and standing order instructions to performing complex processes such as insurance mid term adjustments, insurance policy cancellations, mortgage origination and processing overpayments and overlapping interests. We currently operate a wide range of processes for three of this client’s separate business lines: retail banking, general insurance and mortgage banking.

We have consistently met our client’s expectations in customer satisfaction scores and revenue generation through up-sell and business retention and we currently manage more than 80% of the bank’s total volume of processing work for certain business lines.

Financial services subsidiary of “Fortune Global 50” bank

This client is a global financial services company in the United Kingdom. It was looking for a business process outsourcing partner to support customer service requirements related to its card holders and to sustain the customer service needs of an increasing customer base.

Our relationship with this client began in April 2003 with 30 FTEs processing simple account query and resolutions and we currently have 300 FTEs dedicated to this engagement servicing a wide range of processes. The range of processes that we perform for this client include card activation, account query resolution, payments, lost and stolen card account closure and reissue, loyalty programs and up-selling services such as balance transfers, travel money, personal loan referrals and payment protection insurance. We now manage approximately 85% of the client’s total customer service requirements. In addition to meeting required service level standards for this client, we have re-engineered key processes, which have resulted in significant operational benefits to the client, including reduced average transaction times, increased amounts of balance transfers, increased sales of payment protection insurance and increased quotes for personal loans.

Telecommunications and Media

Our clients in the telecommunications and media industry include two of the world’s largest telecommunications companies in terms of revenue (according to the 2005 “Fortune Global 500” rankings) and a “FTSE 100” integrated entertainment and telecommunications company. Income from our telecommunications and media clients totalled Rs. 1,369.2 million, representing 25.0% of our income from services, in fiscal 2006 and Rs. 1,884.2 million, representing 34.4% of our income from services, in the nine months ended December 31, 2006.

We believe that there is a convergence in the delivery channels for telecommunication and media services. Our service offerings to clients in the telecommunication and media industry are aimed at addressing the convergence of fixed line, cable,

wireless, broadband, satellite and voice-over internet protocol delivery channels and are depicted below:

Fixed line	Wireless	Broadband	Satellite	VOIP	Cable TV / Media
Sales and marketing	Account setup and activation	Customer service	Technical/Help desk support	Billing, receivables and collections management	Saves/w in backs
Inbound sales Outbound sales Cross sell / Up sell	Provisioning Orders and returns Logistics coordination Porting support Credit vetting Order input Account administration Internal actioning requests	General enquiries Information requests Account management Technical support Help desk	Installation support Technical support	Invoice request and complaints Billing disputes Process queries for charges Overdue collections Credit limit / expiry Inbound internal handoff calls High usage management	Dispute resolution Increasing customer awareness for chosen plan Increase tolling Billing issues Churn management

Case Studies

Set forth below are examples of some of the projects that we have done for our telecommunications and media clients.

"Fortune 50" telecommunications company

This client owns and operates some of the world's most complex and sophisticated custom networks and has a business presence in over 150 countries.

Our relationship with this client began in October 2001 with 20 FTEs providing local billing, billing disputes and email customer service for its fixed line customers and grew to 250 FTEs by March 2004. We have been able to cross-sell our transaction processing capabilities and our workflow management capabilities to handle provisioning, order and return processing, logistics coordination, porting support, internal actioning requests and account management. This customer relationship has now grown to 1,000 FTEs in a 24 hour per day, seven days per week operation across Bangalore, Chennai and Buenos Aires. We service two distinct business lines for this client. For its retail group, we handle a wide range of services including database management, local billing, billing dispute and email customer service for its fixed line customers. For its business group, we handle provisioning for its VOIP and broadband customers.

Global integrated entertainment and telecommunications company

This client provides integrated entertainment and telecommunications services to its customers. Our client's objective in seeking an outsourcing solution was to maintain its leadership position with cost-effective and high quality customer service and technical support functions.

Our relationship with the client began in December 2001 with 30 FTEs providing inbound general customer service, including box office bookings and pay-per-view services from our Bangalore delivery centre. As of December 31, 2006, our services to this client had expanded to 1840 FTEs operating seven days per week across our Mumbai, Bangalore and Northern Ireland delivery centres, providing a wide range of customer service and support. Our services to this client now include assisting its



customers with billing, product related queries and account related queries, complaints handling, account maintenance, customer retention, program advisory and technical support for its integrated entertainment and telecommunications services, including first level technical assistance.

Healthcare

The healthcare industry includes pharmaceutical companies, medical device manufacturers, healthcare provider including hospitals, and payors including insurance companies, third-party administrators and employers. We currently focus on the payor segment of the industry, which we believe presents a significant BPO growth opportunity because of existence of standardised process outputs and significant pressure to reduce administrative costs. We leverage our proprietary technology platform to deliver standardised outputs in transaction processing.

Our clients in the healthcare industry include a "Fortune 100" U.S. healthcare insurance company, major U.S. east coast health plan management company, an NYSE-listed multi-state managed healthcare insurance company and a U.S.-based health insurance management company with an independent healthcare network in the midwestern United States. Income from our healthcare clients totalled Rs. 313.0 million, representing 5.7% of our income from services, in fiscal 2006 and Rs. 333.9 million, representing 6.1% of our income from services, in the nine months ended December 31, 2006.

Our key services to the payor segment are depicted below:

Document processing	Transaction processing	Business services	Customer services
E-sorting Indexing Mail and document management Reject handling	Creating electronic transactions from paper claims (HCFA, UB, prescriptions, super bills, Medicare and Medicaid) Standardized outputs as per ANSI 837, 835, NSF specifications Electronic data interchange	Repricing Provider database maintenance Claim processing, adjudication and adjustment Co-ordination of benefits	Provider services

On December 29, 2006, we acquired 100% of the outstanding share capital of Business Process Management, Inc., or BPM, a U.S.-based business process outsourcing company providing services principally to participants in the U.S. healthcare industry. As of December 31, 2006, BPM, together with its two subsidiary companies, MedPlans 2000, Inc. and MedPlans Partners, Inc., had 303 employees operating out of three service delivery centres located in Illinois, Kansas and Kentucky, U.S.A. We believe that the BPM Acquisition will allow us to expand our service offerings to provide an end-to-end value proposition to our clients in the healthcare industry with both front- and back-office capabilities. For further details of the BPM Acquisition, see the section titled "Recent Developments" beginning on page 70 of this Red Herring Prospectus.

Set forth below is a representative example of the services that we provide to our healthcare clients.

Case Study

"Fortune 100" U.S. healthcare company

This client is a top healthcare insurer in the United States. The client's objective was to establish a multi-shore delivery model with multiple vendors.

Upon successfully completing a five-phased supplier selection process and security audit (which included becoming compliant with the United States Health Insurance Portability and Accountability Act (HIPPA), our relationship with this client began in December 2004 with transaction processing of up to 15,000 claims per day. Within six weeks of going live, we ramped up to process over 75,000 claims per day (approximately 1.7 million claims per month). As a result of our track record on this ramp-up, our client opened up other opportunities within its other businesses to us, and we currently process over 2.5 million claims per month for this client. We currently provide mail and document management and transaction processing services to this

client, which includes imaging and electronic data interchange creation of healthcare insurance claims, and handling standard Health Care Financing Administration (HCFA) and Universal Billing claims, as well as non-standard claims such as Medicare, other insurance claims, super bills and prescription claims. We also provide multi-city business continuity planning from our delivery centres in Chennai, Pondicherry and Trichy.

Sales and Marketing

We currently operate a three-year strategic plan which is updated on an annual basis. Each year, we prepare a comprehensive annual sales and marketing plan to implement our growth strategy. Our sales and marketing teams are organised geographically and are based in United States, the United Kingdom and India. In each of these geographies, we have teams managing existing client relationships, new client sales, corporate marketing and strategic partnerships. These teams are supported by product or domain experts who create and/or customise product offerings to address specific customer needs, as well as a team of sales support professionals based in India. Our corporate marketing team focuses on brand building and increasing awareness among our target audience including clients, industry associations and prospective employees.

Historically, increased sales from our existing clients has been a key driver of our income growth and we believe that it will continue to be major source of our future growth. We believe that we will see continued growth in our largest clients as we scale up operations and cross-sell new services to them. For example, out of our top ten clients as of March 31, 2006, six were customers as of March 31, 2004. Income from these clients has collectively grown by 250.7% over this period. We have dedicated relationship managers for our large clients, based in their respective geographies, who have a comprehensive understanding of the client's businesses and are incentivised to identify potential new up-selling and cross-selling opportunities.

As of March 31, 2006 we had 54 clients, of which 33 clients contributed less than Rs.50 million each. We believe that this represents a significant growth opportunity for us and will focus our efforts on further penetrating these clients to win a larger share of their business.

Our sales teams have a target list of prospective client opportunities in each of our focus industries. The sales teams work together with the relevant domain experts and our India-based sales support team to penetrate these accounts. We supplement these efforts with lead generation support based in India. As of December 31, 2006, we had 48 in-market sales, sales support and account management professionals.

In addition to our own sales and marketing efforts, we have established a strategic relationship with Metavante as our exclusive (subject to certain exceptions) sales and marketing channel partner of our services to banks and financial institutions in North America. For this target segment, we have dedicated senior resources in our sales and marketing team to support Metavante in creating relevant service offerings and help market it to their customers and prospects. Metavante has business relationships with over 1,000 banks and financial institutions. We expect client engagements resulting from this strategic relationship to be primarily of an end-to-end nature involving onshore and offshore process migrations, "lift-outs" of operation shops and process re-engineering and improvements. For example, we are in discussions with a top 100 U.S. financial institution to undertake a complete lift-out of its mortgage origination operations, which would be a significant piece of business for us if we can conclude the deal.

Clients

We had 74 clients as of December 31, 2006. Our five largest clients are BSKyB, CapitalOne, Lloyds TSB plc, a large telecommunications company in the United Kingdom and a "Fortune 50" telecommunications company, which together accounted for 50.6% of our income from services in fiscal 2006 and 53.6% of our income from services in the nine months ended December 31, 2006. Our other clients include CompuCredit, ICICI Bank, ICICI Prudential, Uniprise (a United Health Group company), Vodafone, WAMU, HSBC, Wachovia, two "Fortune 50" banks, two "Fortune 100" healthcare companies, a major U.S. east coast health plan management company and an NYSE-listed multi-state managed healthcare insurance company.



The following table breaks down our clients in terms of the amounts of income from services that we earned from them for the periods indicated:

Income from Services Rs. In millions	March 31,		
	2004	2005	2006
	Number of Clients ⁽¹⁾		
Less than 50 million	12	8	33
50 million to 250 million	8	10	14
250 million to 500 million	1	5	4
Greater than 500 million	0	1	3
Total number of clients	21	24	54

Note:

- (1) Clients as of the end of reporting period that have some business in the current year and in the next fiscal year have been considered for the purposes of calculating the number of clients. Each distinctive client logo (even logos which may be part of the same general corporate group) which represents an ongoing business commitment to us has been considered to be a separate client. Clients within Pipal, clients from which we earn one-time, project-based revenues and certain clients from which we receive an insignificant amount of income have been excluded from the table. Income from services is for the fiscal year ended on the date shown.

Of our contracts with our five largest customers as of December 31, 2006, four are long-term arrangements with initial terms ranging from three to five years. Of these four, one contract has run for its initial term and is now in an automatic one-year extension period. We are currently re-negotiating this contract and expect to conclude a new long-term contract with this client shortly. The fifth contract is a rolling contract that continues unless it is terminated by one of the parties. As of December 31, 2006, we did not have any “build-operate-transfer” contracts.

Competition

Competition within the BPO services industry is intense and growing. We compete primarily against:

- offshore BPO providers, particularly in India, such as Genpact;
- the BPO divisions of global IT companies and global “pure play” BPO providers located in the United States, such as Accenture, Electronic Data Systems Corp./MphasiS, International Business Machines, NCO Group, Affiliated Computer Systems, Inc. and Outsourcing Solutions, Inc.;
- the BPO divisions of IT companies located in India, such as Infosys Technologies Limited and Wipro Technologies Limited; and
- companies, including certain of our clients, that choose to perform their own business processes internally through offshore captive business processing units established specifically for this purpose.

We compete against these entities through our domain expertise, established client relationships, consistent high quality service delivery and our ability to flexibly meet our client’s requirements including our multi-shore delivery capability.

One of our key competitive advantages historically has been our cost advantage relative to companies in the United States and Europe and our ability to attract and retain highly experienced and skilled employees. We expect that competition may increase to include companies from other countries that have lower cost structures than India and/or better or cheaper access to skilled manpower. See the risk factor titled “Wage increases in India may prevent us from sustaining our competitive advantage and may reduce our profit margin” on page xv of this Red Herring Prospectus.

Service Delivery

Service delivery is a critical part of our offering. We have a customer-focused service delivery approach which is built around the following key elements: solution design and migration, operations, technology, process excellence and human resource development.

Solution design and migration

We have dedicated solution design/migration managers and teams assigned for client engagements. This team focuses on in-depth analysis of customer's business processes, identifying key issues and bottlenecks, technology requirements, human resource profiling, process migration timeframe and methodology. Based on this assessment, we prepare a business requirement document which sets out the key parameters of the solution and migration plan and ongoing service delivery. The actual process migration is executed by a project team led by the migration manager with representatives from human resources, technology and the operations teams, who ensure a smooth transition of the processes from the client site to our delivery centres, which are then taken over by our operations team. We have migrated over 325 processes and have developed our own proprietary methodology incorporating our cumulative migration experience and resultant best practices.

Operations

Most of our contracts have service level agreements outlining parameters such as staff availability, response times, error rates and customer satisfaction levels. Our operations delivery teams are organised by client, and client relationship management is carried out dually by an in-market account manager and the operations manager. Our operations team members undergo training for client- and process-specific requirements. We have various processes and methodologies to monitor our performance against the service level agreements, identify gaps and take necessary corrective and preventive actions for achieving ongoing adherence to service levels. Our team leaders and project managers are required to undergo customised training programs in areas such as goal setting, employee motivation, performance appraisal, team building, problem resolution, and process improvements, operations management, scheduling and workforce management.

We have a dedicated resource planning and workforce management team that analyses the processing volume to be performed by us and schedules employee deployment to effectively meet our service level agreements. In addition, we also have a dedicated service delivery quality assurance team that measures our process delivery quality and provides feedback to operations managers for corrective actions where required.

Technology

We have a high quality, scalable and a secure telecommunication network connecting North America, Europe and Asia with major hubs located in Newark, New Jersey; Amherst, New York; Troy, Michigan; London, England; Belfast, Northern Ireland; and Mumbai, Bangalore and Chennai, India. We are also extending this network to Argentina and the Philippines. We also have a centralised "Network Operations Centre" located in Mumbai to monitor critical network component parameters that is staffed on a 24 hour per day, seven days per week basis.

Our clients operate in multiple jurisdictions and have a variety of voice and data systems. Our in-house solution architecture team has the capability to understand and integrate our clients' voice and data networks with our networks, support procedures, security environment and reporting procedures to create a homogeneous environment for consistent service delivery.

We have a technology operations team which provides IT support to our employees to ensure that our employees face minimal loss in time and efficiency in their work processes. In addition, we have an enterprise wide "Centralised Service Desk" where our employees can log their requests or report any malfunctions. This service desk also operates on a 24 hour per day, seven days per week basis.

All of our delivery centres in India, with the exception of our delivery centres in New Delhi and Kolkata, are certified to ISO 27001 standards (formerly BS7799:2002). We intend to roll out this certification to all of our global delivery centres.

Process Excellence

Process management, quality assurance and process improvement are the three key components of our process excellence model. This model is built on our robust and sophisticated delivery model, which embeds proven scalable technology.

- **Process Management System:** We follow the process standards of COPC and a number of our processes have received formal certifications under the COPC standards. We use structured process management systems to establish dashboards and metrics from the COPC standards to measure performance for both our processes and our employees.

- **Quality Assurance:** Our centralised service quality team constantly reviews and monitors our performance against benchmark service levels to assess and improve end-client experience for all of our client relationships. As of December 31, 2006, we had over 130 quality compliance and customer experience analysts.
- **Process Improvement:** We follow the Six Sigma approach to map our customer's processes and continually improve them. As of December 31, 2006, we had 70 ongoing Six Sigma projects and have successfully completed 32 projects in the current fiscal year. As of December 31, 2006 we had 139 trained "Green Belt," 360 "Yellow Belt", 31 "Black Belt" and five "Master Black Belt" trained employees under the Six Sigma program.

We have set up a process excellence governance process through establishment of a business quality council that assigns resources and monitors ongoing progress of the process improvement initiatives. To strengthen the process excellence culture, we have also institutionalised organisation-wide process excellence awards. We believe that the deployment of our process excellence framework has resulted in improvements in our services delivery levels.

Employees

As of December 31, 2006, we had 10,717 full-time employees. In addition, we use trained personnel who are contracted on an as-needed basis. Our employees are not unionised. We have never experienced any work stoppages and believe that our employee relations are good.

Human Resources

Values

Our corporate values include transparency, integrity, people centricity, teamwork, respect and fun. We aim to foster these values across the various cultures and geographies in which we currently do business, and will extend these to those areas in which we do business in the future. We believe that these values will help us fulfil our vision for our Company.

Work Environment

We aim to create an inclusive work environment that facilitates personal growth as well as career advancement. This is complemented by a culture of openness, a commitment to meritocracy, a focus on customer satisfaction and creating an environment that encourages achievement. We continuously strive to meet employee expectations, including through recognition and rewards, incentives and benefits, professional development and educational growth opportunities. We aim to create a performance-driven culture with incentives that improves performance and rewards achievement.

Constant two-way communication keeps management abreast of employee issues and enables employees to keep track of the Company's overall direction and goals. Daily team briefings, open houses with senior management and an open-door policy establishes transparency in our communications. To provide a stimulating environment for our employees, we offer high quality infrastructure with spacious, well-designed premises. Most of our facilities are equipped with de-stress and recreation rooms and transport and concierge facilities that contribute to a high quality work life.

Hiring and Recruiting

Our employees are critical to the success of our business. Accordingly, we focus a significant amount of management attention on recruiting, training and retaining our professionals. We recruit employees for two main levels of employment, entry-level operations and executive or managerial-level jobs.

We have a recruitment team consisting of more than 30 employees who are solely focused on hiring the required number of employees on a weekly basis. The recruitment channels that we use to hire employees include recruitment agencies, employee referral programs, recruitment call centres, advertisements, career fairs and graduate campus activities. In addition to these sources we also get a significant number of candidates walking in to our centres looking for jobs.

We have ongoing arrangements with several recruitment agencies spread across a number of locations in India, but principally focused in Bangalore and Mumbai. We work closely with these agencies to ensure necessary performance levels. Agencies that do not perform to our expectations are not retained. The majority of our associate hiring in the nine months ended December 31, 2006 was undertaken through agencies. We also have an active employee referral program with incentives offered to employees to refer others for employment. Our recruitment call centre staff directly calls potential candidates based

on databases procured from various sources. Advertisements are inserted in prominent newspapers from time to time to ensure that the larger population is aware that we are hiring and to create our desired brand image.

We put candidates through a selection process to ensure that we hire the right quality people for our business. The selection process consists of a combination of a written test, a typing test, a free speech activity and personal interviews. The written test varies depending upon the skill sets required for the process for which we are hiring. The next step in the selection process is referral checks for candidates with experience and a detailed background check, including address verification, checks against criminal databases, checks at the local police station, educational background and past employer background verification.

Our approach to compensation is to offer employees a competitive salary, which, along with what we aim to create as a positive work environment, we believe positions us competitively in the market.

In fiscal 2006, we received approximately 49,000 applications for employment and hired approximately 8,000 new associates in India. In the nine months ended December 31, 2006, we received approximately 36,800 applications for employment and hired approximately 6,100 associates in India. In the nine months ended December 31, 2006, our turnover for billable employees (employees who execute business processes for our clients following the completion of our six month probationary period) was approximately 29.7%. See the risk factor titled “We may fail to attract and retain enough sufficiently trained employees to support our operations, as competition for highly skilled personnel is intense and we experience significant employee turnover rates” on page xiv of this Red Herring Prospectus.

Training and Development

We have split our training and development program into two separate functions. They are “transformation and development” (“T&D”) and “leadership and management development” (“LMD”). T&D focuses on the training needs of entry-level employees and LMD focuses on the training needs of employees at and above the executive level. We have a training and development team comprised of more than 110 members and we also work with external consultants in to deliver training programs across our Company.

T&D is responsible for pre-process training, process training, coaching on the job and refresher training for tenured associates. Training modules have been developed in consultation with our clients and external consultants. These modules are also customised for each process depending on the industry and the geography being addressed. Coaching on the job and refresher training is becoming increasingly important with the focus in many programs moving from meeting service level agreement metrics to improving customer satisfaction scores. Our operations team, service quality team and training team work in close consultation toward this goal.

LMD focuses on leadership development at the executive level and above. We place emphasis on the training of team leaders. Our flagship program for our team leaders is called “Star” certification, which is a 60-hour program that has been developed in association with an external consultant, that focuses on skills required on the job. All of our team leaders are required to be certified under this program. We also conduct other programs for our team leaders that focus on performance management, interpersonal skills, team dynamics and retention.

Our managers go through a program called “Operational Excellence” that is an advanced version of our Star certification program. Other programs that we run include programs on self-understanding, project management, Six Sigma and function-specific programs (such as technical programs for our technology team). In fiscal 2006, the LMD team delivered 134 training programs which translated into 3,500 training man days. In the nine months ended December 31, 2006, the LMD team delivered 139 programs that translated into 5,292 training man days.

Intellectual Property

We use a combination of our clients’ software systems, third-party software platforms and systems and our own proprietary software platforms to provide our services.

We generally enter into licensing and nondisclosure agreements with our clients with respect to the use of their software systems and platforms. Our contracts typically provide that all intellectual property created for use of our clients will automatically be assigned to our clients; however, intellectual property created with respect to the process and methodology of delivery of services is retained by us. Our employees are also required to sign a confidentiality agreement as a condition of their employment.

Our principal intellectual property consists of the following proprietary software and methodologies:

- **i-Kit:** This is our proprietary methodology for migrating business processes from our client locations to our delivery locations. It incorporates our best practices with regards to defining business requirements, setting the migration methodology and timelines, monitoring performance parameters and managing internal hand-over from the migration team to the project operations team.
- **i-Leverage:** This is our proprietary customer relationship management platform with a multi-channel interaction management system supporting web chats, e-mails, whitemail, fax and voice calls as our customer interaction channels. We use this platform to capture, classify, resolve and respond to customer queries.
- **Discovery:** This is our proprietary transaction processing platform designed to enhance process quality and productivity through its operational intelligence, production planning, work management and training modules.
- **Energi:** This is our proprietary application to manage the idea generation process. Energi tracks every idea through a well-defined process, at the end of which the idea is either implemented or rejected. If implemented, Energi tracks the implementation process through its completion. We believe the tool has helped in institutionalising the way we handle and respond to ideas and suggestions received from our employees.

Our other proprietary software and methodologies include i-SAFE™ (suite of security management applications), i-Lens™ (quality verification software), i-Resolve (a billing audit and dispute management solution) and i-Insight™ (a supply chain-related solution). We have registered the trademarks for i-Kit® and i-Leverage® and have filed trademark applications in India for i-SAFE™, i-Lens™, Energi™, i-Resolve and i-Insight™. We have not yet filed any trademark applications for our Discovery platform or our new Company name and logo.

We have entered into a trademark licensing agreement with ICICI Bank, under which we and our subsidiaries have a non-exclusive, non-proprietary license and the right to use the ICICI trademarks owned by ICICI Bank. See the section titled “Trademark Licensing Agreement with ICICI Bank” on page 81 of this Red Herring Prospectus for further details. We anticipate using “formerly ICICI OneSource” for a limited period of time, or as may be required by law.

Risk Management and Compliance

Information Security

We aim to maintain the confidentiality, integrity and availability of all our information assets. All of our delivery centres in India, with the exception of our delivery centres in New Delhi and Kolkata, are certified to ISO 27001 standards (formerly BS7799:2002). We intend to roll out this certification to all of our global delivery centres.

We have implemented controls at various levels within our organisation, including a “clear desk” policy and controlled use of paper and paper shredders at the work space level, content filters, anti-virus gateways and intrusion detection and prevention system at the network level, electronic access cards, anti tail-gating devices and video surveillance of critical areas at the physical security level. In addition, we conduct periodic internal and external audits on physical security, networks and client processes through network scans, penetration tests and surprise site visits to gauge the effectiveness of our information security controls.

Compliance

We have a dedicated risk and compliance team in the United States and in India who determine and design systems or procedures to adhere to compliance with statutory regulations and our contracts.

Many of our clients, particularly those in the BFSI and healthcare industry, are governed by several regulations specific to their industries in their home jurisdictions. We identify and maintain process-specific statutory compliance requirements, including:

- Health Insurance Portability and Accountability Act in the United States;
- Fair Debt Collections and Practices Act in the United States;
- “Do Not Call” provisions in the United States and India;
- Data Protection Act 1988 and Privacy and Electronic Communication (EC Directive) Regulations 2003 in the United Kingdom

and the Privacy and Electronic Communication Directive in the European Union; and

- Financial Services and Markets Act 2000 in the United Kingdom.

While some of our risk and compliance team members are embedded within the service delivery teams, other team members are positioned at the corporate level. We conduct periodic internal audits to test our compliance with these requirements.

Business Continuity Planning

Our methodology on business continuity management involves implementation of an organisation-wide framework, including our business operations, human resources, technology network and delivery centres. We leverage our multiple delivery centres for network redundancy to mitigate operational and technological risk in case of disasters. We work with the clients' risk managers to identify and create specific business continuity planning and disaster recovery requirements for their processes. Depending on the criticality of the process and recovery time objective, the solution could include using additional delivery centres in the same city, different delivery centres in different cities in the same country or delivery centres in different countries. We have a specialised business continuity planning management unit that periodically tests the effectiveness of these service offerings for our clients.

Our Delivery Centres

Our corporate headquarters are located in Mumbai, India. We have 20 global delivery centres, of which 11 are located in India, six are located in the United States, two are located in the United Kingdom and one is located in Argentina. In addition, we have one delivery centre under development in the Philippines, which we expect to become operational in the early part of fiscal 2008. Our current delivery centres have an installed capacity of over 9,100 total seats. We lease all of our properties, and each of our leases have renewable options. The following table describes each of our material properties and lease expiration dates as of December 31, 2006.

Property	Location	Space	No. of Seats	Lease Expiration
Peninsula Chambers (Corporate Headquarters)	Mumbai, India	12,056 sq. ft.	NA	March 2008
India				
4 th Dimension	Mumbai	47,470 sq. ft.	524	June 2010
Paradigm	Mumbai	124,140 sq. ft.	1,152	July 2013
Interface	Mumbai	71,200 sq. ft.	786	October 2012
RV Road	Bangalore	21,020 sq. ft.	336	June 2007
Millers Road	Bangalore	36,515 sq. ft.	579	June 2007
Ecospace	Bangalore	107,410 sq. ft.	1,346	July 2010
Tidel Park	Chennai	33,249 sq. ft.	447	May 2007 /May 2009 / October 2010 ¹
Savita Plaza	Pondicherry	12,280 sq. ft.	292	January 2010
Vedham Towers	Trichy	7,020 sq. ft.	166	March 2010 / September 2011 ²
Technopolis	Kolkata	96,450 sq. ft.	1,078	August 2011
Piccadilly House	New Delhi	13,653 sq. ft.	140	January 2008 /March 2009 ³
United States				
Kingston	New York	8,843 sq. ft.	41	July 2011

Property	Location	Space	No. of Seats	Lease Expiration
Amherst	New York	41,500 sq. ft.	661	June 2021
Reno	Nevada	13,104 sq. ft.	163	November 2010
Rockford	Illinois	10,800 sq. ft.	105	September 2007
Fort Scott	Kansas	35,000 sq. ft.	130	April 2007
Louisville	Kentucky	15,509 sq. ft.	146	June 2011
United Kingdom				
Belfast	Northern Ireland	17,512 sq. ft.	251	August 2011
Londonderry	Northern Ireland	30,000 sq. ft.	433	July 2011 / January 2012 ⁴
South America				
Buenos Aires	Argentina	30,484 sq. ft.	383	September 2009

Notes:

- ¹ Of the total 33,249 sq. ft. of space at this delivery centre, the lease for 4,586 sq. ft. expires in May 2007; the lease for 1,021 sq. ft. expires in May 2009 and the lease for 17,642 sq. ft. expires in October 2010.
- ² Of the total 8,870 sq. ft. of space at this delivery centre, the lease for 7,020 sq. ft. expires in March 2010 and the lease for 1,850 sq. ft. expires in September 2011.
- ³ Of the total 13,653 sq. ft. of space at this delivery centre, the lease for 7,200 sq. ft. expires in January 2008 and the lease for 6,253 sq. ft. expires in March 2009.
- ⁴ Of the total 30,000 sq. ft. of space at this delivery centre, the lease for 20,000 sq. ft. expires in July 2011 and the lease for 10,000 sq. ft. expires in January 2012.

Regulation

Because of the diversity and highly complex nature of our service offerings, our operations are subject to a variety of rules and regulations and several U.S., U.K. and other foreign federal and state agencies regulate certain aspects of our business. In addition, our clients may contractually require that we comply with certain rules and regulations, even if those rules and regulations do not strictly apply to us. Failure to comply with any applicable laws and regulations could result in restrictions on our ability to provide our products and services, as well as the imposition of civil fines and criminal penalties, which could have a material adverse effect on our operations.

For a detailed discussion regarding the regulations with which we must comply, see the section titled “Regulations and Policies” on page 72 of this Red Herring Prospectus.

Legal Proceedings

In the course of our normal business activities, various lawsuits, claims and proceedings may be instituted or asserted against us. We believe that the disposition of matters instituted or asserted will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

For a complete discussion of current material tax and legal proceedings in which we are involved, see the section titled “Outstanding Litigation and Material Developments” on page 236 of this Red Herring Prospectus.

RECENT DEVELOPMENTS

The BPM Acquisition

Overview

On December 29, 2006, we acquired 100% of the outstanding share capital of Business Process Management, Inc., or BPM, a U.S.-based business process outsourcing company providing services principally to participants in the U.S. healthcare industry. As of December 31, 2006, BPM, together with its two subsidiary companies, MedPlans 2000, Inc. and MedPlans Partners, Inc., had 303 employees operating out of three service delivery centres located in Illinois, Kansas and Kentucky, USA. As a result of the BPM Acquisition, BPM became our wholly-owned subsidiary on December 29, 2006, pursuant to a share purchase agreement dated December 21, 2006 (the “BPM Purchase Agreement”).

The consideration we agreed to pay for the BPM Acquisition was based on our management’s assessment of the value of BPM. The total consideration, including earnout payments, is up to US\$35.0 million. Of this amount, US\$28.0 million was paid to the selling shareholders at the time of closing of the BPM Acquisition. A further US\$3.5 million was deposited into an indemnification escrow account under arrangements that are described in further detail below. An additional US\$3.5 million is committed to earnout payments, which are payable if BPM meets certain financial targets in the future. We acquired BPM through one of our U.S. subsidiaries, Firstsource Solutions USA. We financed US\$17.0 million of the purchase price through cash generated from our operations. We also secured total debt financing in the amount of US\$18.5 million (including both funded debt and a standby letter of credit) to fulfill our remaining payment obligations under the BPM Acquisition. This debt financing consists of a US\$15.0 million term loan from ABN AMRO Bank, which was fully drawn down at closing, and a US\$3.5 million letter of credit facility. The Net Proceeds will not be utilised to fund the BPM Acquisition, directly or indirectly. For further details regarding the term loan, see the section entitled “Financial Indebtedness” on page 233 of this Red Herring Prospectus.

BPM has historically prepared its financial statements in accordance with US generally accepted accounting principles, or US GAAP. From December 29, 2006, however, we have consolidated BPM’s consolidated financial statements into our consolidated Indian GAAP financial statements. As of December 31, 2006, the total assets of BPM and its subsidiaries, accounted for Rs.99.6 million, or 1.2%, of our total assets as of such date, as shown in our Indian GAAP financial statements. We estimate that BPM’s consolidated revenue for the year ended December 31, 2005 (the last full year for which its audited financial statements are available), measured in accordance with US GAAP, represented approximately 10% of our total income for fiscal 2006 (our last full fiscal year), measured in Indian GAAP. The foregoing estimate is presented for indicative purposes only, does not account for differences in generally accepted accounting principles, does not purport to make any other adjustments and should not be unduly relied on.

Acquisition Rationale

We believe that the BPM Acquisition will allow us to expand our service offerings to provide an end-to-end value proposition to our clients in the healthcare industry with both front- and back-office capabilities. BPM’s core strength is complex claims adjudication, particularly servicing the payor segment of the healthcare market. In addition to working with its clients with the aim of helping them more efficiently and effectively handle the claims adjudication process, BPM also supports its clients’ various strategic initiatives, including systems conversions, mergers and acquisitions and consolidations. BPM operates in a U.S. Health Insurance Portability and Accountability Act of 1996-compliant environment and has proven capability adjudicating physician claims (so-called “HFCA claims”) and the more complex hospital claims (or “UB claims”). Through this acquisition, we will have an enhanced capacity to offer our clients database management, policy administration, claims processing and claims adjudication services, which significantly expands the range of services we can offer to clients in this sector of the market.

We believe that BPM also has a strong portfolio of healthcare clients, which further increased its attractiveness to us. Through the acquisition, we have acquired a portfolio of 13 clients that includes six “Fortune 1000” companies. Through the acquisition, we have also added three delivery centers in the United States in Rockford, Illinois, Fort Scott, Kansas and Louisville, Kentucky.

Earnout Consideration

In addition to the US\$28.0 million paid to the selling shareholders at the closing of the transaction and the US\$3.5 million deposited into the indemnification escrow account, BPM and former holders of BPM shares may also be entitled to receive

additional compensation of up to US\$3.5 million based on BPM's EBITDA (determined in accordance with the provisions of the BPM Purchase Agreement) for the period from January 1, 2007 to December 31, 2007 (the "Earnout Compensation Period") as follows:

If BPM's actual EBITDA equals or exceeds a minimum EBITDA of US\$4.5 million during the Earnout Compensation Period, BPM and the former holders of BPM shares will be entitled to receive payment of 70% of the total US\$3.5 million earnout amount, or US\$2.45 million. For each additional US dollar of actual EBITDA in excess of US\$4.5 million during the Earnout Compensation Period, \$2.10 will be added to the earnout base of US\$2.45 million, up to a total earn out amount of US\$3.5 million. No earn out payment will be made if actual EBITDA for the fiscal year ended December 31, 2007 is less than US\$4.5 million.

Indemnification

We have entered into an Indemnification Escrow Agreement under which US\$3.5 million, or 10% of the maximum final purchase price of US\$35.0 million, will be held in escrow for one year post-closing for the satisfaction of the sellers' indemnification obligations set out in the BPM Purchase Agreement. These indemnification arrangements, in general, provide for BPM and former holders of BPM shares to indemnify us for breaches or non-performance of their respective representations, warranties and undertakings in the BPM Purchase Agreement. We have also agreed to indemnify BPM and the former holders of BPM shares for any losses they incur relating to a breach by us of any of our representations, warranties or covenants under the BPM Purchase Agreement, although there are no comparable set-asides or escrow arrangements in respect of our indemnification obligations. Both the sellers' and our indemnity obligations are subject to certain carve-outs and limitations.

REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies as prescribed by the Government of India that are applicable to us. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below are not exhaustive and this section is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional legal advice.

To promote the growth of IT-ITES in India, the central and state governments have introduced a range of incentives, concessions, subsidies and simplification of procedural requirements for companies operating in India. These include relaxation of policies relating to inbound and outbound investments, exchange control relaxations, incentives for units located in a Domestic Tariff Area (DTA) or under Export Oriented Units (EOU)/Software Technology Parks (STPs)/Special Economic Zones (SEZs) and Electronic Hardware Technology Park (EHTP) schemes; and state level incentives, waivers and subsidies.

The Software Technology Parks Scheme permits the establishment of units engaged in software development and establishment of units engaged in information technology enabled products and services (ITES).

Software Technology Parks Scheme

The STP Scheme (under The Ministry of Information Technology, Government of India) has been notified by the Central Government (Ministry of Commerce) in exercise of its powers under Section 3 (1) of the Foreign Trade Development and Regulation) Act, 1992 to permit the establishment of Software Technology Parks (STP) with the objective of encouraging, promoting and boosting the software exports from India.

Activities which may be carried out under STP Scheme include software development for export data using communication links or in the form of physical media being undertaken by 100% Export Oriented Units as well as the export of professional services by such units. The production of products which are notified as IT enabled products and services qualifies their producer or provider of such products or services for establishing a unit in and benefiting from the STP Scheme.

The STP Scheme provides infrastructure such as data communication facilities, operational space, common amenities, single window statutory services such as project approval, import certification and other facilities to boost software exports from India. In addition to the infrastructure support, an STP unit enjoys the following fiscal benefits, rendering it attractive for entrepreneurs:

- All hardware and software imports are exempt from customs duties;
- A STP unit is exempt from payment of corporate tax up to the Fiscal year 2009;
- Domestic purchases by STP units are eligible for the benefit of deemed exports to suppliers;
- Capital goods purchased from the domestic tariff area (an area within India but outside a notified STP) are entitled for exemption from excise duty and reimbursement of central sales tax;
- The sales in the domestic tariff area shall be permissible up to 50% of the export in value terms; and
- Depreciation on capital goods up to 90% over a period of five years and also the accelerated rate of 7% per quarter during the first two years subject to an overall limit of 70% in the first three years.

Many state governments have also added to the basket of incentives by providing for low rates of sales tax on products in the information technology sector.

Setting up a STP Unit

An application is required to be made by the company desirous of setting up a unit as an STP to the Director of the STP, which approval is ordinarily granted within 15 days of such application being made subject to (a) items to be manufactured or exported are not restricted or prohibited; (b) the location is in conformity with the prescribed parameters; (c) the export obligation laid down in the STP Scheme is fulfilled; and (d) the unit is amenable to bonding by the Customs and all manufacturing operations are carried out in the same premises. The registration as an STP is location specific.

Pursuant to the requirements of the STP approval, the company in question is required to execute an agreement with the Government of India agreeing to comply with conditions prescribed in the STP approval, inter alia the export obligations and customs bonding of the premises. In order to be able to obtain the STP license, the company is required to obtain the following:

- manufacturing consent from the relevant customs department;
- an Importer Exporter Code from the Directorate General of Foreign Trade (in order to be able to export its services/products);
- registration under the relevant shops and establishments statute of the state where the unit is sought to be situated; and
- registration as an 'Other Service Provider' with the Department of Telecommunications to provide call centre services.

Private Warehouse License

Following the approval under the STP, the company would be required to obtain an approval from the Customs authorities for setting up a Private Bonded Warehouse and also an In-Bond Manufacturing order to store the Capital goods obtained free of Customs /Excise duty and to carry on the manufacture of computer software.

Compliances under the STP Scheme

The principal compliance required of a company accorded approval under the STP Scheme is the fulfillment of the export obligation. Additionally, the unit is required to file monthly, quarterly and annual returns to STPI in the nature of a performance report indicating the export performance and the CIF value of imported goods and foreign currency spent on incidental expenses.

Labour Laws

India has stringent labour related legislation. The Industrial Disputes Act, 1947 (the "IDA") distinguishes between (i) employees who are 'workmen' and (ii) employees who are not 'workmen'.

Workmen have been provided several benefits and are protected under various labour legislations, whilst those persons who have been classified as managerial employees and earning salary beyond a prescribed amount may not generally be afforded statutory benefits or protection, except in certain cases. Employees may also be subject to the terms of their employment contracts with their employer, which contracts are regulated by the provisions of the Indian Contract Act, 1872.

The conditions of service of employees of IT companies are inter alia regulated by the relevant shops and establishments law in which the IT unit is situated. For example, the Bombay Shops and Establishments Act, 1948 and the rules thereunder, inter alia determines the working hours, overtime payable, the leave policy, weekly holidays and maternity benefits.

Termination of a non-workman is governed by the terms of the relevant employment contract and applicable labour laws. As regards a 'workman', the IDA sets out certain requirements in relation to the termination of the services of the workman's services. This includes detailed procedure prescribed for resolution of disputes with labour, removal and certain financial obligations upon retrenchment. The state-specific shops and establishments act also provides for certain notice and/or compensation requirements in the event of termination of service by the company.

Preliminary information on some of the labour laws that may be applicable have been provided below. This list is incomplete and does not cover all provisions of the law specified nor covers other applicable labour laws.

Employees State Insurance Act, 1948

The Employees State Insurance Act, 1948 (the "ESI Act") provides for certain benefits to employees in case of sickness, maternity and employment injury. Employees drawing wages up to a certain limit in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. In addition, the employer is also required to register himself under the ESI Act and maintain prescribed records and registers in addition to filing of forms with the concerned authorities.

Payment of Gratuity Act, 1961

The Payment of Gratuity Act, 1961 (the "POG Act") provides for payment of gratuity to employees employed in factories, shops and establishments who have put in a continuous service of 5 years, in the event of their superannuation, retirement, resignation, death or disablement. The rule of '5 year continuous service' is however relaxed in case of death or disablement of an employee. Gratuity is calculated at the rate of 15 days wages for every completed year of service with the employer. Under the POG Act, an employer is obliged for a maximum gratuity payout of Rs. 350,000 for an employee. The POG Act also requires the

employer to obtain and maintain an insurance policy for the employer's obligation towards payment of gratuity.

Employees Provident Fund and Miscellaneous Provisions Act, 1952

The Employees Provident Fund and Miscellaneous Provisions Act, 1952 provides for the institution of compulsory Provident Fund, Pension Fund and Deposit Linked Insurance Funds for the benefit of eligible employees in factories and establishments as may be specified. A liability is placed on the employer and employee to make certain contributions to the funds mentioned above after obtaining the necessary registrations. There is also a requirement to maintain prescribed records and registers and filing of forms with the concerned authorities.

The Maternity Benefits Act, 1961

The purpose of the Maternity Benefit Act is to regulate the employment of pregnant women and to ensure that they get paid leave for a specified period during and after their pregnancy. It provides, inter alia, for paid leave of 12 weeks, payment of maternity benefits and enacts prohibitions on dismissal, reduction of wages paid to pregnant women, etc.

The Industrial Employment (Standing Orders) Act, 1946

The Industrial Employment (Standing Orders) Act, 1946 ("Standing Orders Act") requires employers in industrial establishments, which employ 100 or more workmen to define with sufficient precision the conditions of employment of workmen employed and to make them known to such workmen. The Standing Orders Act requires every employer to which the Standing Orders Act applies to certify and register the draft standing order proposed by him in the prescribed manner. However until the draft standing orders are certified, the prescribed standing orders given in the Standing Orders Act must be followed.

The Minimum Wages Act, 1948

The Minimum Wages Act, 1948 ("MWA") came into force with the objective to provide for the fixation of a minimum wage payable by the employer to the employee. Under the MWA, every employer is mandated to pay not less than the minimum wages to all employees engaged to do any work whether skilled, unskilled, manual or clerical (including out-workers) in any employment listed in the schedule to the MWA, in respect of which minimum rates of wages have been fixed or revised under the MWA.

The Information Technology Act, 2000

The Information Technology Act, 2000 ("the IT Act") was enacted with the purpose of providing legal recognition to electronic transactions. In addition to providing for the recognition of electronic records, creating a mechanism for the authentication of electronic documentation through digital signatures, the IT Act also provides for civil and criminal liability including fines and imprisonment for various computer related offenses. These include offenses relating to unauthorised access to computer systems, modifying the contents of such computer systems without authorisation, damaging computer systems, the unauthorised disclosure of confidential information and computer fraud. In view of India's growing IT/BPO sector, the government of India has recently approved an Amendment to the IT Act, especially with regard to the growing need for data protection.

The Telecom Regulatory Framework

The usage of telecommunications infrastructure in India, including bandwidth, telecommunication links and other infrastructure is regulated by legislation, administrative orders, licensing and contractual mechanisms.

The above restrictions may be imposed either directly on the end user of such infrastructure, or upon the service provider supplying such infrastructure to the end user. For instance, units providing call centre services are required to obtain other service provider licenses from the Department of Telecommunications prior to their commencing operations and upon obtaining such licenses become subject to license based restrictions. Similarly, internet service providers are required to execute an ISP license with the Department of Telecommunications prior to providing services and thus become subject to contractual conditions on the usage of bandwidth or connectivity provided by them.

Some examples of these restrictions include restrictions on interconnection of voice of internet telephone circuits with conventional PSTN telephone infrastructure, restriction on interconnection of domestic call centres with international call centres, periodic reporting requirements, denial of conventional PSTN connectivity to international call centres at the Indian

end and requirements of adherence to certain networking standards as laid down by the Telecom Regulatory Authority of India (TRAI) in accordance with the TRAI Act, 1996 and the Indian Telegraph Act, 1885.

Intellectual Property

Intellectual Property in India enjoys protection under both common law and statute. Under statute, India provides for the protection of patent protection under the Patents Act, 1970, copyright protection under the Copyright Act, 1957 and trademark protection under the Trade Marks Act, 1999. The above enactments provide for protection of intellectual property by imposing civil and criminal liability for infringement. In addition to the above domestic legislations India is a party to several international intellectual property related instruments including the Patent Co-operation Treaty, 1970, the Paris Convention for the Protection of Industrial Property, 1883, the International Convention for the Protection of Literary and Artistic Works signed at Berne in 1886 (the Universal Copyright Convention of 1952), the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations 1961 and as a member of the World Trade Organisation is a signatory to the Agreement on Trade Related aspects of Intellectual Property Rights, 1995 (the TRIPS Agreement).

In addition to the above, Indian law also provides for common law protection for intellectual property.

Trade Secrets and Confidential Information

In India trade secrets and confidential information enjoy no special statutory protection and are protected under Common Law and through contracts (as governed by the Indian Contract Act, 1872).

Relaxation of Policies Relating to Inbound Investments

India's economic policies are designed to attract significant capital inflows into India on a sustained basis and to encourage technology collaborations between Indian and foreign entities.

The government has permitted up to 100 per cent foreign investments in the IT sector, through the automatic route. Accordingly, unlike some other sectors, a foreign investor is not required to seek active support of joint venture partners for investing in a new IT-ITES venture.

Regulations and Policies relating to our Operations in Overseas Jurisdictions

Introduction

The following is a summary of the regulations and policies of overseas jurisdictions that the Company and its foreign subsidiaries may be subject to. Our Company operates in a number of jurisdictions around the world, so this summary cannot be and is not intended to be exhaustive.

United States

The following legislation applies or may apply to processes the Company carries out for its clients in the United States:

- the Fair Debt Collection Practices Act;
- the Fair Credit Reporting Act;
- the Gramm-Leach-Bliley Act;
- the Health Insurance Portability and Accountability Act of 1996;
- the Truth in Lending Act;
- the Fair Credit Billing Act;
- "Do Not Call" legislation; and
- U.S. Federal Deposit Insurance Corporation, or the FDIC, rules and regulations.

United Kingdom

Financial Services and Markets Act 2000 ("FSMA")

FSMA and its supporting regulations provide the statutory framework for the financial services industry in the United Kingdom. Companies carrying out financial services must comply with FSMA and the FSA Handbook, which is a publication by the Financial Services Authority (the regulator of the U.K. financial services industry) setting out the applicable rules and guidance.

FSMA provides a list of activities relating to financial services that are considered to be regulated activities. Some of those regulated activities are relevant to BPO providers operating in the BFSI industry, for example, advising on and arranging insurance contracts is a regulated activity under FSMA. Companies may only carry out regulated activities if they register with the Financial Services Authority as an authorised person or fall within an exemption. Failure to comply with the provisions of FSMA and the FSA Handbook can result in imprisonment, fines, public censure and withdrawal of permission to conduct regulated activities in the United Kingdom.

Data Protection Act 1998 (the "DPA")

In the U.K., the collection and use of personal data is primarily governed by the DPA. It imposes obligations on persons controlling personal data and confers rights on individuals to whom the data relates. A company will be considered to be controlling data if it determines the purpose for which, and the manner for which, any personal data is processed. Companies outsourcing processes tend to be data controllers. BPO providers tend to be data processors and may, in some circumstances, also be data controllers. The personal data must be processed in accordance with data protection principles, which include requesting the data subject's permission before transferring the personal data to a third party and implementing appropriate technical and organisational security measures to prevent unauthorised or unlawful processing, accidental loss of or destruction or damage to personal data. Breach of a principle is not in itself a criminal offence. However, the Information Commissioner has the power to issue an enforcement notice, which will require the data controller to comply with the relevant principle, or cease the offending processing, within a specified period. Failure to comply with this notice is a criminal offence. A data controller may also face civil proceedings - any data subject suffering damage or damage and distress (but not distress alone) as a result of a data controller's failure to comply with the principles has a right to sue for damages under the DPA.

Privacy and Electronic Communications (EC Directive) Regulations 2003 (the "Privacy Regulations")

The Privacy Regulations govern commercial communications made by fax, telephone and email to customers. They provide that where a customer has told a marketer to stop making telesales calls to their number, the marketer must comply with that request. In addition, a marketer cannot make or instigate the making of unsolicited telesales calls to any number listed on the Telephone Preference Service (TPS) register. Subject to certain limited exceptions, customers must opt-in to receive communications by email and SMS text messages.

The Privacy Regulations also contain provisions governing the content of a marketer's communication with a customer, for example, they require marketers to reveal their identity when sending a marketing email or making a telesales call and to provide a valid address to which the recipient may send a request for the communications to cease.

Transfer of Undertaking (Protection of Employee) Regulations 2006 ("TUPE")

TUPE provides that where there is a business transfer or a service provision change ("transfer of an undertaking"), employees engaged in that business will be automatically transferred to the buyer or new service provider on their current terms of employment. Some outsourcing arrangements fall into the definition of a transfer of an undertaking under TUPE. TUPE places obligations on both the current employer and the new employer to inform and consult elected employee representatives or trade union representatives of their own affected employees in relation to the transfer. In addition, any dismissal of an employee that would be transferred under TUPE will be automatically unfair where the sole or principal reason for the dismissal is the transfer itself or a reason connected with the transfer that is not an economic, technical or organisational reason entailing changes in the work force.

HISTORY AND CORPORATE STRUCTURE

Incorporation and Registered Office

Our Company was incorporated as “ICICI Infotech Upstream Limited” on December 6, 2001. Our name was changed on April 2, 2002 to “ICICI OneSource Limited”. We have grown to be among India’s top ranked BPO companies. With over 10,000 employees, both direct and operations in India, US, UK and Argentina, our global footprint is growing. We have over the years gained other investors like Metavante, Aranda (which is an indirect, wholly owned subsidiary of Temasek Holdings (Private) Limited) and WestBridge (which is managed by Sequoia Capital India) who have brought in their own value to our Company. As a result the ICICI group today holds less than 50% of our Equity Shares. The timing was therefore right to establish an identity apart from the ICICI group and hence we changed our name on November 21, 2006 to “Firstsource Solutions Limited”.

Our registered office at the time of incorporation was Zenith House, Keshav Rao Khade Marg, Mahalaxmi, Mumbai. The registered office was changed to 6th Floor, Peninsula Chambers, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai with effect from January 6, 2003.

History of Investments in Our Company

1. On May 21, 2002, our Company entered into a debenture facility agreement with ICICI Bank pursuant to which ICICI Bank was allotted 70,000,000 POCDs in our Company for a total consideration of Rs. 700,000,000.
2. On September 3, 2002, our Company entered into share subscription agreements with ICICI Bank and ICICI Trusteeship Services Limited, acting on behalf of ICICI Information Technology Fund, pursuant to which, on January 19, 2003:
 - (a) ICICI Bank was allotted 24,000,000 POCPS in our Company for a total consideration of Rs. 240,000,000; and
 - (b) ICICI Trusteeship Services Limited was allotted 56,000,000 POCPS each for a total consideration of Rs. 560,000,000.
3. On July 30, 2003, our Company entered into a share subscription agreement with WestBridge pursuant to which WestBridge agreed to invest US\$7,772,436 in our Company and our Company, on October 10, 2003, allotted the following securities to WestBridge:
 - (a) 10,000 Equity Shares for approximately Rs. 13.11 each; and
 - (b) 35,672,100 Series ‘B’ POCPS at par value.

In the event of an initial public offering of our Company’s shares, WestBridge is obliged to convert all of its outstanding Series ‘B’ POCPS into Equity Shares prior to the initial public offering within the minimum period advised by the merchant bankers to the issue.

4. On August 18, 2003, the following occurred:
 - 4.1 Our Company entered into a conversion agreement with ICICI Bank pursuant to which ICICI Bank converted the following securities at par value:
 - (a) its 24,000,000 POCPS in our Company, which were issued pursuant to the share subscription agreement described in paragraph 2 above; and
 - (b) 21,000,000 of its POCDs in our Company, which were issued pursuant to the debenture facility agreement described in paragraph 1 above.

Our Company agreed to issue 45,000,000 Series ‘A’ POCPS to ICICI Bank upon conversion. These shares were allotted on October 10, 2003.

- 4.2 ICICI Bank had sold its remaining 49,000,000 POCDs in our Company to SIF. Our Company entered into a deed of adherence with ICICI Bank and SIF pursuant to which SIF agreed to be bound by the terms of the debenture facility agreement described in paragraph 1 above as though it had been an original debenture holder and party to that agreement.

4.3 Our Company entered into a conversion agreement with SIF pursuant to which SIF converted the following securities at par value:

- (a) its 56,000,000 POCPS, which were issued pursuant to the share subscription agreement described in paragraph 2(b) above and had subsequently been transferred by ICICI Trusteeship Services Limited to SIF; and
- (b) the 49,000,000 POCDS it had just purchased from ICICI Bank.

Our Company agreed to issue 105,000,000 Series 'A' POCPS to SIF upon conversion. These shares were allotted on October 10, 2003.

- 5. On June 18, 2004, the Board passed a resolution to allot 105,000,000 Equity Shares at par value upon conversion of SIF's 105,000,000 Series 'A' POCPS.
- 6. On June 18, 2004, the Board passed a resolution to allot 45,000,000 Equity Shares at par value upon conversion of ICICI Bank's 45,000,000 Series 'A' POCPS.
- 7. On August 17, 2004, the following occurred:

7.1 Our Company entered into a share subscription agreement with Aranda and WestBridge pursuant to which:

- (a) Aranda agreed to invest US\$30,000,000 in our Company and our Company allotted the following securities to Aranda:
 - (i) 20,000 Equity Shares for approximately Rs. 19.85 each; and
 - (ii) 138,785,306 Series 'C' POCPS at par value, and
- (b) WestBridge agreed to invest a further US\$5,000,000 in our Company and was allotted 23,137,500 Series 'C' POCPS at par value.

These shares were allotted on September 3, 2004.

In the event of an initial public offering of our Company's shares, Aranda and WestBridge are obliged to convert all of their outstanding Series 'C' POCPS into Equity Shares.

7.2 Our Company and its shareholders at the time (SIF, ICICI Bank, WestBridge and Aranda) entered into a shareholders' agreement to set out their rights as shareholders regarding the management of our Company and the class of securities they hold. This shareholders' agreement has since been amended and restated in the shareholders' agreement dated March 31, 2006 described in paragraph 8.4 below.

8. On March 31, 2006, the following occurred:

8.1 Our Company entered into a share subscription agreement with Metavante pursuant to which Metavante agreed to invest US\$15,000,000 in our Company and our Company allotted the following securities to Metavante:

- (a) 10,000 Equity Shares for approximately Rs. 30.45 each; and
- (b) 67,664,250 Series 'D' POCPS at par value.

In the event of an initial public offering of our Company's shares, Metavante is obliged to convert all of its outstanding Series 'D' POCPS into Equity Shares upon closing of the initial public offering, unless advised by the merchant bankers to the issue that pursuant to applicable laws, rules, regulations and guidelines they should be converted during the initial public offering process.

The aforementioned shares were allotted on April 20, 2006.

8.2 Our Company entered into a share subscription agreement with Aranda and WestBridge pursuant to which:

- (a) Aranda agreed to invest a further US\$15,000,000 in our Company and our Company allotted 67,695,000 Series 'D' POCPS to Aranda at par value; and
- (b) WestBridge agreed to invest a further US\$5,000,000 in our Company and the Company allotted 22,565,000 Series 'D' POCPS to WestBridge at par value.

The aforementioned shares were allotted on April 20, 2006.

In the event of an initial public offering of our Company's shares, Aranda and WestBridge are obliged to convert all of its outstanding Series 'D' POCPS into Equity Shares upon closing of the initial public offering, unless advised by the merchant bankers to the issue that pursuant to applicable laws, rules, regulations and guidelines they should be converted during the initial public offering process.

8.3 Our Company was party to a share purchase agreement between Metavante, ICICI Bank and SIF, pursuant to which ICICI Bank sold 22,016,162 Equity Shares to Metavante for a total consideration of US\$15,000,000. The share purchase agreement contains the following options:

- (a) an option for Metavante to acquire such number of Equity Shares from ICICI Bank and SIF as to increase its holding in the Company's equity share capital to 20% on a fully diluted basis (the "Call Option"); and
- (b) an option for ICICI Bank and SIF to dispose of such number of their Equity Shares as would constitute 5% of the Company's equity share capital on a fully diluted basis to Metavante and its permitted transferees (the "Put Option").

Metavante elected to exercise this call option. As a result, SIF transferred 36,233,539 Equity Shares of Rs. 10 each at a price of Rs. 36.34 per Equity Share to Metavante on December 29, 2006. The Put Option has now lapsed.

8.4 Our Company and its largest shareholders (SIF, ICICI Bank, WestBridge, Aranda and Metavante) entered into a shareholders' agreement, which amended and restated the shareholders' agreement described in paragraph 7.2 above. The shareholders' agreement set out their rights as shareholders regarding the management of our Company and the class of securities they hold. It contains customary provisions relating to, inter alia, anti-dilution, pre-emption and distributions. The key terms of the shareholders' agreement have been incorporated into our Articles. The rights and obligations of all of the parties to the shareholders' agreement terminate upon the successful completion of an initial public offering of the shares of our Company. Therefore, such provisions of the Articles which reflect the shareholders agreement shall have to be removed after the completion of the IPO. The shareholders' agreement has been made available for inspection. See the section titled "Material Contracts and Documents for Inspection" on page 348 of this Red Herring Prospectus. The material terms of the Articles have been reproduced in the section titled "Main Provisions of the Articles of Association" on page 311 of this Red Herring Prospectus.

9. On November 22, 2006, the Company in an Extraordinary General Meeting approved the conversion of all of the outstanding Series 'B' POCs, Series 'C' POCs and Series 'D' POCs into Equity Shares. See the section titled "Share Capital History" on page 18 of this Red Herring Prospectus for further details.

Agreements Relating To The Acquisition

Stock Purchase Agreement

Our subsidiary, Firstsource Solutions U.S.A., has entered into a stock purchase agreement dated December 21, 2006 (the "Stock Purchase Agreement") with the shareholders of BPM ("Sellers") to purchase all the issued and outstanding shares of BPM for a total consideration of US\$35,000,000. The Stock Purchase Agreement provides that the final purchase price is not to exceed US\$35,000,000 except in the circumstance where there is excess working capital in an amount such that the final purchase price exceeds US\$35,000,000.

On December 29, 2006, the consideration was paid in the following manner:

- (a) US\$28,000,000 in cash to Martin T. Miner (the "Sellers' Representative") on behalf of the Sellers;
- (b) US\$3,500,000 in cash to an escrow agent to be deposited in an interest bearing indemnification escrow account, as described below; and
- (c) a letter of credit for US\$3,500,000 as security for the payment of the Earn-out Consideration (as defined below).

The Sellers are entitled to receive additional compensation of up to US\$3,500,000 if BPM's EBITDA (as defined in the Stock Purchase Agreement) for the period January 1, 2007 to December 31, 2007 reaches US\$5,000,000 (the "Earn-out Consideration").

If BPM's 2007 EBITDA equals or exceeds a minimum EBITDA of US\$4,500,000, the Sellers will be entitled to receive US\$2,450,000 of the Earn-out Consideration. For each additional U.S. dollar that BPM's 2007 EBITDA exceeds US\$4,500,000,

US\$2.10 will be added to the base amount of US\$2,450,000, up to the total possible Earn-out Consideration of US\$3,500,000.

The Stock Purchase Agreement also provides that certain key officers of BPM, our Company and Firstsource Solutions U.S.A. shall operate BPM's business through the end of fiscal 2007 in a manner consistent with past practices, as modified by and with the goal of meeting an EBITDA target of US\$5,000,000, and that they should not take any material action or inaction in connection with the operation of the BPM's business that is not consistent with past practices, including changing any accounting policy or hiring, promoting or terminating any key officers or senior employee, without the prior written consent of the Firstsource Solutions U.S.A. and the Sellers' Representative.

Indemnification Escrow Agreement

Firstsource Solutions U.S.A. entered into an Indemnification Escrow Agreement dated December 29, 2006 with the Sellers' Representative and JPMorgan Chase Bank N.A. (the "Escrow Agent"); under which it has to deposit US\$3,500,000 in cash with the Escrow Agent. The amount is to be held in escrow for a period of one year from the closing date for the satisfaction of the indemnities in the Stock Purchase Agreement. Most of the representations, warranties and covenants of the parties to the Stock Purchase Agreement will survive for one year. Representations and warranties by Firstsource Solutions U.S.A. relating to corporate status, authority and brokers will survive without limitation. Representations and warranties of the Sellers relating to capitalisation and share ownership, authority, execution and validity of binding obligations, corporate status, subsidiaries and brokers will survive without limitation. Representations and warranties of the Sellers relating to employees, ERISA and tax matters will survive until the expiration of the applicable statutes of limitations.

The Sellers and Firstsource Solutions U.S.A. have agreed to indemnify each other for any losses incurred on account of the breach or non-performance of their respective representations, warranties, covenants or obligations of the other in connection with the BPM Acquisition. Subject to certain exceptions, the Sellers are not required to indemnify Firstsource Solutions U.S.A. unless and until the aggregate amount of losses exceeds US\$350,000. If this occurs, BPM will be responsible for the full amount of losses, subject to a maximum aggregate amount of US\$3,500,000. These thresholds will not apply to certain representations, warranties and covenants of Sellers, such as those relating to capitalisation, share ownership, compliance with laws and consents, tax and intellectual property.

Metavante Operating Agreement

As part of our strategic partnership, we entered into an operating agreement with Metavante on March 31, 2006. Metavante was incorporated in 1971 and has place of business at Milwaukee, Wisconsin, U.S.A. Metavante reported U.S. GAAP revenues of US\$1,246.6 million for the year ended December 31, 2005. As have not verified this figure, it is presented in US GAAP, which is not directly comparable to Indian GAAP, and it is more than a year old, investors are cautioned not to unduly rely on this information

Under the operating agreement, Metavante has agreed to be the exclusive marketer of certain of our offshore BPO services to banks and financial institutions in North America and the Company has agreed to be Metavante's exclusive offshore BPO service partner. The Company has the right to make full use of Metavante's software, technology and products in the performance of its BPO services. The Company has undertaken not to acquire any software, technology platform or product that competes with Metavante's offering without its prior written consent.

The initial term of the agreement expires on March 31, 2010; the agreement is thereafter automatically renewed annually unless either party gives at least 180 days' written notice of non-renewal prior to the annual renewal date. The agreement can be terminated in the following circumstances:

- By the Company if Metavante's fully diluted equity ownership in the Company falls below 5%, save for in circumstances where the investment falls below that threshold as a result of a violation of Metavante's rights under the shareholders' agreement among our Company and its shareholders (SIF, ICICI Bank, WestBridge Capital Partners, Aranda and Metavante) dated March 31, 2006.
- By the Company if Metavante acquires an entity that performs or has the capabilities to perform offshore BPO services, subject to certain exceptions;
- By either party in the event that the other party becomes controlled by a direct competitor;
- By the Company in the event that Metavante does not meet the performance targets set out in the agreement, although the termination right is limited in time and subject to a number of exceptions;

- By Metavante if the company consistently fails to meet the performance standards set out in the agreement and fails to cure the deficiencies within 90 days of being given notice of them;
- By either party prior to the first anniversary of the agreement if they are not satisfied that the parties will be capable of negotiating work orders and purchase terms for customers that they both find acceptable and
- By either party in the event of a material breach of the agreement or upon the occurrence of certain insolvency related events.

Neither party is entitled to compensation for losses suffered as a result of termination of the agreement. The Company has agreed not to market or provide offshore BPO services for banks and financial institutions (other than collection services) in North America to any of Metavante's customers for three years following the termination of the agreement.

Trademark Licensing Agreement with ICICI Bank

We have entered into a Trademark Licensing Agreement ("TLA") with ICICI Bank on August 7, 2003. Under the TLA, ICICI Bank has permitted us and our subsidiaries a non-exclusive, non-proprietary license and the right to use the ICICI trademarks owned by ICICI Bank. ICICI Bank retains the right to amend or waive any provision of the TLA in its sole discretion by notification in writing and signed by an authorised signatory of ICICI Bank. Further, ICICI Bank has the right to terminate the TLA without any cause at any time by giving at least 30 days prior written notice. The agreement shall also terminate upon ICICI Bank ceasing to hold, whether directly or indirectly or beneficially, our equity shares capital in such amount and percentage as ICICI Bank may determine at its sole discretion. Upon termination of the TLA, we have one month within which we are to cease use of the ICICI trademark from the date of termination.

SIF Trust Deed

SIF has been established as a trust under the Indian Trusts Act, 1882 by an indenture of trust dated February 1, 2003 ("Trust Deed") for a period of eight years from the date of its settlement. SIF is the only fund set up under the trust, the Trust Deed of which has been registered with the Sub-registrar of Assurances at Bangalore on February 23, 2003. The settlor of this trust was ICICI Venture Funds Management Company Limited. SIF's investment manager is ICICI Venture Funds Management Company Limited. SIF is not registered with SEBI as a venture capital fund. It is a broad based India centric private investment fund with a corpus of Rs. 10,000 million, the key activity of which is to invest in mid-sized growth companies for funding capacity expansion and growth.

The Western India Trustee and Executor Company Limited is the trustee of SIF and shall hold its office until the termination of SIF or upon its discharge. The distribution of SIF shall either be in the form of dividend or by way of redemption of units which shall be decided by the trustee. The trustee may terminate the trust prior to the expiry of the term of the trust with the prior written recommendation of its investment manager and the contributors to the trust. The contributors may also terminate the trust by a written notice revoking their contributions to SIF. Upon the termination of SIF, the trustee shall perform the following functions:

- Take steps to sell the non-cash assets of SIF;
- Commence with arrangements to pay all the liabilities of SIF;
- Return to the extent available all the cash in SIF in proportion to the percentage of the capital contribution held by the contributors immediately prior to the date of termination of the fund; and
- Distribute accretions to the settlor.

Key Events and Milestones

Year	Month	Key Events and Milestones
2002	May	Acquisition of Customer Asset Indian Private Limited (Bangalore delivery centre)
2002	July	Second delivery centre (Mumbai)
2002	November	Third delivery centre (Bangalore)

Year	Month	Key Events and Milestones
2003	July	Acquired FirstRing
2003	March	First company to be awarded COPC certification for both voice and back office processes
2003	July	WestBridge Capital Partners, now managed by Sequoia Capital Partners, invests in our Company
2003	September	Exceeded 3,000 full time employees
2003	May	First Indian BPO company to achieve British Security Standard BS 7799 for information security
2003	November	Exceeded Rs. 1,000 million in annual revenues
2004	April	Fourth delivery centre (Mumbai)
2004	June	Exceeded 4,000 full time employees
2004	July	Acquisition of majority stake in Pipal (New Delhi delivery centre)
2004	August	Aranda invests into our Company
2004	September	Sixth delivery centre (Mumbai)
2004	September	Acquisition of ASG (Amherst, New York delivery centre)
2005	January	Exceeded 5,000 full time employees
2005	March	Acquisition of RevIT (Chennai and Pondicherry delivery centres)
2005	April	Tenth delivery centre (Trichy)
2005	April	Exceeded 6,000 full time employees
2005	May	Exceeded 7,000 full time employees
2005	October	Eleventh delivery centre (Bangalore)
2006	January	Exceeded 8,000 full time employees
2006	March	Strategic partnership with Metavante Corporation
2006	March	Exceeded Rs. 5,000 million in annual revenues
2006	July	Twelfth delivery centre (Belfast, Northern Ireland)
2006	August	Thirteenth delivery centre (Kingston, NY)
2006	September	Fourteenth delivery centre (Kolkata)
2006	September	Exceeded 9,000 full time employees
2006	October	Fifteenth delivery centre (Londonderry, Northern Ireland)
2006	October	Sixteenth delivery centre (Argentina)
2006	November	Seventeenth delivery centre (Reno, U.S.A.)
2006	November	Change of name to "Firstsource Solutions Limited"
2006	November	Exceeded 10,000 full time employees
2006	December	Acquisition of BPM (Louisville, Fort Scott and Rockford delivery centres)

Firstsource Solutions Limited Global Awards and Accolades

The Company has been recognised as a global leader by international organisations and publications. Some of the accolades we have received are as follows:

2006	Award/Accolade
January	Ranked No. 3 in Gartner's list of call centres in 2006 based on the frequency of queries from Gartner's 10,000 global clients
January	Winner of the 2005 RASBIC (Recruiting and Staffing Best In Class) Award for most innovative recruiting and staffing program
April	Our Company was named as one of the Rising Stars category in the Global Outsourcing 100 list by International Association of Outsourcing Professionals (IAOP)
June	Our Company ranked among India's top 5 BPO companies by NASSCOM for the year 2005-06
August	Awarded as one of the top two Indian ITES-BPO companies in Karnataka state at the Best IT Exporters of Karnataka State Awards 2005-06
September	Our Company was honored as a Giant 100 company at the CIO 100 India awards 2006 by CIO India. CIO India is International Data Group's Indian edition of CIO magazine
September	Our Company was named one of the world's top BPO providers by International Association of Outsourcing Professionals (IAOP) as a separate sub-list within the Global Outsourcing 100 list featured in Fortune magazine
2005	Award/Accolade
April	Ranked No. 7 among the world's 50 best managed BPO vendors by The Black Book of Outsourcing
June	Our Company ranked among India's top 5 BPO companies by NASSCOM for the year 2004- 2005
September	We became the first Indian BPO company to win two awards from National Outsourcing Association (NOA), U.K. Our Company won "Offshoring Operation of the Year" and "Financial Services Outsourcing Project of the Year" awards from the National Outsourcing Association, U.K.
November	Ranked No. 11 in the Deloitte Technology Fast 50 India 2005 Program
November	Ranked No. 142 in the Deloitte Technology Fast 500 Asia Pacific 2005 Program
November	Ranked No. 6 in the DataQuest BPO Employee Sat Survey for 2005
2004	Award/Accolade
November	Rated among the top 3 BPO companies in India by Dataquest-IDC India BPO Employee Satisfaction (E-SAT) Survey 2004
November	The Company was rated the best Blended Outsourcer in the world by ContactCentreWorld.com, a global resource for the contact centre industry. Our Company was awarded top honors for being the Top Outsourcer by volume of e-mails handled and the Top Outsourcer by percentage growth in the number of seats

Our Memorandum of Association

Main Objects

Our main objects enable us to carry on our current business and also the businesses proposed to be carried on by us as contained in our Memorandum of Association and are as follows:

1. To design, plan, develop, make, establish, install, operate, provide, manage, maintain, promote, execute, implement customer interaction management services, consultancy services, or otherwise deal in, operate and facilitate in any manner the entire range of IT enabled services, web enabled services, value added services including all services related to access, storage, distribution and transmission of Internet, web page hosting, web site designing, electronic commerce services in various forms including but not restricted to voice, e-mail, chat and collaborative browsing, data base and data processing services, computer hardware and software systems, and all kinds of communication as are in use or may be developed in future with an intention of moving upstream in the value chain.
2. To provide information, undertake marketing of various services either directly or through Internet and related media. To gather information, act as a trader, importer, indenter, agent, distributor and to do E-commerce. To perform every act and provide all services relating to advertisement and marketing of various services throughout the world through web sites, on-line shops and other communication media.

Amendments to our Memorandum of Association

Date of Shareholder Resolution Approving the Amendment	Nature of Amendment
March 26, 2002	The initial authorised capital of Rs. 1,000,000 comprising 100,000 Equity Shares of Rs. 10 each was increased to Rs. 500,000,000 comprising 50,000,000 Equity Shares of Rs. 10 each.
March 26, 2002	The name of our Company was changed from "ICICI Infotech Upstream Limited" to "ICICI OneSource Limited".
August 22, 2002	The authorised share capital of Rs. 500,000,000 comprising 50,000,000 Equity Shares of Rs. 10 each was increased to Rs. 1,355,000,000 comprising 55,500,000 Equity Shares of Rs. 10 each and 80,000,000 Preference Shares of Rs. 10 each.
July 16, 2003	The authorised share capital of Rs. 1,355,000,000 comprising 55,500,000 Equity Shares of Rs. 10 each and 80,000,000 Preference Shares of Rs. 10 each was increased to Rs. 3,000,000,000 comprising of 55,500,000 Equity Shares of Rs. 10 each and 244,500,000 Preference Shares of Rs. 10 each.
July 16, 2003*	Clause 31(a) (in relation to undertake borrowings, raise loans and create any form of indebtedness) added to incidental and ancillary objects.
May 27, 2004	The authorised share capital of Rs. 3,000,000,000 comprising 55,500,000 Equity Shares of Rs. 10 each and 244,500,000 Preference Shares of Rs. 10 each was increased to Rs. 4,000,000,000 comprising 210,000,000 Equity Shares of Rs. 10 each and 190,000,000 Preference Shares of Rs. 10 each.
August 2, 2004	The authorised share capital of Rs. 4,000,000,000 comprising 210,000,000 Equity Shares of Rs. 10 each and 190,000,000 Preference Shares of Rs. 10 each was increased to Rs. 4,500,000,000 comprising 250,000,000 Equity Shares of Rs. 10 each and 200,000,000 Preference Shares of Rs. 10 each.
March 23, 2006	The authorised share capital of Rs. 4,500,000,000 comprising 250,000,000 Equity Shares of Rs. 10 each and 200,000,000 Preference Shares of Rs. 10 each was increased to Rs. 8,500,000,000 comprising of 450,000,000 Equity Shares of Rs. 10 each and 400,000,000 Preference Shares of Rs. 10 each.

November 10, 2006	The name of our company was changed from "ICICI OneSource Limited" to "Firstsource Solutions Limited".
November 22, 2006	The authorised share capital of Rs. 8,500,000,000 comprising 450,000,000 Equity Shares of Rs. 10 each and 400,000,000 Preference Shares of Rs. 10 each was altered to Rs. 8,500,000,000 comprising 600,000,000 Equity Shares of Rs. 10 each and 250,000,000 Preference Shares of Rs. 10 each.

* The Company has not registered this amendment with the RoC.

Acquisition and merger of Customer Asset India Limited

On April 22, 2002, the Company entered into a share purchase agreement with, among others, CustomerAsset.com Holdings Private Limited and Tawny Dove Limited, pursuant to which it purchased the entire issued share capital of CustomerAsset India Private Limited for a total consideration of approximately Rs. 959.5 million. The acquisition also included the two subsidiaries of CustomerAsset India Private Limited.

Pursuant to a scheme of amalgamation (under sections 391 and 394 of the Companies Act), Customer Asset India Limited and FirstRing India Private Limited merged with our Company. This scheme of amalgamation was approved by the High Courts of Bombay and Karnataka on April 29, 2005 and June 3, 2005 respectively. The entire business and all the assets and liabilities of these companies were transferred to our Company with effect from April 1, 2004. Pursuant to this merger, the U.S. and U.K. subsidiaries of Customer Asset India Limited became our direct subsidiaries and have since been renamed as "Firstsource Solutions U.S.A., Inc." and "Firstsource Solutions U.K. Limited".

Details of our Subsidiaries

FirstRing Inc.

Background

FirstRing was incorporated on February 24, 1999. Its principal place of business was at 125, Bryant Woods, Amherst, New York 14228, U.S.A. The entity moved to 205 Bryant Woods South and filed the address change on June 19, 2000. It is engaged in providing BPO services in the telemarketing and customer services segment.

FirstRing's shareholding pattern

We currently hold 99.8% of the voting interest in FirstRing on a fully diluted basis, whilst the balance is held by certain individuals, including employees and body corporates. We subscribed to 23,842,970 Series F convertible preference shares of FirstRing on September 3, 2003 pursuant to the Series F convertible preference shares subscription agreement dated July 26, 2003. The consideration for the same was US\$13,000,000. Further, we purchased 16,666,667 Series F convertible preference shares at a price of US\$0.96 per share from FirstRing by way of the Series F convertible preference shares purchase agreement dated September 22, 2004. Pursuant to these agreements, FirstRing and its 100% owned subsidiary, FirstRing India Private Limited, became our Subsidiaries. FirstRing India Private Limited subsequently merged with our Company. For further details, see the section titled "Acquisition and merger of Customer Asset India Limited" on page 85 of this Red Herring Prospectus.

FirstRing holds the 100% membership interest in ASG.

FirstRing's Board

The board of directors of FirstRing is as follows:

- Ananda Mukerji;
- Matthew Vallance;
- Scott Shafer; and
- Rahul Basu.

Financial performance

The audited summary financials for FirstRing for the last three accounting periods are as provided below. Since ASG is 100 % subsidiary of FirstRing, its financials have been consolidated with those of FirstRing.

(Rs. In Million except share data)

	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2005	15 Months ended March 31, 2004
Total income	1417.67	787.82	132.03
Profit/Loss after tax	83.71	6.05	(85.34)
Reserves and Surplus	873.44	841.17	38.30
Equity capital (Preferred Stock)	0.02	0.02	0.01
Earnings per share (Rs.)	2.06	0.15	(3.57)
Book value per share	21.54	20.74	1.60

Account Solutions Group LLC

Background

ASG filed its Articles of Organization on April 27, 1995 as "Receivable Services of America, LLC". The name change to "Account Solutions Group LLC" was filed on July 18, 1997. Its principal place of business was at 125, Bryant Woods, Amherst, New York 14228, United States. It moved to 205 Bryant Woods South and filed the address change on June 19, 2000. ASG is engaged in providing BPO services in the collective services segment in the United States.

ASG's shareholding pattern

Pursuant to a membership unit purchase agreement, our Subsidiary, FirstRing, acquired 100% voting rights in ASG from its existing individual shareholders pursuant to which it became our indirect subsidiary with effect from September 22, 2004. The entire shareholding of ASG is now held by FirstRing.

ASG's board

The board of directors of ASG is as follows:

- Ananda Mukerji; and
- Rajesh Subramaniam.

Financial performance

ASG's financials have been consolidated with those of FirstRing, which are summarised above.

Pipal Research Corporation

Background

Pipal was incorporated on April 30, 2001. Its registered office is located at 601 W. Randolph, Chicago, Illinois 60661, United States. It is engaged in providing business research services to companies in the BFSI industry.

Pursuant to a common stock purchase agreement dated July 15, 2004 we subscribed to 136,093 equity shares of Pipal for an aggregate purchase price of US\$3,280,000 representing 51% of the voting interest in the company.

Pipal's shareholding pattern

	Name of Shareholder	Number of Shares	Shareholding
1.	Firstsource Solutions Limited	136,093	51.0%
2.	Jyoti M. Jain	80,000	30.0%
3.	FlatIron	12,346	4.6%
4.	Employee stock options	10,000	3.7%
5.	Sanjeev Arora	9,000	3.4%
6.	Shailesh Patel	8,400	3.1%
7.	Purva Sule	5,000	1.9%
8.	Chris Murphy	5,000	1.9%
9.	Elias Zenkic	1,000	0.4%
10.	Manoj Jain	10	0.0%
	TOTAL	266,849	100%

Pipal's board

The board of directors of Pipal is as follows:

- Manoj Jain;
- Ron Farmer;
- Ananda Mukerji; and
- Rahul Basu.

Financial performance

We acquired Pipal in fiscal 2005. The audited summary financials for Pipal for the last two fiscal years are provided below. The financials of Pipal Research and Analytics have been consolidated with those of Pipal.

(Rs. In Million except share data)

	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2005
Total income	101.2	45.4
Profit/Loss after tax	(15.03)	(9.7)
Reserves and Surplus	(58.94)	(41.04)
Equity capital	158.05	157.52
Earnings per share (Rs.)	(56.32)	(36.35)
Book value per share	371.41	436.5

Pipal Research and Analytics India Private Limited

Background

Pipal Research and Analytics was incorporated as Satvik Research and Analytics India Private Limited on July 16, 2004 as a subsidiary of Pipal. Its registered office is located at 3rd floor, Piccadilly House, 275 Captain Gaur Marg, Srinivaspuri, New Delhi 110 065, India. It is engaged in providing business research services to companies in the BFSI industry. The company has recently changed its name from “Satvik Research and Analytics India Private Limited” to “Pipal Research and Analytics India Private Limited”.

Pipal Research and Analytics’ shareholding pattern

The entire shareholding (except for one share) of Pipal Research and Analytics is held by our Subsidiary, Pipal.

Pipal Research and Analytics’ board

The board of directors of Pipal Research and Analytics is as follows:

- Manoj Jain; and
- Ramesh Jain.

Financial performance

Pipal Research and Analytics’ financials have been consolidated with those of Pipal, which are summarised above.

Pipal Research and Analytics is an unlisted company and it has not made any public or rights issues in the preceding three years. It has not become a sick industrial unit under the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985.

Firstsource Solutions U.K. Limited

Background

Firstsource Solutions U.K. was incorporated as Customerasset.com Limited on May 23, 2000. Its registered office is located at 26-28 Hammersmith Grove, London W6 7BA, United Kingdom. It is engaged in providing BPO services focussed on customer service and back-office processing. The company changed its name to “ICICI OneSource Limited” on August 12, 2002. On November 28, 2006, the company changed its name to “Firstsource Solutions U.K. Limited”.

Firstsource Solutions U.K.’s shareholding pattern

We hold the entire share capital of Firstsource Solutions U.K.

Firstsource Solutions U.K.’s board

The board of directors of Firstsource Solutions U.K. is as follows:

- Ananda Mukerji; and
- Matthew Vallance.

Financial performance

The audited summary financials for Firstsource Solutions U.K. for the last three fiscal years are provided below:

(Rs. In Million except share data)

	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2004
Total income	174.63	128.37	167.64
Profit/Loss after tax	16.25	11.33	10.08
Reserves and Surplus	(12.88)	(29.13)	(40.46)
Equity capital	219.68	219.68	219.68
Earnings per share (Rs.)	5.73	4.00	3.56
Book value per share	72.95	67.22	63.22

Firstsource Solutions U.S.A., Inc.

Background

Firstsource Solutions U.S.A. was incorporated on April 6, 2000. Its principal place of business was at 125, Bryant Woods, Amherst, New York 14228, U.S.A. It moved to 205 Bryant Woods South and filed the address change on June 19, 2000. It is engaged in providing BPO services focussed on customer service and back-office processing. Firstsource Solutions U.S.A. changed its name from "ICICI OneSource Limited" to "Firstsource Solutions U.S.A., Inc." on November 15, 2006.

Firstsource Solutions U.S.A.'s shareholding pattern

We hold the entire share capital of Firstsource Solutions U.S.A.

Firstsource Solutions U.S.A.'s board

The board of directors of Firstsource Solutions U.S.A. is as follows:

- Ananda Mukerji;
- Rahul Basu; and
- Matthew Vallance

Financial performance

The audited summary financials for Firstsource Solutions U.S.A. for the last three fiscal years are provided below:

(Rs. In Million except share data)

	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2004
Total income	65.80	125.09	100.43
Profit/Loss after tax	3.30	7.25	(4.56)
Reserves and Surplus	(116.16)	(119.45)	(126.70)
Equity capital	302.12	302.12	302.12
Earnings per share (Rs.)	0.00	0.00	0.00
Book value per share	0.03	0.03	0.03

Business Process Management Inc.***Background***

BPM was incorporated on December 13, 2001. Its principal place of business is 3601 West 133rd Street, Leawood, Kansas 66209, United States. It is engaged in providing healthcare claims processing and adjudication services.

BP's shareholding pattern

Firstsource Solutions U.S.A., which is a wholly-owned subsidiary of the Company, holds the entire issued share capital of BPM.

BPM's board

The board of directors of BPM is as follows:

- Ananda Mukerji;
- Anthony J. Pino; and
- Scott Shafer.

Financial performance

BPM was acquired on December 29, 2006 and the audited summary financials for the last three years are therefore not included herein.

MedPlans Partners, Inc.***Background***

MPP was incorporated on December 13, 2001. Its principal place of business is 3601 West 133rd Street, Leawood, Kansas 66209, United States. It is engaged in providing healthcare claims processing services.

MPP's shareholding pattern

The entire share capital of MPP is held by BPM.

MPP's board

The board of directors of MPP is as follows:

- Ananda Mukerji;
- Anthony J. Pino; and
- Scott Shafer.

Financial performance

The audited summary financials for the last three years for MPP are not included herein as it was acquired as a part of the BPM Acquisition.

MedPlans 2000, Inc.***Background***

MP 2000 was incorporated on April 5, 1993. Its principal place of business is 3601 West 133rd Street, Leawood, Kansas 66209, United States. It is engaged in providing healthcare claims processing.

MP 2000's shareholding pattern

The entire share capital of MP 2000 is held by BPM.

MP 2000's board

The board of directors of MP 2000 is as follows:

- Ananda Mukerji;
- Anthony J. Pino; and
- Scott Shafer.

Financial performance

The audited summary financials for the last three years for MP 2000 are not included herein as it was acquired as a part of the BPM Acquisition.

RevIT Systems India Private Limited

Background

The Company had entered into a share purchase agreement dated March 25, 2005, subsequently amended by an amendment agreement dated September 2, 2005 with the promoters, promoter affiliates, employees and the other shareholders of RevIT for the purpose of transferring shares of RevIT. The Company acquired, on March 31, 2005, 8,180,906 shares constituting 90.01% of RevIT for US\$13,146,547. The Company acquired, on November 18, 2005, 851,312 shares constituting 9.37% of the share capital for US\$984,470. On March 18, 2006, the Company acquired the remaining shares of 56,668 from the employees of RevIT for US\$65,530. An additional consideration on achievement of EBITDA was fixed at \$ 7,310,117. The total consideration paid till date is USD 18,446,362 and the balance is payable in two installments of US \$1,530,151 each on April 1, 2007 and April 1, 2008.

We hold the entire shareholding of RevIT.

RevIT's shareholding pattern

The Company had entered into a share purchase agreement dated March 25, 2005, subsequently amended by an amen

RevIT's board

The board of directors of RevIT is as follows:

- Ananda Mukerji;
- Raju Venkatraman; and
- Sanjiv Dalal.

Financial performance

The audited consolidated financials for RevIT for the last three fiscal years are as provided below. The financials of Sherpa have been consolidated with those of RevIT.

(Rs. in except share data)

	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2004
Total income	522.66	247.45	91.73
Profit/Loss after tax	59.69	(42.74)	(54.85)
Reserves and Surplus	(64.22)	(123.91)	(138.43)
Equity capital (par value Rs. 100)	90.88	90.88	53.17
Earnings per share (Rs.)	6.45	(4.70)	(10.32)
Book value per share	3.50	(3.07)	1.04

RevIT is an unlisted company and it has not made any public or rights issues in the preceding three years. It has not become a sick industrial unit under the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985.

Sherpa Business Solutions, Inc.

Background

Sherpa was incorporated on March 5, 2002. Its principal place of business is located at 850 Stephenson Highway, Suite 508, Troy, Michigan 48083, United States. It is engaged in providing BPO services specialising in the healthcare and publishing industry.

Sherpa's shareholding pattern

The entire share capital of Sherpa is held by our Subsidiary, RevIT.

Sherpa's board

The board of directors of Sherpa is as follows:

- Ananda Mukerji;
- Raju Venkatraman; and
- Sanjiv Dalal.

Financial performance

The financial performance of Sherpa has been included in the audited consolidated financials of RevIT, which are summarised above.

FirstSource Solutions S.A.

Background

FirstSource Solutions Argentina was incorporated in Argentina on September 17, 2006 under Number 12980 of Book 32 of Sociedades Anonimas as "ICICI OneSource S.A". The company changed its name to "FirstSource Solutions S.A." on November 30, 2006. Its registered office is located at San Martin 344, 4th Floor, Buenos Aires, Argentina. It is engaged in rendering services for interaction with clients.

FirstSource Solutions Argentina's shareholding pattern

	Shareholder	Number of Shares	Shareholding
1.	Firstsource Solutions U.K.	5,004,00	99.98%
2.	Scott Shafer	1,000	0.02%
	TOTAL	5,005,000	100%

FirstSource Solutions Argentina's board

The board of directors of FirstSource Solutions Argentina is as follows:

- Rodrigo Funes de Rioja;
- Ananda Mukerji; and
- Raul Martinez.

Financial performance

The audited summary financials for this company for the last three years are not available as the company was recently incorporated.

OUR MANAGEMENT

Our Board of Directors

Under our Articles, we are required to have not less than three directors and not more than fifteen directors. We currently have ten Directors on our Board.

The following table sets forth details regarding our Board of Directors as on the date of this Red Herring Prospectus:

Name, Father's Name, Address, Designation, Occupation and Term	Nationality	Age	Other Directorships
Dr. Ashok Ganguly (Non-executive Chairman, Independent Director) S/o : Sekharnath Ganguly Address : N6, Pemino, Altamount Road, Mumbai 400 026 Occupation : Professional Term : Liable to retire by rotation	Indian	71	• Advisory board of Microsoft Corporation (India) Private Limited • Mahindra and Mahindra Limited • ICICI Knowledge Park Limited • Wipro Limited • Reserve Bank of India • TATA AIG Life Insurance Company Limited • Hemogenomics Private Limited • ABP Private Limited
Ananda Mukerji (Managing Director and Chief Executive Officer) S/o : Ranjit Kumar Mukerji Address : 801, Radhika Apartments, Off Sayani Road, Prabhadevi, Mumbai 400 025 Occupation : Service Term : Liable to retire by rotation	Indian	46	• Firstsource Solutions U.K. Limited • Sherpa Business Solutions, Inc. • Pipal Research Corporation • FirstRing Inc. • Account Solutions Group, LLC • Firstsource Solutions U.S.A., Inc. • RevIT Systems Private Limited
Shikha Sharma (Nominee Director, ICICI Bank) D/o : S.K. Bharadwaj Address : 16A, Peregrine, 400, Veer Savarkar Marg, Prabhadevi, Mumbai 400 025 Occupation : Service Term : Liable to retire by rotation	Indian	47	• ICICI Prudential Life Insurance Company Limited • Prudential ICICI Asset Management Co. Limited
K. P. Balaraj (Nominee Director, WestBridge Capital Partners) S/o : Dr. A. Balakrishnan Address : Apt. 304, Embassy Eros, 7 Ulsoor Road, Bangalore 560 042 Occupation : Service Term : Not liable to retire by rotation	Indian	36	• WestBridge Ventures I, LLC • WestBridge Ventures Co-Investment I, LLC • WestBridge Advisors I, LLC • WestBridge Ventures I Investment Holdings. • Sequoia Capital India Advisors Private Ltd. • CBD Holdings • KPB Capital • Indecomm Corporation

Name, Father's Name, Address, Designation, Occupation and Term	Nationality	Age	Other Directorships
			• Astra Business Services • Travelguru • Tutorvista Global Private Limited • Amalgamated Bean Coffee Trading Co. Ltd. • Tarang Software Technologies Private Limited • Intercept Technologies India Private Limited • Brainvisa Technologies Limited
Dinesh Vaswani (Nominee Director, Aranda) S/o : Nanik Vaswani Address : 13-B, Sterling Apartments, Peddar Road, Mumbai 400 026 Occupation : Service Term : Not liable to retire by rotation	Indian	44	Nil
Donald W. Layden Jr. (Nominee Director, Metavante) S/o : Donald W. Layden Sr., Address : 6300, Washington Circle, Wauwatosa, WI 53213, U.S.A Occupation : Service Term : Not liable to retire by rotation	U.S.	49	• FEI Behavioural Health
Charles Miller Smith (Independent Director) S/o : William Smith Address : 23 Egerton Terrace, London SW3 2BU United Kingdom Occupation : Executive Term : Liable to retire by rotation	British	67	• Chairman, Scottish Power Plc.
Shailesh J. Mehta (Independent Director) S/o : Jayantilal B. Mehta Address : 401, El-Cerrito Ave., Hillborough, CA 94010, U.S.A. Occupation : Service Term : Liable to retire by rotation	U.S.	57	• Emagia Corp. • Account-Now Corp.

Name, Father's Name, Address, Designation, Occupation and Term	Nationality	Age	Other Directorships
Y.H. Malegam (Independent Director) S/o : Hirji Ardeshir Malegam Address : Goolestan, 2 nd Floor, 37, Cuffe Parade, Mumbai 400 005 Occupation : Professional Term : Liable to retire by rotation	Indian	73	• ABC Bearings Limited • Cabot India Limited • The Clearing Corporation of India Limited • Hindustan Construction Company Limited • National Securities Clearing Corporation Limited • National Stock Exchange of India Limited • Nicholas Piramal India Limited • Tata Coffee Limited • Tata Tea Limited • Indo German Chamber of Commerce-Member of the Committee • Indian Institute of Banking and Finance-Member of the Council • Reserve Bank of India. Member-Central Board and Western Area Local Board • Bharatiya Reserve Bank-Note Mudran Private Limited
Lalita D. Gupte (Independent Director) D/o : Datatraya Sridhar Joshi Address : Mhaskar Building, 153 C Matunga, Sir Bhalchandra Road Mumbai 400 019 Occupation : Service Term : Liable to retire by rotation	Indian	58	• Bharat Forge Limited • ICICI Venture Funds Management Company Limited • Kirloskar Brother Limited

Out of the above Directors, Mr. Charles Miller Smith, Mr. Shailesh Mehta and Mr. Donald W. Layden Jr. have applied for, but not obtained, director identification numbers.

Brief Biographies of our Directors

Dr. Ashok Ganguly, our Chairman has vast experience in managing global businesses. Currently he is also Director (Central Board of Directors) of the Reserve Bank of India. He has been the Chairman of Hindustan Lever Limited and has also served as director on the board of directors of Unilever Plc., its Anglo-Dutch parent and British Airways Plc. Ashok Ganguly has a Ph.D. and a Master of Science from the University of Illinois and a Graduate degree in Chemistry from Mumbai University.

Ananda Mukerji, our Managing Director and Chief Executive Officer has over 22 years experience. He joined us in 2002 at the time the Company was formed as the Managing Director and CEO and has been responsible for spearheading the Company's growth over the years. Besides his experience in the outsourcing industry, he has also had extensive experience in finance and strategy. During his tenure at the erstwhile ICICI Limited, since merged with ICICI Bank Limited, he set up and/or managed a number of new businesses for it, including the infrastructure, structured finance and advisory businesses. He has also had short stints with Enron India Limited and BPL Communications Limited. Ananda Mukerji has a Post Graduate Diploma in Management (PGDM) from the Indian Institute of Management (IIM), Kolkata and a Graduate degree from the Indian Institute of Technology (IIT), Kharagpur.

Shikha Sharma is the Managing Director and CEO of ICICI Prudential Life Insurance Company. ICICI Prudential was amongst the first private sector companies in India to be awarded a life license in December 2000, and since its inception the company has

established itself as India's leading private life insurer, offering a complete range of products to meet the varying needs of the Indian customer. Ms. Sharma completed her Masters of Business Administration from the Indian Institute of Management, Ahmedabad.

She began her career with ICICI, one of India's largest financial services providers, in 1980. She has been instrumental in setting up various group businesses for the company, including investment banking and retail finance.

K.P. Balaraj is a Managing Director with Sequoia Capital India. Sequoia Capital India has been formed with WestBridge Capital Partners which Balaraj co-founded in 2000. Sequoia India is the leading venture and growth capital firm focused on India, and currently manages around US\$750 million of equity capital. The firm has invested in close to 30 companies in India across sectors, including market leaders such as Coffee Day, Bharti Telesoft, Indiatimes, Firstsource, Applabs, Indecomm, MarketRx and the recent buy-out of Flextronics Software. Prior to founding WestBridge Capital Partners, Balaraj was part of the private equity group at Goldman Sachs in Asia. Earlier, Balaraj was an investment banker at Salomon Brothers in New York and a summer fellow at the White House in Washington DC. Balaraj received an MBA from Harvard Business School in Boston, and a BS in Business Management from Brigham Young University in Hawaii, where he graduated as valedictorian of his class.

Dinesh Vaswani is a Managing Director at Temasek Holdings Advisors India Pvt. Ltd. He has over twenty years experience both investing in and operating companies in the U.S. and India. At Bessemer Venture Partners, he established the firm's presence in India and led investments in Motilal Oswal Securities, Sarovar Hotels, Rico Auto and New Vernon Capital. Prior to this, Mr. Vaswani was a General Partner at Walden International in Palo Alto where he co-led the firm's investment in Inquire, a company focused on natural language-based search technology and solutions. Previously, he managed investments for The Chatterjee Group (TCG)/Soros Fund Management in both private and public companies in a wide range of industries. He also served as founding CEO of WordWalla Inc., a California-based developer of embedded software for mobile devices. He was also founding President of Blue Star Infotech's U.S. subsidiary and headed the IT function of Blue Star Limited in India. Dinesh started his career as a Houston-based senior consultant for Andersen Consulting (now Accenture) where he was a member of the firm's Advanced Systems Group and co-founded the Houston office's Microcomputer Practice Group. He is a member of the Young President's Organization (YPO) and is a TIE Charter Member. Dinesh holds an MBA from the Wharton School of Business and a BBA from the University of Texas at Austin.

Donald W. Layden Jr is senior executive vice president and president, international group, of Metavante Corporation, and directs its corporate development activities, including leading the team responsible for mergers and acquisitions and its international business. He reports directly to the chief executive officer and is a member of the company's Executive Committee. He returned to Metavante in 2004 with the company's acquisition of NuEdge Systems, which he had served as president. The NuEdge marketing automation software products are now incorporated within the Metavante Customer Relationship Management solution. Donald W. Layden Jr. has held senior management positions with Fiserv (president, Lending Systems Division), Marshall & Ilsley Corporation (senior vice president and chief executive officer, Trust and Investment Management Group) and at Metavante (senior vice president and chief financial officer). He began his career practicing law as a partner in the Quarles & Brady LLP law firm, where he concentrated his practice in corporate law and mergers and acquisitions. He also serves on the board of one private company FEI Behavioural Health, a crisis management and employee systems provider. He has previously served as director of four other private companies: Oak Creek Pallet Company, Paragon Direct, and ICSOL Malls, a web-based marketing services company, and CardSystems Solutions, a Tucson-based merchant processor. He received his bachelor's degree in economics and political science from Marquette University. Donald W. Layden Jr. received his Juris Doctor with honors from Marquette University Law School.

Charles Miller Smith is a senior advisor to Warburg Pincus International LLC and is the Chairman of Scottish Power Plc. Formerly, he was the Chairman of Imperial Chemical Industries (ICI), where he joined as Chief Executive in 1994. Prior to that, he was a Director at Unilever, where he held financial and general management positions in the U.K., Netherlands and Indian branches. He has also served as a Non-Executive Director of Midland Bank Plc. and HSBC Holdings Plc.

Dr. Shailesh Mehta is president of Granite Hill Capital Ventures LLC, an investment and advisory partnership. Most recently, Dr. Mehta has been a general partner with Invesco funds with over US\$7 billion under management. Dr. Mehta has also served as operating general partner of Sequoia India with over US\$400 million under management). Shailesh was previously Chairman of the board and CEO of Provident Financial Corporation, a company with over US\$30 billion in assets and over 18 million customers. Mehta joined the founding team of First Deposit Corporation, the predecessor company to Provident, in 1986 and

built it from just 80 employees to over 12,000 employees. Providian became a “Fortune 500” company, and was in the S&P 500. Dr. Mehta also served as president and COO of Providian Corporation (only institutional investor of Providian Financial), which was the 10th largest shareholder-owned insurance company in America. Dr. Mehta was Executive Vice President at the Ohio-based Ameritrust Corporation (now Key Corp.) before joining the founding team of Providian Financial. Dr. Mehta has also served as an advisory board member for Arcot Systems, OSI Inc.. Dr. Mehta has received several awards for excellence in leadership as an individual and as a community leader.

Y. H. Malegam is a Chartered Accountant, in India and in England and Wales, and the Senior Partner of S.B. Billiamoria & Co., Chartered Accountants and Co-Chairman of Deloitte Haskins & Sells, Chartered Accountants. He has also been a President of the Institute of Chartered Accountants of India. He has been a member of several major committees in the financial sector appointed in recent times including:

- The Narasimhan Committee for reforms in the financial sector
- The Janakiraman Committee to enquire into the securities transactions of banks
- The Dr. Dave Committee on Private Sector Mutual Funds
- The Dr. Shah Committee on Non-Banking Finance Companies
- The Madhav Rao Committee on Urban Co-operative Banks

He was Chairman of the erstwhile Malegam Committee appointed by SEBI to review disclosure requirements in offer documents. He was also a member of the study group appointed by SEBI on accounting policies, net asset values and pricing of mutual funds and a member of the Kumar Mangalam Birla Committee appointed by SEBI on corporate governance. He is currently the Chairman of SEBI’s Committee on Disclosures and Accounting Standards (SCODA). He is also a member of the Central Board of the Reserve Bank of India and the Chairman of its local board for the Western Region. He is also a director of the National Stock Exchange and of several large public limited companies.

Lalita D. Gupte, retired recently as Joint Managing Director and Member of the Board of ICICI Bank, India’s largest private sector bank. Mrs. Lalita D. Gupte was responsible for setting up the International business of ICICI/ICICI Bank since 2001. She has recently taken over as non-executive Chairperson of ICICI Venture Funds Management Company Ltd. Mrs. Gupte has more than three decades of experience in the financial sector, beginning her career with the erstwhile ICICI Limited in 1971 in the project appraisal division. Since then she has held various leadership positions in areas of Leasing, Planning and Resources, Retail and Corporate Banking. As Director in charge of strategy and COO in the erstwhile ICICI, she was responsible for diversification of ICICI Bank into retail. She also was responsible for the Group diversifying into Insurance and other areas and negotiated several joint venture agreements for the Group over the years. Mrs. Gupte has won several awards in recognition of her work in the financial sector. She has also been on several committees constituted by Government and regularly addresses seminars. She has been on the Board of Governors of IIT, Mumbai and is presently Member of the Board of Management of Narsee Monjee Institute of Management Studies. She has been on several Boards as Non Executive Director. Mrs. Gupte holds a Bachelor’s Degree in Economics and a Masters degree in Business Management.

Borrowing Powers of The Board

Our Articles, subject to the provisions of the Act authorise our Board, to raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. Our shareholders have, pursuant to a resolution passed at the AGM dated May 27, 2003 authorised our Board to borrow monies together with monies already borrowed by us, not exceeding the higher of the aggregate of the paid up capital of our Company and its free reserves or Rs. 7,500 million at any time.

Corporate Governance

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

Currently our Board has ten Directors, of which the Chairman of the Board is a non-executive Independent Director, and in compliance with the requirements of Clause 49 of the Listing Agreement, we have one executive Director, eight non-executive Director and four independent Directors on our Board.

Audit Committee

The purpose of the audit committee is to ensure the objectivity, credibility and correctness of the Company's financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters. The audit committee consists of the following:

- Y. H. Malegam (Chairman);
- Charles Miller Smith;
- Dinesh Vaswani; and
- Shailesh Mehta.

The terms of reference of the audit committee are as follows:

- Overseeing 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 management the annual financial statements before submissions to the Board, focusing primarily on changes in accounting policies and practices, compliance with listing and other legal requirements relating to financial statements;
- 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, 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;
- Discussions 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;
- Reviewing the Company's financial and risk management policies;
- Looking 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;
- Reviewing the functioning of the Whistle Blower mechanism, in case the same is existing;
- Discussing with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the quarterly, half-yearly and annual financial statements before submissions to the Board; and
- Ensuring compliance of internal control systems.

Compensation & Board Governance Committee

This committee is responsible for determining the stock option grant to employees, bonus and remuneration to the managing director and the CEO. This committee consists of:

- Dr. Ashok Ganguly (Chairman);

- K. P. Balaraj;
- Charles Miller Smith; and
- Dinesh Vaswani.

Investor Grievance Committee

This committee is responsible for the redressal of shareholder grievances. This committee consists of:

- Dr. Ashok Ganguly (Chairman);
- Charles Miller Smith; and
- Y. H. Malegam.

The terms of reference of the Investor Grievance Committee are as follows:

- Investor relations and redressal of shareholders grievances in general and relating to non receipt of dividends, interest, non-receipt of balance sheet etc in particular.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

Equity Shares and Employee Stock Options held by Our Directors in the Company

Name of Director/ Key Managerial Personnel	No. of options granted under ESOP 2002	No. of options vested under ESOP 2002	No. of options outstanding under ESOP 2002 (inc. unvested)	No. of options granted under ESOP 2003	No. of options vested under ESOP 2003	No. of options outstanding under ESOP 2003 (inc. unvested)	No. of Equity Shares held*
Ananda Mukerji	400,000	400,000	400,000	4,655,500	1,991,623	4,655,500	Nil
Charles Miller Smith	Nil	Nil	Nil	495,000	153,125	495,000	Nil
Ashok Ganguly	Nil	Nil	Nil	1,090,000	306,250	1,090,000	Nil
Shailesh Mehta	Nil	Nil	Nil	250,000	Nil	250,000	245,000
Y. H. Malegam	Nil	Nil	Nil	250,000	Nil	250,000	Nil

** includes Equity Shares acquired other than by way of stock options*

Interests of Directors

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

Our Directors may also be regarded as interested in the Equity Shares and the employee stock options, if any, held by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees or promoters, pursuant to this Issue. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Our Nominee Directors may be interested in the Company to the extent of representing the interests of the nominating shareholders in the Company.

Except as stated in the section titled “Related Party Transactions” on page 128 of this Red Herring Prospectus, and to the extent of shareholding in our Company, our Directors do not have any other interest in our business.

Our Directors have no interest in any property acquired by our Company within the two years prior to the date of this Red Herring Prospectus.

Remuneration of Our Managing Director

Mr. Ananda Mukerji was appointed as our Managing Director with effect from April 17, 2002 pursuant to Section 269 and other applicable provisions of the Companies Act and Article 152(a) of our Articles for a period of five years. The same was approved by our shareholders at the Annual General Meeting held on June 19, 2002. The terms and conditions of his remuneration for the period of one year from April 1, 2006 to March 31, 2007 are as follows:

For the period April 2006 to June 2006

- Basic salary of Rs. 280,000 per month
- Flexible benefit plan of Rs. 307,831 per month
- Retirals of Rs. 47,040 per month

For the period July 2006 to March 2007

- Basic salary of Rs. 300,000 per month
- Flexible benefit plan of Rs. 360,656 per month
- Retirals of Rs. 50,400 per month

He is also entitled to the following:

- Company's furnished accommodation, gas, electricity, water and furnishings (hard/soft) (up to Rs. 500,000 per annum).
- Club fees, personal insurance, use of Company car and telephone at residence or reimbursement of expenses in lieu thereof.
- Medical reimbursement, leave and leave travel concession, education benefits, provident fund, superannuation fund, gratuity and other retirement benefits, in accordance with the schemes and rules applicable to the members of the staff from time to time, for the aforesaid benefits.
- Bonus of an amount in the range of Rs. 2,445,786 to Rs. 5,080,614 for the year based on achievement of such performance parameters as may be laid down by the Board or Compensation cum Board Governance Committee thereof.

These terms and conditions were approved by the Compensation cum Board Governance Committee at their meeting held on April 27, 2006 and by our shareholders at the Annual General Meeting held on July 27, 2006. The terms and conditions are subject to the approval of the Central Government, if required.

Mr. Ananda Mukerji has been reappointed as our Managing Director and CEO for a further term of five years from April 17, 2007 to April 16, 2012, pursuant to Section 269 and other applicable provisions of the Companies Act, 1956.

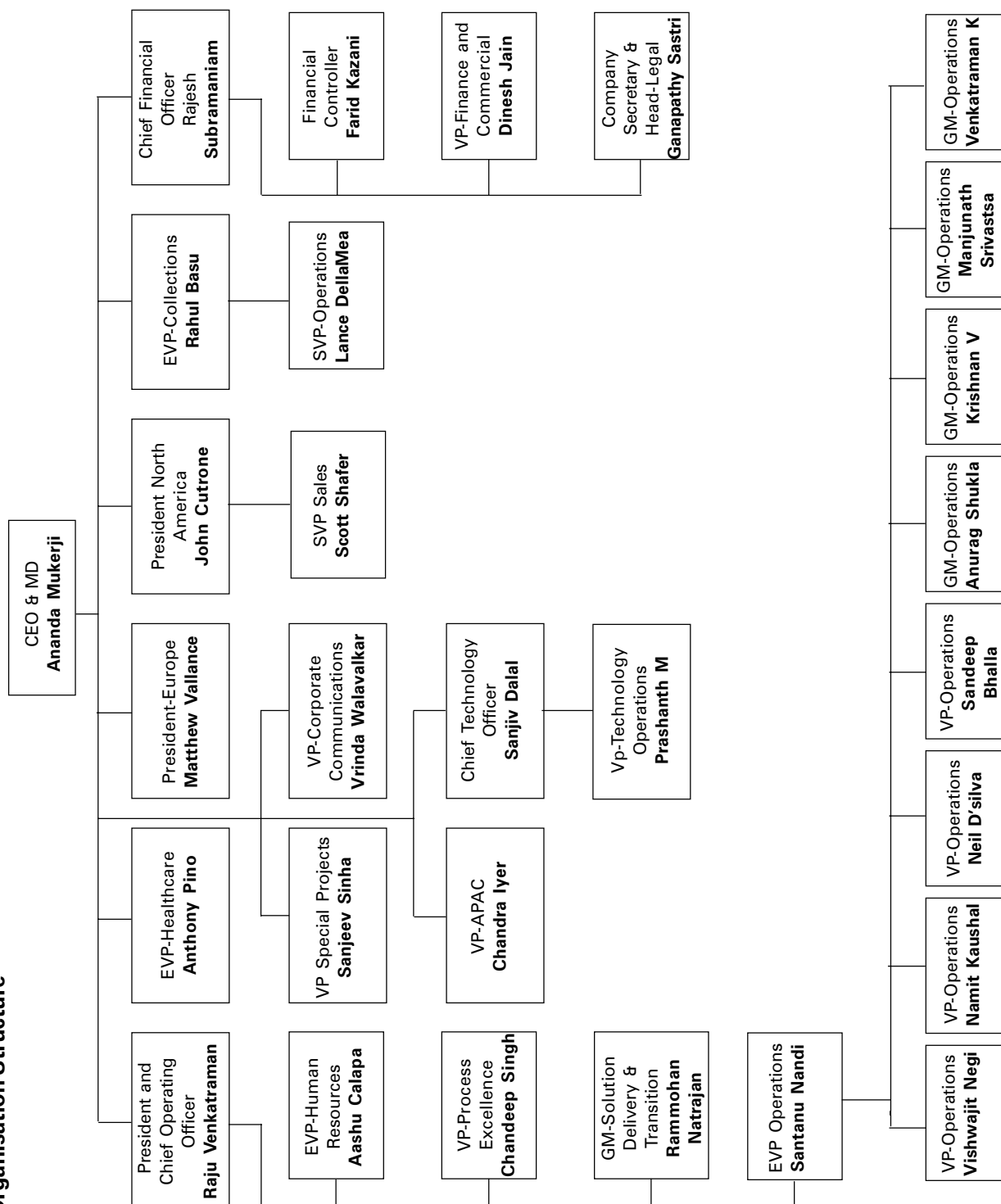
In the past we were required to obtain Central Government approval under Section 310 of the Companies Act, 1956 for the payment of remuneration to Ananda Mukerji. We may require approval for the same during this fiscal year.

Changes in our Board of Directors during the Last Three Years

Name	Date	Reason for change
Ravindran Krishnaswamy	August 12, 2004	Appointment
Ravindran Krishnaswamy	January 21, 2005	Resignation
Shailesh Mehta	January 21, 2005	Appointment
Akash Prakash	January 21, 2005	Appointment
Balaji Swaminathan	December 19, 2005	Resignation
Madhabi Puri Buch	December 19, 2005	Appointment
Dinesh Vaswani	April 27, 2006	Appointment

Name	Date	Reason for change
Donald W. Layden Jr.	April 20, 2006	Appointment
Akash Prakash	April 27, 2006	Resignation
Y.H. Malegam	July 27, 2006	Appointment
Madhabi Puri Buch	November 20, 2006	Resignation
Lalita D. Gupte	December 19, 2006	Appointment

Organisation Structure



Key Managerial Personnel

Key Managerial Personnel in our Company

For details of Ananda Mukerji, please see the section titled “Brief Biographies of our Directors” on page 95 of this Red Herring Prospectus.

Raju Venkatraman, President and Chief Operating Officer, has over 20 years of experience in the field of technology outsourcing. He began his career at EDS where he spearheaded the applications outsourcing business (now called BPO) in a variety of verticals including Healthcare, Manufacturing and Federal Government. In 1991, he launched Vetri Systems, an offshore outsourcing company. Scaling his original company to nearly 4,000 employees/contractors, he sold it to Lason, Incorporated in 1998. He served as the President of Data Management Services at Lason and was responsible for more than 7,500 employees and US\$85 million in revenue. In early 2002, he set up RevIT, a Chennai based BPO in the Healthcare and Print & Publishing space that was acquired by us. Raju Venkatraman was named amongst the “top 75 Indian Entrepreneurs in America” for the Year 2000 by ‘Business India’ magazine. Raju Venkatraman has an Executive MBA from the Indian Institute of Management (IIM), Ahmedabad and a Graduate degree in Chemical Engineering from the Indian Institute of Technology (IIT), Chennai. The gross annual compensation paid to him in the last fiscal year was Rs. 10 million.

Rajesh Subramaniam, Chief Financial Officer, has 12 years of experience in mergers and acquisitions, long-term funding, structuring and alliances. Prior to joining us, he was the Vice President of Investments at GIV, a US\$140 million venture capital fund based out of Northern Virginia. He was based out of Bangalore and then Santa Clara. Prior to GIV, he was with Ernst & Young and KPMG where he was in the Lead Advisory Division, handling mergers and acquisitions and corporate finance. Rajesh started his career as an investment analyst with the Pioneer ITI Mutual Fund (subsequently acquired by Franklin Templeton). Rajesh Subramaniam has an MBA from the Richmond College, London and a Graduate degree in Commerce in Accounting and Economics from Madras University. The gross annual compensation paid to him in the last fiscal year was Rs. 4.52 million.

Sanjiv Dalal, Chief Technology Officer, has over 20 years of experience in the areas of technology, customised technology solutions and IT infrastructure. He founded and served as CEO of Zyfax, a CRM software company headquartered in Mumbai, which developed Customer Leverage, the software solution on which Firstsource Solutions Limited offers its customer management services. His previous work experience includes Telecom Consulting and a stint with the Civil Services. Sanjiv Dalal has a Graduate degree from the Indian Institute of Technology (IIT), Mumbai. The gross annual compensation paid to him in the last fiscal year was Rs. 6.98 million.

Rahul Basu, Executive Vice President, Collections, has over 16 years of experience in corporate finance & strategy, mergers and acquisitions and infrastructure project finance. He worked with ICICI Limited for over eight years in the treasury, borrowing and corporate strategy development as well as in financing infrastructure projects. He spent four years in Enron India where he was responsible for Finance and M&A and was the CEO of Broadband Solutions Private Limited, Enron India’s data centre subsidiary. Rahul Basu has a Post Graduate Diploma in Management (PGDM) from the Indian Institute of Management (IIM), Ahmedabad and a Graduate degree in Arts (Honours) in Economics from Shriram College of Commerce, Delhi University. The gross annual compensation paid to him in the last fiscal year was Rs. 5.62 million.

Santanu Nandi, Executive Vice President, Operations, has over 16 years of experience in various industries which, besides the Contact Centre and BPO ranging includes consumer finance, engineering and IT. He has been associated with the Contact Centre industry right from its inception and has worked with global leaders like Accenture, Convergys, GE Capital and Godrej & Boyce, leading projects for clients in the U.K., U.S.A., Australia and India. He started the Customer Contact Centre in Accenture and was responsible for growing the business. Prior to joining Accenture, he led the operations team at Convergys and was responsible for setting up Service Management for Convergys in India. He also led Business Transition and Operations for the Contact Centre of GE Capital International Service in India. Santanu Nandi has a Post Graduate Diploma in Management (PGDM) from the Indian Institute of Management (IIM), Lucknow and a Graduate degree in Mechanical Engineering from SGSITS, Indore. The gross annual compensation paid to him in the last fiscal year was Rs. 1.50 million.

Aashu Calapa, Executive Vice President, Human Resources has over 17 years of experience in Human Resources function. Prior to this, he worked with Wipro Infotech, one of India’s leading IT companies, heading the Human Resources activities. Aashu Calapa holds a Master’s degree in Personnel Management & Industrial Relations from the Tata Institute of Social Sciences (TISS). The gross annual compensation paid to him in the last fiscal year was Rs. 4.20 million.

Sanjeev Sinha, Business Transformation Officer has over 15 years of experience in diverse fields such as teaching, IT and business consulting, production and marketing. Prior to joining us, he worked for Sony Electronics, BISIL, IBM Global Services and i2 Technologies in the US, and for Castrol and Tata Steel in India. Sanjeev Sinha has a PhD in Business Administration from the University of Illinois at Urbana-Champaign, a Post Graduate Diploma in Management (PGDM) from the Indian Institute of Management (IIM), Ahmedabad and a Graduate degree in Mechanical Engineering from Birla Institute of Technology, Ranchi. The gross annual compensation paid to him in the last fiscal year was Rs. 5.20 million.

All our Key Managerial Personnel disclosed above are permanent employees of the Issuer and none of our Directors and our Key Managerial Personnel are related to each other.

Key Managerial Personnel of our Subsidiaries

Matthew Vallance, Managing Director, Europe, has 15 years of experience in the sales and marketing of technology products and services in the U.K., mainland Europe and Asia. Matthew joined us in May 2000 at the inception. He has built an experienced team in the U.K. who engage with clients from conceptualisation through to the delivery of their offshore strategy. Prior to joining us, he set up and ran InCode, a consulting business helping U.K. companies outsource IT services to India. Before forming InCode, Matthew Vallance was head of the Indian subsidiary of Text 100 Plc, a FTSE-listed global technology PR consultancy. Companies including Microsoft, British Telecom and Compaq retained Text 100 India. Matthew Vallance holds a Diploma in Marketing from the Chartered Institute of Marketing and a Bachelor of Arts (Honours) degree in European Business Studies from the Buckinghamshire Business School. The gross annual compensation paid to him in the last fiscal year was GBP 238,000.

Anthony J. Pino holds the position of President and Chief Executive Officer of MPP. Prior to joining MPP in January 2003, Mr. Pino held Executive level positions with The Ceres Group, Pioneer Financial Services, National Health Services and the American Postal Worker's Union Health Plan and brings over 35 years experience in the healthcare industry. He also held Supervisory, Manager and Director level positions at the Washington D.C., Maryland and New York City Blue Cross Blue Shield Plans. In these positions, Mr. Pino has successfully directed and/or provided oversight for the complete spectrum of health insurance, managed care and utilization review functions. Mr. Pino holds a Bachelor of Science degree from Indiana University of Pennsylvania.

John Cutrone has had a successful career of two decades of executive management, which is backed by a track record of identifying, closing and managing BPO deals at a senior CXO level. John joins Firstsource from IBM where his last assignment was as a Partner within the Business Technology Outsourcing (BTO) practice at IBM where he lead the telecom industry Americas outsourcing practice (which included Canada, Latin America, South America and the U.S.). His earlier assignments in IBM included leading "Key Pursuits", the group that targets mega deals within the IBM organisation, and being the BTO leader for the Industrial sector. John joined IBM as part of the acquisition of PwC Consulting, where he was the North American leader for BPO business development. John has also worked with Brother International Corporation, Smith Corona Corporation and Intellisource Group where he was a senior executive and a corporate officer. As an entrepreneur he founded Vertical Marketing Corporation, a company that advised Asian companies of the best approach to launch their products, marketing and sales initiatives in the U.S. market.

Shareholding of the Key Managerial Personnel

Other than as disclosed in the section titled "Options granted to our Directors and our Key Managerial Personnel" on page 30 of this Red Herring Prospectus, none of the Key Managerial Personnel hold Equity Shares or employee stock options in our Company.

Bonus or profit sharing plan of the Key Managerial Personnel

The Company has one management incentive plan. For fiscal 2007, it is proposed to link the management incentive plan to the profit after tax achieved by the Company. For fiscal 2007, normal increments to the total compensation of senior executives would not be guaranteed. A graded percent of the profit after tax, beyond pre-identified threshold would accrue to a management incentive plan pool to be distributed to executive management. The structure proposed is as follows:

Percentage of target profit after tax achieved	Profit after Tax	Percentage of profit after tax to be added to Management Incentive Plan Pool
90% of target profit after tax	Rs. 596.16 million	Nil
100% of target profit after tax (after providing for the management incentive plan)	Rs. 662.4 million	28% of the difference between actual profit after tax and Rs. 596.16 million
Target profit after tax + Rs. 88.5 million	Rs. 750.9 million	25% of the difference between actual profit after tax and Rs. 662.4 million
Target profit after tax + Rs. 177.0 million	Rs. 839.4 million	30% of the difference between Rs. 839.4 million and Rs. 750.9 million
> Target profit after tax + Rs. 177.0 million		30% of the difference between Rs. 839.4 million and actual profit after tax

Interests of Key Managerial Personnel

The Key Managerial Personnel do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of Equity Shares and employee stock options held by them in the Company, except for consideration payable to Raju Venkatraman as a part of his total earn out consideration of Rs. 124,880,009 pursuant to the share purchase agreement dated March 25, 2005, which was subsequently amended on September 2, 2005 with the promoters, promoter affiliates, employees and the other shareholders of RevIT for the purpose of transferring shares of RevIT to the Company.

None of our Key Managerial Personnel have been paid any consideration of any nature from our Company, other than their remuneration.

Changes in the Key Managerial Personnel

The changes in the Key Managerial Personnel in the last three years are as follows:

Name	Date	Reason for change
Raju Bhatnagar	July 15, 2005	Resignation
Ayan Chatterjee	June 26, 2006	Resignation
Raju Venkatraman	August 1, 2005	Appointed
Santanu Nandi	January 5, 2006	Appointed
Anthony J. Pino	December 31, 2006	Appointed
John Cutrone	January 1, 2007	Appointed

OUR PROMOTERS

The Company's promoters are ICICI Bank and a private equity fund, ICICI Strategic Investments Fund ("SIF") (together the "Promoters"). SIF acts through its trustee, Western India Trustee and Executor Company Limited, which is the legal owner of the Equity Shares held by SIF. SIF is managed by ICICI Venture Funds Management Company Limited.

ICICI Bank

Introduction

ICICI Bank was incorporated in India in 1994 as a wholly owned subsidiary of the erstwhile ICICI Limited, which merged with ICICI Bank with effect from May 3, 2002. ICICI Bank is the second-largest bank in India and the largest bank in the private sector in terms of total assets. Together with its subsidiaries, it offers products and services in the areas of commercial banking to retail and corporate customers (both domestic and international), investment banking, life and general insurance and asset management. ICICI Bank's commercial banking products and services for retail customers consist of retail lending and deposits, private banking, distribution of third party investment products and other fee-based products and services, as well as issuance of unsecured redeemable bonds. ICICI Bank provides a range of commercial banking and project finance products and services to India's leading corporations, growth-oriented middle market companies and small and medium enterprises, including loan products, fee and commission-based products and services, deposits and foreign exchange and derivatives products. It also offers agricultural and rural banking products. ICICI Bank offers investment banking services through its subsidiary, ICICI Securities Limited, including corporate advisory services, primary dealership in government securities and equity underwriting and brokerage. In addition, it also provide venture capital funding to start-up companies and private equity to a range of companies through its venture capital and private equity fund management subsidiary, ICICI Venture Funds Management Company Limited. ICICI Bank provides a wide range of life and general insurance and asset management products and services, respectively, through its subsidiaries ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited and Prudential ICICI Asset Management Limited.

The equity shares of ICICI Bank are listed on Bombay Stock Exchange Limited, Mumbai, National Stock Exchange of India Limited and American Depositary Receipts are listed on the New York Stock Exchange.

The details of PAN and bank account number, the registration number and the address of the Registrar of Companies where ICICI Bank is registered will be submitted to the BSE and the NSE at the time of filing the Red Herring Prospectus with them.

ICICI Bank's shareholding pattern

The equity shareholding pattern of ICICI Bank as on January 6, 2007 is set forth below:

Name	Percentage of shares owned
Government Financial Institutions	12.37
Public Sector Banks and Government Companies	0.15
NRIs/OCBs/FIIs and Foreign Banks	45.16
American Depositary Receipts	26.68
Mutual Funds	4.76
Bodies Corporate	5.03
Other Banks	0.00
Indian Public	5.85
TOTAL	100.00

ICICI Bank's board

The board of directors of ICICI Bank as of January 6, 2006 is as follows:

- Mr. Narayanan Vaghul (Chairman);
- Mr. Sridhar Iyengar;
- Mr. Ram Kishore Joshi;
- Mr. Lakshmi Niwas Mittal;
- Mr. Narendra Murkumbi;
- Mr. Anupam Pradip Puri;
- Mr. Vinod Rai;
- Mr. Mahendra Kumar Sharma;
- Mr. Priya Mohan Sinha;
- Prof. Marti Gurunath Subrahmanyam;
- Mr. T. S. Vijayan;
- Mr. V. Prem Watsa;
- Mr. K. V. Kamath (Managing Director and CEO);
- Ms. Kalpana Morparia (Joint Managing Director);
- Ms. Chanda D. Kochhar (Deputy Managing Director);
- Dr. Nachiket Mor (Deputy Managing Director); and
- Mr. V. Vaidyanathan (Executive Director).

Financial performance

The following sets forth the summary audited unconsolidated financial data of ICICI Bank in accordance with Indian GAAP:

(Rs. in Billion, except per share data)

	Fiscal 2004	Fiscal 2005	Fiscal 2006	Six months ended September 30, 2006
Total income	123.74	131.95	192.89	133.56
Profit after tax	16.37	20.05	25.40	13.75
Equity capital	6.16	7.37	8.90	8.93
Reserves and surplus	73.94	118.13	213.16	226.57
Earnings per share (Rs.)	26.66	27.55	32.49	30.76
Book value per share/NAV (Rs.)	127.27	168.63	248.56	262.97

SIF

Introduction

SIF has been established as a Trust under the Indian Trusts Act, 1882 by an indenture of trust dated February 1, 2003 ("Trust Deed") for a period of eight years from the date of its settlement. SIF is the only fund set up under the trust, the Trust Deed of which has been registered with the Sub-registrar of Assurances at Bangalore on February 23, 2003. The settlor of this trust was ICICI Venture Funds Management Company Limited. The Western India Trustee and Executor Company Limited is the trustee

of SIF and its investment manager is ICICI Venture Funds Management Company Limited. SIF is not registered with SEBI as a venture capital fund. It is a broad-based India centric private investment fund with commitments of Rs. 7,050 million, the key activity of which is to invest in mid-sized growth companies for funding capacity expansion and growth.

ICICI Bank also owns the entire or majority of the units and/or has made entire or majority of the contributions in certain trust funds, private equity funds and venture capital funds, namely, ICICI Property Trust, ICICI Eco-net Internet & Technology Fund, ICICI Emerging Sectors Fund, ICICI Strategic Investments Fund and ICICI Equity Fund. Accordingly, currently ICICI Bank is the beneficiary of SIF. Such trust funds, private equity funds and venture capital funds and/or their investee companies are not subsidiaries of ICICI Bank under the Companies Act or group companies under the SEBI Guidelines. Under the accounting standards, these trust funds, private equity funds and venture capital funds are treated as associates.

SIF has made investments in certain other companies. All of these companies are professionally managed companies under the supervision of their respective board of directors. These companies are not SIF's related parties for accounting purposes under Indian GAAP and SIF exercises no control over these companies other than to the extent of SIF's shareholding, if any, in such companies. Separately, there may be independent commercial transactions in the ordinary course of business between one or more of the aforesaid companies and SIF. SIF's primary investment is in 3i Infotech Limited. 3i Infotech Limited issued 20,000,000 Equity shares by way of a public issue in March, 2005. SIF consented to being named as a promoter of 3i Infotech Limited (along with ICICI Bank).

SIF currently holds 9,300,000 Equity Shares in the Company. As a result of the Offer for Sale, SIF's post-Issue shareholding in our Company will be reduced to nil.

The details of PAN and bank account number, will be submitted to the BSE and the NSE at the time of filing of the Red Herring Prospectus with them.

Financial performance

The following table sets forth the summary audited financial data in accordance with Indian GAAP:

(Rs. In Million except per share data)

	Fiscal 2004	Fiscal 2005	Fiscal 2006	Six months ended September 30, 2006
Total income	48.70	55.07	100.77	66.02
Profit after tax	NIL	NIL	26.19	25.74
Equity capital/Unit capital	6,140.00	6,140.00	6,190.00	6,190.00
Reserves and surplus	(17.81)	(31.99)	(5.80)	19.94
Earnings per share (Rs.)	(0.29)	(0.23)	0.42	0.42
Book value per share/NAV (Rs.)	99.71	100.94	127.08	119.74

Interest in Promotion of Our Company

Our Company was incorporated as "ICICI Infotech Upstream Limited" on December 6, 2001. We have been promoted by ICICI Bank SIF. SIF acts through its trustee, Western India Trustee and Executor Company Limited, which is the legal owner of the Equity Shares held by SIF. The substantial majority of our issued share capital is currently beneficially owned by ICICI Bank and SIF. Immediately following the consummation of this Issue, but assuming no other changes in shareholding, our Promoters will beneficially own 106,149,599 Equity Shares (or 25.50 %) of our issued share capital.

Payments of Benefits to our Promoters during the Last Two Years

Except as stated in the section entitled "Related Party Transactions" beginning on page 128 of this Red Herring Prospectus, there has been no payment of benefits to our Promoters during the last two years from the date of filing this Red Herring Prospectus

Subsidiaries of ICICI Bank

ICICI Bank has 16 subsidiaries - ICICI Securities Limited, ICICI Brokerage Services Limited, ICICI Securities Holdings Inc, ICICI Securities Inc, ICICI Prudential Life Insurance Company Limited, ICICI Lombard General Insurance Company Limited, ICICI Venture Funds Management Company Limited, ICICI Home Finance Company Limited, ICICI Bank U.K. Limited, ICICI Bank Canada, ICICI Bank Eurasia Limited Liability Company, ICICI International Limited, ICICI Trusteeship Services Limited, ICICI Investment Management Company Limited, Prudential ICICI Asset Management Company Limited and Prudential ICICI Trust Limited. In addition, ICICI Bank is sponsor or co-sponsor of Prudential ICICI Mutual Fund, the asset management company of which is Prudential ICICI Asset Management Company Limited and the trustee of which is Prudential ICICI Trust Limited, and ICICI Securities Fund, the asset management company of which is ICICI Investment Management Company Limited and the trustee of which is ICICI Trusteeship Services Limited. None of ICICI Bank's subsidiaries have any shares listed on any stock exchange.

ICICI Bank also owns the entire or majority of the units and/or has made entire or majority of the contributions in certain trust funds, private equity funds and venture capital funds, namely, ICICI Property Trust, ICICI Eco-net Internet & Technology Fund, ICICI Emerging Sectors Fund, ICICI Strategic Investments Fund and ICICI Equity Fund. Such trust funds, private equity funds and venture capital funds and/or their investee companies are not subsidiaries of ICICI Bank under the Companies Act or group companies under the SEBI Guidelines. Under the accounting standards, these trust funds, private equity funds and venture capital funds are treated as associates.

ICICI (which subsequently, along with two of its subsidiaries merged into ICICI Bank) held equity holdings in certain companies (namely Firstsource Solutions Limited, 3i Infotech Limited, ICICI KINFRA Limited, ICICI Webtrade Limited, ICICI West Bengal Infrastructure Development Corporation Limited and ICICI Knowledge Park) and due to the role of ICICI in their establishment and also pursuant to trademark license agreements between ICICI and such companies, such companies (and their subsidiaries, if any) are permitted in terms of such agreements to use "ICICI" in their name. 3i Infotech Limited listed its equity shares on the NSE and the BSE on April 23, 2005 after making an initial public offering of shares. Pursuant to a request by 3i Infotech Limited, ICICI Bank agreed to be named as one of its promoters in its prospectus filed with SEBI for the initial public offering of its equity shares. As a result of the same, 3i Infotech Limited is a group company within the meaning of the SEBI guidelines. ICICI Knowledge Park was established with the object of providing world class infrastructure to corporates for conducting research and emerging technology related activities. ICICI KINFRA Limited was established to develop infrastructure projects in Kerala. ICICI West Bengal Infrastructure Development Corporation Limited was established to develop infrastructure projects West Bengal.

Currently, ICICI Bank directly holds equity shares in Firstsource Solutions Limited, 3i Infotech Limited, ICICI Knowledge Park and ICICI Kinfra Limited to the extent of approximately 3.3%, 11.9%, 2.3% and 0.03% respectively and has no direct equity shareholding in ICICI West Bengal Infrastructure Development Corporation Limited. All of these companies are professionally managed companies under the supervision of their respective board of directors. These companies are not ICICI Bank's related parties for accounting purposes under Indian GAAP and ICICI Bank exercises no control over these companies other than to the extent of ICICI Bank's shareholding, if any, in such companies or in terms of the trademark licensing agreements entered into with them. Separately, there may be independent commercial transactions in the ordinary course of business between one or more of the aforesaid companies and ICICI Bank. ICICI Bank's rights under the trademark licensing agreements allows ICICI Bank to terminate the use of 'ICICI' if its holding falls below such levels as it determines and/or upon serving of notice of a certain period.

The audited interim accounts of ICICI Securities Limited, ICICI Brokerage Services Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Lombard General Insurance Company Limited, ICICI Home Finance Company Limited, ICICI Bank U.K. Limited, ICICI Bank Canada, ICICI International Limited, ICICI Trusteeship Services Limited, ICICI Investment Management Company Limited, ICICI Bank Eurasia Limited Liability Company, Prudential ICICI Trust Limited, 3i Infotech Limited are not available. This is because these companies follow the fiscal year for financial reporting and do not have audited interim accounts.

ICICI Securities Limited

Introduction

ICICI Securities Limited (formerly ICICI Securities and Finance Company Limited) ("ICICI Securities") was set up on February 22, 1993. ICICI Securities has three main business lines - corporate advisory and mergers and acquisitions, fixed income and equities. ICICI Securities is a merchant banker, underwriter and portfolio manager registered with the SEBI. ICICI Securities has an equity research team, which identifies investment opportunities and provides investment advice to clients. ICICI Securities is registered with the Reserve Bank of India as a Primary Dealer in Government of India securities. It is actively involved in money market operations, and trading in debt securities.

ICICI Securities's shareholding pattern

ICICI Securities's shareholding pattern as on January 9, 2007 was as follows:

Name	Percentage of shares held
ICICI Bank and its nominees	99.95
Others	0.05
TOTAL	100.00

ICICI Securities's board

ICICI Securities's board of directors as on January 9, 2007 was as follows:

- Mr. K. V. Kamath (Chairman);
- Mr. Uday Chitale;
- Ms. Kalpana Morparia;
- Dr. Nachiket Mor; and
- Mr. S. Mukherji (Managing Director & CEO).

Financial performance

A summary of the standalone financial performance of ICICI Securities is as follows:

(Rs. In Million except for share data)

	Fiscal 2004	Fiscal 2005	Fiscal 2006
Total income	3,211.5	1,823.3	4,059.4
Expenditure	1,309.2	978.7	1,918.8
Profit before tax	1,902.3	844.6	2,140.6
Profit after tax	1,439.0	564.0	1,476.8
Share capital	2,030.0	2,030.0	1,658.8
Reserves*	1,895.0	2,160.5	2,448.8
Face value per share (Rs.)	10.0	10.0	10.0
Earnings per share (Rs.)	7.1	2.8	8.0
Book value per share (Rs.)	19.3	20.6	24.8

* Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

ICICI Brokerage Services Limited

Introduction

ICICI Brokerage Services Limited ("ICICI Brokerage") was incorporated on March 9, 1995. It is a member of the NSE and BSE. ICICI Brokerage provides broking services primarily to institutional investor clients. With effect from October 1, 2006, ICICI Webtrade Limited has merged with ICICI Brokerage Services Limited. ICICI Web Trade Limited is registered with SEBI as a stock broker and portfolio manager and is a member of BSE on the equity segment, as a member of NSE on the equity and derivatives segments and as a dealer of the Over the Counter Exchange (OTCEI).

ICICI Brokerage's shareholding pattern

Following the merger, ICICI Securities Limited holds 54.55% of the equity share capital of ICICI Brokerage and ICICI Trusteeship holds 45.45%.

ICICI Brokerage's board

ICICI Brokerage's board of directors as on January 9, 2006 is as follows:

- Mr. S. Mukherji (Chairman);
- Mr. Uday Chitale;
- Mr. Nitin Jain;
- Mr. Devesh Kumar;
- Mr. Paresh Shah;
- Mr. Anup Bagchi;
- Mr. Subir Saha; and
- Mr. Anil Kaul.

Financial performance

A summary of the financial performance of ICICI Brokerage is as follows:

(Rs. In Million except for share data)

	Fiscal 2004	Fiscal 2005	Fiscal 2006
Income	376.0	468.6	712.7
Expenditure	77.3	331.0	387.5
Profit before tax	298.7	137.6	325.2
Profit after tax	190.8	84.4	210.9
Share capital	45.0	45.0	45.0
Reserves Surplus*	334.8	419.2	440.3
Earnings per share	42.4	18.8	46.9
Face value per share (Rs.)	10.0	10.0	10.0
Book value per share (Rs.)	84.4	103.2	107.8

* Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

ICICI Securities Holdings Inc.

Introduction

ICICI Securities Holdings Inc. was incorporated in the United States on June 12, 2000. ICICI Securities Holdings Inc. was

incorporated to render corporate advisory services for cross border transactions.

ICICI Securities Holdings Inc's shareholding pattern

ICICI Securities Holdings Inc. is a wholly-owned subsidiary of ICICI Securities.

ICICI Securities Holdings Inc's board

ICICI Securities Holdings Inc's board of directors as on January 9, 2007 is as follows:

- Mr. P. Gopakumar;
- Mr. Nitin Jain;
- Mr. J. Niranjan; and
- Mr. Subir Saha.

Financial performance

A summary of the financial performance of ICICI Securities Holdings Inc. is as follows:

(Rs. In Million except for share data)

	Fiscal 2004	Fiscal 2005	Fiscal 2006
Total income	26.8	23.1	35.1
Expenditure	26.3	36.4	32.0
Profit before tax	0.5	(13.3)	3.1
Profit after tax	0.5	(13.3)	17.3
Share capital	75.0	75.0	522.3
Reserves*	(8.1)	(21.1)	(3.6)
Earnings per share	0.3	(8.4)	0.6
Face value per share (US\$)	1.0	1.0	1.0
Book value per share (Rs.)	41.8	33.7	44.3

* Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

ICICI Securities Inc.

Introduction

ICICI Securities Inc. was incorporated on June 13, 2000 in the United States to provide brokerage, research and investment banking services to investors who wish to invest in the Indian financial markets. ICICI Securities Inc. is registered with the United States Securities Exchange Commission and is a member of the National Association of Securities Dealers Inc. in the United States. ICICI Securities Inc. is permitted to deal in securities market transactions in the United States and provide research and investment advice to institutional investors based in the United States.

ICICI Securities Inc's shareholding pattern

ICICI Securities Inc. is a wholly-owned subsidiary of ICICI Securities Holdings, Inc.

ICICI Securities Inc's board

ICICI Securities Inc's board of directors as on January 9, 2007 was as follows:

- Mr. P. Gopakumar;
- Mr. Nitin Jain;
- Mr. J. Niranjan; and
- Mr. Subir Saha.

Financial performance

A summary of the financial performance of ICICI Securities Inc. is as follows:

(Rs In Million except share data)

	Fiscal 2004	Fiscal 2005	Fiscal 2006
Total income	35.3	43.7	288.4
Expenditure	19.2	42.6	214.6
Profit before tax	16.1	1.1	73.9
Profit after tax	16.1	1.1	43.5
Share capital	48.3	48.3	491.2
Reserves*	(8.8)	(7.8)	24.3
Earnings per share	15.3	1.0	16.4
Face value per share (US\$)	1.0	1.0	1.0
Book value per share (Rs.)	37.6	38.6	46.7

* Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

ICICI Prudential Life Insurance Company Limited

Introduction

ICICI Prudential Life Insurance Company Limited ("ICICI Prudential Life Insurance") was incorporated on July 20, 2000. ICICI Prudential Life Insurance is registered with the Insurance Regulatory and Development Authority. ICICI Prudential Life Insurance offers a wide range of life insurance and pension products.

ICICI Prudential Life Insurance's shareholding pattern

ICICI Prudential Life Insurance is a 74:26 joint venture between ICICI Bank and Prudential plc of the United Kingdom.

ICICI Prudential Life Insurance's board

ICICI Prudential Life Insurance's board of directors as on January 9, 2007 was as follows:

- Mr. K. V. Kamath (Chairman);
- Ms. Chanda D. Kochhar;
- Ms. Kalpana Morparia;
- Mr. M. P. Modi;
- Mr. R. Narayanan;
- Mr. Huynh Thanh Phong;
- Mr. Barry Stowe;
- Mr. Keki Dadiseth;
- Ms. Shikha Sharma (Managing Director);
- Mr. N. S. Kannan (Executive Director); and
- Mr. Bhargava Dasgupta (Executive Director).

Financial performance

A summary of the financial performance of ICICI Prudential Life Insurance is as follows:

(Rs. In Million except for share data)

	Fiscal 2004	Fiscal 2005	Fiscal 2006	Six months ended September 30, 2006
Total income	10,670.8	24,807.9	56,982.1	31,705.0
Expenditure	12,909.8	27,032.0	59,015.4	33,921.7
Profit /(loss) before tax	(2,239.0)	(2,224.1)	(2,033.3)	(2,216.7)
Profit /(loss) after tax	(2,215.7)	(2,116.2)	(1,878.8)	(2,216.7)
Share capital	6,750.0	9,250.0	11,850.0	12,421.7
Reserves*	(4,740.3)	(6,825.1)	(9,263.5)	(7,155.2)
Earnings per share	(0.4)	(0.3)	(1.8)	(1.8)
Face value per share (Rs.)	10.0	10.0	10.0	10.0
Book value per share (Rs.)	3.0	2.6	2.8	4.2

* Excluding policy holders funds.

ICICI Lombard General Insurance Company Limited

Introduction

ICICI Lombard General Insurance Company Limited ("ICICI Lombard General Insurance") was incorporated on October 30, 2000. ICICI Lombard General Insurance is registered with the Insurance Regulatory and Development Authority. ICICI Lombard General Insurance offers a wide range of general insurance products for both corporate and retail customers.

ICICI Lombard General Insurance's shareholding pattern

ICICI Lombard General Insurance is a 74:26 joint venture between ICICI Bank and Fairfax Financial Holdings Limited of Canada.

ICICI Lombard General Insurance's board

ICICI Lombard General Insurance's board of directors as on December 31, 2007 was as follows:

- Mr. K. V. Kamath (Chairman);
- Ms. Kalpana Morparia;
- Mr. H. N. Sinor;
- Mr. S. Mukherji;
- Mr. James Dowd;
- Mr. Chandran Ratnaswami;
- Mr. Dileep Choksi;
- Mr. R. Athappan;
- Mr. B. V. Bhargava;
- Mr. V. Vaidyanathan; and
- Mr. Sandeep Bakhshi (Managing Director and CEO).

Financial performance

A summary of the financial performance of ICICI Lombard is as follows:

(Rs. In Million except for share data)

	Fiscal 2004	Fiscal 2005	Fiscal 2006
Total income	2,063.3	3,563.1	7,424.0
Expenditure	1,640.9	3,024.4	6,878.7
Profit before tax	422.4	538.7	545.3
Profit/(loss) after tax	317.8	483.5	503.1
Share capital	2,200.0	2,200.0	2,450.0
Reserves*	92.5	360.6	1,717.8
Earnings per share	1.8	2.2	2.3
Face value per share (Rs.)	10.0	10.0	10.0
Book value per share (Rs.)	10.4	11.6	17.0

* Reserves as disclosed above are after deducting miscellaneous expenditure not written off nor adjusted.

ICICI Venture Funds Management Company Limited

Introduction

ICICI Venture Funds Management Company Limited ("ICICI Venture") was incorporated on January 5, 1988. ICICI Venture (formerly TDICI Limited) is a venture capital company and was founded in 1988 as a joint venture between ICICI and The Unit Trust of India. Subsequently, ICICI bought out Unit Trust of India's stake in 1998 and ICICI Venture became a subsidiary of ICICI Limited. ICICI Venture is a private equity/venture capital fund management company.

ICICI Venture's shareholding pattern

Pursuant to the amalgamation of ICICI Limited with ICICI Bank, ICICI Bank holds 100% share capital of ICICI Venture.

ICICI Venture's board

ICICI Venture's board of directors as on January 10, 2007 was as follows:

- Mrs. Lalita D. Gupte (Chairperson);
- Dr. Nachiket Mor;
- Mr. Gopal Srinivasan; and
- Ms. Renuka Ramnath (Managing Director and CEO).

Financial performance

A summary of the financial performance of ICICI Venture is as follows:

(Rs. In Million except for share data)

	Fiscal 2004	Fiscal 2005	Fiscal 2006	Six months ended September 30, 2006
Total income	1,067.6	745.8	1,146.0	788.5
Expenditure	753.7	244.7	399.9	329.0
Profit before tax	313.9	501.1	746.1	459.5
Profit after tax	259.7	324.0	503.0	301.5
Share capital	31.3	23.4	10.0	10.0
Reserves*	381.0	343.1	195.7	200.5
Earnings per share	83.1	113.3	250.4	301.5
Face value per share (Rs.)	10.0	10.0	10.0	10.0
Book value per share (Rs.)	131.7	156.6	205.7	210.5

* Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

ICICI Home Finance Company Limited

Introduction

ICICI Home Finance Company Limited ("ICICI Home Finance") was incorporated on May 28, 1999. ICICI Home Finance is a home finance company registered with NHB and is engaged in marketing, distribution and servicing of home loan products of ICICI Bank.

ICICI Home Finance's shareholding pattern

ICICI Home Finance is a wholly owned subsidiary of ICICI Bank.

ICICI Home Finance's board

ICICI Home Finance's board of directors on January 10, 2007 was as follows:

- Mr. V. Vaidyanathan (Chairman);
- Mr. Ashok Alladi;
- Mr. Jayesh Gandhi; and
- Mr. Rajiv Sabharwal.

Financial performance

A summary of the financial performance of ICICI Home Finance is as follows:

(Rs. In Million except for share data)

	Fiscal 2004	Fiscal 2005	Fiscal 2006
Total income	1,462.9	2,398.8	3,134.7
Expenditure	1,357.6	2,261.2	2,929.3
Profit before tax	105.3	137.6	205.4
Profit after tax	98.5	100.1	122.9
Share capital	1,550.0	1,550.0	2,987.5
Reserves*	244.8	356.1	526.6
Earnings per share	0.6	0.7	0.7
Face value per share (Rs.)	10.0	10.0	10.0
Book value per share (Rs.)	12.1	12.5	11.9

* Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

ICICI Bank U.K. Limited

Introduction

ICICI Bank U.K. Limited ("ICICI Bank U.K.") was incorporated on February 11, 2003. ICICI Bank U.K. is authorised and regulated by the Financial Services Authority in the U.K. ICICI Bank U.K. undertakes both retail and corporate banking activities.

ICICI Bank U.K.'s shareholding pattern

ICICI Bank U.K. Limited is a wholly-owned subsidiary of ICICI Bank.

ICICI Bank U.K.'s board

ICICI Bank U.K.'s board of directors on January 11, 2007 was as follows:

- Mr. K. V. Kamath (Chairman);
- Mr. W. Michael T. Fowle;
- Mr. Richard M. J. Orgill;
- Dr. M. L. Kaul; and
- Mr. Sonjoy Chatterjee (Chief Executive Officer).

Financial performance

A summary of the financial performance of ICICI Bank U.K. is as follows:

(US\$ In Thousands except for share data)

	Period from February 11, 2003 to March 31, 2004	Fiscal 2005	Fiscal 2006
Total income	1,552	22,913	86,960
Expenditure	3,799	20,073	65,665
Profit before tax	(2,247)	2,840	21,295
Profit after tax	(2,247)	2,270	14,525
Share capital	50,000	150,000	185,000
Reserves*	(2,247)	23	10,423
Earnings per share	(3.0)	1.8	4.4
Face value per share (Rs.)	44.0	44.0	44.0
Book value per share (Rs.)	42.0	44.0	47.5

* Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

** During the six months ended September 30, 2006, the board declared a dividend on preference shares amounting to US\$4,125,000.

ICICI Bank Canada

Introduction

ICICI Bank Canada was incorporated on September 12, 2003. ICICI Bank Canada has been authorised by the Office of the Superintendent of Financial Institutions in Canada. In addition, the Canada Deposit Insurance Corporation has admitted ICICI Bank Canada to its membership, giving it the ability to accept retail deposits in Canada.

ICICI Bank Canada's shareholding pattern

ICICI Bank Canada is wholly-owned subsidiary of ICICI Bank.

ICICI Bank Canada's board

ICICI Bank Canada's board of directors on January 1, 2007 was as follows:

- Mr. K. V. Kamath (Chairman);
- Ms. Chanda Kochhar;
- Mr. Sonjoy Chatterjee;
- Mr. Hari Panday;
- Mr. Madan Bhayana;
- Mr. Robert G. Long;
- Senator David P. Smith; and
- Mr. John Thompson.

Financial performance

A summary of the financial performance of ICICI Bank Canada is as follows:

(Rs. In Million except for share data)

	For the period September 12, 2003 to December 31, 2004	For financial ended December 31, 2005
Total income	65.72	652.70
Expenditure	358.38	1,122.04
Profit before tax	(292.66)	(469.34)
Profit after tax	(208.62)	(329.27)
Share capital	917.90	698.62
Retained earnings	(208.62)	(537.89)
Earnings per share	(13.9)	(5.2)
Face value per share (Rs.)	37.5	37.5
Book value per share (Rs.)	47.3	34.0

ICICI International Limited

Introduction

ICICI International Limited (formerly TDICI Investment Management Company) ("ICICI International") was originally incorporated on January 18, 1996 as a wholly-owned subsidiary of ICICI Venture in Mauritius to carry on the business of offshore fund management. Subsequently, ICICI Venture transferred its entire shareholding to ICICI.

ICICI and TCW (Trust Company of the West, U.S.A.) had jointly set up an asset management company named "TCW/ICICI Investment Partners, L.L.C." to pursue investment management opportunities in the private equity business. TCW/ICICI Investment Partners, L.L.C. is domiciled in Mauritius and has a share capital of US\$600,000. Pursuant to the amalgamation, ICICI Bank holds 50.0% of the share capital of TCW/ICICI Investment Partners, L.L.C. through ICICI International. The balance 50.0% of the share capital of TCW/ICICI Investment Partners is held by TCW.

ICICI International's shareholding pattern

Pursuant to the amalgamation, ICICI International has become ICICI Bank's wholly-owned subsidiary.

ICICI International's board

ICICI International's board of directors as on January 9, 2007 was as follows:

- Ms. Renuka Ramnath;
- Mr. Suresh Kumar;
- Mr. Couldip Basanta Lala; and
- Mr. Kapil Dev Joory.

Financial performance

A summary of the past financial performance of ICICI International is as follows:

(US\$ In Thousands except for share data)

		Fiscal 2004	Fiscal 2005	Fiscal 2006
Total income		160.7	106.1	6.6
Expenditure		160.7	106.0	20.3
Profit before tax		-	0.1	(13.7)
Profit after tax		-	0.1	(13.7)
Share capital		400.0	400.0	900.0
Reserves		129.1	129.2	115.5
Earnings per share	-	-	(14.9)	
Face value per share (Rs.)		440.2	440.2	440.2
Book value per share (Rs.)		582.5	582.5	503.3

ICICI Trusteeship Services Limited

Introduction

ICICI Trusteeship Services Limited ("ICICI Trusteeship") was incorporated on April 29, 1999 as a wholly-owned subsidiary of ICICI. The main object of ICICI Trusteeship is to act as trustee of mutual funds, offshore funds, pension funds, provident funds, venture capital funds, insurance funds, collective or private investment schemes, employee welfare or compensation schemes etc., and to devise various schemes for raising funds in any manner in India or abroad and to deploy funds so raised and earn reasonable returns on their investments and to act as trustees generally for any purpose and to acquire, hold, manage, dispose-off all or any securities or money market instruments or property or assets and receivables or financial assets or any other assets or property.

ICICI Trusteeship's shareholding pattern

Consequent to the merger of ICICI with ICICI Bank, the company has become a wholly owned subsidiary of ICICI Bank.

ICICI Trusteeship's board

ICICI Trusteeship's board of directors on January 9, 2007 was as follows:

- Mr. Sanjiv Kerkar (Chairman);
- Mr. Girish Mehta;
- Mr. N. D. Shah;
- Dr. S. D. Israni.

Financial performance

A summary of the financial performance of ICICI Trusteeship is as follows:

	(Rs. in)		
	Fiscal 2004	Fiscal 2005	Fiscal 2006
Total income	348,058	309,968	329,011
Expenditure	34,492	52,229	23,820
Profit before tax	313,566	257,739	305,191
Profit after tax	193,566	163,739	200,191
Share capital	500,000	500,000	500,000
Reserves*	621,106	807,286	1,007,477
Earnings per share	3.9	3.3	4.1
Face value per share (Rs.)	10.0	10.0	10.0
Book value per share (Rs.)	22.4	26.1	30.3

* Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

ICICI Investment Management Company Limited

Introduction

ICICI Investment Management Company Limited ("ICICI Investment Management") was incorporated on March 9, 2000 as a wholly-owned subsidiary of ICICI. The main object of ICICI Investment Management is to carry on the business of management of mutual funds, unit trusts, offshore funds, pension funds, provident funds, venture capital funds, insurance funds, and to act as managers, consultants, advisors, administrators, attorneys, agents, or representatives of these entities and to act as financial advisors and investment advisors.

ICICI Investment Management's shareholding pattern

Consequent to the merger of ICICI with ICICI Bank, the company has become a wholly owned subsidiary of ICICI Bank.

ICICI Investment Management's board

ICICI Investment Management's board of directors on January 9, 2007 was as follows:

- Ms. Chanda Kochhar;
- Mr. A. J. Advani;
- Mr. Chandrashekhar Lal; and
- Mr. Ashish Dalal

Financial performance

A summary of the financial performance of ICICI Investment Management is as follows:

(Rs. In Million except for share data)

		Fiscal 2004	Fiscal 2005	Fiscal 2006
Total income		7.5	7.3	7.5
Expenditure		3.3	3.8	2.8
Profit before tax		4.2	3.5	4.7
Profit after tax		3.0	2.1	3.2
Share capital		100.0	100.0	100.0
Reserves*		15.6	18.0	21.1
Earnings per share		0.3	0.2	0.3
Face value per share (Rs.)		10.0	10.0	10.0
Book value per share (Rs.)		11.6	11.8	12.1

* Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

ICICI Bank Eurasia Limited Liability Company

Introduction

ICICI Bank Eurasia Limited Liability Company ("ICICI Bank Eurasia") is regulated by Central Bank of Russian Federation in Russia. ICICI Bank acquired the entire shareholding of this company in May 2005. The Russian Deposit Insurance Agency has admitted ICICI Bank Eurasia to its membership.

ICICI Bank Eurasia's shareholding pattern

ICICI Bank Eurasia is a wholly owned subsidiary of ICICI Bank.

ICICI Bank Eurasia's board

ICICI Bank Eurasia's board of directors on January 10, 2007 was as follows:

- Mrs. Chanda Deepak Kochhar (Chairman);
- Mr. Sonjoy Chatterjee;
- Mr. Sanjay Kumar Maheshka; and
- Mr. Niranjana Shankar Limaye.

Financial performance

A summary of the financial performance of ICICI Bank Eurasia is as follows:

(Rs. In Million except for share data)

	Period from May 19, 2005 to March 31, 2006
Total income	97.11
Expenditure	79.47
Profit before tax	17.64
Profit after tax	14.30
Share capital	647.43
Reserves	19.84
Earnings per share	-
Face value per share (Rs.)	1.5
Book value per share (Rs.)	1.7

Prudential ICICI Asset Management Company Limited

Introduction

Prudential ICICI Asset Management Company Limited ("AMC"), a company registered under the Companies Act, 1956, was originally incorporated on June 22, 1993, as ICICI Asset Management Company Limited by ICICI as its wholly-owned subsidiary, to act as the Investment Manager of the ICICI Mutual. Consequent to a joint venture agreement dated June 29, 1994 entered into between ICICI and Morgan Guaranty International Finance Corporation (MGIFC), a subsidiary of JP Morgan of U.S.A., MGIFC was issued and allotted shares aggregating 40.0% of the equity capital of ICICI Asset Management Company. The management of ICICI Asset Management Company reviewed its long-term business strategy and decided to further strengthen its commitment to the individual investor segment. As a part of this plan, MGIFC and ICICI agreed to restructure their partnership. As a part of the restructuring plan, MGIFC divested its entire holdings to ICICI and the board of ICICI Asset Management Company approved the induction of Prudential Plc. (Prudential Corporation Plc.), of U.K. (Prudential) as the new joint venture partner. Pursuant to the Amending Agreement for transfer of shares dated May 27, 2005, entered into between ICICI Bank and Prudential plc., ICICI Bank increased its shareholding in the company to 51% effective August 26, 2005, and it became ICICI Bank's subsidiary. The AMC is acting as the Investment Manager for the 39 schemes of Prudential ICICI Mutual Fund - "Prudential ICICI Fixed Maturity Plan", "Prudential ICICI Gilt Fund", "Prudential ICICI Income Plan", "Prudential ICICI Advisor Series", "Prudential ICICI Balanced Fund", "Prudential ICICI Blended Plan", "Prudential ICICI Child Care Plan", "Prudential ICICI Discovery Fund", "Prudential ICICI Dynamic Plan", "Prudential ICICI Emerging Star Fund", "Prudential ICICI Flexible Income Plan", "Prudential ICICI FMCG", "Prudential ICICI Growth Plan", "Prudential ICICI Income Multiplier Fund", "Prudential ICICI Index Fund", "Prudential ICICI Infrastructure Fund", "Prudential ICICI Liquid Plan", "Prudential ICICI Long Term Floating Rate Plan", "Prudential ICICI Monthly Income Plan", "Prudential ICICI Power", "Prudential ICICI Short Term Plan", "Prudential ICICI Sweep Plan", "Prudential ICICI Tax Plan", "Prudential ICICI Technology Fund", "Sensex Prudential ICICI Exchange Traded Fund", "Prudential ICICI Fusion Fund", "Prudential ICICI Floating Rate Plan", "Prudential ICICI Services Industries Fund", "Prudential ICICI Long Term Plan", "Prudential ICICI Premier Plan", "Prudential ICICI Equity and Derivative Plan", "Prudential ICICI FMP Series 28", "Prudential ICICI FMP Series 30", "Prudential ICICI FMP Series 32", "Prudential ICICI FMP Series 34", "Prudential ICICI FMP – Yearly Series 12", "Prudential ICICI FMP 15 Months – Series 25", "Prudential ICICI FMP – Yearly Series 5" and "Prudential ICICI Hybrid FMP 13 Months Plan". The AMC is also registered with SEBI to act as a portfolio manager in the terms of SEBI (Portfolio Managers) Regulations, 1993.

AMC's shareholding pattern

AMC is a 51:49 joint venture between ICICI Bank and Prudential plc of the United Kingdom.

AMC's board

AMC's board of directors on January 9, 2007 was as follows:

- Mr. K.V. Kamath (Chairman);
- Mr. Dadi Engineer;
- Mr. B. R. Gupta;
- Ms. Kalpana Morparia;
- Mr. K. S. Mehta;
- Dr. Swati A. Piramal;
- Ms. Shikha Sharma;
- Mr. Ajay Srinivasan;
- Mr. Barry Stowe; and
- Mr. Pankaj Razdan (Managing Director).

Financial performance

A summary of the financial performance of AMC is as follows:

(Rs. In Million except for share data)

	Fiscal 2004	Fiscal 2005	Fiscal 2006	Six months ended September 30, 2006
Total Income	997.3	1,020.4	1,414.9	1,063.5
Expenditure	592.7	756.8	940.6	632.5
Profit before Tax	404.6	263.6	474.3	431.0
Profit after Tax	272.8	171.7	311.3	308.5
Share Capital	185.2	185.2	180.2	180.2
Reserves*	616.3	576.5	391.4	594.6
Earnings per share	14.7	9.3	16.8	17.1
Face Value Per Share (Rs.)	10.0	10.0	10.0	10.0
Book Value Per Share (Rs.)	43.3	41.1	31.5	43.0

* Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

Prudential ICICI Trust Limited

Introduction

Prudential ICICI Trust Limited ("Trustee Company"), a company registered under the Companies Act was originally incorporated on June 22, 1993 as ICICI Trust Limited by ICICI as its wholly-owned subsidiary, to act as a Trustee of ICICI Mutual Fund.

Trustee Company's shareholding pattern

Trustee Company became a joint venture between ICICI and Prudential plc. of U.K. Pursuant to the Amendatory Agreement for transfer of shares dated May 27, 2005, entered into between ICICI Bank and Prudential plc., ICICI Bank increased its shareholding in the company to 51% effective August 26, 2005, and it became ICICI Bank's subsidiary.

Trustee Company's board

Trustee Company's board of directors on January 9, 2007 was as follows:

- Mr. E. B. Desai;
- Mr. Keki Bomi Dadiseth;
- Ms. Vishakha Mulye;
- Mr. M. S. Parthasarathy; and
- Mr. D. J. Balaji Rao.

Financial performance

A summary of the financial performance of Prudential ICICI Trust is as follows:

(Rs. In Million except share data)

	Fiscal 2004	Fiscal 2005	Fiscal 2006
Total income	4.0	3.6	4.4
Expenditure	2.7	2.3	3.4
Profit before tax	1.3	1.3	1.0
Profit after tax	0.9	0.9	0.7
Share capital	1.0	1.0	1.0
Reserves*	6.7	7.1	7.2
Earnings per share	9.1	8.9	6.9
Face value per share (Rs.)	10.0	10.0	10.0
Book value per share (Rs.)	79.6	80.1	81.3

* Reserves as disclosed above are after deducting miscellaneous expenditure not written off or adjusted.

3i Infotech Limited

Introduction

3i Infotech Limited (formerly known as ICICI Infotech Limited) was incorporated on October 11, 1993 as a wholly-owned subsidiary of ICICI Limited. 3i Infotech Limited is a provider of information technology products and services. At present, ICICI Bank and SIF, with their consent, have been named as promoters of 3i Infotech Limited and hold 11.79% and 36.55% respectively in 3i Infotech Limited.

3i Infotech Limited's shareholding pattern

The shareholding pattern for 3i Infotech Limited as at December 31, 2006 is set out below:

Name	Percentage shareholding
A. Promoter and promoter group	
ICICI Bank	11.79
SIF	36.54
<i>Sub-total (A)</i>	<i>48.32</i>
B. Institutional investors	
Mutual funds/UTI	3.20
Financial institutions/Banks	0.11
Insurance companies	8.87
Foreign institutional investors	4.88
Foreign banks	4.31
<i>Sub-total (B)</i>	<i>21.38</i>
C. Non-institutional investors	
Bodies corporate	7.74
Individuals	
• Holding nominal share capital up to Rs. 1,00,000	20.72
• Holding nominal share capital in excess of Rs. 1,00,000	1.84
<i>Sub-total (C)</i>	<i>30.30</i>
TOTAL	100.00

3i Infotech Limited's board

3i Infotech's board of directors on January 9, 2007 was as follows:

- Hoshang Sinor (Chairman);
- Madhabi Puri Buch;
- Dr. Ashok Jhunjunwala;
- Bruce Kogut;
- Suresh Kumar;
- Samir Kumar Mitter;
- Santhanakrishnan S.;
- V. Srinivasan (Managing Director & Chief Executive Officer); and
- Hari Padmanabhan (Deputy Managing Director).

Financial performance

A summary of the consolidated financial performance of 3i Infotech Limited is as follows:

(Rs In Million except for share data)

	Fiscal 2004	Fiscal 2005	Fiscal 2006
Total income	2,320.4	2,920.4	4,240.5
Expenditure	2,476.9	2,707.7	3,660.8
Profit before tax	(156.5)	212.7	579.7
Profit after tax	(118.2)	321.1	576.6
Share capital	1,809.8	1,810.0	1,530.5
Reserves	83.2	77.9	2,148.3
Face value per share (Rs.)	5.0	10.0	10.0
Book value per share (Rs.)	6.3	12.5	50.5

RELATED PARTY TRANSACTIONS

List Of Related Parties (stand alone)

For a list of related parties, please refer to annexure IV of the section titled "Financial Statements" beginning on page 134 of this Red Herring Prospectus.

Related party transactions

Transactions with the related parties

(Rupees In Millions)

Name of the related party	Description	Transaction value during the year ended March 31, 2004	Receivable / (Payable) net at March 31, 2004	Transaction value during the year ended March 31, 2005	Receivable / (Payable) at March 31, 2005	Transaction value during the year ended March 31, 2006	Receivable / (Payable) net at March 31, 2006	Transaction value during the period ended December 31, 2006	Receivable / (Payable) net at December 31, 2006
CAST India		-	120.98	-	-	-	-	-	-
	Interest Income	4.33	-	-	-	-	-	-	-
	Rent	8.19	-	-	-	-	-	-	-
	Loan and advances given(Net)	68.96	-	-	-	-	-	-	-
	Fixes assets sold	1.96	-	-	-	-	-	-	-
	Fixed assets purchased	96.99	-	-	-	-	-	-	-
FSUSA		-	(15.42)	-	(7.74)	-	70.23	-	26.06
	Investment in Equity (transferred on amalgamation)	-	-	20.79	-	-	-	752.25	-
	Income from services	235.86	-	196.52	-	354.28	-	412.73	-
	Marketing fees expenses	41.40	-	126.01	-	-	-	-	-
	Reimbursement of expenses	-	-	-	-	-	-	30.42	-
FSUK		-	40.34	-	(6.73)	-	256.21	-	664.09
	Investment in Equity (transferred on amalgamation)	-	-	18.35	-	-	-	-	-
	Income from services	827.02	-	938.50	-	974.10	-	1044.59	-
	Marketing fees expenses	120.45	-	136.65	-	-	-	-	-
	Reimbursement of expenses	-	-	-	-	-	-	21.66	-

(Rupees In Millions)

Name of the related party	Description	Transaction value during the year ended March 31, 2004	Receivable / (Payable) net at March 31, 2004	Transaction value during the year ended March 31, 2005	Receivable / (Payable) at March 31, 2005	Transaction value during the year ended March 31, 2006	Receivable / (Payable) net at March 31, 2006	Transaction value during the period ended December 31, 2006	Receivable / (Payable) net at December 31, 2006
FRUS		-	-	-	580.05	-	613.37	-	-
	Investment in Series 'F' Preferred stock	617.22	-	733.64	-	-	-	-	-
	Marketing fees expenses	-	-	91.83	-	-	-	-	-
	Income from services	-	-	359.16	-	201.76	-	7.24	13.11
	Purchase of investment in FirstRing India Private Limited (cancelled on amalgamation)	-	-	57.92	-	-	-	-	-
	Loan given	-	-	572.02	-	-	-	-	-
	Interest Income	-	-	17.94	-	34.80	-	26.98	24.75
	Reimbursement of expenses	-	-	-	-	-	-	0.23	-
	Loan outstanding	-	-	-	-	-	-	-	578.75
FR India		-	216.14	-	-	-	-	-	-
	Interest Income	9.72	-	-	-	-	-	-	-
	Inter Corporate Deposit Given(Net)	214.61	-	-	-	-	-	-	-
	Fixed assets purchased	7.16	-	-	-	-	-	-	-
Pipal		-	-	157.26	-	-	-	-	-
	Income from services	-	-	0.24	-	-	-	-	-
	Reimbursement of expenses	-	-	-	-	-	-	0.22	-
REV IT		-	-	581.05	-	365.66	0.04	-	-
	Reimbursement of expenses	-	-	-	-	-	-	0.06	-

(Rupees In Millions)

Name of the related party	Description	Transaction value during the year ended March 31, 2004	Receivable / (Payable) net at March 31, 2004	Transaction value during the year ended March 31, 2005	Receivable / (Payable) at March 31, 2005	Transaction value during the year ended March 31, 2006	Receivable / (Payable) net at March 31, 2006	Transaction value during the period ended December 31, 2006	Receivable / (Payable) net at December 31, 2006
ASG	Operational Expenses	-	-	-	-	20.86	20.86	-	-
	Reimbursement of expenses	-	-	-	-	-	-	30.45	0.24
	Income from services							60.85	50.74
FS Argentina	Reimbursement of expenses							0.47	0.47
ICICI Bank Limited		-	(0.11)	-	25.00	-	19.72		
	Income from services	8.46	-	55.67	-	76.20	-	79.60	46.43
	Interest on deposits	-	-	0.49	-	0.27	-	-	-
	Rent	-	-	-	-	3.04	-	2.28	-
	Software Expenses & Professional Fees	0.60	-	3.52	-	3.23	-	1.17	-
		-	-	-	-	-	-		
	Repair and maintenance	0.94	-	-	-	-	-	-	-
	Corporate administrative expenses	4.75	-	3.77	-	1.61	-	0.77	-
	Interest expenditure	10.02	-	28.03	-	76.17	(11.20)	51.14	(5.23)
	Bank balance	-	9.64	-	51.11	-	12.27	-	4.79
	Bank OD	-	-	-	-	-	(272.78)	-	(71.39)
	Fixed deposit	-	-	-	6.07	0.19	6.25	-	5.87
	Working capital demand loan	-	(199.71)	-	(369.65)	-	-	-	-

(Rupees In Millions)

Name of the related party	Description	Transaction value during the year ended March 31, 2004	Receivable / (Payable) net at March 31, 2004	Transaction value during the year ended March 31, 2005	Receivable / (Payable) at March 31, 2005	Transaction value during the year ended March 31, 2006	Receivable / (Payable) net at March 31, 2006	Transaction value during the period ended December 31, 2006	Receivable / (Payable) net at December 31, 2006
131	External Commercial Borrowings	-	-	-	(546.81)	-	(669.23)	-	(663.90)
	Term Loan	-	-	-	-	267.69	(267.69)	-	(44.26)
	Guarantee Commission	-	-	-	-	-	-	9.53	-
	ICICI Bank Canada	-	-	7.43	5.23	20.58	1.88	13.99	5.41
	ICICI Bank UK Limited	-	-	2.94	0.93	10.99	1.87	13.78	3.12
	3i Infotech Limited	8.01	(1.55)	10.34	(1.88)	7.79	(1.80)	5.13	-
	ICICI-Lombard General Insurance Co. Ltd	-	11.09	40.55	-	42.86	-	21.84	-
	ICICI-Prudential Life Insurance Company Limited	-	-	33.37	14.04	54.96	20.46	89.85	61.16
	Insurance premium paid	0.77	-	2.19	-	2.90	-	3.16	-
	Rent	0.39	-	23.92	-	25.47	-	18.00	-
	Deposit given	5.98	5.98	-	5.98	-	-	-	-
	Investments in mutual funds	-	-	-	-	-	-	1075.00	-
	Purchase	-	-	-	-	-	-	1556.18	-
	Sale	-	-	-	-	-	-	-	-
Key management personnel and relatives	Remuneration	24.91	-	21.07	-	33.19	-	26.91	-
Directors sitting fee				0.04				0.08	

Sundry debtors - Outstanding from promoter group companies (Consolidated financial information)

Company	As at March 31,					As at December 31,	
	2002	2003	2004	2005	2006	2005	2006
ICICI Prudential Life Insurance Company Limited							
Debts outstanding for a period exceeding six months							
Others debts			-	14.04	20.46	9.54	61.16
ICICI Bank Limited							
Debts outstanding for a period exceeding six months			0.13				
Others debts		12.68	4.35	26.26	19.72	10.94	46.43
ICICI Bank UK Limited							
Debts outstanding for a period exceeding six months					0.65		
Others debts				0.93	1.22	4.84	3.12
ICICI Bank Canada							
Debts outstanding for a period exceeding six months							
Others debts				5.23	1.88	4.29	5.41
	-	12.68	4.48	46.46	43.93	29.61	116.12

Sundry debtors - Outstanding from promoter group companies (Standalone financial information)

Company	As at March 31,					As at December 31, 2006
	2002	2003	2004	2005	2006	
ICICI Prudential Life Insurance Company Limited						
Debts outstanding for a period exceeding six months						
Others debts			-	14.04	20.46	61.16
ICICI Bank Limited						
Debts outstanding for a period exceeding six months						
Others debts		12.68	2.07	26.26	19.72	46.43
ICICI Bank UK Limited						
Debts outstanding for a period exceeding six months					0.65	
Others debts				0.93	1.22	3.12
ICICI Bank Canada						
Debts outstanding for a period exceeding six months						
Others debts				5.23	1.88	5.41
	-	12.68	2.07	46.46	43.93	116.12

Part of the Net Proceeds is going to be used to repay a Rs. 450 million loan from our Promoter, ICICI Bank. For further information, please see the section titled "Objects of the Issue" beginning on page 33 of this Red Herring Prospectus.

DIVIDEND POLICY

The Company has not paid any dividend since its incorporation, including during the last five fiscal years. We may pay dividends in the future however such payments will depend upon a number of factors, including our results of operations, earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors considered relevant by our Board. Any declaration and payment of dividends would be recommended by our Board of Directors and approved by our shareholders, at their discretion. The Board may also from time to time pay interim dividend.

SECTION V: FINANCIAL STATEMENTS

AUDITORS' REPORT

The Board of Directors
Firstsource Solutions Limited
(formerly ICICI OneSource Limited)

We have examined the financial statements of Firstsource Solutions Limited (formerly ICICI OneSource Limited) ('Firstsource' or 'the Company') for the financial years ended 31 March 2002, 2003, 2004, 2005 and 2006, being the last date to which the accounts of the Company have been made up and audited by us for presentation to the members of the Company. We have also examined the financial statements of the Company for the nine months period ended 31 December 2006, prepared and approved by the Board of Directors of the Company and audited by us for the purpose of disclosure in the Red Herring Prospectus being issued by the Company in connection with the Initial Public Offer of 69,300,000 equity shares comprising of fresh issue of 60,000,000 equity shares of face value Rs 10 each, and offer for sale of 9,300,000 equity shares of face value Rs 10 each, by the existing shareholders.

We have examined the consolidated financial statements of Firstsource Solutions Limited and its subsidiaries ('the Group') for the financial years ended 31 March 2003, 2004, 2005 and 2006 and for the nine months period ended 31 December 2005 and 2006, being the last date to which the accounts of the Group have been prepared and approved by the Board of Directors of Firstsource, audited and reported by us.

In accordance with the requirements of Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act'), the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('SEBI Guidelines') along with the related clarifications thereto issued by the Securities and Exchange Board of India ('SEBI') 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 Offer of 69,300,000 equity shares comprising of fresh issue of 60,000,000 equity shares of face value Rs 10 each and offer for sale of 9,300,000 equity shares of face value Rs 10 each, by the existing shareholders, we report that:

- (a) The restated assets and liabilities of the Company as at 31 March 2002, 2003, 2004, 2005 and 2006 and as at 31 December 2006 are as set out in Annexure I to this report and have been, read with Note 3 to Annexure IV, arrived at 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 results of the Company for the financial years ended 31 March 2002, 2003, 2004, 2005 and 2006 and nine months period ended 31 December 2006 are as set out in Annexure II to this report. These results have been, read with Note 3 to Annexure IV, arrived at 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 Company has not declared any dividend during the financial years ended 31 March 2002, 2003, 2004, 2005 and 2006 and during the nine months period ended 31 December 2006.
- (d) The Auditors' reports on the standalone and consolidated financial statements of Firstsource for the financial year ended 31 March 2006 were qualified pending receipt by the Company of Central Government approval for remuneration paid/ payable to the Managing Director, which was in excess of the limits specified in Schedule XIII of the Act. The Company has subsequently obtained approval for the same. There are no other qualifications in the Auditors' reports that require any adjustment to the restated financial information.
- (e) We have examined the following financial information relating to the Company as approved by the Board of Directors 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 and 2006 and nine months period ended 31 December 2006, as appearing in Annexure III to this report;
 - ii. Significant accounting policies and notes to the summarised restated financial information as appearing in Annexure IV to this report;

- iii. Details of Loans as appearing in Annexure V to this report;
- iv. Details of Other income as appearing in Annexure VI to this report;
- v. Accounting ratios as appearing in Annexure VII to this report;
- vi. Capitalisation statement as at 31 December 2006 as appearing in Annexure VIII to this report; and
- vii. Statement of tax shelters as appearing in Annexure IX to this report.

In our opinion, the above financial information of the Company, read with significant accounting policies included in Annexure IV to this report and, read with Note 3 to Annexure IV, after making adjustments and re-grouping as considered appropriate and as set out in Annexure IV to this report, has been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines.

- (f) In accordance with the requirements of paragraph 6.10 of the SEBI Guidelines, we have examined the attached restated consolidated summary financial information of the Group in Annexures X and XI, read with significant accounting policies included in Annexure XIII and, read with Note 3 to Annexure XIII, after making adjustments and re-grouping as considered appropriate and as set out in Annexure XIII to this report.
- (g) We have also examined the following financial information relating to the Group as approved by the Board of Directors of Firstsource 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, 2004, 2005 and 2006 and nine months period ended 31 December 2005 and 2006 as appearing in Annexure XII to this report;
 - ii. Significant accounting policies and notes to the summarised restated financial information (consolidated) as appearing in Annexure XIII to this report;
 - iii. Details of loans (consolidated) as appearing in Annexure XIV to this report;
 - iv. Details of Other income (consolidated) as appearing in Annexure XV to this report;
 - v. Accounting ratios (consolidated) as appearing in Annexure XVI to this report;

In our opinion, the above financial information of the Group, read with significant accounting policies appearing in Annexure XIII to this report and, read with Note 3 to Annexure XIII, after making adjustments and re-grouping as considered appropriate and as set out in Annexure XIII to this report, has been prepared in accordance with Part II of Schedule II to the Act and the SEBI Guidelines.

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 & Co.**
Chartered Accountants

Mumbai
Date : 11 January 2007

Akeel Master
Partner
Membership No: 046768

ANNEXURE I

Statement of restated assets and liabilities

(Rs. In Million)

Particulars	As at March 31,					As at December 31, 2006
	2002	2003	2004	2005	2006	
A Fixed assets						
(i) Gross block	0.14	290.54	379.83	1,467.17	1,819.77	2,004.63
Less : Accumulated depreciation	*	35.25	118.45	671.87	987.49	1,270.04
Net block	0.14	255.29	261.38	795.30	832.28	734.59
(ii) Capital work in progress/ advances	-	1.98	169.79	16.36	6.48	101.55
Net block	0.14	257.27	431.17	811.66	838.76	836.14
B Investments	-	1,261.34	1,576.74	2,128.31	2,493.97	3,246.32
C Deferred tax asset – net	-	-	-	0.14	-	-
D Current assets, loans and advances						
(i) Sundry debtors	-	200.99	181.91	295.73	441.50	891.81
(ii) Cash and bank balances	9.32	212.83	9.86	56.76	19.20	315.89
(iii) Loans and advances	2.52	120.87	453.35	858.05	1,128.04	1,136.54
	11.84	534.69	645.12	1,210.54	1,588.74	2,344.24
A+B+C+D	11.98	2,053.30	2,653.03	4,150.65	4,921.47	6,426.70
E Liabilities and provisions						
Secured loans	-	-	-	546.81	669.22	669.08
Unsecured loans	-	700.00	199.71	370.42	540.47	115.65
Current liabilities and provisions	5.05	188.83	201.94	363.75	668.01	494.39
	5.05	888.83	401.65	1,280.98	1,877.70	1,279.12
F Net worth (A+B+C+D-E)	6.93	1,164.47	2,251.38	2,869.67	3,043.77	5,147.58
G Represented by						
(i) Share Capital						
- Equity share capital	0.50	500.00	500.10	2,007.46	2,018.75	3,562.61
- Share application money	15.00	-	1.18	-	1.96	1.79
- Preference share capital	-	800.00	1,856.72	1,975.95	1,975.95	-
	15.50	1,300.00	2,358.00	3,983.41	3,996.66	3,564.40
(ii) Reserves and surplus						
- Securities premium	-	-	0.03	39.27	42.41	2,066.48
- Profit and loss account	-	(135.53)	(106.65)	(16.29)	141.42	653.42
	-	(135.53)	(106.62)	22.98	183.83	2,719.90
(iii) Amalgamation deficit adjustment account	-	-	-	(1,136.72)	(1,136.72)	(1,136.72)
(iv) Miscellaneous expenditure (refer note 2)	(8.57)	-	-	-	-	-
Net worth	6.93	1,164.47	2,251.38	2,869.67	3,043.77	5,147.58

Note:

- 1) To be read together with the summary of significant accounting policies and notes to the summarized statement of restated assets and liabilities, profit and loss and cash flow (Annexure IV).
- 2) The Company commenced operations during the financial year ended 31 March 2003. Accordingly, pre-operative expenses incurred during the financial year ended 31 March 2002 were written-off on commencement of commercial operations during the financial year ended 31 March 2003.
- 3) * indicates balance less than Rs 5,000.

ANNEXURE II

Statement of restated profit and loss

(Rs. In Million)

Particulars	For the period December 6, 2001 to March 31, 2002 (refer Note 2)	For the year ended March 31,				For the nine months ended December 31, 2006
		2003	2004	2005	2006	
Income						
Income from services	-	350.75	1,052.75	2,535.42	3,271.39	3,121.92
Other income	-	25.02	26.30	32.63	37.80	87.91
Total (A)	-	375.77	1,079.05	2,568.05	3,309.19	3,209.83
Expenditure						
Personnel cost	-	163.65	436.58	1,028.48	1,596.97	1,419.63
Depreciation / amortisation	-	35.25	83.54	271.34	355.70	284.77
Finance charges	-	6.00	10.02	28.12	76.17	51.20
Operating cost	-	306.40	520.03	1,148.53	1,103.53	929.38
Total (B)	-	511.30	1,050.17	2,476.47	3,132.37	2,684.98
Profit/(loss) before tax(A)-(B)	-	(135.53)	28.88	91.58	176.82	524.85
Provision for tax						
- Current tax	-	-	-	-	7.92	4.04
- Fringe benefit tax	-	-	-	-	11.05	8.81
- Deferred tax charge/(release)	-	-	-	1.22	0.14	-
Profit/(loss) after tax	-	(135.53)	28.88	90.36	157.71	512.00
- Profit/ (loss) brought forward from previous year/period	-	-	(135.53)	(106.65)	(16.29)	141.42
Profit/(loss) carried forward to the balance sheet	-	(135.53)	(106.65)	(16.29)	141.42	653.42

Note:

- 1) To be read together with the summary of significant accounting policies and notes to the summarized statement of restated assets and liabilities, profit and loss and cash flow (Annexure IV).
- 2) The Company commenced operations during the financial year ended 31 March 2003. Accordingly, pre-operative expenses incurred during the financial year ended 31 March 2002 and carried forward as Miscellaneous expenditure were written-off on commencement of commercial operations during the financial year ended 31 March 2003.

ANNEXURE III

Statement of restated cash flow

(Rs. In Million)

Particulars	For the year ended March 31,				For the nine months ended December 31, 2006
	2003	2004	2005	2006	
Cash flow from operating activities					
Profit/ (loss) before tax	(135.53)	28.88	90.36	157.71	512.00
Adjustments for:					
Depreciation	35.25	83.54	271.34	355.70	284.77
Provision for taxes	-	-	1.22	19.11	12.85
Provision for doubtful debts/advances	-	0.52	0.26	(0.43)	4.45
Interest cost	6.00	10.02	28.12	76.17	51.20
Dividend received	(5.56)	-	-	-	-
Interest income	(9.91)	(17.93)	(20.88)	(37.15)	(35.46)
Loss/(profit) on sale of Investments (net)	(9.41)	(8.25)	(10.86)	(0.05)	(52.22)
(Profit)/loss on sale of fixed assets (net)	0.05	-	-	2.00	1.27
Foreign exchange loss/(gain), net	-	-	(0.18)	2.50	12.91
Preliminary and Preoperative expenses written off	14.56	-	-	-	-
Operating (loss)/ profit before changes in working capital	(104.55)	96.78	359.38	575.56	791.77
Adjustments for (increase)/decrease in working capital					
Sundry debtors	(200.99)	18.46	117.74	(147.85)	(473.00)
Loans and advances	(110.21)	(317.47)	(635.65)	(269.34)	10.54
Current liabilities and provisions	180.91	23.09	26.64	281.29	(1.44)
Net changes in working capital	(130.29)	(275.92)	(491.27)	(135.90)	(463.90)
Income tax paid	(2.08)	(12.68)	(0.67)	(27.71)	(17.01)
Cash generated from/ (used in) operations	(236.92)	(191.82)	(132.56)	411.95	310.86
Cash flow from investing activities					
Purchase of investment in mutual funds	(2,776.96)	(591.07)	(4,162.53)	(55.00)	(3,070.10)
Sale of investment in mutual funds	2,484.55	901.14	4,173.39	55.05	3,122.22
Investment in subsidiary	(959.52)	(617.22)	(1,529.87)	(365.66)	(904.41)
Interest and Dividend income received	14.40	15.60	5.01	45.26	20.58
Business acquisitions, net of cash acquired	-	-	-	-	-
Capital expenditure on premises and equipment	(300.64)	(262.30)	(554.00)	(373.01)	(303.42)
Proceeds from sale of fixed assets	0.09	-	-	1.29	5.16
Net cash (used in) /generated from investing activities	(1,538.08)	(553.85)	(2,068.00)	(692.07)	(1,129.97)

ANNEXURE III (Continued)

Statement of restated cash flow (Continued)

(Rs. In Million)

Particulars	For the year ended March 31,				For the nine months ended December 31, 2006
	2003	2004	2005	2006	
Cash flow from financing activities					
Proceeds from unsecured loan	-	199.71	92.20	476.27	111.70
Proceeds from secured loan	-	-	546.81	122.41	-
Repayment of unsecured loan	-	-	-	(306.22)	(536.52)
Proceeds from issuance of preference shares	800.00	356.72	1,619.23	-	1,579.24
Proceeds from issuance of debentures	700.00	-	-	-	-
Proceeds from issuance of equity shares and share application money	484.50	1.31	9.47	16.38	12.58
Interest paid	-	(15.14)	(28.91)	(66.28)	(51.20)
Share issue expenses	-	-	(3.32)	-	-
Expenses incurred for increase in authorized share capital	(5.99)	-	-	-	-
Net cash (used in)/ generated from financing activities	1,978.51	542.60	2,235.48	242.56	1,115.80
Effect of exchange differences on cash and cash equivalent	-	0.10	-	-	-
Net increase/(decrease) in cash and cash equivalents	203.51	(202.97)	34.92	(37.56)	296.69
Cash and cash equivalents at the beginning of the year/period	9.32	212.83	9.86	56.76	19.20
Add- Cash and cash equivalents taken over on amalgamation of the erstwhile FirstRing India Private Limited and Customer Asset India limited	-	-	11.98	-	-
Cash and cash equivalents at the end of the year/period	212.83	9.86	56.76	19.20	315.89

Note:

- 1) To be read together with the summary of significant accounting policies and notes to the summarized statement of restated assets and liabilities, profit and loss and cash flow (Annexure IV).
- 2) The Company commenced operations during the financial year ended 31 March 2003. Accordingly, pre-operative expenses incurred during the financial year ended 31 March 2002 were written-off on commencement of commercial operations during the financial year ended 31 March 2003.

ANNEXURE IV

Significant accounting policies and notes to the summarised restated financial information

1. Background

Firstsource Solutions Limited (*formerly ICICI OneSource Limited*) ('Firstsource' or the 'Company'), is an ICICI Bank Limited Group company incorporated on 6 December 2001. The Company is engaged in the business of providing contact centre, transaction processing services and debt collection services.

On 29 December 2006, the Company through its wholly owned subsidiary Firstsource Solutions USA Inc (formerly ICICI OneSource Limited, USA) acquired 100% of the common stock of Business Process Management, Inc, a Delaware corporation engaged in providing transaction processing and claims adjudication services principally to customers in health care industry.

In September 2006, the Company, through its subsidiary company Firstsource Solutions Limited, UK (formerly known as ICICI OneSource Limited, UK) has set up a 100% subsidiary Firstsource Solutions, S.A. (formerly known as ICICI OneSource, S.A.). During this period, the Company also opened a branch office in Philippines.

On 31 March 2005, the Company acquired 90.01% voting interest in Rev IT Systems Private Limited ('Rev IT'), a company incorporated in Chennai, India. Rev IT owns 100% stake in Sherpa Business Solutions Inc ('Sherpa'), a company incorporated in Michigan, USA. Both, Rev IT and Sherpa are in the business of Information Technology Enabled Services (ITES) and Business Process Outsourcing (BPO) services. During 2005-2006, the Company acquired the balance 9.99% voting interest in Rev IT.

On 22 September 2004, the Company, through its subsidiary company FirstRing Inc, USA ('FRUS'), acquired 100% voting rights in Accounts Solutions Company, LLC ('ASG'), a limited liability company incorporated under the laws of the State of New York, USA. ASG is a debt collection agency, which specializes in collecting delinquent debts for credit card issuers in the USA.

On 26 July 2004, the Company acquired 51% voting interest in Pipal Research Corporation ('Pipal'), a company incorporated under the laws of the State of Illinois, USA. Pipal owns 100% equity stake in Pipal Research Analytics and Information Services India Private Limited ('PRAISE') (formerly known as Satvik Research and Analytics India Private Limited), a company incorporated in India. Pipal and PRAISE provide research based services to their customers.

On 26 July 2003, the Company entered into agreements with existing preferred stockholders of FirstRing Inc ('FRUS') to acquire FRUS through subscription to the Series 'F' Convertible Preferred Stock. FRUS is incorporated in United States of America. FRUS owns 100% of the equity stake in FirstRing India Private Limited ('FRIndia'), a Company incorporated in India. FRUS and FRIndia through their contact center at Bangalore are engaged in the business of providing contact centre and transaction processing services. FRIndia was subsequently amalgamated with the Company.

On April 22, 2002, the Company entered into an agreement to acquire 100% equity stake in Customer Asset India Private Limited ('CAST India'). CAST India is engaged in the business of providing contact center services through its offshore contact center at Bangalore and its 100% subsidiaries in the USA and UK. CAST India was subsequently amalgamated with the Company.

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

1. Background (Continued)

The list of subsidiaries as at 31 December 2006 with percentage holding of the Company are summarised below:

Subsidiaries	Country of incorporation and other particulars	Percentage of holding of the immediate Parent	Consolidated from financial year
Firstsource Solutions USA Inc ("FSUSA") (formerly known as ICICI OneSource, USA)	A subsidiary of Firstsource, organized under the laws of State of Delaware, USA	100%	2002-2003
Firstsource Solutions Limited, UK ("FSUK") (formerly known as ICICI OneSource, UK)	A subsidiary of Firstsource organized under the laws of United Kingdom.	100%	2002-2003
Firstsource Solutions S.A. ("FS Argentina") (formerly known as ICICI OneSource, S.A.)	A wholly-owned subsidiary of Firstsource Solutions Limited UK, incorporated under the laws of S.A.	99.98%	2006-2007
Business Process Management, Inc ("BPM")	A subsidiary of Firstsource Solutions USA Inc organised under the laws of state of Delaware, USA	100%	2006-2007
MedPlans 2000 Inc ("MP2")	A subsidiary of Business Process Management, Inc organised under the laws of state of Delaware, USA	100%	2006-2007
MedPlans Partners ("MPP")	A subsidiary of Business Process Management, Inc organised under the laws of state of Delaware, USA	100%	2006-2007
FirstRing Inc, USA ("FRUS")	A subsidiary of Firstsource Solutions Limited, organized under the laws of State of Delaware, USA	99.8%	2003-2004
Accounts Solutions Group, LLC ("ASG")	A subsidiary of FirstRing Inc, USA, incorporated under the laws of the State of New York, USA	100%	2004-2005
Pipal Research Corporation, ('Pipal')	A subsidiary of Firstsource incorporated under the laws of the State of Illinois, USA	51%	2004-2005
Pipal Research Analytics and Information Services India Private Limited ("PRAISE") (formerly known as Satvik Research and Analytics India Private Limited)	A wholly-owned subsidiary of Pipal Research Corporation, incorporated under the laws of India.	100%	2004-2005
Rev IT Systems Private Limited ('Rev IT')	A subsidiary of Firstsource Solutions Limited incorporated under the laws of India.	100%	2004-2005
Sherpa Business Solutions Inc ('Sherpa')	A wholly-owned subsidiary of Rev IT Systems Private Limited, incorporated under the laws of the State of Michigan, USA	100%	2004-2005

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

1. Background (*Continued*)

Amalgamation of Customer Asset India Limited and FirstRing India Private Limited

Pursuant to the Scheme of Amalgamation (under Section 391 to Section 394 of the Companies Act, 1956) ('the scheme'), FirstRing India Private Limited ('FR India') and Customer Asset India Private Limited ('CAST India') (both referred to as the Transferor Companies), companies engaged in the business of providing contact centre and transaction processing services, merged with Firstsource Solutions Limited (*formerly ICICI OneSource Limited*) (referred to as the Transferee Company or 'the Company') vide sanction by the Hon'ble High Court of Bombay dated 29 April 2005 and the Hon'ble High Court of Karnataka dated 3 June 2005. The entire business and all the assets and liabilities and transactions of erstwhile FR India and CAST India were transferred to the transferee company with effect from 1 April 2004, being the appointed date.

As detailed in the Scheme and in accordance with the principles of the "pooling of interest" method as prescribed by Accounting Standard -14 "Accounting for Amalgamations" issued by the Institute of Chartered Accountants of India, the amalgamation was accounted for as under:

- (i) The assets and liabilities of the transferor companies as at 1 April 2004 were incorporated in the financial statements of the Company.
- (ii) The balance in securities premium account of CAST India as on 1 April 2004 amounting to Rs 39.27 million was transferred to securities premium account of the transferee company.
- (iii) The debit balances in the Profit and Loss Account of FR India and CAST India amounting to Rs 211.87 million and Rs 81.71 million respectively as at 1 April 2004 were debited to the Amalgamation deficit adjustment account.
- (iv) As FR India and CAST India were wholly owned subsidiaries, there was no issue/allotment of shares to the shareholders of these companies as a part of the amalgamation process. Pursuant to the Scheme, shares held in transferee companies were cancelled and the difference of Rs 954.62 million in respect of FR India and Rs (111.48 million) in respect of CAST India (being surplus/ (deficit) of the book value of investment cancelled over face value of such shares) was debited to the Amalgamation deficit adjustment account.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956 (the Act), to the extent applicable.

2.2 Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements. Management believes that the estimates made in the preparation of financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revisions to accounting estimates are recognized prospectively in current and future periods.

2.3 Revenue recognition

Revenue from contact centre and transaction processing services comprises from both time/unit price and fixed fee based service contracts. Revenue from time/ unit price based contracts is recognized on completion of the related services and is billed in accordance with the contractual terms specified in the respective customer contracts. Revenue from fixed fee based service contracts is recognized on achievement of performance milestones specified in the customer contracts. Built Operate and Transfer (BOT) contracts are treated as service contracts and, accordingly, revenue is recognized as the services are rendered and is billed in accordance with the respective contractual terms specified in the contracts.

Unbilled receivables represent costs incurred and revenues recognized on contracts to be billed in subsequent periods as per the terms of the contract.

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

Interest income is recognised using the time proportion method, based on the underlying interest rates.

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

2.4 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes freight, duties, taxes and incidental expenses related to acquisition and installation of the fixed assets. Depreciation on fixed assets is provided pro rata to the period of use based on management's best estimate of useful lives of the assets (which are shorter than those prescribed under the Companies Act, 1956) as summarized below:

Asset category	Useful life (in years)
<i>Intangible</i>	
Software	3
Domain name	3
<i>Tangible</i>	
Leasehold improvements	Lease term or the estimated useful life of the asset whichever is shorter
Computers	3
Service equipment including networks	2 - 3
Furniture and fixtures	3 - 5
Vehicles	2 - 5

Software purchased together with the related hardware is capitalized and depreciated at the rates applicable to related assets.

Intangible assets other than above mentioned software are amortized over the best estimate of the useful life from the date the assets are available for use. Further, the useful life is reviewed at the end of each reporting period for any changes in the estimates of useful life and accordingly the asset is amortized over the remaining useful life.

Individual assets costing upto Rs 5,000 are depreciated in full in the period of purchase.

In accordance with AS 28 'Impairment of Assets' issued by the Institute of Chartered Accountants of India, the carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of the assets (or where applicable, that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. Impairment loss is recognised in the profit and loss account or against revaluation surplus where applicable.

2.5 Retirement benefits

Gratuity and leave encashment

The Company provides for gratuity and leave encashment benefits, which are defined benefit plans, covering all its eligible employees. Provisions in respect of gratuity and leave encashment benefits have been made based on an actuarial valuation carried out by an independent actuary as at the balance sheet date.

Provident fund

All employees of the Company receive benefits from a provident fund, which is a defined contribution retirement plan in which both, the Company and the employees, contribute at a determined rate. Contributions payable to the provident fund are charged to the profit and loss account as incurred.

2.6 Investments

Long-term investments are carried at cost and provision is made when in the management's opinion there is a decline, other than temporary, in the carrying value of such investments. Current investments are valued at the lower of cost and market value.

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

2.7 Income tax

Income tax expense comprises current tax expense, fringe benefit tax and deferred tax expense or credit.

Current taxes

Provision for current income-tax is recognised in accordance with the provisions of Indian Income- tax Act, 1961 and is made annually based on the tax liability after taking credit for tax allowances and exemptions.

Deferred taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantially enacted by the balance sheet date. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in the future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets. Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

The profits of the Company are exempt from taxes under the Income tax Act, 1961, being profit from industrial undertakings situated in Software Technology Park. Under Section 10A of the Income tax Act, 1961, the Company can avail of an exemption of profits from income tax for a period of up to March 2009 in relation to its undertakings set up in the Software Technology Park at Bangalore, Kolkata and Mumbai. In this regard, the Company recognises deferred taxes in respect of those originating timing differences, which reverse after the tax holiday period, resulting in tax consequences. Timing differences which originate and reverse within the tax holiday period do not result in tax consequence and therefore no deferred taxes are recognized in respect of the same.

Fringe Benefits

Provisions for Fringe Benefits Tax (FBT) has been recognized on the basis of harmonious contextual interpretation of the provisions of the Income tax Act, 1961.

2.8 Leases

Finance lease

Assets acquired on finance leases, including assets acquired on hire purchase, have been recognised as an asset and a liability at the inception of the lease and have been recorded at an amount equal to the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Such leased assets are depreciated over the lease term or its estimated useful life, whichever is shorter. Further, the payment of minimum lease payments have been apportioned between finance charges, which are debited to the profit and loss account and reduction in lease obligations recorded at the inception of the lease.

Assets given out on finance lease are shown as amounts recoverable from the lessee. The rentals received on such leases are apportioned between the financial charge using the implicit rate of return, which is recognized as income, and against principal outstanding, which is reduced from the amount receivable. All initial direct costs incurred are included in the cost of the asset.

Operating lease

Lease rentals in respect of assets acquired under operating lease are charged off to the profit and loss account as incurred.

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

2.9 Foreign currency transactions

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Net exchange gain or loss resulting in respect of foreign exchange transactions settled during the period is recognised in the profit and loss account except for the resultant net exchange gain or loss on account of imported fixed assets, which is adjusted in the carrying amount of the related fixed assets. Foreign currency denominated current assets and current liabilities at year end are translated at the year end exchange rates and the resulting net gain or loss is recognised in the profit and loss account, except for exchange differences related to acquisition of fixed assets purchased from foreign countries, which are adjusted in the carrying amount of the related fixed assets.

The premium or discount on forward exchange contracts is recognized over the period of the contracts. The premium or discount in respect of forward exchange contracts related to acquisition of fixed assets purchased from foreign countries is adjusted in the carrying amount of the related fixed assets. In respect of other contracts, it is recognized in the profit and loss account.

2.10 Earnings per share

The basic earnings per equity share are computed by dividing the net profit or loss attributable to the equity shareholders for the period by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares, which may be issued on the conversion of all dilutive potential shares, unless the results would be anti dilutive.

2.11 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 embodying economic benefits 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.

3. Adjustments to the standalone statements of assets and liabilities and statements of profit and loss

Accounting Standard ('AS') 15 (revised 2005) - "Employee benefits" issued by The Institute of Chartered Accountants of India became mandatory for financial years commencing on or after 1 April 2006. As per the transitional provisions specified in the Standard, the difference in the liability as per the existing policy followed by the Company and that arising on adoption of this Standard is required to be charged to opening reserves and surplus account. The Company adopted the revised AS 15 effective 1 April 2006. However, there is no significant impact on adoption of the Standard which is required to be adjusted to the opening balance of reserves and surplus. Hence, figures for the earlier years have not been adjusted to give effect to the changes, if any, that would have arisen had the revised Standard been applied retrospectively as management believes that it is not practical to do so.

There are no restatements, regroupings and/or adjustments made in the summary statements referred to in Annexures I and II.

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

4. Participatory Optionally Convertible Debentures (POCD)

In May 2002, the Company had allotted 70,000,000 unsecured participatory optionally convertible debentures at terms and conditions hereunder:

Tenure	Redeemable at par at the end of 10 years from the date of allotment
Rate of interest	1% p.a. or the equity dividend rate whichever is higher.
Redemption/ conversion	At par by the Company at any time during the tenure, together with interest calculated @ 250 basis points over the benchmark rate for government security from the date of allotment till the date of redemption. The subscribers have an option to convert all or any of the debentures into fully paid up equity shares of the Company upon expiry of one year from the date of allotment at par or at the immediately preceding price at which equity shares have been issued by the Company, whichever is lesser.

Of the above 70,000,000 POCD issued by the Company, 21,000,000 POCD were held by ICICI Bank Limited and 49,000,000 POCD were held by ICICI Strategic Investments Fund.

On 18 August 2003, the Company entered into an agreement with ICICI Bank Limited and ICICI Strategic Investments Fund, whereby it approved conversion of all its POCD to Series 'A' POCPS. The Board of directors approved the above conversion on 24 August 2003 and Series 'A' POCPS were allotted on 10 October 2003.

5. Participatory Optionally Convertible Preference Shares (POCPS)

	As at March 31,					As at December 31, 2006
	2002	2003	2004	2005	2006	
POCPS	-	800.00	-	-	-	-
Series 'A' POCPS	-	-	1,500.00	-	-	-
Series 'B' POCPS	-	-	356.72	356.72	356.72	-
Series 'C' POCPS	-	-	-	1,619.23	1,619.23	-
Series 'D' POCPS	-	-	-	-	-	-
TOTAL	-	800.00	1,856.72	1,975.95	1,975.95	-

POCPS

Of the 80,000,000 POCPS issued by the Company in January 2003, 24,000,000 POCPS were held by ICICI Bank Limited and 56,000,000 POCPS were held by ICICI Strategic Investments Fund. The terms and conditions of the then existing POCPS are detailed hereunder:

Tenure	Redeemable at par at the end of the 10 years from the date of allotment.
Rate of dividend	1% p.a. preference dividend with <i>pari passu</i> participatory dividend rights with equity shareholders, for dividends exceeding 1%.
Redemption	Redeemable by the Company at any time during the tenure at a premium, calculated @ 250 basis points over the benchmark rate for government security from the date of allotment till the date of redemption.
Conversion	The POCPS shareholders have an option to convert all or any of the preference shares into fully paid up equity shares of the Company upon expiry of one year from the date of allotment at par or at the immediately preceding price at which equity shares have been issued by the Company, whichever is lower.

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

5. POCPS (Continued)

On 18 August 2003, the Company entered into an agreement with ICICI Bank Limited and ICICI Strategic Investments Fund for conversion of its then existing POCPS to Series 'A' POCPS. The Board of directors approved the above conversion on 24 August 2003 and Series 'A' POCPS were allotted on 10 October 2003.

Series 'A' POCPS

As stated above, on 18 August 2003, the Company entered into an agreement with ICICI Bank Limited and ICICI Strategic Investments Fund, whereby it approved conversion of all its POCPS to Series 'A' POCPS. The Board of directors approved the above conversion on 24 August 2003 and Series 'A' POCPS were allotted on 10 October 2003.

On 26 April 2004, Series 'A' POCPS holders exercised their option to convert their entire Series 'A' POCPS into equal number of equity shares at par. The Board of Directors approved the conversion as on that date. Accordingly, ICICI Strategic Investment Fund and ICICI Bank got allotted additionally 105,000,000 and 45,000,000 equity shares at par respectively. Prior to the above conversion, the terms and conditions of the Series 'A' POCPS were as follows:

Rate of dividend	A fixed dividend of 0.0000000001% p.a. on the Series 'A' POCPS. In addition to the preferential dividend, Series 'A' POCPS holders shall be entitled to participate pari passu with the equity shareholders of the Company after the said dividend has been paid or provided for such equity shares. The Company shall not declare a dividend greater than the said percentage unless the Company includes above holders in such distribution of such excess dividend. Further, this shall be paid at the time it is paid to the equity shareholders.
Redemption	If not converted into equity shares, Series 'A' POCPS will be redeemed at Series 'A' POCPS subscription price, plus any accrued and unpaid dividend, after 7 years from the date of conversion of POCPS into Series 'A' POCPS.
Conversion	Series 'A' POCPS will have right of conversion into fully paid-up equity shares of face value Rs 10 each at par any time after the date of allotment thereof at the option of the Series 'A' POCPS shareholders.

Series 'B' POCPS

On 10 October 2003, the Company allotted 35,672,100 Series 'B' POCPS at Rs 10 each (par value of Rs 10) pursuant to the share subscription agreement dated 30 July 2003 entered into between the Company and a strategic investor. The terms and conditions of Series 'B' POCPS are detailed hereunder:

Rate of dividend	A fixed dividend of 0.0000000001% p.a. on the Series 'B' POCPS. In addition to the preferential dividend, Series 'B' POCPS shareholders shall be entitled to participate pari passu with the equity shareholders of the Company after the said dividend has been paid or provided for such preference shares. The Company shall not declare a dividend greater than the said percentage unless the Company includes above holders in such distribution of such excess dividend. Further, this shall be paid at the time it is paid to the equity shareholders.
Tenure/ Redemption	If not converted into equity shares, Series 'B' POCPS will be redeemed at the higher of Series 'B' POCPS subscription price plus any accrued and unpaid dividends and further reduced by any price towards indemnity provided as in accordance with the underlying subscription agreement or the fair market value of the underlying equity shares. The Series 'B' POCPS can be redeemed after 5 years from closing date of allotment of Series 'C' POCPS (given below). Further, based on occurrence of certain events as defined in the subscription agreement the Series 'B' POCPS shareholders have an option of early redemption at a price higher of the adjusted subscription price (arrived as aforesaid) or the then fair market value of the equity share as determined by an independent valuation firm.

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

5. POCPS (Continued)

Series 'B' POCPS (Continued)

Conversion	The Series 'B' POCPS shareholders shall have an option to convert all or any part of the Series 'B' POCPS held by them at any time after one year from the date of allotment at their sole discretion. The conversion ratio, as defined in the revised shareholders agreement, states that the holders of Series 'B' POCPS will receive 0.56 equity shares for each Series 'B' POCPS held by them. The conversion ratio shall therefore entitle the holders to a total of 19,983,128 equity shares (at Rs 17.85 per equity share).
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Series 'C' POCPS

On 3 September 2004, the Company allotted 161,922,806 Series 'C' POCPS at Rs 10 each (par value of Rs 10) pursuant to the share subscription agreement dated 17 August 2004, entered into between the Company and two strategic investors. The terms and conditions of the Series 'C' POCPS are detailed hereunder:

Rate of dividend	- A fixed dividend of 0.0000000001% p.a. In addition to the preferential dividend, Series 'C' POCPS holders shall be entitled to participate pari passu with the equity shareholders of the Company after the said dividend has been paid or provided for on such preference shares. The Company shall not declare a dividend greater than the said percentage unless the Company includes above holders in such distribution of such excess dividend. Further, this shall be paid at the time it is paid to the equity shareholders.
Tenure / Redemption	Redeemable after 5 years from the date of Closing (i.e. 3 September 2004) at the sum of the subscription amount and any accrued and unpaid dividends thereon minus the value of any amounts paid out to the holder under other indemnity clauses provided in the share issue agreement. Further, based on occurrence of certain events as defined in the shareholders agreement (such as occurrence of breach by the Company of any covenant and obligation) these shareholders have an option of early redemption at a price higher of the adjusted subscription price or the then fair market value of the underlying equity shares as determined by an independent valuation firm. Adjusted Subscription price means sum of subscription money paid towards Series 'C' POCPS under the share subscription agreement and any accrued and unpaid dividends minus the value of any amounts or securities paid out under the indemnity clause.
Conversion	The holders of Series 'C' POCPS shall have an option to convert all or any part of the Series 'C' POCPS held by them at any time at their sole discretion. The conversion ratio as defined in the subscription agreement states that the holders of Series 'C' POCPS will receive 0.5038 equity shares for each Series 'C' POCPS held by them. The conversion ratio shall therefore entitle the holders to a total of 81,540,623 equity shares of Rs 10 each (at Rs 19.85 per equity share).

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

5. POCPS (Continued)

Series 'D' POCPS

Pursuant to a shareholders agreement dated 31 March 2006 entered into between the Company and the strategic investors, the Company allotted 10,000 equity shares of Rs. 10 each at a premium of Rs 20.75 per share and 157,924,250 shares of Series 'D' POCPS at Rs 10 per share (par value Rs 10) on 20 April 2006. The terms and conditions of the Series 'D' POCPS are detailed hereunder:

Rate of dividend	- A fixed dividend of 0.0000000001% p.a. In addition to the preferential dividend, Series 'D' POCPS holders shall be entitled to participate pari passu with the equity shareholders of the Company after the said dividend has been paid or provided for on such preference shares. The Company shall not declare a dividend greater than the said percentage unless the Company includes above holders in such distribution of such excess dividend. Further, this shall be paid at the time it is paid to the equity shareholders.
Tenure / Redemption	Redeemable after 5 years from the date of Closing (i.e. 20 April 2006) at the sum of the subscription amount and any accrued and unpaid dividends thereon minus the value of any amounts paid out to the holder under other indemnity clauses provided in the share issue agreement. Further, based on occurrence of certain events as defined in the shareholders agreement (such as occurrence of breach by the Company of any covenant and obligation) these shareholders have, an option of early redemption at a price higher of the 'Adjusted subscription price or the then fair market value of the underlying equity shares as determined by an independent valuation. Adjusted Subscription price means sum of subscription money paid towards Series 'D' POCPS under the share subscription agreement and any accrued and unpaid dividends minus the value of any amounts or securities paid out under the indemnity clause.
Conversion	The holders of Series 'D' POCPS shall have an option to convert all or any part of the Series 'D' POCPS held by them at any time at their sole discretion. The conversion ratio as defined in the subscription agreement states that the holders of Series 'D' POCPS will receive 0.32523 equity shares for each Series 'D' POCPS held by them. The conversion ratio shall therefore entitle the holders to a total of 51,361,047 equity shares of Rs 10 each (at Rs 30.75 per equity share).

At the Extra-ordinary general meeting of the Company held on 22 November 2006, the holders of Series 'B', 'C' and 'D' Participatory Optionally Convertible Preference Shares ('POCPS') have exercised their option to convert all of their POCPS into equity shares of the Company (of face value Rs 10 each) at a price as stated in the respective shareholder agreement. Consequently, on receipt of requisite regulatory approvals, the Company has allotted (by way of conversion), 19,983,128 equity shares at a premium of Rs 7.85 per share to Series B POCPS holders, 81,540,623 equity shares at a premium of Rs 9.85 per share to Series C POCPS holders and 51,361,047 equity shares at a premium of Rs 20.75 per share to Series D POCPS holders.

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

6. Employee Stock Option Plan

Stock option scheme 2002 ('Scheme 2002')

In September 2002, the Board of the Company approved the ICICI OneSource Stock Option Scheme 2002 ('the Scheme'), which covers the employees and directors of the Company including its holding Company and subsidiaries. The Scheme is administered and supervised by the members of the Board Governance Committee (the 'Committee').

As per the scheme, the Committee shall issue stock options to the employees at an exercise price, equal to the fair value of the equity share on the date of grant, as determined by an independent valuer. The Scheme provides that these options would vest in tranches over a period of 4 years as follows:

Period within which options will vest unto the participant	% of options that will vest
End of 12 months from the date of grant of options	25.0
End of 18 months from the date of grant of options	12.5
End of 24 months from the date of grant of options	12.5
End of 30 months from the date of grant of options	12.5
End of 36 months from the date of grant of options	12.5
End of 42 months from the date of grant of options	12.5
End of 48 months from the date of grant of options	12.5

Further, the participants shall exercise the options within a period of nine years commencing on or after the expiry of twelve months from the date of the grant of the options.

Employee stock option activity under Scheme 2002 is as follows:

	Nine months period ended 31 December 2006
Outstanding at beginning of the period	1,968,750
Granted during the period	-
Forfeited during the period	(32,500)
Exercised during the period (Refer note 2 below)	(236,250)
Outstanding at the end of the period (Refer note 1 below)	1,700,000
Vested and exercisable at the end of the period	1,665,625
Note 1:	
Exercise price range	
10.00 – 14.99	1,700,000
Note 2: Options exercised includes 17,500 options pending allotment.	

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

6. Employee Stock Option Plan (Continued)

Employee stock option scheme 2003 ('Scheme 2003')

In September 2003, the Board and the Members of the Company approved the ICICI OneSource Stock Option Scheme 2003 ('Scheme 2003'). The terms and conditions under this Scheme are similar to those under 'Scheme 2002' except for the following, which were included in line with the amended 'SEBI (Employee stock option scheme and employee stock purchase scheme) guidelines, 1999':

- The Scheme is administered and supervised by the members of the Compensation committee, which was previously done by the Board Governance Committee;
- Exercise period within which the employees would exercise the options would be 5 years from the date of grant;
- Exercise price shall be determined based on a fair valuation exercise done at the beginning of every six months for options granted during those respective periods;
- The face value of shares to be allotted under Scheme 2003 to all persons resident outside India shall not exceed five percent of the share capital of the Company subject to approval of the shareholders in the General Meeting; and

The above Scheme 2003 was effective from 11 October 2003.

Employee stock option activity under Scheme 2003 is as follows:

	Nine months period ended 31 December 2006
Outstanding at beginning of the period	21,043,000
Granted during the period (Refer note 3 below)	22,382,500
Forfeited during the period	(3,027,500)
Exercised during the period (Refer note 2 below)	(1,186,250)
Outstanding at the end of period (Refer note 1 below)	39,211,750
Vested and exercisable at the end of the period	9,150,373
Note 1:	
Exercise price range	
10.00 – 14.99	8,495,500
15.00 – 19.99	2,226,250
20.00 – 24.99	5,970,000
25.00 – 29.99	-
30.00 – 34.99	20,275,000
35.00 – 39.99	2,245,000
	39,211,750

Note 2: Options exercised includes 77,500 options pending allotment.

Note 3: The Compensation cum Board Governance Committee of Firstsource, at its meeting held on 27 April 2006 amended the vesting schedule for stock options to be granted on 1 May 2006 to General Managers and above grade of employees and to non-executive directors. The vesting schedule for 15,980,000 stock options granted pursuant to the above is set forth below:

Period within which options will vest unto the participant	% of options that will vest
End of 24 months from the date of grant of options	50.0
End of 36 months from the date of grant of options	50.0

Note 4: The aggregate stock option pool available for issuance of options under Employee Stock Option Scheme 2002 and Employee Stock Option Scheme 2003 is 12% of the equity capital on a fully diluted basis.

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

6. Employee Stock Option Plan (Continued)

The Guidance Note on 'Accounting for employee share based payments' ('Guidance Note') issued by ICAI establishes financial accounting and reporting principles for employees share based payment plans. The Guidance Note applies to employee share based payments, the grant date in respect of which falls on or after 1 April 2005. The Company follows the intrinsic value method to account compensation expense arising from issuance of stock options to the employees. Since all stock options are granted at intrinsic value, no compensation cost has been recorded in respect of these options. Had compensation cost been determined under the fair value approach described in the Guidance Note, using the Black Scholes pricing model, the Company's net income and basic and diluted earnings per share (as restated) would have been reduced to the proforma amounts as set out below:

(Rs. In Million)

Particulars	Nine months ended 31 December 2006	Year ended 31 March 2006
Net income as reported	512.00	157.71
Less: Stock-based employee compensation expense (fair value method)	35.88	6.73
Proforma net income	476.12	150.98
Basic earnings per share as reported (Rs)	2.28	0.78
Proforma basic earnings per share (Rs)	2.12	0.75
Diluted earnings per share as reported (Rs)	1.35	0.51
Proforma diluted earnings per share (Rs)	1.26	0.49

The key assumptions used to estimate the fair value of options are :

Particulars	Nine months ended 31 December 2006	Year ended 31 March 2006
Dividend yield %	0%	0%
Expected life	3-5 years	3-5 years
Risk free interest rate	6.50% to 7.50 %	6.50% to 7.50 %
Volatility (since unlisted)	0%	0%

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

7. Statement of investments

(Rs. In Million)

Particulars	As at March 31,					As at December 31, 2006
	2002	2003	2004	2005	2006	
Long term (at cost)						
<i>Trade, Unquoted</i>						
Equity shares of Customer Asset India Ltd	-	959.52	959.52	-	-	-
Common stock of Firstsource Solutions, USA.	-	-	-	20.79	20.79	773.04
Equity shares of Firstsource Solutions, UK.	-	-	-	18.35	18.35	18.35
Preferred Stock of FirstRing Inc, US ('FRUS')	-	-	617.22	1,350.86	1,350.86	1,350.86
Equity shares of Pipal Research Corporation	-	-	-	157.26	157.26	157.26
Equity Shares of Rev IT Systems Private Limited	-	-	-	575.89	941.55	941.55
Preference Shares of Rev IT Systems Private Limited	-	-	-	5.16	5.16	5.16
Total (A)	-	959.52	1,576.74	2,128.31	2,493.97	3,246.22

Investments-Short term

(Rs. In Million)

Particulars	As at March 31,					As at December 31, 2006
	2002	2003	2004	2005	2006	
Non-trade						
Prudential ICICI Institutional Liquid Plan – Super Institutional Growth	-	151.46	-	-	-	-
Prudential ICICI Flexible income plan	-	79.28	-	-	-	-
Birla Bond Plus Institutional	-	71.08	-	-	-	-
Total (B)	-	301.82	-	-	-	-
Trade						
Investment in Treasury bills in connection with Philippines branch	-	-	-	-	-	0.10
Total (C)	-	-	-	-	-	0.10
Grand Total (A+B+C)	-	1,261.34	1,576.74	2,128.31	2,493.97	3,246.32

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

8. Statement of debtors

(Rs. In Million)

Particulars	As at March 31,					As at December 31, 2006
	2002	2003	2004	2005	2006	
(Unsecured)						
Debts outstanding for a period exceeding six months						
- considered doubtful	-	-	0.52	6.59	6.16	10.61
Others debts						
- considered good	-	200.99	181.91	295.73	441.50	891.81
	-	200.99	182.43	302.32	447.66	902.42
Less: Provision for doubtful debts	-	-	(0.52)	(6.59)	(6.16)	(10.61)
Total	-	200.99	181.91	295.73	441.50	891.81

9. Statement of Loans and advances

(Rs. In Million)

Particulars	As at March 31,					As at December 31, 2006
	2002	2003	2004	2005	2006	
(Unsecured, considered good)						
Loans to subsidiaries	-	31.60	298.00	572.02	583.39	578.75
Advances to subsidiaries	-	4.87	20.02	15.32	160.00	30.11
Deposits with subsidiaries	-	15.00	15.00	-	-	-
Deposits with others	-	42.30	48.08	151.80	158.24	202.16
Unbilled receivables	-	-	7.15	11.60	131.30	143.71
Prepaid expenses	2.24	13.01	16.86	24.70	31.42	36.17
Advances recoverable in cash or in kind or for value to be received	0.28	3.54	23.72	25.01	5.24	66.24*
Lease rentals receivable, net (refer note 10.2)	-	7.40	15.84	22.81	23.01	24.93
Advance tax and tax deducted at source	-	2.08	6.59	16.83	25.58	29.73
Accrued interest	-	1.07	2.09	17.96	9.86	24.74
Total	2.52	120.87	453.35	858.05	1,128.04	1,136.54

* advances recoverable in cash or in kind for value to be received includes Rs 4,486 advances against share issue expenses with respect to the Initial Public Offer (IPO) proposed by the management. These share issue expenses shall be adjusted against the securities premium on completion of the IPO.

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

10. Leases

10.1 Operating lease

The Company is obligated under non-cancellable operating leases for office space which are renewable on a periodic basis at the option of both the lesser and lessee.

The future minimum lease payments in respect of non-cancellable operating leases are as follows:

(Rs. In Million)

Particulars	As at March 31,					As at December 31, 2006
	2002	2003	2004	2005	2006	
Amount due within one year from the balance sheet date	28.61	28.61	73.45	99.49	164.81	146.71
Amount due in the period between one year and five years	129.67	85.09	162.58	167.80	172.14	94.61
Amount due in the period beyond five years	-	-	-	-	-	-
Total	158.28	113.70	236.03	267.29	336.95	241.32

The above does not include lease obligations, for which the Company has entered into a letter of intent but no agreement for the same had been signed as at the balance sheet date.

The Company has also taken office facilities and residential facilities under cancellable operating leases that are renewable on a periodic basis at the option of both the lessor and lessee.

10.2 Finance lease

The Company has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease are as follows:

(Rs. In Million)

Particulars	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 December 2006			
Amount due within one year from the balance sheet date	2.36	0.08	2.28
Amount due between one year and five years	2.94	0.04	2.90
Total	5.30	0.12	5.18

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

10. Finance lease (Continued)

The Company also has given vehicles on finance lease to its employees as per policy. The future minimum lease rentals receivable are as follows:

(Rs. In Million)

Particulars	Minimum lease payments	Finance charges	Present value of minimum lease payments
As at 31 March 2003			
Amount receivable within one year from the balance sheet date	1.97	0.56	1.41
Amount receivable in the period between one year and five years	6.99	1.00	5.99
Total	8.96	1.56	7.40
As at 31 March 2004			
Amount receivable within one year from the balance sheet date	5.87	1.38	4.49
Amount receivable in the period between one year and five years	12.83	1.48	11.35
Total	18.70	2.86	15.84
As at 31 March 2005			
Amount receivable within one year from the balance sheet date	9.15	1.93	7.22
Amount receivable in the period between one year and five years	17.32	1.73	15.59
Total	26.47	3.66	22.81
As at 31 March 2006			
Amount receivable within one year from the balance sheet date	11.30	2.02	9.28
Amount receivable in the period between one year and five years	15.38	1.65	13.73
Total	26.68	3.67	23.01
As at 31 December 2006			
Amount receivable within one year from the balance sheet date	11.68	2.18	9.50
Amount receivable in the period between one year and five years	17.53	2.10	15.43
Total	29.21	4.28	24.93

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

11. Retirement benefit

Gratuity Plan

The following table sets out the status of the gratuity plan as required under AS 15 (revised).

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

(Rs. In Million)

Particulars	Nine month period ended 31 December 2006
Change in present value of obligations	
Obligations at beginning of the period	19.67
Service cost	19.05
Interest cost	1.06
Actuarial (gain)/loss	(10.66)
Benefits paid	(1.62)
Obligations at the end of the period	27.50
Change in plan assets	
Fair value of plans assets at beginning of the period	(2.08)
Expected return on plan assets	0.12
Actuarial gain/(loss)	(0.12)
Contributions	-
Benefits paid	-
Fair value of plans assets at end of the period	(2.08)
Reconciliation of present value of the obligation and the fair value of plan assets	
Present value of the defined benefit obligations at the end of the period	27.51
Fair value of plan assets at the end of period	(2.08)
Funded status being amount of liability recognized in the balance sheet	25.43
Gratuity cost for the period	
Service cost	19.05
Interest cost	1.06
Expected return on plan assets	(0.12)
Actuarial (gain)/loss	(10.54)
Net gratuity cost	9.45
Assumptions	
Interest rate	7.50%
Estimated rate of return on plan assets	7.90%
Rate of growth in salary levels	10.00%
Withdrawal rate	25% reducing to 2%

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

11. Retirement benefit (Continued)

Leave Encashment

The following table sets out the status of the Leave encashment plan as required under AS 15 (revised)

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

(Rs. In Million)

Change in present value of obligations	
Obligations at period beginning	15.18
Service cost	9.53
Interest cost	0.77
Actuarial (gain)/loss	(3.81)
Benefits paid	(3.04)
Obligations at period end	18.63
Liability recognized in the balance sheet	18.63
Leave encashment cost for the period	
Service cost	9.53
Interest cost	0.77
Expected return on plan assets	-
Actuarial (gain)/loss	(6.86)
Net leave encashment cost	3.44
Assumptions	
Interest rate	7.50%
Rate of growth in salary levels	10.00%
Withdrawal rate	25% reducing to 2%

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

12. Related party transactions

12.1 List of related parties and relationships

Particulars				
Name of the related party	For the year ended 31 March 2004	For the year ended 31 March 2005	For the year ended 31 March 2006	For the nine months ended 31 December 2006
ICICI Bank Limited	Principal Shareholders	Principal Shareholders	Principal Shareholders	Principal Shareholders
3i Infotech Limited **	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries
ICICI Lombard General Insurance Company Limited	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries
ICICI Prudential Life Insurance Company Limited	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries
ICICI Bank Canada	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries
ICICI Bank UK Limited	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries
Prudential ICICI Asset Management Company Limited	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries
Customer Asset India Limited (CAST India) ***	100% Subsidiary	-	-	-
First Ring India Private Limited (FR India)***	100% Subsidiary	-	-	-
Firstsource Solutions USA (FSUSA)	100% Subsidiary	100% Subsidiary	100% Subsidiary	100% Subsidiary
Firstsource Solutions UK (FSUK)	100% Subsidiary	100% Subsidiary	100% Subsidiary	100% Subsidiary
First Ring USA (FRUS)	99.8% Subsidiary	99.8% Subsidiary	99.8% Subsidiary	99.8% Subsidiary
Account Solution Group, LLC (ASG)	-	100% Subsidiary	100% Subsidiary	100% Subsidiary
Pipal Research Corporation (Pipal)	-	51% Subsidiary	51% Subsidiary	51% Subsidiary
Pipal Research Analytics and Information Services India Private Limited ("PRAISE")	-	51% Subsidiary	51% Subsidiary	51% Subsidiary
Rev IT System Private Limited (REV IT)	-	90.01% Subsidiary	100% Subsidiary	100% Subsidiary
Sherpa Business Solutions Inc	-	90.01% Subsidiary	100% Subsidiary	100% Subsidiary

Particulars				
Name of the related party	For the year ended 31 March 2004	For the year ended 31 March 2005	For the year ended 31 March 2006	For the nine months ended 31 December 2006
Firstsource Solutions S.A. ("FS Argentina")	-	-	-	99.98% Subsidiary
Business Process Management, Inc ("BPM")	-	-	-	100% Subsidiary
MedPlans 2000 Inc ("MP2")	-	-	-	100% Subsidiary
MedPlans Partners ("MPP")	-	-	-	100% Subsidiary
Key management personnel and relatives				
Ananda Mukerji	MD and CEO	MD and CEO	MD and CEO	MD and CEO
Matthew Vallance	Key Management personnel	Key Management personnel	Key Management personnel	Key Management personnel
Rahul Basu	Key Management personnel	Key Management personnel	Key Management personnel	Key Management personnel
Ganesh K	Key Management personnel *	-	-	-
Meena Ganesh	Key Management personnel *	-	-	-
Susheel Kurien	Key Management personnel *	-	-	-
Raju Bhatnagar	-	COO *	COO *	-
Raja Gopalkrishna	Key Management personnel	Key Management personnel	Key Management personnel *	-
Raju Venkatraman	-	-	COO *	COO
Rajesh Subramaniam	-	-	-	CFO

* Part of the year

** Earlier known as ICICI Infotech Limited

*** Amalgamated with Firstsource Solutions Limited (*formerly ICICI OneSource Limited*) with effect from 1 April 2004

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

12. Related party transactions (Continued)

12.2 Transactions with the related parties

Name of the related party	Description	Transaction value during the year ended March 31, 2004	Receivable / (Payable) net at March 31, 2004	Transaction value during the year ended March 31, 2005	Receivable / (Payable) at March 31, 2005	Transaction value during the year ended March 31, 2006	Receivable / (Payable) net at March 31, 2006	Transaction value during the period ended December 31, 2006	Receivable / (Payable) net at December 31, 2006
CAST India	Interest Income	-	120.98	-	-	-	-	-	-
	Rent	4.33	-	-	-	-	-	-	-
	Loan and advances given(Net)	8.19	-	-	-	-	-	-	-
	Fixes assets sold	68.96	-	-	-	-	-	-	-
	Fixed assets purchased	1.96	-	-	-	-	-	-	-
FSUSA		96.99	-	-	-	-	-	-	-
	Investment in Equity (transferred on amalgamation)	-	(15.42)	-	(7.74)	-	70.23	-	26.06
	Income from services	235.86	-	20.79	-	-	-	752.25	-
	Marketing fees expenses	41.40	-	196.52	-	354.28	-	412.73	-
	Reimbursement of expenses	-	-	126.01	-	-	-	-	-
FSUK		-	-	-	(6.73)	-	256.21	30.42	664.09
	Investment in Equity (transferred on amalgamation)	-	40.34	-	-	-	-	-	-
	Income from services	827.02	-	18.35	-	-	-	-	-
	Marketing fees expenses	120.45	-	938.50	-	974.10	-	1,044.59	-
	Reimbursement of expenses	-	-	136.65	-	-	-	-	-
		-	-	-	-	-	-	21.66	-

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

12. Related party transactions (Continued)

12.2 Transactions with the related parties (Continued)

Name of the related party	Description	Transaction value during the year ended March 31, 2004	Receivable / (Payable) net at March 31, 2004	Transaction value during the year ended March 31, 2005	Receivable / (Payable) at March 31, 2005	Transaction value during the year ended March 31, 2006	Receivable / (Payable) net at March 31, 2006	Transaction value during the year ended March 31, 2006	Receivable / (Payable) net at March 31, 2006
FRUS	Investment in Series 'F' Preferred stock	617.22	-	-	580.05	-	613.37	-	-
	Marketing fees	-	-	733.64	-	-	-	-	-
	expenses	-	-	91.83	-	-	-	-	-
	Income from services	-	-	359.16	-	201.76	-	7.24	13.11
	Purchase of investment in FirstRing India Private Limited (cancelled on amalgamation)	-	-	57.92	-	-	-	-	-
	Loan given	-	-	-	-	-	-	-	-
	Interest Income	-	-	572.02	-	-	-	-	-
	Reimbursement of expenses	-	-	17.94	-	34.80	-	26.98	24.75
	Loan outstanding	-	-	-	-	-	-	0.23	-
	Interest Income	-	-	-	-	-	-	-	578.75
FR India	Inter Corporate Deposit Given(Net)	9.72	216.14	-	-	-	-	-	-
	Fixed assets purchased	214.61	-	-	-	-	-	-	-
	Investment in shares	7.16	-	-	-	-	-	-	-
	Income from services	-	-	157.26	-	-	-	-	-
Pipal	Reimbursement of expenses	-	-	0.24	-	-	-	-	-
	Investment in equity	-	-	-	-	-	-	0.22	-
	Reimbursement of expenses	-	-	581.05	-	365.66	0.04	-	-
REV IT	Reimbursement of expenses	-	-	-	-	-	-	0.06	-

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

12. Related party transactions (Continued)

12.2 Transactions with the related parties (Continued)

Name of the related party	Description	Transaction value during the year ended March 31, 2004	Receivable / (Payable) net at March 31, 2004	Transaction value during the year ended March 31, 2005	Receivable / (Payable) at March 31, 2005	Transaction value during the year ended March 31, 2006	Receivable / (Payable) net at March 31, 2006	Transaction value during the year ended March 31, 2006	Receivable / (Payable) net at December 31, 2006
ASG	Operational Expenses	-	-	-	-	20.86	20.86	-	-
	Reimbursement of expenses	-	-	-	-	-	-	30.45	0.24
FS Argentina	Income from services	-	-	-	-	-	-	60.85	50.74
	Reimbursement of expenses	-	-	-	-	-	-	0.47	0.47
ICICI Bank Limited	Income from services	-	(0.11)	-	25.00	-	19.72	-	-
	Interest on deposits	8.46	-	55.67	-	76.20	-	79.60	46.43
	Rent	-	-	0.49	-	0.27	-	-	-
	Software Expenses & Professional Fees	-	-	-	-	3.04	-	2.28	-
		0.60	-	3.52	-	3.23	-	1.17	-
	Repair and maintenance	-	-	-	-	-	-	-	-
	Corporate administrative expenses	4.75	-	3.77	-	1.61	-	0.77	-
	Interest expenditure	10.02	-	28.03	-	76.17	(11.20)	51.14	(5.23)
	Bank balance	-	9.64	-	51.11	-	12.27	-	4.79
	Bank OD	-	-	-	-	-	(272.78)	-	(71.39)
	Fixed deposit	-	-	-	6.07	0.19	6.25	-	5.87
	Working capital demand loan	-	(199.71)	-	(369.65)	-	-	-	-

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

12. Related party transactions (Continued)

12.2 Transactions with the related parties (Continued)

Name of the related party	Description	Transaction value during the year ended March 31, 2004	Receivable / (Payable) at March 31, 2004	Transaction value during the year ended March 31, 2005	Receivable / (Payable) at March 31, 2005	Transaction value during the year ended March 31, 2006	Receivable / (Payable) at March 31, 2006	Transaction value during the period ended December 31, 2006	Receivable / (Payable) net at December 31, 2006
ICICI Bank Canada	External Commercial Borrowings	-	-	-	(546.81)	-	(669.23)	-	(663.90)
	Term Loan	-	-	-	-	267.69	(267.69)	-	(44.26)
	Guarantee Commission	-	-	-	-	-	-	9.53	-
	Income from services	-	-	7.43	5.23	20.58	1.88	13.99	5.41
ICICI Bank UK Limited	Income from services	-	-	2.94	0.93	10.99	1.87	13.78	3.12
3i Infotech Limited	Technical and support charges	8.01	(1.55)	10.34	(1.88)	7.79	(1.80)	5.13	-
ICICI-Lombard General Insurance Co. Ltd	Insurance premium paid	-	11.09	40.55	-	42.86	-	21.84	-
ICICI-Prudential Life Insurance Company Limited	Income from services	-	-	33.37	14.04	54.96	20.46	89.85	61.16
Prudential Life Insurance Company Limited	Insurance premium paid	0.77	-	2.19	-	2.90	-	3.16	-
Prudential ICICI Asset Management Company Limited	Rent	0.39	-	23.92	-	25.47	-	18.00	-
Prudential ICICI Asset Management Company Limited	Deposit given	5.98	5.98	-	5.98	-	-	-	-
Prudential ICICI Asset Management Company Limited	Investments in mutual funds	-	-	-	-	-	-	-	-
Prudential ICICI Asset Management Company Limited	Purchase Sale	-	-	-	-	-	-	1,075.00	-
Prudential ICICI Asset Management Company Limited	Remuneration	24.91	-	21.07	-	33.19	-	26.91	-
Key management personnel and relatives									
Directors									
sitting fee				0.04				0.08	

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

12. Related party transactions (Continued)

12.3 Other related parties of the Company with whom no transactions have been entered during the year/period reported

Principal Shareholders	ICICI Strategic Investment Fund ICICI Information Technology Fund under the Trusteeship of ICICI Trusteeship Services Limited Scheme of ICICI Venture Capital Fund
Fellow subsidiaries	ICICI Ventures Funds Management Company Limited ICICI Brokerage Services Limited ICICI International Limited ICICI Trusteeship Services Limited ICICI Home Finance Company Limited ICICI Investment Management Company Limited ICICI Securities Holdings Inc. ICICI Securities Inc. ICICI Securities Limited Prudential ICICI Trust Limited TCW/ICICI Investment Partners L.L.C ICICI Distribution Finance Private Limited
Non Executive Directors	Ashok Shekhar Ganguly Charles Miller Smith K P Balaraj Shikha Sharma Shailesh Mehta Dinesh Vaswani Y. H. Malegam Donald Layden, Jr. Akash Prakash (Resigned) Balaji Swaminathan (Resigned) Madhabi Puri Buch (Resigned) Lalita D Gupte

ANNEXURE IV (Continued)

Significant accounting policies and notes to the summarised restated financial information

13. Capital and other commitments and contingent liabilities

(Rs. In Million)

Particulars	As at March 31,					As at December 31, 2006
	2002	2003	2004	2005	2006	
The estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	12.05	4.80	34.73	38.65	44.51	104.75
Foreign currency forward covers outstanding	-	-	535.71	722.38	1,650.76	3,550.10
Unamortized premium on forward exchange contracts	-	-	0.40	1.34	9.42	9.92
Estimated amount of claims against the company on account of tax matters	-	-	4.30	4.30	45.22	95.33
Claims not acknowledged as debt	-	-	0.63	0.63	2.93	0.66
Guarantees and letters of credit given	-	-	-	506.11	896.06	1,646.03

ANNEXURE V

STATEMENT OF SECURED AND UNSECURED LOANS

Secured loans

(Rs. In Million)

Particulars	As at March 31,					As at December 31, 2006
	2002	2003	2004	2005	2006	
External commercial borrowings (ECB)	-	-	-	546.81	669.22	663.90
Finance lease obligation (Refer Annexure IV, note 10.2)	-	-	-	-	-	5.18
	-	-	-	546.81	669.22	669.08

Unsecured loans

(Rs. In Million)

Particulars	As at March 31,					As at December 31, 2006
	2002	2003	2004	2005	2006	
Term loan from ICICI bank	-	-	-	-	267.69	44.26
Working capital demand loan	-	-	199.71	306.22	-	-
Cash credit facilities from banks	-	-	-	64.20	272.78	71.39
Unsecured participatory optionally convertible debentures (POCD) of Rs. 10 each fully paid up (refer Annexure IV, note 4)	-	700.00	-	-	-	-
	-	700.00	199.71	370.42	540.47	115.65

Note: The unsecured participatory optionally convertible debentures (POCD) were converted into equity shares in the financial year 2003-2004 (refer Annexure IV, note 4)

ANNEXURE V (Continued)

DETAILS OF LOANS TAKEN AND OUTSTANDING AS AT 31 December 2006

Secured loans

	Loan taken from	Description	Amount outstanding as at December 31, 2006 (Rs in million)	Amount outstanding as at December 31, 2006 (in foreign currency million)	Tenure	Repayment term	Maturity	Prevailing interest (per annum)	Security offered
1	ICICI Bank	External Commercial Borrowing	663.90	\$15.00	3 Years	3 years from the date of each borrowing	\$ 10.00 million June 2007, \$ 2.5 million November 2007 and \$ 2.5 million July 2008	6 Months Libor+2%	Secured against fixed assets and receivables
2	Rentworks India Private Limited	Finance lease	5.18	-	3 Years	Quarterly payment of Rs.0.59 million	March 2009	1.84%	Secured against underlying assets taken on lease

Unsecured loans

	Loan taken from	Description	Amount outstanding as at December 31, 2006 (Rs in million)	Amount outstanding as at December 31, 2006 (in foreign currency million)	Tenure	Repayment term	Maturity	Prevailing interest (per annum)
1	ICICI Bank	Term loan	44.26	\$1.00	15 Months	15 Months from the date of each drawdown	February 2007	3 Months Libor+3%
2	ICICI Bank	Working Capital Demand Loan	71.39	-	Revolving credit	Payable on demand	-	12.51%

Note: \$ = US Dollar, £ = Sterling pound

ANNEXURE VI

STATEMENT OF OTHER INCOME

(Rs. In Million)

Particulars	For the period December 6, 2001 to March 31, 2002	For the year ended March 31,				For the nine months ended December 31, 2006
		2003	2004	2005	2006	
Non – Recurring						
Profit on sale/redemption of non trade investments, net	-	9.41	8.25	10.86	0.05	52.22
Dividend	-	5.56	-	-	-	-
Recurring						
Interest income						
- on deposits with banks	-	8.54	2.57	0.49	0.27	6.70
- on loan to subsidiary	-	1.37	14.05	17.94	34.80	26.98
- on others	-	-	1.31	2.45	2.08	1.79
Provision for doubtful debts no longer required, written back	-	-	-	-	0.43	-
Miscellaneous income	-	0.14	0.12	0.89	0.17	0.22
Total	-	25.02	26.30	32.63	37.80	87.91

Notes:

- 1) Other income considered above is as per the Statement of the restated profit and loss (Annexure II).
- 2) The classification of other income by the management into recurring and non-recurring is based on the current operations and business activities of the Company.
- 3) 'Other Income' is related / incidental to the business activities of the Company.

ANNEXURE VII

STATEMENT OF ACCOUNTING RATIOS BASED ON RESTATED FINANCIAL INFORMATION

Particulars	For the period December 6, 2001 to March 31,2002	As at and for the year ended March 31,				As at and for the nine months period ended December 31, 2006
		2003	2004	2005	2006	
Net profit before extraordinary items but after tax (Rs in million) (A)	-	(135.53)	28.88	90.36	157.71	512.00
Net worth excluding share application money and revaluation reserves (Rs in million) (B)	(8.07)	1,164.47	2,250.20	2,869.67	3,041.81	5,145.79
Net worth excluding share application money , revaluation reserves and preference share capital (Rs in million) (C)	(8.07)	364.47	393.48	893.72	1,065.86	5,145.79
Weighted average number of equity shares (in million) - Basic (D)	-	38.92	50.01	190.09	201.02	224.99
Weighted average number of equity shares (in million) - Diluted (E)	-	38.92	69.43	263.67	310.09	378.34
Total number of equity shares outstanding at end of the year/period (in million) (F)	-	50.00	50.01	200.75	201.88	356.26
Earnings per equity share						
- Basic (A/D)	-	(3.48)	0.58	0.48	0.78	2.28
- Diluted (A/E)	-	(3.48)	0.42	0.34	0.51	1.35
Return on Net worth (%) (A/B)	-	(11.64)	1.28	3.15	5.18	9.95
Net asset value per share (in Rs) (C/F)	-	7.29	7.87	4.45	5.28	14.44

ANNEXURE VII (*Continued*)

STATEMENT OF ACCOUNTING RATIOS BASED ON RESTATED FINANCIAL INFORMATION (*Continued*)

Notes:

1. The figures for the nine months period ended 31 December 2006 have not been annualized.
2. The ratios have been computed as follows:

Earnings per equity share (Rs)	$\frac{\text{Net profit attributable to equity shareholders as restated}}{\text{Weighted average number of equity shares outstanding during the year/period}}$
Return on Net worth (%)	$\frac{\text{Net Profit before extraordinary items but after tax as restated}}{\text{Net worth excluding share application money and revaluation reserves at the end of the year /period}}$
Net asset value per equity share (Rs)	$\frac{\text{Net worth excluding share application money, revaluation reserve and preference share capital at the end of the year/period}}{\text{Number of equity shares outstanding at the end of the year/period}}$

3. Restated net profit, as appearing in the restated Statement of profits and losses (Annexure II) and net worth as appearing in the statement of restated assets and liabilities (Annexure I), has been considered for the purpose of computing the above ratios. These ratios are computed on the basis of the standalone (unconsolidated) restated financial information of the issuer company.
4. Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings Per Share" issued by the Institute of Chartered Accountants of India.
5. Calculation of ratios post issue has not been considered.

ANNEXURE VIII

CAPITALISATION STATEMENT

(Rs. In Million)

Particulars	As at December 31, 2006	
	Pre Issue	Post Issue
Borrowings		
Short term debts (Refer Note 1)	671.18	[●]
Long term debts	113.55	[●]
Total debts	784.73	[●]
Shareholders' funds :		
Equity Share capital and share application money	3,564.40	[●]
Reserves (net of Revaluation reserve)	2,066.48	[●]
Profit and loss account	653.42	[●]
Amalgamation deficit adjustment account	(1,136.72)	[●]
Total shareholders' funds	5,147.58	[●]
Long term debt/ equity ratio	0.02	[●]

- (1) Debts maturing within the next one year from 31 December 2006 are considered as short-term debts.
- (2) Share Capital and reserves and surplus post-issue can be calculated only on the conclusion of the book building process.
- (3) The post-issue debt equity ratio will be computed on the conclusion of the book building process.
- (4) The figures included above are as per the standalone (unconsolidated) restated statement of assets and liabilities and profit and loss.

ANNEXURE IX

STATEMENT OF TAX SHELTERS

(Rs. In Million, except for tax rates)

Particulars	For the Financial Year Ended on					Period ended 31 December 2006
	31 March 2002	31 March 2003	31 March 2004	31 March 2005	31 March 2006	
Profit before current and deferred taxes, as restated (A)	-	(135.53)	28.88	91.58	176.82	524.85
Tax Rate - Normal (B)	35.70%	36.75%	35.88%	36.59%	33.66%	33.66%
Tax Rate - MAT (C)	7.65%	7.88%	7.69%	7.84%	8.42%	11.22%
Tax expense at applicable tax rate on restated profits (D)	-	-	10.36	33.51	59.52	176.66
Adjustments						
Permanent Differences						
Deduction u/s 10A of the act	-	(53.32)	(62.37)	(181.45)	(334.99)	(695.20)
Deduction u/s 10B of the act	-	-	-	-	(51.03)	(92.80)
Wealth Tax	-	-	0.21	0.35	0.30	0.27
Donation	-	-	0.04	-	-	0.01
Loss on sale of fixed assets	-	0.05	-	-	2.00	1.30
Deduction under section 35D of the Act	-	14.55	10.52	3.16	1.86	-
Total (E)	-	(38.92)	(51.60)	(177.94)	(381.86)	(786.42)
Temporary Differences						
Difference between book depreciation and tax depreciation	(0.04)	(8.72)	2.14	7.21	159.11	81.11
Provision for leave encashment	-	2.87	2.59	(0.40)	3.13	-
Provision for gratuity	-	3.52	-	1.00	5.16	-
Provision for doubtful advances	-	-	0.52	0.26	(0.43)	4.45
Amalgamation Expenses	-	-	-	0.57	-	-
Provision for Bonus	-	3.87	(0.47)	(1.49)	1.19	(3.08)
Others	-	-	-	-	0.03	-
Total (F)	(0.04)	1.54	4.78	7.15	168.19	82.48
Net Adjustments (G) = (E) + (F)	(0.04)	(37.38)	(46.82)	(170.79)	(213.67)	(703.94)
Tax savings thereon (H) = (G) * (B)/(C)	(0.01)	(13.74)	(16.80)	(62.49)	(71.92)	(236.94)
Net impact (I) = (D)+(H)	(0.01)	(13.74)	(6.44)	(28.98)	(12.40)	(60.28)
Tax provision thereon	-	-	-	-	-	-
Overseas taxes	-	-	-	-	7.92	4.04
Total tax provision	-	-	-	-	7.92	4.04

ANNEXURE X

Statement of consolidated restated assets and liabilities

(Rs. In Million)

Particulars	As at March 31,				As at December 31,	
	2003	2004	2005	2006	2005	2006
A Goodwill on consolidation	733.61	1,462.50	3,611.94	4,072.61	3,970.67	5,419.25
B Fixed assets						
(i) Gross block	447.63	945.18	2,027.52	2,575.82	2,538.56	3,343.88
Less : Accumulated depreciation/ amortisation	107.49	528.82	1,077.45	1,486.52	1,372.63	1,967.31
Net block	340.14	416.36	950.07	1,089.30	1,165.93	1,376.57
(ii) Capital work in progress/advances	7.84	172.60	54.53	64.27	33.41	130.87
Net block	347.98	588.96	1,004.60	1,153.57	1,199.34	1,507.44
C Investments	301.82	-	-	-	-	0.1
D Deferred tax asset – net	18.91	1.36	4.25	3.88	4.02	-
E Current assets, loans and advances						
(i) Sundry debtors	215.59	331.53	618.93	1,006.94	957.03	933.67
(ii) Cash and bank balances	306.37	81.09	269.39	170.28	145.75	698.73
(iii) Loans and advances	123.87	236.84	318.07	457.34	405.93	1,083.69
	645.83	649.46	1,206.39	1,634.56	1,508.71	2,716.09
A+B+C+D+E	2,048.15	2,702.28	5,827.18	6,864.62	6,682.74	9,642.88
F Liabilities and provisions						
Secured loans	-	0.62	647.92	731.15	756.29	738.59
Unsecured loans	700.00	199.71	394.67	569.14	695.59	1,205.42
Current liabilities and provisions	157.63	247.28	667.62	1,190.94	1,077.35	1,114.60
	857.63	447.61	1,710.21	2,491.23	2,529.23	3,058.61
G Minority Interest	-	-	55.83	49.17	51.53	44.85
H Net worth (A+B+C+D+E-F-G)	1,190.52	2,254.67	4,061.14	4,324.22	4,101.98	6,539.42
I Represented by						
(i) Share Capital						
- Equity share capital	500.00	500.10	2,007.46	2,018.75	2,016.47	3,562.61
- Share application money	-	1.18	-	1.96	0.05	1.79
- Preference share capital	800.00	1,856.72	1,975.95	1,975.95	1,975.95	-
	1,300.00	2,358.00	3,983.41	3,996.66	3,992.47	3,564.40
(ii) Reserves and surplus						
- Securities premium	-	0.03	-	3.15	2.43	2,027.22
- Capital redemption reserve	-	-	-	-	-	-
- Profit and loss account	(109.48)	(103.37)	77.73	324.41	107.08	947.80
	(109.48)	(103.34)	77.73	327.56	109.51	2,975.02
Net worth	1,190.52	2,254.67	4,061.14	4,324.22	4,101.98	6,539.42

Note:

- 1) To be read together with the summary of significant accounting policies and notes to statement of restated assets and liabilities and restated profit and loss. (Annexure – XIII).
- 2) Firstsource Solutions Limited (*formerly ICICI OneSource Limited*) ('Parent company') did not have any subsidiary during the financial year ended March 31, 2002.

ANNEXURE XI

Statement of consolidated restated profit and loss

(Rs. In Million)

Particulars	For the year ended March 31				For the nine months period ended December 31,	
	2003	2004	2005	2006	2005	2006
INCOME						
Income from services	745.97	1,791.87	3,219.02	5,487.48	3,876.87	5,484.65
Other income	25.56	15.87	15.72	11.71	8.53	136.80
Total (A)	771.53	1,807.74	3,234.74	5,499.19	3,885.40	5,621.45
EXPENDITURE						
Operating cost	432.17	746.38	1,101.62	1,853.99	1,382.99	1,798.42
Personnel cost	371.05	852.84	1,600.60	2,834.88	2,061.05	2,637.80
Finance charges	6.00	11.67	29.24	89.27	65.51	74.16
Depreciation / amortization	67.19	171.63	329.90	451.46	335.47	441.51
Total (B)	876.41	1,782.52	3,061.36	5,229.60	3,845.02	4,951.89
Profit/(loss) before tax (A)-(B)	(104.88)	25.22	173.38	269.59	40.38	669.56
Provision for tax						
- Current tax (including foreign taxes)	0.16	1.55	-	15.55	6.70	38.53
- Fringe benefit tax	-	-	-	11.05	6.95	9.30
- Deferred tax charge/(release)	4.44	17.56	(2.93)	0.38	0.24	3.88
Profit/ (loss) after tax before minority interest	(109.48)	6.11	176.31	242.61	26.49	617.85
Minority interest	-	-	(4.79)	(4.07)	(2.87)	(5.54)
Profit/(loss) after tax and minority interest	(109.48)	6.11	181.10	246.68	29.36	623.39
- Profit/ (loss) brought forward from previous year/period	-	(109.48)	(103.37)	77.73	77.73	324.41
Profit/(loss) balance available for appropriation	(109.48)	(103.37)	77.73	324.41	107.08	947.80
Appropriations	-	-	-	-	-	-
Profit/(loss) carried forward to the balance sheet	(109.48)	(103.37)	77.73	324.41	107.08	947.80

Note:

- 1) To be read together with the summary of significant accounting policies and notes to statement of restated assets and liabilities and restated profit and loss. (Annexure – XIII).
- 2) Firstsource Solutions Limited (*formerly ICICI OneSource Limited*) ('Parent company') did not have any subsidiary during the financial year ended March 31, 2002.

ANNEXURE XII

Statement of consolidated restated cash flows

(Rs. In Million)

Particulars	For the year ended March 31				For the nine months period ended December 31,	
	2003	2004	2005	2006	2005	2006
Cash flow from operating activities						
Net profit/ (loss) for the year/period	(109.48)	6.11	181.10	246.68	29.36	623.39
Adjustments for:						
Depreciation	68.65	171.63	329.90	451.46	335.46	441.51
Provision for doubtful debts/advances	13.61	(1.72)	22.37	(1.98)	3.79	26.87
Interest cost	6.00	11.67	29.24	89.27	65.51	74.16
Provision for tax	0.16	1.55	-	26.60	13.65	47.82
Deferred tax	4.44	17.56	(2.93)	0.38	0.24	3.88
Interest and Dividend income	(15.37)	(5.89)	(3.85)	(9.34)	(6.80)	(15.03)
Loss/(profit) on sale of investments (net)	(10.01)	(8.23)	(10.85)	(0.05)	-	(52.22)
Loss /(profit) on sale of fixed assets (net)	0.05	(0.18)	(0.82)	1.47	2.13	0.26
Foreign exchange loss/(gain), net	1.22	2.64	1.32	8.32	13.79	(42.49)
Employee stock award in a subsidiary	-	-	-	-	-	1.71
Minority interest	-	-	(4.79)	(4.07)	(2.87)	(5.54)
Preliminary and Preoperative expenses written off	14.56	-	-	-	-	-
Operating (loss)/ profit before changes in working capital	(26.17)	195.14	540.69	808.74	454.26	1,104.32
Adjustments for (increase)/ decrease in working capital						
Sundry debtors	(135.18)	(74.36)	(141.32)	(387.50)	(380.37)	200.41
Loans and advances	(58.20)	(74.89)	(52.84)	(135.19)	(53.35)	(589.84)
Current liabilities and provisions	101.95	(223.51)	64.80	119.88	40.67	215.68
Net changes in working capital	(91.43)	(372.76)	(129.36)	(402.81)	(393.05)	(173.75)
Income tax paid	-	-	(2.96)	(35.36)	(13.65)	(32.27)
Cash generated from/ (used in) operations	(117.60)	(177.62)	408.37	370.57	47.56	898.30

(Rs. In Million)

Particulars	For the year ended March 31				For the nine months period ended December 31,	
	2003	2004	2005	2006	2005	2006
Cash flow from investing activities						
Purchase of investment in mutual funds	(2,787.08)	(591.07)	(4,162.53)	(55.00)	-	(3,070.00)
Sale of investment in mutual funds	2,495.28	901.14	4,173.39	55.05	-	3,122.13
Interest income received	14.40	5.02	1.79	7.27	5.18	13.24
Business acquisition, net of cash acquired	(943.57)	(582.29)	(1,956.66)	(72.96)	(74.38)	(1,837.38)
Capital expenditure	(343.04)	(322.10)	(614.00)	(593.59)	(476.78)	(746.52)
Sale of Fixed assets	0.09	0.54	25.52	6.42	1.19	4.88
Net cash (used in) /generated from investing activities	(1,563.92)	(588.76)	(2,532.49)	(652.81)	(544.79)	(2,513.65)
Cash flow from financing activities						
Proceeds from unsecured loan	-	199.71	663.95	2,893.76	1,815.01	815.19
Proceeds from secured loan	-	-	546.81	83.22	148.89	24.14
Repayment of secured loan	-	-	(0.62)	-	(20.77)	(11.37)
Repayment of unsecured loan	-	-	(494.01)	(2,722.99)	(1,516.38)	(203.05)
Proceeds from issuance of preference shares	800.00	356.72	1,619.23	-	-	1,579.24
Proceeds from issuance of debentures	700.00	-	-	-	-	-
Proceeds from issuance of equity shares and share application money, net of expenses	484.50	1.31	6.15	16.39	11.44	12.58
Interest paid	-	(16.78)	(29.20)	(87.19)	(64.60)	(72.93)
Expenses incurred for increase in authorized share capital	(5.99)	-	-	-	-	-
Net cash (used in)/ generated from financing activities	1,978.51	540.96	2,312.31	183.19	373.59	2,143.80
Effect of exchange differences on cash and cash equivalents	0.05	0.14	0.11	(0.06)	*	*
Net increase/(decrease) in cash and cash equivalents	296.99	(225.42)	188.19	(99.05)	(123.64)	528.45
Cash and cash equivalents at the beginning of the year/period	9.33	306.37	81.09	269.39	269.39	170.28
Cash and cash equivalents at the end of the period	306.37	81.09	269.39	170.28	145.75	698.73

Note:

- 1) To be read together with the summary of significant accounting policies and notes to statement of restated assets and liabilities and restated profit and loss. (Annexure – XIII).
- 2) Firstsource Solutions Limited (*formerly ICICI OneSource Limited*) ('Parent company') did not have any subsidiary during the financial year ended March 31, 2002.
- 3) * indicates balance less than Rs 5,000.

ANNEXURE XIII

Significant accounting policies and notes to the summarized restated consolidated financial information

1. Background

Firstsource Solutions Limited (formerly ICICI OneSource Limited) ('Firstsource' or the 'Company'), is an ICICI Bank Limited Group company incorporated on 6 December 2001. The Company is engaged in the business of providing contact center, transaction processing, research based and debt collection services.

On 29 December 2006, the Company through its wholly owned subsidiary Firstsource Solutions USA Inc (formerly ICICI One Source Limited, USA) acquired 100% of the common stock of Business Process Management, Inc, a Delaware corporation engaged in providing transaction processing and claims adjudication services principally to customers in the health care industry.

In September 2006, the Company, through its subsidiary company Firstsource Solutions Limited, UK (formerly known as ICICI One Source Limited, UK), has set up a 100% subsidiary Firstsource Solutions, S.A. (formerly known as ICICI One Source, S.A.). During this period, the Company also opened a branch office in Philippines.

The list of subsidiaries considered in these consolidated financial information with percentage holding is summarised below:

Subsidiaries	Country of incorporation and other particulars	Percentage of holding of the immediate parent	Consolidated from financial year
Firstsource Solutions USA Inc (formerly ICICI OneSource USA Inc), USA ('FS USA')	A subsidiary of Firstsource, organized under the laws of State of Delaware, USA	100%	2002-2003
Firstsource Solutions Limited UK (formerly ICICI One Source Limited, UK) ('FSUK')	A subsidiary of Firstsource organized under the laws of United Kingdom.	100%	2002-2003
Firstsource Solutions Limited S.A. (formerly ICICI OneSource, S.A). ('FS Argentina')	A wholly-owned subsidiary of Firstsource Solutions Limited U.K., incorporated under the laws of Argentina.	99.98%	2006-2007
Business Process Management, Inc ('BPM')	A subsidiary of Firstsource Solutions USA Inc organised under the laws of state of Delaware, USA	100%	2006-2007
MedPlans 2000 Inc ('MP2')	A subsidiary of Business Process Management, Inc organised under the laws of state of Delaware, USA	100%	2006-2007
MedPlans Partners ('MPP')	A subsidiary of Business Process Management, Inc organised under the laws of state of Delaware, USA	100%	2006-2007
FirstRing Inc, USA ('FRUS')	A subsidiary of Firstsource Solutions Limited, organized under the laws of State of Delaware, USA	99.8%	2003-2004
Accounts Solutions Group, LLC ('ASG')	A subsidiary of FirstRing Inc, USA, incorporated under the laws of the State of New York, USA	100%	2004-2005

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

Subsidiaries	Country of incorporation and other particulars	Percentage of holding of the immediate parent	Consolidated from financial year
Pipal Research Corporation, ('Pipal')	A subsidiary of Firstsource Solutions Limited, incorporated under the laws of the State of Illinois, USA	51%	2004-2005
Pipal Research Analytics and Information Services India Private Limited ("PRAISE")(formerly known as Satvik Research and Analysis India Private Limited.)	A wholly-owned subsidiary of Pipal Research Corporation, incorporated under the laws of India.	100%	2004-2005
Rev IT Systems Private Limited ('Rev IT')	A subsidiary of Firstsource Solutions Limited incorporated under the laws of India.	100%	2004-2005
Sherpa Business Solutions Inc ('Sherpa')	A wholly-owned subsidiary of Rev IT Systems Private Limited, incorporated under the laws of the State of Michigan, USA	100%	2004-2005

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of Firstsource Solutions Limited (*formerly ICICI OneSource Limited*) and its subsidiaries collectively referred to as the 'Firstsource Group' or the 'Group', have been prepared and presented under the historical cost convention, on the accrual basis of accounting, in accordance with the provisions of the Companies Act, 1956 ('the Act'), to the extent considered necessary, and in accordance with the accounting principles generally accepted in India ('Indian GAAP') and comply with the mandatory Accounting Standards ('AS') issued by the Institute of Chartered Accountants of India ('ICAI'), to the extent applicable.

2.2 Basis of consolidation

The consolidated financial statements are prepared in accordance with the principles and procedures prescribed under AS 21-'Consolidated Financial Statements' issued by the ICAI for the purpose of preparation and presentation of consolidated financial statements.

The financial statements of the Parent Company and its subsidiaries 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 eliminating intra-group balances/ transactions and resulting unrealised profits in full. Unrealised losses resulting from intra-group transactions have also been eliminated unless cost cannot be recovered. Minority interest's share of profits or losses is adjusted against income to arrive at the net income attributable to the Company's shareholders. Minority interest's share of net assets is disclosed separately in the balance sheet.

The consolidated financial statements are prepared using uniform accounting policies for transactions and other similar events in similar circumstances across the Group.

2.3 Use of estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles ('GAAP') in India requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of the consolidated financial statements.

Management believes that the estimates made in the preparation of consolidated financial statements are prudent and reasonable. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

2.4 Revenue recognition

Revenue from contact center and transaction processing services comprises from both time/unit price and fixed fee based service contracts. Revenue from time/ unit price based contracts is recognized on completion of the related services and is billed in accordance with the contractual terms specified in the respective customer contracts.

Revenue from fixed fee based service contracts is recognized on achievement of performance milestones specified in the customer contracts. Revenue from debt collection services is recognized when debts are realized. Built Operate and Transfer (BOT) contracts are treated as service contracts and accordingly, revenue is recognized as the services are rendered and billed in accordance with the respective contractual terms specified in the contracts.

Unbilled receivables represent costs incurred and revenues recognized on contracts to be billed in subsequent periods as per the terms of the contract.

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

Interest income is recognized using the time proportion method, based on the underlying interest rates.

2.5 Government Grants

Revenue grants are recognised when reasonable certainty exists that the conditions precedent will be /are met and the grants will be realised.

2.6 Goodwill

The excess of cost to the Parent company of its investments in the subsidiaries over its portion of equity in the subsidiaries, as at the date on which the investment was made, is recognized as goodwill in the consolidated financial statements. The Parent Company's portion of equity in the subsidiaries is determined on the basis of the book value of assets and liabilities as per the financial statements of the subsidiaries as on the date of investment.

Goodwill is reviewed for a decline other than temporary in its carrying value, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group assesses the recoverability of goodwill by reference to the valuation methodology adopted by it on the acquisition date, which included strategic and synergic factors that were expected to enhance the enterprise value. Accordingly, the Group would consider that there exists a decline other than temporary in the carrying value of goodwill when, in conjunction with its valuation methodology, its expectations with respect to the underlying acquisitions it has made deteriorate with adverse market conditions.

2.7 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes freight, duties, taxes and incidental expenses related to acquisition and installation of the fixed assets. Depreciation on fixed assets is provided pro rata to the period of use based on management's best estimate of useful lives of the assets (which are shorter than those prescribed under the Companies Act, 1956) as summarized below:

Asset category	Useful life (in years)
<u>Intangible</u>	
Software	3
Domain name	3
<u>Tangible</u>	
Leasehold improvements	Lease term or the estimated useful life of the asset, whichever is shorter
Computers	3
Service equipment including networks	2 – 3
Furniture and fixtures	3 – 5
Vehicles	2 – 5

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

Software purchased together with the related hardware is capitalised and depreciated at the rates applicable to related assets. Intangible assets other than above mentioned software are amortised over the best estimate of the useful life from the date the assets are available for use. Further, the useful life is reviewed at the end of each reporting period for any changes in the estimates of useful life and, accordingly, the asset is amortised over the remaining useful life.

Individual assets costing upto Rs 5,000 are depreciated in full in the period of purchase.

The Group has adopted AS 26 'Intangible Assets' issued by ICAI for capitalisation of software development cost incurred. Software product development costs are expensed as incurred during the research phase until technological feasibility is established. Software development costs incurred subsequent to the achievement of technological feasibility are capitalised and amortised over the estimated useful life of the products as determined by the management. This capitalisation is done only if there is an intention and ability to complete the product, the product is likely to generate future economic benefits, adequate resources to complete the product are available and such expenses can be accurately measured. Such software development costs comprise expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to the development of the product.

The amortization of software development costs is allocated on a systematic basis over the best estimate of its useful life after the product is ready for use. The factors considered for identifying the basis include obsolescence, product life cycle and actions of competitors. The amortization period and the amortization method is reviewed at the end of each reporting period. If the expected useful life of the product is shorter from previous estimates, the amortization period is changed accordingly.

In accordance with AS 28 'Impairment of Assets' issued by ICAI, the carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any impairment. The recoverable amount of the assets (or where applicable that of the cash generating unit to which the asset belongs) is estimated as the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. Impairment loss is recognised in the profit and loss account or against revaluation surplus where applicable.

2.8 Retirement benefits

Gratuity

In accordance with Indian regulations, the Indian entities have adopted a policy to provide for gratuity, a defined benefit retirement plan, covering all its eligible employees. Provision in respect of gratuity is determined based on actuarial valuation by an independent actuary at period end.

Leave encashment

Provision for leave encashment cost for the Indian entities has been made based on actuarial valuation by an independent actuary at period end.

Provident fund

In accordance with Indian regulations, all employees of the Indian entities receive benefits from a Government administered provident fund scheme. Contributions payable to the provident fund are charged to the profit and loss account as incurred.

Certain subsidiaries in US have a savings and investment plan under Section 401 (k) of the Internal Revenue Code of the United States of America. This is a defined contribution plan. Contributions made under the plan are charged to the profit and loss account in the period in which they accrue.

2.9 Investments

Long-term investments are carried at cost, and provision is made when in the management's opinion there is a decline, other than temporary, in the carrying value of such investments. Current investments are valued at lower of cost and market value.

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

2.10 Income tax

Income tax expense comprises current tax expense, fringe benefit tax and deferred tax expense or credit.

Current taxes

Provision for current income-tax is recognized based on the estimated tax liability computed after taking credit for allowances and exemptions in accordance with the tax laws applicable to the respective companies.

Deferred taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to timing differences that result between the profits offered for income taxes and the profits as per the financial statements in respect of each entity within the Group. Deferred tax assets and liabilities are measured using the tax rates and the tax laws that have been enacted or substantially enacted at the balance sheet date. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realized in the future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realization of such assets.

Deferred tax assets are reassessed for the appropriateness of their respective carrying values at each balance sheet date.

The profits of the Indian operations of the Group are exempt from taxes under the Income tax Act, 1961, being profit from industrial undertakings situated in Software Technology Park. Under Section 10A of the Income tax Act, 1961, exemption can be availed of profits from these operations from income tax for a period of up to March 2009 in relation to its undertakings set up in the Software Technology Park at Bangalore, Mumbai and Kolkata. In this regard, the Group recognises deferred taxes in respect of those originating timing differences which reverse after the tax holiday period, resulting in tax consequences. Timing differences which originate and reverse within the tax holiday period do not result in tax consequence and, therefore, no deferred taxes are recognized in respect of the same.

Fringe Benefits

Provisions for Fringe Benefits Tax (FBT) has been recognised on the basis of harmonious contextual interpretation of the provision of the Income tax Act, 1961.

2.11 Leases

Finance lease

Assets acquired on finance lease, including assets acquired on hire purchase, have been recognised as an asset and a liability at the inception of the lease and have been recorded at an amount equal to the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Such leased assets are depreciated over the lease term or its estimated useful life, whichever is shorter. Further, the payment of minimum lease payments have been apportioned between finance charges, which are debited to the profit and loss account and, reduction in lease obligations recorded at the inception of the lease.

Finance lease

Assets given out on finance lease are shown as amounts recoverable from the lessee. The rentals received on such leases are apportioned between the financial charge using the implicit rate of return, which is recognized as income, and against principal outstanding, which is reduced from the amount receivable. All initial direct costs incurred are included in the cost of the asset.

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

Operating lease

Lease rentals in respect of assets acquired under operating lease are charged off to the profit and loss account as incurred.

2.12 Foreign currency transactions

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Net exchange gain or loss resulting in respect of foreign exchange transactions settled during the period is recognised in the profit and loss account except for the resultant net exchange gain or loss on account of imported fixed assets, which is adjusted in the carrying amount of the related fixed assets. Foreign currency denominated current assets and current liabilities at period end are translated at the period end exchange rates and the resulting net gain or loss is recognised in the profit and loss account, except for exchange differences related to acquisition of fixed assets purchased from foreign countries, which are adjusted in the carrying amount of the related fixed assets.

The premium or discount on forward exchange contracts is recognized over the period of the contracts. The premium or discount in respect of forward exchange contracts related to acquisition of fixed assets purchased from foreign countries is adjusted in the carrying amount of the related fixed assets. In respect of other contracts, it is recognized in the profit and loss account.

2.13 Foreign currency translation

The consolidated financial statements are reported in Indian rupees. The translation of the local currency of each integral foreign subsidiary within the Group into Indian rupees is performed in respect of assets and liabilities other than fixed assets, using the exchange rate in effect at the balance sheet date and for revenue and expense items other than the depreciation costs, using a monthly simple average exchange rate during the reporting period. Fixed assets are translated at exchange rates on the date of the transaction and depreciation on fixed assets is translated at exchange rates used for translation of the underlying fixed assets.

Net exchange difference resulting from the above translation of the financial statements of integral foreign subsidiaries is recognised in the consolidated profit and loss account.

2.14 Earnings per share

The basic earnings per equity share are computed by dividing the net profit or loss attributable to the equity shareholders for the period by the weighted average number of equity shares outstanding during the reporting period. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares, which may be issued on the conversion of all dilutive potential shares, unless the results would be anti dilutive.

2.15 Provisions and contingencies

A provision is created 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.

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

3. Adjustments to the consolidated statement of assets and liabilities and statement of profit and loss

Accounting Standard ('AS') 15 (revised 2005) - "Employee benefits" issued by The Institute of Chartered Accountants of India became mandatory for financial years commencing on or after 1 April 2006. As per the transitional provisions specified in the Standard, the difference in the liability as per the existing policy followed by the company and that arising on adoption of this Standard is required to be charged to opening reserves and surplus. The Group adopted the revised AS 15 effective 1 April 2006. However, there is no significant impact on adoption of the Standard which is required to be adjusted to the opening balance of reserves and surplus. Hence, figures for the earlier years have not been adjusted to give effect to the changes, if any, that would have arisen had the revised Standard been applied retrospectively as management believes that it is not practical to do so.

There are no restatements, regroupings and/or adjustments made in the summary consolidated statements referred to in Annexures X and XI.

4. Employee Stock Option Plan

Stock option scheme 2002 ('Scheme 2002')

In September 2002, the Board of the Company approved the ICICI OneSource Stock Option Scheme 2002 ("the Scheme"), which covers the employees and directors of the Company including its holding Company and subsidiaries. The Scheme is administered and supervised by the members of the Board Governance Committee (the 'Committee').

As per the scheme, the Committee shall issue stock options to the employees at an exercise price, equal to the fair value of the equity share on the date of grant, as determined by an independent valuer. The Scheme provides that these options would vest in tranches over a period of 4 years as follows:

Period within which options will vest unto the participant	% of options that will vest
End of 12 months from the date of grant of options	25.0
End of 18 months from the date of grant of options	12.5
End of 24 months from the date of grant of options	12.5
End of 30 months from the date of grant of options	12.5
End of 36 months from the date of grant of options	12.5
End of 42 months from the date of grant of options	12.5
End of 48 months from the date of grant of options	12.5

Further, the participants shall exercise the options within a period of nine years commencing on or after the expiry of twelve months from the date of the grant of the options.

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

4. Employee Stock Option Plan (*Continued*)

Employee stock option activity under Scheme 2002 is as follows:

	31 December 2006	31 December 2005
Outstanding at beginning of the period	1,968,750	2,453,750
Granted during the period	-	-
Forfeited during the period	(32,500)	(113,125)
Exercised during the period (Refer note 2 below)	(236,250)	(135,625)
Outstanding at the end of the period (Refer note 1 below)	1,700,000	2,205,000
Vested and exercisable at the end of the period	1,665,625	1,618,125
Note 1: Exercise price range 10.00 – 14.99	1,700,000	2,205,000
Note 2: Options exercised includes 17,500 options pending allotment.		

Employee stock option scheme 2003 ('Scheme 2003')

In September 2003, the Board and the Members of the Company approved the ICICI OneSource Stock Option Scheme 2003 ('Scheme 2003'). The terms and conditions under this Scheme are similar to those under 'Scheme 2002' except for the following, which were included in line with the amended 'SEBI (Employee stock option scheme and employee stock purchase scheme) guidelines, 1999':

- The Scheme would be administered and supervised by the members of the Compensation committee, which was previously done by the Board Governance Committee;
- Exercise period within which the employees would exercise the options would be 5 years from the date of grant;
- Exercise price shall be determined based on a fair valuation exercise done at the beginning of every six months for options granted during those respective periods;
- The face value of shares to be allotted under Scheme 2003 to all persons resident outside India shall not exceed five percent of the share capital of the Company subject to approval of the shareholders in the General Meeting; and

The above Scheme 2003 was effective from 11 October 2003.

Employee stock option activity under Scheme 2003 is as follows:

	31 December 2006	31 December 2005
- Outstanding at beginning of the period	21,043,000	16,885,500
- Granted during the period (Refer note 3 below)	22,382,500	6,750,000
Forfeited during the period	(3,027,500)	(1,959,375)
Exercised during the period (Refer note 2 below)	(1,186,250)	(768,125)
Outstanding at the end of period (Refer note 1 below)	39,211,750	20,908,000
Vested and exercisable at the end of the period	9,150,373	5,963,374
Note 1: Exercise price range		
10.00 – 14.99	8,495,500	10,045,500
15.00 – 19.99	2,226,250	4,837,500
20.00 – 24.99	5,970,000	6,475,000
25.00 – 29.99	-	-
30.00 – 34.99	20,275,000	-
35.00 – 39.99	2,245,000	-
Outstanding at the end of period (Refer note 1 below)	39,211,750	20,908,000

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

4. Employee Stock Option Plan (Continued)

2. Options exercised includes 77,500 options pending allotment
3. The Compensation Cum Board Governance Committee of Firstsource, at its meeting held on 27 April 2006 amended the vesting schedule for stock options granted on 1 May 2006 to General Managers and above grade of employees and to non-executive directors. The vesting schedule for 15,980,000 stock options granted pursuant to the above is set forth below.

Period within which options will vest unto the participant	% of options that will vest
End of 24 months from the date of grant of options	50.0
End of 36 months from the date of grant of options	50.0

4. The aggregate stock option pool available for issuance of options under Employee Stock Option Scheme 2002 and Employee Stock Option Scheme 2003 is 12% of the Equity share capital on a fully diluted basis.

The Guidance Note on 'Accounting for employee share based payments' issued by ICAI ('Guidance Note') establishes financial accounting and reporting principles for employees share based payment plans. The Guidance Note applies to employee share based payments, the grant date in respect of which falls on or after 1 April 2005. The Company follows the intrinsic value method to account compensation expense arising from issuance of stock options to the employees. Since all stock options are granted at intrinsic value, no compensation cost has been recorded in respect of these options. Had compensation cost been determined under the fair value approach described in the Guidance Note, using the Black Scholes pricing model, the Company's net income and basic and diluted earnings per share (as restated) would have been reduced to the proforma amounts as set out below:

(Rs. In Million)

Particulars	Nine months ended 31 December 2006	Year ended 31 March 2006
Net income as reported	623.39	246.68
Less: Stock-based employee compensation expense (fair value method)	35.88	6.73
Proforma net income	587.51	239.95
Basic earnings per share as reported (Rs)	2.77	1.23
Proforma basic earnings per share (Rs)	2.61	1.19
Diluted earnings per share as reported (Rs)	1.65	0.80
Proforma diluted earnings per share (Rs)	1.55	0.77

The key assumptions used to estimate the fair value of options are :

(Rs. In Million)

Particulars	Nine months ended 31 December 2006	Year ended 31 March 2006
Dividend yield %	0%	0%
Expected life	3-5 years	3-5 years
Risk free interest rate	6.50% to 7.50 %	6.50% to 7.50 %
Volatility (since unlisted)	0%	0%

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

5. Business acquisitions

- Acquisition of Business Process Management, Inc (BPM)

Pursuant to 'Share Purchase Agreement' ('SPA') dated 21 December 2006 entered into between the Company, Firstsource US and the erstwhile shareholders of BPM, on 29 December 2006, the Company through its wholly owned subsidiary Firstsource US (FSUSA) acquired 100% of the common stock of BPM, a Delaware corporation, including its 100% owned US based subsidiaries MedPlans 2000 Inc ("MP2") and MedPlans Partners ("MPP") for a purchase consideration of Rs 1,393,875 (equivalent to USD 31.5 million). The Company incurred direct expenses related to the acquisition aggregating to Rs. 50,429 which have been considered as part of cost of investment in BPM. Out of the total purchase consideration, Rs 154,875 (equivalent to USD 3.5 million) has been deposited in an escrow account, which is payable to the seller upon the satisfaction of certain conditions stipulated in the aforesaid agreement.

The results of operations of the BPM are consolidated in the Company's financials statements with effect from 29 December 2006.

The excess of cost of investment over the value of net assets acquired has been recorded as goodwill, as detailed hereunder:

(Rs. In Million)

Purchase consideration (including acquisition expenses Rs 50,429) (A)		1,444.31
Assets taken over less liabilities assumed (B)		
- Fixed assets	21.09	
- Debtors	117.34	
- Cash and bank balance	51.25	
- Other assets	22.56	
- Loans and Current liabilities	(112.61)	99.63
Goodwill (A-B)		1,344.68

Further, as stipulated in the SPA, based on performance criterion to be achieved by BPM by way of Earnings before interest, tax, depreciation and amortization (EBITA) targets for the year ending 31 December 2007, the Company would be liable to compensate the erstwhile members of BPM. The Company estimates that the additional compensation, if any, in this regard after making adjustment, if any arising on final settlement as stipulated in the SPA will not exceed Rs 154,910 (equivalent to USD 3.5 million). In this connection, FSUSA has arranged to issue a letter of credit in favour of the members of BPM for the equivalent amount. Goodwill will be restated prospectively, on crystallization of this liability. Till such time, the same has been disclosed as contingent liabilities.

- Acquisition of RevIT Systems Private Limited (RevIT)

Pursuant to Share Purchase and Sale agreement ('SPA') dated 25 March 2005 entered into between the Company and the promoters, promoter affiliates, employees and erstwhile shareholders of RevIT Systems Private Limited (and its 100% owned US based subsidiary Sherpa Solutions Inc), on 31 March 2005, the Company acquired 90.01% equity interest in RevIT for a purchase consideration aggregating Rs 890.79 million (equivalent of USD 21.27 million) and preference shares at par for Rs 5.16 million. As a result of this acquisition, RevIT became a subsidiary of the Company effective 31 March 2005 and has been consolidated as such. During the year 2005-2006, as per the terms of the SPA, the company acquired the balance 9.99% voting interest in RevIT for Rs 45.73 million (USD 1.05 million). As per the SPA, the purchase consideration is payable in installments and, as at 31 December 2006, two installments amounting to Rs 133.22 million are outstanding and will be payable as per the agreed repayment schedule. The Company incurred direct expenses related to acquisition aggregating Rs 5.08 million which have been considered as part of the cost of investment in RevIT.

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

5. Business acquisitions (*Continued*)

The excess of the cost of investment over the value of net assets acquired amounting to Rs 970.77 million has been recorded as goodwill.

Acquisition of Accounts Solutions Group, LLC (ASG)

On 22 September 2004, the Company through its subsidiary, FRUS acquired 100% voting right in ASG, a limited liability company in New York, USA. The Company paid Rs. 1,333.21 million (equivalent of USD 29.08 million) upfront on that date. Direct expenses relating to the acquisition aggregating to Rs 68.11 million were considered as part of cost of investment in ASG. The total goodwill as on 31 December 2006 amounted to Rs 1,550.79 million and it consisted of:

- Rs. 1,260.59 million being the excess of cost of investment over the value of net assets acquired;
- Rs. 187.87 million (equivalent to USD 4.3 million) being additional compensation to the erstwhile members of ASG based on EBITDA earnings of 2004 ;
- Rs. 84.52 million (equivalent to USD 1.9 million) being second and final installment of additional compensation for EBITDA earnings of 2005; confirmation of the same is awaited from the erstwhile members of ASG; and
- Rs. 17.81 million being further direct expenses relating to the acquisition.

The Company has also issued a letter of credit (LC) aggregating to Rs. 506.11 million (USD 11 million) in this regard. During the period ended 31 December 2006, Rs 272.38 million (USD 6.21 million) has been paid to the erstwhile members of ASG and the LC amount has been reduced to Rs. 200.32 million (USD 4.38 million). On 13 October 2006, the LC was cancelled and the amount has been transferred to escrow account pending finalisation of the year 2005 earn-out payment. Accordingly, any change in the consideration pertaining to the year 2005 will be accounted prospectively by consequent adjustment to goodwill.

Subsequent to the Company's acquisition of ASG, the Company entered into an option purchase agreement to acquire 80% equity interest in Twin Lake Properties LLC (I and II) ('Twin Lakes' a limited liability co-operation owned by the erstwhile members of ASG) at any time from the date of the agreement through 2010 and 2011. ASG has not exercised this option as at 31 December 2006.

The goodwill as on 31 December 2006 is 1,550.79 million.

Acquisition of Pipal Research Corporation, USA (Pipal)

On 26 July 2004, the Company subscribed to 136,093 equity shares of Pipal aggregating to Rs 151.80 million (equivalent of USD 3.28 million) thereby acquiring 51% voting interest in Pipal. The Company incurred direct expenses related to the acquisition aggregating to Rs 5.46 million which have been considered as part of the cost of investment in Pipal. Rs 90.51 million being the excess of cost of investment over the value of net assets acquired, has been recorded as goodwill.

Acquisition of First Ring Inc, USA ('FRUS')

On 3 September 2003, the Company subscribed to 23.84 million Series 'F' convertible preference shares of FRUS, aggregating Rs 596.86 million (equivalent of USD 13.00 million). Firstsource currently holds 99.8 % voting interest in FRUS on a fully diluted basis. The Company incurred direct expenses related to the acquisition aggregating to Rs 20.36 million which have been considered as part of the cost of investment in FRUS, Firstsource intends to purchase the minority interest stake amounting to Rs 4.30 million (equivalent of USD 0.09 million) at a premium of Rs 3.46 million (equivalent of USD 0.07 million). Net worth of FRUS on the date of acquisition representing the residual interest in the assets of FRUS after deducting its liabilities aggregated Rs 111.62 million. Firstsource's cost of investment in FRUS in excess of FRUS's equity on the date of investment aggregating Rs 728.90 million has been recorded as goodwill.

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

5. Business acquisitions (Continued)

Acquisition of Customer Asset India Limited ('CAST India')

Pursuant to 'Share Purchase and Sale agreement' ('SPA') dated 22 April 2002 entered into between the Company, Customer Asset Mauritius and the promoters and investors of Customer Asset Mauritius, on 27 May 2002 the Company acquired 100% equity interest in CAST India for cash purchase consideration aggregating Rs 947.73 million (equivalent of USD 19.30 million). As a result of this acquisition, CAST India became a wholly owned subsidiary of the Company. The Company incurred direct expenses related to acquisition aggregating Rs 11.80 million which have been considered as part of the cost of investment in CAST India.

Equity of CAST India on the date of acquisition representing the residual interest in the assets of CAST India after deducting its liabilities aggregated Rs 225.93 million. Firstsource's cost of investment in CAST India in excess of CAST India's equity on the date of investment aggregating Rs 733.60 million has been recorded as goodwill

The total goodwill on consolidation resulting due to the above acquisitions aggregates to Rs. 5,419.25 million.

6. Details of consolidated investments

(Rs. In Million)

Particulars	As at March 31,				As at December 31,	
	2003	2004	2005	2006	2005	2006
Prudential ICICI Institutional Liquid Plan – Super Institutional Growth	151.46	-	-	-	-	-
Prudential ICICI Flexible income plan	79.28	-	-	-	-	-
Birla Bond Plus Institutional	71.08	-	-	-	-	-
Investment in Treasury bills in connection with Philippines branch	-	-	-	-	-	0.1
Total	301.82	-	-	-	-	0.1

7. Statement of consolidated debtors

(Rs. In Million)

Particulars	As at March 31,				As at December 31,	
	2003	2004	2005	2006	2005	2006
<i>(Unsecured)</i>						
Debts outstanding for a period exceeding six months						
- Considered good	-	-	-	-	-	-
- Considered doubtful	16.93	13.32	35.82	31.88	34.21	52.45
	16.93	13.32	35.82	31.88	34.21	52.45

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

7. Statement of consolidated debtors (Continued)

(Rs. In Million)

Particulars	As at March 31,				As at December 31,	
	2003	2004	2005	2006	2005	2006
Others debts						
- Considered good	215.59	331.53	618.93	1,006.94	957.03	933.67
- Considered doubtful	-	1.06	-	-	-	-
	232.52	345.91	654.75	1,038.82	991.24	986.12
Less: Provision for doubtful debts	(16.93)	(14.38)	(35.82)	(31.88)	(34.21)	(52.45)
	215.59	331.53	618.93	1,006.94	957.03	933.67

8. Statement of consolidated loans and advances

(Rs. In Million)

Particulars	As at March 31,				As at December 31,	
	2003	2004	2005	2006	2005	2006
<i>(Unsecured, considered good)</i>						
Deposits	73.91	99.83	170.02	184.44	197.63	241.69
Unbilled receivables	-	26.99	45.67	156.82	35.11	592.57
Prepaid expenses	20.79	35.01	32.74	49.28	60.27	80.71
Advances recoverable in cash or in kind or for value to be received	9.59	39.25	29.86	18.06	65.56	* 105.91
Lease rentals receivable, net (refer Annexure XIII, note 9.2)	12.24	21.60	22.81	23.01	22.80	24.93
Advance tax and tax deducted at source	6.26	14.16	16.97	25.73	24.56	37.89
Others	1.08	-	-	-	-	-
Total	123.87	236.84	318.07	457.34	405.93	1,083.69

* advances recoverable in cash or in kind for value to be received includes Rs 4,486 advances against share issue expenses with respect to the Initial Public Offer (IPO) proposed by the management. These share issue expenses shall be adjusted against the securities premium on completion of the IPO.

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

9. Leases

9.1 Operating lease

The Group is obligated under non-cancellable operating leases for office space which are renewable on a periodic basis at the option of both the lesser and lessee.

The future minimum lease payments in respect of non-cancellable operating leases are as follows:

(Rs. In Million)

Particulars	As at March 31,				As at December 31,	
	2003	2004	2005	2006	2005	2006
Amount due within one year from the balance sheet date	28.61	76.33	135.34	204.28	177.17	290.78
Amount due in the period between one year and five years	129.67	162.58	307.94	312.59	266.00	532.06
Amount due in the period beyond five years	-	-	404.20	395.05	385.31	363.14
Total	158.28	238.91	847.48	911.92	828.48	1,185.98

The above does not include lease obligations, for which the Company has entered into a letter of intent but no agreement for the same had been signed as at the balance sheet date.

The Group has taken office facilities and residential facilities under cancellable operating leases that are renewable on a periodic basis at the option of both the lessor and lessee.

9.2 Finance lease

The Group has acquired certain capital assets under finance lease. Future minimum lease payments under finance lease are as follows:

(Rs. In Million)

Particulars	Minimum lease payments	Finance income	Present value of minimum lease payments
As at 31 March 2004			
Amount due within one year from the balance sheet date	0.62	-	0.62
Total	0.62	-	0.62
As at 31 March 2005			
Amount due within one year from the balance sheet date	4.12	0.72	3.39
Amount due between one year and five years	3.72	0.38	3.35
Total	7.84	1.10	6.74
As at 31 March 2006			
Amount due within one year from the balance sheet date	1.61	0.22	1.39
Amount due between one year and five years	1.27	0.08	1.19
Total	2.88	0.30	2.58

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

9.2 Finance lease (Continued)

(Rs. In Million)

Particulars	Minimum lease payments	Finance income	Present value of minimum lease payments
<i>As at 31 December 2005</i>			
Amount due within one year from the balance sheet date	4.18	0.55	3.63
Amount due between one year and five years	2.79	0.25	2.54
Total	6.97	0.80	6.17
<i>As at 31 December 2006</i>			
Amount due within one year from the balance sheet date	11.35	0.71	10.64
Amount due between one year and five years	16.52	0.44	16.08
Total	27.87	1.15	26.72

The Group has also given vehicles on finance lease to its employees as per policy. The future minimum lease rentals receivable are as follows:

(Rs. In Million)

Particulars	Minimum lease payments	Finance income	Present value of minimum lease payments
<i>As at March 2003</i>			
Amount receivable within one year from the balance sheet date	4.05	1.04	3.01
Amount receivable in the period between one year and five years	17.54	1.84	9.23
Total	21.59	2.88	12.24
<i>As at 31 March 2004</i>			
Amount receivable within one year from the balance sheet date	7.95	1.89	6.06
Amount receivable in the period between one year and five years	17.54	2.01	15.54
Total	25.49	3.90	21.60
<i>As at 31 March 2005</i>			
Amount receivable within one year from the balance sheet date	9.15	1.93	7.22
Amount receivable in the period between one year and five years	17.32	1.73	15.59
Total	26.47	3.66	22.81

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

9.2 Finance lease

(Rs. In Million)

Particulars	Minimum lease payments	Finance income	Present value of minimum lease payments
<i>As at 31 March 2006</i>			
Amount receivable within one year from the balance sheet date	11.30	2.02	9.28
Amount receivable in the period between one year and five years	15.38	1.66	13.73
Total	26.68	3.68	23.01
<i>As at 31 December 2005</i>			
Amount receivable within one year from the balance sheet date	11.18	2.06	9.12
Amount receivable in the period between one year and five years	15.30	1.62	13.68
Total	26.48	3.68	22.80
<i>As at 31 December 2006</i>			
Amount receivable within one year from the balance sheet date	11.68	2.18	9.50
Amount receivable in the period between one year and five years	17.53	2.10	15.43
Total	29.21	4.28	24.93

10. Retirement benefit

Gratuity Plan

The following table sets out the status of the gratuity plan as required under AS 15 (revised).

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

(Rs. In Million)

Particulars	Nine months period ended 31 December 2006	As at 31 March 2006
Change in present value of obligations		
Obligations at beginning of the period	22.80	22.55
Service cost	20.15	7.65
Interest cost	1.24	1.32
Actuarial (gain)/loss	(9.72)	(7.70)
Benefits paid	(1.62)	(1.02)
Obligations at the end of the period	32.85	22.80

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

10. Retirement benefit (Continued)

(Rs. In Million)

Particulars	Nine months period ended 31 December 2006	As at 31 March 2006
Change in plan assets		
Fair value of plans assets at beginning of the period	(2.08)	(2.08)
Expected return on plan assets	0.12	-
Actuarial gain/(loss)	(0.12)	(1.02)
Contributions	-	-
Benefits paid	-	1.02
Fair value of plans assets at end of the period	(2.08)	(2.08)
Reconciliation of present value of the obligation and the fair value of plan assets		
Present value of the defined benefit obligations at the end of the period	32.85	22.80
Fair value of plan assets at the end of period	(2.08)	(2.08)
Funded status amount of liability recognized in the balance sheet	30.77	20.72
Gratuity cost for the period		
Service cost	20.15	7.65
Interest cost	1.24	1.32
Actuarial (gain)/loss	(9.60)	(8.72)
Net gratuity cost	(0.12)	-
	11.67	0.25
Assumptions		
Interest rate	7.50%	7.5%
Estimated rate of return on plan assets	7.90%	7.5%
Rate of growth in salary levels	10.00%	10.00%
Withdrawal rate	25% reducing to 2%	2.00%

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

10. Retirement benefit (Continued)

Leave encashment

The following table sets out the status of the Leave encashment plan as required under AS 15 (revised).

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

(Rs. In Million)

Particulars	Nine months period ended 31 December 2006	As at 31 March 2006
Change in present value of obligations		
Obligations at period beginning	19.05	15.77
Service cost	11.79	10.56
Interest cost	0.98	0.69
Actuarial (gain)/loss	(1.19)	(3.82)
Benefits paid	(3.25)	(4.15)
Obligations at period end	27.38	19.05
Liability recognized in the balance sheet	27.38	19.05
Leave encashment cost for the period		
Service cost	11.79	10.56
Interest cost	0.98	0.69
Expected return on plan assets	-	-
Actuarial (gain)/loss	(4.24)	(7.97)
Net leave encashment cost	8.53	3.28
Assumptions		
Interest rate	7.50%	7.5%
Rate of growth in salary levels	10.00%	7.5%
Withdrawal rate	25% reducing to 2%	2.00%

11. Segmental reporting

The Group has determined its primary reportable segment as geography identified on the basis of the location of the customer which, in management's opinion, is the predominant source of risks and rewards. The Group has determined industries serviced as its secondary segment as management perceives risk and rewards to be separate for these different industries.

Geographic segments

The Group's business is organized into four key geographic segments comprising United States of America and Canada, United Kingdom, India and Rest of the world.

Segment revenues and expenses

Revenues are attributable to individual geographic segments based on location of the end customer. Direct expenses in relation to the segments is categorized based on items that are individually identifiable to that segment while other costs, wherever allocable, are apportioned to the segments on an appropriate basis.

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

11. Segmental reporting (Continued)

Un-allocable expenses

Certain expenses are not specifically allocable to individual segments as the underlying services are used interchangeably. The Group therefore believes that it is not practicable to provide segment disclosures relating to such expenses, and accordingly such expenses are separately disclosed as 'unallocated' and directly charged against total income.

Segment assets and liabilities

Fixed assets used in the Group's business and liabilities contracted have not been identified to any of the reportable segments, as the fixed assets and services are used interchangeably between segments. The Group, therefore, believes that it is currently not practicable to provide segment disclosures relating to total assets and liabilities including capital expenditure incurred during the period, other than sundry debtors, since a meaningful segregation of the available data is onerous.

(Rs. In Million)

Particulars	As at and for the year ended March 31,				As at and for nine months ended December 31,	
	2003	2004	2005	2006	2005	2006
Primary Segment						
Segment Revenue						
UK	611.44	1,245.86	1,868.10	2,631.54	1,955.64	2,759.04
USA and Canada	92.24	497.73	1,258.95	2,708.54	1,799.61	2,542.54
India	42.29	48.28	91.97	134.89	113.15	169.37
Rest of the world	-	-	-	12.51	8.47	13.69
	745.97	1,791.87	3,219.02	5,487.48	3,876.87	5,484.64
Segment Result						
UK	192.17	460.62	691.83	458.25	264.07	647.83
USA and Canada	(102.80)	(54.00)	(34.44)	266.43	(6.16)	367.22
India	12.67	20.83	38.21	37.47	26.99	49.03
Rest of the world	-	-	-	7.17	(3.22)	8.14
	102.04	427.45	695.60	769.32	281.68	1,072.22
Interest expenses, net	3.80	(5.78)	(27.45)	(85.23)	(64.01)	2.83
Other un-allocable expenditure, net of un-allocable income	(210.72)	(396.45)	(494.77)	(414.50)	(177.29)	(405.49)
Profit/(loss) before taxation and minority interest	(104.88)	25.22	173.38	269.59	40.38	669.56
Taxation	(4.60)	(19.11)	2.93	(26.98)	(13.89)	(51.71)
Minority interest	-	-	4.79	4.07	2.87	5.54
Profit/(loss) after taxation	(109.48)	6.11	181.10	246.68	29.36	623.39

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

11. Segmental reporting (Continued)

(Rs. In Million)

Particulars	As at and for the year ended March 31,				As at and for nine months ended December 31,	
	2003	2004	2005	2006	2005	2006
Debtors						
UK	132.09	215.62	356.40	580.53	551.67	410.40
USA and Canada	26.14	109.91	229.41	379.51	379.72	402.63
India	57.36	6.00	33.12	41.08	19.12	114.50
Rest of the world	-	-	-	5.82	6.52	6.14
	215.59	331.53	618.93	1,006.94	957.03	933.67

Particulars	Revenue	Debtors
As at and for the year ended March 31, 2003		
Banking, Financial Services & Insurance	264.42	102.83
Non - Banking, Financial Services & Insurance	481.55	112.76
Total	745.97	215.59
As at and for the year ended March 31, 2004		
Banking, Financial Services & Insurance	786.37	167.73
Non - Banking, Financial Services & Insurance	1,005.50	163.80
Total	1,791.87	331.53
As at and for the year ended March 31, 2005		
Banking, Financial Services & Insurance	2,183.13	262.11
Non - Banking, Financial Services & Insurance	1,035.89	356.82
Total	3,219.02	618.93
As at and for the year ended March 31, 2006		
Banking, Financial Services & Insurance	3,483.85	520.53
Non - Banking, Financial Services & Insurance	2,003.63	486.41
Total	5,487.48	1,006.94
As at and for the nine months ended December 31, 2005		
Banking, Financial Services & Insurance	2,520.80	572.11
Non - Banking, Financial Services & Insurance	1,356.07	384.92
Total	3,876.87	957.03
As at and for the nine months ended December 31, 2006		
Banking, Financial Services & Insurance	2,922.58	326.56
Non - Banking, Financial Services & Insurance	2,562.07	607.10
Total	5,484.65	933.67

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

12. Related Party transactions

12.1 List of related parties and relationships

Particulars Name of the related party	Relation					
	For the year ended March 31,				For the period ended 31 December	
	2003	2004	2005	2006	2005	2006
ICICI Bank Limited	Principal Shareholders	Principal Shareholders	Principal Shareholders	Principal Shareholders	Principal Shareholders	Principal Shareholders
3i Infotech Limited **	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries
ICICI Lombard General Insurance Company Limited	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries
ICICI Prudential Life Insurance Company Limited	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries	Company in which Director is Interested
MSM Group	Company in which Director is Interested	Company in which Director is Interested (Upto September 03)	-	-	-	-
ICICI Bank Canada	-	-	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries
ICICI Bank UK Limited	-	-	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries	Fellow Subsidiaries
Prudential ICICI Asset Management Company Limited	-	-	-	-	-	Fellow Subsidiaries
Key management personnel and relatives						
Ananda Mukerji	MD and CEO	MD and CEO	MD and CEO	MD and CEO	MD and CEO	MD and CEO
Matthew Vallance	Key Management personnel	Key Management personnel	Key Management personnel	Key Management personnel	Key Management personnel	Key Management personnel
Rahul Basu	Key Management personnel	Key Management personnel	Key Management personnel	Key Management personnel	Key Management personnel	Key Management personnel

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

12. Related Party transactions (continued)

Particulars Name of the related party	Relation					
	For the year ended March 31,				For the period ended 31 December	
	2003	2004	2005	2006	2005	2006
Ganesh K	Key Management personnel	Key Management personnel *	-	-	-	-
Meena Ganesh	Key Management personnel	Key Management personnel *	-	-	-	-
Susheel Kurien	Key Management personnel	Key Management personnel *	-	-	-	-
Raju Bhatnagar	-	-	COO *	COO *	COO *	-
Raja Gopalkrishna	-	Key Management personnel	Key Management personnel	Key Management personnel *	Key Management personnel *	-
Ayan Chaterjee	-	-	Key Management personnel	Key Management personnel *	Key Management personnel *	-
Anthony J Frisicaró	-	-	Key Management personnel	Key Management personnel *	Key Management personnel *	-
Raju Venkatraman	-	-	-	COO *	COO *	COO
Rajesh Subramaniam	-	-	-	-	-	CFO

* Part of the year

** Earlier known as ICICI Infotech Limited

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

12. Related Party transactions (continued)

12.2 Transactions with the related parties

Name of the related party	Description	Receivable/ (Payable) at 31 March 2002	Transaction value during the year ended 31 March 2003	Receivable/ (Payable) at 31 March 2003	Transaction value during the year ended 31 March 2004	Receivable/ (Payable) at 31 March 2004	Transaction value during the year ended 31 March 2005	Receivable/ (Payable) at 31 March 2005	Transaction value during the year ended 31 March 2006	Receivable/ (Payable) net at 31 March 2006
ICICI Bank Limited	Income from services	-	28.71	(10.88)	36.21	2.18	55.67	25.00	76.20	19.72
	Interest on deposits	-	-	-	-	-	0.49	-	0.27	-
	Software expenses and professional fees	-	1.49	-	1.20	-	3.52	-	3.73	-
	Corporate administrative expenses	-	8.87	-	4.75	-	3.77	-	1.61	-
	Repair & Maintenance	-	6.00	-	0.94	-	-	-	-	-
	Interest expenditure	-	-	-	10.02	-	28.03	-	76.17	(11.20)
	Hire purchase	-	-	-	-	-	0.76	(0.47)	0.29	(0.19)
	Bank balance	-	-	107.83	-	14.57	-	51.11	-	12.27
	Bank overdraft	-	-	112.40	-	4.67	-	6.07	0.19	(279.14)
	Fixed deposit	-	-	-	-	(199.71)	-	(369.65)	-	6.25
	Working capital demand loan	-	-	-	-	-	-	-	-	-
	Term loan	-	-	-	-	-	-	-	-	(289.82)
	Debentures	-	-	(700.00)	-	-	-	-	-	-
	External commercial borrowings	-	-	-	-	-	-	(546.81)	-	(669.23)
ICICI Bank Canada ICICI Bank UK Limited 3i Infotech Limited	Salaries	-	2.15	-	-	-	-	-	-	-
	Rent	-	6.16	-	-	-	-	-	3.04	-
	Interest accrued but not due share application money	(15.00)	-	-	-	-	-	-	-	-
	Guarantee Commission	-	-	-	-	-	-	-	-	-
ICICI Bank Canada ICICI Bank UK Limited 3i Infotech Limited	Income from services	-	-	-	-	-	9.01	-	11.06	-
	Income from services	-	-	-	-	-	7.43	5.23	20.58	1.88
	Technical and support charges	-	3.09	(3.56)	-	(1.55)	2.94	0.93	10.99	1.87
	Rent	-	0.97	-	8.01	-	10.34	(1.88)	7.79	(1.80)
ICICI Lombard General Insurance Co Ltd	Software expenses and professional fees	-	-	-	-	-	-	-	-	-
	Insurance premium paid	-	2.95	-	15.57	-	40.55	-	42.86	-
	Marketing fees	-	5.87	-	-	-	-	-	-	-
	Income from services	-	0.19	-	1.14	-	2.19	-	2.90	-
ICICI Prudential Life Insurance Company Limited	Insurance premium paid	-	-	-	0.39	-	23.92	-	25.47	-
	Rent	-	-	-	5.98	5.98	-	5.98	(5.98)	-
	Deposit given/(received)	-	-	-	-	-	33.37	14.04	54.96	20.46
	Income from services	-	-	-	-	-	-	-	-	-
ICICI Prudential Management Company Limited- Liquid Plan	Purchase	-	-	-	-	-	-	-	-	-
	Sale	-	-	-	-	-	-	-	-	-
Key management personnel and relatives	Remuneration	-	27.55	-	59.06	-	61.07	-	75.91	-

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

12. Related Party transactions (continued)

12.2 Transactions with the related parties

Name of the related party	Description	Transaction value during the period ended 31 December 2005	Receivable / (Payable) net at 31 December 2005	Transaction value during the period ended 31 December 2006	Receivable / (Payable) net at 31 December 2006
ICICI Bank Limited	Income from services	54.53	10.94	79.60	46.43
	Interest on deposits				
	Software expenses and professional fees	1.41	-	1.17	-
	Corporate administrative expenses	1.41	-	0.77	-
	Repair & Maintenance	-	-	-	-
	Interest expenditure	55.99	(2.20)	55.71	6.59
	Hire purchase	-	(0.25)	-	-
	Bank balance	-	2.81	-	4.80
	Bank Overdraft	-	(170.42)	-	(76.09)
	Fixed deposit	-	6.07	-	5.87
	Working capital demand loan	-	-	-	-
	Term loan	-	(292.43)	85.41	(175.69)
	Debentures				
	External commercial borrowings	-	(675.75)	-	(663.90)
	Salaries	-	-	-	-
	Rent	2.28	(1.22)	2.28	-
	Interest accrued but not due share application money	-	-	-	-
	Guarantee Commission	8.34	-	9.54	-
ICICI Bank Canada	Income from services	15.65	4.29	13.99	5.42
ICICI Bank UK Limited	Income from services	7.41	4.84	13.79	3.12
3i Infotech Limited	Technical and support charges	5.09	-	5.13	-
	Rent	-	-	-	-
	Software expenses and professional fees	-	-	-	-

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

12. Related Party transactions (continued)

12.2 Transactions with the related parties

Name of the related party	Description	Transaction value during the period ended 31 December 2005	Receivable / (Payable) net at 31 December 2005	Transaction value during the period ended 31 December 2006	Receivable / (Payable) net at 31 December 2006
ICICI Lombard General Insurance Co Ltd	Insurance premium paid	39.19	-	21.84	-
MSM Group	Marketing fees	-	-	-	-
ICICI Prudential Life Insurance Company Limited	Income from services	-	-	-	-
	Insurance premium paid	2.79	-	3.16	-
	Rent	17.94	-	18	-
	Deposit given / (received)	-	-	-	-
ICICI Prudential	Income from services	32.66	9.54	89.85	61.16
ICICI Prudential Asset Management Company Limited-Liquid Plan	Purchase	-	-	1,075.00	-
	Sale	-	-	1,556.18	-
Key management personnel and relatives	Remuneration	58.39	-	44.88	-
Director sitting fee		0.04	-	0.08	-

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

12. Related Party transactions (continued)

12.3 Other related parties of the Group with whom no transactions have been entered during the year/period as reported

Principal Shareholders	ICICI Strategic Investment Fund ICICI Information Technology Fund under the Trusteeship of ICICI Trusteeship Services Limited Scheme of ICICI Venture Capital Fund
Fellow subsidiaries	ICICI Ventures Funds Management Company Limited ICICI Brokerage Services Limited ICICI International Limited ICICI Trusteeship Services Limited ICICI Home Finance Company Limited ICICI Investment Management Company Limited ICICI Securities Holdings Inc. ICICI Securities Inc. ICICI Securities Limited Prudential ICICI Trust Limited TCW/ICICI Investment Partners L.L.C ICICI Distribution Finance Private Limited ICICI Securities and Finance Company Limited ICICI Strategic Management Fund ICICI Emerging Sectors Fund ICICI Equity Fund ICICI Technology Incubator Fund ICICI Eco-net Internet and Technology Fund ICICI Property Trust
Non Executive Directors	Ashok Shekhar Ganguly Charles Miller Smith K P Balaraj Shikha Sharma Shailesh Mehta Dinesh Vaswani Y. H. Malegam Donald Layden, Jr. Akash Prakash (Resigned) Balaji Swaminathan (Resigned) Madhabi Puri Buch (Resigned) Lalita D. Gupte

ANNEXURE XIII (Continued)

Significant accounting policies and notes to the summarized restated consolidated financial information

13. Capital and other commitments and contingent liabilities

(Rs. In Million)

Particulars	As at March 31,				As at December 31,	
	2003	2004	2005	2006	2005	2006
The estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	15.35	41.81	54.78	87.50	69.39	106.87
Foreign currency forward covers outstanding	-	535.71	722.38	1,650.76	1,956.29	3,550.10
Unamortized premium on forward exchange contracts	-	0.40	1.34	9.42	4.05	9.92
Estimated amount of claims against the group on account of tax matters	4.30	4.30	4.30	45.22	4.30	95.33
Claims not acknowledged as debt	-	51.53	45.32	46.95	44.70	44.92
Acquisition of Subsidiaries	-	-	-	490.77	495.55	355.95
Guarantees given	-	-	-	896.06	904.78	1,646.02
Revenue grants	-	-	-	-	-	67.02

ANNEXURE XIV

Details of Loans taken and Outstanding as at December 31, 2006

Secured loans

Entity	Loan taken from	Description	Amount outstanding as of December 31, 2006 (Rs in millions)	Amount outstanding as of December 31, 2006 (in foreign currency millions)	Repayment term	Tenure	Maturity	Prevailing interest rate (per annum)	Security offered
Firstsource Solutions Limited	ICICI Bank	External commercial borrowings	663.9	\$15.00	3 years from the date of drawdown	3 Years	\$ 10.00 million June 2007, \$ 2.50 million November 2007, \$ 2.50 million in July 2008	6 months Libor+2%	Secured against fixed assets and receivables
Firstsource Solutions Limited	Rentworks India Private Limited	Finance lease	5.18	-	Quarterly payment of Rs.0.59 million	3 years	March 2009	1.84%	Secured against underlying assets taken on lease
Sherpa Solutions Inc	Fifth Third Bank	Line of credit	45.37	\$1.03	Revolving credit	Revolving - credit	-	Bank's prime lending rate + 2%	Secured by all assets of the Company's subsidiary and a guarantee from the company and its holding company Firstsource.
Sherpa Solutions Inc	Fifth Third Bank	Term loan	2.60	\$0.06	36 monthly instalments from the date of drawdown	3 years	June 2008	Ranging from 5.95% to 6.87%	Secured by fixed assets of Sherpa Solutions Inc.
REV IT Systems India Limited	Various	Finance lease	1.51	-	36 monthly instalments	3 years	Various from October 2006 to February 2008	Ranging from 7% to 12%	Secured underlying assets taken on lease
Firstsource Solutions Limited, UK	IBM Global Financing	Finance lease	20.03	£0.23	Quarterly payment of £0.01 million	3 years	May 2009	3%	Secured underlying assets taken on lease
			738.59						

ANNEXURE XIV (Continued)

Unsecured Loan

Entity	Loan taken from	Description	Amount outstanding as of December 31, 2006 (Rs in millions)	Amount outstanding as of December 31, 2006 (in foreign currency millions)	Repayment term	Tenure	Maturity	Prevailing interest rate (per annum)
Firstsource Solutions Limited	ICICI Bank	Term loan	44.26	\$1.00	15 Months from the date of each drawdown	15 Months	February 2007	3 Months Libor +3%
Firstsource Solutions Limited	ICICI Bank	Working capital demand loan	71.39	-	Payable on demand	Revolving credit	-	12.51%
REV IT Systems India Private Limited	ICICI Bank	Term loan	44.59	\$1.00	Bullet payment	16 Months	\$0.50 million January 2007 \$0.50 million July 2007	3 months Libor+1%
REV IT Systems India Private Limited	ICICI Bank	Cash credit	4.7	-	Revolving credit	Revolving credit	-	11.75%
Firstsource Solutions, UK	ICICI Bank UK	Term loan	86.84	£1.00	One time repayment	2 Years	September 2008	3 months Libor+1%
FirstRing Inc. USA	ABN Amro	Term loan	289.74	\$6.55	12 months from date of drawdown not beyond May 07	1 Year	May 2007	6 months Libor +2%
Firstsource Solutions USA Inc.	ABN Amro	Term loan	663.9	\$15	Bullet payment		Final Maturity 31/07/07-further extension upto 31/07/08	Applicable Libor +2%
			1,205.42					

Note: \$ = US Dollar, £= Sterling Pounds

ANNEXURE XIV (Continued)

Statement of Consolidated Secured and Unsecured loans

Secured loans

Particulars	(Rs. In Million)					
	As at March 31,				As at December 31,	
	2003	2004	2005	2006	2005	2006
External commercial borrowings (ECB) (Secured against fixed assets)	-	-	546.81	669.23	675.75	663.90
Finance lease obligation (also refer Annexure XIII, note 9.2) (Secured against assets acquired on lease)	-	0.62	6.74	2.58	6.16	26.72
Term loan and other secured debts (Secured against fixed assets and receivables of a subsidiary)	-	-	94.37	59.34	74.38	47.97
Term loan and other secured debts (Secured against Investment)	-	-	-	-	-	-
	-	0.62	647.92	731.15	756.29	738.59

Unsecured loans

Particulars	(Rs. In Million)					
	As at March 31,				As at December 31,	
	2003	2004	2005	2006	2005	2006
Working capital demand loan	-	199.71	369.65	279.14	425.29	76.09
Term loan	-	-	-	267.69	270.30	1,084.74
Debt from others (Including deposit)	-	-	25.02	22.31	-	44.59
Unsecured participatory optionally convertible debentures('POCD')of Rs. 10 each fully paidup	700.00	-	-	-	-	-
	700.00	199.71	394.67	569.14	695.59	1,205.42

Note:

The unsecured participatory optionally convertible debentures (POCD) were converted into equity shares in the financial year 2003-2004.

ANNEXURE XV

Statement of Consolidated Other Income

(Rs. In Million)

Particulars	For the year ended March 31				For the nine months period ended December 31,	
	2003	2004	2005	2006	2005	2006
Non Recurring						
Profit on sale/redemption of non-trade investments, net	10.01	8.23	10.85	0.05	-	52.22
Dividend	5.56	-	-	5.31	-	-
Recurring						
Interest	-	-	-	-	-	-
- On deposits with banks	9.81	3.95	0.54	0.74	-	11.05
- On others	-	1.94	3.31	3.29	6.80	3.98
Miscellaneous income	0.18	1.75	1.02	2.32	1.73	3.61
Income from grant	-	-	-	-	-	65.94
Provision for doubtful debts no longer required, written back	-	-	-	-	-	-
Total	25.56	15.87	15.72	11.71	8.53	136.80

Notes:

- 1) Other income considered above is as per the consolidated restated statement of profit and loss account.
- 2) The classification of other income by the management into recurring and non-recurring is based on the current operations and business activities of the group.
- 3) 'Other Income' is related / incidental to the business activities of the group.

ANNEXURE XVI

STATEMENT OF ACCOUNTING RATIOS BASED ON CONSOLIDATED RESTATED FINANCIAL INFORMATION

(Rs. In Million)

Particulars	As at March 31,				As at December 31,	
	2003	2004	2005	2006	2005	2006
Net Profit before extraordinary items but after tax (Rs. in millions) (A)	(109.48)	6.11	181.10	246.68	29.36	623.39
Net worth excluding share application and revaluation reserve at the end of the year/ period (Rs. in millions) (B)	1,190.52	2,253.49	4,061.14	4,322.26	4,101.93	6,537.63
Net worth excluding share application, revaluation reserve and preference share capital at the end of the year / period (Rs. in millions) (C)	390.52	396.77	2,085.19	2,346.31	2,125.98	6,537.63
Total number of equity shares outstanding at end of the year/period (in million) - (D)	50.00	50.01	200.75	201.88	201.65	356.26
Weighted average number of equity shares outstanding during the year / period -Basic (in million) - (E)	38.92	50.01	190.09	201.02	200.81	224.99
Weighted average number of equity shares outstanding during the year / period - diluted (in million) - (F)	* 38.92	69.43	263.67	310.09	307.71	378.34
Earnings per equity share (in Rs.)						
- Basic (A/E)	(2.81)	0.12	0.95	1.23	0.15	2.77
- Diluted (A/F)	(2.81)	0.09	0.69	0.80	0.10	1.65
Return on Net worth (%) (A/B)	(9.20%)	0.27%	4.46%	5.71%	0.72%	9.54%
Net asset value per share (in Rs) (C/D)	7.81	7.93	10.39	11.62	10.54	18.35

Note: * being anti-dilutive.

ANNEXURE XVI (Continued)

STATEMENT OF ACCOUNTING RATIOS BASED ON CONSOLIDATED RESTATED FINANCIAL INFORMATION

Notes:

1. The figures for the nine months ended 31 December 2006 have not been annualised.
2. The ratios have been computed as follows:

Earnings per equity share	$\frac{\text{Net profit attributable to equity shareholders as restated}}{\text{Weighted average number of equity shares outstanding during the year/period}}$
---------------------------	--

Return on Net worth	$\frac{\text{Net Profit before extraordinary items but after adjusted tax}}{\text{Net worth excluding share application money and revaluation reserves at the end of the year/period}}$
---------------------	---

Net asset value per equity share	$\frac{\text{Net worth excluding revaluation reserve and preference share capital at the end of the year/period}}{\text{Number of equity shares outstanding at the end of the year/period}}$
----------------------------------	--

3. Restated net profit, as appearing in the consolidated restated Statement of profits and losses Annexure XI and net worth as appearing in the statement of consolidated restated assets and liabilities Annexure XII, has been considered for the purpose of computing the above ratios. These ratios are computed on the basis of the consolidated restated financial statements of the issuer company.
4. Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings Per Share" issued by the Institute of Chartered Accountants of India.
5. Calculation of ratios post issue has not been considered.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with our audited restated consolidated financial statements as of and for the fiscal years ended March 31, 2004, 2005 and 2006 and the nine month periods ended December 31, 2005 and 2006, which are in line with the audited consolidated financial statements, and in each case, the notes thereto, which are prepared in accordance with Indian GAAP and included elsewhere in this Red Herring Prospectus.

Overview

We are a leading provider of offshore BPO services to clients primarily in the BFSI, telecommunications and media, and healthcare industries. We provide BPO services mostly to clients in the United States and the United Kingdom. Our clients include three of the five largest banks in the United States (by fiscal 2005 revenue), five of the ten largest credit card issuers in the United States (by number of cards issued as of 2005), one of the five largest banks in the United Kingdom (by fiscal 2005 revenue), two "Fortune Global 500" telecommunications companies, a "FTSE 100" integrated entertainment and telecommunications company and three "Fortune 100" healthcare insurance companies. We were the third largest "pure-play" BPO provider (BPO providers that are not affiliated with information technology companies). Based on the annual rankings by NASSCOM, we were the fifth largest BPO provider in India in fiscal 2006 in terms of revenues.

We provide a comprehensive range of services to clients in each of our focus industries. The principal services that we provide in each industry are:

- **BFSI:** Customer acquisition, accounts set-up, customer service and account maintenance, dispute resolution, mortgage origination and servicing, insurance policy issuance and administration, payment processing, collections, research and analytics.
- **Telecommunications and media:** Customer acquisition, provisioning and fulfilment support, customer service, billing support, dispute resolution, churn management and collections.
- **Healthcare:** Mail and document management, claims processing, claims pricing, claims adjudication and adjustment, and healthcare provider database maintenance.

We combine in-depth domain knowledge in these industries with proven expertise in transferring business operations from our clients to our delivery centres and in administering, managing and further improving these processes for our clients. We have to date successfully transferred more than 325 processes covering a broad array of products and services to our service delivery centres.

Our total income has grown at a compound annual growth rate of 74.4% from Rs. 1,807.8 million in fiscal 2004 to Rs. 5,499.2 million in fiscal 2006. Over the same period of time, our profits after tax have increased at a compound annual growth rate of 536.0% from Rs. 6.1 million in fiscal 2004 to Rs. 246.7 million in fiscal 2006. We attribute the growth in our income to increased outsourcing by our existing clients, both through increases in the volumes of work that they outsource to us under existing processes and the outsourcing of new processes and service lines to us (primarily as a result of our cross-selling new services to them), as well as business that we have won from new clients. Our total income and profit after tax for the nine months ended December 31, 2006 were Rs. 5,621.4 million and Rs. 623.4 million, respectively.

We have increased the number of our delivery centres from four as of March 31, 2004 to 20 as of December 31, 2006. Eleven of our global delivery centres are located in seven cities in India, six are in the United States, two are in the United Kingdom and one is located in Argentina. In addition, we have one delivery centre under development in the Philippines, which we expect to become operational in the early part of fiscal 2008. Our operations are supported by a robust and scalable infrastructure network that can be tailored to meet our clients' specific needs. We have grown from 4,009 full-time employees as of March 31, 2004 to 10,717 as of December 31, 2006. In addition, we use trained personnel who are contracted on an as-needed basis. We have grown our client base from 21 clients as of March 31, 2004 to 74 clients as of December 31, 2006. Our clients currently include BSKyB, Capital One, CompuCredit, ICICI Bank, ICICI Prudential, Lloyds TSB Plc., Uniprise (a United Health Group company), Vodafone, WAMU, HSBC and Wachovia. In addition, our clients include a "Fortune 50" telecommunications company, two "Fortune 50" banks, two "Fortune 100" healthcare companies, a major U.S. east coast health plan management company and an NYSE-listed multi-state managed healthcare insurance company.

In March 2006, we entered into a strategic partnership with Metavante, a subsidiary of the Marshall & Ilsley Corporation and the third largest provider of products and services to the financial services industry in the United States (by fiscal 2005 revenue according to *Automation in Banking 2006*, by M. Arthur Gillis, Computer Based Solutions, Inc.). According to information made public by Metavante, it has relationships with over 1,000 banks (including 91 of the top 100 U.S. banks) and financial institutions. As a part of our partnership, Metavante currently has a 24.07% shareholding in our Company and we are Metavante's exclusive offshore and preferred onshore BPO service partner. Pursuant to this relationship, we have access to Metavante's banking domain consultants and preferred rights to the use of its widely-accepted technology platforms for providing outsourcing services. With some exceptions, Metavante is also our exclusive channel partner for the North American banking and financial institutions market, thereby giving us access to Metavante's clients, which include super-regional, regional and local banks and financial institutions in the United States, a market segment that we believe is currently under-served by BPO providers and offering us significant growth potential.

On November 21, 2006, we changed our name from "ICICI OneSource Limited" to "Firstsource Solutions Limited".

Income

We generate income principally from contracts to provide BPO services. In the nine months ended December 31, 2006, we had total income of Rs. 5,621.4 million compared to Rs. 3,885.4 million for the same period in 2005, an increase of 44.7%. We attribute the growth in our income to increased work from our existing clients, both through increases in the volumes of work that they outsource to us under existing processes and the outsourcing of new processes and service lines to us (partly as a result of our cross-selling new services to existing clients). In fiscal 2006, we had total income of Rs. 5,499.2 million compared to Rs. 3,234.7 million in fiscal 2005, an increase of 70.0%.

We provide our clients, who are primarily in the BFSI, telecommunications and media, and healthcare industries, with a range of BPO services. The services that we provide to our BFSI clients include credit evaluation, accounts set-up, customer service and account maintenance, dispute resolution, mortgage origination and servicing, insurance policy issue and administration, payment processing, collections and research and analytics. The services that we provide to our telecommunications and media clients include customer acquisition, provisioning and fulfilment support, customer service, billing support, dispute resolution, churn management and collections. The services that we provide to our healthcare customers include mail and document management, claims processing, claims pricing, claims adjudication and healthcare provider database maintenance.

Our clients transfer the management and execution of their processes or business functions to us. As part of this transfer, we hire and train employees to work at our delivery centres on the relevant BPO service, implement a process migration to that delivery centre and then provide services either to that client or directly to that client's customers. Each client contract has different terms based on the scope, deliverables and complexity of the engagement. The BPO services we provide to our clients, and the income that we derive from those services, vary with the type, volume and complexity of services we provide under those contracts.

Although some of our existing clients provide us with projections of business volumes which enables us to predict our income for a portion of our business, the long selling cycle for our BPO services and the budget and approval processes of prospective clients make it difficult to predict the timing of income that we will earn from new or prospective clients. In addition, for certain of our business lines, principally in the recovery and collection business, we earn income on a contingency basis (as a percentage of successful recoveries) and on the basis of rolling, short-term contracts. Income under new client contracts also varies depending on when we complete the selling cycle and the implementation phase.

We serve clients mainly in the United States (which, for these purposes, we define to include Canada, although income from Canada accounted for less than 1% of this amount) and the United Kingdom, with these two regions generating 49.4% and 48.0% of our income from services, respectively, in fiscal 2006. Clients in India accounted for 2.5% of our income from services in fiscal 2006. The following table sets out a geographic breakdown of our income from services for the periods indicated.

(Rs. In Million)

	Fiscal Year			Nine months ended December 31,	
	2004	2005	2006	2005	2006
U.S. and Canada*	497.7	1,259.0	2,708.6	1,799.6	2,542.5
U.K.	1,245.9	1,868.0	2,631.5	1,955.6	2,759.0
India	48.3	92.0	134.9	113.1	169.4
Rest of the world	-	-	12.5	8.6	13.7
Total	1,791.9	3,219.0	5,487.5	3,876.9	5,484.6

* Although for financial reporting purposes we classify this geographic segment as "U.S. and Canada," substantially all of this income (over 99.0%), for all periods presented, is attributable to clients within the United States.

Our clients are principally companies in the BFSI, telecommunications and media, and healthcare industries, with these sectors accounting for 63.5%, 25.0% and 5.7% of our income from services, respectively, in fiscal 2006. The following table sets out a breakdown of our income from services for the periods indicated.

(Rs. In Million)

	Fiscal Year			Nine months ended December 31,	
	2004	2005	2006	2005	2006
BFSI	786.4	2,183.1	3,483.9	2,520.8	2,922.6
Telecommunications and Media	408.5	724.6	1,369.2	906.0	1,884.2
Healthcare	-	-	313.0	228.7	333.9
Others	597.0	311.3	321.4	221.4	343.9
Total	1,791.9	3,219.0	5,487.5	3,876.9	5,484.6

The following table shows our client concentration by presenting income from our top five, our top 10 and our top 20 clients as a percentage of our total income for the periods indicated:

	Fiscal Year						Nine months ended December 31, 2006	
	2004		2005		2006		Income from services in Rs. millions	% of total
	Income from services in Rs. millions	% of total	Income from services in Rs. millions	% of total	Income from services in Rs. millions	% of total		
5 largest clients	1,169.0	65.2	1,825.6	56.7	2,779.0	50.6	2,938.4	53.6
10 largest clients	1,511.4	84.3	2,539.0	78.9	3,988.3	72.7	3,893.8	70.0
20 largest clients	1,774.9	99.1	3,059.6	94.4	4,928.0	89.8	4,895.1	89.3
All Clients	1,791.9	100.0	3,219.0	100.0	5,487.5	100.0	5,484.6	100.0

In fiscal 2006, we had three clients which each contributed over 10% of our income from services. These three clients together accounted for 37.4% of our income from services in fiscal 2006, with the largest client contributing 16.0% of our income from service in this period. For the nine months ended December 31, 2006, we had two clients which each contributed over 10% of our income from services. These two clients together accounted for 28.1% of our income from services in the nine months ended December 31, 2006, with the largest client contributing 14.3% of our income from services in this period.

We derive a significant portion of our income from a limited number of large clients. In fiscal 2004, 2005 and 2006, income from our five largest clients amounted to Rs. 1,169.0 million, Rs. 1,825.6 million and Rs. 2,779.0 million, respectively, accounting for 65.2%, 56.7% and 50.6% of our income from services, respectively. During the same periods, income from our contracts with our largest client accounted for 26.9%, 21.2% and 16.0% of our income from services, respectively. Income for services performed for ICICI Bank, our major shareholder, and its affiliates, including overseas subsidiaries, amounted to Rs. 162.7 million, or 3.0% of our income from services, in fiscal 2006. Although we are increasing and diversifying our client base, we expect that a significant portion of our income will continue to be contributed by a limited number of large clients in the near future.

The following table breaks down our clients in terms of the amounts of income from services that we earned from them for the periods indicated:

	March 31,		
	2004	2005	2006
Income from Services in Rs. millions	Number of Clients ⁽¹⁾		
Less than 50 million	12	8	33
50 million to 250 million	8	10	14
250 million to 500 million	1	5	4
Greater than 500 million	0	1	3
Total number of clients	21	24	54

Note:

(1) Clients as of the end of reporting period that have some business in the current year and in the next fiscal year have been considered for the purposes of calculating the number of clients. Each distinctive client logo (even logos which may be part of the same general corporate group) which represents an ongoing business commitment to us has been considered to be a separate client. Clients within Pipal, clients from which we earn one-time, project-based revenues and certain clients from which we receive an insignificant amount of income have been excluded from the table. Income from services is for the fiscal year ended on the date shown.

Certain of our contracts with our clients have an initial term of three to five years, while certain others are rolling short-term contracts. These contracts vary in terms of the scope of work required to be performed, delivery specifications and the complexity of the overall engagement. Though certain of our client relationships are long-term in nature given the complex nature of the business processes that we offer, our long-term contracts can be terminated by our clients with or without cause and with notice periods ranging up to six months. Certain of these contracts contain termination-related penalties and others do not, but even in the case that they do not there are usually what we believe to be operational and financial disincentives for them to terminate, including potential disruption to their business and the cost of finding alternative providers of these services. See the risk factor titled "Some of our clients may terminate contracts without cause and with little or no notice or payment of penalty before completion or may choose not to renew contracts, which could adversely affect our business and reduce our income" on page xvi of this Red Herring Prospectus. Occasionally, we may incur significant costs on contracts in the early stages of implementation, with the expectation that these costs will be recouped over the life of the contract to achieve our targeted returns. Each client contract has corresponding service level agreements that define certain operational metrics based on which our performance is measured. Some of our contracts specify penalties or damages payable by us in the event of failure to meet certain key service level standards within an agreed-upon time frame.

Of our contracts with our five largest customers as of December 31, 2006, four are long-term arrangements with initial terms ranging from three to five years. Of these four, one contract has run for its initial term and is now in an automatic one-year

extension period. We are currently re-negotiating this contract and expect to conclude a new long-term contract with this client by March 31, 2007. The fifth contract is a rolling contract that continues unless it is terminated by one of the parties.

We price our services to our clients on either an input or an output basis. Input-based pricing is pricing that is determined by reference to, with respect to the relevant process, the number of hours worked, number of employees deployed or the number of seats deployed. Output-based pricing is structured either by number of transactions processed or on a contingency basis, linked to our performance under the contract.

Expenditures

Our expenditures primarily consist of:

- personnel costs, which include salaries, bonuses and other allowances, contributions to employee provident and other employment-related funds and staff welfare expenses, including healthcare insurance costs;
- operating costs, which are costs relating to rent, power and maintenance of our delivery centres and corporate offices, communication expenses, which include bandwidth, telecommunications and IT costs, recruitment and training expenses, travel and transportation, legal and professional fees and other operating, selling and administrative expenses;
- interest costs, consisting primarily of interest paid on our outstanding bank loans and debt instruments; and
- depreciation, which consists of the depreciation of our tangible assets (including furniture and fixtures, leasehold improvements, computers and related hardware and service equipment, including networks, office equipment and vehicles) and amortisation of intangible assets.

Our expenditure is affected by our long selling cycle and implementation period for our BPO services, which require significant commitments of capital, resources and time by both our clients and us. Before committing to use our services, potential clients require us to expend substantial time and resources advising them as to the value of our services and assessing the feasibility of integrating our systems and processes with theirs. In addition, once we are engaged by a client in a new contract, our expenditure may represent a higher percentage of income until the implementation phase for that contract, which can last anywhere from a number of weeks to a number of months, is completed. We also expect our expenditure to increase when we add new operations facilities due to increases in telecommunications and rent expenses and other facility-related operating costs. As business from our existing clients increases and as we expand our client base, we expect to benefit from economies of scale and a more effective utilisation of resources.

Personnel costs

The most significant component of our expenditures is personnel costs, including salaries, bonuses, contribution to employee provident and other employment-related funds and staff welfare expenses, including health insurance costs. Salary levels in India, employee turnover rates and our ability to efficiently manage and utilise our employees significantly affect our overall level of expenditures. We devote significant attention to managing employee utilisation and continuously monitor service levels and staffing requirements.

We expect our personnel costs, and consequently, our expenditures, to increase as we add new resources in India and elsewhere to service additional business, both organically and as a result of acquisitions. In particular, we expect training activity costs to increase as we add new clients. Increasing wage levels in India, higher attrition rates due to competition and/or our inability to assign employees effectively across projects may result in increases in our personnel costs. See the risk factors titled "Wage increases in India may prevent us from sustaining our competitive advantage and may reduce our profit margin" and "We may fail to attract and retain enough sufficiently trained employees to support our operations, as competition for highly skilled personnel is intense and we experience significant employee turnover rates" on pages xv and xiv, respectively, of this Red Herring Prospectus. However, we continuously seek to mitigate these cost increases through increases in employee productivity, employee retention initiatives and cross-training programs.

Operating costs

Our operating costs are comprised of costs relating to rent, power and maintenance of our delivery centres and corporate offices, communication expenses, which include bandwidth, telecommunications and IT costs, recruitment and training expenses, travel and transportation, legal and professional fees and other operating, selling and administrative expenses. We expect our

operating costs to continue to increase to support our planned growth, including both organic growth and growth through acquisitions.

Interest costs

Our interest costs are comprised of expenses relating to interest paid on our outstanding banks loans and debt instruments. We expect our interest costs to fluctuate principally in relation to (i) the total amount of indebtedness that we have outstanding from time to time and (ii) our average interest rate payment obligations with respect to such indebtedness.

Depreciation

Depreciation pertains to the depreciation of our tangible assets (including furniture and fixtures, leasehold improvements, computers and related hardware and service equipment, including networks; office equipment and vehicles) and amortisation of intangible assets. As we add clients and grow our business, we expect that our depreciation expense will increase, reflecting additional investments in equipment such as desktop computers, servers and other infrastructure.

Foreign Exchange

Exchange rates

Although substantially all of our income from services is denominated in U.S. dollars (48.5% in fiscal 2006) or pounds sterling (48.7% in fiscal 2006), the majority of our expenses (approximately 63.4% of our total expenditures in fiscal 2006, including depreciation) are incurred and paid in Indian rupees. The exchange rates among the Indian rupee, the pound sterling and the U.S. dollar have changed substantially in recent years and may fluctuate substantially in the future. Consequently, the results of our operations are affected as the Indian rupee appreciates or depreciates against the U.S. dollar and the pound sterling. See the section titled "Exchange Rate Risk" and the risk factor titled "Because substantially all of our income is denominated in foreign currencies and the majority of our expenses are denominated in Indian rupees, we face currency exchange risk" on pages 228 and xxxii, respectively, of this Red Herring Prospectus. We seek to hedge our foreign currency exposure in line with our hedging policy by entering into forward foreign currency contracts from time to time.

Currency regulation

According to the prevailing foreign exchange regulations in India, an exporter of BPO services which is registered with a software technology park or an export processing zone in India, such as us and certain of our Indian operating subsidiaries, is required to realise its export proceeds within a period of six months from the date of exports. Similarly, in the event that such exporter has received any advance against exports in foreign exchange from its overseas customers, it will have to render the requisite services so that the advances so received are earned within a period of 12 months.

Income Taxes

Under Sections 10A and 10B of the prevailing Income Tax Act, 1961, we currently benefit from certain tax incentives for services that we provide from specially-designated "Software Technology Parks," or STPs. The STP tax incentives currently include a ten year "tax holiday" from the payment of Indian corporate income tax for the operations of most of our Indian facilities. Accordingly, facilities set up in India on or before March 31, 2000 have a ten-year tax holiday, new facilities set up on or before March 31, 2001 have a nine-year tax holiday and so forth until March 31, 2009. As a result of this, our operations in India have been subject to relatively low tax liabilities in India.

We provide BPO services in India principally from our wholly owned, export-oriented units situated in Bangalore, Mumbai, Chennai, Pondicherry, Trichy, Kolkata and New Delhi. Services from these facilities rendered to domestic customers are taxable under Indian income tax laws and regulations. We also have three facilities in the U.S., two facilities in the U.K and one facility in Argentina. Each of these operations is subject to taxation in the jurisdictions in which it is located.

Under Indian GAAP, we recognise deferred tax assets and liabilities for future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards. We measure deferred tax assets and liabilities using tax rates and the tax laws that have been enacted or substantially enacted at the relevant balance sheet dates. We recognise the effect on deferred tax assets and liabilities of a change in tax rates in income in the period that includes the enactment date.

Acquisition History

2002 Acquisition of CustomerAsset

In May 2002, shortly after we were incorporated, we made our first acquisition by purchasing CustomerAsset, an Indian company, for a total purchase price of approximately Rs. 959.5 million including direct expenses related to acquisition. CustomerAsset's business as the time of our acquisition was to provide customer service and fulfillment services principally to companies in the BFSI, telecommunications and media industries. At the time of the acquisition, Customer Asset had one service facility, located in Bangalore, India, and 750 employees. We consummated this acquisition in order to facilitate our entry into the BPO business. Our acquisition of CustomerAsset enabled us to enter the market quickly, through a credible platform with a high-quality client base.

2003 Acquisition of FirstRing

Pursuant to agreements we entered into in July and September 2003, we made our second acquisition by purchasing a 99.8% equity interest in FirstRing, a U.S.-incorporated company, for a total purchase price of approximately Rs. 617.2 million including direct expenses related to acquisition. We are also committed to pay a further Rs. 7.8 million toward the purchase of the remaining minority interest in the company. FirstRing's business at the time of our acquisition was to provide customer acquisition services principally to companies in the BFSI industry. At the time of the acquisition, FirstRing had one service facility, located in Bangalore, India, and 738 employees. We consummated this acquisition in order to strengthen our presence in the U.S. and to add credit card services capabilities to our portfolio of service offerings.

2004 Acquisition of Pipal

In July 2004, we made our third acquisition by acquiring a 51% equity interest in Pipal, a U.S.-incorporated company, for a total purchase price of approximately Rs. 157.3 million including direct expenses related to acquisition. Our ownership in Pipal was achieved through our direct investment in the company and not through a secondary purchase of its shares. Pipal is a board-managed company with appropriate representation of Directors from our Company and its other shareholders. Pipal also has a wholly-owned Indian subsidiary, Pipal Research and Analytics. Pipal, principally through its subsidiary, provides business research services principally to companies in the BFSI industry. Pipal also has experience in the pharmaceutical, biotechnology, utilities and IT industries. At the time of the acquisition, Pipal and its subsidiary had one service facility, located in New Delhi, India, and 35 employees. We consummated this acquisition in order to gain access to the business research and information services market. This market, which we believe has large business potential, has high barriers to entry, including the particular importance of client relationships.

2004 Acquisition of ASG

In September 2004, we made our fourth acquisition by acquiring ASG, a U.S.-incorporated company, for a total purchase price of approximately Rs. 1,691.5 million including direct expenses related to acquisition. This does not include an additional Rs. 201.0 million, in respect of earnout provisions for fiscal year 2005, which is currently the subject of disagreement between us and ASG's former promoters. For further details, see "Outstanding Litigation and Material Developments" on page 236 of this Red Herring Prospectus. ASG provides collections and accounts recoverable services principally to companies in the BFSI industry. At the time of the acquisition, ASG had one service facility, located in Amherst, New York and 416 employees. We consummated this acquisition in order to enter into the recoveries and collections market, which we believe has very large business potential. Furthermore, ASG had a blue-chip client base that was attractive to us, as were the cross-selling opportunities between its business and our existing service lines.

As part of the ASG acquisition, we also acquired an option to purchase, through their holding companies, the two buildings constituting the delivery centre in Amherst out of which ASG operates. These options are exercisable in 2010 and 2011, respectively.

2005 Acquisition of RevIT

Pursuant to an agreement entered into in March 2005, we made our fifth acquisition by acquiring 90.01% of RevIT, an Indian-incorporated company, for a purchase price of approximately Rs. 899.1 million. In fiscal 2006, we acquired a further equity interest of 9.99% for a purchase price of Rs. 52.8 million. The total purchase price paid for our entire interest in RevIT was Rs.

946.8 million, including direct expenses related to acquisition (including deferred payment of Rs. 133.3 million). RevIT also has a wholly-owned U.S.-incorporated subsidiary, Sherpa. RevIT, directly and through its subsidiary, provides transaction processing services principally to companies in the healthcare and publishing industries. At the time of the acquisition, RevIT and its subsidiary had two service facilities, located in Chennai and Pondicherry, India and 257 employees on its payroll. We consummated this acquisition in order to enhance our transaction processing capabilities and facilitate our entry into the healthcare market.

2006 Acquisition of BPM

In December 2006, we made our sixth acquisition by acquiring 100% of BPM, a U.S.-incorporated company. The total purchase price paid, including direct expenses relating to the acquisition, was Rs. 1,444.3 million (excluding Rs. 154.91 million being contingent consideration payable based on performance criterion to be achieved by BPM by way of EBITDA targets stipulated in the stock purchase agreement). BPM, together with its two subsidiaries, MPP and MP 2000, are BPO companies providing transaction processing and claims adjudication and adjustment services, principally to customers in the U.S. healthcare industry. At the time of the acquisition, BPM had 303 employees operating out of three service delivery centres located in Illinois, Kansas and Kentucky, U.S.A. with both front- and back-office capabilities. We believe that the BPM Acquisition will allow us to expand our service offerings to provide a more comprehensive end-to-end proposition to our clients in the healthcare industry.

Results Of Operations

The table below sets forth, for the periods indicated, certain income and expense items for our consolidated operations, expressed as a percentage of total income:

	Percentage of total income				
	Fiscal Year			Nine months ended December 31,	
	2004	2005	2006	2005	2006
	%	%	%	%	%
Income					
Income from services	99.1	99.5	99.8	99.8	97.6
Other income	0.9	0.5	0.2	0.2	2.4
Total Income	100.0	100.0	100.0	100.0	100.0
Expenditure					
Personnel costs	47.2	49.5	51.6	53.0	46.9
Depreciation	9.5	10.2	8.2	8.6	7.9
Interest costs	0.6	0.9	1.6	1.7	1.3
Operating costs	41.3	34.0	33.7	35.6	32.0
Total expenditure	98.6	94.6	95.1	98.9	88.1
Profit before tax	1.4	5.4	4.9	1.0	11.9
Provision for taxation					
Current tax expense (including foreign taxes)	0.1	0.0	0.3	0.4	0.7
Deferred tax charge / (release)	1.0	(0.1)	0.0	0.1	0.1
Fringe benefit tax	0	0	0.2	0.0	0.2
Profit after tax before minority interest	0.3	5.5	4.4	(0.7)	10.9
Minority interest	0	(0.1)	(0.1)	(0.1)	(0.1)
Profit after tax	0.3	5.6	4.5	(0.8)	11.0

Our operating results may vary significantly from period to period as a result of various factors. For example:

- Client acquisitions and ramp-ups—When we acquire a new client or roll out a new set of services to an existing client, we are required to incur significant investment costs prior to the time that we begin earning corresponding income. These costs are principally recruitment, training and salary costs. The period during which we incur these costs and before we earn corresponding income can last from a number of weeks to a number of months. Our operating results are therefore affected by the timing and volume of new client acquisitions and ramp-ups that we undertake in any period;
- Business acquisitions—Since we began operations in 2002 we have consummated six business acquisitions and expect to continue to grow our business by consummating new strategic acquisitions from time to time. Our operating results are affected significantly by these business acquisitions, both in terms of the costs and expenses that we are required to incur in order to consummate the transaction and integrate the acquired company into our existing business as well as the income that are generated by the acquired businesses and become part of our income; and
- Cyclicity in our clients' industries—We service clients in three principal industries, BFSI, telecommunications and media, and healthcare, and our operating results are directly affected by the underlying cyclicity within these industries. For example, some of our contracts do not have fixed minimum volumes. If there are cyclical downturns within these industries, our clients may reduce the volumes of work that they outsource to us. In addition, for our collections business we earn fees that are expressed as a percentage of our recovery rates. Our income is therefore directly affected by debt collection trends, which follow generally predictable cyclical patterns.

We also bear the risk of inflation and fluctuations in currency exchange rates with respect to our contracts, and our operating results could be negatively affected by adverse changes in wage inflation rates and foreign currency exchange rates. Although we hedge a portion of our foreign currency exposures, our results of operations may be adversely affected if there is significant fluctuation among the Indian rupee, the pound sterling and the U.S. dollar or if our hedging strategy is unsuccessful. See the sections titled "Exchange Rate Risk" and "Foreign Exchange—Exchange Rates" on pages 228 and 216, respectively, of this Red Herring Prospectus.

Nine months ended December 31, 2006 and 2005

Income

As the BPM Acquisition was consummated on December 29, 2006, BPM and its subsidiaries did not make any significant contribution to our results of operations for the nine-month period ended December 31, 2006.

Income from services. Income from services increased 41.5% to Rs. 5,484.6 million in the nine months ended December 31, 2006 from Rs. 3,876.9 million in the nine months ended December 31, 2005. We recognised income from 64 clients (excluding clients acquired as a result of the BPM Acquisition) in the nine months ended December 31, 2006, compared to 52 clients in the nine months ended December 31, 2005. Of the increase in income from services of Rs. 1,607.8 million in this period as compared to the corresponding period in the previous year, Rs. 42.6 million was attributable to new clients. We did not consummate any business combinations during either of the nine month periods (other than the BPM Acquisition completed on December 29, 2006) and the growth in the nine months ended December 31, 2006 was therefore organic. Our five largest customers contributed Rs. 2,938.4 million in the nine months ended December 31, 2006 compared to Rs. 1,991.6 million in the nine months ended December 31, 2005, representing 47.5% growth.

Income from clients in the U.S. and Canada, the U.K., India and the rest of the world accounted for Rs. 2,542.5 million (or 46.4%), Rs. 2,759.1 million (or 50.3%), Rs. 169.4 million (or 3.1%) and Rs. 13.7 million (or 0.2%), respectively, of our income from services in the nine months ended December 31, 2006, compared to Rs. 1,799.6 million (or 46.4%), Rs. 1,955.6 million (or 50.5%), Rs. 113.1 million (or 2.9%) and Rs. 8.6 million (or 0.2%), respectively, of our income from services in the nine months ended December 31, 2005. The proportion of our income from each of these geographic segments remained relatively stable, as we experienced comparable growth in our business in all of these areas.

Income from clients in the BFSI industry, the telecommunications and media industry, the healthcare industry and all other industries accounted for Rs. 2,922.6 million (or 53.3%), Rs. 1,884.2 million (or 34.4%), Rs. 333.9 million (or 6.1%) and Rs. 343.9 million (or 6.2%), respectively, of our income from services in the nine months ended December 31, 2006, compared to Rs. 2,520.8 million (or 65.0%), Rs. 906.0 million (or 23.4%), Rs. 228.7 million (or 5.9%) and Rs. 221.4 million (or 5.7%), respectively,

of our income from services in the nine months ended December 31, 2005. The large increase in our income from clients within the telecommunications and media sector between the nine months ended December 31, 2005 and the nine months ended December 31, 2006 was attributable to companies within this industry outsourcing more processes generally, as well as our better penetration of this market.

Other income. Other income increased to Rs. 136.8 million in the nine months ended December 31, 2006 from Rs. 8.5 million in the nine months ended December 31, 2005. The primary components of other income in the nine months ended December 31, 2006 were income from the sale and redemption of non-trade investments in the amount of Rs. 52.2 million and interest on deposits with banks and others in the amount of Rs. 15.0 million, income from a grant received in relation to our delivery centres in Northern Ireland in the amount of Rs. 65.9 million and other miscellaneous income of Rs. 3.6 million. The primary components of other income in nine months ended December 31, 2005 were of interest and dividend income aggregating to Rs. 6.8 million and other miscellaneous income of Rs. 1.7 million.

Expenditure

Personnel costs. Personnel costs for the nine months ended December 31, 2006 amounted to 46.9% of our total income for that period, as compared to 53.0% of income in the nine months ended December 31, 2005. Personnel costs in the nine months ended December 31, 2005 were unusually high due to the significant ramp-up of volumes from two major existing clients, an unanticipated delay in the commencement of two new contracts and an over-estimation of the number of employees that would be required for the performance of some of these contracts. Personnel costs increased by 28.0% to Rs. 2,637.8 million in the nine months ended December 31, 2006 from Rs. 2,061.0 million in the nine months ended December 31, 2005. This increase was primarily due to an increase in our number of employees to 10,717 as of December 31, 2006 from 7,950 as of December 31, 2005, principally to service our increased business volumes. Our average wage levels were also higher in the nine months ended December 31, 2006 than in the nine months ended December 31, 2005.

Operating costs. Operating costs for the nine months ended December 31, 2006 amounted to 32.0% of our total income for that period, as compared to 35.6% of income in the nine months ended December 31, 2005. Operating costs increased by 30.0% to Rs. 1,798.4 million in the nine months ended December 31, 2006 from Rs. 1,383.0 million in the nine months ended December 31, 2005, generally in line with our increase in income. Most component items of operating costs increased at rates lower than, or generally in line with, our increase in revenues, with the exception of legal and professional fees which increased by 69.9% from Rs. 217.5 million to Rs. 369.5 million, due to fees paid for hired professionals and legal fees incurred towards various corporate initiatives.

Interest costs. Interest costs for the nine months ended December 31, 2006 amounted to 1.3% of our total income for that period, as compared to 1.7% of income in the nine months ended December 31, 2005. Interest costs increased by 13.3% to Rs. 74.2 million in the nine months ended December 31, 2006 from Rs. 65.5 million in the nine months ended December 31, 2005. This increase was primarily due to an increase in loans outstanding, to Rs. 1,300.3 million at the end of fiscal 2006, compared to Rs. 1,042.6 million at the end of fiscal 2005. At December 31, 2006, we had approximately Rs. 1,944.0 million in outstanding indebtedness.

Depreciation. Depreciation costs for the nine months ended December 31, 2006 amounted to 7.9% of our total income for that period, as compared to 8.6% of income in the nine months ended December 31, 2005. Depreciation increased by 31.6% to Rs. 441.5 million in the nine months ended December 31, 2006 from Rs. 335.5 million in the nine months ended December 31, 2005. This increase was primarily due to our commissioning of the "RMZ Ecospace" facility in Bangalore in October 2005 and the addition of the "Technopolis" facility in Kolkata in August 2006.

Profit before tax

Profit before tax. As a result of the foregoing, profit before tax increased to Rs. 669.6 million in the nine months ended December 31, 2006 from a profit before tax of Rs. 40.4 million in the nine months ended December 31, 2005.

Provision for taxation. Provision for taxation increased by 271.9% to Rs. 51.7 million in the nine months ended December 31, 2006 from Rs. 13.9 million in the nine months ended December 31, 2005. This increase was primarily due to U.S. taxes amounting to Rs. 20.2 million and U.K. taxes amounting to Rs. 11.8 million in the nine months ended December 31, 2006, which was the result of higher taxable profits (after taking into account tax credits) relating to ASG and FirstRing in the U.S. and our

operations in the U.K.. There was no such U.S. tax due in the nine months ended December 31, 2005. Fringe benefit taxes for the nine months ended December 31, 2006 amounted to Rs. 9.3 million as compared to Rs. 7.0 million for the nine months ended December 31, 2005.

Profit after tax before minority interest

Profit after tax before minority interest. As a result of the foregoing, profit after tax before minority interest increased to Rs. 617.9 million in the nine months ended December 31, 2006 from a profit after tax before minority interest of Rs. 26.5 million in the nine months ended December 31, 2005.

Minority interest. Minority interest was Rs. (5.5) million in the nine months ended December 31, 2006 as compared to Rs. (2.9) million in the nine months ended December 31, 2005. This was partly due to increased operating losses of Pipal.

Profit after tax

Profit after tax. As a result of the foregoing, profit after tax increased to Rs. 623.4 million in the nine months ended December 31, 2006 from a profit after tax of Rs. 29.4 million in the nine months ended December 31, 2005.

Our fiscal years 2006 and 2005

Income

Income from services. Income from services increased 70.5% to Rs. 5,487.5 million in fiscal 2006 from Rs. 3,219.0 million in fiscal 2005. We recognised income from 54 clients in fiscal 2006, compared to 24 clients in fiscal 2005. Of the increase in income from services of Rs. 2,268.5 million in this period Rs. 694.2 million was attributable to new clients. The increase in our income was also due to the full year impact of our acquisition of ASG. Further, the acquisition of RevIT on March 31, 2005 provided us an entry into the healthcare industry, enhanced our transaction processing capabilities and contributed Rs. 509.4 million to our income in fiscal 2006. Our five largest customers contributed Rs. 2,779.0 million in fiscal 2006 compared to Rs. 1,825.6 million in fiscal 2005, representing 52.2 % growth.

Income from clients in the U.S. and Canada, the U.K., India and the rest of the world accounted for Rs. 2,708.5 million (or 49.3%), Rs. 2,631.6 million (or 48.0%), Rs. 134.9 million (or 2.5%) and Rs. 12.5 million (or 0.2%), respectively, of our income from services in fiscal 2006, compared to Rs. 1,259.0 million (or 39.1%), Rs. 1,868.0 million (or 58.0%), Rs. 92.0 million (or 2.9%) and Rs. 0.0 million (or 0%), respectively, of our income from services in fiscal 2005. The increase in income from the U.S. and Canada was due to the full-year impact of the ASG and RevIT acquisitions in fiscal 2006.

Income from clients in the BFSI industry, the telecommunications and media industry, the healthcare industry and other industries accounted for Rs. 3,483.9 million (or 63.5%), Rs. 1,369.2 million (or 25.0%), Rs. 313.0 million (or 5.7%) and Rs. 321.4 million (or 5.8%), respectively, of our income from services in fiscal 2006, compared to Rs. 2,183.1 million (or 67.8%), Rs. 724.6 million (or 22.5%), Rs. 0.0 (or 0%) and Rs. 311.3 million (or 9.7%), respectively, of our income from services in fiscal 2005. One of the principal reasons for the large increase in income from the BFSI sector was the full-year impact of the ASG acquisition.

Other income. Other income decreased by 25.5% to Rs. 11.7 million in fiscal 2006 from Rs. 15.7 million in fiscal 2005. The principal components of other income in fiscal 2006 were dividend income, accounting for Rs. 5.3 million, and interest income, accounting for Rs. 4.0 million. The principal components of other income in fiscal 2005 were profit on sale or redemption of non-trade investments accounting for Rs. 10.9 million, and interest income, accounting for Rs. 3.8 million.

Expenditure

Personnel costs. Personnel costs for fiscal 2006 amounted to 51.6% of our total income for that period, as compared to 49.5% of income for 2005. Personnel costs increased 77.1% to Rs. 2,834.9 million in fiscal 2006 from Rs. 1,600.6 million in fiscal 2005. This increase was primarily due to an increase in our number of employees to 8,350 as of the end of fiscal 2006 from 6,147 as of the end of fiscal 2005. Our average wage levels were also higher in fiscal 2006 than in fiscal 2005.

Operating costs. Operating costs for fiscal 2006 amounted to 33.7% of our total income for that period, as compared to 34.0% of income for 2005. Operating costs increased by 68.3% to Rs. 1,854.0 million in fiscal 2006 from Rs. 1,101.6 million in fiscal 2005, generally in line with our increase in income. We experienced a 177.6% increase in legal and professional fees, due to

higher fees paid to hired professionals and legal fees, and a 92.3% increase in communication, connectivity and information services costs due to one-time installation fees incurred in connection with our procurement of additional bandwidth. The other components of operating costs otherwise generally increased in line with our increase in income from fiscal 2005 to fiscal 2006.

Interest costs. Interest costs for fiscal 2006 amounted to 1.6% of our total income for that period, as compared to 0.9% of income for fiscal 2005. Interest costs increased 205.8% to Rs. 89.3 million in fiscal 2006 from Rs. 29.2 million in fiscal 2005. This increase was primarily due to the full year impact of external commercial borrowings in the amount of Rs. 546.8 million incurred during fiscal 2005 to fund our capital expenditure requirements, the most significant item of which was the fit-out of our Paradigm delivery centre. We had a total of Rs. 1,300.3 million of outstanding loans at the end fiscal 2006 compared to Rs. 1,042.6 million at the end of fiscal 2005.

Depreciation. Depreciation for fiscal 2006 amounted to 8.2% of our total income for that period, as compared to 10.2% of income for fiscal 2005. Depreciation increased by 36.8% to Rs. 451.5 million in fiscal 2006 from Rs. 329.9 million in fiscal 2005. The increase of Rs. 121.6 million was primarily due to the effect of our acquisitions and the commissioning of our "RMZ Ecospace" facility in Bangalore in October 2005.

Profit before tax

Profit before tax. As a result of the foregoing, profit before tax increased 55.5% to Rs. 269.6 million in fiscal 2006 from Rs. 173.4 million in fiscal 2005.

Provision for taxation. Provision for taxation increased to Rs. 27.0 million in fiscal 2006 from Rs. (2.9) million in fiscal 2005. This increase was primarily due to the introduction of a fringe benefit tax in India amounting to Rs. 11.1 million, U.S. taxes amounting to Rs. 5.5 million, withholding tax charges in the U.S. on interest income accounting for Rs. 7.9 million and current taxes amounting to Rs. 2.1 million. We also had a deferred tax expense of Rs. 0.4 million in fiscal 2006 compared to a deferred tax benefit of Rs. 2.9 million in fiscal 2005.

Profit after tax before minority interest

Profit after tax before minority interest. As a result of the foregoing, profit after tax before minority interest increased 37.6% to Rs. 242.6 million in fiscal 2006 from Rs. 176.3 million in fiscal 2005.

Minority interest. Minority interest was Rs. (4.1) million in fiscal 2006 as compared to Rs. (4.8) million in fiscal 2005 due to improved operating results of Pipal.

Profit after tax

Profit after tax. As a result of the foregoing, profit after tax increased 36.2% to Rs. 246.7 million in fiscal 2006 from Rs. 181.1 million in fiscal 2005.

Our fiscal years 2005 and 2004

Income

Income from services. Income from services increased 79.6% to Rs. 3,219.0 million in fiscal 2005 from Rs. 1,791.9 million in fiscal 2004. We recognised income from 24 clients in fiscal 2005, compared to 21 clients in fiscal 2004. Of the increase in income from services of Rs. 1,427.1 million in this period Rs. 763.0 million was attributable to new clients. The increase in income was also due to income from our acquisitions of ASG and Pipal. The acquisitions of ASG and Pipal in fiscal 2005 expanded our service offerings in research and analysis and recovery and collection business in BFSI domain and contributed income of Rs. 687.5 million in fiscal 2005. Our five largest customers contributed Rs. 1,825.6 million in fiscal 2005 as compared to Rs. 1,169.0 million in fiscal 2004, representing 56.2 % growth.

Income from clients in the U.S. and Canada, the U.K., India and the rest of the world accounted for Rs. 1,259.0 million (or 39.1%), Rs. 1,868.0 million (or 58.0%), Rs. 92.0 million (or 2.9%) and Rs. 0.0 million (or 0.0%), respectively, of our income from services in fiscal 2005, compared to Rs. 497.7 million (or 27.8%), Rs. 1,245.9 million (or 69.5%), Rs. 48.3 million (or 2.7%) and Rs. 0.0 million (or 0.0%), respectively, of our income from services in fiscal 2004. Our increase in income from clients in the U.S. and Canada was largely attributable to our acquisition of ASG in the course of fiscal 2005.

Income from clients in the BFSI industry, the telecommunications and media industry and other industries accounted for Rs. 2,183.1 million (or 67.8%), Rs. 724.6 million (or 22.5%) and Rs. 311.3 million (or 9.7%), respectively, of our income from services in fiscal 2005, compared to Rs. 786.4 million (or 43.9%), Rs. 408.5 million (or 22.8%) and Rs. 597.0 million (or 33.3%), respectively, of our income from services in fiscal 2004. Our increase in income from clients in the BFSI industry was largely attributable to our acquisition of ASG in the course of fiscal 2005.

Other income. Other income decreased by 1.3% to Rs. 15.7 million in fiscal 2005 from Rs. 15.9 million in fiscal 2004. The principal components of other income in fiscal 2005 were profit on sale or redemption of non-trade investments, accounting for Rs. 10.9 million and interest income accounting for Rs. 3.8 million. The principal components of other income in fiscal 2004 were profit on sale or redemption of non-trade investments, accounting for Rs. 8.2 million and interest income accounting for Rs. 5.9 million.

Expenditure

Personnel costs. Personnel costs for fiscal 2005 amounted to 49.5% of our total income for that period, as compared to 47.2% of income for fiscal 2004. Personnel costs increased by 87.7% to Rs. 1,600.6 million in fiscal 2005 from Rs. 852.8 million in fiscal 2004. This increase was primarily due to an increase in our number of employees to 6,147 as of the end of fiscal 2005 from 4,009 as of the end of fiscal 2004. This increase was primarily due to growth of our business within the BFSI and telecommunications and media industries and the addition of 518 new employees for recovery and collections business in the BFSI domain in the U.S. Our average wage levels were also higher in fiscal 2005 than in fiscal 2004.

Operating costs. Operating costs for fiscal 2005 amounted to 34.0% of our total income for that period, as compared to 41.3% of income for fiscal 2004. Operating costs increased by 47.6% to Rs. 1,101.6 million in fiscal 2005 from Rs. 746.4 million in fiscal 2004, lower than our increase in income between fiscal 2004 and fiscal 2005. The most significant single component of operating costs contributing to this increase was a Rs. 156.8 million, or 99.4% increase in facility costs, namely rent, repair and electricity expenses, which was largely the result of the addition of our "Paradigm" and "Interface" delivery centres in Mumbai.

Interest costs. Interest costs for fiscal 2005 amounted to 0.9% of our total income for that period, as compared to 0.6% of income for fiscal 2004. Interest costs increased 149.6% to Rs. 29.2 million in fiscal 2005 from Rs. 11.7 million in fiscal 2004. At the end of fiscal 2005, we had approximately Rs. 1,042.6 million in outstanding loans, compared to Rs. 200.3 million at the end of fiscal 2004. This increase was primarily due to an increase in external commercial borrowings of Rs. 546.8 million incurred in fiscal 2005 to fund our capital expenditure requirements, the most significant item of which was the fit-out of our Paradigm delivery centre.

Depreciation. Depreciation for fiscal 2005 amounted to 10.2% of our total income for that period, as compared to 9.5% of income for fiscal 2004. Depreciation increased by 92.2% to Rs. 329.9 million in fiscal 2005 from Rs. 171.6 million in fiscal 2004. This increase was primarily due to the addition of our "Paradigm" and "Interface" delivery centres in Mumbai and to depreciation of assets of acquired entities.

Profit before tax

Profit before tax. As a result of the foregoing, profit before tax increased 588.1% to Rs. 173.4 million in fiscal 2005 from Rs. 25.2 million in fiscal 2004.

Provision for taxation. Provision for taxation decreased 115.2% to Rs. (2.9) million in fiscal 2005 from Rs. 19.1 million in fiscal 2004. This decrease was primarily due to a deferred tax asset benefit of Rs. 2.9 million in fiscal 2005 as compared to a deferred tax expense of Rs. 17.6 million in fiscal 2004.

Profit after tax before minority interest

Profit after tax before minority interest. As a result of the foregoing, profit after tax before minority interest increased 2,790.2% to Rs. 176.3 million in fiscal 2005 from Rs. 6.1 million in fiscal 2004.

Minority interest. Minority interest amounted to Rs. (4.8) million in fiscal 2005. There was no minority interest in fiscal 2004 because we had not yet acquired Pipal.

Profit after tax

Profit after tax. As a result of the foregoing, profit after tax increased 2,868.9% to Rs. 181.1 million in fiscal 2005 from Rs. 6.1 million in fiscal 2004.

Liquidity And Capital Resources

Cash Flows

We need cash primarily to fund the technology and infrastructure requirements in our delivery centres, to fund our working capital needs, to fund acquisitions and for other general corporate purposes. We fund these capital requirements through a variety of sources, including cash from operations, short- and long-term lines of credit and issuances of share capital. As of December 31, 2006, we had cash and cash equivalents of Rs. 698.7 million. This primarily represents cash and bank balances with banks in India and abroad.

Our summarised statement of consolidated cash flows is set forth below:

	Fiscal Year			(Rs. In Million)
	2004	2005	2006	Nine months ended December 2006
Net Cashflow from Operating activities	(177.6)	408.4	370.6	898.3
Net Cashflow from (used in) Investing activities	(588.8)	(2,532.5)	(652.8)	(2,513.7)
Net Cashflow from (used in) Financing activities	541.0	2,312.3	183.2	2,143.8
Effect of exchange differences on cash and cash equivalents	0.1	0.1	(0.1)	0.0
Cash and bank balances at the beginning of the year/period	306.4	81.1	269.4	170.3
Cash and bank balances at the end of the year/period	81.1	269.4	170.3	698.7

Operating Activities

Net cash generated from our operating activities in the nine months ended December 31, 2006 amounted to Rs. 898.3 million. This consisted of net profit after tax of Rs. 623.4 million and a net upward adjustment of Rs. 480.9 million relating to various non-cash items, principally depreciation of Rs. 441.5 million, a net increase in working capital of Rs. 173.8 million (including the grant of Rs. 65.9 million received in relation to our delivery centres in Northern Ireland) and income taxes paid of Rs. 32.3 million. The working capital increase was due to an increase in trade and other receivables of Rs. 389.5 million and an increase in trade and other payables of Rs. 215.7 million. Our receivables increased on account of our overall increase in business.

Net cash generated from our operating activities in fiscal 2006 amounted to Rs. 370.6 million. This consisted of net profit after tax of Rs. 246.7 million, a net upward adjustment of Rs. 562.1 million relating to various non-cash items, principally depreciation of Rs. 451.5 million, a net increase in working capital of Rs. 402.8 million and income taxes paid of Rs. 35.4 million. The working capital increase was due to an increase in trade and other receivables of Rs. 522.7 million, partly offset by an increase in trade and other payables of Rs. 119.9 million. Our receivables increased on account of our overall increase in business.

Net cash generated from our operating activities in fiscal 2005 amounted to Rs. 408.4 million. This consisted of net profit after tax of Rs. 181.1 million, a net upward adjustment of Rs. 359.6 million relating to various non-cash items, principally depreciation in the amount of Rs. 329.9 million, a net increase in working capital of Rs. 129.4 million and income taxes paid of Rs. 3.0 million. The working capital increase was due to an increase in trade and other receivables of Rs. 194.2 million, partly offset by an increase in other payables of Rs. 64.8 million. Our receivables increased on account of our overall growth in business.

Net cash used in our operating activities in fiscal 2004 amounted to Rs. 177.6 million. This consisted of net profit after tax of Rs. 6.1 million, a net upward adjustment of Rs. 189.0 million relating to various non-cash items, principally depreciation of Rs. 171.6 million and a net increase in working capital of Rs. 372.8 million. This working capital increase was due to an increase in trade and other receivables of Rs. 149.3 million and a decrease in trade and other payables of Rs. 223.5 million.

Investing Activities

In the nine months ended December 31, 2006, we used Rs. 2,513.7 million of cash in investing activities. These investing activities primarily included Rs. 1,393.1 million (Rs. 1,444.3 million, net of cash Rs. 51.2 million) towards the BPM Acquisition, Rs. 444.3 million towards payments made for earlier acquisitions (ASG and Rev IT), net capital expenditure of Rs. 746.5 million, including fixed assets purchased in connection with the establishment of our delivery centres in Belfast and Londonderry in the U.K. and our Technopolis facility in Kolkata, India, and net sale of money and debt market mutual funds amounting to Rs. 52.1 million.

In fiscal 2006, we used Rs. 652.8 million of cash in investing activities. These investing activities primarily included capital expenditure incurred towards purchase of fixed assets of Rs. 593.6 million, including fixed assets purchased in connection with the establishment of our RMZ Ecospace delivery centre in Bangalore, which was commissioned in fiscal 2006. Rs. 72.9 million was used towards acquiring an additional 9.99% voting interest in RevIT. These cash expenditures were in part offset by cash received from investing in money and debt market mutual funds, interest income and sale of fixed assets.

In fiscal 2005, we used Rs. 2,532.5 million of cash in investing activities. These investing activities primarily included Rs. 1,956.7 million for acquisitions, of which Rs. 1,354.8 million was used for the acquisition of ASG, Rs. 32.9 million was used for the acquisition of Pipal and Rs. 569.0 million was used for the acquisition of RevIT including additional acquisition related expenses. Rs. 614.0 million of capital expenditure was incurred in the purchase of fixed assets, including fixed assets purchased in connection with the establishment of Paradigm, a new delivery centre in Mumbai. These cash expenditures were in part offset by cash received from investing in money and debt market mutual funds and interest income.

In fiscal 2004, we used Rs. 588.8 million of cash in investing activities. These investing activities primarily included Rs. 582.3 million for the acquisition of FirstRing. Rs. 322.1 million of capital expenditure towards the purchase of fixed assets was incurred, including fixed assets purchased in connection with the establishment of Interface, a new delivery centre in Mumbai. These cash expenditures were in part offset by cash received from investments in debt market mutual funds, which netted Rs. 310.1 million.

Financing Activities

In the nine months ended December 31, 2006 cash from financing activities amounted to Rs. 2,143.8 million. This was primarily comprised of proceeds from the issuance of preference shares to investors amounting to Rs. 1,579.2 million, net proceeds from secured and unsecured loans of Rs. 612.1 million, and proceeds from issuance of equity shares and share application money, net of expenses Rs. 12.6 million. There was an outflow towards interest on loans in the amount of Rs. 72.9 million.

In fiscal 2006 cash from financing activities amounted to Rs. 183.2 million. This was primarily in due to our incurrence of an unsecured working capital demand loan in a net amount of Rs. 170.8 million. Proceeds from external commercial borrowings in fiscal 2006 amounted to Rs. 83.2 million and proceeds from the issuance of equity shares to ESOP holders and one of our investors amounted to Rs. 16.4 million in fiscal 2006. These inflows were offset by interest paid on loans in the amount of Rs. 87.2 million in fiscal 2006.

In fiscal 2005, cash from financing activities amounted to Rs. 2,312.3 million. This was primarily in due to our issuance of preference shares to strategic investors (accounting for Rs. 1,619.2 million) and Rs. 546.8 million from external commercial borrowings. The balance represented proceeds from unsecured loans and issuance of equity shares and share application money. We paid interest on loans of Rs. 29.2 million in fiscal 2005.

In fiscal 2004, cash from financing activities amounted to Rs. 541.0 million, of which Rs. 356.7 million was the proceeds of our issuance of preference shares to a strategic investor and Rs. 199.7 million was proceeds from unsecured loans. We paid interest on loans of Rs. 16.8 million in fiscal 2004.

Working Capital, Cash and Indebtedness

We fund our short-term working capital requirements through cash flow from operations, working capital overdraft facilities with commercial banks, medium-term borrowings from banks and commercial financial institutions and others. As of March 31, 2004, 2005 and 2006, and December 31, 2006, we had cash and bank balances of Rs. 81.1 million, Rs. 269.4 million, Rs. 170.3 million and Rs. 698.7 million, respectively.

There was an increase in cash and bank balances (which excludes investments in liquid debt market mutual funds) of Rs. 188.3 million, or 232.2%, in fiscal 2005 compared to fiscal 2004 primarily due to increase in cash flow from operations. Our cash flows towards investments in fixed assets and acquisition funding was met primarily through cash flow from financing activities. This in turn resulted in a major portion of our internal cash generation being retained in the form of higher cash and bank balances. There was a decrease in cash and bank balances of Rs. 99.1 million, or 36.8%, in fiscal 2006 compared to fiscal 2005 as we did

not resort to any additional financing to fund our investment activities. While cashflow from operations before changes in working capital increased from Rs. 540.7 million to Rs. 808.7 million, representing a 49.6% increase, our change in working capital requirements increased from Rs. 129.4 million in fiscal 2005 to Rs. 402.8 million in fiscal 2006, corresponding with an increase in our receivables due to an overall increase in business. We also invested Rs. 593.6 million in capital expenditure without resorting to any major financing activities apart from an increase in external commercial borrowings and unsecured loans of Rs. 254.0 million in this period.

Our sundry debtors increased from Rs. 618.93 million in fiscal 2005 to Rs. 1,006.94 million in fiscal 2006 on account of increase in the over all income from Rs. 3,234.74 million to Rs. 5,499.19 million during the same period. Our loans and advances increased from Rs. 405.93 million for the nine months period ending December 31, 2005 to Rs. 1,083.69 million for the nine months period ending December 31, 2006 mainly on account of increase in unbilled receivables from Rs. 35.11 million to Rs. 592.57 million during the same period. This increase was due to the pre-ponement of the cut-off date for raising invoices as a result of which a part of the receivables have been accounted as unbilled receivables and reflected in loans and advances.

We believe that our existing credit lines under our short-term loans, together with cash generated from our operations and a portion of the proceeds of the Issue, will be sufficient to finance our working capital needs for the next twelve months.

Our total borrowings were Rs. 1,300.3 million as of March 31, 2006 and Rs. 1,944.0 million as of December 31, 2006. We had short-term borrowings (excluding current portion of long-term borrowings) of Rs. 329.1 million as of March 31, 2006, compared to Rs. 459.2 million as of March 31, 2005, including working capital demand loan from banks. We had short-term borrowings (excluding current portion of long-term borrowings) of Rs. 1,075.1 million as of December 31, 2006, including working capital demand loan from banks. Long-term borrowings due more than one year from the respective dates were Rs. 0.0, Rs. 557.5 million, Rs. 672.0 million and Rs. 214.0 million as of March 31, 2004, 2005 and 2006 and December 31, 2006, respectively.

Our ratio of total long-term borrowings (non-current borrowings and current portion of long-term borrowings) to shareholders' equity was 1:7, 1:5, and 1:7.5 for March 31, 2005 and 2006 and December 31, 2006, respectively.

The following table sets forth our short-term and long-term debt as of the periods indicated:

	As of March 31,			(Rs. In Million)
	2004	2005	2006	As of December 31, 2006
Short-term borrowings (excluding current portion of long-term debt)	199.7	459.2	329.1	1,075.1
Current position of long-term borrowing	0.6	25.9	299.2	654.9
Long-term borrowing	-	557.5	672.0	214.0
Total Debt	200.3	1,042.6	1,300.3	1,944.0

The following table sets forth the components of our borrowings (secured and unsecured) as of the periods indicated:

	As of March 31,			(Rs. In Million)
	2004	2005	2006	As of December 31, 2006
Secured Loans				
External commercial borrowings (ECB)	-	546.8	669.2	663.9
Finance lease obligation	0.6	6.7	2.6	26.7
Term loan and other secured debts	-	94.4	59.4	48.0
	0.6	647.9	731.2	738.6

(Rs. In Million)

	As of March 31,			As of December 31, 2006
	2004	2005	2006	
Unsecured Loans				
Working capital demand loan	199.7	369.7	279.1	76.1
Term loan	-	-	267.7	1,084.7
Debt from others	-	25.0	22.3	44.6
	199.7	394.7	569.1	1,205.4
Total	200.3	1,042.6	1,300.3	1,944.0

As of December 31, 2006, we had aggregate outstanding long-term debt (excluding current portion of long-term debt) of Rs. 214.0 million. This principally took the form of a term loan with a commercial bank of Rs. 86.8 million, bearing an interest rate of 3 months LIBOR + 1%, finance leases of Rs. 16.1 million and other loans of Rs. 0.5 million. The term loan of Rs. 86.8 million is repayable in September 2008.

Our ability to incur additional debt in the future is subject to a variety of uncertainties including, among other things, the amount of capital that other Indian entities may seek to raise in the domestic and foreign capital markets, economic and other conditions in India that may affect investor demand for our securities and those of other Indian entities, the liquidity of Indian capital markets and our financial condition and results of operations. We intend to continue to utilise long-term debt towards our financing requirements based on business requirements and prevailing market conditions, based on our ability to borrow at competitive rates.

Contractual Commitments, Capital Expenditures And Contingent Liabilities

In addition to the payment obligations under our borrowings set forth above, we also have continuing obligations to make payments on capital expenditure contracts. At December 31, 2006, the estimated amount of contracts remaining to be executed on capital account and not provided for net of advances was Rs. 106.9 million. We have made, and expect to continue to make, substantial capital expenditures in connection with the expansion of facilities across India and outside, as and when market conditions are conducive to doing so.

Our other principal contractual commitments include our operating leases for our delivery centres, our obligations under our foreign currency forward contracts and non-cancellable operating leases of certain of our facilities.

Our principal components of contingent liabilities include income guarantees given, commitments in respect of revenue grants, tax demands that we have appealed or in the process of appealing in, claims not acknowledged as debt and earnout provisions in respect of our acquisition of ASG which are under dispute.

The following table sets forth our contractual commitments and contingent liabilities as of December 31, 2006:

(Rs. In Million)

	As of December 31, 2006
Committed capital expenditure	106.9
Non-cancellable operating leases	1,186.0
Principal value of foreign currency forward contracts	3,550.1
Unamortised premium on forward exchange contracts	9.9
Guarantees given	1,646.0
Estimated amount of tax-related demands	95.3
Claims not acknowledged as debt	44.9
Revenue grants	67.0
Earnout payment related to the acquisition of ASG	201.1
Earnout payment related to the acquisition of BPM	154.9

Our contractual commitments in the form of non-cancellable operating leases as at December 31, 2006 amounted to Rs. 1,186.0 million, of which Rs. 290.8 million was due within one year. Rs. 532.1 million was due in the period between one year and five years and Rs. 363.1 million was due in the period after five years.

Off-Balance Sheet Arrangements

Other than our foreign currency forward contracts referred to above, we do not have any material off-balance sheet arrangements or obligations.

Quantitative and Qualitative Disclosures About Market Risk

General

Market risk is the loss of future earnings, to fair values or to future cash flows that may result from a change in the price of a financial instrument. The value of a financial instrument may change as a result of changes in the interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes that affect market risk sensitive instruments. Market risk is attributable to all market sensitive financial instruments including foreign currency receivables and payables.

Our exposure to market risk is a function of our borrowing activities and income generating activities in foreign currencies. The objective of market risk management is to avoid excessive exposure of our earnings and equity to loss. Most of our exposure to market arises out of our foreign currency accounts receivable.

Risk Management Procedures

We manage market risk through our treasury operations. We act, in this regard, on the basis of a policy manual approved by our Board. The activities of our treasury operations include management of cash resources, implementing hedging strategies for foreign currency exposures, borrowing strategies, if any, and ensuring compliance with market risk limits and policies.

Components of Market Risk

Exchange Rate Risk

Our functional currency is the Indian rupee. The functional currency of Pipal, BPM, FirstRing and Firstsource Solutions U.S.A. is U.S. dollars, the functional currency of Firstsource Solutions U.K. is pounds sterling, the functional currency of FirstSource Solutions Argentina is Argentinian pesos and the functional currency of our operations in the Philippines is Philippine pesos. In each case, the functional currency is the currency of the primary economic environment in which that entity operates. Monetary assets and liabilities in foreign currencies are translated into functional currency at the rate of exchange prevailing on the related balance sheet dates. Transactions in foreign currencies are translated into functional currency at the rate of exchange prevailing on the date of the transaction. All transaction-related foreign exchange gains and losses are recorded in the accompanying consolidated statement of operations. The assets and liabilities of subsidiaries are translated into Indian rupees at the rate of exchange prevailing on the related balance sheet date. Income and expenses are translated into Indian rupees at average exchange rates prevailing during the period.

Our exposure to market risk arises principally from exchange rate risk. Although substantially all of our income is denominated in U.S. dollars (48.5% in fiscal 2006) or pounds sterling (48.7% in fiscal 2006), the majority of our expenses (approximately 63.4% of our total expenditures in fiscal 2006, including depreciation) are incurred and paid in Indian rupees. The exchange rates among the Indian rupee, the pound sterling and the U.S. dollar have changed substantially in recent years and may fluctuate substantially in the future. See the section titled "Foreign Exchange—Exchange Rates" on page 216 of this Red Herring Prospectus. Our exchange rate risk primarily arises from our foreign currency income, receivables and payables.

We have sought to reduce the effect of Indian rupee-U.S. dollar exchange rate fluctuations on our operating results by purchasing forward foreign exchange contracts to cover a portion of outstanding accounts receivable designated in foreign currencies. We entered into forward exchange contracts in fiscal 2004, 2005 and 2006. Forward exchange contracts with a notional amount of US\$ 80.21 million were outstanding at December 31, 2006. The principal value of such contracts at December 31, 2006 was Rs. 3,550.1 million. We use these instruments as economic hedges and not for speculative purposes. We may not purchase contracts adequate to insulate ourselves from Indian rupee-U.S. dollar or Indian rupee-pound sterling foreign exchange currency risks. In addition, any such contracts may not perform adequately as a hedging mechanism. We may, in the future, adopt more active hedging policies.

Interest Rate Risk

Our exposure to interest rate risk arises principally from interest on our outstanding debt and from secured and unsecured loans taken during the fiscal year. We had Rs. 1,944.0 million in aggregate principal amount of notes and other indebtedness outstanding as of December 31, 2006.

Critical Accounting Policies

Critical accounting policies are those that require application of our management's most difficult, subjective or complex judgments often as a need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments. Our significant accounting policies are more fully described under Note 2 of our financial statements for the years ended March 31, 2006 and 2005 included elsewhere in this prospectus.

We prepare our financial statements in conformity with Indian GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities on the date of the financial statements and the reported amounts of income and expenses during the financial reporting period, among other things. We primarily make estimates related to contract costs expected to be incurred in our engagements, allowances for doubtful debts, useful life of assets, plant and equipment, future income tax liabilities and provisions for contingencies and litigation. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

We have described below the critical accounting policies that our management believes are the most significant judgments and estimates used in the preparation of our financial statements:

Income Recognition

Under our contracts we earn income on either a time/unit price or a fixed fee basis. Time/unit priced-based arrangements provide that we earn our fees on the basis of, for example, the number of log-in hours we spend on a process or the number of agents that we use to undertake a particular service. Fixed fee-based arrangements provide us to earn a fixed per transaction performed. This can be either a fixed amount based on, for example, the number of documents that we process or, in our collections business, a fixed percentage of the total amount of debt that we are successful in recovering. We recognise income for our time/unit priced services on completion of the relevant services—for example, for each log-in hour spent or agent man-hour dedicated to a process. For our fixed fee-based services, we recognise income when the particular transaction is completed. For our collections business, we recognise income when debts are recovered from the debtors. We recognise dividend income when our right to receive the dividend is established and recognise interest income on an accrual basis.

Goodwill

When we make an acquisition, we recognise the excess of our cost of acquisition over the value of our equity in the acquired company as goodwill. We determine the value of our equity interest on the basis of the book value of the acquired company on the date of our investment. We periodically review our goodwill in respect of each of the businesses we acquire for a decline other than temporary in its carrying value, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We assess the recoverability of goodwill based on the valuation methodology that we adopted as of the acquisition date, which typically takes account of strategic and synergistic factors that we believe will contribute to our business. Accordingly, we would consider that there exists a decline other than temporary in the carrying value of goodwill when, in conjunction with its valuation methodology, our expectations with respect to the underlying acquisitions we have made deteriorate with adverse market conditions. Our determination of the amount of goodwill, and whether or not to write down its carrying value, is a subjective determination which could lead to fluctuations in our operating results from time to time.

The goodwill generated between fiscal 2003 and fiscal 2004 is the result of goodwill generated by the acquisition of Customer Asset and FirstRing. The goodwill generated between 2005 and fiscal 2006 is the result of the acquisition of Pipal, ASG and RevIT. The increase in goodwill is attributable to increased acquisitions and earn-out liabilities materialising for ASG and RevIT. The increased in goodwill between the nine months ended December 31, 2005 and the nine months ended December 31, 2006 is attributable to the acquisition of BPM.

As of December 31, 2006, our cumulative goodwill amounted to Rs. 5,419.2 million. We could be required to write off some or all of this amount to the extent that we determine that we are required to impair the value thereof in accordance with our accounting policy. This could have a material adverse effect on our results of operations. See the risk factor titled “We may be required to write off some or all of the goodwill we recognise from our acquisitions” on page xix of this Red Herring Prospectus. We conduct this goodwill impairment test at each reporting period. The last test was conducted December 31, 2006.

Fixed assets and depreciation

Depreciation for all fixed assets, including leasehold improvements, is computed using the straight-line method, based on the estimated useful life of the asset. Depreciation is charged on a pro-rata basis for fixed assets purchased or sold during the year.

Software purchased together with the related hardware is capitalised and depreciated at the rates applicable to related assets. Intangible assets other than above mentioned software are amortised over the best estimate of the useful life from the date the assets are available for use. Further, the useful life is reviewed at the end of each reporting period for any changes in the estimates of useful life and, accordingly, the asset is amortised over the remaining useful life.

We recognise impairment loss in respect of a fixed asset based on the difference between its recoverable amount and the amount at which it is carried on our balance sheet. At the end of each year, we determine whether a provision should be made for impairment losses on fixed assets in accordance with Accounting Standard 28, issued by the Institute of Chartered Accountants of India.

We follow Accounting Standard 26 on “Intangible Assets” issued by the Institute of Chartered Accountants of India for capitalisation of software development cost incurred. Software product development costs are expensed as incurred during the research phase until technological feasibility is established. Software development costs incurred subsequent to the achievement of technological feasibility are capitalised and amortised over the estimated useful life of the products as determined by the management. This capitalisation is done only if there is an intention and ability to complete the product, the product is likely to generate future economic benefits, adequate resources to complete the product are available and such expenses can be accurately measured. Such software development costs comprise expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to the development of the product.

The amortisation of software development costs is allocated on a systematic basis over the best estimate of its useful life after the product is ready for use. The factors considered for identifying the basis include obsolescence, product life cycle and actions of competitors. The amortisation period and the amortisation method is reviewed at the end of each reporting period. If the expected useful life of the product is shorter from previous estimates, the amortisation period is changed accordingly.

Retirement and leave benefits

We provide retirement benefits to our employees both in the form of provident fund contributions and a so-called retirement “gratuity”. Our provident fund is a defined contribution scheme. By contrast, our gratuity is a defined benefit obligation and the amount payable thereunder is a function of how long the particular employee has worked with us and that employee’s salary level. In order to account for our contingent obligation in respect of the gratuity, we hire an independent third party to do an actuarial valuation on an annual basis. Our employees are also entitled, under relevant Indian regulations, to receive cash payments from us instead of taking their annual leave. We refer to this practice as “leave encashment”. As with our gratuity obligations, we hire an independent third party to perform an actuarial valuation on an annual basis to assess our obligations thereunder. We then make provisions for these obligations on the basis of the actuarial valuation. If these actuarial valuations prove to be materially inaccurate we could be required to pay significant sums of money to meet these obligations, which could adversely affect our liquidity position and results of operations.

Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Net exchange gain or loss resulting in respect of foreign exchange transactions settled during the period is recognised in the profit and loss account except for the resultant net exchange gain or loss on account of imported fixed assets, which is adjusted in the carrying amount of the related fixed assets. Foreign currency denominated current assets and current liabilities at year end are translated at the year end exchange rates and the resulting net gain or loss is recognised in the profit and loss account, except for exchange differences related to acquisition of fixed assets purchased from foreign countries, which are adjusted in the carrying amount

of the related fixed assets. The premium or discount on forward exchange contracts is recognised over the period of the contracts. The premium or discount in respect of forward exchange contracts related to acquisition of fixed assets purchased from foreign countries is adjusted in the carrying amount of the related fixed assets. In respect of other contracts, it is recognised in the profit and loss account.

Foreign currency translations

Our consolidated financial statements are denominated in Indian rupees. The translation of the local currency of each foreign subsidiary within our corporate group into Indian rupees is performed in respect of assets and liabilities other than fixed assets, using the exchange rate in effect at the balance sheet date and for income and expense items other than the depreciation costs, using a monthly simple average exchange rate during the reporting period. Net exchange differences resulting from the above translation of the financial statements of foreign subsidiaries is recognised in the consolidated profit and loss account. Fixed assets are translated at exchange rates on the date of the transaction and depreciation on fixed assets is translated at exchange rates used for translation of the underlying fixed assets.

Income Taxes

Income taxes are accounted for in accordance with Accounting Standard 22, issued by the Institute of Chartered Accountants of India. Income tax expense comprises both current and deferred tax. Current tax is measured at the amount expected to be paid to or recovered from the tax authorities, using the applicable tax rates. Provisions for current income tax are made based on the estimated tax liability after taking into account credits for allowances and exemptions in accordance with the laws applicable to the respective companies. Deferred tax assets and liabilities are recognised for future tax consequences attributable to timing differences between taxable income and accounting income and that are capable of reversal in one or more subsequent years, and are measured using relevant enacted tax rates. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets 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 virtual certainty of realisation of such assets. The carrying amount of deferred tax assets at each balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realised.

Applicable transfer pricing regulations require that any international transaction involving associated enterprises be at an arm's-length price. Transactions among our subsidiaries and us may be considered such transactions. Accordingly, we determine the pricing among our associated enterprises on the basis of detailed functional and economic analysis involving benchmarking against transactions among entities that are not under common control.

Provisions for Fringe Benefit Tax have been recognised on the basis of the provisions of the Income Tax Act, 1961.

Information required pursuant to Clause 6.8 of the SEBI Guidelines

Unusual or infrequent events or transactions

To the best of our knowledge and other than as described in this Red Herring Prospectus, there have been no significant events which may be called "unusual" or "infrequent" in the context of, and that we expect to materially affect, our business.

Significant economic/regulatory changes

For a discussion of significant regulatory policies and changes that affect our Company, please see the section titled "Regulations and Policies" beginning on page 72 of this Red Herring Prospectus.

For a discussion of significant economic/market developments that affect our Company, please see the section titled "The BPO Industry" beginning on page 52 of this Red Herring Prospectus.

Known trends or uncertainties

The most significant factors that have or had or are expected to have an impact on the results of operations of our Company are described in the section titled "Results of Operations" beginning on page 218 of this Red Herring Prospectus.

Future relationship between costs and income

To the best of our knowledge, the factors which we expect to affect the future relationship between our costs and income or

which we expect to have a material impact on the operations and finances of our Company are set forth in this Red Herring Prospectus, in particular in the section titled “Results of Operations” beginning on page 116 of this Red Herring Prospectus.

Total turnover of each major industry segment in which the Company operates

We conduct substantially all of our business operations within a single industry segment.

New products or business segments

Although we expect to develop our business to offer specific new services within our current general areas of operation, we do not currently anticipate entering into any entirely new lines of business in the foreseeable future.

Cyclicalities of business

For a discussion of business cyclicalities as it affects our business, please see the section entitled “Results of Operations” beginning on page 218 of this Red Herring Prospectus.

Dependence on customers

For a discussion of our dependence on a small number of customers, please see the risk factor titled “We rely on a small number of clients for a large proportion of our income, and loss of any of these clients could adversely affect our profitability” and the section titled “Clients” on pages xiii and 62, respectively, of this Red Herring Prospectus.

Competitive Conditions

For a discussion of the competitive conditions that we face, please see the section entitled “Competition” on page 63 of this Red Herring Prospectus.

Significant developments after December 31, 2006 that may affect our future results of operations

Save as stated elsewhere in this Red Herring Prospectus, to our knowledge, no circumstances have arisen since the date of the last financial statements included in the Red Herring Prospectus which we believe are likely to materially affect the trading or profitability of our Company, the value of our assets, or our ability to pay our liabilities over the next twelve months.

FINANCIAL INDEBTEDNESS

Our Aggregate Borrowings (Consolidated) as of December 31, 2006

(Rs. In Million)

Nature of Borrowing	Amount
Secured Borrowings	738.59
Unsecured Borrowings	1,205.42

Indebtedness of our Company on a consolidated basis as of December 31, 2006

Credit Facility Agreement dated July 16, 2003 with ICICI Bank Limited

(In Million)

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate	Security
Rs 450.00	Rs. 71.39	- Revolving Credit - Interest rate 12.51%	Unsecured

External Commercial Borrowings with ICICI Bank

(In Million)

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate	Security
US\$15.00	Rs. 663.90 (US\$15.00)	- Repayment in one single instalment, such instalment being due 3 years from the date of each drawdown of facility. - Schedule of repayment: US\$10 million to be repaid on June 16, 2007, US\$2.5 million to be repaid on November 2, 2007 and US\$2.5 million to be repaid on July 26, 2008. - Interest rate is 6 months LIBOR + 2%.	Secured against fixed assets and receivables

Term loan with ICICI Bank

(In Million)

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate	Security
US\$7.00	Rs. 44.26 (US\$1.00)	- Repayment in one single instalment, such instalment being due 15 months from the date of drawdown of each tranche. - Schedule of repayment: US\$1 million to be repaid on February 18, 2007. - Interest rate is 3 months LIBOR + 3%.	Unsecured

Term loan with ABN AMRO Bank

(In Million)

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate	Security
US\$6.55	Rs. 289.74 (US\$6.55)	- Repayment in one single instalment, such instalment being due 12 months from the date of drawdown of each tranche not exceeding May 2007 - Schedule of repayment: May 17, 2007. - Interest rate 6 months LIBOR + 2%	Unsecured

Line of Credit with Fifth Third Bank

(In Million)

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate	Security
US\$2.00	Rs. 45.37 (US\$1.03)	- Revolving credit - Interest rate is aggregate of banks' prime lending rate and 2%	Secured by all assets of the Sherpa (100% subsidiary of RevIT) and a guarantee from RevIT and the Company

Term loan with Fifth Third Bank

(In Million)

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate	Security
US\$0.25	Rs 2.60 (US\$0.06)	- Different drawdown dates, repayment being due 36 months from the date of drawdown; last repayment in June 2008. - Interest rate is aggregate of banks' prime lending rate and 2%, ranging from 5.95% to 6.87% based on rates applicable on drawdown date.	Secured by all assets of the Sherpa (100% subsidiary of RevIT) and a guarantee from RevIT and the Company

Term loan with ICICI Bank

(In Million)

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate	Security
US\$1.00	Rs. 44.59 (US\$1.00)	- US\$0.50 on 6th Jan 2007 - US\$0.50 on 3rd July 2007 - Interest rate is 3 months LIBOR + 1%.	Unsecured

Cash Credit Facility Agreement with ICICI Bank

(In Million)

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate	Security
Rs. 40.00	Rs. 4.70	- Revolving credit - Interest rate 0.5% p.a. + ICICI Bank rate (subject to a minimum of 11% per annum). Applicable interest rate 11.75%.	Unsecured

Term loan with ICICI Bank U.K.

(In Million)

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate	Security
GBP 2.00 (GBP 1.00 towards CC and FCNR Facility, GBP 1.00 towards term loan)	Rs. 86.84 (GBP 1.00)	- Repayment in one single instalment, such instalment being due 24 months from the date of drawdown - Schedule of repayment: September 20, 2008. - Interest rate is 3 months Libor + 1%	Unsecured

Term loan with ABN AMRO Bank

(In Million)

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate	Security
US\$15.00	Rs. 663.90 (US\$15.00)	Repayment in one single instalment Final maturity July 31, 2007 Further extension up to July 31, 2007 and at the discretion of ABN Amro Bank	Unsecured

Assets under Finance Lease

(In Million)

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate	Security
N.A	Rs. 26.72	Varying interest rates up to a maximum of 12%.	Secured against underlying assets taken on lease.

Some of the restrictions under our loan agreements include:

- to undertake or permit any merger, de-merger, consolidation, re-organisation, dissolution, scheme or arrangement or compromise with our creditors or shareholders or effect any scheme of amalgamation or reconstruction;
- to mortgage, sell, lease, exchange or create any charge, lien or encumbrance of any kind on the security secured with our lenders; and
- to declare or pay dividends when an event of default has happened or a due payment to the lender has not been made.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Subsidiaries, our Promoter and our Promoter Group 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 issue by our Company and our Subsidiaries, 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 and our Subsidiaries and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Subsidiaries, our Promoters, the Promoter group, our Directors or the Directors of the Promoter Group.

Cases Filed By Or Against Our Company

Criminal cases

1. The Company has filed for criminal proceedings to be initiated against Nikhil Viral Jain and Abhishek Devraj Jain at the Malad Police Station, Mumbai for alleged offences under Sections 420 and 408, read with Section 34, of the Indian Penal Code being C.R. No.473/2006 dated August 4, 2006. The Malad Police Station has filed a chargesheet against the accused before the Metropolitan Magistrate, Borivali, Mumbai. The matter is currently pending trial.
2. The Company has filed for criminal proceedings to be initiated against Alfred Roche at the Malad Police Station, Mumbai for alleged offences under sections 420 and 408 of the Indian Penal Code and provisions of the Information Technology Act. The complaint is currently pending investigation.

Property related litigation

1. The Company has filed suit No. 2477 of 2003 for specific performance of the agreement dated June 25, 2003 against Nirlon Limited in the Bombay High Court. The Company had signed letter of intent with Nirlon Limited on June 25, 2003 for lease of office premises at building no.1 (Part B), Nirlon Campus, Western Express Highway, Goregaon, Mumbai. The parties could not finalise the draft of lease agreement within agreed period and therefore, Nirlon refused to enter into the lease agreement with the Company. The Company has in alternative prayed for an order directing the defendant to pay a sum of Rs.10 million along with interest. The High Court had passed an interim order restraining Nirlon from leasing property to any third party. The stay was subsequently vacated. The suit is currently pending.

Business related litigation

1. Customer Asset India Private Limited has filed suit O.S.No.1049/02 against Home Trade Limited in the High Court of Bangalore for an outstanding amount of Rs. 3.1 million. This amount was due for payment on October 31, 2001. The suit is pending.

Show cause notices

1. The Assistant Registrar of Karnataka issued a show-cause notice (No. 26218/AROC-SKG/JTA-MM/2005) dated July 12, 2005 to erstwhile Customer Asset India Limited asking it to show cause as to why penal action should not be initiated against it and its directors under Section 168 of the Companies Act, 1956 for failure to hold its AGM on time. Customer Asset India Limited ought to have held the AGM in respect of the financial year 2003-04 on or before September 5, 2004 in terms of Section 166 read with Section 210 of the Companies Act, 1956 as the immediately preceding Annual General Meeting was held on June 6, 2003. It held its AGM on September 27, 2004 i.e. 22 days after the requisite 15 months and did not seek prior approval for extending the date of the AGM. As Customer Asset India Limited has now merged with us, we have written to the Registrar of Companies, by way of our letter dated July 20, 2005, to compound the offence against Customer Asset India Limited and all of its then directors requesting the lowest possible penalty. The matter is currently pending.

Tax related litigation

1. The Deputy Commissioner of Income Tax- 5 (2), Mumbai by his assessment order dated February 27, 2006 has disallowed certain expenses and deduction for the assessment year 2003-2004. The Company has preferred an appeal against the assessment order before the Commissioner of Income Tax (Appeals) praying for the suitable modification of the assessment order. The amount of disputed income involved aggregates to Rs. 25.5 million. The appeal is currently pending.
2. The Assistant Commissioner of Income Tax, Bangalore by his assessment order dated March 27, 2006 against erstwhile Customer Asset India Private Limited has added Rs. 101.5 million to the total income of the company on account of determination of arm's-length price vide transfer pricing officer's order dated March 15, 2006. The order has disallowed a deduction for the employer's contribution to provident fund and employee state insurance amounting to Rs. 0.47 million and has levied interest amounting to Rs. 8.9 million under Section 234B and 234D. The Company has filed an appeal against the assessment order before the Commissioner of Income Tax (Appeals), Bangalore praying for the suitable modification of the assessment order. The amount of disputed income involved aggregates to Rs. 110.87 million. The appeal is currently pending.

Notices Received

1. AT&T Corporation of U.S.A. claimed an outstanding amount of US\$14,382 from erstwhile CustomerAsset India Private Limited through its letter dated January 6, 2003.

Cases Filed By Or Against Our Subsidiaries***FirstRing Inc.******Notices Received***

1. FirstRing received a notice from the Interlink Company on August 2, 2003 claiming US\$1.0 million in respect of an alleged breach of an agreement. FirstRing, by its reply dated August 11, 2003, denied any breach and denied that any amount is due to Interlink. After August 11, 2003, there has been no correspondence from Interlink in this respect.

Accounts Solution Group LLC

1. An employee of ASG has filed a complaint (case no. 10113616) against ASG before the New York State Division of Human Rights charging the Company with an unlawful discriminatory practice on the basis of sex in violation of Article 15 of the Executive Law of the State of New York (Human Rights Law). It is alleged that she was denied vacation time and was unfairly disciplined because she was pregnant. The Company has also been charged with violating Title VII of the Civil Rights Act of 1964. ASG has submitted a written answer to complaint denying the allegations.
2. A debtor of ASG has written to ASG alleging violations of Texas law and demanding US\$9,800 in damages. He claims that several calls were made to his neighbours seeking to collect amounts from him even though ASG had contact information for him. It is alleged that having to explain the situation to his neighbours and his family caused him stress.
3. It is alleged that ASG's collector made several misrepresentations, including that the debtor "must take care of the account immediately" and that if he did not do so, it would be referred for further action. The same has been denied by the collectors of ASG.
4. A notice of disagreement dated May 4, 2006 was served on ASG by the founder representative of ASG. On September 22 2004, pursuant to a membership unit purchase agreement, FirstRing, a subsidiary of the Company, acquired 100% voting rights in ASG from its existing individual shareholders. The notice gives founder's disagreement with the buyer's computation of Second Earn- Out Payment as decided in the unit purchase agreement. It is alleged that the buyer's directive reduced the ASG's EBITDA for 2005 and as per the Section 1.01 (c) (vi) (D) of the agreement, EBITDA must be adjusted to eliminate changes in the business at the direction of the buyer that deviated from prior practice and plans. As per the notice the revised EBITDA works out to be US\$6,718,660 and founder's shares works out to be US\$2,821,837.

Pipal Research Corporation***Notices issued by***

1. Pipal has issued a notice dated May 1, 2006 against Orthoradix, Inc and Magic Ventures, LLC. Pipal has claimed that

Orthoradix, Inc has failed and refused to pay an outstanding balance of US\$30,500 due under a contract entered into with Orthoradix on or about July 2, 2006. There has been no further correspondence from Pipal or Orthoradix, Inc or Magic Ventures.

2. Pipal currently has outstanding a claim filed with the assignees of the estate of RiverOne, Inc., for an amount of US\$4,590. RiverOne Inc., had entered into an agreement with Pipal for obtaining certain services from Pipal. RiverOne. has since executed a general assignment for the benefit of the creditors of RiverOne Inc. with Development Specialists Inc. on February 16, 2006. Development Specialists Inc. has provided each of the creditors of RiverOne Inc. with the form of a proof of claims and has requested all creditors to attach supporting documents to support their claims. Pipal, has returned a completed proof of claims with the necessary supporting documents. Pipal has since received an update from Development Specialists Inc. on September 15, 2006. The amount currently remains outstanding.

Notices issued against Pipal

1. iplQ, Inc has issued a notice dated August 4, 2006 against Sanjeev Arora of Pipal alleging that Pipal has been collaborating with certain ex-employees of iplQ to develop an offering to compete with iplQ. The notice claims that these employees are in breach of their employment contracts. The notice further puts Pipal on notice from aiding any efforts by these ex-employees of iplQ to form a company business. The notice also states that any and all intellectual property developed or sold by Pipal shall be compared with iplQs products to ensure that none of iplQs proprietary rights will be violated. Pipal has responded to the notice denying averments made therein. There has since been no correspondence between either parties.

Amounts Owed To Small Scale Undertakings

Our Company does not owe any amounts to any small scale undertaking.

Cases Involving our Directors

Lalita D. Gupte

1. A suit (no.3189 of 2003) was filed against Mrs. Lalita D. Gupte by Mardia Chemicals Ltd (MCL) in the City Civil Court at Ahmedabad for a purported claim amount of Rs. 5631 crores. An application has been filed for the dismissal of the suit on the grounds of limitation, jurisdiction and no cause of action against Mrs. Gupte. The court has ordered notice to the Official Liquidator (OL). OL is yet to file a reply. The matter was listed on December 20, 2006, for ascertaining the position of service of notice on the Official Liquidator of Mardia Chemicals Limited. It is found that the notice has been served on the Official Liquidator, but Official Liquidator has not entered its appearance and the Court has now adjourned the matter to January 10, 2007.
2. Surendra Dutta has filed a criminal complaint (FIR I III dated April 9, 2001) against Mrs. Lalita D. Gupte and others, before Rajpura City Police Station, Chandigarh for alleged offence of car booking by forging his signature during 1995 by certain officers of erstwhile Anagram Finance Ltd (AFL). ICICI Bank (the Bank) has made submissions to DIG, Patiala that the directors of the Bank cannot be proceeded against for an alleged offence committed by AFL in 1995 as AFL was taken over by erstwhile ICICI Ltd in 1998. The DIG Patiala having been convinced has directed investigating officer of Rajpura Police Station not to proceed in the matter without explaining entire details to him. The matter is pending before the Investigating Officer for the purpose of investigation. However, files relating to the same are not traceable and hence the matter is not being proceeded with.
3. A case has been filed (no. 35 of 2006) in the Court of the Additional Chief Metropolitan Magistrate (ACMM), Mumbai against ICICI Bank Ltd, Mrs. Lalita D. Gupte and others for non renewal of license of the Capital Markets Branch, Fort, Mumbai, under the Bombay Shops & Establishments Act, 1958. As the ACMM has rejected an application for discharge, an appeal has been filed in the Sessions Court, which is pending for disposal.
4. A consumer complaint (349/03) was filed against Mrs. Lalita D. Gupte and others, before the District Consumer Disputes Redressal Forum, Kolhapur, by Mr. Pradeep Balaso Kole claiming compensation for a sum of Rs.11,772/- for taking back possession of his two wheeler without giving him proper notice. Hearing in this case is continuing. At the previous hearing, the complainant & his advocate was not present. Matter to come up for hearing.

5. Dinesh Kumar Singh, an advocate has filed criminal contempt proceedings against Mrs. Lalita D. Gupte and others in Allahabad High Court. The complainant alleges that his car was repossessed enroute his journey to court and hence he was prevented from attending the court. The matter is pending for consent of the Advocate General of U.P.

Details Of Past Penalties Imposed On Our Company Or Any Of Our Directors

There have been no instances in the past of any penalties that has been imposed on our Company or our Directors by any statutory authorities.

Cases filed against our Promoters and Promoter Group

ICICI Strategic Investment Fund

There are no outstanding or pending litigations or suits or proceedings (whether criminal or civil), no defaults, non-payment or overdues of statutory dues, no proceedings initiated for any economic or civil offences (including past cases if found guilty) and no disciplinary action taken by SEBI or stock exchanges, pertaining to matters likely to affect the operations and finances whose outcome could have a material adverse effect on operations of ICICI Strategic Investments Fund.

ICICI Bank

Claims against ICICI Bank as on September 30, 2006 where the claim amount is less than Rs. 10 lacs and cases with no monetary claims.

Rs. In Crores				
	Nature of claim	Cases with Monetary Claim		Cases with no monetary claims
		Number	Amount	Number
1	Suits filed by shareholders/bond holders of ICICI Bank	28	0.0217	384
2	Suits filed by debenture holders against ICICI Bank as Debenture Trustees.	72	0.1904	15
3	Suits filed by lessees/hirers seeking injunction against ICICI Bank	110	1.1900	454
4	Counter claims filed by Borrower(s) or Guarantor(s).	0	0.0000	0
5	Counter claims filed by other persons	0	0.0000	0
6	Writ Petitions filed by employees/ex employees	2	0.0556	14
7	Writ Petitions filed by other persons	5	0.0930	8
8	Cases filed before the Banking Ombudsman	7	0.1895	0
9	Suits pertaining to fraudulent transactions	0	0.0000	0
10	Suits pertaining to foreign exchange regulations	1	0.0450	0
11	Suits pertaining to products /facilities provided by ICICI Bank	228	2.7465	225
12	Suits by statutory authorities	1	0.0010	1
13	Suits pertaining to interest charges	0	0.0000	0
14	Suits pertaining to property disputes	1	0.0313	3
15	Suits where ICICI Bank is impleaded as third party	0	0.0000	0
16	Suits in respect of labour related matters	0	0.0000	0

Rs. In Crores

	Nature of claim	Cases with Monetary Claim		Cases with no monetary claims
		Number	Amount	Number
17	Criminal cases against ICICI Bank and directors/ senior management/officials of ICICI Bank	2	0.0090	27
18	Suits pertaining to economic offences including stamp duty matters	0	0.0000	1
19	Suits in relation to securities law	0	0.0000	0
20	Winding up petitions against ICICI Bank	0	0.0000	0
21	Miscellaneous suits/ legal proceedings in the course of business	312	6.3891	35
	TOTAL	769	10.9621	1167

Claims against ICICI Bank as on October 26, 2006 where the claim amount is more than Rs. 1.0 million

1. Special Civil Suit No. 3189 of 2002 - The suit was filed by Mardia Chemicals Limited (MCL) against ICICI Bank and Mr. K. V. Kamath and Mrs. Lalita D. Gupte, in their capacity as ICICI Bank's Managing Director and Joint Managing Director for damages amounting to Rs. 5,631.34 crores. Applications were filed by ICICI Bank seeking rejection of claim on various grounds including the ground that the suit is essentially a counter claim to the suit filed by ICICI Bank before the Debt Recovery Tribunal (DRT), Mumbai and is required to be tried before such forum under the Recovery of Debts due to Banks and Financial Institutions Act, 1993. The City Civil Court at Ahmedabad (Civil Court) allowed ICICI Bank's contention and returned the plaint filed by MCL. Against the said order, MCL filed an appeal before the High Court of Gujarat. A cross appeal was filed by ICICI Bank on the ground that the Civil Court at Ahmedabad ought to have rejected the Plaint instead of returning the same. The High Court of Gujarat passed a common order holding that the suit against ICICI Bank would have to be filed before the DRT Mumbai. Thus, ICICI Bank's application for rejection of MCL's plaint would now be heard by the Civil Court. Pursuant to the order of the High Court, MCL has filed an application for amendment of their original plaint. The said application is pending hearing and the rest of the proceedings shall be taken up after this application is decided. MCL's counter claim for the same amount against ICICI Bank is pending before the DRT, Mumbai. Proof of affidavit filed. DRT Mumbai posted the main Original Application (OA) along with the counter claim filed by MCL (now in liquidation) for hearing.
2. Civil Suit No. 1431 of 2003 - The suit was filed against ICICI Bank before the City Civil Court, Ahmedabad, by Rasiklal S. Mardia, Rakesh S. Mardia and Rajiv S. Mardia (RSM), in their capacity as guarantors, for damages amounting to Rs. 2078.97 crores. An Application for stay of OA No.977 of 1999, pending before DRT, Mumbai has also been filed by ICICI Bank. ICICI Bank's pleadings under the application for stay have been completed and the written statement has been filed. ICICI Bank has filed applications on various grounds, including the ground that the suit is barred by law, as the subject matter of the suit is essentially a counter claim to the suit filed by ICICI Bank before the DRT, Mumbai and is required to be tried before such forum under the Recovery of Debts due to Banks and Financial Institutions Act, 1993. Pleadings under the above applications have concluded. The matter is posted for hearing.
3. Civil Suit No. 899 of 2005 - ICICI Bank had filed a suit before the DRT, Ahmedabad in January 2002 against Gujarat Telephone Cables Limited (GTCL) for default against term loans, debentures and working capital provided by ICICI Bank to GTCL. ICICI Bank's exposure as a lender to GTCL was transferred to Asset Reconstruction Company India Ltd (ARCIL) in March 2004. GTCL filed a suit in the Civil Court claiming damages of Rs. 1002.69 crores jointly and severally from State Bank of India, Bank of Baroda, United Western Bank, UTI Bank, Bank of India, ARCIL and ICICI Bank Ltd. ICICI Bank has filed an application for rejection of the plaint. The Company has obtained time to file a reply to our application.

4. IFCI filed a joint suit with erstwhile ICICI Limited and LIC (being OA no. 128/98) before DRT, Delhi against Foremost Ceramics and guarantors for recovery of the dues payable. One of the guarantors, Shri H.S.Jalan, has filed a counter claim in DRT, Delhi on October 16, 2001, for an amount of Rs. 450 crores against IFCI, ICICI Bank and LIC. The Counter claim has been filed on various frivolous grounds, inter alia, not effecting timely disbursements, being made to sign on blank printed documents etc. IFCI, the lead has filed reply denying these averments and stating that the counter claim does not deny the fact of the guarantee and that the guarantor is merely trying to escape liability. IFCI's reply has been adopted by ICICI Bank and LIC. The matter to come up for hearing on January 31, 2007.
5. Civil Suit No. 107 of 1999 – Erstwhile ICICI Ltd had filed an application in the DRT, Delhi against Esslon Synthetics Limited (ESL) and its managing director (in his capacity as guarantor) for recovery of dues payable to it. The guarantor filed a counter-claim in the year 2001 for an amount of Rs. 100 crores against erstwhile ICICI Ltd and others. ESL has moved an application for amending the counter-claim in January 2004. ICICI Bank has filed its reply to the application for amendment on March 31, 2004. The matter is pending disposal. Guarantors have filed an interim application to delay proceedings on the ground that certain documents have not been exhibited. ICICI Bank has replied that these documents are neither relevant nor necessary for adjudicating the lis between the parties. This interim application is pending disposal.
6. Erstwhile ICICI Ltd had filed a suit against Punalur Paper Mills Limited (PPL) for recovery of dues in Bombay High Court (since transferred to DRT, Mumbai). Subsequently, PPL and its directors filed a suit against erstwhile ICICI Ltd and other lenders claiming Rs. 26.69 crores as damages, jointly & severally. ICICI Bank has filed an application for dismissal of the suit on the ground that PPL has failed to bring ICICI Bank on record despite notice of the same.
7. Civil Suit No. 192 of 2001 - ICICI Bank had filed a suit in the DRT, Baroda against Vision Organics Limited (VOL) for recovery of Rs. 312.7 million. VOL has filed a counter claim against ICICI Bank for Rs. 23 crores to which ICICI Bank has filed its replies. Interim application filed by the company for payment/setting off of the main claim based on the counter claim filed by VOL. The same was rejected by the DRT. Matter is now posted for final hearing.
8. Civil Suit No. 434 of 2001 - The Peerless General Finance & Investment Company Ltd., debenture holder of Essar Oil Limited has filed a suit against Essar Oil Limited and others in the High Court, Kolkata for non-receipt of redemption amount and interest of Rs. 11.23 crores. ICICI Bank in its capacity as debenture trustee was named as a defendant in this suit. ICICI Bank's written statement along with an application under Order VII Rule 11, C.P.C. to dismiss the plaint has been filed. The suit is pending disposal.
9. Civil Suit No. 1559 of 1998 - Kalpana Lamps and Components Limited (KLCL) had availed of financial assistances from ICICI Bank and other lenders. Anchor Electronics and Electricals Limited (AEEL) had paid the outstanding dues to ICICI Bank and other lenders on behalf of KLCL and requested ICICI Bank to assign the securities in their favour. AEEL filed a suit for specific performance. Subsequently, AEEL amended the specific performance suit to a money suit claiming Rs. 10.68 crores with interest thereon from ICICI Bank and others and the same is pending before Bombay High Court. ICICI Bank has filed its written statement. AEEL has filed an application for release of title deeds of KLCL's properties at Ranipet. ICICI Bank has given its no-objection certificate to the above. The other charge holders are yet to give their no-objection certificate for the release. ICICI Bank has received a letter from the office of the Official Liquidator, Chennai that a winding up order has been passed by the Madras High Court in respect of KLCL and that they have taken possession of KLCL's properties. The Application filed by AEEL for release of title deeds has been dismissed as withdrawn.
10. Anagram Finance Limited (Anagram), subsequently amalgamated with erstwhile ICICI Ltd had filed a suit (3879 of 1998) in the City Civil Court, Ahmedabad for recovery of a sum of Rs. 6.83 crores from Ezy Slide Fasteners Limited (ESFL). ESFL filed a separate suit (2243 of 1999) in the Civil Court for recovery of Rs. 7.18 crores from Anagram being the loss allegedly suffered by ESFL on account of breach of a subscription agreement entered into with Anagram. NSGL has filed its affidavit of evidence in this matter.
11. North Star Gems Limited (NSGL) filed a suit (53 of 2003) in the Civil Court, pertaining to an alleged transfer of funds from the current account maintained by NSGL with erstwhile Bank of Madras, of an amount of Rs. 7 crores. ICICI Bank's application for dismissal of the suit has been rejected. ICICI Bank has however filed its written statement in the suit. NSGL has filed its affidavit of evidence in the matter.
12. ICICI Bank had filed a suit (373 of 2002) against the CD Industries Ltd and guarantors before the DRT, Mumbai. The company and one of the guarantors Mr. Vinod Kumar Agarwal have filed set off/counter claim against ICICI Bank for Rs. 3.41 crores. ICICI Bank's reply has been filed against this claim of set off. The Defendants have also filed written statement in the matter.

The DRT further posted the matter for filing additional written statement by the defendants for the amendment carried out by ICICI Bank with respect to the mortgage details. ICICI Bank has also initiated SARFAESI action and criminal court registrar has to fix a date for taking possession of property.

13. Union Bank of India (UBI) filed suit O.A. No. 32 of 2005 against Anitha Kumari, proprietor of M/s Anand Agencies (Anand) and 14 others, including ICICI Bank, before DRT, Chennai for recovery of a sum of Rs. 7.20 crores being the amount due and payable by Anand under cash credit limits granted by the UBI. A claim has also been made against ICICI Bank in the above matter for recovery of Rs. 3.09 crores on the ground that ICICI Bank, in active collusion with Anand (who have their bank account with ICICI Bank) have been returning the cheques drawn by Anand on the grounds of insufficient funds, without any prior intimation. Due to this, the account of Anand with UBI was credited for an amount of Rs. 3.09 crores, which was withdrawn by Anand before the returned cheques were received by UBI. The written statement has been finalised and the same will be filed at the hearing on December 1, 2006.
14. Walsons Industries Products Incorporated (WIPL) filed a suit (603711 of 2002) against ICICI Bank in the Bombay High Court for recovery of US\$653,000 (Rs. 2.88 crores) alleging that three bills received through Bank of Nova Scotia should be paid by ICICI Bank in terms of a letter of credit as done in the case of five previous bills since they formed part of the same transaction. ICICI Bank, in its statement of defence, stated that all documents received through Bank of Nova Scotia were on collection basis, and each one was an independent transaction by itself without any supporting commitment from ICICI Bank through the letter of credit. The court has permitted ICICI Bank to defend the case. The suit is pending disposal.
15. M.B. Industries Limited (MBIL) filed a suit (130A of 1997) in Kolkata High Court claiming an aggregate amount of Rs. 10.25 crores from erstwhile ICICI Ltd and other financial institutions, out of which approximately Rs. 2 crores was claimed from erstwhile ICICI Ltd. ICICI Bank has filed its written statement. The court has not granted any relief to MBIL. Case is pending sine die.
16. Neelakantan and Brothers Constructions Private Ltd. - The erstwhile Bank of Madura Limited (BOM) granted a bank guarantee limit for Rs. 3.62 million during the year 1972-1975. The complainant committed willful default in the repayment of dues under the various credit facilities and hence a suit was filed before the High Court for recovery of Rs. 1.52 crores. In 1994, a settlement was sanctioned for Rs. 54 lacs subject to certain terms and conditions incorporated in the Memorandum of Understanding (the MoU) recording the settlement. In spite of agreeing to the MOU, the complainant has chosen to file a complaint before the Banking Ombudsman, Chennai claiming interest of Rs. 1.73 crores, which is against the terms of MOU. ICICI Bank has filed its counter statement. Banking Ombudsman has called for certain clarifications and therefore additional written version is filed. Banking Ombudsman is yet to pass orders.
17. Mr Sunil Joshi, an ex-employee of ICICI Bank, filed a suit (19 of 2002) before the District Judge, Alipore for alleged wrongful dismissal from ICICI Bank's services, praying for a decree of Rs 1.55 crores and damages of Rs. 42,602.74 per day with effect from April 11, 2001 till realisation. ICICI Bank has filed its written statement and the suit is pending disposal.
18. Bank of India has filed a suit (2 of 2001) before the Chennai High Court against KS Computers and KA Systems for an amount of Rs 1.11 crores and has also made ICICI Bank a party to the suit alleging that ICICI Bank had collected forged instruments. The suit has been transferred to the DRT, Chennai. ICICI Bank has filed its written statement in the matter. The case is posted for hearing on November 14, 2006.
19. National Horticultural Board has filed a suit bearing no.3175 of 2003 before the High Court of Bombay claiming a sum of Rs.90.42 lacs against ICICI Bank and Gemini Agritech, in respect of a guarantee purportedly issued by ICICI Bank on behalf of Gemini Agritech. The suit is pending disposal.
20. M/s Shriram Engineering Construction Co. Ltd: ICICI Bank had issued a Bank Guarantee (BG) for Rs.86,28,615/- through our Nungambakkam Branch in favour of M/s Maharashtra Jeevan Pradhikaran (MJP) on account of our Customer M/s Shriram Engineering Construction Company Ltd (SECC). MJP has invoked the BG beyond the claim period and ICICI Bank refused to pay the amount under the BG for the above reason. In the meanwhile, SECC also filed a suit before Special Court Nasik against MJP and ICICI Bank for a mandatory injunction restraining ICICI Bank from making the payment. MJP filed a complaint before Banking Ombudsman, Chennai for the alleged deficiency of service by ICICI Bank. However, the Banking Ombudsman dismissed the complaint on the ground that the BG was invoked beyond the period of claim provided in the BG. MJP has filed a counter claim in the above suit claiming a sum of Rs. 86,28,615/- against SECC and ICICI Bank. ICICI Bank has already filed the written statement. MJP has filed another application before Special Court, Nasik seeking for extension

of above BG pending disposal of the counter claim. ICICI Bank has opposed the application and filed the counter stating that considering the aforesaid application pending disposal of the counter claim will amount to adjudication of the counter claim itself. The order is yet to be passed in the aforesaid application & the case is posted for November 3, 2006.

21. Gokula Education Foundation (Medical) has filed a complaint (88 of 2003) against ICICI Bank before the Karnataka State Consumers Disputes Redressal Commission, claiming Rs.79,30,067/-. The complaint has been filed for refund of front-end fees, guarantee commission etc as the sanctioned loan was not disbursed. The Bank has filed written statement. The matter was dismissed on 04/05/06, however the Complainant has filed a Misc. Application bearing No.92/06 for restoration of the complaint and the said Misc. Application is posted on October 27, 2006 for hearing.
22. Shri Bhalchandra Shinde, Proprietor of Mandar Travels filed suit (5330 of 1999) against erstwhile ICICI Ltd, in the Bombay High Court for termination of bus services for transportation of the staff members. The amount involved is Rs.66 lacs. The services of Mandar Travels were temporarily hired till final selection of the contractor. The matter is pending disposal.
23. Jitesh Pradhan, an account holder of ICICI Bank at Cuttack Branch, filed a case bearing no. 313 of 2003 before the State Commission, Cuttack. Shri Pradhan had issued a self-cheque no. 045244 for Rs. 30,000/- dated February 13, 2004. The said instrument was brought and presented by Shri Pitambar Mishra, peon of Shri Pradhan for encashment. Due to some technical reasons (signature mismatch) the same was not paid over the counter. Hence, Shri Pradhan filed a case against ICICI Bank, inter alia, claiming Rs. 60.0 lacs towards harassment and mental agony. ICICI Bank has filed written statement. ICICI Bank has been advised that as the amount (Rs. 30,000/-) has already been withdrawn by the complainant's representative and the same had been handed over to him, which is duly supported by the affirmation given by Shri Mishra before the Executive Magistrate, the claim of Rs. 60.0 lacs by Shri. Pradhan is not justifiable and maintainable under the above-mentioned circumstances and as such ICICI Bank is not liable for payment of Rs. 60.0 lacs to Shri Pradhan. The matter is posted for hearing on November 1, 2006.
24. V-Guard Industries Ltd (VGI) had availed a term loan from erstwhile ICICI Ltd. The company wanted to prepay the loan. As per the Loan Agreement, a prepayment premium of Rs.39,32,000/- and service tax of Rs.4,01,064/- amounting to Rs.43,33,064/- was to be paid by VGI. VGI disputed this payment. As ICICI Bank allowed prepayment only on payment of the premium, VGI made the payment amounting to Rs.43,33,064/- under protest. On closure of the loan, VGI filed a suit (O.S.No.353 of 2005) before Sub Judge's Court, Ernakulam against ICICI Bank claiming an amount of Rs.44,21,981/- together with interest thereon from the date of the suit (i.e. June 15, 2005) till realisation. The matter came up for first hearing on February 7, 2006 and we have entered appearance through our advocate. The case is posted to October 28, 2006 for filing our written statement.
25. Maharshi Solar Technologies (P) Ltd. (MSTL) – Suit for Permanent & Mandatory Injunction & in the alternative for a recovery of Rs. 29,52,954.67 has been filed by MSTL in the Delhi High Court bearing Suit No. 312 of 2005 against ICICI Bank and others inter – alia, praying for a decree of permanent injunction thereby restraining ICICI Bank and others for releasing any amount to Defendant No. 6 (i.e. Employees State Insurance) with respect to the alleged recovery notice No. K/CO/CP2 – 2574/21-17499 – 90 dated March 7, 2005 and in the alternative to pass a decree for a sum of Rs. 29,52,954.67/-. ICICI Bank has filed its written statements and the other respondents have yet to file written statements. The case is now adjourned for November 20, 2006.
26. M/s Quality Foils Ltd has filed a complaint (75 of 1993) before the State Consumer Forum, on account of return of letter of credit for wrong reasons. The forum allowed the complaint and directed ICICI Bank to pay Rs. 24 lacs to the complainant. ICICI Bank has filed written statement and appeal (208/209 of 1998) before the National Commission, Delhi and has obtained a conditional order on deposit of Rs 24 lacs. The Appeal is posted before National Commission for arguments on November 16, 2006.
27. State Bank of India (SBI), Hubli has filed a civil suit No. 103/05 against ICICI Bank claiming Rs. 23,77,489/-. 24 Demand Drafts of SBI were presented by the Defendant No.2 K.S.Kumar through ICICI Bank. These drafts were forged and fabricated from the blank draft, stolen from the stationary department of SBI, situated at Hyderabad. SBI's claim is that ICICI Bank having collected the proceeds thereof on behalf of second defendant K.S. Kumar from SBI, are jointly and severally liable to repay the same with interest. ICICI Bank has filed written statement. Case is posted to November 6, 2006 for recording evidence of the plaintiffs and producing documents from CBI.

28. D. Manoharan availed a car overdraft limit during May 2005 and as per procedure, only on completion of endorsement of hypothecation in the Registration Certificate and insurance certificate, the car overdraft account will be allowed to be operated. The car overdraft limit will be set up in the savings account of the customer. Till then, the account will be debit frozen. However, the customer started using the account when he received the debit card and cheque leaves by depositing Rs.49,000/- on May 25, 2005. Since the account has been debit frozen, cheque No.532652 dated June 2, 2005 for Rs.50,000/- drawn in his car overdraft account has been returned unpaid on the ground "account frozen". Hence the customer has filed complaint before District Consumer Forum, Coimbatore against ICICI Bank for return of cheques, claiming a sum of Rs. 20,00,000/- as damages. The case is to come up for hearing on November 2, 2006.
29. Mahendra Jogani has filed a complaint (131 of 2004) for wrongful dishonour of cheque against ICICI Bank before the District Consumer Forum, Chennai. The complaint has been filed claiming Rs.10 lacs towards negligence, deficiency in service and unfair trade practice, Rs.10 lacs towards mental agony and medical expenses and a refund Rs.200/- that were the debit charges for bouncing of cheques. ICICI Bank has filed written version. Matter is posted to December 1, 2006 for arguments.
30. M/s Vijay Bhargavi Chit Fund Private Limited has filed a petition (C.D.No.72 of 2002) before the Andhra Pradesh Consumer Disputes Redressal Commission, Hyderabad for damages of Rs. 20 lacs for deficiency of service arising from wrongful dishonour of cheque. ICICI Bank has filed its written statement before the State Commission. The AP State Consumer Disputes Redressal Commission has on November 16, 2005 disposed off the matter and ICICI Bank has been ordered to pay damages of Rs.25,000/- plus cost of Rs.5000/- to the complainant. ICICI Bank has filed an appeal (F.A. No.15/06) before National Commission, New Delhi and the matter is posted to March 31, 2007 for final disposal.
31. Basant Automobiles Case No. 52/2005 dated January 20, 2005 before District Consumer Forum, Udaipur. The suit pertains to dishonour of Cheque for Rs. 40,000/-. Complainant has claimed for compensation of Rs.19,22,580/- towards mental harassment and loss of business goodwill. Matter to come up for hearing on November 3, 2006.
32. Rajendranath Gupta has filed a complaint (316/2004) in the Consumer Disputes Redressal Forum, Pune alleging deficiency of service. The matter pertains to dishonour of cheques. Mr.Gupta has claimed damages of Rs. 18,05,000/- Written Statement has been filed by ICICI Bank on September 23, 2005. Matter is pending disposal.
33. State Bank of India (SBI) has alleged that ICICI Bank has collected cheques in the accounts of its two customers, which amounts to conversion and has filed recovery proceedings in the Debt Recovery Tribunal, Mumbai bearing O.A. No. 286 of 2005 for recovery of an amount of Rs.16,91,425/- . ICICI Bank has filed its reply to the Interim Application.
34. Kavati Sudhakar Rao had availed overdraft limit of Rs.20 lacs from our Hyderabad Branch – Loan Against Shares Group (LAS), in the joint names of Kavati Sudhakar Rao and his wife K.Sridevi. The above overdraft limit is secured by pledge of shares in the name of Kavati Sudhakar Rao. However, due to fall in the share market, there was a shortfall of Rs.1,95,000/- resulting in overdrawings by the borrowers. To adjust the overdrawings, Kavati Sudhakar Rao pledged additional 100 shares of Maruti Udyog and sought time for providing additional shares to cover the entire outstanding. In the meanwhile the Branch sold some of the pledged shares for a total sum of Rs.5,07,387/- on May 18, 2004 to adjust the overdrawn portion.
35. A complaint No.3346/2004 was filed by the said Sudhakar Rao against ICICI Bank (the Bank) before the District Consumer Forum, Hyderabad alleging that the said shares were unauthorizedly sold by ICICI Bank without giving notice to him and at the time when the Government issued instructions to ICICI Bank to raise the margin of lending against shares from 50% to 60% and not to sell the shares of the Borrowers due to unusual fall in the market thereby claiming a difference in value of the shares. The above complaint was dismissed on the ground that the pledge of shares is in the form of security and the pledgee can deal with the share in any manner and hence no deficiency could be attributed.

Aggrieved by the Order the complainant filed an appeal No.FA 406/2005 before the State Consumer Forum, Hyderabad. The State Forum has held that ICICI Bank has not issued any Notice to the complainant at the time of selling the pledged shares and ICICI Bank ought to have sold only the shares which were given us additional security to the extent of the amount overdrawn as on May 18, 2004 and that too after giving Notice.

Hence the State Consumer Forum has directed ICICI Bank to pay the difference in value of the shares sold by us, as on the date of this Order together with cost of Rs.2,000/-. The value of the shares on the date of this Order has been arrived at is Rs.22,88,511.85. Since ICICI Bank has already sold the shares worth of Rs.5,07,387/- the difference in value of the shares ie Rs.17,81,124.85 is to be paid to the complainant.

36. The order passed by the State Consumer Forum suffers from infirmity as the LAS group has already called upon the Borrower to provide additional shares and in case of failure ICICI Bank will be constrained to sell the shares. Further the LAS sold the shares for Rs.5,07,387/- only to adjust the overdrawn portion and the account is still operative. Therefore we have advised the LAS group to file a review petition before the National Commission for setting aside the order.
37. The complainant Mr. Sadhuram Gaur was appointed as the Rural Marketing Associate (RMA) of trader Channel of ICICI Bank. He filed a complaint (no. 546 of 2006 dated October 06,2006) against ICICI Bank at the District Consumer Forum, Rohtak. The Complainant alleged that he had sourced seven applications and sent their papers and application form to ICICI Bank for sanctioning and disbursement along with two D.D's 10,000/- and Rs.5,000/- respectively. There was no reply from ICICI Bank for a long time in respect of loan applications, Complainant visited local office on several occasions, and there he was informed that papers were sent to Delhi Head office, then Complainant visited Delhi office for the disbursement of loan but he was again directed to contact local office. On contacting local office, complainant was asked to deposit additional sum of Rs.50,000/- and Rs.25,000/- towards sanction of loan. Complainant did not deposit additional money with ICICI Bank. In the month of April 2006 Complainant was called by local office and informed that the application submitted by him are rejected due to non-deposit of Rs.50,000/- and Rs. 25,000/-. Though the proposed customers were eligible for a loan of Rs. 10,00,000/-. The complainant alleged that he was harassed without any fault. ICICI Bank is contesting the allegations made by the complainant as he was our RMA earlier and his services were terminated after he committed the wrong doings in the field. The reply to the complaint is going to be filed by ICICI Bank on January 29, 2007.
38. Jithu Raj, a credit card holder (Master Card), has filed a case (O.P.No.711 of 2004) against ICICI Bank, before the Consumer Forum Chennai on February 25, 2005 claiming compensation of Rs.16,23,831.59. He failed to pay the minimum amount of Rs.800/- on the due date, which was April 1, 2003 but has paid the amount on April 15, 2003. In spite of this, the same was reflected in the next month statement and he was asked to pay Rs.1,650/-. Mr Raj then cancelled the existing credit card and obtained new Visa Card. The customer alleged that he received threatening calls from ICICI Bank for non-payment of dues even though he has paid the entire outstanding amount during January 2004 with a closing credit limit balance of Rs.13,831.59/-. The customer is claiming Rs.8,00,000/- towards mental agony, Rs.8,00,000/- towards compensation and Rs.10,000/- towards cost besides credit balance of Rs.13,831.59/- (Rs.16,23,831.59). ICICI Bank has filed written version and the case is to come up for hearing on November 14, 2006.
39. M/s Kasturi Palayakat Company opened a current account and also executed a forward contract agreement on April 7, 2004 with ICICI Bank's Pondicherry Branch agreeing to deliver U.S. \$ 2,50,000 on the maturity date of contract which fell on October 19, 2004 at the rate of Rs.43.50 per U.S. \$. To secure this, the complainant had placed Rs.5,50,000/- in fixed deposits as margin money. However the complainant neglected to deliver to ICICI Bank the agreed sum of U.S. \$ 2,50,000 and consequently ICICI Bank had cancelled the contract booked on behalf of the complainant on the prevailing cancellation rate of Rs.45.90 per U.S. \$. On account of the cancellation of the contract, ICICI Bank had incurred a loss of Rs.6,00,000/-. The aforesaid Fixed Deposit with accrued interest has been closed and the proceeds were credited to the current account of the complainant. The aforesaid loss of Rs. 6,00,000/- has been adjusted out of the current account proceeds. Hence the complainant file a complaint before District Consumer Forum, Pondicherry in C.O.P No.37 of 2005 on June 24, 2005 for Rs.16,10,000/-. The above complaint was contested by ICICI Bank. However the Consumer Forum, without appreciating the scope of the forward contract, has erroneously passed an order on June 28, 2006 directing ICICI Bank to credit Rs.6 lacs in the account of the complainant with 12% interest thereon per annum from the date of the debit of the said amount along with another sum of Rs.1 lac towards compensation and Rs.5,000/- towards cost. Against the said order ICICI Bank filed an Appeal No. 24 of 2006 before the State Consumer Forum, Pondicherry and also deposited a sum of Rs.25,000/- with the Consumer Forum. The appeal is posted on October 10, 2006 for securing interim stay.
40. Kisan Sahakari Chini Mills Limited has filed a suit (6 of 2001) before the State Commission, UP claiming interest and compensation amounting to Rs. 13 lacs on delayed payment of refund amount of Rs. 20.6 lacs pursuant to the ICICI Bond Issue. ICICI Bank has filed its written statement before the State Commission. ICICI Bank was to file evidence by way of Affidavit. However, the same could not be filed as the Opposite Party did not appear. Further, the copy of the evidence was sent to the Party by Registered Post. The next date of hearing has not been specified by the Court. Out of Court settlement is being explored.
41. M/s Fidelity Finance Ltd. has filed a suit (523 of 1998) before the Madras High Court claiming an amount of Rs 12,72,343/- from ICICI Bank for not honouring a letter of credit issued in favour of M/s Vijaya Chemagro India P. Ltd. ICICI Bank has filed its written statement. The suit is yet to be listed.

42. Mr R M Kanappan, an ex-employee of ICICI Bank has filed a writ petition (15127 of 1999) before the High Court Madras for wrongful dismissal from services and has claimed Rs. 13 lacs. ICICI Bank has filed counter statement. Pending disposal of the writ petition, Mr.R.M.Kannappan has died and the legal heirs of Mr.R.M.Kannappan filed an implead petition, which is pending.
43. Civil Suit No.650 of 2006 filed by Tamilnadu State Apex Co-Operative Bank Limited (TNSACB) against ICICI Bank and Mr.M.D.Jaffer before the High Court, Madras. ICICI Bank collected two Demand Drafts (DDs) dated 22-12-2004 for Rs.2,00,001/-and dated 14-12-2004 for Rs.5,00,017/- which were drawn on TNSACB and issued by Omalur Urban Co-Operative Bank (OUCB), in the SB A/c of Mr.M.D.Jaffer with ICICI Bank's Bangalore Koramangala branch. These DDs were paid by the TNSACB to the debit of Current A/c maintained by OUCB with the latter. Subsequently it was found that these DDs were issued by OUCB for Rs.2,000/- and Rs.5,000/- respectively and the DDs were altered and collected through our Bank by the account holder. The Legal notice issued by the TNSACB to ICICI Bank for payment of amount did not evoke any response and hence filed a criminal complaint on 31-12-2004 to the Commissioner of Police Egmore. The complaint was rejected and the TNSACB filed an application under Section 482 of the Cr. P.C. in CrI.O.P No.1812 of 2005 before the High Court, Madras for directions to the Police for taking up the complaint and the same was admitted on 2-2-2005. Now TNSACB filed the above suit for recovery of Rs.12,70,842/- against ICICI Bank and the account holder including damages of Rs.5,00,000/-. ICICI Bank entered appearance in the above suit and the same is pending for disposal.
44. M/s Essem Tecnopinz Pvt. Ltd (ETPL) has filed a Special Civil Suit No.244/2005 in the Court of Hon'ble Civil Judge, Senior Division, Nashik, against ICICI Bank for recovery of Rs.12,06,089/-. M/s ETPL, is a private limited company manufacturing Ballpen and Gel pen point tips, having current account with ICICI Bank since 11.7.2002. M/s ETPL had submitted five different requests on different dates for payment to Commerz Bank Shanghai for credit to account of M/s Heraeus Materials Technology Shanghai Ltd, China, between August 2002 and Sept.2002 amounting to US\$44,300. Accordingly, Exchange rates were booked for Rupee-Dollar for respective dates. However, ICICI Bank was unable to deliver the foreign currency to the order of M/s ETPL immediately, but could effect payment in November 2003. M/s ETPL informed the Banking Ombudsman and we had paid Rs. 45,700 (US\$980.05) being the compensation of interest loss LIBOR rate, but the client did not agree for the same and filed civil suit against ICICI Bank claiming total loss of Rs. 12,06,089/-. ICICI Bank has filed its written statement and the matter is listed for hearing.
45. State Bank of Saurashtra (SBS) has filed a suit against ICICI Bank in the Civil Court Rajkot, for an amount of Rs. 12,03,186/-. Certain Demand Drafts were presented on behalf of a customer of Jaipur Branch, through Jai Hind Press Branch, Rajkot. The same was immediately paid by SBS, Rajkot and the amounts were credited to the account of the customer, who had withdrawn the same. After a lapse of 4 months, SBS found that the aforesaid Demand draft were stolen, chemically altered and presented for clearing. Since the DDs were presented by ICICI Bank, SBS claimed the said amount from ICICI Bank. ICICI Bank denied its liability to make such payment. SBS has now filed a suit for recovery of the said amounts. ICICI Bank had filed its written statement on the August 9, 2005. The matter is pending disposal.
46. Mrs. Tasneem Adhikari has filed a civil suit (3585 of 2003) against ICICI Bank in the Bombay High Court for wrongful sale of her truck and has claimed compensation of Rs. 12,20,000/-. The interim application filed by Tasneem Adhikari asking court to direct ICICI Bank to hand over the vehicle to her, and not transfer to any other person, has been dismissed. ICICI Bank is yet to file written statement. Since ICICI Bank is contemplating to file a counter claim in the suit filed by the customer, the written statement, which would include the counter claim, would be filed shortly. As per the Bombay High Court Rules (original side), they have time to file the aforesaid statement till the matter is listed for hearing.
47. Shri R.N. Shetty has filed a complaint (212 of 2003) before Consumer Dispute Redressal Forum, Pune against ICICI Bank for deficiency of service and claimed an amount of Rs. 12,28,212/-. ICICI Bank has filed its written statement. The matter is pending final argument.
48. Mr. S Srinivasagam, an ex employee of erstwhile Bank of Madura has filed a suit (465 of 1999) before the Sub Court Madurai claiming an amount of Rs 11 lakhs (notional claim) for wrongful suspension from employment. ICICI Bank has filed written statement. Due to Pecuniary Jurisdiction, the suit has been transferred to District Munsiff Court, Madurai . Matter is yet to be posted in the special list, and as and when it is taken up, the suit will be dismissed on the ground of "infructuous".
49. Shri Manoj Garg has filed case against ICICI Bank (Suit No.224/05). The customer booked a Honda City car, but he did not get the licence. Hence he cancelled the order and demanded money back. He has filed his claim for Rs.10,85,000/-. ICICI Bank has filed its written statement on September 19, 2005. The matter is pending disposal.

50. O.R.J. Electronic Oxides Limited – ICICI Bank granted lease finance of US\$ 72,00,000 (INR Rs.2578.00 lakhs) to the company on May 22, 1997 for import of capital goods from IPTE, Inc., U.S.A.
51. Based on DRI's Report : Commissioner of customs initiated proceedings and imposed a fine of Rs.1 crore on ICICI Bank and the same has been remanded by the Appellate Tribunal to another Commissioner of Customs for De Nova adjudication. The Commissioner of customs posted the enquiry on February 20, 2006 when our Counsel argued and insisted for fresh Investigation by DRI and the matter is posted for orders.
52. Based on DRI's Report : Enforcement Directorate initiated proceedings against ICICI Bank and its officials for aiding and abetting the importer and the company in acquiring foreign exchange to the tune of U.S. \$ 72 lacs and imposed a fine of Rs.10.00 lacs on ICICI Bank. We have filed an Appeal No. 496 of 2004 against this order, before the Appeal Tribunal for FERA, Delhi and obtained interim stay on condition of deposit of 50% of the fine imposed. Against this order of conditional stay we filed a writ petition in High Court, Madras and obtained interim stay. The appeal before FERA Appellate Tribunal, Delhi was posted on February 27, 2006 and our Advocate argued that since interim stay has been granted by the High Court, Madras the Appellate Tribunal should not proceed further in the matter. Considering our arguments the Appellate Tribunal adjourned the appeal sine die and advised us to inform the outcome of the Writ Petition.
53. Based on DRI's Report : The CBI investigated into the allegations of criminal conspiracy, cheating etc., against our Bank and its officials, also against M/s Sundaram Finance Limited and its officials, and also against ORJ Electronics and Oxide Limited and the importer (IPTE Inc., U.S.A.). Chargesheet has been filed by CBI before the Chief Metropolitan Magistrate, Egmore against all the persons concerned in CrI. M.PNo.7436 of 2004. M/s Sundaram Finance Limited filed a CrI.O.PNo.22976 of 2004 before the High Court, Madras and sought for quashing of the above criminal proceedings. An interim stay was granted by the High Court on the criminal proceedings pending on the file of the Chief Metropolitan Magistrate, Chennai. However all the cases are being reposted.
54. Based on DRI's Report : Joint Commissioner of Income Tax, Special Range III, Chennai by its order dated 28-2-2001 disallowed the depreciation on the lease finance amount of Rs.2578 lacs thereby called upon ICICI Bank to pay arrears of Income Tax for a sum of Rs.15,83,42,475/-. This order was confirmed by the Commissioner of Income Tax, (Appeals) and against which ICICI Bank filed an appeal before the Income Tax Appellate Tribunal, which is pending.
55. The Enforcement Directorate (ED) issued a prohibitory order to ICICI Bank to freeze the FCNR deposits of IPTE placed in the name of M/s ETKIF, America for Rs.2.00 crores during the year 2000 and RBI also issued directions to the Bank to remit the proceeds to Directorate of Enforcement under Section 11 of FEMA. ICICI Bank has replied to both ED and RBI that since Income Tax liability is crystallized for Rs.15.83 crores against ICICI Bank, ICICI Bank has exercised a lien on the deposits of IPTE. We have also met the RBI officials in the personal hearing given to us and made our submissions. RBI since passed an order accepting our contentions and advised ICICI Bank to clarify the position to Enforcement Directorate and hence a detailed letter has been sent in consultation with our Senior Counsel.

Claims Against Directors

1. A suit (no.3189 of 2003) was filed against Mr K. V. Kamath and Mrs. Lalita D. Gupte by Mardia Chemicals Ltd (MCL) in the City Civil Court at Ahmedabad for a purported amount of Rs. 5631 crores. An application has been filed for the dismissal of the suit on the grounds of limitation, jurisdiction and no cause of action against Mr. Kamath and Mrs. Gupte. The court has ordered notice to the Official Liquidator (OL). Awaiting reply from the OL.
2. A consumer complaint (349/03) was filed against ICICI Bank's Chairman, Managing Director & CEO Mr. K. V. Kamath and all other working directors before the District Consumer Disputes Redressal Forum, Kolhapur, by Mr. Pradeep Balaso Kole claiming compensation for a sum of Rs.11,772/- for taking back possession of his two wheeler without giving him proper notice. Hearing in this case is continuing. At the previous hearing, the complainant & his advocate was not present. Matter to come up for hearing.

Cases Against Chairman and Directors

Criminal Complaints

1. A criminal complaint (64 of 2002) was filed against 36 individuals including Mr. K. V. Kamath before the Court of the Chief Metropolitan Magistrate, Patiala House, New Delhi by Mr. M. M. Sehgal, the promoter of Sehgal Papers Limited (SPL). ICICI

Bank, as part of a consortium of lenders, led with IFCI Limited (IFCI) as lead institution, had extended financial assistance to SPL. No summons has been issued to ICICI Bank so far. The matter is at the stage of pre-summoning evidence before Patiala House. Only one witness has been examined as of now. Matter to come up for hearing.

2. A criminal complaint was filed before the Judicial Magistrate First Class, Bhiwandi by Sheikh Mohd. Khalid Munnavar, a car insurance policy holder, for the alleged non-cognizable offences of criminal intimidation etc., against three officers of ICICI Lombard. Mr. K V Kamath, ICICI Bank's MD has also been named as accused in the criminal complaint (No. 2887 of 2002) describing him as one of the officers of ICICI Lombard, and making an allegation that all four officers conspired in committing the offences. Mr. K.V. Kamath is a Non Executive Director on the board of ICICI Lombard. A writ petition was filed before the Mumbai High Court seeking quashing of the criminal complaint on various grounds. The High Court passed an Order, staying the proceedings before the Judicial Magistrate First Class, Bhiwandi. Thereafter summons were issued against the Officers, including Mr. K.V. Kamath. This order of the issuance was accordingly challenged by way of Writ Petition in the Bombay High Court. The Hon'ble Bombay High Court has stayed further hearing of the case and the said Writ Petition will now be listed for hearing and final disposing in its usual course.
3. Vijay Shankar Prasad, as a debenture holder of Lloyds Finance & Investment Company Limited (LFICL), had filed a criminal complaint (Case No. – 2064I of 2000) for non-receipt of interest and redemption amount from the aforesaid company, in the Court of Chief Judicial Magistrate, Patna (CJM). As ICICI Bank is acting as trustees, he has inter alia, impleaded Mr. K.V.Kamath. The CJM court had taken cognizance of the offence and issued summons for appearance. Aggrieved by such direction, a criminal revision application was filed before the Sessions Judge, Patna. Upon hearing, the revision application was admitted and directions were issued staying the proceedings before CJM court and records were also called from the lower court. Hearing in the matter is continuing. The next date for hearing is on November 6, 2006.
4. Madan Gopal as a debenture holder of Modern Denim Limited (MDL) had filed a criminal complaint (Case No. – 2175I of 2001) for non-receipt of interest and redemption amount from the aforesaid company, in the Court of Chief Judicial Magistrate, Patna (CJM). As ICICI Bank is acting as a trustee, he has inter alia, impleaded Mr. Narayan Vaghul, the Chairman of ICICI Bank. The CJM court had taken cognizance of the offence and issued summons for appearance. Aggrieved by such direction, a criminal revision application was filed before the Sessions Judge, Patna. Upon hearing, the revision application was admitted and directions were issued for staying the proceedings before CJM court and records were also called from the lower court. However, the company has since paid the outstanding dues of the debenture holder and to this effect a Memorandum of Understanding (MOU) has also been executed between the complainant and the Company. ICICI Bank has filed an application enclosing a copy of the Memorandum of Understanding before the Sessions Judge for quashing of the proceedings. Hearing in the matter is continuing. The next date for hearing is on November 6, 2006.
5. Binay Kumar one of the debenture holder of Modern Denim Limited (MDL) had filed a criminal complaint (Case No. – 795 (C) of 2001) for non receipt of interest and redemption amount against the aforesaid company, in the Court of Chief Judicial Magistrate, Patna (CJM). ICICI Bank is acting as a trustee. The complainant has inter alia, impleaded Mr. Narayan Vaghul, the Chairman of ICICI Bank. The trial court had taken cognizance of the offence and issued non-bailable warrant of arrest. Aggrieved by such direction, a criminal revision application was filed before the Sessions Judge, Patna (Case No. 640 of 2006). Upon hearing, the revision application was admitted and directions were passed against execution of warrant of arrest and the matter was transferred to the Court of 7th Additional Sessions Judge, Patna for disposal. The hearing of the revision application is scheduled on November 29, 2006.
6. Giridharilal Bishambardas Nayyar, MD of Vishwa Electronics (I) Ltd has filed a criminal complaint in the year 2002 before the Chief Judicial Magistrate (CJM), Ahmednagar against IDBI, their 16 directors (which includes Mr. N.Vaghul, Chairman ICICI Bank) and their 3 officers. The Complaint in short alleges that IDBI did not disburse the full amount of loan, as well as made misrepresentation about sanctioning the loan in participation with IFCI, IDBI has filed a recovery suit against the company in 2000. None of the accused has been served with the notice from the court. The Hon'ble CJM has issued bailable warrants (setting the bail for Rs 500/-) against all the accused on December 5, 2005. Revision Petition has been filed in the Session Court, which has stayed the bailable warrant.
7. Three criminal complaints (2412/S/2003, 2413/S/2003 and 2414/S/2003) were filed by Inspectors, Security Guards Board, Greater Bombay & Thane District, in the year 2000 against erstwhile ICICI Ltd and Mr. K.V.Kamath, ICICI Bank's MD, before the Metropolitan Magistrate, Mumbai, under the Maharashtra Private Security Guards Act, 1981 on the grounds that security guards were engaged from exempted security agencies even though ICICI was registered with the Security

Guards' Board. The earlier notices in this regard were replied to stating that registration is only in respect of residential quarters for employees and not in respect of other establishments. Revision Petition has been filed in the Session Court for quashing of the complaint and which has been admitted and the proceedings of the complaints have been stayed till further orders.

8. Dinesh Kumar Singh, an advocate has filed criminal contempt proceedings against the Directors of ICICI Bank in Allahabad High Court. The complainant alleges that his car was repossessed enroute his journey to court and hence he was prevented from attending the court. The matter is pending disposal before the Advocate General.
9. ICICI Bank's Ranchi branch received a notice from Regional Labour Commissioner, Ranchi on September 25, 2004 stating that ICICI Bank has not registered as Principal Employer under Contract Labour (Regulation & Abolition) Act 1970 with the Regional Labour Commissioner (Central) Ranchi impleading Ms. Chanda Kochhar, ICICI Bank's Executive Director and two of our employees. ICICI Bank replied stating that for all of ICICI Bank's branches/offices/establishment in the eastern part of India, the Kolkata office of ICICI Bank has obtained a Registration Certificate. Hence, ICICI Bank claimed that there was no need of taking separate registration certificate for the Ranchi branch. Ranchi branch also submitted a copy of the registration certificate. However, Assistant Labour Commissioner Ranchi, proceeded with filing of criminal case inter alia against Ms. Chanda Kochhar in the court of Chief Judicial Magistrate, Ranchi. Application under section 482 of Code of Criminal Procedure has already been filed before Ranchi High Court for quashing of the proceedings in the lower court matter. The court has granted stay on the proceedings.
10. Surendra Dutta has filed a criminal complaint (FIR I III dated April 9, 2001) against Mr. K.V.Kamath, Mrs. Lalita D. Gupte and others, before Rajpura City Police Station, Chandigarh for alleged offence of car booking by forging his signature during 1995 by certain officers of erstwhile Anagram Finance Ltd (AFL). ICICI Bank has made submissions to DIG, Patiala that the directors of ICICI Bank cannot be proceeded against for an alleged offence committed by AFL in 1995 as AFL was taken over by erstwhile ICICI Ltd in 1998. The DIG Patiala having been convinced has directed investigating officer of Rajpura Police Station not to proceed in the matter without explaining entire details to him. The matter is pending before the Investigating Officer for the purpose of investigation. However, files relating to the same are not traceable and hence the matter is not being proceeded with.
11. A case has been filed (no. 35 of 2006) in the Court of the Additional Chief Metropolitan Magistrate, Mumbai against ICICI Bank Ltd, Shri K.V.Kamath and other Working Directors for non renewal of license of the Capital Markets Branch, Fort, Mumbai, under the Bombay Shops & Establishments Act, 1958. The hearing for the case is fixed on October 30, 2006.
12. ICICI Bank had filed a criminal complaint against the DSA and his associates for cheating and defrauding ICICI Bank. Ajatshatru Mishra, an associate of the DSA, has filed a counter complaint bearing No.2858/2006 (u/s 323, 341, 506 r/w 34 IPC) against Rasmi Ranjan Swain, Viresh Sharma, ICICI Bank Ltd. and Mr. K. V. Kamath in the Court of Judicial Magistrate, Bhubaneshwar. The court has passed an order u/s. 156(3) of Cr.PC and the same is pending for investigation. The Crime Branch, Bhubaneshwar has taken up the matter for investigation and the statement of the complainant as well as the witness have been recorded. Police is yet to submit the final report in the Court

Show Cause Notice

1. A show cause notice for Contempt of Court has been issued by Mr Manoharlal Gupta against Shri K.V. Kamath in Petition no. 47/2005 filed in Civil Court Kota for alleged "wrongful seizure" of vehicle. ICICI Bank has filed its written statement. The matter is pending disposal.

Others

1. ICICI Bank has filed suit against Sajjan Textile Mills Limited and guarantors for recovery of ICICI Bank's dues before DRT, Mumbai and obtained Recovery Certificate (RC) for Rs.5,90,32,753/-. As the secured assets are situated at Tamil Nadu, the RC was transferred to DRT, Coimbatore for its execution. In the auction held the successful bidder failed to remit the bid amount of Rs. 2,50,99,999/- and hence opportunity was given to the second bidder by the Recovery Officer (RO), DRT, Coimbatore. As the RO and the Presiding Officer (PO), Coimbatore were shifted, the PO, DRT, Chennai having concurrent charge on the DRT, Coimbatore, took up the recovery proceedings and passed orders for transfer of RC to Mumbai as he has no jurisdiction to execute the RC.

2. ICICI Bank filed a writ petition against the above order before High Court, Madras and on August 2, 2004 obtained directions to the PO, DRT, Chennai to complete the sale in favour of the second bidder in accordance with law within an outer time limit of 2 months from August 2, 2004. Accordingly, PO, DRT, Chennai passed orders for removal of machineries in 5 lots on payment of the value of the machinery by the second bidder for each lot according to valuation report submitted by the valuer.
3. A total sum of Rs. 2,51,00,000/- has been remitted by the second bidder as on September 28, 2004 and the machinery were handed over to the purchaser by the Recovery Inspector, DRT, Coimbatore as on October 5, 2004 as per the directions of PO, DRT, Chennai. The company filed a Special Leave Petition (SLP) against ICICI Bank and the purchaser before the Supreme Court against the Order dated August 2, 2004 and obtained an interim stay of the operation of the above order. The Supreme Court directed the purchaser to bring back all the machinery. Pursuant to that Company issued a notice of contempt to ICICI Bank as well as to the purchaser for restoration of machinery. ICICI Bank has replied that machinery were sold pursuant to the orders of the High Court and DRT and were delivered to the purchaser by the Recovery Inspector, DRT, Coimbatore before the order of status quo passed by the Supreme Court on October 29, 2004. However the company filed a Contempt Petition No.84 of 2005 against Mr. K. V. Kamath, MD and CEO of ICICI Bank, Mr. P. Ananda Krishna Kumar, AGM and the purchaser. ICICI Bank has taken notice of the contempt petition and the Supreme Court was pleased to order notice to the purchaser and also dispensed with the presence of Mr. K. V. Kamath MD and CEO and others. ICICI Bank has filed detailed counters in the Contempt Petition. The hearing of contempt petition is posted with main SLP for disposal. The Supreme Court also passed orders for payment of share of the sale proceeds to ICICI Bank on giving an undertaking before the Supreme Court to redeposit the amount in case the Civil Appeal is allowed. Accordingly, ICICI Bank have filed an affidavit before Supreme Court and received the sale proceeds from DRT, Coimbatore to the extent of ICICI Bank's share for a sum of Rs.12.5 million and the same is appropriated. ICICI Bank has filed a Perjury application against Directors of the company and others for having made false evidence and false statement in the Contempt Petition. The Supreme Court Registry has refused to take up the Perjury application for mentioning unless the Contempt Petition is tagged on to the Perjury application. Therefore the Perjury application will be taken up along with Civil Appeal.
4. There were allegations of insider trading against Hindustan Lever Limited (HLL) in connection with acquisition of 800,000 shares of Brooke Bond Lipton India Limited (BBLIL) by private negotiations with UTI, a few months before the merger of BBLIL with HLL was announced in 1996. SEBI held the company and five of the directors of HLL, including Mr. M. K. Sharma guilty of insider trading. On appeal, the Appellate Authority allowed the appeal and set aside the order of SEBI and absolved the company and its Directors of this charge. SEBI has preferred a writ petition before the Bombay High Court challenging the order of the Appellate Authority, which is pending. SEBI has also filed a prosecution against HLL (and five of its directors including Mr. M. K. Sharma) and these proceedings are also pending, but have not progressed.

Cases Against ICICI Bank Ltd

Criminal Complaints

1. A criminal complaint (1648 of 2001) was filed against ICICI Bank by Rajiv Aggarwal before the Chief Judicial Magistrate, Jaipur for wrongful dishonour of cheques. ICICI Bank has filed a revision petition in the Rajasthan High Court at Jaipur for quashing the order passed by the lower court. The Rajasthan High Court has stayed the proceedings of the lower court and has directed the trial court to send the records of the case to HC. Matter was listed on February 2, 2006 on complainant's application for vacating the stay granted in favour of ICICI Bank. The said application has been dismissed. The matter is to come up for hearing.
2. Five criminal complaints (9419/S/2002 to 9423/S/2002) were filed against ICICI Bank before the 39th Court of Presidency Metropolitan Magistrate at Mumbai by the Municipal Corporation of Greater Mumbai (BMC) for violation of Section 471 of the BMC Act read with Section 328-A thereof on grounds of non-payment of licence fees for the illuminated signboards at ICICI Bank's ATM centres. ICICI Bank has filed a writ petition (2377 of 2002) in the Bombay High Court challenging the applicability of the provisions of Sections 328 & 328-A of the BMC Act in respect of the ATM centres. The writ petition was dismissed. In appeal, ICICI Bank has filed a special leave petition (24215 of 2002) in the Supreme Court. The Supreme Court has granted a stay against all prosecutions and proceedings by BMC in this regard. The Metropolitan Magistrate stayed the proceedings before it till the final disposal of SLP. On August 4, 2005 Supreme court passed the order with a finding that putting of the ATM board by ICICI Bank does not fall under the category of sky sign under Section 328, but the Supreme Court given a liberty to BMC to consider whether the said issue falls under the category of advertisement under Section

328-A, and issue fresh notice before the hearing. ICICI Bank has submitted a copy of the Supreme Court order to the Magistrate and prayed for the dismissal of the complaints.

The BMC had also filed two similar complaints (88/M/2003 and 89/M/2003) before the 27th Court of Presidency Metropolitan Magistrate at Mumbai, against ICICI Bank. ICICI Bank has submitted a copy of the Supreme Court order to the Magistrate and prayed for the dismissal of the complaints.

3. Two criminal complaints (2415/S/2003 and 2416/S/2003) were filed by Inspectors, Security Guards Board, Greater Bombay & Thane District, in the year 2000 against ICICI Bank before the Metropolitan Magistrate, Mumbai, under the Maharashtra Private Security Guards Act, 1981, on the grounds that security guards have been engaged from unexempted security agencies. ICICI Bank has taken a stand that the exemption of security agencies continued on account of a previous High Court Order in the writ petition filed by certain security agencies. The complaints are pending disposal. Revision Petition has been filed in the Session Court for quashing of the complaint and which has been admitted, and the proceedings of the complaints have been stayed till further orders.
4. Two criminal complaints (2347/S/2003 and 2349/S/2003) were filed by Inspectors, Security Guards Board, Greater Bombay & Thane District, in the year 2001 against ICICI Bank before the Metropolitan Magistrate, Mumbai, under the Maharashtra Private Security Guards Act, 1981 on the grounds that security guards have been engaged from unexempted security agencies. ICICI Bank has replied stating that the Security Guards were deployed on trial basis and are being replaced by Armed Guards. The complaints are pending disposal. Revision Petition has been filed in the Session Court for quashing of the complaint and which has been admitted, and the proceedings of the complaints have been stayed till further orders.
5. Two Criminal Complaints (i) U/S 156 of Cr.P.C. and (ii) 138 of N.I. Act, CC No. 98/2005 filed by Shri Vinish Mittal against Govt. of NCT of Delhi & Ors. and ICICI Bank & Ors. respectively before Metropolitan Magistrate, Tis Hazari Courts, Delhi. ICICI Bank had sanctioned the Housing Loan to the complainant but did not disburse the same due to non-supplying the title deeds. Therefore, he has filed the cases against us. The said cases are fixed for 12.1.2007 and 4.4.2007 respectively. ICICI Bank has filed the applications U/S 482 of Cr.P.C. before Delhi High Court for quashing the said complaints. The Hon'ble High Court has stayed the proceedings of Trial Courts and fix the matter for March 6, 2007.

Civil

1. A case (39/2002) was filed against ICICI Bank in the Industrial Court by the Union of Security Guards of its Corporate Office at Bandra-Kurla Complex, Mumbai, for regularising and for claim for difference in wages on the ground that ICICI Bank employed security guards. On dismissal of the case, the said Union preferred an industrial dispute and thereafter the dispute has been referred to the Industrial Tribunal. The reference is pending disposal.
2. Bhartiya Suraksha Rakshak Mathadi & General Kamgaar Union has filed a complaint (404 of 2005) against ICICI Bank before the Industrial Court, Maharashtra at Mumbai on the ground of discontinuation of services of the security guards of Trig Guard Force. The matter is pending disposal.
3. Shri Vinish Mittal has filed a Civil Suit under Order 37 CPC against CMD, ICICI Bank & Ors., before Sh. Babulal, ADJ, Tis Hazari Courts, Delhi. In the captioned matter court was pleased to grant us unconditional leave to defend and now the same is listed for 12-01-2007 for further proceedings. ICICI Bank had sanctioned the Housing Loan to the complainant but did not disburse the same due to non-supplying the title deeds, therefore, he has filed the complaint.

Show Cause Notice

1. ICICI Bank has received show cause notices in the matter of alleged excise duty evasion to the extent of Rs. 1.48 crores, Rs. 1.96 crores and Rs. 1.31 crores by Bannari Amman Sugars Limited (BASL), Triveni Engineering Co. Ltd (TECL) and Balrampur Chini Mills Ltd (BCML) respectively, in respect of the equipments purchased for their project funded by ICICI Bank under Asian Development Bank (ADB) / World Bank line of credit. BASL, TECL and BCML have paid the duty under protest and sought refund thereof. ICICI Bank has filed replies through its advocates showing cause as to why the penalty is not payable and sought for personal hearing.
2. ICICI Bank has received show cause notices in the matter of alleged customs duty evasion to the extent of Rs. 9.37 crores, Rs. 3.90 crores, Rs. 4.25 crores, Rs.0.76 crores, Rs.0.47 crores and Rs.5.4 crores by Rashtriya Chemicals & Fertilizers Ltd (RCF), Jaypee Cements Ltd (JCL) and Orient Ceramics & Industries Ltd. (OCIL), M/s Jindal Steel & Power Limited, Balarampur Chini Mills Limited and MALCO respectively, in respect of the equipments purchased for their project funded by ICICI Bank

under ADB line of credit. ICICI Bank has filed its reply through its advocates. On December 15, 2005 the Commissioner of Customs (Import) passed an order and imposed the penalty of Rs.50 lacs on ICICI Bank in respect of the case of RCF. ICICI Bank has filed an appeal before the Customs, Central Excise and Service Tax Appellate Tribunal. On April 21, 2006 the Commissioner of Customs (Import) passed an order and imposed the penalty of Rs. 2 crores on ICICI Bank in respect of the case of MALCO. ICICI Bank has filed an appeal before the Customs, Central Excise and Service Tax Appellate Tribunal. On September 29, 2006 the Commissioner of Customs (Import) passed an order and imposed the penalty of Rs. 10 lacs on ICICI Bank in respect of the case of Jindal Steel & Power Ltd. ICICI Bank has filed an appeal before the Customs, Central Excise and Service Tax Appellate Tribunal and the order has been stayed.

3. ICICI Bank has received a show cause notice dated January 31, 2005 from Reserve Bank of India (RBI) in relation to M/s Anand Agencies, wherein ICICI Bank was called upon to show cause why proceedings should not be initiated against ICICI Bank for non-adherence to RBI directions on the procedure for return/dispatch of dishonoured cheques, and why monetary penalty of Rs. 5 lacs should not be imposed on ICICI Bank. The position of ICICI Bank has been explained to RBI and a written submission was also made.
4. ICICI Bank had sanctioned ECB facility to the customer on February 5, 2004 from its Singapore Branch. It has been observed by RBI that since the customer is engaged in "retail" sector, the sanction of the ECB facility is not in compliance with the guidelines of RBI dated January 31, 2004. RBI had observed that, as per these guidelines, ECB could be sanctioned only to customers who are engaged in "real sector - industrial sector especially infrastructure sector - India". Accordingly, RBI has issued a Show Cause Notice to ICICI Bank in this regard for non-compliance with the extant rules/regulations/directions under the Foreign Exchange Management, Act 1999. ICICI Bank had submitted its detailed response to the Show Cause Notice vide letter dated June 30, 2006 stating that the sanction of the facility was undertaken, as ICICI Bank understood that the "retail sector" falls under the "real sector" and that "real estate sector" was the only ineligible sector as per the RBI guidelines. Certain additional information was also submitted to RBI. Subsequently, ICICI Bank had made an oral submission to the Executive Director of RBI on August 4, 2006 explaining its earlier submissions in detail. Further response from RBI in this regard is awaited.
5. Pursuant to reports received from the Securities & Exchange Board of India (SEBI), Reserve Bank of India (RBI) had conducted a scrutiny with regard to certain accounts across various banks including ICICI Bank. Based on the scrutiny conducted, RBI had issued a show cause notice dated December 29, 2005 to seven banks including ICICI Bank. In the show cause notice issued to ICICI Bank, RBI observed that ICICI Bank had violated the RBI directions, instructions and guidelines relating to opening of accounts, monitoring of transactions and non-adherence to normal banking practices. ICICI Bank submitted its detail response to RBI, which was followed by an oral submission, stating that the RBI regulations have been adhered to and that the normal banking practices have been followed. After considering the submissions of the seven banks, RBI had imposed penalty on these banks ranging from Rs. 5 lacs to Rs. 20 lacs. A penalty of Rs. 5 lacs was imposed on ICICI Bank by RBI, vide its communication dated January 23, 2006. The steps taken by RBI against the banks are aimed at strengthening the country's banking system and ensuring that instances of misuse of the banking system by certain individuals, seeking to manipulate capital market processes, are prevented. ICICI Bank has paid the penalty of Rs. 5 lacs.

Writ Petitions

1. A writ petition has been filed by the Maharashtra Suraksha Rakshak Aghadi (Writ Petition No.3283 of 2004) challenging the Notification dated August 25, 2003 read with Corrigendum dated July 5, 2004 granting exemption to security guards employed with Premier Security Services (PSS) and provided at the establishments of ICICI Bank. The writ petition is pending for final disposal and in the meantime status quo has been ordered.
2. A Writ Petition no. 35/2005 has been filed in the Supreme Court by Dr. Harsh Pathak inter alia against mobile phone companies and five banks, including ICICI Bank, seeking directions for regulating the unsolicited calls in the context of right of privacy and other related reliefs. ICICI Bank is in the process of filing its affidavit in reply. The matter is pending disposal.
3. A writ petition has been filed no 500/2005 in the Mumbai High Court by Satish Anant Naik and 28 others inter alia against 3 banks including ICICI Bank challenging the Notification dated August 25, 2003 read with Corrigendum dated July 5, 2004 granting exemption to security guards employed with Premier Security Services (PSS) and provided at the establishments of the said banks. ICICI Bank has filed its reply. The matter is pending disposal.

4. The Federal Bank Staff Union and 2 others have filed a writ petition in the Kerala High Court against ICICI Bank challenging the Order dated February 4, 2005 of the Company Law Board (CLB) inter alia holding that ICICI Bank's voting rights were wrongfully curtailed at the AGM of Federal Bank and consequently altered the result of 4 resolutions voted at the said AGM. ICICI Bank has filed its reply and the matter is pending disposal. The CLB Order dated February 4, 2005 in Company Petition no 42/2004 filed by ICICI Bank and Company Petition No 45 /2004 filed by UTI is based on admission of Federal Bank that its Chairman at the said AGM, wrongfully disallowed shareholders from exercising their full votes. Consequently, the election of directors opposed by ICICI Bank was set aside and candidates supported by ICICI Bank were declared elected as directors of Federal Bank.

Others

1. SEBI passed an order against ICICI Bank in 2002 in connection with matters pertaining to Bank of Madura's Ahmedabad branch prior to its amalgamation with ICICI Bank. SEBI had stated that there were irregularities in fiscal 1996 in the operations of the account of North Star Gems Limited with this branch. SEBI noted that ICICI Bank had taken appropriate disciplinary action against the concerned employees. SEBI further noted that inspection by RBI did not indicate malafide actions on the part of ICICI Bank's officials. In view of the same, SEBI concluded that a warning would suffice as sufficient action against the branch.

Cases against other officials

Civil

1. A case (1356 of 2003) was filed against Mr. Urmil Gupta (the first party) and Mr. Jyotin Mehta, ICICI Bank's General Manager and Company Secretary, before the Chief Judicial Magistrate, Rampur, by Sudeep Kumar Aggarwal alleging inter alia, that shares held by him had been illegally transferred to Mr. Urmil Gupta. Summons had been issued to Mr. Mehta in this regard. ICICI Bank has sought a recall of the Order issuing summons to Mr. Jyotin Mehta on the ground that he was not in the employment of ICICI Bank at the time of the alleged offence. ICICI Bank's arguments were dismissed by the court and ICICI Bank has filed its appeal before the Allahabad High Court, which granted a stay in May 2005 till further listing. Opposite Party has filed a counter affidavit in the High Court, a copy of which has been received by us on September 4, 2006. A rejoinder affidavit is being prepared to be filed.
2. A criminal complaint (no. 152/2003) has been filed by Mr. Kunj Bihari Sharda before the Court of Addl. Chief Metropolitan Magistrate (IV), Jaipur, against Shri A.R. Ramesh, Shri B. Madhivanan and Shri Sanjay Gupta of ICICI Bank, for misappropriation of Rs. 10,000/- from the add-on-credit card, which was issued in the name of his wife. The Court has issued the arrest warrants and fix the matter for February 26, 2007. ICICI Bank is filing the application U/S 482 of Cr.P.C. before High Court at Jaipur, for quashing the said complaint.

Taxation Matters

The major disallowances disputed in appeal by ICICI Bank and allowances disputed in appeal by the income tax authorities as on September 30, 2006, are as under:

1. Lease Depreciation: Tax Rs. 1,102.91 crore
The tax authorities have treated lease transactions as loans and have disallowed our depreciation claim. In the case of leasing business, the tax authorities have consistently denied depreciation to the lessor who is the legal owner. In a recent judgement, the Income Tax Appellate Tribunal has held a sale and lease back transaction between ICICI and Gujarat Electricity Board as not genuine, stating that the bona fide intention of both the parties was not present while entering into the transaction though the necessary documentation was in order, and has disallowed the depreciation treating the transaction as a tax-planning tool. The appeals filed are pending disposal.
2. Deduction for bad and doubtful debts: Tax Rs. 385.86 crore
The assessing officer has disallowed bad debts on the ground that the debts have not turned bad and there is still hope of recovery. The appeals are pending disposal.
3. Form 64 : Tax Rs 40.5 Crores
The tax authorities have disregarded the Form 64 and not clubbed the income /loss of the funds while computing the total income of ICICI Bank. The appeals are pending disposal.

4. Double addition of general provision : Tax Rs 78.26 Crores
The tax authorities have erroneously added the general provision twice while computing the total income. The appeals are pending disposal.
5. TDS on capital gains to UAE residents : Tax Rs. 3.68 Crores
The tax authorities have disregarded the Treaty with UAE residents and have taxed the capital gains earned by the residents in India. The appeals are pending disposal.
6. Taxability under section 41(4A), I.T. Act of amounts withdrawn from Special Reserve created up to Assessment Year 1997-98: Tax Rs. 296.82 crore
ICICI had two special reserve accounts, "Special Reserve created up to Assessment Year 1997-98" and "Special Reserve created and maintained from Assessment Year 1998-99". Withdrawal has been made from the "Special Reserve created up to Assessment Year 1997-98". The tax authorities had not taxed the withdrawals in the original assessment. The assessments were subsequently re-opened to tax the withdrawal, and these have been taxed by the income tax authorities. No withdrawals have been made from "Special Reserve created and maintained from Assessment Year 1998-99" account. The appeals filed against taxing withdrawal of special reserve are pending disposal.
7. Allocation of expenses to earn dividend income: Rs. 417.04 crore
The disputed issue involves computation of exemption under section 10(33), I.T. Act and deduction under section 80 M, I.T. Act on account of dividend income viz. the gross dividend be exempted from tax or whether interest expenses are attributable to earning the exempt dividend income. The matter is pending disposal.
8. Appeals allowed in our favour disputed by Tax Department: Rs. 144.73 crore
The major issues include non-levy of interest tax on debentures/Government securities/bonds, investment allowance on leased assets and interest on interest. The matter is pending disposal.
9. Broken Period Interest: Rs. 37.5 crore
The broken period interest paid on purchase of securities held as stock in trade by the Company was disallowed by applying a Supreme Court decision which is later distinguished by a High Court of Judicature at Bombay decision. The Special Leave petition of the Income Tax Department against the favourable Bombay High Court Decision has also been dismissed by the Supreme Court. The matter is pending disposal.
10. Penalty order under section 271(1)(c) : Rs. 1,123.47 crore
Penalty has been levied by the Assessing Officer on contentious additions involving judicial interpretation. According to ICICI Bank, there is no concealment of income and proper disclosure is made. The matter is pending disposal.
11. Sales Tax: Rs. 48.01 crore
The major issue under dispute is the taxing of interstate / import leases by various State Government authorities in respect of lease transactions entered into by us and levy of sales tax on local purchases in the state of Maharashtra. The matters are pending disposal.

Outstanding Litigation Against Promoter Group

ICICI Securities Limited (ICICI Securities)

1. ICICI Securities Limited (formerly ICICI Securities & Finance Company Limited) was awarded two penalty points by SEBI for non-submission of Letter of Offer in the Rights issues of Siroplast Limited and Thane Electricity Supply Co. Limited during 1995 and one penalty point for non-submission of post-issue report in the public issue for Shree Rajasthan Texchem Limited. Further, two warning letters were issued by SEBI on October 2, 1998 in the issue of Hindustan Motors Limited and on July 11, 2000 in the public issue of Cadilla Healthcare Limited respectively.
2. S. R. Kulkarni (Complainant) has filed a complaint for Rs. 12,750/- in the Consumer Disputes Redressal Forum, Mumbai alleging that he has neither received allotment in response to his application nor refund of application money in relation to his bid in the offer for sale of equity shares of GAIL (India) Limited in March, 2004. The complaint has been filed against GAIL (India) Limited, MCS Limited and ICICI Securities. ICICI Securities was acting as one of the Lead Managers to the issue. The

Complainant's bank has informed him that there was a mistake on its part because of which it has wrongly dishonoured the cheque and therefore has requested the complainant to withdraw the suit.

3. There are 6 litigations pending with Government authorities amounting to Rs. 34.62 crore.

ICICI Brokerage Services Limited (ICICI Brokerage)

1. There are 4 consumer court cases amounting to Rs. 1,439,885 and a FIR filed by a client for a fraud case amounting to Rs. 0.04 crore.
2. There is currently profession tax of around Rs. 0.02 crores pending from April, 2005 for states other than Maharashtra.
3. There is an arbitration case initiated in the National Stock Exchange of India Limited by Anil Nirmal on the alledged open position in futures squared off due to non-availability of margin amount. This case is currently pending.

ICICI Prudential Life Insurance Company Limited (ICICI Prulife)

1. 123 civil cases have been filed against ICICI Prudential Life Insurance Company with claims aggregating approximately Rs. 2.1 crores. These claims have been made by different policyholders and deal with various issues relating to life insurance policies. These claims have been made in various forums including District Consumer Disputes Redressal Forum, Mylapore, Chennai, Consumer Disputes Redressal Forum-I, Union Territory Chandigarh, Court of Administrative Civil Judge, Tis Hazari Courts, Delhi, District Consumer Disputes Redressal Forum, Ludhiana, District Consumer Disputes Redressal Forum, Panipat, High Court, New Delhi, City Civil Court, Bangalore, District Consumer Disputes Redressal Forum, New Delhi, Office of Insurance Ombudsman, Chandigarh, District Consumer Forum, Lucknow, Office of Insurance Ombudsman, New Delhi, Office of Insurance Ombudsman, Mumbai, District Consumer Forum, Jalandhar, District Consumer Forum, Haryana, Civil Court, Alipore, City Civil Court, Kolkata, Civil Court, Ludhiana., City Civil Court, Hyderabad, Consumer Disputes Redressal Forum, Meerut, Ombudsman, Ahmedabad, District Consumer Redressal Forum, Ambala,, Consumer Disputes Redressal Forum, Hyderabad, Consumer Disputes Redressal Forum, Mansa, Punjab, State Human Rights Commission, Thiruvananthapuram, Senior Civil Judge, Adoni, Consumer Disputes Redressal Forum, Gurgaon, Consumer Disputes Redressal Forum, Thrissur, Consumer Disputes Redressal Forum, Delhi, etc. All these matters are pending disposal.
2. Mr. Vaibhav Kapoor an ex employee of ICICI Prudential Life Insurance Company Limited had taken a credit card from Citibank with ICICI Prudential Life Insurance branch address as the billing address. Mr. Vaibhav Kapoor issued a cheque for payment which was dishonored and a notice was received in his name after he had resigned from the company at branch address for an offence under Section 138 of the Negotiable Instruments Act.

ICICI Lombard General Insurance Company Limited (ICICI Lombard)

1. A Criminal Complaint No. 2887 of 2002 was filled before the Judicial Magistrate First Class, Bhiwandi by Mr. Sheikh Mohd. Khalid Munnavar a car insurance policy holder, for the alleged non-cognizable offences of criminal intimidation etc., against three officers of ICICI Lombard General Insurance Company Limited. & Shri K V Kamath, MD & CEO of ICICI Bank Limited has also been named as accused in the complaint though no specific allegations are made against him except describing him as one of the officers of ICICI Lombard, and making an allegation that all four officers conspired in committing the offences. Shri K.V Kamath is a Non Executive Director on the board of ICICI Lombard. A writ petition was filed before the High Court, Mumbai seeking quashing of the criminal complaint on the grounds, inter alia, that it is false and baseless and the facts are contradictory. The High Court passed an Order, staying the proceedings before the Judicial Magistrate First Class, Bhiwandi. Thus, the proceedings in Criminal Complaint No. 2887 of 2002 filed against Shri K.V. Kamath and others are stayed and matter has been adjourned sine die in court of Judicial Magistrate First Class, Bhiwandi.
2. There are 1,414 civil cases filed, with claims aggregating to Rs. 19.95 crore (approx.) before - various forums including District Consumer Forum, Kolkata, State Consumer Forum, Jaipur, District Consumer Forum, Faridabad, District Consumer Forum, Ahmedabad, District Consumer Forum, Bharuch, District Consumer Forum, Hyderabad, District Consumer Forum, Thane, District Consumer Forum, Junagadh, District Consumer Forum, Jamshedpur, District Consumer Forum, Rajkot, District Consumer Forum, Meerut, District Consumer Forum, Valsad, District Consumer Forum, Guwahati, District Consumer Forum, Godhara, District Consumer Forum, Nadiad, Workmen Compensation Commissioner, Bellary, District Consumer Forum, Ambala, District Consumer Forum, Gandhinagar, District Consumer Forum, Rewari, District Consumer Forum, Delhi, District Consumer Forum, Chennai, District Consumer Forum Kanpur, District Consumer Forum, Sambalpur, District Consumer Forum, Mehsana, District Consumer Forum, Bokaro, District Consumer Forum, Amreli, District Consumer Forum,

Gurgaon, District Consumer Forum, Shimla, District Consumer Forum, Jalandhar, District Consumer Forum, Nashik, Consumer Forum, Surendranagar, District Consumer Forum, Surat, District Consumer Forum, Thiruvananthapuram, District Consumer Forum, Davangere, District Consumer Forum, Ongole, District Consumer Forum, Bangalore, Hyderabad. All these matters are pending disposal.

ICICI Venture Funds Management Company Limited (ICICI Venture)

1. ICICI Equity Fund (the «Fund»), a Fund managed by the ICICI Venture was originally registered with the SEBI as a Venture Capital Fund under the SEBI (Venture Capital Funds) Regulations, 1996 (hereinafter the «Regulations»). The Fund de-registered with SEBI in the year 2002. In this process, the Fund first amended its Private Placement Memorandum (PPM) and pursued investment objectives permitted under the amended PPM before completing the de-registration formalities. During the course of its investment activity, the Fund invested in certain securities which were in excess of the limitations and restrictions imposed by the then prevailing Regulations. SEBI was of the view that the Fund should have completed the de-registration formalities before pursuing investments in the aforesaid securities. ICICI Venture represented to SEBI that investment in the aforesaid securities were done in good faith and to the best of its knowledge and belief, that such investments would not be in violation of the Regulations as there was an intention to de-register the Fund and consequent to the de-registration, no restrictions contained in the Regulations would have been applicable. Further, the Fund *suo moto* communicated to SEBI these developments and initiated a dialogue to conclude and regularise this matter. Upon consideration of the voluntary disclosures and representations made by ICICI Venture, SEBI vide its letter dated January 9, 2003 communicated that the above procedural lapse have been viewed seriously and advised the ICICI Venture to take due care in future and improve its compliance mechanisms and standards to avoid recurrence of such instances.
2. SEBI, Madras had issued a Show Cause Notice dated May 31, 2002 to ICICI Venture alleging contravention of sub-Regulation 1 and sub-regulation 3 of Regulation 6 (for the year 1997) and sub-regulation 1 and sub-regulation 2 of Regulation 8 (for the years 1998, 1999, 2000 and 2001) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulation, 1997 for failure/delay in making the disclosure of its shareholding in Vimta Labs Limited. Adjudication proceedings were held. Based on the submissions made by ICICI Venture, SEBI vide order dated November 1, 2002 has exonerated ICICI Venture from liability arising out of violation of Regulation 6(1), 6(3) for the 1997 and Regulation 8(1) and 8(2) for the years 1998, 1999, 2000 and 2001 of the said Regulations read with Section 15A(b) of the said Act.

Prudential ICICI Mutual Fund, the asset management company of which is Prudential ICICI Asset Management Company Ltd (AMC) and trustee of which is Prudential ICICI Trust Limited (Pru ICICI)

Details of the warning letters issued by SEBI are as under:

1. A warning letter was issued to ICICI Mutual Fund on October 22, 1997 w.r.t. findings of the inspection report for the period 1995-96 which indicated that the valuation method followed by the fund with regard to listed and quoted/listed and unquoted/private placed fully convertible and nonconvertible debentures was not in accordance with the valuation method set forth in their accounting policy. The fund has subsequently confirmed compliance.
2. Prudential ICICI Gilt Fund: As per the requirement of SEBI, the AMC furnished to SEBI a hard copy of the offer document and the soft copy of the same in word format. When the soft copy was converted into HTML format certain internal notings appeared on the website. This was noted by SEBI. A warning letter was thereby issued by SEBI on July 14, 1999 for lack of due diligence observed in the filing of the soft copy of the offer document of Prudential ICICI Gilt Fund. AMC had subsequently rectified the error.
3. Prudential ICICI Technology Fund:
 - A warning letter was issued on 5.1.2000 as the draft offer document of Prudential-ICICI Technology Fund did not disclose the scheme specific risk factors as required in accordance with the Standard Offer Document and one NAV figure was incorrect for April 1999. AMC had subsequently rectified the error.
 - Under Prudential ICICI Technology Fund (the Scheme) holding in respect of one security was inadvertently crossed by the AMC (by 0.93%) – above 10% of the net assets of the Scheme on January 27, 2005. On noticing the above, the AMC had on February 4, 2005 sold the excess shares and brought the holding under the stock to 9.95% of the NAV of the Scheme. This incidence was reported to SEBI vide letter dated March 17, 2005 & March 21, 2005. SEBI vide its letter dated May 5, 2005, advised AMC of Prudential ICICI Mutual Fund to take due care in adhering to the investment restriction of seventh Schedule of SEBI (Mutual Fund) Regulation, 1996.

4. Prudential ICICI Income Plan: A warning letter was issued on July 27, 2000 for not disclosing necessary supporting figures for calculation of returns and for not compounding figures for returns since inception in advertisements published in newspapers in case of Prudential ICICI Income Plan. All the investors who invested in the plan after the said advertisement were given an option to exit without any exit load. AMC subsequently ensured compliance.
5. With respect to the inspection report for the period April 1, 1999 - March 30, 2000, warning letters were issued on 10.9.2001 for errors of omission in various reports submitted to SEBI and for grossly overstating the annualised return for Prudential ICICI FMCG Plan in the offer document of Prudential ICICI Gilt Fund, under condensed Financial Information for the period ended June 30, 1999 and further the fund was also issued a deficiency letter for printing/ reporting errors in accounting statements for the year ended March 31, 2000 pointed out by the auditors in their inspection report.
6. Prudential ICICI Power: SEBI vide its letter dated November 27, 2003, has advised the AMC that while issuing the performance based advertisements, the performance percentages should not be used in bold font in headlines in the advertisements. This advice was specifically with reference to the advertisement for "Prudential ICICI Power" Scheme.
7. A warning letter was issued to Prudential ICICI Mutual Fund on June 22, 2004 with respect to the inspection report for the period from April 1, 2002 to June 30, 2003, where the auditors were of the opinion that a prior approval of the board of directors of Pru ICICI and the AMC was not obtained before making the investment in unrated debt securities. The AMC has replied to the same that considering the then prevailing regulations prior approval was not required from both boards as long as the norms approved by the boards are complied with for the stated investments.
8. The AMC had vide its letter dated June 30, 2004 replied to SEBI stating that considering the then prevailing regulations prior approval was not required from both boards as long as the norms approved by the boards are complied with for the stated investments. Further, though the regulation does not envisage provision of NAV data in the format of the Half Yearly Report, the same was reported by the Trustees as a matter of additional information. The very minor variance in the NAV data was due to rounding off aspect and this was pointed out by the auditors and further rectified. The investors have not suffered any loss on account of the above.
9. Under Prudential ICICI FMCG Fund (the Scheme) holding in respect of one security was inadvertently crossed by the AMC (by 0.73%) – above 10% of the net assets of the Scheme on September 22, 2004. On noticing the above, the AMC had on September 23, 2004 sold the excess shares and brought the holding under the stock to 9.91% of the NAV of the Scheme. This incidence, which was reported to SEBI, vide letter dated October 5, 2004. SEBI vide its letter dated October 18, 2004, advised AMC of Prudential ICICI Mutual Fund to take due care in adhering to the investment restriction of seventh Schedule of SEBI (Mutual Fund) Regulation, 1996.
10. Under Prudential ICICI Fixed Maturity Plan Series – 25 – Yearly Plan and Prudential ICICI Fixed Maturity Plan – Series 31 – 4 Months Plan (the Schemes) SEBI has issued a letter stating that the notice of dividend under the Schemes had violated the requirements of SEBI circular no. SEBI/CIR No.1/64057/06 dated April 04, 2006. SEBI Officials suggested that the AMC should indicate that entire distributable surplus should have been mentioned in the Notice as against the mention of distributable surplus available on the record date.
11. Notice received from SEBI under Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995. AMC has received a notice from SEBI under Rule 4 of SEBI (Procedure for Holding Inquiry & Imposing Penalties by Adjudicating Officer) Rules, 1995. SEBI has alleged that Mutual Fund had switched the investments of some Provident Funds from our Gilt schemes and failed to adhere to the norms pertaining to the systems, organisation, risk management, customer service etc. as laid down in the circulars issued by SEBI. AMC has appointed Amarchand & Mangaldas & Suresh A. Shroff & Co. a Solicitors firm to handle the matter and to reply to the said Notice.

SEBI has clarified that, the above letters were issued to AMC in an ordinary course of business.

Criminal cases

Details of Criminal prosecution launched against the Company and its Directors for alleged offences under the enactment specified in paragraph 1 of Part 1 of Schedule XIII of the Companies Act 1956 are as under:

1. Mr. K S Mehta, director of Prudential ICICI Asset Management Co. Ltd, has been made party in some of the cases relating to dishonour of cheques issued by M/s. Paam Pharmaceuticals Ltd, Delhi, in which he was a director. The dishonour of

cheques took place after he had resigned from the board. He has never held any shares in the company nor was he involved in any day-to-day affairs of the company. The matter is sub-judice.

ICICI Home Finance Company Limited (ICICI Home Finance)

1. The owner of certain premises rented to ICICI Distribution has filed a civil suit (number 617 of 2002) (Dr. Gite) against ICICI Distribution in the court of the Civil Judge, Senior Division, Pune seeking possession of these premises. Hearing in the matter is continuing.
2. The assessment for A.Y. 2003-04 was completed on March 28, 2006 raising a demand of Rs.1,03,41,382. The Company has paid Rs.50,000 on 25-7-2006. The demand was on account of disallowance of pre-payment premium paid to ICICI Bank Limited which was found excessive by the Assessing Officer. An appeal has been filed before the Commissioner of Income tax (Appeals) X, Mumbai against the said order and the same is pending.
3. For A.Y 2001-02 (in respect of ICICI Distribution Finance Private Limited) obtained partial relief vide CIT(A) order dated 8-12-2005. An appeal has been filed in the Tribunal against the disallowances, which is pending.
4. For A.Y 2003-2004 (in respect of ICICI Distribution Finance Private Limited). The assessment order passed on 27-12-2005. Disallowance made in assessment are Rs.7,09,453 for other receipts and Rs.27,79,150 for bad debts regarding Trsansamerica. Demand of Rs.15,95,687 has been raised but not paid as entire credit for TDS has not been given. The Company filed an appeal before the CIT(A) who has dismissed both the grounds regarding receipts of Rs.7,09,453 and bad debts. However he has given directions for granting TDS as per certificates filed. The Company would apply for order giving effect but till receipt of the said order giving effect, there would be no change in the tax demand of the aforesaid assessment year.
5. Ms. Aparna Anil Jadhav has filed a civil suit (number 272 of 2003) in the court of the Civil Judge, Thane for declaration and injunction restraining ICICI Home Finance from taking possession of her property. ICICI Home Finance is a proforma defendant and no specific claim has been raised against ICICI Home Finance except the restraint order on the security. The matter is pending disposal.
6. Vijaya Bank has filed a suit (number 563 of 2002) against Mustaq Husain Shawl and others before the court of the Civil Judge, Thane in which ICICI Home Finance has been named as a defendant. A client of ICICI Home Finance had purchased a property from Mustaq Husain, which Mustaq Husain had mortgaged in favour of Vijaya Bank. ICICI Home Finance has filed its written statement. The matter is pending disposal.
7. Mr. Babu R. Nadumani filed a suit (number 691 of 2002) against ICICI Home Finance in the Court of Civil Judge, Junior Division, Belgaum for a permanent injunction restraining ICICI Home Finance from taking possession of his property. An order was passed in favour of ICICI Home Finance in the interlocutory application for a temporary injunction restraining ICICI Home Finance from taking possession of the plaintiff's property, was dismissed. Mr. Nedumani has referred an appeal (number 28 of 2003) against the said order, which is Also dismissed. Now ICICI Home Finance has filed two 138 cases has been filed in which NBW issued but unexecuted.
8. Mr. Sasanka Sengupta has filed a suit (number 172 of 2003) seeking injunction restraining ICICI Home Finance from taking possession of his property after he has defaulted in paying his monthly instalments. The court has dismissed the interim injunction application. The matter has been adjourned to February 16, 2006 for show cause of plaintiff.
9. Mr. Avinash Sane who was granted a loan by ICICI Home Finance was unable to pay his monthly instalments but did not surrender the property. ICICI Home Finance proceeded to take possession of the property against which Mr. Sane filed a suit for injunction (number 77 of 2002), restraining ICICI Home Finance from taking possession of his property. The court has granted a temporary injunction in favour of the customer. ICICI Home Finance had preferred an appeal against the order of the court, which has been disposed off by the court with a liberty to file a suit for recovery. The original suit filed by the borrower is pending disposal. Appeal filed by ICICI Home Finance is rejected by the court. ICICI Home Finance will be filing a fresh appeal.
10. Mr. Ravichandran P who was granted a loan by ICICI Home Finance was unable to pay his monthly instalments. Upon contacting the customer it was understood that the customer was unaware of any such loan being granted to him which in fact the cheque of the loan amount was taken by one Mr.Kesavaraj who was the local financier and to whom Mr. Ravichandran had approached for a loan of Rs.75000/-Mr. Keshavaraj having strong relations with the DMA's of ICICI, M/s. Aditya Marketing Services who helped Mr.Keshavaraj to take the loan in the name of P Ravichandran and the cheque for the same

loan was handed over to Keshavaraj. We have filed a 138 against him and the customer in turn has filed a Civil Suit O.S.No : 1913/2005 for entering appearance. A written statement has been submitted for the same.

11. There are 71 matters pending before various consumer redressal forums across the country in which 6 cases of Civil, 60 cases of Consumer and 5 cases are criminal.

3i Infotech Limited

1. Complaint No.57 of 2001, was filed by an employee of a contractor of 3i Infotech Limited, Nikhil Prabhu, before the Labour Court, Bandra, for wrongful termination of employment. He has claimed re-instatement of services and full back wages with interest. 3i Infotech Limited has denied the claims and has sought for dismissal of the complaint. The matter is currently pending. Estimated to be not more than Rs. 328,500.
2. Complaint No.382 of 1998, was filed by Mr. Narendra Parmar and other employees of a contractor of 3i Infotech Limited, before the Labour Court, Bandra for wrongful termination of their employment. They have claimed re-instatement of services and full back wages with interest. The matter has been placed for hearing arguments raised by 3i Infotech Limited and is currently pending. Estimated to be not more than Rs. 25,20,000.
3. Suit No.115/06 was filed by Shamshad Khatoon on April 11, 2006 against 3i Infotech Limited and one of its directors for non-receipt of redemption warrants in respect of 4 bonds of Rs. 5,000 each.
4. There are 128 cases against the company pursuant to the activities of the company as an R&T agent. In 59 of the total cases, the company is the only respondent. In the remaining 69 cases, ICICI Bank is also a respondent. Out of the total of 128 cases, there are 7 cases where an amount has been claimed. Out of these 7 cases, 5 are against the company and 2 are cases where ICICI Bank is also a respondent. These cases are estimated to be not more than Rs. 14,22,288.
5. An application was filed against 3i Infotech Limited in the Consumer Redressal Forum, Hyderabad District, by a shareholder of ICICI Bank regarding transfer of five shares in spite of a stop transfer request having been made by him which has since been disposed off. The complainant chose to appeal before the A.P State Consumer Disputes Redressal Commission at Hyderabad which subsequently rejected the appeal on October 29, 2003. A Revision Petition was filed by the complainant before the National Consumer Disputes Redressal Commission, New Delhi and was again rejected on August 25, 2004. A criminal complaint was filed in the year 2001 against ICICI Bank and 3i Infotech Limited by the shareholder. The Magistrate has referred the matter to the local police station for investigation. 3i Infotech Limited and ICICI Bank have filed a petition in the Andhra Pradesh High Court for quashing this criminal complaint and the High Court has granted a stay on the investigations being undertaken by the police department against the Company till further orders.
6. The Department of Income Tax has disallowed certain deductions/expenses claimed by the Company in its return of income for the assessment year 2002-03, which has resulted in demand of Rs. 1.73 crore against the Company. The Company has not accepted the said assessment and consequent demand and has gone in appeal before the Appellate Commissioner of Income Tax.
7. The department of Income Tax has levied a penalty of Rs. 0.12 crore on 3i Infotech Limited for the assessment year 2000-2001 following disallowance of certain expenses claimed by 3i Infotech Limited in its return filed with the department. 3i Infotech Limited has gone in appeal before the Income Tax Tribunal in Mumbai for the redressal of the above claim of the Department.

GOVERNMENT APPROVALS

We have received the necessary consents, licenses, permissions and approvals from the Government and various governmental agencies required for our present business and except as mentioned below, no further approvals are required for carrying on our present business.

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities. Unless otherwise stated, these approvals are all valid as of the date of this Red Herring Prospectus.

Approvals For The Issue

1. In-principle approval from the National Stock Exchange of India Limited dated December 18; 2006; and
2. In-principle approval from the Bombay Stock Exchange Limited dated December 15, 2006.

General

1. Fresh Certificate of incorporation consequent upon change of name from "ICICI OneSource Limited" to "Firstsource Solutions Limited" dated November 21, 2006 from the Deputy Registrar of Companies, Maharashtra (Mumbai).
2. PAN Number: PAN AACL8904N
3. Certificate of Importer Exporter Code dated April 24, 2006 from Foreign Trade Development Officer, Ministry of Commerce, Government of India providing IEC Number 0302000615.

STP Related Approvals

1. Approval No.: EIG/ ICICI-ONESOURCE/GEN 7358 dated July 1, 2002 from Director, Software Technology Parks of India to the Company for setting up of a 100% Software Export Oriented Unit under the STP Scheme.
2. Approval No. 75 (1999)/EOP/84/99 dated 11 December, 1999 from Under Secretary to the Government of India, Department of Industrial Policy and Promotion, extending all the facilities under the STP Scheme to erstwhile FirstRing India Private Limited for the establishment of a new undertaking at Bangalore for the development of computer software.
3. Approval No.: EIG/CUSTOMER ASSET/GEN/12358 dated March 18, 2000 from Director, Software Technology Parks of India to erstwhile Customer Asset India Limited for setting up of a 100% Software Export Oriented Unit under the STP Scheme.
4. Approval No.: STPIB/CUSTOMER-ASSET/GEN/4266 dated May 5, 2005 from Director, Software Technology Parks of India to erstwhile Customer Asset India Limited to continue operation under STP scheme for the period of next five years as per EXIM Policy.
5. Approval No. STBP/Expan/14062005/623/9296 dated June 14, 2005 from Director, Software Technology Parks of India to ICICI OneSource Limited (Unit III) to expand the additional facility at Tower 3A, Rmz Eco Space, Sarjapur Outer Ring Road, Varthur Hobli, Bangalore under Private Custom Bonded Warehouse License No.52/2000.
6. Approval No. VIII/40/07/2000-EQU IV dated March 14, 2000 from Deputy Commissioner of Customs to erstwhile FirstRing India Private Limited permitting it to carry on the operations relating to development of software under 100% EOU STP Scheme and export of the same in terms of Notification No. 140/91 and as per the letter reference no. EIG/FIRST-RING/GEN/11873 dated March 7, 2000 from the Director Software Technology Parks of India, Bangalore.
7. Approval No.: EIG/FIRST RING/GEN/32856 dated December 21, 2004 from Director, Software Technology Parks of India to erstwhile FirstRing India Private Limited to continue operation under STP scheme for the period of next five years as per EXIM Policy.
8. License No. 20/2000 dated March 14, 2000 for the premise situated at no. 05, (Super Market Area), Tech Park Mall, Lower Ground Floor, International Tech Park, Whitefield Road, Bangalore from the Deputy Commissioner of Customs under Section 58 (1) of the Customs Act, 1962 as 100% EOU Scheme Private Bonded Warehouse for storage without payment of duty on importing of goods as prescribed under Customs Notification No. 140/91. This license is valid till November 30, 2009.

9. Approval No. STBP/Expan/22062005/637/10665 dated June 22, 2005 from Director, Software Technology Parks of India to ICICI OneSource Limited (Unit II) to expand the additional facility at Tower 3A, Rmz Eco Space, Sarjapur Outer Ring Road, Varthur Hobli, Bangalore under Private Custom Bonded Warehouse License No.20/2000.
10. Approval No. VIII/40/04/2002 CUS EOU- IV dated July 11, 2002 from Deputy Commissioner of Customs permitting the Company to carry on the operations relating to manufacture and development of Computer Software under 100 % EOU/ STP and export of the same in terms of its Notification No. 140/91. The permission is valid till July 10, 2007.
11. License No. VIII/40/04/2002 CUS EOU- IV dated July 11, 2002 for the premise situated at No. 69/1, Golden Millennium Millers Road, Bangalore from the Deputy Commissioner of Customs under Section 58 (1) of the Customs Act, 1962 as 100% EOU Scheme Private Bonded Warehouse for storage without payment of duty on importing of goods as prescribed under Customs Notification No. 140/91. This license is valid till July 10, 2007.
12. License F.No S/15-25/2002/EOU dated April 4, 2002 from Assistant Commissioner of Customs, Mumbai to Company to manufacture computer software in bond under section 65 of the Customs Act, 1962. The permission is valid till March 31, 2007.
13. License F. No. S/15-25/2002/EOU dated April 4, 2002 from Assistant Commissioner of Customs, Mumbai to the Company for the storage of capital goods without payment of Customs Import Duty on importation thereof in the warehouse situated at 501,502, 601,602, 4th Dimension, Mindspace, Link Road, Malad (W). The license is valid till March 31, 2007.
14. License F. No. S/15-74/2002/EOU dated December 18, 2002 from Deputy Commissioner of Customs, Mumbai to the Company for the storage of capital goods without payment of Customs Import Duty on importation thereof in the warehouse situated at 6th Floor, Peninsula Chamber, G. Kadam Marg, Lower Parel, Mumbai. The license is valid till March 20, 2007.
15. License F.No S/15-127/2004/EOU dated March 18, 2004 from Assistant Commissioner of Customs, Mumbai to Company to manufacture computer software in bond under section 65 of the Customs Act, 1962. The permission is valid till March 31, 2007.
16. License F.No. S/15-127/2004/EOU dated March 18, 2004 from Assistant Commissioner of Customs, Mumbai to the Company for the storage of Capital goods without payment of Customs or Central Excise duty in the premises situated at Paradigm, 'B' Wing, 3rd, 4th and 5th floor, Mindspace, Malad (W), Mumbai. The license is valid till March 16, 2007.
17. License F.No S/15-95/2003/EOU dated December 2, 2003 from Assistant Commissioner of Customs, Mumbai to Company to manufacture computer software in bond under section 65 of the Customs Act, 1962. The permission is valid till March 20, 2007.
18. License F. No. S/15-95/2003/EOU dated December 2, 2003 from Assistant Commissioner of Customs, Mumbai to the Company for the storage of Capital goods without payment of Customs Import Duty on importation thereof in the warehouse situated at 601,602,701 and 702, Interface, Link Road, Malad (W) Mumbai-400064. The license is valid till March 20, 2007.
19. Approval No. VIII/40/04/2002-EOU III dated March 24, 2005 from Superintendent of Customs, Customs Division approving the additional premises at Ground, first and second floor, No. 20, Palace Road, Bangalore as Private Bonded Warehouse & Inbound Manufacturing Sanction Orders under Section 58 and 65 of Customs Act, 1962.
20. Approval No. VIII/40/07/2002-EOU IV dated July 4, 2005 from Assistant Commissioner of Customs, approving the additional premises at ICICI OneSource Unit II, first and third floor, Tower 3A, Rmz Eco Space, Sarjapur Outer Ring Road, Varthur Hobli, Bangalore as Private Bonded Warehouse & Inbound Manufacturing Sanction Orders under Section 58 and 65 of Customs Act, 1962.
21. Approval No. VIII/40/21/2000-EOU-III dated June 24, 2005 from Assistant Commissioner of Customs approving the additional premises, ICICI OneSource Limited-III, Second Floor, Tower 3A, Rmz Eco Space, Sarjapur Outer Ring Road, Varthur Hobli, Bangalore as private Bonded Warehouse License/Inbound Manufacturing Sanction Order under Section 58 and 65 of Customs Act, 1962.
22. Approval No. STBP/Expan/16032005/510/43379 dated March 16, 2005 from Director, Software Technology Parks of India granting approval to the Company to expand the additional facility at Building No. 20, Palace Road, Bangalore 560052 under Private Custom Bonded Warehouse License No.81/2002.

23. Approval No.: EIG/CUSTOMER ASSET/GEN/10651 dated June 21, 2005 from Director, Software Technology Parks of India granting no objection to the amalgamation of the operations of the STP activities of Customer Asset India Limited with M/s. ICICI OneSource Limited and operating under the name of M/s. ICICI OneSource Limited-III under the STP license.
24. Approval No. VIII/40/21/2000-EOU IV dated March 24, 2000 from Deputy Commissioner of Customs approving the premises No. 10 Service Road, (Airport Road) Domlur Layout, Bangalore as 100% EOU Private Bonded Warehouse for storage without payment of duty on importation of goods as prescribed under Customs Notification No. 140/91 under section 58 (1) of the Customs Act, 1962. The license is valid till May 4, 2010.
25. Letter No. S 60 (Misc)-24/06 (100% E.O.U/S.T.P) Grant/Renewal of License for Private/Public bonded warehouse, dated May 19, 2006, from Assistant Commissioner of Customs, Calcutta, renewing the License No. 08/2006 (100 % E.O.U/S.T.P) till April 17, 2011.
26. License No. 08/2006 (100 % E.O.U/S.T.P) dated May 19, 2006 from the Assistant Commissioner of Customs, Calcutta granting approval to the Company for setting up private bonded warehouse at Technopolis, Ground Floor, 12th and 14th floor, Plot BP4, Sector –V, Saltlake Electronics Complex, Calcutta under Section 58 and 65 of the Customs Act, 1962 . The license is valid till April 17, 2011.
27. Approval No. STPK:DIR:457:2006-07:060 dated April 18, 2006 from Director, STPI Kolkata to the Company grants all the facilities and privileges admissible under the STP scheme in respect of the establishment of a new undertaking unit at Technopolis, Ground Floor, 12th and 14th floor, Plot BP4, Sector –V, Saltlake Electronics Complex, Kolkata for providing ITES.

Approvals Under Shops and Establishment Acts

1. Registration Certificate of Establishment No. PN-II/007506 dated February 8, 2004 from Inspector in respect of premises at 601, 602, 701 and 702 Interface Building no. 16, Link Road, Malad (W) as a Commercial Establishment under the Bombay Shops and Establishment Act, 1948. The certificate is valid till December 31, 2007.
2. Registration Certificate of Establishment No. PN-II/006270 dated April 20, 2002 from Inspector in respect of premises at 501, 502, 601 and 602 Fourth Dimension, Mind Space, Link Road, Malad (W) as a Commercial Establishment under the Bombay Shops and Establishment Act, 1948. The certificate is valid till December 31, 2007.
3. Registration Certificate of Establishment dated November 25, 2002 from the Office of the Inspector in respect of premises at No. 69/1, "Golden Millennium", Millers Road, Bangalore-52 as a Commercial Establishment conducting IT-enabled services under the Karnataka Shops and Establishment Act, 1961. The certificate is valid until December 31, 2011.
4. Registration No. 7274 dated May 4, 2006 from Assistant Inspector of Labour in respect of premises at first floor, No.12/2, 100 feet road, Anna Nagar, Pondicherry-5 as an Establishment under the Pondicherry Shops and Establishment Rules, 1964. The certificate is valid till March 19, 2007.

Tax Related Approvals

1. Letter dated February 6, 2002 from Assistant Commissioner of Income Tax, Mumbai allotting TAN no. MUM I04191F to the Company.
2. Certificate of Registration no. PT/R/1/1/24/18512 dated April 30, 2002 from Sales Tax Officer; Mumbai registering the Company as an employer under the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975.
3. Certificate of Enrolment no. PT/E/1/1/24/18/4355 dated April 16, 2002 from Profession Tax Officer enrolling the Company under the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975.

Labour Related Approvals

1. Letter No.46430/EHFXI/A/855 dated February 28, 2003 from Regional Provident Fund Commissioner; Maharashtra registering the Company under the Employee's Provident Funds and Miscellaneous Provisions Act, 1952 and the scheme framed thereunder. The Company has been allotted Code no. M.H./BAN/46430.
2. Letter No. B/Cov./RM 2286 (35-921-90) dated March 5, 2003 from Assistant Regional Director, Employees' State Insurance Corporation allotting Code no. 31-35-921-90 to the Company.

Environment Related Approvals

1. Consent No. 197/KSPCB/RO/BC-2/DEO/AEO/MG/WPC/INR NO.138881/2006-07/4926 dated December 23, 2006 from Regional Officer of Karnataka State Pollution Control Board under the provisions of the Water (Prevention and Control of Pollution) Act, 1974 to Company in respect of the premises at Golden Millennium, No. 69/1, Millers Road, Bangalore-560052 authorising it to make discharge of sewage effluent from the above said premises into BWSSB Sewers. The consent is valid till December 31, 2007.
2. Consent No. 256/KSPCB/RO/BC-2/DEO/AEO/MG/APC/INR No. 138881/2006-07/4925 dated December 23, 2006 from Regional Officer of Karnataka State Pollution Control Board under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 to Company in respect of the premises at Golden Millennium, No. 69/1, Millers Road, Bangalore-560052 authorising it to make discharge of emissions from the chimneys. The consent is valid till December 31, 2007.
3. Consent No.70/KSPCB/RO-BNG (EAST-II)/DEO/IND/Reg.No.3755/APC/2006-07/4846 dated December 20, 2006 from Environmental Officer of Karnataka State Pollution Control Board under Section 21 of the Air (Prevention and Control of Pollution) Act, 1981 to Company in respect of the premises at 1st and 3rd floor, RMZ Ecospace Tower 3 'A' Block, Sarjapur, Outer Ring Road, Varthur Hobli, Bangalore East authorising it to make discharge of emissions from the chimneys. The consent is valid till December 31, 2007.
4. Consent No.03/KSPCB/EO/BNG-City-1/DEO/AEO-3/INR149836/CFE/2005-06/86 dated April 7, 2006 from Environmental Officer, Karnataka State Pollution Control Board to Company in respect of the premises at No. 148, Bhaskar Plaza, R.V. Road, V.V. Puram, Bangalore-04 for the installation of Vapour Absorption Machine at the above said premises.
5. Letter No. BO/RO (HQ)/TB/DGS-NOC/B-3260 dated August 17, 2002 from Maharashtra State Pollution Control Board granting a No Objection Certificate for the installation and operation of three D.G.Sets of 500 KVA capacity at 4th Dimension, building premises, Mind Space, Link Road, Malad (W).

Other Approvals

1. Letter EIM/ED/235/2003-04 dated September 10, 2003 from the Electrical Inspector, Inspection Division registering generating sets installed at Paradigm, Wing 'B'-3rd, 4th and 5th Floor, Mindspace, Malad (W). Registration Numbers assigned to the Company are 59464/010, 59464/017, 59024/015.
2. Letter EIM/ED/235/2003-04 dated May 29, 2004 from the Electrical Inspector, Inspection Division registering generating sets installed at Building No. 16, Interface, Malad Link Road, Malad (West). Registration Numbers assigned to the Company are 153923/015, 153923/016.
3. Letter EIM/ED/235/2003-04 dated February 4, 2005 from the Electrical Inspector, Inspection Division registering generating sets at Building No. 16, Interface, Malad Link Road, Malad (West). Registration Numbers assigned to the Company are SGF 080649 and SGF 080014.

Pending Approvals

1. RBI's Registration for the FGPR details filed by the Company.
2. Registration Certificate of Establishment No. PN-II/008052 dated October 27, 2004 from Senior Inspector, in respect of premises at 3rd Floor Building, 12 Paradigm B Wing, Mind Space, New Link Road, Malad (W)) as a Commercial Establishment under the Bombay Shops and Establishment Act, 1948. The certificate was valid till December 31, 2006. We have applied for renewal of the approval.
3. Registration Certificate of Establishment No GS II/010345 dated February 12, 2003 from Inspector in respect of premises at Unit no. 602, Sixth Floor, Peninsula Chambers, G.K. Marg, Lower Parel as a Commercial Establishment under the Bombay Shops and Establishment Act, 1948. The certificate is renewed for the year 2006. The certificate was valid till December 31, 2006. We have applied for renewal of the approval.
4. Application from the Company dated November 20, 2006 to the Environmental Officer, Karnataka State Pollution Control Board under the provisions of the Water (Prevention and Control of Pollution) Act, 1974 in respect of the premises at No. 148, Bhaskar Plaza, R.V. Road, V.V. Puram, Bangalore-04 authorising it to make discharge of sewage effluent from the above said premises into BWSSB Sewers.

5. Application dated November 11, 2006 to the Environmental Officer, Karnataka State Pollution Control Board under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 in respect of the premises at No. 148, Bhaskar Plaza, R.V. Road, V.V. Puram, Bangalore-04 authorising it to make discharge of emissions from the chimneys.

Approvals in relation to our Indian Subsidiaries

RevIT Systems Private Limited

1. Letter dated November 22, 2005 from Assistant Inspector of Labour, Chennai gives description of holidays which shall be granted every year to the employees of RevIT, 1108, Tidel Park, 4 Canal Bank Road, Taraman, Chennai-600113.
2. Approval No. STPIC/G981/2002-03/0176 dated May 9, 2002 from Director, Software Technology Parks of India to the Company for setting up of a 100% Software Export Oriented Unit under the STP Scheme.
3. Approval No. STPIC/IMSC/2002-03/0175 dated May 9, 2002 from Director Software Technology Parks of India, extending all the facilities under the STP Scheme to the Company for the establishment of a new undertaking in Tamilnadu for the development of computer software.
4. Approval No. STPIC/IMSC/2004-05/818 dated August 3, 2004 from Director, Software Technology Parks of India to the Company for setting up of a 100% Software Export Oriented Unit under the STP Scheme.
5. Approval No. STPIC/IMSC/2004-05/817 dated August 3, 2004 from Director Software Technology Parks of India, extending all the facilities under the STP Scheme to the Company for the establishment of a new undertaking at 406, Tidal Park, South D Block, Taramani, Chennai for the development of computer software.
6. Certificate of Importer Exporter Code dated December 14, 2005 from Foreign Trade Development Officer, Ministry of Commerce, Government of India providing IEC Number 0401027970.
7. Letter from Office of the Commissioner of Income Tax dated February 11, 2003 providing PAN AABCR9490H.
8. TNGST No. 0962886 dated July 29, 2005 from Commercial Tax Officer registering the Company as a dealer under section 20 of the Tamil Nadu General Sales Tax Act, 1959. The certificate is valid for the financial year 2006-07.
9. Code No. 51-77272-66 dated June 3, 2002 from Deputy Director, Employee's State Insurance Corporation, Chennai bringing the establishment within the purview of Section 2 (12) of the Employee's State Insurance Act, 1948 provisionally with effect from March 1, 2002.
10. No. 839480 from sales tax officer registering the Company as a dealer under Section 7 (1)/7 (2) of the Central Sales Tax Act, 1956.
11. Certificate of Registration dated September 12, 2006 from Superintendent of Central Excise, Service Tax Cell allotting Service Tax Code (Registration Number) AABCR9490HST001.
12. Letter from Income Tax Officer dated May 14, 2002 providing Tax Deduction Account Number CHER05014C.
13. No. E1/TN/49927/Enf dated May 15, 2002 from Assistant PF Commissioner bringing the establishment under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and the schemes framed thereunder with effect from March 21, 2002. The code no. allotted to the Company is TN/49927.

Pipal Research and Analytics India Private Limited

1. Certificate of Incorporation No. U73100DL2004PTC127658 dated July 16, 2004 from Assistant Registrar of Companies, National Capital Territory of Delhi and Haryana is in the name of Satvik Research and Analytics India Private Limited.
2. License No. 17/2005 dated March 28, 2005 for the premise situated at 3rd floor, Piccadilly House, 276, Captain Guar Marg, Srinivasapuri, New Delhi 110065 from the Deputy Commissioner of Customs under Section 58 and 65 of the Customs Act, 1962 as 100% EOU Scheme Private Bonded Warehouse for storage without payment of duty on importing of goods as prescribed under Customs Notification No. 140/91. This license is valid till March 12, 2007.
3. Ref.No. PCMG/PSE/06/1509-STPIN/36778 dated March 29, 2006 from Joint Director, Software Technology Parks of India is renewal of Green Card No. DOE/STPN/2005/1420 for the 100% EOU under Software Technology Park Scheme. The Green Card is valid till March 12, 2007.

4. AAICS23860 is the PAN to the Company from the Income Tax department.
5. DELS23978D is the TAN allotted to the Company from the Income Tax department.
6. No. PFRC/98 Coord/DL/30026/Coverage/5919 dated December 14, 2004 from Assistant Provident Fund Commissioner bringing the establishment under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and the schemes framed thereunder with effect from October 1, 2004. The code no. allotted to the Company is DL/30026.
7. Approval No. STPIN/APP/312005/200495/29218 dated March 1, 2005 from Director Software Technology Parks of India, extending all the facilities under the STP Scheme to the Company for setting up 100% Export Oriented Unit at 3rd floor, Piccadilly House, 276, Captain Guar Marg, Srinivaspuri, New Delhi 110065.

Pending Approvals

1. Application from RevIT Systems Private Limited, Trichy to the Inspector of Labour for registration under Shop & Establishment Act and Contract Labour (Regulation and Abolition) Act, 1970.

Approvals In Relation To Our Overseas Subsidiaries

Accounts Solutions Group, LLC

1. Certificate from Special Deputy Secretary of State, State of New York dated October 12, 2005 is the certificate for the Articles of Organisation and certificate of amendment changing the name to "Account Solutions Group, LLC" filed by Receivable Services of America, LLC .
2. Certificate of Membership (Membership No. 3069581) 2004/2005 from the Association of Credit and Collection Professionals to ASG in Mumbai.
3. License No.2763 dated June 22, 2006 from Arkansas State Board of Collection Agencies for ASG of 205 Bryant Woods South, Amherst, NY 14728. The license is valid up to June 30, 2007.
4. License No.2857 dated June 22, 2006 from Arkansas State Board of Collection Agencies in respect of premises situated at Interface, Building No. 16, New Link Road, Malad (W), Mumbai. The license is valid up to June 30, 2007.
5. Collection Agency License No.161878 dated August 7, 2005 from Supervisor of Licenses, from the Department of Permit & Inspection Services, City of Buffalo grants ASG of 205 Bryant Woods South, Amherst, NY 14228-3609. The license is valid up to September 30, 2007.
6. License no is 988624 from Administrator, Colorado Collection Agency Board to ASG of 205 Bryant Woods South, Amherst, NY 14228 authorised it to act as a Collection Agency in the State of Colorado. This license is valid till July 1, 2007.
7. License no. 2721 dated October 1, 2005 from the Banking Commissioner, Department of Banking, State of Connecticut to ASG of 205 Bryant Woods South, Amherst, NY 14228 to act as a Consumer Collection Agency. The license is valid till September 30, 2007.
8. License no. 16026 dated October 1, 2005 from the Banking Commissioner, Department of Banking, State of Connecticut to ASG of 7th Floor, Interface, Building No. 16, New Link Road, Malad (W), Mumbai to act as a Consumer Collection Agency. The license is valid till September 30, 2007.
9. ICCB Notification & Fees Registered Businesses dated September 15, 2006 listing out ASG.
10. Foreign Permittee Collection Agency Permit No. (CFP-3379) dated February 28, 2006 from Director IDAHO Department of Finance to ASG authorising it to engage in restricted collection activity at 205 Bryant Woods South, Amherst, NY 14228-3609. The permit is valid till March 15, 2007.
11. License No. 017.020796 from Department of Financial and Professional Regulation, Division of Professional Regulation to ASG of 205 Bryant Woods South, Amherst, NY 14228 authorising to to engage in licensed Collection Agency. The license is valid till May 31, 2009.
12. License No. 12000 dated November 30, 2004 from Secretary of State, State of Indiana to ASG of 205 Bryant Woods South, Amherst, NY 14228 to operate a business of soliciting and/or collecting accounts. The license is valid till December 31, 2008.

13. License No. 05-0052 CA dated May 16, 2005 from Secretary of State, State of Indiana to ASG with premises at 7th Floor, Interface, Building No. 16, New link Road, Malad (W), Mumbai authorising it to operate a business of soliciting and/or collecting accounts. The license is valid till December 31, 2008.
14. Letter dated August 8, 1997 from Secretary of State, State of Louisiana approving an amended application granting of certificate of authority for changing name from "Receivable Services of America, LLC" to "Account Solutions Group, LLC".
15. Letter dated July 25, 2006 from the office of Secretary of State for Louisiana granting approval to ASG to act as a collection agency.
16. License No. DC0463 dated October 3, 2005 from Commissioner of Banks, Division of Banks and Loan agencies, The Commonwealth of Massachusetts to ASG of Bryant Woods South, Amherst, NY 14228 granting to engage in the business of Debt Collector. The license is valid till September 30, 2007.
17. License No. DC0463 from Commissioner of Banks, Division of Banks and Loan agencies, The Commonwealth of Massachusetts dated August 30, 2005 to ASG, with premises situated at Building No. 16, Newlink Road, Malad (W), Mumbai to engage in the business of debt collection. The license is valid till September 30, 2007.
18. License Registration Certificate No.1911 dated January 1, 2006 from Commissioner of Financial Regulation, State of Maryland to ASG authorising it to act a collection agency. The License is valid till August 18, 2007.
19. License Registration Certificate No. 4130 dated August 18, 2005 from Commissioner of Financial Regulation, State of Maryland to ASG with premises situated at 7th Floor, Interface, Building No. 16, Newlink Road, Malad (W), Mumbai authorising it to act as a collection agency. The License is valid till August 18, 2007.
20. License No. DCL 3355 dated July 31, 2006 from Director, Department of Professional and financial Regulation, State of Maine certifies to ASG of Bryant Woods South, Amherst, NY 14228-3609 to act as a licensed Debt Collector. The license is valid till July 31, 2008.
21. License No. DCB 7654 dated July 31, 2006 from Director, Department of Professional and Financial Regulation, State of Maine to ASG with premises located at 7th Floor, Interface, Building No. 16, Newlink Road, Malad (W), Mumbai to act as a licensed Debt Collector. The license is valid till July 31, 2008.
22. Permanent I.D.No. 2401001096 from Collection Practices Board, State of Michigan granting Collection Agency License to ASG of Bryant Woods South, Amherst, NY 14228. The license is valid till June 30, 2007.
23. License No. CA-20043766 dated June 27, 2006 from Commissioner of Commerce, Department of Commerce, State of Minnesota certifies that ASG of Bryant Woods South, Amherst, NY 14228-3609 is licensed to transact the business of Collection Agency. The license is valid till June 30, 2007.
24. Collection Agency Permit No. 4012 dated July 1, 2006 from Commissioner of Insurance granting the collection agency license to ASG of Bryant Woods South, Amherst, NY 14228. The License is valid till June 30, 2007.
25. Letter dated May 18, 2006 from Commissioner, Department of Financial Institutions, State of North Dakota renewing the Collection Agency license of ASG of Bryant Woods South, Amherst, NY 14228-3609 till June 30, 2007.
26. License No: 00856 dated July 24, 2006 from Director, Regulation and Licensing Department, Financial Institutions Division, State of New Mexico to Accounts Solutions Group, LLC to act as a Collection Agency. The license is valid till June 30, 2007.
27. Letter dated April 4, 2006 from Deputy Commissioner; Financial Institutions Division to ASG conditionally approving the setting up of a Collection Agency Branch License at 1175 Financial Boulevard, Reno, Nevada 89502.
28. Letter dated July 25, 2006 from Department of Taxation, State of Nevada allotting Taxpayer Identification number: 1003025870 and Business License number 237312 to ASG. The expiration date is June 30, 2007.
29. Certificate of Registration of Foreign Limited Liability Company dated August 1, 2005 from Secretary of State, State of Nevada certifies to ASG registering it to transact business in State of Nevada as a Limited Liability Company.
30. License No. 1021020 dated January 25, 2005 from Commissioner of Consumer Affairs, City of New York granting Debt Collection Agency license to ASG. The license is valid till January 31, 2007.
31. Registration no. CA48624 from Acting Administrator, State of Oregon to ASG of Bryant Woods South, Amherst, NY 14228 as a collection agency by the Division of Finance and Corporate Securities. The Registration is valid till November 30, 2007.

32. Certificate of Authorization of U.S. Foreign Limited Liability Company, dated May 22, 2006 from Secretary of State, Puerto Rico to ASG authorising it to do business in Puerto Rico.
33. Letter dated April 3, 2006 from Public Utility Commission of Texas grants permit no. 060330 to ASG to operate Automatic Dial Announcing Devices. The permit is valid till April 3, 2007.
34. Certificate of Registration (Collection Agency-Foreign) from Division Director dated November 18, 2006 to ASG issuing the registration number 2071041-0131. The certificate is valid till November 18, 2007.
35. Acknowledgement of Consumer Credit Notification from Supervisor of Consumer Credit and Compliance, State of Utah by ASG to conduct consumer credit activities in Utah. The notification is valid till January 31, 2007.
36. Business Registration Certificate from West Virginia, State Tax Department to ASG for the period July 1, 2005 to June 30, 2007.
37. Director Department of Licensing, State of Washington allotting Collection Agency Branch license to ASG with premises located at 7th Floor, Interface, Building No. 16, Newlink Road, Malad (W), Mumbai. The same is valid till November 30, 2007.
38. Director Department of Licensing, State of Washington allotting out of the state collection agency license to ASG of 205 Bryant Woods South, Amherst, NY 14228 3609. The same is valid till November 30, 2007.
39. Certificate from the Director Department of Licensing, State of Washington renewing the foreign limited liability company license of ASG of 520 Pike St, Seattle WA 98101. The same is valid till November 30, 2007.
40. License no. 313 dated July 1, 2006 from Administrator of Banking certifying that ASG has complied with the requirements of the Wisconsin Statutes and is licensed to engage in business as a Collection Agency. The license is valid till June 30, 2007.
41. License no. 318 dated November 8, 2006 from the Chairman and members of the board, State of Wyoming certifying that ASG has complied with the provisions of Wyoming Statutes and is licensed to continue in business as a Collection Agency. The license is valid till December 8, 2007.
42. Certificate for ID no. 00000338 from Department of Commerce and Insurance, State of Tennessee is for Collection Service Agency. The certificate is valid till December 31, 2007.
43. Certificate for ID no. 00000901 from Department of Commerce and Insurance, State of Tennessee is for Collection Service Location Manager Kimberly's Nestark. The certificate is valid till December 31, 2007.

Pending approvals

44. Approval CA-0906981 dated February 1, 2006 from Superintendent of Financial Institutions, Department of Financial Institutions, State of Arizona granting ASG the license to transact the business of a Collection Agency at 205 Bryant Woods South, Amherst, NY 14228-3609. The license is valid up to January 31, 2007 and we have applied for renewal of the approval.

Pipal Research Corporation

1. Certificate of Incorporation no. 0010625313 dated April 30, 2001 from Secretary of State, Illinois.
2. File Number 6160-246-1 dated March 18, 2004 from Secretary of State, Illinois is the certificate for compliance with all the provisions of the Business Corporation Act relating to the filing of annual reports and payment of franchise taxes and of good standing as a domestic corporation in the state of Illinois.

Firstsource Solutions U.S.A., Inc.

1. Authentication Number 5195552 dated November 14, 2006 from Secretary of State is the certificate of incorporation and good understanding under the laws of the state of Delaware.
2. Authentication Number 4937601 dated July 28, 2006 from Secretary of State Delaware certifies that certificate of amendment changing name from "CustomerAsset Inc." to "ICICI OneSource Limited" filed in the office of the Secretary of State is the true and correct copy.
3. Certificate of amendment of certificate of incorporation of ICICI OneSource Limited, U.S.A. to reflect the change of name to "Firstsource Solutions U.S.A., Inc." dated November 15, 2006 from the Secretary of State of Delaware.

Business Process Management, Inc.

1. Certificate issued by the Secretary of State for the State of Delaware and dated December 19, 2006 confirming that BPM is duly incorporated under the laws of the State of Delaware and is in good standing and has a legal corporate existence so far as the records of that office show.
2. Certificate of Good Standing issued by the Kansas Secretary of State bearing Certificate ID 57416 on December 19, 2006 pertaining to the business of BPM in its capacity as a "foreign for profit corporation" confirming that BPM has complied with the applicable provisions of the laws of the State of Kansas and on December 19, 2006 was in good standing and authorised to transact business or to conduct its affairs within that state.

Firstsource Solutions U.K. Limited

1. Certificate from the Registrar of Companies for England and Wales certifies the date of incorporation as a limited company on May 23, 2000.

FirstSource Solutions S.A., Argentina

1. Creation and Registry of the Company in Public Registry of Commerce .
2. Registration in AFIP and provincial tax authorities.
3. Notarised certificate dated November 30, 2006 from the Inspeccion General de Justicia of the Ministerio de Justicia y Derechos Humanos approving the change of name from "ICICI One Source S.A." to "FirstSource Solutions S.A.".

FirstRing Inc.

1. Authentication Number 5195552 dated November 9, 2006 from Secretary of State is the certificate of incorporation and good understanding under the laws of the state of Delaware.

Sherpa Business Solutions, Inc.

1. Certificate dated February 4, 2004 from Director, Bureau of Commercial Services, Michigan Department of Consumer and Industry Services is the certificate of termination of assumed name for Sherpa Business Solutions, Inc.
2. Certificate dated February 4, 2004 from Director, Bureau of Commercial Services, Michigan is the certificate of amendment to the name of the corporation from "RevIT Systems U.S.A., Inc." to "Sherpa Business Solutions, Inc.". The identification number assigned is 27195 C.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Fresh Issue has been authorised by resolutions of our Board dated October 27, 2006 and November 22, 2006, 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 November 22, 2006.

The Selling Shareholder by virtue of the Management Committee resolution dated January 16, 2007 and power of attorney granted in favour of the Company dated November 20, 2006 has appointed the Company to be the lawful attorney on their behalf to undertake the Offer for Sale of Equity Shares of the Selling Shareholder.

Prohibition by SEBI

Our Company, our Directors, our Promoters, our subsidiary, our group companies, associates of our group companies and other companies promoted by our Promoter and companies with which our Company's Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Prohibition by RBI

Our Company, our Directors, our Promoters, our Subsidiaries, our group companies, associates of our group companies and other companies promoted by our Promoter and companies with which our Company's Directors are associated, are currently not detained as wilful defaulters by RBI or any other governmental authorities.

Eligibility for the Issue

The Company is eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines:

- The Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetary assets;
- The Company has had a pre-Issue net worth of not less than Rs.10 million in each of the three preceding full years;
- The Company has had a track record of distributable profits as per Section 205 of Companies Act for at least three out of the immediately preceding five years;
- The proposed Issue size would not exceed five times the pre-Issue net worth as per the audited accounts for the year ended March 31, 2006;
- The Company has changed its name from "ICICI OneSource Limited" to "FirstSource Solutions Limited" in November 2006. The revenue accounted for by the activity suggested by the new name is not less than 50% of its total revenue in the preceding one full-year period.

The distributable profits as per Section 205 of the Companies Act and the net worth for the last five years as per Company's restated stand alone financial statements are as under:

(in Rupees million)

	For the year ended March 31,				
	2002	2003	2004	2005	2006
Distributable Profits ⁽¹⁾	NA ⁽⁵⁾	(135.53)	28.88	90.36	157.71
Net Worth ⁽²⁾	6.93	1,164.47	2,250.20	2,869.67	3,041.81
Net Tangible Assets ⁽³⁾	6.93	464.47	2,051.67	1,952.44	1,834.08
Monetary Assets ⁽⁴⁾	9.32	212.83	9.86	56.76	19.20
Monetary Assets as a % of Net Tangible Assets	134.5%	45.8%	0.0%	2.9%	1.0%

Note:

⁽¹⁾ Distributable profits have been defined in terms of section 205 of the Companies Act.

⁽²⁾ Net worth has been defined as the aggregate of equity share capital and reserves, excluding miscellaneous expenditures, if any.

⁽³⁾ *Net tangible assets means the sum of all net assets of the Company excluding intangible assets as defined in Accounting Standard 26 issued by the Institute of Chartered Accountants of India.*

⁽⁴⁾ *Monetary assets comprise cash and bank balances.*

⁽⁵⁾ *The company commenced operations during the financial year ended March 31, 2003. Accordingly, pre-operative expenses incurred during the year ended 31 March, 2002 were written off on commencement of commercial operations during the financial year ended March 31, 2003.*

Further, the Issue is subject to the fulfilment of the following conditions as required by the SCRR:

- A minimum 2,000,000 Equity Shares (excluding reservations, firm allotments and promoters contribution) are offered to the public;
- The Net Issue size, which is the Issue Price multiplied by the number of Equity Shares offered to the public, is a minimum of Rs. 1,000 million; and
- The Issue is made through the Book Building method with allocation of 60% of the Net Issue size to QIBs as specified by SEBI.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, our Company and the Selling Shareholder 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

AS REQUIRED, A COPY OF THE RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE 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 RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE 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 AND THE SELLING SHAREHOLDER ARE PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER COMPANY AND THE SELLING SHAREHOLDER DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE BOOK RUNNING LEAD MANAGERS HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED NOVEMBER 22, 2006 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 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 RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**
- (B) **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- (C) **THE DISCLOSURES MADE IN THE 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 RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND

WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

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 RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS.

The filing of the Red Herring Prospectus does not, however, absolve the Company and the Selling Shareholder 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 Managers and the Co-Book Running Lead Manager, any irregularities or lapses in the Red Herring Prospectus.

All legal requirements pertaining to the issue will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies, Maharashtra (Mumbai), in accordance with Section 56, Section 60 and Section 60B of the Companies Act.

Disclaimer from the Company, the Selling Shareholder, the BRLMs and the CBRLM

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Selling Shareholder 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 Issue, sell, pledge, or transfer the Equity Shares of the Company to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Selling Shareholder, 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.

Caution

Our Company, the Selling Shareholder, our Directors, the BRLMs and the CBRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our website, www.firstsource.com, would be doing so at his or her own risk.

The BRLMs and the CBRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into between the BRLMs, the CBRLM, the Selling Shareholder and us and the Underwriting Agreement to be entered into between the Underwriters our Company and the Selling Shareholder.

All information shall be made available by us the BRLMs and the CBRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centres or elsewhere.

Disclaimer Clause of Jurisdiction

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are majors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorised under their constitution to hold and invest in shares, Public financial institutions as specified in Section 4A of the Companies Act, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of

Rs. 250 million, and to permitted non-residents, FII's registered with SEBI and eligible NRIs provided that they are eligible under all applicable laws and regulations to hold Equity Shares of the Company. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to or purchase the 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 this Red Herring Prospectus has been submitted to SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Disclaimer Clause of BSE

As required, a copy of the Draft Red Herring Prospectus had been submitted to BSE. BSE has given vide its letter dated December 18, 2006 permission to our Company to use BSE's name in this document as one of the stock exchanges on which our Company's securities are proposed to be listed. BSE has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. The Exchange does not in any manner;-

- (i) warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; or
- (ii) warrant that our 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 our Company, its promoters, its management or any scheme or project of our Company;

and it should not for any reason be deemed or construed that this Red Herring Prospectus has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of our Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of the Draft Red Herring Prospectus had been submitted to NSE. NSE has given by its letter ref: NSE/LIST/35328-K dated December 15, 2006 permission to our Company to use NSE's name in this prospectus as one of the stock exchanges on which our Company's securities are proposed to be listed. NSE has scrutinized this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Company's securities will be

listed or will continue to be listed on the NSE nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of the Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Plot No. C4-A, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 021.

A copy of this Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC at the Office of the Registrar of Companies, Maharashtra (Mumbai) at Everest House, Marine Lines, 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 will be the Designated Stock Exchange with which the Basis of Allotment will 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 and the Selling Shareholder will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within 8 days after our Company and the Selling Shareholder become liable to repay it, i.e. from the date of refusal or within 15 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and the Selling Shareholder and every Director of the Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

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 finalising the Basis of Allotment for the Issue.

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to the Issue; and (b) Book Running Lead Managers and Co-Book Running Lead Manager to the Issue, and the Syndicate Member, Escrow Collection Bankers, Registrar to the Issue, Legal Counsel to Issuer and Legal Counsels to the Underwriters, to act in their respective capacities, have been obtained and will be filed along with a copy of the Red Herring Prospectus with the RoC, as required under Sections 60 and 60B of the Companies Act and such consents shall not be withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

BSR & Co, Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its shareholders in the form and context in which it appears in this Red Herring Prospectus and shall not withdraw such consent up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

BSR & Co, Chartered Accountants, have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report shall not be withdrawn such consent up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

Expert to the Issue

Other than as stated above we have not obtained any expert opinions.

Expenses of the Issue

The total expenses of the Issue are estimated to be approximately Rs. [●] million. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All issue related expenses will be paid by our company, except for the Lead management fee and underwriting commissions which would be shared by our Company and the Selling Shareholder.

The estimated Issue expenses are as under:

(Rs. In Million)			
Activity	Expenses *	Percentage of the Issue Expenses	Percentage of the Issue Size
Lead management fee and, underwriting commission	[●]	[●]	[●]
Advertising and Marketing expenses	[●]	[●]	[●]
Printing and stationery	[●]	[●]	[●]
Others (Registrar's fee, legal fee, listing fee, etc.)	[●]	[●]	[●]
TOTAL	[●]	[●]	[●]

**To be completed after finalising the Issue Price*

Fees Payable to the BRLMs, CBRLM and the Syndicate Member

The total fees payable to the Book Running Lead Managers, the Co Book Running Lead Manager and the Syndicate Member will be as per the letter of appointment dated January 18, 2007 with the BRLMs and the CBRLM, issued by our Company and the Selling Shareholder, a copy of which is available for inspection at our Registered Office.

Fees Payable to the Registrar to the Issue

The fees payable by our Company and the Selling Shareholder to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as the per the Memorandum of Understanding between our Company, the Selling Shareholder and the Registrar to the Issue dated January 17, 2007.

The Registrar to the Issue will be reimbursed for all out of pocket expenses including cost of stationery, postage, stamp duty, and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post/speed post/under certificate of posting.

Underwriting commission, brokerage and selling commission on Previous Issues

Since this is the initial public offer of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Previous Rights and Public Issues

Our Company has not made any previous rights and public issues in India or abroad in the five years preceding the date of this Red Herring Prospectus.

Previous issues of shares otherwise than for cash

Except as stated in the section titled "Capital Structure" on page 16 of this Red Herring Prospectus, our Company has not made any previous issues of shares for consideration otherwise than for cash.

Companies under the Same Management

ICICI Bank

Public Issue of equity shares (2004)

Public Issue of 108,928,571 equity shares of Rs.10/- each at a price of Rs. 280/- per equity share for cash aggregating Rs. 3,050 Crore (the "Issue") with a green shoe option of 16,071,429 equity shares of Rs.10/- each per equity share at a price of Rs. 280/- for cash aggregating Rs. 450 Crore.

Closing Date	April 7, 2004
Date of Allotment	April 21, 2004
Date of Refunds	April 22, 2004
Date of Listing on	BSE on April 21, 2004
Depository	NSE on April 22, 2004

Exercise of Green Shoe Option

Closing Date	N.A.
Date of Allotment	May 24, 2004
Date of Refunds	N.A.
Date of Listing on	BSE on May 25, 2004
Depository	NSE on May 26, 2004

Public Issue of Equity Shares (2005)

Public Issue of 97,155,388 equity shares of Rs. 10/- each at a price of Rs. 525/- per share for cash aggregating Rs. 5,000 crore (the "Issue") with a green shoe option of 14,285,714 equity shares of Rs.10/- each at a price of Rs. 525/- per share for cash aggregating Rs. 750 crore.

Closing Date	December 6, 2005
Date of Allotment	As per the table given below:

No. of shares allotted	Nature of payment	Issue Price per share (Rs.)	Date of allotment
66,275,828 to Qualified Institutional Bidders and Non-Institutional Bidders	Fully paid-up	525	December 16, 2005
12,988,820 to Existing Retail Shareholders and Retail Bidders	Fully paid-up	498.75 (After discount of 5% on the issue price of Rs.525 per share)	December 16, 2005
15,905,240 to Existing Retail Shareholders and Retail Bidders	Partly paid-up (Rs.150 per share paid on application and Rs.348.75 per share is payable on allotment)	498.75 (After discount of 5% on the issue price of Rs.525 per share)	December 16, 2005
14,285,714 (Green Shoe Option) Refer Note 2	Fully paid-up	525	December 16, 2005
1,511,494 to Qualified Institutional Bidders	Fully paid-up	525	December 20, 2005

Notes:

- 1) 1,450 shares at the rate of Rs. 498.75 per share have not been allotted as the applicants have been precluded by SEBI from applying in IPOs.
- 2) 14,285,714 shares have been allotted by exercising the Green Shoe Option. These shares were held by Life Insurance Corporation of India, who in their capacity as lender, has lent the shares to JM Morgan Stanley Private Limited, the Stabilising Agent in terms of the Green Shoe Option and the Stabilisation Agreement for allotment.

Date of Refunds	December 16, 2005
Date of Listing on Stock Exchanges	BSE-79,264,648 fully paid-up shares on December 19, 2005 & 1,511,494 fully paid-up shares on December 20, 2005 NSE- 79,264,648 fully paid-up shares on December 19, 2005 & 1,511,494 fully paid-up shares on December 20, 2005

Notes:

- a) BSE and NSE have granted in-principle approval for listing of 15,905,240 partly paid shares on December 16, 2005. However, these shares will be listed and available for trading on being fully paid-up.
- b) Approval for listing of 14,285,714 shares allotted by exercising the Green Shoe Option has not been sought from the stock exchanges as these shares have been allotted out of the shares, which were already listed and held by Life Insurance Corporation of India, who in their capacity as lender, has lent the shares to JM Morgan Stanley Private Limited, the Stabilising Agent in terms of the Green Shoe Option and the Stabilisation Agreement for allotment.

American Depositary Shares Issue (2005)

16,190,200 American Depositary Shares (ADSs), each representing two equity shares issued at US\$26.75 per ADS aggregating US\$433,087,850 with an over allotment option of 2,428,530 ADSs, each representing two equity shares issued at US\$26.75 per ADS aggregating US\$64,963,178

Closing Date	December 6, 2005
Date of Allotment	December 16, 2005
Date of Refunds	N.A.
Date of Listing on	The New York Stock Exchange (NYSE) on December 16, 2005
Depository	Deutsche Bank Trust Company Americas

Previous Bond Issues

August 2003 - September 9, 2003	October 9, 2003	November 3, 2003	Public Issue of Unsecured Redeemable Bonds in the nature of Debentures aggregating Rs. 3.00 billion with a right to retain oversubscription up to Rs. 3.00 billion	343	Tax Saving Bond Option I October 9, 2006 Option II February 9, 2007 Option III October 9, 2008 Option IV February 9, 2009 Regular Income Bond October 9, 2010	ICRA "LAAA" CARE "CARE AAA"
October, 2003	October 22, 2003	N.A.	4.75% Fixed Rate Notes	US\$300 million	October 22, 2008	Moody's: Baa3 S&P:BB
October 2003 - November 15, 2003	December 15, 2003	January 14, 2004	Public Issue of Unsecured Redeemable Bonds in the nature of Debentures aggregating Rs. 4.00 billion with a right to retain oversubscription up to Rs. 4.00 billion	486	Tax Saving Bond Option I December 15, 2006 Option II June 15, 2007 Option III December 15, 2008 Option IV June 15, 2009 Regular Income Bond December 15, 2010	ICRA "LAAA" CARE "CARE AAA"

December 2003 - January 6, 2004	February 5, 2004	March 13, 2004	Public Issue of Unsecured Redeemable Bonds in the nature of Debentures aggregating Rs. 1.00 billion with a right to retain oversubscription up to Rs. 1.00 billion	523	Tax Saving Bond Option I February 5, 2007 Option II August 5, 2007 Option III February 5, 2009 Option IV August 5, 2009	ICRA "LAAA" CARE "CARE AAA"
August 2004 - August, 2004	August 18, 2004	N.A.	5.00% Fixed Rate Notes	US\$300 million	August 18, 2009	Moody's : Baa3, S&P: BB+
January 2005 - February 9, 2005	March 11, 2005	April 7, 2005	Public Issue of Unsecured Redeemable Bonds in the nature of Debentures aggregating Rs. 6.00 billion with a right to retain oversubscription up to Rs. 6.00 billion	775	Tax Saving Bond Option I March 11, 2010 Option II March 11, 2010 Regular Income Bond Option I March 11, 2010 Option II March 11, 2012 Option III March 11, 2015 Children Growth Fund Option I March 11, 2012 Option II March 11, 2015	ICRA "LAAA" CARE "CARE AAA"
February 2005 - March 9, 2005	April 8, 2005	May 10, 2005	Public Issue of Unsecured Redeemable Bonds in the nature of Debentures aggregating Rs. 4.00 billion with a right to retain oversubscription up to Rs. 4.00 billion	529	Tax Saving Bond Option I April 8, 2010 Option II April 8, 2010 Regular Income Bond Option I April 8, 2010 Option II April 8, 2012 Option III April 8, 2015 Children Growth Fund Option I April 8, 2012 Option II April 8, 2015	ICRA "LAAA" CARE "CARE AAA"
March 2005 - March 31, 2005	April 30, 2005	May 27, 2005	Public Issue of Unsecured Redeemable Bonds in the nature of Debentures aggregating Rs. 3.50 billion with a right to retain oversubscription up to Rs. 3.50 billion	324	Tax Saving Bond Option I April 30, 2010 Option II April 30, 2010 Regular Income Bond Option I April 30, 2010 Option II April 30, 2012 Option III April 30, 2015 Children Growth Fund Option I April 30, 2012 Option II April 30, 2015	ICRA "LAAA" CARE "CARE AAA"

Promise v/s performance

This is the first public issue of the Company.

Promise v/s performance of our Group Companies

ICICI Bank

Public Issue:

ICICI Bank made a public issue in 2006 of 97,155,388 equity shares (excluding green shoe option) of Rs. 10 each, aggregating to Rs. 50,000 million.

Issue Open date	Issue Close date	Objects of the Issue	Actual Performance achieved
December 1, 2005	December 6, 2005	To augment its capital base to meet the capital requirements arising out of growth in its assets, primarily loan and investment portfolio due to the growth of the Indian economy, compliance with regulatory requirements and for other general corporate purposes including meeting the expenses of the Issue	The objectives of the issue have been met. The capital adequacy ratio increased from 11.5% as on September 30, 2005 to 14.5% as on December 31, 2005.

3i Infotech Limited

Public Issue:

3i Infotech Limited made a public issue in 2005 of 23 million equity shares of Rs. 10 each (including a greenshoe option), aggregating to Rs. 2,300 million.

Issue Open date	Issue Close date	Objects of the Issue	Actual Performance achieved
March 30, 2005	April 4, 2005	- Redemption of Preference Share Capital - Rs.1,500 million. - Repayment of Short-term loans and long-term loans - Rs. 938.71 million.	Fully utilised for the purpose mentioned in the Prospectus subject to a change as approved by the shareholders – Preference share capital was redeemed to the extent of Rs 1000 million and the difference amount of Rs 500 million was utilised to repay additional debt

Outstanding Debentures, Bond Issues, or Preference Shares

For more details in relation to the same, please refer to the section titled “Capital Structure” on page 16 of this Red Herring Prospectus.

We have no debentures outstanding.

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.

Information about Share Price of our Group Companies

The monthly high and low of the market price of the shares of our group companies on NSE for the last six months are as follows:

I. ICICI Bank

Monthly prices:	Closing price per share	
	High	Low
July 2006	553.85	467.75
August 2006	599.25	547.00
September 2006	708.80	596.75
October 2006	787.90	687.00
November 2006	887.35	767.65
December 2006	903.20	803.95
January 2007 (up to January 8, 2007)	910.10	890.50

II. 3i Infotech Limited

Monthly prices:	Closing price per share	
	High	Low
March 2006	187.50	171.45
April 2006	192.15	175.50
May 2006	212.45	163.20
June 2006	169.00	126.30
July 2006	152.75	136.35
August 2006	170.65	141.25
September 2006	175.60	162.25
October 2006	188.40	169.25
November 2006	189.25	177.05
December 2006	187.95	167.55
January 2007 (up to January 8, 2007)	225.05	211.7

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to the Issue, our Company and the Selling Shareholder will provide for retention of records with the Registrar to the Issue for a period of at least three years 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.

ICICI Bank redressal of investor grievance

The review and redressal of shareholders' and investors' complaints forms one of the functions of the Share Transfer & Shareholders'/Investors' Grievance Committee. The Committee comprises four directors and is chaired by Mr. M.K. Sharma, an independent director. There were 12 meetings of the Committee during fiscal 2006. Mr. Jyotin Mehta, General Manager & Company Secretary of ICICI Bank is the Compliance Officer.

3i Infotech Limited redressal of Investor grievances

The investor services activities are being handled in-house by 3i Infotech Limited as the company is a SEBI registered Registrar and Transfer Agent with resources to service the investors. The average time required by 3i Infotech Limited for redressal of routine investor grievances is estimated to be seven working days from the date of receipt of the complaint. In case of non-routine complaints and where external agencies are involved, the company strives to redress these complaints as expeditious as possible.

Disposal of Investor Grievances by the Company

Our Company, the Selling Shareholder or the Registrar to the Issue shall redress routine investor grievances within seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company and the Selling Shareholder will seek to redress these complaints as expeditiously as possible.

We have also appointed Ganapathy Sastri, Company Secretary of our Company as the Compliance Officer for this Issue and he may be contacted in case of any pre-Issue or post-Issue related problems, at the following address:

Company Secretary and Compliance Officer

Ganapathy Sastri
6th Floor, Peninsula Chambers,
Peninsula Corporate Park,
Ganpatrao Kadam Marg, Lower Parel,
Mumbai 400 013
Tel: (91 22) 6666 0888
Fax: (91 22) 6663 5481
Email: complianceofficer@firstsource.com

Change in Auditors

There has been no change in our Auditors in the past three years.

Capitalisation of Reserves or Profits

Our Company has not capitalised our reserves or profits during the last five years, except as stated in the section titled "Capital Structure" on page 16 of this Red Herring Prospectus.

Revaluation of Assets

We have not revalued our assets in the last five years.

Payment or benefit to officers of our Company

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation.

None of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of this Red Herring Prospectus and the Prospectus, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the Allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, the Government of India, Stock Exchanges, RoC, RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

The Issue has been authorised by resolutions of our Board dated October 27, 2006 and November 20, 2006, and by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at an extraordinary general meeting of the shareholders of our Company held on November 22, 2006.

The Management Committee of the Selling Shareholder by way of their resolution dated January 16, 2007 and power of attorney granted in favour of the company dated November 20, 2006 have authorised transfer of Equity Shares pursuant to the Offer for Sale.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank pari-passu with the existing Equity Shares of our Company including rights in respect of dividend. The Allottees in receipt of Allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of Allotment.

Mode of Payment of Dividend

We shall pay dividends to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price is Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreement executed with the Stock Exchanges, and our Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please refer to the section titled "Main Provisions of Our Articles of Association" on page 328 of this Red Herring Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the SEBI Guidelines, the trading of our Equity Shares shall only be in dematerialised form. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one Equity Share subject to a minimum Allotment of 100 Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Mumbai, Maharashtra, India.

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- To register himself or herself as the holder of the Equity Shares; or
- To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with our Company and the Selling Shareholder. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Fresh Issue, including devolvement of underwriters within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act.

If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith.

Further in terms of Clause 2.2.2A of the SEBI Guidelines, our Company and the Selling Shareholder shall ensure that the number of prospective allottees to whom Equity Shares will be Allotted will not be less than 1,000.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on transfer of shares

There are no restrictions on transfers and transmission of shares/debentures and on their consolidation/splitting except as provided in our Articles. See "Main Provisions of our Articles of Association" on page 311 of this Red Herring Prospectus.

ISSUE STRUCTURE

The present Issue of 69,300,000 Equity Shares comprising of a Net Issue of 68,100,000 Equity Shares and an Employee Reservation Portion of up to 1,200,000 Equity Shares, at a price of Rs. [●] for cash aggregating Rs. [●] million is being made through the Book Building Process. The Issue comprises a Fresh Issue of 60,000,000 Equity Shares and an Offer for Sale of 9,300,000 Equity Shares by SIF, aggregating Rs. [●] million.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Eligible Employees/ Employee Reservation Portion
Number of Equity Shares*	At least 40,860,000 Equity Shares	Up to 6,810,000 Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Up to 20,430,000 Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Up to 1,200,000 Equity Shares.
Percentage of Issue Size available for Allocation / 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 Net Issue or Net Issue less allocation to QIB and Retail Individual Bidders	Up to 30% of Net Issue or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.	Up to 10% of Issue or Issue less Net Issue
Basis of Allotment/ Allocation if respective category is oversubscribed	Proportionate as follows: (a) 2,043,000 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 38,817,000 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 that the Bid Amount exceeds Rs. 100,000.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000.	100 Equity Shares.	100 Equity Shares
Maximum Bid	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.	50,000 Equity Shares

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Eligible Employees/ Employee Reservation Portion
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid Lot	100 Equity Shares and multiples thereof	100 Equity Shares and multiples thereof	100 Equity Shares and multiples thereof	100 Equity Shares and multiples thereof
Allotment Lot	100 Equity Shares and in multiples of one thereafter	100 Equity Shares and in multiples of one thereafter	100 Equity Shares and in multiples of one thereafter	100 Equity Shares and in multiples of one thereafter
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, FIs, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.	Resident Indian individuals, Eligible NRIs, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Resident Indian individuals, Eligible NRIs and HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts	All or any of the following: (a) a permanent employee of the Company who is an Indian national and based, working and present in India as on the date of submission of the Bid cum Application Form.
Terms of Payment	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount applicable to Eligible Employees at the time of submission of Bid cum Application Form to the Syndicate Member.
Margin Amount	At least 10% of Bid Amount	Full Bid Amount on bidding	Full Bid Amount on bidding	Full Bid Amount on bidding

* Subject to valid Bids being received at or above the Issue Price. In accordance with Rule 19 (2) (b) of the 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 will be allocated on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. 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 will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in any category, including the Employee Reservation Portion, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company and the Selling Shareholder in consultation with the BRLMs the CBRLM and the Designated Stock Exchange.

****** 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.

Bidding/Issue Programme

BID/ISSUE OPENS ON : MONDAY, JANUARY 29, 2007

BID/ISSUE CLOSING ON : FRIDAY, FEBRUARY 2, 2007

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

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

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

ISSUE PROCEDURE

Book Building Procedure

In accordance with Rule 19 (2) (b) of the 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 will be allocated on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. 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 will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further, up to 1,200,000 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.

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be procured and submitted only through the BRLMs and the CBRLM or the Syndicate Member. In case of QIB Bidders, the Company and the Selling Shareholder in consultation with the BRLMs and the CBRLM may reject Bids at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees, our Company and the Selling Shareholder would have a right to reject the Bids only on technical grounds.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company and the Selling Shareholder 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
Eligible NRIs or FII's applying on a repatriation basis	Blue
Eligible Employees	Pink

Who can Bid?

- Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the equity shares;
- Mutual Funds registered with SEBI;
- Eligible NRIs on a repatriation basis or on a non repatriation basis subject to applicable laws. NRIs other than eligible NRIs are not eligible to participate in this issue;

- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations, as applicable);
- FIs registered with SEBI;
- Venture Capital Funds registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- As permitted by the applicable law, Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares; and
- Eligible Employees, as defined;
- FVCIs, multilateral and bilateral development financial institutions;
- As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

Note: The BRLMs and the CBRLM shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the Book Running Lead Managers and the Syndicate Member may subscribe to or purchase 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.

The information below is given for the benefit of the Bidders. The Company, the Selling Shareholder the BRLMs, and the CBRLM 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.

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 2,043,000 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids by NRIs

1. Bid cum application forms have been made available for NRIs at our registered /corporate office, members of the Syndicate of the Registrar to the Issue.
2. NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall

be considered for Allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

Bids by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e. 10% of 416,261,048 Equity Shares of Rs. 10 each). 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 and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as on this date, no such resolution has been recommended to the shareholders of the Company for adoption.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of “know your client” requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Bids by SEBI registered Venture Capital Funds

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds:

The SEBI (Venture Capital) Regulations, 1996 prescribe investment restrictions on venture capital funds registered with SEBI. Accordingly, whilst the holding by any individual venture capital fund registered with SEBI in one company should not exceed 25% of the corpus of the venture capital fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture Capital Investors can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer.

Maximum and Minimum Bid Size

(a) For Retail Individual Bidders: The Bid must be for a minimum of 100 Equity Shares and in multiples of 100 Equity Share thereafter, so as to ensure that the Bid Price payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Price does not exceed Rs. 100,000. In case the Bid Price is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) For Other Bidders (Non-Institutional Bidders and QIBs): The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 100 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin upon submission of Bid.**

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at ‘Cut-off’.

(c) For Employee Reservation Portion: The Bid must be for a minimum of 100 Equity Shares and in multiples of 100 Equity Shares thereafter. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options

not exceeding Rs.100,000 may bid at Cut-off Price. The Allotment in the Employee Reservation Portion will be on a proportionate basis. Maximum bid by an Employee under this category shall not exceed 50,000 Equity Shares.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Information for the Bidders:

- (a) The Company and the Selling Shareholder will file this Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.
- (b) The Company, the Selling Shareholder, the BRLMs and the CBRLM 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 three widely circulated newspapers (one each in English, Hindi and Marathi). 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 DIP guidelines, as amended by 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.
- (d) 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 and should approach any of the BRLMs, the CBRLM or the Syndicate Member or their authorised agent(s) to register their Bids.
- (e) The Members of the Syndicate shall accept Bids from the Bidder during the Issue Period in accordance with the terms of the Syndicate Agreement.
- (f) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.
- (g) The Bidding/Issue Period shall be for a minimum of three working days and not exceeding seven working days.
- (h) The Price Band has been fixed at Rs. 54 to Rs. 64 per Equity Share of Rs. 10 each, Rs. 54 being the Floor Price and Rs. 64 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re. 1 (One).
- (i) The Company and the Selling Shareholder, in consultation with the BRLMs and the CBRLM reserves the right to revise the Price Band, during the Bidding Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus.
- (j) 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 BSE and NSE, by issuing a public notice in three widely circulated newspapers (one each in English and Hindi) and one Marathi newspaper, and also by indicating the change on the websites of the BRLMs, the CBRLM and at the terminals of the Syndicate Member.
- (k) The Company and the Selling Shareholder, in consultation with the BRLMs, and the CBRLM can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

Method and Process of Bidding

- (a) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled “Bids at Different Price Levels” below) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/ Allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

- (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 paragraph titled "Bids at Different Price Levels and Revision of Bids" below.
- (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 under the paragraph titled "Terms of Payment and Payment into the Escrow Accounts" on page 296.

Bids at Different Price Levels and Revision of Bids

- (a) 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 and Eligible Employees applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB, Non-Institutional Bidders and Eligible Employees bidding in excess of Rs. 100,000 and such Bids shall be rejected.
- (b) Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion who bid at the Cut-Off Price agree that they shall purchase or subscribe the Equity Shares at any price within the Price Band. Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders and Eligible Employees bidding 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 and Eligible Employees bidding in the Employee Reservation Portion, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.
- (c) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees bidding in 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 and Eligible Employees bidding in the Employee Reservation Portion, if such Bidder wants to continue to bid at Cut-off Price), with the Member of the Syndicate with 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 and Eligible Employees bidding in the Employee Reservation Portion 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.
- (d) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.
- (e) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 100 Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.
- (f) 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.

- (g) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.
- (h) 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.
- (i) 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.
- (j) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (k) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for FIIs and pink colour for Bidders under Employee Reservation Portion).
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- (c) For Retail Individual Bidders, the Bid must be for a minimum of 100 Equity Shares and in multiples of 100 Equity Shares, thereafter subject to a maximum Bid Amount of Rs. 100,000.
- (d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Price exceeds or equal to Rs. 100,000 and in multiples of 100 Equity Shares thereafter. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (e) 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 100 Equity Shares thereafter that the Bid Price exceeds Rs. 100,000.
- (f) Bids by Non Residents, 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 NRIs) or their nominees.
- (g) For Eligible Employees bidding in the Employee Reservation Portion, the Bid must be for a minimum of 100 Equity Shares in multiple of thereafter subject to a maximum Bid of 50,000 Equity Shares.
- (h) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (i) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Eligible Employees

For the purpose of the Employee Reservation Portion, Eligible Employee means a permanent employee of the Company who is an Indian National and based, working and present in India as on the date of submission of the Bid cum Application Form.

Bids under Employee Reservation Portion by Eligible Employees shall be:

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour Form).
- Eligible Employees, as defined above, should mention the Employee Number at the relevant place in the Bid cum Application Form.
- The sole/ first Bidder shall be Eligible Employees as defined above.
- Only Eligible Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.
- 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.
- The Bids must be for a minimum of 100 Equity Shares and in multiples of 100 Equity Shares thereafter. The Allotment in the Employee Reservation Portion will be on a proportional basis.
- Eligible Employees who Bid for Equity Shares of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off Price. This facility is not available to other Eligible Employees whose Bid Amount in any of the bidding options exceeds Rs. 100,000.
- The maximum Bid under the Employee Reservation Portion by an Employee cannot exceed 50,000 Equity Shares.
- Bid/ Application by Eligible Employees can also be made in the "Net Issue" portion and such Bids shall not be treated as multiple Bids.
- If the aggregate demand in this category is less than or equal to 1,200,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue. 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.
- If the aggregate demand in this category is greater than 1,200,000 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, please see section titled "Basis of Allotment" on page 301 of this Red Herring Prospectus.
- This is not an issue for sale within the United States of any equity shares or any other security of the Company. Securities of the Company, including any offering of its equity shares, may not be offered or sold in the United States in the absence of registration under U.S. securities laws or unless exempt from registration under such laws.

Electronic Registration of Bids

- (a) The Members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.
- (b) The BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. The Syndicate Member can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLMs and the CBRLM on a regular basis.
- (c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.

- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
- Name of the investor.
 - Investor Category – Individual, Corporate, FII, NRI, Mutual Fund, Employee etc.
 - Numbers of Equity Shares bid for.
 - Bid price.
 - Bid cum Application Form number.
 - Whether Margin Amount has been paid upon submission of Bid cum Application Form.
 - Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/Allotment either by the members of the Syndicate or our Company and the Selling Shareholder.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) In case of QIB Bidders, Members of the Syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case on Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, Bids would not be rejected except on the technical grounds listed on page 299.
- (h) The permission given by BSE and NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, the Selling Shareholder and/or the BRLMs and the CBRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoter, our management or any scheme or project of our Company.
- (i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.
- (j) Only bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLMs and the CBRLM based on the physical records of Bid Application Forms shall be final and binding on all concerned.

GENERAL INSTRUCTIONS

Do's:

- (a) Check if you are eligible to apply;
- (b) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour) or the Employee Bid cum application Form (pink in colour) as the case may be;
- (c) Ensure that the details about Depository Participant and Beneficiary Account are correct as Allotment of Equity Shares will be in the dematerialised form only;
- (d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- (e) Ensure that you have been given a TRS for all your Bid options;
- (f) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

- (g) Where Bid(s) is/ are for Rs. 50,000/- or more, each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the IT Act. The copies of the PAN Card or PAN Allotment letter should be submitted with the Bid cum Application form. If you have mentioned "Applied for" or "Not Applicable", in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof;
- (h) Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects;
- (i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

- (a) Do not bid for lower than the minimum Bid size;
- (b) Do not bid/ revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- (c) Do not bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- (d) Do not pay the Bid Price in cash, by money order or by postal order or by stockinvest;
- (e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;
- (f) Do not bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders and Eligible Employees bidding in the Employee Reservation Portion for bid amount in excess of Rs. 100,000);
- (g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- (h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

Instructions for Completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bidder's Depository Account and Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds (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/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Registrar to the Issue nor the Escrow Collection Banks nor the Company nor the Selling Shareholder shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable.

The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company nor the Selling Shareholder, the Registrar to the Issue, Escrow Collection Bank(s) nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Company and the Selling Shareholder, in its absolute discretion, reserve 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/ 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 to the Issue 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 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 NRE Accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company and the Selling Shareholder will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

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

There is no reservation for Eligible NRIs and FIIs and 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 of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the

provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

Our Company and the Selling Shareholder in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company, the Selling Shareholder, the BRLMs and the CBRLM may deem fit.

PAYMENT INSTRUCTIONS

Escrow Mechanism

The Company, the Selling Shareholder and the Members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. Payments of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Company, the Selling Shareholder, 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 draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/Allotment as per the following terms:

1. Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees, shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The Margin Amount payable by each category of Bidders is mentioned under the section titled "Issue Structure" on page 283. 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.
2. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs and the CBRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
 - In case of QIB Bidders: "Escrow Account– FSL – QIB"
 - In case of Non Resident QIB Bidders: "Escrow Account–FSL-QIB-NR"
 - In case of Resident Bidders: "Escrow Account FSL"
 - In case of Non Resident Bidders: "Escrow Account FSL-NR"
 - In case of Eligible Employees: "Escrow Account FSL-Employee"

4. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.
5. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.
6. 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.
7. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.
8. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/ Money Orders/ Postal orders will not be accepted.
9. 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 Forms.
10. Incase 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.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. 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.

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 a 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 to the Issue will obtain, from the depositories, details of the applicant's 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 applications in 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 address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The applications with same name and same address will be treated as multiple applications.
5. The applications will be scrutinised for DP ID and Beneficiary Account Numbers. In case 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 the multiple master will be taken and the applications physically verified to tally signatures as 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 and the Selling Shareholder reserve the right to reject, at their absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number or PAN

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving 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 61, as the case may be.**

UNIQUE IDENTIFICATION NUMBER - MAPIN

Unique Identification Number ("UIN")

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.100,000 to Rs.500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs.500,000 and option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

GROUND FOR REJECTIONS

In case of QIB Bidders, the Company and the Selling Shareholder in consultation with the BRLMs and the CBRLM, may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, and Retail Individual Bidders who bid and bids by Eligible Employees bidding in the Employee Reservation Portion, our Company and the Selling Shareholder have a right to reject Bids based on technical grounds.

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
- Age of First Bidder not given;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- PAN photocopy/PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut Off Price by Non-Institutional and QIB Bidders and Bidders in the Employee Reservation Portion bidding in excess of Rs. 100,000.
- Bids for number of Equity Shares which are not in multiples of 100;
- Category not ticked;
- Multiple Bids (see the section titled "Multiple Bids" on page 297 of this Red Herring Prospectus);
- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Signature of sole and / or joint Bidders missing;
- Bid cum Application Forms does not have the stamp of the BRLMs, the CBRLM or the Syndicate Member;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;

- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's account number;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids in respect where the Bid cum Application form do not reach the Registrar to the Issue prior to the finalisation of the Basis of Allotment;
- Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
- Bids by international QIB's not submitted through the BRLMs and the CBRLM or their affiliates;
- Bids by QIBs not submitted through members of the Syndicate;
- Bids by U.S. persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the Securities Act or other than in reliance of Regulation S under the Securities Act;
- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws; and
- Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.

Price Discovery and Allocation

- (a) After the Bid/Issue Closing Date, the BRLMs and the CBRLM will analyse the demand generated at various price levels.
- (b) The Company and the Selling Shareholder in consultation with the BRLMs and the CBRLM shall finalise the "Issue Price".
- (c) The allocation to QIBs will be at least 60% of the Net Issue and allocation to Non-Institutional and Retail Individual Bidders will be up to 10% and 30% of the Net Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and the Red Herring Prospectus, in consultation with the 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 discretion of our Company and the Selling Shareholder in consultation with the BRLMs and the CBRLM.. However, if the aggregate demand by Mutual Funds is less than 2,043,000 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 and the Selling Shareholder, in consultation with the BRLMs, the CBRLM and the Designated Stock Exchange.
- (e) Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the Company, the Selling Shareholder, the BRLMs and the CBRLM. 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.

Signing of Underwriting Agreement and RoC Filing

- (a) The Company, the Selling Shareholder, the BRLMs, the CBRLM and the Syndicate Member shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s)/ Allotment to the Bidders.
- (b) After signing the Underwriting Agreement, the Company and the Selling Shareholder 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.
- (c) The Company and the Selling Shareholder will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.
- (d) The Company and the Selling Shareholder will issue a statutory advertisement after the filing of the Prospectus with the RoC in three widely circulated newspapers (one each in English, Hindi and Marathi). 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, the CBRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the Basis of Allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders and Bids from Eligible Employees bidding in the Employee Reservation Portion. However, investors should note that the Company and the Selling Shareholder shall ensure that the date of Allotment of the Equity Shares to all investors in this Issue shall be done on the same date.
- (b) The BRLMs, the CBRLM or members of the Syndicate would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (c) Bidders who have been allocated/allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the Allotment to such Bidder.
- (d) The Issuance of CAN is 'Subject to "Allotment Reconciliation and Revised CANs"' as set forth herein.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar to the Issue on the basis of Bid Applications received. Based on the electronic book, QIBs will be sent a CAN on or prior to February 6, 2007, 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 physical book prepared by the Registrar to the Issue. 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, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. It is not necessary that a revised CAN will be sent. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased Allotment of Equity Shares. 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) The Company and the Selling Shareholder will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, the Company and the Selling Shareholder would ensure the credit to the successful Bidders depository account. Allotment of the Equity Shares to the allottees shall be within two working days of the date of Allotment.
- (b) In accordance with the SEBI Guidelines, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/allotted to them pursuant to this Issue.

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.

- The Net Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 20,430,000 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than 20,430,000 Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis subject to a minimum of 100 Equity Shares. For the method of proportionate basis of Allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 6,810,000 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 6,810,000 Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis subject to a minimum of 100 Equity Shares. For the method of proportionate basis of Allotment refer below.

C. For Employee Reservation Portion

- a. The Bid must be for a minimum of 100 Equity Shares and in multiples of 100 Equity Shares thereafter. The Allotment in the Employee Reservation Portion will be on a proportionate basis. Bidders under the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid-at Cut off Price.
- b. 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.
- c. If the aggregate demand in this category is less than or equal to 1,200,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- d. If the aggregate demand in this category is greater than 1,200,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis subject to a minimum of 100 Equity Shares and in multiple of 1 Equity Share thereafter. For the method of proportionate basis of allocation, refer below.
- e. Only Eligible Employees are eligible to apply under Employee Reservation Portion.
- f. The maximum Bid an Eligible Employee can make for the Employee Reservation Portion is 50,000 Equity Shares.

D. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for Allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
 - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
 - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
 - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid bids received above the Issue Price.
 - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below;

(b) In the second instance Allotment to all QIBs shall be determined as follows:

- (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
- (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
- (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

- The aggregate Allotment to QIB Bidders shall not be less than 40,860,000 Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue Details

Sr. No.	Particulars	Issue details
1	Issue size	200 million equity shares
2	Allocation to QIB (60%)	120 million equity shares
	Of which:	
	a. Allocation to MF (5%)	6 million equity shares
	b. Balance for all QIBs including MFs	114 million equity shares
3	No. of QIB applicants	10
4	No. of shares applied for	500 million equity shares

B. Details of QIB Bids

S.No.	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	Total	500

A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/ Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 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
	500	6	114	51.64

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled "Issue Structure" beginning on page 283.
2. Out of 120 million Equity Shares allocated to QIBs, 6 million (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 200 shares in QIB category.
3. The balance 114 million Equity Shares (i.e. 120 - 6 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 Equity Shares (including 5 MF applicants who applied for 200 Equity Shares).
4. The figures in the fourth column titled "Allocation of balance 114 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:
 - For QIBs other than Mutual Funds (A1 to A5) = No. of shares bid for (i.e. in column II) X 114 / 494
 - 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 114/494
5. The numerator and denominator for arriving at allocation of 114 million 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.

Method of Proportionate Basis of Allotment in the Issue

In the event of the Issue being over-subscribed, the Company and the Selling Shareholder 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, the CBRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalised in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

- a) Bidders will be categorised according to the number of Equity Shares applied for.
- b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- d) In all Bids where the proportionate Allotment is less than 100 Equity Shares per Bidder, the Allotment shall be made as follows:
 - 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; and
 - Each successful Bidder shall be allotted a minimum of 100 Equity Shares.
- e) If the proportionate Allotment to a Bidder is a number that is more than 100 but is not a multiple of 1 (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 arrived at after such rounding off.
- f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

PAYMENT OF REFUND

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Selling Shareholder, the Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs and the CBRLM shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following fifteen 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 to the Issue from the depository participants.

2. 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 and the Selling Shareholder.
3. RTGS – Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company and the Selling Shareholder. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
4. 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.
5. 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.

Letters of Allotment or Refund Orders

The Company and the Selling Shareholder shall give credit to the beneficiary account with depository participants within two working days from the date of the finalising the basis of allocations. Applicants residing at fifteen centres where clearing houses are managed by the RBI, will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. Our Company and the Selling Shareholder shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within fifteen days of closure of Bid / Issue.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, our Company and the Selling Shareholder further undertake that:

- Allotment of Equity Shares will be made only in dematerialised form within 15 days from the Bid/Issue Closing Date; and
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if Allotment/ transfer is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

The Company and the Selling Shareholder will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by our Company and the Selling Shareholder, as Escrow Collection Bank(s) and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY

The Company and the Selling Shareholder shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two working days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company and the Selling Shareholder 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 seven working days of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, our Company and the Selling Shareholder 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 or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
- The Company and the Selling Shareholder 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.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

- (a) makes 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,**
- (c) shall be punishable with imprisonment for a term which may extend to five years."**

UNDERTAKINGS

Our Company undertakes the following:

- That the complaints received in respect of this Issue shall be attended to by our Company and the Selling Shareholder 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 funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.
- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- That the certificates of the securities/ refund orders to the non-resident Indians shall be despatched within specified time; 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.

The Selling Shareholder undertakes that:

- The Equity Shares being sold pursuant to the offer to the public, have been held by us for a period of more than one year and the Equity Shares are free and clear of any liens or encumbrances, and shall be transferred to the eligible investors within the specified time;
- The funds required for despatch of refund orders or Allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by the Company;
- That the complaints received in respect of this Issue shall be attended to by the Selling Shareholder expeditiously and satisfactorily. The Selling Shareholder has authorised the Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors; and
- That the refund orders or Allotment advice to the successful Bidders shall be despatched within specified time.

The Company and the Selling Shareholder shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Utilisation of Issue proceeds

Our Board of Directors certify that:

- All monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- Details of all monies utilised out of Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- Details of all monies utilised out of the funds received from Employee Reservation Portion shall be disclosed under an appropriate head in the balance sheet of the Company, indicating the purpose for which such monies have been utilised;
- Details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;
- Details of all unutilised monies out of the funds received from the Employee Reservation Portion shall be disclosed under a separate head in the balance sheet of the Company, indicating the form in which such unutilised monies have been kept;
- Our Company shall comply with the requirements of Clause 49 of the Listing Agreement in relation to the disclosure and monitoring of the utilisation of the proceeds of the Issue.

Withdrawal of the Issue

The Company and the Selling Shareholder in consultation with the BRLMs, and the CBRLM reserves the right not to proceed with the Issue at anytime including after the Bid/Issue Opening Date without assigning any reason thereof. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing date.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a dematerialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

- a) Agreement dated September 6, 2002 with NSDL, the Company and the Registrar to the Company.
- b) Agreement dated January 11, 2007 with CDSL, the Company and the Registrar to the Company.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.
- c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.
- e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
- g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- h) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

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

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, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment in the IT/ ITES sector is permitted up to 100% the automatic route.

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.

Transfers of equity shares previously required the prior approval of the FIPB. However, vide a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the foreign direct investment (FDI) Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of Firstsource Solutions Limited are set forth below. Please note that each provision in this section is numbered as per the corresponding article number in the Articles and capitalised terms have the meaning ascribed to them in the Articles.

Capital

Power to increase or reduce capital

Article 6 provides that:

“subject to the provisions of these Articles, the Company has power from time to time to increase or reduce its capital and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, cumulative, convertible, guarantee, deferred, qualified or other special rights, privileges, conditions or restrictions, as may be determined by or in accordance with these presents and to vary, modify or abrogate any such right, privileges or conditions or restrictions in such manner as may for the time being be permitted by these presents or the legislative provisions for time being in force in that behalf.”

Power to issue Redeemable Preference Shares

Article 7 provides that:

“subject to the provisions of Section 80(1) of the Act and these Articles, the Company shall have the power to issue preference shares, in one or more series, which are, or at the option of the Company are to be, liable to be redeemed and subject to Articles 8, 9, 9A, 9B and 9C below;

- (a) no such preference shares shall be redeemed except out of profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of shares made for the purposes of the redemption;
- (b) no such preference shares shall be redeemed unless they are fully paid;
- (c) the premium, if any, payable on redemption must have been provided for out of the profits of the Company or the Company's Share Premium Account before the shares are redeemed; and
- (d) where any such preference shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, called the “Capital Redemption Reserve Account”, a sum equal to the nominal amount of the shares Account redeemed and the provisions of the Act relating to the reduction of the share capital of the Company shall, apply as if the Capital Redemption Reserve Account were paid-up share capital of the Company.”

Redemption and Conversion

Redemption at the end of tenure of the Preference Shares

Article 8 provides that:

“The Series ‘B’ POCPS are redeemable by the Company on July 29, 2008 and the Series ‘C’ POCPS are redeemable by the Company on August 16, 2009 (each the “POCPS Redemption Date”). The Series ‘B’ POCPS are redeemable at the sum of the Series ‘B’ POCPS Subscription Price and any accrued and unpaid dividends thereon minus the value of any amounts paid out to WestBridge under the indemnity provided in Clause 13 of the WestBridge Subscription Agreement (the “Adjusted Series ‘B’ Subscription Money”).

- (a) The amounts payable by the Company upon redemption of the Series ‘C’ POCPS pursuant only to this Article 8 are as follows:
 - (i) the Series ‘C’ POCPS subscribed by WestBridge are redeemable at the sum of the WestBridge Subscription Amount and any accrued and unpaid dividends thereon minus the value of any amounts paid out to WestBridge under the indemnity provided in Clause 11 of the Subscription Agreement.
 - (ii) The Series ‘C’ POCPS subscribed by the Aranda are redeemable at the sum of the Aranda Subscription Amount and

any accrued and unpaid dividends thereon minus the value of any amounts paid out to the Aranda under the indemnity provided in Clause 11 of the Subscription Agreement.

- (b) The Series 'D' POCPS are redeemable by the company at the end of 5 years from the date of closing ("Series 'D' POCPS Redemption Date") pursuant only to these Articles.
- (c) The Series 'D' POCPS subscribed by WestBridge are redeemable at the sum of the WestBridge Subscription Amount and any accrued and unpaid dividends thereon minus the value of any amounts paid out to WestBridge under the indemnity provided in Clause 11 of the Series 'D' Subscription Agreement;
- (d) The Series 'D' POCPS subscribed by Aranda are redeemable at the sum of the Aranda Subscription Amount and any accrued and unpaid dividends thereon minus the value of any amounts paid out to Aranda under the indemnity provided in Clause 11 of the Series 'D' Subscription Agreement; and
- (e) The Series 'D' POCPS are redeemable at the sum of the Metavante Subscription amount and any accrued and unpaid dividends thereon minus the value of any amounts paid out to Metavante under the indemnity provided in Clause 11 of the Metavante Subscription Agreement."

Early redemption at the option of the holders

Article 9 provides that:

"WestBridge shall have an option prior to the respective POCPS Redemption Date, to require the Company to redeem, all or part of the Series 'B' POCPS and Series 'C' POCPS held by them in the Company, in accordance with the terms of this Articles. Aranda shall have an option prior to the respective POCPS Redemption Date, to require the Company to redeem, all or part of the Series 'C' POCPS held by them in the Company, in accordance with the terms of this Articles.

- (a) The right of redemption pursuant to this Article 9 is exercisable by Aranda upon, and following, the occurrence of any material breach by the Company of any covenant or obligation in relation to Aranda set forth herein, which breach affects any rights of Aranda pursuant to this Articles and which has not been cured for a period of thirty (30) Business Days from the date of receipt of notice of such breach by the Company from Aranda, as the case may be.
- (b) The right of redemption pursuant to this Article 9 is exercisable by WestBridge upon, and following, the occurrence of any material breach by the Company of any covenant or obligation in relation to WestBridge set forth herein, which breach affects any rights of WestBridge pursuant to these Articles and which has not been cured for a period of thirty (30) Business Days from the date of receipt of notice of such breach by the Company from WestBridge, as the case may be.
- (c) Each of Metavante, Aranda and WestBridge shall have an option prior to the Series 'D' POCPS Redemption Date, to require the Company to redeem, all or part of the Series 'D' POCPS held by them in the Company, in accordance with these Articles.
- (d) The right of redemption pursuant to this Article 9 is exercisable by each of Aranda, Metavante and WestBridge upon, and following, the occurrence of any material breach by the Company of any covenant or obligation in relation to each of them set forth herein, which breach affects any rights of Aranda, Metavante and WestBridge (singly or jointly) pursuant to these Articles and which has not been cured for a period of thirty (30) Business Days from the date of receipt of notice of such breach by the Company from Aranda, Metavante and WestBridge, as the case may be.
- (e) **Redemption Price**
 - (i) Subject to applicable law, Series 'B' POCPS shall be redeemed pursuant to this Article 9, for cash in Indian Rupee Equivalent for a price which is the higher of (a) the Adjusted Series 'B' Subscription Money or (b) Fair Value minus the value of any amounts paid out to WestBridge under the indemnity provided in Clause 13 of the WestBridge Subscription Agreement (the "Series 'B' Redemption Price").
 - (ii) Subject to applicable law, the Series 'C' POCPS shall be redeemed pursuant to Article 9 of the Articles is exercisable by Aranda upon, and following, the occurrence of any material breach by the company of any covenant or obligation in relation to Aranda set forth herein, which breach affects any rights of Aranda pursuant to these Articles, and which has not been cured for a period of 30 business days from the date of receipt of notice of such breach by the company from Aranda.
 - (iii) The right of redemption pursuant to Article 9 is exercisable by WestBridge upon the following occurrence of any material breach by the company of any covenant or obligation in relation to WestBridge set forth herein, which breach

effects any rights of WestBridge pursuant to this agreement and which has not been cured for a period of 30 business days from the date of receipt of notice of such breach by the company from WestBridge.

- (iv) Subject to applicable Law, the Series 'D' POCPS shall be redeemed pursuant to this Article 9, for cash in Indian Rupee. The price payable to Metavante shall be equivalent to an amount which is the higher of (a) the Series 'D' Metavante Subscription Money minus the value of any amounts paid out to Metavante under the indemnity provided in Clause 11 of the Metavante Subscription Agreement; or (b) the Fair Value minus the value of any amounts paid out to Metavante under the indemnity provided in Clause 11 of the Metavante Subscription Agreement.
- (v) Subject to applicable Law, the Series 'D' POCPS shall be redeemed pursuant to this Article 9, for cash in Indian Rupee. The price payable to Aranda shall be equivalent to an amount which is the higher of (a) the Series 'D' Aranda Subscription Money; or (b) the Fair Value minus the value of any amounts paid out to Aranda under the indemnity provided in Clause 11 of the Series 'D' Subscription Agreement.
- (vi) Subject to applicable Law, the Series 'D' POCPS shall be redeemed pursuant to this Article 9, for cash in Indian Rupee. The price payable to WestBridge shall be equivalent to an amount which is the higher of (a) the Series 'D' WestBridge Subscription Money; or (b) the Fair Value minus the value of any amounts paid out to WestBridge under the indemnity provided in Clause 11 of the Series 'D' Subscription Agreement.
- (f) The Company shall do all such acts and things, as shall be required, including but not limited to, the procurement of all Consents to ensure the payment of the amounts payable to each of Metavante, Aranda and WestBridge upon redemption pursuant to foregoing provisions of this Article 9. The parties agree and undertake to co-operate with the Company for procuring the necessary approvals to the extent such co-operation of such parties is necessary for the procurement of the necessary approvals and Consents. Provided however, the Consents which are required to be procured by any Shareholder pursuant to the laws governing such Shareholder (other than the Consents required under Indian law in the case of Metavante, WestBridge and Aranda) shall be procured by such Shareholder".

Conversion of the Preference Shares at the option of Aranda and WestBridge.

Article 9A provides that:

- (a) "Conversion at the Option of Aranda and WestBridge

Each of Aranda and WestBridge shall be entitled to, at its option (exercisable at its sole discretion) to require the Company to convert all or any part of the POCPS held by such Preference Shareholder into Equity Shares, at any time, in accordance with the terms and conditions of the Subscription Agreement and these Articles.

- (b) Manner of Conversion

For the purpose of conversion of the POCPS, the Aranda or WestBridge, as the case may be, shall give a notice of conversion ("Notice of Conversion") to the Company and upon receipt of such notice, the Company shall take all necessary corporate actions and subject to the applicable Law issue such number of Equity Shares as per the applicable Conversion Ratio and shall take following actions and submit the following documents to Aranda or WestBridge evidencing their holding of Equity Shares within ten (10) Business Days from the Notice of Conversion:

- (i) Credit the Equity Shares to the designated DEMAT Account(s) of the Subscriber, as specified in Schedule 6. 2.1 (a) and 6.2.1 (b) to the Subscription Agreement, as the case may be.
- (i) Submit to Aranda or WestBridge, as the case may be, a certified copy of Form No. 2 of the Companies (Central Government's) General Rules and Forms, 1956 duly filed with the Registrar of Companies along with the receipt for such form.

For the avoidance of doubt, it is hereby clarified that the adjustment of Conversion Ratio shall not trigger any mandatory conversion of POCPS under these Articles, the Subscription Agreement or in any other agreements and the conversion of the POCPS held by each Subscriber shall be solely at the option of Aranda and/or WestBridge, as the case may be.

- (c) Compulsory Conversion of the POCPS

Notwithstanding anything contained in these Articles or any other agreements, in the event of an IPO, each Preference Shareholder shall convert the entire POCPS held by such Preference Shareholder in accordance with the Conversion Ratio,

into the Equity Shares of the Company upon the closing of the IPO (unless advised by the merchant bankers to the issue pursuant to applicable laws, rules, regulations or guidelines to be so converted during the IPO process).

Conversion of Preference Shares at the option of Metavante

Article 9B provides that:

- (a) "Metavante shall be entitled to, at its option (exercisable at its sole discretion) to require the Company to convert all or any part of the Series "D" POCPS held by Metavante into Equity Shares, at any time, in accordance with the terms and conditions of this Agreement and the Metavante Subscription Agreement.
- (b) Manner of Conversion

For the purpose of conversion of the Series 'D' POCPS, Metavante shall give a notice of conversion ("Notice of Conversion") to the Company and upon receipt of such notice, the Company shall take all necessary corporate actions and subject to the applicable Law issue such number of Equity Shares as per the applicable Conversion Ratio and shall take following actions and submit the following documents to Metavante evidencing their holding of Equity Shares within ten (10) Business Days from the Notice of Conversion:

- (i) Credit the Equity Shares to the designated DEMAT Account of Metavante, in the manner contemplated under the Series 'D' Subscription Agreement.
- (ii) Submit to Metavante a certified copy of Form No. 2 of the Companies (Central Government's) General Rules and Forms 1956 duly filed with the Registrar of Companies along with the receipt for such form.

The adjustment of Conversion Ratio shall not trigger any mandatory conversion of Series 'D' POCPS and the conversion of the Series 'D' POCPS held by Metavante shall be solely at its option.

- (c) Compulsory Conversion of the Series 'D' POCPS

Notwithstanding anything contained herein or any other agreements, in the event of an IPO (Qualified or otherwise in accordance with the terms of the Articles), Metavante shall convert the entire Series 'D' POCPS held by it in accordance with the Conversion Ratio, into the Equity Shares of the Company upon the closing of the IPO (unless advised by the merchant bankers to the issue pursuant to applicable laws, rules, regulations or guidelines to be so converted during the IPO process).

Conversion Ratio for the Series 'B' POCPS, the Series 'C' POCPS and Series 'D' POCPS

Article 9C provides that:

- (a) Series 'B' POCPS – It is hereby agreed by WestBridge and the Company that notwithstanding anything in Clause 10 of the WestBridge Subscription Agreement dated July 30, 2003 entered into between the Company and WestBridge, the conversion ratio for determining the conversion of the Series 'B' POCPS into Equity Shares of the Company is (subject to the anti-dilution provisions set out in these Articles) 0.56. It is clarified that each Series 'B' POCPS is convertible into 0.56 Equity Share of the Company. WestBridge and the Company hereby agree and undertake that Clauses 10.1, 10.2, 10.3 and 10.5 of the WestBridge Subscription Agreement are hereby deleted and shall cease to be applicable, on and from August 17, 2004.
- (b) Series 'C' POCPS – The conversion ratio in relation to the Series 'C' POCPS (subject to the anti-dilution provisions set out in this Agreement) shall be set out in the Subscription Agreement, with respect to Aranda and WestBridge.
- (c) Series 'D' POCPS – The conversion ratio in relation to the Series 'D' POCPS (subject to the anti-dilution provisions set out in this Agreement) shall be set out in the: (i) Metavante Subscription Agreement, with respect to Metavante; and (ii) Series 'D' Subscription Agreement, with respect to Aranda and WestBridge."

Payments on Winding Up

Payments upon Winding Up

Article 10 provides that:

- (a) "In the event of winding-up of the Company, the surplus assets available for distribution after creditors have been satisfied, if any, shall be first distributed amongst the holders of Preference Shares of the Company on a *pari-passu* basis. The amount distributable to WestBridge in relation to the Series 'B' POCPS would be subject to a cap, which is the lower of (i)

the actual amounts available for distribution to the shareholders upon such liquidation; and (ii) the Adjusted Series 'B' Subscription Money.

- (b) Subject to applicable Law, the amount distributable to (a) WestBridge in relation to the Series 'C' POCPS would be subject to a cap which is the lower of: (i) the actual amounts available for distribution to the shareholders upon such liquidation; and (ii) the Series 'C' WestBridge Subscription Money; (b) Aranda in relation to the Series 'C' POCPS would be subject to a cap which is the lower of (i) the actual amounts available for distribution to the shareholders upon such liquidation; and (ii) the Series 'C' Aranda Subscription Money. Subject to applicable Law the amount distributable to: (a) Metavante in relation to the Series 'D' POCPS would be subject to a cap which is the lower of (i) the actual amounts available for distribution to the shareholders upon such liquidation; and (ii) the Series 'D' Metavante Subscription Money; (b) Aranda in relation to the Series 'D' POCPS would be subject to a cap which is the lower of (i) the actual amounts available for distribution to the shareholders upon such liquidation; and (ii) the Series 'D' Aranda Subscription Money; and (c) WestBridge in relation to the Series 'D' POCPS would be subject to a cap which is the lower of (i) the actual amounts available for distribution to the shareholders upon such liquidation; and (ii) the Series 'D' WestBridge Subscription Money. If the surplus assets available for distribution to the holders of Preference Shares as per this Clause are insufficient to pay the amounts as set out herein above, then the available assets shall be distributed amongst each class of Preference Shares and amongst the holders of such class of the Preference Shares on a pro rata basis in proportion to the extent of their respective holdings in the aggregate preference share capital of the Company.
- (c) After the distribution to the holders of the Preference Shares in accordance with sub-article (a) and (b) in this Article 10, the surplus assets available for distribution shall be distributed amongst the holders of Equity Shares of the Company on a *pari-passu* basis. The amount distributable to each Equity Shareholders in relation to the Equity Shares held by them will be subject to a cap of an amount equivalent to the subscription money paid by such Shareholder for the subscription to the Equity Shares, or if the Equity Shares have been issued upon conversion of the Preference Shares held by such Shareholder, then the amount equivalent to the subscription money paid by such Shareholder for the subscription to such Preference Shares. If the surplus assets available for distribution to the holders of Equity Shares as per this sub-article (c) are insufficient to pay the amounts as set out herein above, then the available assets shall be distributed amongst the holders of the Equity Shares on a pro rata basis in proportion to the extent of their respective holdings in the aggregate equity share capital of the Company.
- (d) After the distribution to the holders of the Equity Shares in accordance with sub-article (c) herein above, the holders of the Preference Shares will be entitled to participate in surplus assets of the Company (if any) available for distribution along with the equity shareholders."

Register of Members

Preferential issue of shares by General Meeting

Article 22 provides that:

"Subject to Article 23 and the rights of Aranda, WestBridge, Metavante and the Prior Shareholders pursuant to the terms of these Articles, the Company in General Meeting may, subject to the provisions of Section 81(1A) of the Act and these Articles, determine that any shares (whether forming part of the original capital or of any increased capital of the Company) shall be offered to such persons (whether Members or holders of debentures of the Company or not) in such proportion and on such terms and conditions and either at a premium or at par or at a discount (subject to compliance with the provisions of Section 79 of the Act, these Articles and the anti dilution principles as set out in these Articles), as such General Meeting may determine and with full power to give to any person (whether a Member or holder of debentures of the Company or not) the option to call for or be allotted shares of any class of the Company either at par or at a premium or subject as aforesaid at discount, such option being exercisable at such time and for such consideration as may be directed by such General Meeting or the Company in General Meeting may, subject to the provisions of Section 81(1A) of the Act, make any other provisions whatsoever for the issue, allotment or disposal of any shares."

Pre-emptive rights

Article 23 provides that:

- (a) "Subject to the anti dilution principles as set out in Articles 61, 62, 62A and 63, the Company shall give to each of Aranda,

WestBridge, Metavante and the Prior Shareholders (each a "Pre-emptive Right Holder") a pre-emptive right of subscription ("Pre-emptive Right"), on a pro rata basis, in the event that it proposes to undertake any future equity financing prior to the Qualified IPO by an offer for sale of existing Equity Shares or by making a preferential allotment of equity or instruments convertible into shares to third parties (a "Preferential Allotment").

- (b) The Pre-emptive Right shall be offered by the Company by issuing a written notice on each Pre-emptive Right Holder ("Issuance Notice") setting forth in detail the terms of the proposed issuance, including the proposed issuance price ("Issuance Price"), the date of closing of the proposed issuance (which shall not be less than thirty (30) days from the date of receipt of the Issuance Notice) and the number of Equity Shares or Preference Shares proposed to be issued ("Issuance Shares").
- (c) The Pre-emptive Right Holders wish to exercise their Pre-emptive Right, within thirty (30) days from the date of receipt of the Issuance Notice, they shall pay for and subscribe to such number of the Issuance Shares as they wish to subscribe to (subject to a maximum of such Pre-emptive Right Holder's pro rata entitlement) at the Issuance Price and on the terms and conditions set out in the Issuance Notice. Subject to the receipt of the payment against exercise of the Pre-emptive Right by each Pre-emptive Right Holder, the Company shall issue and allot the Issuance Shares to each Pre-emptive Right Holder on the date of closing of the issuance as stated in the Issuance Notice.
- (d) If a Pre-emptive Right Holder does not exercise the Pre-emptive Rights and make payment to the Company against such exercise within the time period specified in sub-article (c) herein above, then the Company may issue and allot the Issuance Shares to a third party subscriber ("Third Party Subscriber") at the Issuance Price as mentioned in the Issuance Notice. Subject to the terms of Article 221, the Company may provide to the Third Party Subscriber a seat on the Board as part of the terms for the subscription to the Issuance Shares.
- (e) Aranda, WestBridge, Metavante or the Prior Shareholders agree that there exists no commitment by the Parties to further capitalise the Company in the form, inter alia, of guarantees or loans. Without prejudice to the aforesaid and notwithstanding anything to the contrary, the Parties agree and confirm that the Prior Shareholders are under no obligation of whatsoever nature to infuse capital into the Company, to enable the Company to comply with its obligations under Article 9 (a) {Early Redemption} and Article 51 {Put Option} of these Articles.

Acceptance of shares

Article 24 provides that:

"Any application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these presents; and every person who thus or otherwise accepts any shares and whose name is entered in the Register of Members shall, for the purpose of these presents, be a Member."

Deposit and calls etc. to be debt payable immediately

Article 25 provides that:

"The money (if any) which the Directors shall, on the allotment of any share(s) being made by them, require or direct a debt payable immediately to be paid by way of deposit, call or otherwise, in respect of any share(s) allotted by them, shall immediately on the insertion of the name of the allottee in the Register of Members as the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly."

Issue of shares at a Discount

Article 26 provides that:

"Subject to the provisions of these Articles including the anti-dilution principles set out herein, the Company may issue at a discount shares in the Company of a class already issued if the following conditions are fulfilled, viz.:

- (a) The issue of the shares at a discount is authorised by a Resolution passed by the Company in General Meeting and sanctioned by the Company Law Board;
- (b) The resolution specifies the maximum rate of discount at which the shares are to be issued;

- (c) Not less than one year has, at the date of the issue, elapsed since the date on which the Company was entitled to commence business; and
- (d) The shares to be issued at a discount are issued within two months after the date on which issue is sanctioned by the Company Law Board or within such extended time as the Company Law Board may allow."

Installments on shares

Article 27 provides that:

"If, by the conditions of allotment of any shares, the whole or part of the amount or issue price thereof shall be payable by installments, every such installment shall, when due, be paid up to the Company by the person who for the time being and from time to time shall be the registered holder of the share or his legal representative."

Company not bound to recognise any interest in shares other than that of the registered holders

Article 29 provides that:

"Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share as the absolute owner thereof and accordingly shall not (except as ordered by a Court of competent jurisdiction or as by law required) be bound to recognise any benami trust or equity or equitable, contingent or other claim to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof."

Buyback of shares

Article 30 provides that:

"Pursuant to provisions of these Articles, Section 77A, 77AA, 77B of the Act, these Articles and other regulations or guidelines as may be specified or notified by any regulatory authority from time to time and the provisions of the Subscription Agreement and the WestBridge Subscription Agreement, the Company shall have power to purchase its own shares and other specified securities."

Underwriting Commission

Commission for subscribing to shares

Article 31 provides that:

"The Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares, debentures or other securities of the Company or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any shares, debentures or other securities of the Company but so that if the commission in respect of the shares, debentures or other securities shall be paid or payable out of the capital, the statutory conditions and requirements shall be observed and complied with and the amount or rate of commission shall not exceed the rates prescribed by the Act. The commission may be paid or satisfied in cash or in shares, debentures or other securities of the Company or partly in one and partly in the other. The Company may also, on any issue of shares, debentures or other securities pay such brokerage as may be lawful."

Calls

Calls

Article 33 provides that:

"The Directors may, from time to time, make such calls as they think fit upon the Members in respect of all moneys unpaid on the shares held by them respectively, and not by the conditions of allotment thereof made payable at fixed times, and each Member shall pay the amount of every call so made on him to the person and at the times and places appointed by the Directors. A call may be made payable by installments."

Call to date from Resolution

Article 34 provides that:

"A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed and may be made payable by Members on such date or at the discretion of the Directors on such subsequent date as shall be fixed by the Directors."

Notice of Call

Article 35 provides that:

"Not less than 14 days' notice of every call shall be given specifying the time and place of payment provided that before the time for payment of such call the Directors may by notice in writing to the Members revoke or postpone the same."

When interest on call or installment payable

Article 38 provides that:

"If the sum payable in respect of any call or installment be not paid on or before the day appointed for payment thereof, the holder for the time being or the allottee of the share in respect of which a call shall have been made or the installment shall be due, shall pay interest on the same at such rate as the Directors shall fix from time to time from the day appointed for the payment thereof to the date of actual payment, but the Directors may, in their absolute discretion, waive payment of such interest wholly or in part."

Partial payment not to preclude forfeiture

Article 39 provides that:

"Neither a judgment nor a decree in favour of the Company for calls or other moneys due in respect of any shares nor any part payment or satisfaction thereunder nor the receipt by the Company of a portion of any money which shall from time to time be due from any Member in respect of any shares either by way of principal or interest nor any indulgence granted by the Company in respect of payment of any money shall preclude the forfeiture of such shares as herein provided."

Members not entitled to privileges of membership until all calls are paid

Article 41 provides that:

"No Member shall be entitled to receive any dividend or to exercise any privilege as a Member until he shall have paid all calls for the time being due and payable on every share held by him whether alone or jointly with any person, together with interest and expenses, if any."

Initial Public Offering***Modes of offering Shares to the Public***

Article 44 provides that:

"For the purpose of Listing, the Shares to be offered to the public may be either a fresh issue of Shares by the Company or the sale of existing Shares of the Company, subject to Article 47."

Right to offer Shares in a Secondary Offer for Sale

Article 47 provides that:

"Notwithstanding any thing contained herein, subject to applicable law and SEBI Guidelines, Aranda, WestBridge, Metavante and the Prior Shareholders will have the first right, on a pari passu basis, to offer their shares in a secondary offer for sale in accordance with the recommendation of the underwriters to the IPO, selected by the Board. In the event WestBridge exercises this right, it shall offer out of its pre-public offering shareholding, to the public, the lower of (a) 15% of secondary shares offered in the public offering or, (b) such number of shares representing an aggregate valuation of the Indian Rupee Equivalent of the Adjusted Series 'B' Subscription Money and the Series 'C' WestBridge Subscription Money and the Series 'D' WestBridge

Subscription Money.. In the event Aranda exercises this right, it shall offer out of its pre-public offering shareholding, to the public, the lower of (a) 35% of secondary shares offered in the public offering or, (b) such number of shares representing an aggregate valuation of the Rupee Equivalent of the Series 'C' Aranda Subscription Money and the Series 'D' Aranda Subscription Money. In the event Metavante exercises this right, it shall offer out of its pre-public offering shareholding, to the public, the lower of (a) 15% of secondary shares offered in the public offering or (b) such number of shares representing an aggregate valuation of the Rupee Equivalent of the Series 'D' Metavante Subscription Money.. In the event the Prior Shareholders exercise this right, they shall offer 35% of secondary shares to be offered in the public offering, out of its pre-public offering shareholding. If any balance shares are required to be offered to meet the then existing mandatory initial public offer norms prescribed by SEBI or any other regulatory authority, then these will be offered by the Prior Shareholders."

Aranda, Metavante, WestBridge not to be "Promoters"

Article 49 provides that:

"The Parties agree and undertake that Aranda, Metavante and WestBridge shall not be named or deemed as a 'promoter' in the prospectus or any other documents related to the public offering and shall not be required to offer or make available their shares in the Company for the purposes of any mandatory lock-in as applicable to 'promoters' under the SEBI Guidelines in respect of public offerings. It is clarified that Aranda, Metavante and WestBridge shall not tender their Equity Shares for any mandatory lock-in as applicable to 'promoters' of the Company."

Completion of the IPO

Article 50A provides that:

"Upon the completion of an IPO held in accordance with the provisions of these Articles:

- (a) The provisions of Articles 23, 51 to 54 (both inclusive), 56 to 63 (both inclusive), 01 to 104 (both inclusive), 106 to 125 (both inclusive), 173, 175, 208, 210, 211, 211A, 212, 213, 214, 219, 220, 222, 311, 312, 313, 328 and Annex A shall cease to have effect and accordingly any definitions specified in such Articles shall also cease to have effect, and the references in other Articles to such definitions shall also cease to be operative;
- (b) The following modifications shall be deemed to be applicable:
 - (i) In Article 3, such of the definitions as are applicable only in respect of the Articles referred to in (a) above, or in terms (ii) to (xv) of this sub-clause (b), shall be deleted;
 - (ii) In Articles 21 and 22, the words "and the rights of Aranda, WestBridge, Metavante and the Prior Shareholders pursuant to the terms of this Article" and in Article 22 the words "these Articles and the anti dilution principles as set out in these Articles" shall be deleted;
 - (iii) In Article 26 the words "including the anti dilution principles set out herein" shall be deleted;
In Article 30, the words "and the provisions of the Subscription Agreement and the WestBridge Subscription Agreement" shall be deleted;
 - (iv) In Articles 142 to 145 the words "subject to provisions of Article 175 (Affirmative Vote Items)" shall be deleted;
 - (v) In Article 164, the words "(other than to Aranda, Metavante, WestBridge and the Prior Shareholders)" shall be deleted;
 - (vi) In Article 173 the second and third sentences of that Article, shall be deleted;
 - (vii) [INTENTIONALLY LEFT BLANK]
 - (viii) In Article 208 the words "which will comprise ofpresent at the meetings of the Board" shall be deleted;
 - (ix) In Article 216 the words "Any reasonable expenditureborne by the Company" shall be deleted;
 - (x) In Article 219 the words "All such information may also....with the Prior Shareholders" shall be deleted;
 - (xi) In Article 225(a) the sentences between "Aranda, Metavante, WestBridge appointment of the alternate Directors" (and inclusive of such words/ sentences containing the same) shall be deleted;

- (xii) In Article 261, the sentences between "Provided however that ...being present throughout the meeting" (and inclusive of such words/ sentences containing the same) shall be deleted; and
- (xiii) In Article 291, the words "Aranda, Metavante and WestBridge shall be entitled to receive dividend on the Preference Shares held by them subject to the applicable law, such that the effective dividend rate on the Preference Shares calculated on a Fully Diluted Basis is identically the same percentage rate as the dividend declared by the Company on its Equity Shares. Notwithstanding the aforesaid," shall be deleted.
- (c) Notwithstanding the aforesaid, it is clarified that the provisions of Article 210 (Aranda Nominee Director), and Article 211 A (Metavante Nominee Director) shall continue to be applicable until the expiry of 12 months from the date of completion of the IPO, and during the aforesaid period, no amendments shall be carried out to the said Article 210 or Article 211A or this sub-clause (c), without the prior written consent of Aranda or Metavante as the case may be.

PUT OPTION

Put Option

Article 51 provides that

"Notwithstanding anything in these Articles in the event that:

- (a) the Company is unable to do a Qualified IPO (as defined hereinafter in this clause) by August 16, 2007, plus a one (1) year grace period for adverse market conditions if any, (herein after referred to as "**Put Scenario A**"); or
- (b) there is a Change in Control of the Company, (herein after referred to as "**Put Scenario B**"); then, at any time during the pendency of the Put Exercise Period, each of WestBridge, Aranda and Metavante shall have a right to sell the entire extent of WestBridge Shares and Aranda Shares or Metavante Shares, respectively, to the Company or to a third party suggested by the Company (the "**Put Option**") and for which purpose each of WestBridge Aranda and Metavante shall, in relation to itself, issue a written notice ("**Put Notice**") to the Board of the Company, notifying its desire to exercise the Put Option. It is hereby agreed by the Parties that Permitted Transfers shall not trigger Put Option under Put Scenario B.

Methods of ensuring simultaneous payment to Aranda, WestBridge

Article 52 provides that

The Company shall, do all such acts and things as shall be necessary, including but not limited to, the procurement of all Consents, to adopt any of the following methods to ensure the simultaneous payment of: (i) the Aranda Put Payment to Aranda within sixty (60) days of the Put Notice Date in relation to Aranda; (ii), the WestBridge Put Payment to WestBridge, within 60 days of the Put Notice Date, in relation to WestBridge; and (iii) the Metavante Put Payment to Metavante, within 60 days of the Put Notice Date, in relation to Metavante.

In relation to Aranda:

- (a) redeem the Series 'C' POCPS and Series 'D' POCPS and buy-back the Equity Shares held by Aranda as part of the Aranda Shares; or
- (b) sale to third party of the entire extent of the Aranda Shares.

In relation to WestBridge:

- (a) redeem the Series 'B' POCPS, the Series 'C' POCPS and Series 'D' POCPS and buy-back the Equity Shares held by WestBridge as part of the WestBridge Shares; or
- (b) sale to third party of the entire extent of the WestBridge Shares.

In relation to Metavante:

- (a) redeem the Series 'D' POCPS and buy-back the Equity Shares.
- (b) sale to third party of the entire extent of the Metavante Shares.

Co-operation by Aranda, WestBridge

Article 54 provides that

WestBridge, Aranda and Metavante shall fully co-operate with the Company in the event that the Company elects to adopt mechanism (b) in Article 52 above, and to do all such things as may be required and the Company shall use and employ best efforts required to give effect to the Put Option of WestBridge Metavante and Aranda and to ensure that (i) WestBridge Put Payment is made to WestBridge (ii) Aranda Put Payment is made to Aranda and (iii) Metavante Put Payment is made to Metavante, within sixty (60) days of the Put Notice Date simultaneously with the sale. Under Put Scenario A, upon the expiry of the 60th day from the Put Notice Date, if the (i) WestBridge Put Payment has not been made to WestBridge, (ii) Metavante Put Payment has not been made to Metavante and /or Aranda Put Payment has not been made to Aranda, by the Company, then without prejudice to any other right or remedy of WestBridge, Metavante and Aranda, the provisions of Article 9 shall be automatically triggered.

REMEDIES IF NO QUALIFIED IPO

Remedies if no qualified IPO

Article 55 provides that:

In the event that the Company has not made the Put Payment within the sixty (60) day time period specified under Article 52 under Put Scenario A ("Put Default Date"), then without prejudice to all other rights and remedies of Aranda, Metavante and WestBridge, each of Aranda, Metavante and WestBridge (the "Exercising Party") shall be entitled to the following rights:

- a) The right to compulsorily require the Company to do a Listing within a period of ninety (90) days of Put Default Date; or
- b) Drag Along Rights to require the Prior Shareholders and the other Preference Shareholders to sell the entire extent of the Prior Shareholder's Shares and the other Preference Shareholder's Shares, along with the Exercising Party's sale of the entire extent of the Exercising Party's Shares at the same price at which the Exercising Party sells all the Exercising Party's Shares to a third party identified by the Exercising Party, PROVIDED HOWEVER that the terms of the sale is on an arm's-length basis, which is not less than the Fair Value. In the event of the Exercising Shareholder exercising its Drag Along rights under this Clause, the provisions of Articles 113, 114 and 115 will apply mutatis mutandis. The rights available to the Exercising Shareholder under this sub section shall expire five years from the Put Default Date.

REGISTRATION RIGHTS

Registration Rights

Article 56 provides that

"Aranda, Metavante, WestBridge and the Prior Shareholders shall be provided with one demand registration right each in the Company."

Demand Registration Rights

Article 57 provides that

"Demand Registration Rights: If, at any time after the Company's initial public offering (but not within six (6) months of the effective date of a registration), Aranda, Metavante, WestBridge and the Prior Shareholders holding at least 50% of the Shares currently held by them (i) request that the Company file a Registration Statement for at least 20% of the Equity Shares (or any lesser percentage if the anticipated aggregate offering price, net of underwriting discounts and commissions would exceed US\$20,000,000), the Company will use its best efforts to cause such shares to be registered. The Company will not be obligated to effect more than one registration each under these demand right provisions for Aranda, Metavante, WestBridge and the Prior Shareholders; (ii) request that the Company file registrations in Form S-3, provided that the Company shall not be obliged to file more than two Form S-3 registrations annually. Upon receipt of a request to file Form S-3 pursuant to this Article 57, the Company shall use its best efforts to effect such registration or registrations on Form S-3."

Piggyback Registration

Article 58 provides that

"Piggyback Registration: Aranda, Metavante WestBridge and the Prior Shareholders will be entitled to "piggyback" registration rights on registrations of the Company, subject to the right of the Company and its underwriters, in view of market conditions, to reduce the number of shares of Investor and WestBridge proposed to be registered."

Transfer of Registration Rights

Article 60 provides that

"Transfer of Registration Rights: One or both of the demand registration rights may be transferred to a transferee (other than a competitor of the Company) in the event such transferee acquires from Aranda, Metavante, WestBridge or the Prior Shareholders shares constituting at least 4% of the share capital of the Company."

ANTI-DILUTION PROTECTION AND FAVOURABLE TERMS

Protection to WestBridge

Article 61 provides that

"If at any time after Closing the Company issues to any Person (other than pursuant to the ESOP) any Equity Shares, convertible preference shares or other instruments that are convertible into Equity Shares or which confer a right to subscribe to Equity Shares at a later date, at a price per share that is lower than the price per share paid by WestBridge (as computed at the time of allotment of the WestBridge Shares), then WestBridge shall be entitled to a full ratchet anti-dilution protection. In such an event, the Company shall be bound to, and the Prior Shareholders shall be bound to cooperate with WestBridge and the Company such that, the Company forthwith takes all necessary steps to issue additional Equity Shares and / or Series 'B' POCPS/or Series 'C' POCPS/or Series 'D' POCPS (as WestBridge may choose) to WestBridge in accordance the terms and procedure set out in Annex A of these Articles".

Protection to Aranda

Article 62 provides that

"Protection to Aranda. If at any time after the Closing, the Company issues to any Person (other than pursuant to the ESOP) any Equity Shares, convertible preference shares or other instruments that are convertible into Equity Shares or which confer a right to subscribe to Equity Shares at a later date, at a price per share that is lower than the price per share paid by Aranda (as computed at the time of allotment of the Subscription Shares), then Aranda shall be entitled to a full ratchet anti-dilution protection. In such an event, the Company shall be bound to, and the Prior Shareholders shall be bound to cooperate with Aranda and the Company such that, the Company forthwith takes all necessary steps to issue additional Equity Shares and / or Series 'C' POCPS/or Series 'D' POCPS (as Aranda may choose) to Aranda in accordance with the terms and procedure set out in Annex A of these Articles."

Protection to Metavante

Article 62a provides that

"Protection to Metavante. If at any time after the Closing, the Company issues to any Person (other than pursuant to the ESOP) any Equity Shares, convertible preference shares or other instruments that are convertible into Equity Shares or which confer a right to subscribe to Equity Shares at a later date, at a price per share that is lower than the price per share paid by Metavante (as computed at the time of allotment of the Subscription Shares), then Metavante shall be entitled to a full ratchet anti-dilution protection. In such an event, the Company shall be bound to, and the Prior Shareholders shall be bound to cooperate with Metavante and the Company such that, the Company forthwith takes all necessary steps to issue additional Equity Shares and / or Series 'D' POCPS (as Metavante may choose) to Metavante in accordance with the terms and procedure set out in Annex A of these Articles."

Protection to the Prior Shareholders

Article 63 provides that

Protection to the Prior Shareholders. If at any time after the Closing, the Company issues to any Person (other than pursuant to the ESOP) any Equity Shares, convertible preference shares or other instruments that are convertible into Equity Shares or which confer a right to subscribe to Equity Shares at a later date, at a price per share that is lower than the price per share paid by the Prior Shareholders (equivalent to the Ratchet Price Share for the Prior Shareholders as defined in these Articles), then the Prior Shareholders shall be entitled to a full ratchet anti-dilution protection. In such an event, the Company shall be bound to, and Aranda, Metavante and WestBridge shall be bound to cooperate with the Prior Shareholders and the Company such that, the Company forthwith takes all necessary steps to issue additional Equity Shares to the Prior Shareholders in accordance with the terms and procedures set out in Annex A of these Articles.

CERTIFICATES

Delivery of Share Certificates

Article 65 provides that

"Unless prohibited by any provision of law or of any order of any court, tribunal or other authority, the Company shall, within three months or such extended period as may be permitted pursuant to the provisions of the Act or such shorter period as may be agreed to by the Company in writing with the allottee, after the allotment of any of its shares, debentures, debenture stock and within two months after the application for the registration of the transfer of any such shares, debentures, debenture stock, deliver the certificates of all shares, debentures, debenture stock allotted or transferred."

FORFEITURE, SURRENDER AND LIEN

If call or installment not paid notice must be given

Article 79 provides that

"If any Member fails to pay the whole or any part of any call or installment or any money due in respect of any share(s) either by way of principal or interest on or before the day appointed for the payment of the same, the Directors may at any time thereafter during such time as the call or installment or any part thereof or other moneys remain unpaid or a judgment or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on such Member or on the person (if any) entitled to the share(s) by transmission requiring him to pay such call or installment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses (legal or otherwise) that may have been incurred by the Company by reason of such non payment."

In default of payment, shares may be forfeited

Article 81 provides that

If the requisition of any such notice as aforesaid is not complied with any of the share(s) in respect of which such notice has been given may, at any time thereafter before payment of all calls or installments, interest and expenses or the money due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share(s) and not actually paid before the forfeiture.

Forfeited shares to be property of the Company and may be sold, etc

Article 83 provides that

Any share(s) so forfeited shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of either to the original holder thereof or to any other person upon such terms and in such manner as the Directors shall think fit.

Power to annul shares

Article 84 provides that

"The Directors may at any time before any share(s) so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as they think fit."

Effect of forfeiture

Article 85 provides that

The forfeiture of share(s) shall involve the extinction at the time of the forfeiture, of all interest in and all claims and demand against the Company in respect of the share(s) and all other rights incidental to the share(s), except only such of those rights as by these presents are expressly saved.

Shareholder liable to pay money and interest owing at the time of forfeiture

Article 86 provides that

Any Member whose share(s) has/have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company all calls, installments, interest, expenses and other moneys owing upon or in respect of such shares at the time of the forfeiture together with further interest thereon from the time of the forfeiture until payment at such rate as the Directors may determine and the Directors may enforce the payment of the whole or a portion thereof if they think fit but shall not be under any obligation to do so.

Title of purchaser and allotted of the forfeited shares

Article 88 provides that

The Company may receive the consideration, if any, given for the share(s) on any sale, re-allotment or other disposition thereof and the persons to whom such share(s) is sold, re-allotted or disposed of may be registered as the holder of the share(s) and shall not be bound to see to the application of the consideration, if any, nor shall his title to the share(s) be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, reallocation or other disposal of the share(s).

Cancellation of share certificates in respect of forfeited shares

Article 89 provides that

Upon sale, re-allotment or other disposal under the provisions of these Articles, the certificate or certificates originally issued in respect of the relative share(s) (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled automatically and become null and void and of no effect and the Directors shall be entitled to issue a new certificate or certificates in respect of such share(s) to the person/s entitled thereto.

No lien on fully paid shares

Article 91 provides that

The Company shall have no lien on its fully paid shares. In the case of partly paid up shares the Company shall have a first and paramount lien on every share for all moneys that remain unpaid together with any interest that may have accrued and all expenses (legal or otherwise) that may have been incurred by the Company by reason of non-payment of calls. Any such lien shall extend to all dividends from time to time declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares.

TRANSFER AND TRANSMISSION OF SHARES

Transfer not to be registered except on production of instrument of transfer

Article 96 provides that

Subject to these Articles, the Company shall not register a transfer of shares in or debentures of the Company, unless the transfer is in accordance with the terms of these Articles and unless in accordance with the provision of Section 108 of the Act

a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the Company along with the certificate relating to the shares or debentures, or if no such certificate is in existence, along with the letter of allotment of the shares or debentures;

Provided that where the Transfer is in accordance with the terms of these Articles, on an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Directors that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to indemnity as the Board may think fit;

Provided further that nothing in this Article shall prejudice any power of the Company to register as shareholder or debenture holder any person to whom the right to any shares in, or debentures of, the Company has been transmitted by operation of law.

Transfer by legal representative

Article 97 provides that

A Transfer of the shares or other interest in the Company of a deceased Member hereof made by his legal representative shall, although the legal representative is not himself a Member, be as valid as if he had been a Member at the time of the execution of the instrument of Transfer.

Company's Power to refuse transfer

Article 99 provides that

Nothing in these presents shall prejudice the powers of the Company to refuse to register the Transfer of any shares if the Transfer is not in accordance with the terms of these Articles.

RIGHT OF FIRST REFUSAL OF ARANDA, METAVANTE AND WESTBRIDGE

Right of first refusal of Aranda, Metavante and Westbridge

Article 101 provides that

If any of the Prior Shareholders ("Selling Shareholders") propose to Transfer any Shares held by them to any person (other than in the case of a Permitted Transfer) or a Transfer by the Prior Shareholders to Metavante pursuant to the Metavante Purchase Agreement, the Selling Shareholders shall first give a written notice (the "Offer Notice") to Aranda, Metavante and WestBridge within five (5) Business Days of agreeing to sell all or any of the Prior Shareholders' Shares or at least thirty (30) days before the date of the proposed sale (whichever is earlier). Subject to the above, the Prior Shareholders shall however not Transfer any of the Prior Shareholder's Shares to a competitor of the Company or an affiliate of a competitor of the Company and/or to any company/person engaged directly and/or indirectly in the IT/IT Enabled Services Sector, including to 3I Infotech Limited unless the Prior Shareholders sell their entire shareholding to such entity in one or more tranches (such that the first tranche results in a Change in Control) with a binding and irrevocable obligation on the Prior Shareholders to sell and such party to acquire the entire shareholding in such one or more tranches. Provided further that the Prior Shareholders shall upfront expressly notify Aranda, Metavante (to the extent applicable) and WestBridge of the price and time frame of such transfers.

Acceptance Notice

Article 103 provides that

"Upon receipt of the Offer Notice, Aranda, Metavante and WestBridge shall have the right, at their sole discretion, to purchase, on a pro rata basis, the Prior Shareholder Sale Shares offered, at the price stated in the Offer Notice, by providing a written notice (the "**Acceptance Notice**") within thirty (30) Business Days after the date of receipt of the Offer Notice (the "**Offer Period**"), to the Selling Shareholders. At the end of such Offer Period, if only one of the aforesaid Parties has delivered an Acceptance Notice, then such accepting Party shall have an additional fifteen (15) day period to accept the remaining Prior Shareholder Sale Shares also."

Article 105 provides that

Notwithstanding anything contained in these Articles, the restriction relating to the Transfer to any company / person engaged directly and /or indirectly in the IT /IT enabled services sector shall not apply to a Transfer by the Prior Shareholders to Metavante.

Other Conditions regarding right of first refusal

Article 106 provides that

- a) The Company hereby agrees and confirms that it shall not record any such Transfer or agreement or arrangement to Transfer on its books and shall not recognise or register any equitable or other claim to, or any interest in, such Shares which have been Transferred in any manner other than as permitted pursuant to these Articles, except for the ESOPs issued under the ESOP Scheme, within the ESOP Permissible Limits.
- b) Any sale of the Shares in accordance with these Articles shall also be subject to the proposed transferee executing a Deed of Adherence, undertaking inter alia to comply with the terms and conditions of these Articles as applicable to the Shareholder selling such Shares.
- c) Each certificate evidencing any Shares shall be stamped or otherwise imprinted with a legend describing transfer restrictions on such Shares in a form and manner mutually agreed to amongst the Company, the Prior Shareholders, the Investor Aranda, Metavante and WestBridge

Holding Companies

Article 106 A provides that

in the event there is a capital restructuring of the Company whereby a holding company is formed for the exclusive purpose of holding shares in the Company, the Shareholders shall retain the right to transfer their shareholding to the holding company such that they receive a shareholding in such holding company which gives the Shareholders a beneficial interest in the Company which is equivalent to their actual interest in the Company at the time of the capital restructuring.

RIGHT OF FIRST REFUSAL OF THE PRIOR SHAREHOLDERS

Right of first refusal of the Prior Shareholders

Article 107 provides that

Subject to this Article, each of Aranda, Metavante and WestBridge shall have the right to sell the Shares held by each of them to any independent third party(ies), subject to the Prior Shareholders' right of first refusal as set out in this Article. Neither shall (i) WestBridge sell any of the WestBridge Shares; nor (ii) Metavante shall sell any of the Metavante Shares, to a competitor of the Company or an Affiliate of a competitor of the Company except under the applicable provisions of Article 51 (Put Option) and Article 117 (Tag Along Rights). Aranda, shall not sell any of the Aranda Shares to a competitor of the Company except under the applicable provisions of Article 51 and Article 117 Provided further that the restrictions in this Article shall not be applicable in the case of any Transfer of shareholding in the Company by Aranda, Metavante and WestBridge to their respective Affiliates.

Sale Notice

Article 108 provides that

Within five (5) Business Days of agreeing to sell all or any of the Equity Shares or Preference Shares or at least thirty (30) days before the date of the proposed sale (whichever is earlier), each of WestBridge and/or Aranda, and/or Metavante as the case may be, ("**Selling Shareholder**"), shall send a written notice ("**the Sale Notice**") to the other Shareholders ("**Right Holders**") setting forth in detail the terms of the proposed sale, including the name of the person/s to whom the sale is proposed to be made ("**Purchaser**"), the proposed sale price per Share ("**Third Party Price**"), the date of the proposed sale (which shall not be less than thirty (30) days from the date of receipt of the Sale Notice) and the number of Equity Shares or Preference Shares proposed to be sold ("**Sale Shares**").

Right of First Refusal

Article 109 provides that

Upon receipt of the Sale Notice, each of the Right Holders shall have the right, exercisable at their sole discretion to purchase the Sale Shares, on a pro rata basis, at the Third Party Price by serving upon the Selling Shareholder a written notice in that regard within fifteen (15) Business Days of receipt of the Sale Notice by the Right Holder on the terms and conditions mentioned in the Sale Notice ("Right of First Refusal").

No Notice in case of non exercise of the Right

Article 112 provides that

If the Right Holder/s do not exercise the Right of First Refusal and do not serve a written notice upon the Selling Shareholder within the time period specified in Article 109 above, then the Selling Shareholder may sell the Sale Shares to the Purchaser at the Third Party Price as mentioned in the Sale Notice.

Article 112a provides that

In the event that WestBridge transfer its Shares to a third party, then the rights and obligations of WestBridge under these Articles shall stand vested in such transferee of the WestBridge Shares subject to such transferee holding at least 5.11 % on a Fully Diluted Basis and all such rights shall thereafter be exercised by such transferee and WestBridge jointly provided however their obligations shall be several.

Article 112b provides that

In the event that Aranda transfers its Shares to a third party, then the rights and obligations of Aranda under these Articles shall also stand vested in such transferee of the Aranda Shares, subject to such transferee holding at least 12.04% of shareholding of the Company on a Fully Diluted Basis and such rights shall thereafter be exercised by such transferee and Aranda jointly provided however their obligations shall be several.

Article 112c provides that

In the event that Metavante transfers its Shares to a third party, then the rights and obligations of Metavante under these Articles shall also stand vested in such transferee of the Metavante Shares, subject to such transferee holding at least 5.77% of shareholding of the Company on a Fully Diluted Basis and such rights shall thereafter be exercised by such transferee and Metavante jointly provided however their obligations shall be several.

DRAG ALONG RIGHTS

Drag Along Rights

Article 113 provides that

In the event the Prior Shareholders are transferring their entire shareholding in the Company, and WestBridge and/or Aranda and/or Metavante do not exercise their respective Put Option under the Put Scenario B under the Article 51 within the Put Exercise Period then the Prior Shareholders shall have the right to call upon Aranda, Metavante or WestBridge and Aranda, Metavante and/or WestBridge, as the case may be shall be under an obligation to sell their entire shareholding in the Company (but not a part of the shareholdings) to such third party at the same price at which the Prior Shareholders are selling all the Prior Shareholder's Shares to such third party ("**Drag Along Right**"), PROVIDED HOWEVER that the terms of the sale is on an arm's-length basis, and the price paid to the Prior Shareholders is not less than Fair Value of the Shares.

Drag Along Purchaser

Article 114 provides that

Within five (5) Business Days of agreeing to sell all of the Prior Shareholders' Shares or at least thirty (30) days before the date of the proposed sale (whichever is earlier), the Prior Shareholder(s) shall send a sale notice to Aranda, Metavante and WestBridge, setting forth in detail the terms of the proposed sale, including the name of the person/s to whom the sale is proposed to be

made ("**Drag Along Purchaser**"), the Third Party Price, the date of the proposed sale (which shall not be less than thirty (30) days from the date of receipt of the aforesaid sale notice by WestBridge, Aranda and Metavante) the number of Equity Shares proposed to be sold by the Prior Shareholders ("**Sale Shares**").

Transfer of Shares and Consideration

Article 115 provides that

Within sixty (60) Business Days of the receipt of the Sale Notice by WestBridge Aranda and Metavante, and subject to the receipt of the Consents, WestBridge and/or Aranda and/or Metavante, as the case may be, shall transfer the Shares held by them in the Company to the Drag Along Purchaser simultaneous to the transfer of the Prior Shareholders' Shares to the Drag Along Purchaser by the Prior Shareholders, subject to the Drag Along Purchaser also simultaneously transferring the consideration payable to WestBridge and/or Aranda and/or Metavante, as the case may be, at the Third Party Price, to the respective bank accounts designated by WestBridge and Aranda and Metavante, as the case may be.

CALL OPTION

Call Option

Article 116 provides that

- a) In the event that Aranda invokes the indemnity under the Subscription Agreement and the Company makes the payment to Aranda pursuant to that to the full extent of Aranda Subscription Amount, then the Company shall have the right to redeem/buyback, the Shares held by Aranda, at a price which is higher of (i) the FV of the Shares minus the value of any amounts paid out to Aranda under the indemnity provided in Clause 11 of the Subscription Agreement or (ii) Series 'C' Investor Subscription Money minus the value of any amounts paid out to Aranda under the indemnity provided in Clause 11 of the Subscription Agreement or (iii) Series 'D' Aranda Subscription Money minus the value of any amounts paid out to Aranda under the indemnity provided in Clause 11 of the Series 'D' Subscription Agreement.
- b) In the event that WestBridge invokes the indemnity under the Subscription Agreement, and the Company makes the payments to WestBridge pursuant to that to the full extent of the WestBridge Subscription Amount, then the Company shall have the right to redeem/buyback, the Shares held by WestBridge, at a price which is higher of (i) the FV of the Shares minus the value of any amounts paid out to WestBridge under the indemnity provided in Clause 11 of the Subscription Agreement or (ii) the Series 'B' and Series 'C' WestBridge Subscription Money minus the value of any amounts paid out to WestBridge under the indemnity provided in Clause 11 of the Subscription Agreement, or (iii) Series 'D' WestBridge Subscription Money minus the value of any amounts paid out to WestBridge under the indemnity provided in Clause 11 of the Series 'D' Subscription Agreement.
- c) In the event that Metavante invokes the indemnity under the Metavante Subscription Agreement and the Company makes the payments to Metavante pursuant to that to the full extent of the Metavante Subscription Amount, then the Company shall have the right to redeem/buyback, the Shares held by Metavante, subject to applicable Law, at a price which is higher of (i) the FV of the Shares minus the value of any amounts paid out to Metavante under the indemnity provided in Clause 11 of the Subscription Agreement or (ii) Series 'D' Metavante Subscription Money minus the value of any amounts paid out to Metavante under the indemnity provided in Clause 11 of the Metavante Subscription Agreement.

All the approvals required for the aforesaid purpose shall be procured by the Company. Provided however the Parties hereby agree and undertake to co-operate with the Company in procuring the necessary approvals to the extent such co-operation of such Party is necessary for the procurement of the necessary approvals and Consents, and if required, promptly provide all necessary information and assistance required by the Company. Provided however, the Consents which are required to be procured by any Shareholder pursuant to the laws governing such Shareholder (other than the Consents required under Indian law in the case of WestBridge Metavante and Aranda) shall be procured by such Shareholder.

TAG ALONG RIGHTS

Tag Along Rights

Article 117 provides that

Without prejudice to Article 107, if the Prior Shareholders propose to sell/ Transfer any or all of their shareholding in the Company other than in the case of a Permitted Transfer, the Prior Shareholders shall provide Aranda, Metavante and WestBridge a Tag Along Right in respect of their pro rata shareholding on a Fully Diluted Basis. Subject to the above, the Prior Shareholders shall however not Transfer any of the Prior Shareholder's Shares to a competitor of the Company or an affiliate of a competitor of the Company and/or to any company /person engaged directly and/or indirectly in the IT/IT Enabled Services Sector, including to 3i Infotech Limited unless the Prior Shareholders sell their entire shareholding to such entity in one or more tranches (such that the first tranche results in a Change in Control) with a binding and irrevocable obligation on the Prior Shareholders to sell and such party to acquire the entire shareholding in such one or more tranches. Provided further that the Prior Shareholders shall upfront expressly notify Aranda, Metavante and WestBridge of the price and time frame of such transfers.

Right to Sell

Article 118 provides that

Without prejudice to the generality of Article 117, in the event Aranda and/or Metavante and/ or WestBridge does not exercise its Put Option under the Put Scenario B under the Article 51 within the Put Exercise Period and if the Prior Shareholders propose to sell/ Transfer any or all of their shareholding in the Company which is likely to result in a Change in Control of the Company, then each of Aranda, Metavante and WestBridge shall, without prejudice to any other right or remedy, have the right to sell its entire shareholding in the Company (both Equity Shares as well as Preference Shares) to the Buyer (as defined hereafter) on the terms and conditions as set out in this Article.

Tag Along Right not available

Article 119 provides that

Notwithstanding anything contained in Articles 113 to 116 of these Articles, such Tag Along Right shall not be available in favour of Aranda, Metavante or WestBridge, where such Transfer is amongst the Prior Shareholders inter-se and/or where such sale or transfer is a Permitted Transfer. Notwithstanding anything contained in Articles 113 to 116 of this Articles Aranda and WestBridge agree that such Tag Along Right shall not be available to either of them with respect to a Transfer to Metavante in terms of the Metavante Purchase Agreement and which completes on the date of Closing. For avoidance of doubt, such Tag Along Right available to Aranda and Westbridge shall apply to any Transfer pursuant to the Metavante Purchase Agreement that completes after the date of Closing.

Offer Notice

Article 120 provides that

Within five (5) Business Days of agreeing to Transfer all or any of the Prior Shareholders' Shares or at least thirty (30) days before the date of the proposed sale (whichever is earlier), the Prior Shareholder(s) shall send a written notice (the "Offer Notice") to Aranda, Metavante and WestBridge, setting forth in detail the terms of the proposed Transfer, including the name of the person(s) to whom the Transfer is proposed to be made ("Buyer"), the proposed sale price ("Sale Price"), the date of the proposed sale (which shall not be less than thirty (30) days from the date of receipt of the Offer Notice by each of Aranda, Metavante and WestBridge.) and the number of Prior Shareholder's Shares proposed to be Transferred by the Prior Shareholders ("Sale Shares").

Tag Along Option

Article 121 provides that

Upon receipt of the Offer Notice, each of Aranda, Metavante and WestBridge shall have the option, exercisable at the sole discretion of each such Party to sell their proportionate or entire shareholding (on a Fully Diluted Basis) in the total issued and

paid up share capital of the Company, as the case may be, to the Buyer, at the Sale Price by serving upon the Prior Shareholders a written notice in that regard within 30 days of receipt of the Offer Notice by each of Aranda, Metavante and WestBridge on the terms and conditions mentioned in the Offer Notice ("**Tag Along Option**").

Non-exercise of Tag Along Option

Article 122 provides that

The Parties agree that each of Aranda, Metavante and WestBridge may, at its sole discretion, choose not to exercise the Tag Along Option. In the event that either Aranda, Metavante or WestBridge wishes not to exercise the Tag Along Option, then it shall inform the Prior Shareholders of the same within fifteen (15) Business Days of receipt of the Offer Notice.

Exercise of Tag Along Option

Article 123 provides that

If Aranda and /or Metavante and/or WestBridge exercise their Tag Along Option as mentioned above, then, the Prior Shareholders shall ensure that the Buyer purchases the number of Aranda Shares, Metavante Shares and WestBridge Shares mentioned in the notice by Aranda, Metavante and WestBridge respectively, along with the Sale Shares mentioned in the Offer Notice at the Sale Price and on the terms mentioned in the Offer Notice. The Prior Shareholders shall ensure that the Buyer completes the purchase and payment for the Aranda Shares, Metavante Shares and the WestBridge Shares at the same time as completion of purchase of the Sale Shares held by the Prior Shareholders and the purchase and payment shall be simultaneous.

Sale of Shares to the Buyer

Article 124 provides that

If Aranda, Metavante and WestBridge do not exercise the Tag Along Option and do not serve a written notice upon the Prior Shareholders within the time period specified in Article 121 above, then the Prior Shareholders may sell the Sale Shares (not exceeding the number mentioned in the Offer Notice) to the Buyer at the Sale Price and on the terms mentioned in the Offer Notice (and not at any other price or on any other terms).

Restriction not to apply to transfer by Prior Shareholders to Metavante

Article 124 A provides that

Notwithstanding anything contained in these Articles, including Article 113 to 116 of the Articles, the restriction relating to the Transfer to any company /person engaged directly and/or indirectly in the IT/IT Enabled Services Sector shall not apply to a Transfer by the Prior Shareholders to Metavante.

Obtaining of required consents

Article 125 provides that

The purchase / sale under this Article shall be subject to the necessary consents being obtained. The Company, Aranda, Metavante and WestBridge shall each use its best endeavours to obtain the necessary Consents within sixty (60) Business Days from the date of the receipt by Aranda, Metavante and WestBridge of the Offer Notice. In the event the necessary Consents cannot be obtained within the period specified, the Parties shall make best efforts as may be required to find an alternative solution to give full effect to the intent of this Article. If, however, for any reason, despite the best efforts of the Company, Aranda, Metavante and WestBridge, the relevant authorities do not give any required Consent or such Consent is delayed beyond sixty (60) Business Days from the date of the receipt by Aranda, Metavante and WestBridge of the Offer Notice, the Prior Shareholders shall be entitled to go ahead and sell the Sale Shares (not exceeding the number specified in the Offer Notice) to the Buyer at the Sale Price and on the terms mentioned in the Offer Notice, Subject to the above, without prejudice to the other terms and conditions of these Articles the Prior Shareholders may not Transfer any Prior Shareholder's Shares to a competitor of the Company and /or to any company /person engaged directly and/or indirectly in the IT/IT Enabled Services Sector, including to 3i Infotech Limited unless the Prior Shareholders transfer their entire shareholding to such entity in one or more tranches (such that the first tranche results in a Change in Control) with a binding and irrevocable obligation on the Prior Shareholders to sell and such party to acquire the entire shareholding in such one or more tranches. Provided further

that the Prior Shareholders shall upfront expressly notify Aranda, Metavante and WestBridge of the price and time frame of such transfers.

Refusal to Register

Article 126 provides that

Subject to the provisions of Section 111A of the Act, these Articles and subject to the provisions of the Securities Contracts (Regulation) Act, 1956 and the Rules and Regulations made thereunder and other applicable laws, the Directors may at their absolute and uncontrolled discretion decline to register or acknowledge a transfer of shares and by giving reasons for such refusal in respect of the shares upon which the Company has a lien or whilst any monies in respect of the shares desired to be transferred or any of them remain unpaid and such refusal shall not be affected by the fact that the proposed transferee is already a Member. Provided that registration of any 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.

Notice of refusal to transferee and transferor

Article 127 provides that

Subject to these Articles, if the Company refuses to register the transfer of shares, it shall, within 2 months from the date on which the instrument of transfer is delivered to the Company, send to the transferee and the transferor notice of the refusal.

Transfer to minor, etc.

Article 128 provides that

Subject to the provisions of the Act, no transfer shall be made to a person who is of unsound mind. The Directors may at their absolute discretion approve a minor, becoming a Member of the Company on such terms as the Directors may stipulate.

Registration of person entitled to shares otherwise than by transfer (Transmission clause)

Article 131 provides that

Subject to these Articles, any person becoming entitled to any share in consequence of the death, lunacy, bankruptcy or insolvency of any Member or by any lawful means other than by a transfer in accordance these presents, may, with the consent of the Directors (which they shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title as the Directors shall require, either be registered as a Member in respect of such shares or may subject to the regulations as to transfer contained in these presents transfer such shares to some other person. This Article is in these presents referred to as "the Transmission Clause."

CONVERSION OF SHARES INTO STOCK

Conversion of shares into stock and reconversion

Article 135 provides that

Subject to these Articles, the Company may, by ordinary resolution:

- a) convert any paid-up shares into stock; and
- b) reconvert any stock into paid-up shares of any denomination

Rights of stockholders

Article 137 provides that

The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding-up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.

INCREASE, REDUCTION AND ALTERATION OF CAPITAL

Increase of capital

Article 139 provides that

Subject to the terms of these Articles, the Company may from time to time increase its capital by issuing new shares.

On what conditions new shares may be issued

Article 140 provides that

The new shares (except such of them as shall be unclassified shares subject to the provisions of Article 21) shall, the Act and these presents, be issued upon such terms and conditions and with such rights and privileges annexed and in particular such shares may be issued with a preferential or qualified right to dividends and in distribution of the assets of the Company. Any preference share so issued shall be redeemable within such period as may be prescribed.

Further issue of capital

Article 141 provides that

Except so far as otherwise provided by the conditions of issue or by these presents any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmission, forfeiture, lien, surrender, voting and otherwise.

Reduction of capital

Article 142 provides that

Subject to provisions of Article 175 (Affirmative Vote Items), the Company may from time to time by Special Resolution reduce its share capital (including the Capital Redemption Reserve Account, if any) in any way authorised by law and, in particular, may pay off any paid up share capital upon the footing that it may be called up again or otherwise and may if and so far as necessary alter its Memorandum and Articles reducing the amount of its share capital and of its shares accordingly.

Division, sub-division and cancellation of shares

Article 143 provides that

Subject to provisions of Article 175 (Affirmative Vote Items), the Company may in General Meeting by Ordinary Resolution alter the condition of its Memorandum and Articles as follows :-

- a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.
- b) Sub-divide shares or any of them into shares of smaller amount than originally fixed by the Memorandum, subject nevertheless to the provisions of the Act in that behalf.
- c) Cancel shares which at the date of such General Meeting, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.
- d) The Directors may in their absolute discretion refuse applications for the sub-division of share certificates, debenture or bond certificates into denominations of less than the marketable lot except when such sub-division is required to be made to comply with a statutory provision or an order of a Competent Court of Law.

MODIFICATION OF CLASS RIGHTS

Power to modify rights of different classes of shareholders and the rights of dissentient shareholders

Article 144 provides that

Subject to provisions of Article 175 ("Affirmative Vote Items"), if at any time the share capital of the Company is divided into different classes of shares, the rights and privileges attached to the shares of any class may, subject to provisions of the Act, these Articles, and whether or not the Company is being wound up, be varied, modified, commuted, affected or abrogated with

the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class.

Rights of Dissident Shareholders

Article 145 provides that

Subject to Article 175 (Affirmative Vote Items”) Article 144 is not to derogate from any power the Company would have/had if this Article were omitted and the right of the dissident shareholders being holders of not less in the aggregate than 10 per cent of the issued shares of that class, being persons who did not consent to or vote in favour of the Resolution for the variation, to apply to the Court to have the variations or modifications cancelled as provided in Section 107 of the Act.

BORROWING POWERS

Power to Borrow

Article 146 provides that

Subject to the provisions of Sections 292 and 293 of the Act and these Articles, the Board of Directors may from time to time, by a resolution passed at a Meeting of the Board, accept deposits, or borrow moneys from Members, either in advance of calls or otherwise or accept deposits from public and may generally raise or borrow and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds perpetual or redeemable debentures or debenture stock or by any mortgage or charge or other security on the undertaking or the whole or any part of the property of the Company (both present and future) including its uncalled capital for the time being.

Issue of bonds, debentures, etc at discount etc or with special privilege

Article 149 provides that

Subject to the provisions of the said Act and these Articles, any bonds, debentures, debenture stock or other securities may be issued at a discount, premium or at par and with any special privileges as to redemption, surrender, drawing, allotment of shares, appointment of Directors or otherwise.

MEETINGS

Annual General Meeting

Article 153 provides that

The Company shall, in each year hold, in addition to other meetings, a general meeting which shall be styled as its “Annual General Meeting” in accordance with the provisions of Section 166 of the Act.

Extraordinary General Meeting

Article 154 provides that

All general meetings other than Statutory Meeting and the Annual General Meetings shall be called Extra-ordinary General Meetings.

Calling of Extraordinary General Meeting

Article 155 provides that

The Board of Directors may, whenever they think fit, and shall, on the requisition of such number of Members of the Company as is specified in sub-article(c) hereof forthwith proceed and call an Extraordinary General Meeting of the Company and in case of such requisition the following provisions shall apply:

- a) The requisition shall set out the matters for the consideration of which the meeting is to be called, shall be signed by the requisitionists and shall be deposited at the Registered Office of the Company;
- b) The requisition may consist of several documents in like form, each signed by one or more requisitionists;

- c) The number of Members entitled to requisition a meeting with regard to any matter shall be such number of them as hold at the date of the deposit of the requisition, not less than one-tenth of such of the paid-up capital of the Company as at that date carries the right of voting in regard to that matter;
- d) Where two or more distinct matters are specified in the requisition, the provisions of sub-article (c), above shall apply separately in regard to each such matter, and the requisition shall accordingly be valid only in respect of those matters in regard to which the condition specified in that sub-article is fulfilled;

Meeting by Requisitionists

Article 156 provides that

If the Board does not, within 21 days from the date of the deposit of a valid requisition in regard to any matters, proceeds duly to call a meeting for the consideration of those matters on a day not later than 45 days from the date of the deposit of the requisition, the meeting may be called by the requisitionists themselves or by such of the requisitionists as represent either a majority in value of the paid up share capital held by all of them or not less than one-tenth of such of the paid up share capital of the Company as is referred to in sub-article (c) above whichever is less. However, for the purpose of this sub-article, the Directors shall, in the case of a meeting at which a resolution is to be proposed as a Special Resolution give, such notice thereof as is required by the Act;

Provisions regarding meeting called by Requisitionists

Article 157 provides that

A meeting called under Article 156 above by the requisitionists or any of them:

- a) shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by the Board, but
- b) shall not be held after the expiration of 3 months from the date of the deposit of the requisition.

Provided that nothing contained in this sub-clause (b) shall be deemed to prevent a meeting duly commenced before the expiry of the period of 3 months aforesaid, from adjourning to some day after the expiry of that period.

Notice of Meeting

Article 160 provides that

A General Meeting of the Company may be called giving not less than 21 days' notice in writing.

Shorter Notice

Article 161 provides that

A General Meeting may be called after giving shorter notice than that specified in Article 160 above if consent is accorded thereto:

- a) in the case of an Annual General Meeting by all the Members entitled to vote thereat, and
- b) in the case of any other meeting by Members of the Company holding not less than 95 per cent of such part of the paid-up share capital of the Company gives a right to vote at the meeting.

Provided that where any Members of the Company are entitled to vote only on some resolution or resolutions to be moved at a meeting and not on the others, those Members shall be taken into account for the purposes of this sub-article in respect of the former resolution or resolutions and not in respect of the latter.

Contents and manner of service of Notice

Article 162 provides that

Every notice of a meeting of the Company shall specify the place and the day and hour of the meeting, and shall contain a statement of the business to be transacted thereat;

Persons on whom Notice is to be served

Article 163 provides that

- a) to every Member of the Company, in any manner authorised by sub-section (1) to (4) of Section 53 of the Act;
- b) to the persons entitled to a share in consequence of the death or insolvency of a Member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or assignees of the insolvent or by any like description, at the address, if any, in India supplied for the purpose by the persons claiming to be so entitled, or until such an address has been so supplied, by giving the notice in any manner in which it might have been given if the death or insolvency had not occurred; and
- c) to the Auditor or Auditors for the time being of the Company in the manner authorised by Section 53 of the Act in the case of any Member or Members of the Company.

Omission to give Notice not to invalidate the proceedings at the Meeting

Article 164 provides that

The accidental omission to give notice to, or the non-receipt of notice by any Member (other than to Aranda, Metavante, WestBridge and the Prior Shareholders) or other person to whom it should be given shall not invalidate the proceedings at the meeting.

Business at the Annual General Meeting

Article 165 provides that

In the case of an Annual General Meeting, all business to be transacted at the meeting shall be deemed special, with the exception of business relating to:

- a) the consideration of accounts, Balance Sheet and reports of the Board of Directors and Auditors;
- b) the declaration of a dividend;
- c) the appointment of Directors in the place of those retiring; and
- d) the appointment of, and the fixing of remuneration of the Auditors

Special Business

Article 166 provides that

In the case of any other meeting, all business shall be deemed special.

Explanatory statement to be annexed to the Notice

Article 167 provides that

Where any items of business to be transacted at meeting are deemed to be special as aforesaid and/or relates to an Affirmative Vote Item, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each such item of business, including in particular the nature of the concern or interest, if any, therein, of every Director, and the Manager, if any.

Provided that where any item of special business as aforesaid to be transacted at a meeting of the Company relates to, or affects any other company, the extent of shareholding interest in that other company of every Director, and the Manager, if any, of the Company shall also be set out in the statement if the extent of such shareholding interest is not less than twenty per cent of the paid-up share capital of that other Company.

Ordinary Resolutions

Article 169 provides that

A resolution shall be an Ordinary Resolution when at a General Meeting of which the notice required under the Act has been duly given, the votes cast (whether on a show of hands, or on a poll, as the case may be), in favour of the resolution (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 resolution by Members so entitled and voting.

Special Resolutions

Article 170 provides that

- a) the intention to propose the resolution as a Special Resolution has been duly specified in the notice calling the General Meeting or other intimation given to the Members of the resolution;
- b) the notice required under the Act has been duly given of the General Meeting; and
- c) the votes cast in favour of the resolution (whether on a show of hands, or on a poll, as the case may be), by Members who, being entitled so to do, vote in person, or where proxies are allowed, by proxy, are not less than three times the number of the votes, if any, cast against the resolution by Members so entitled and voting.

Resolutions requiring Special Notice

Article 171 provides that

Where, by any provisions contained in the Act or in these presents, Special Notice is required of any resolution, notice of the intention to move the resolution shall be given to the Company not less than fourteen days before the meeting at which it is to be moved, exclusive of the day on which the notice is served or deemed to be served and the day of the meeting.

Notice of resolution by the Company

Article 172 provides that

The Company shall, immediately after the notice of the intention to move any such resolution has been received by it, give its members notice of the resolution in the same manner as it gives notice of the meeting, or if that is not practicable, shall give them notice thereof, either by advertisement in a newspaper having an appropriate circulation or in any other mode allowed by these presents, not less than seven days before the meeting.

PROCEEDINGS AT GENERAL MEETING

Quorum of General Meeting

Article 173 provides that

All meetings of the Shareholders of the Company shall be held in accordance with the Act and the Memorandum and Articles. Subject to the provisions of the Act, the quorum for a general meeting of the Company shall be five (5) members personally present. Provided however that there shall be no valid quorum unless Aranda, Metavante and WestBridge are present throughout the meeting. In the event, Aranda, Metavante and/or WestBridge and/or the Prior Shareholders, as the case may be, are unable to attend the Shareholders meeting on a proposed date, Aranda, Metavante and/or WestBridge and/or the Prior Shareholders may notify in writing the Company about their inability to attend the proposed meeting prior to the proposed date in which event the aforesaid quorum requirement shall not apply. Notwithstanding the aforesaid, no decision in relation to an Affirmative Vote Item shall be taken in any shareholders meeting without Aranda, Metavante and WestBridge and/or the Prior Shareholders being present throughout the meeting.

Voting by Shareholders

Article 174 provides that

Each Shareholder of the Company agrees and undertakes to ensure that they, their representatives and proxies representing them at the general meetings of the shareholders of the Company and the Subsidiaries shall at all times exercise their votes at the shareholders meeting or otherwise and otherwise act in a manner consistent with the terms of these Articles and in such manner so as to comply with and to fully and effectually implement the spirit, intent and specific terms and provisions of these Articles.

Affirmative Vote Item

Article 175 provides that

Notwithstanding anything contained in any other provisions of these Articles, no action may be taken by the Company, with regard to the Company or its Subsidiaries in connection with any of the matters set forth below in this Article 175 ("Affirmative Vote Items"), without the same being first considered at a duly convened meeting of the Board of the Company and such matter being approved by a majority of the Directors present and voting at such meeting or by circulation (or, if permitted under the Memorandum and Articles, by written consent of majority of the Directors in lieu of such meeting), which majority must include the affirmative vote of Aranda Nominee, the WestBridge Nominee, Metavante Nominee and the Prior Shareholders Nominees (or the alternates thereof).

- a) Consolidation, merger or other reorganisation of the Company and/or the Subsidiaries;
- b) creation of any Lien over the assets of the Company or the Subsidiaries for an amount greater than US\$500,000 other than in the ordinary course of business;
- c) winding-up and/or liquidating or taking any bankruptcy proceedings/ actions;
- d) any transaction involving a change in the ownership or management or control (including conferral of any rights to nominate or appoint directors or key personnel) of the Subsidiaries;
- e) the Transfer of, or creation of any Lien (other than in the ordinary course of business) over, the shares and convertible instruments or options of the Subsidiaries;
- f) any transaction involving the acquisition of substantially all the assets, or any undertaking, shares, substantial voting power or controlling interest in any other company, business, partnership firm, or body corporate by the Company or the Subsidiaries; any transaction involving the acquisition of substantially all the assets, or undertaking of the Company or the Subsidiaries;
- g) the creation of any Subsidiary, whether by formation, acquisition or otherwise or acquisition of majority shares or other securities, ownership interest or control in any other company, business undertaking or entity; any cancellation and/or reduction of the shares of the Company;
- h) the acquisition or disposal of assets (other than business undertaking), real or personal, tangible or intangible (including but not limited to the Company's Intellectual Property) (other than business undertaking), for an amount in excess of US\$1,000,000, individually or US\$5,000,000 in the aggregate, in any Financial Year other than in the ordinary course of business;
- i) the commencement of any litigation by the Company or the Subsidiaries involving an amount in excess of US\$1,000,000 other than in the ordinary course of business;
- j) any amendment, modification, or waiver of any provisions of the Articles or Memorandum of the Company, or any other Charter Documents / bye laws of the Subsidiaries in relation to the following matters:
 - i) Change in the object clause and/or the business of the Company
 - ii) Cancellation or Reduction of the authorised capital of the Company;
 - iii) Modification of Class Rights incorporated to give effect to and pursuant to these Articles, or modification of any rights of any of the other Shareholders of the Company and the shareholders of the Subsidiaries including the rights attached to the shares, which adversely affects the rights of Aranda and/or Metavante and/or WestBridge ;
 - iv) Provisions and restrictions relating to Transfers and transmission of shares, including rights of first refusal, drag along rights and tag along rights incorporated to give effect to and pursuant to these Articles;
 - v) Clauses relating to the composition or powers of the Board of Directors or any committee of the Board of Directors or the manner of appointment or retirement of the Directors and the frequency of, conduct of, proceedings of and notice period for, meetings of the Board of Directors and the shareholder meetings including the manner of voting incorporated to give effect to and pursuant to the Articles;
 - vi) Winding-up and/or liquidating or taking any bankruptcy proceedings/ actions;

- vii) Any other clause giving effect to and/or relating to and/or incorporating any provisions of these Articles or the Subscription Agreement or the Metavante Subscription Agreement or the Series 'D' Subscription Agreement.
- k) any change in the scope of business entry into any new business, suspension or cessation of business or Transfer of all or a material portion of business, in each case, by the Company or the Subsidiaries;
- l) any transactions with a Connected Concern/Person including 3i Infotech Limited exceeding an aggregate amount of US\$250,000 per Connected Concern/Person in any Financial Year other than the existing transactions 'as is' and the transactions which the Company is in the process of concluding, which are on an arm's-length basis and disclosed in writing to Aranda, Metavante and WestBridge prior to the execution of the Shareholders Agreement in terms of the Schedule of Exceptions (as defined in the Subscription Agreement). Provided however in the event there is any variation to the terms of the existing transactions and/or to the terms of the transactions which the Company is in the process of concluding which has been disclosed to Aranda, Metavante and WestBridge, as aforesaid, other than on an arm's-length basis, then the prior affirmative consent of Aranda, Metavante and WestBridge shall be procured for such variations;
- m) any change to the rights and obligations pursuant to the Articles, attached to the WestBridge Shares, which include Equity Shares, Series 'B' POCPS and Series 'C' POCPS and Series 'D' POCPS and/or any change to the rights and obligations pursuant to the Articles, attached to Aranda Shares, which include Equity Shares and Series 'C' POCPS and Series 'D' POCPS and/or any change to the rights and obligations pursuant to this Agreement attached to the Metavante Shares which include Equity Shares and Series 'D' POCPS;
- n) any change in the size or composition of the Board or any committee of the Board other than in the manner as set out in these Articles; and
- o) any decision in relation to an IPO which is not a Qualified IPO. Provided however, that the approval of the members of the Company in general meeting is required by applicable law to, or is otherwise proposed to be obtained by the members in general meeting, in relation to any of the Affirmative Vote Items, then the requisite majority for approving such resolution must include the affirmative vote of each of Aranda, WestBridge and the Prior Shareholders at a duly convened general meeting.

Written notice to Aranda Metavante and WestBridge

Article 176 provides that

Without prejudice to the provisions of Article 175 (Affirmative Vote Items) when the Company and /or the Subsidiaries propose to undertake any of the actions set out in Article 175 (Affirmative Vote Items), the Company shall serve a written notice in this regard to Aranda, Metavante and WestBridge. The written notice shall specify and provide all the details of the action proposed to be undertaken as would reasonably enable Aranda, Metavante and WestBridge to arrive at a decision with respect to such matter.

Chairman of General Meeting

Article 178 provides that

- a) The Chairman, if any, of the Board shall preside as Chairman at every General Meeting of the Company;
- b) If there is no such Chairman, or if he is not present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as Chairman of the meeting, then the Directors present at the meeting shall elect one of them to be the Chairman of the meeting; and failing which, the members present and voting shall choose one of their members to be the Chairman of the Meeting.

Proceedings when no quorum present

Article 179 provides that

If within half an hour from the time appointed for the General Meeting a quorum be not present, the meeting, if convened on the requisition of shareholders, shall be dissolved and in any other case, 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 other time and place as the Directors may determine. If at such

adjourned meeting also, a quorum be not present within half an hour from the time appointed for holding the meeting the Members present shall be a quorum and may transact the business for which the meeting was called.

What is to be evidence of the passing of resolution where poll not demanded

Article 181 provides that

Subject to Article 180, at any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded in the manner hereinafter mentioned, and unless a poll is so demanded, a declaration by the Chairman that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

Demand for poll

Article 182a provides that

Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the Meeting of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by any Member or Members present in person or by proxy and holding shares in the Company:

- i) which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution, or
 - ii) on which an aggregate sum of not less than fifty thousand rupees has been paid up.
- b) The demand for a poll may be withdrawn at any time by the person who made the demand.

Right of Member to use his votes differently

Article 184 provides that

On a poll taken at a meeting of the Company, a Member entitled to more than one vote, or his proxy or other person entitled to vote for him as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses.

Inspection of Minutes Books

Article 190 provides that

The books containing minutes of proceedings of General Meetings of the Company shall be kept at the Registered Office of the Company and shall be open to the inspection of any Member without charge, between 11 a.m. and 1 p.m. on all working days.

VOTES OF MEMBERS

Votes

Article 192 provides that

Subject to any rights or restrictions for the time being attached to any class or classes of shares:

- a) on a show of hands, every Member present in person shall have one vote; and
- b) on a poll, the voting rights of Members present in person, or by attorney or by proxy shall be as provided by Section 87 of the Act

Voting by Body Corporates

Article 194 provides that

A body corporate (whether a Company within the meaning of the Act or not) may, if it is a Member, by resolution of its Board of Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company in accordance with the provisions of Section 187 of the Act. The production at the meeting of a copy of such

resolution duly signed by one Director of such body corporate or by a member of its governing body 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.

Qualification of proxy

Article 196a provides that

Any Member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (whether a Member or not) as his proxy to attend and vote instead of himself but a proxy so appointed shall not have any right to speak at the meeting;

- b) In every notice calling a meeting of the Company, there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and that a proxy need not be a Member.

Deposit of instrument of appointment and inspection

Article 199 provides that

No person shall act as proxy unless the instrument of his appointment 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 have been deposited at the Office at least 48 hours before the time for holding the meeting at which the person named in the instrument of proxy proposes to vote and in default the instrument appointing the proxy shall not be treated as valid. No attorney shall be entitled to vote unless the power of attorney or other instrument appointing him as attorney or a notarially certified copy thereof has either been registered in the records of the Company at any time not less than 48 hours before the time of the meeting at which the attorney proposes to vote or is deposited at the Office not less than 48 hours before the time of such meeting as aforesaid. Notwithstanding that a power of attorney or other authority has been registered in the records of the Company, the Company may by notice in writing addressed to the Member or the attorney at least 7 days before the date of a meeting require him to produce the original Power of Attorney or authority and unless the same is thereupon deposited with the Company not less than 48 hours before the time fixed for the meeting the attorney shall not be entitled to vote at such meeting unless the Directors in their absolute discretion excuse such non-production and deposit. Every Member entitled to vote at a meeting of the Company or on any resolution to be moved thereat shall be entitled during the period beginning twenty-four hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting to inspect the proxies lodged at any time during the business hours of the Company provided that not less than three days notice in writing of the intention so to inspect is given to the Company.

DIRECTORS

Number of Directors

Article 204 provides that

Until otherwise determined by a General Meeting, the number of Directors shall not be less than 3 (three) and not more than 15 (fifteen).

Additional directors

Article 206 provides that

Subject to the provisions of this Act and these Articles, the Directors shall have power at any time and from time to time to appoint, subject to the provisions of these presents, any person as an additional Director to the Board but so that the total number shall not at any time exceed the maximum number fixed for the Board but any Director so appointed shall hold office only up to the date of the next Annual General Meeting of the Company and shall then be entitled for re-election.

Business to be managed by Board

Article 207 provides that

The day-to-day business of the Company shall be managed by the Board of Directors of the Company appointed in accordance with these Articles.

Board Composition

Article 208 provides that

The Company's activities will be governed by a Board of Directors, which will comprise of 11 Directors:

- a) 4 Independent Director.
- b) 3 Prior Shareholders Directors
- c) 1-MD & CEO of the Company
- d) 1 Nominee Director from WestBridge and
- e) 1 Nominee Director from Aranda and
- f) 1 Nominee Director from Metavante.

Aranda Nominee Directors, Metavante Nominee Director, the WestBridge Nominee Directors and the Prior Shareholders' Nominee Directors are collectively referred to as Nominee Directors. Subject to Article 220 and notwithstanding anything in any other provisions of these Articles, no changes in the aforesaid composition of the Board shall be carried out including through appointment of additional directors without the affirmative vote of Nominee Directors, or as the case may be, of Aranda, WestBridge, Metavante and the Prior Shareholders (if at a general meeting).

Aranda, Metavante, WestBridge and Prior Shareholders shall be entitled to appoint an alternate director for each of their Nominee Directors. The alternate directors so appointed shall be entitled to attend the meetings of the Board and vote in the event the Nominee Director is unable to attend any meeting of the Board. The Company, Aranda, Metavante, WestBridge and the Prior Shareholders shall take all necessary steps to secure the appointment of the alternate directors.

Without prejudice to the rights to nominate directors (and alternates thereof) on the Board, each of Aranda, Metavante, WestBridge and the Prior Shareholders shall be entitled to require the Company, from time to time, to invite a representative to be present at meetings of the Board.

Non-rotational Directors

Article 209 provides that

One third of the total number of Directors shall be non-retiring Directors which shall include Aranda Nominee Director, Metavante Nominee Director and the WestBridge Nominee Director. The balance Directors shall be persons whose period of office is liable to determination by rotation and subject to the provisions of the Act shall be appointed by the Company in General Meeting.

Aranda Nominee Director

Article 210 provides that

Aranda shall be entitled to appoint and remove one (1) nominee director (the "Aranda Nominee Director") on the Board. Aranda Nominee Directors shall neither be required to hold qualifying shares in the Company nor be required to retire by rotation.

WestBridge Nominee Director

Article 211 provides that

WestBridge shall have the right to appoint and remove from time to time, one (1) Director on the Board of Directors of the Company at any time (such director is hereinafter referred to as "WestBridge Nominee Director"). The WestBridge Nominee Directors shall neither be required to hold qualifying shares in the Company nor be required to retire by rotation.

Metavante Nominee Director

Article 211 A provides that

Metavante shall be entitled to appoint and remove one (1) nominee director (the Metavante Nominee Director”) on the Board. The Metavante Nominee Directors shall neither be required to hold qualifying shares in the Company nor be required to retire by rotation.

Prior Shareholders’ Nominee Director

Article 212 provides that

The Prior Shareholders shall have the right to appoint and remove from time to time, three (3) Directors on the Board of Directors of the Company (such director is hereinafter referred to as “Prior Shareholders Nominee Directors”).

Independent Directors

Article 213 provides that

The Independent Directors shall be appointed by mutual consent of the Shareholders. The Chairman shall be appointed from amongst the Independent Directors and, subject to Article 187, the Chairman shall have a casting vote. .

Representatives

Article 214 provides that

Aranda, Metavante WestBridge and the Prior Shareholders shall be entitled to require the Company, from time to time, to invite their representatives to be present at meetings of the Board of Directors of the Company.

Voting

Article 215 provides that

The Prior Shareholders hereby agree to vote in favour of any shareholders’ resolution to facilitate the appointment/nomination/ re-election of Aranda Nominee Director, Metavante Nominee Director and the WestBridge Nominee Director and to ensure his/ her re-election to the Board. Aranda, Metavante and WestBridge hereby agree to vote in favour of any shareholders’ resolution for the re-election of the Prior Shareholders’ Nominee Directors and ensure that he/she is re-elected to the Board, as and when he/she retires by rotation and offers himself/herself for re-election.

Rights and Privilege

Article 216 provides that

The Nominee Directors and the Independent Directors shall be entitled to all the rights and privileges of other Directors including the sitting fees and expense reimbursements (including travel and stay) as payable to other Directors, and no other fees, commission, monies or remuneration in any form is payable to the Nominee Directors. Any reasonable expenditure incurred by Aranda Nominee Director, Metavante Nominee Director or WestBridge Nominee Director, as the case may be, in connection with their appointment as Directors shall be borne by the Company.

Committees

Article 218 provides that

The Nominee Directors shall be appointed as members on all committees of the Board.

Indemnification

Article 220 provides that

The Company shall indemnify and keep, subject to applicable law, Aranda Nominee Director, the Metavante Nominee Director, the WestBridge Nominee Director and the Prior Shareholders Nominee Directors fully and effectively indemnified from and against for any action, liability, cost or expense (including any professional fees and expenses) accruing, incurred, suffered, and/

or borne due to the failure of the Company and the Subsidiaries to comply with the provisions of any applicable laws. The Company undertakes that suitable D & O Insurance to the satisfaction of Aranda, Metavante, WestBridge and the Prior Shareholders shall be obtained and kept in force at all times and in a manner and extent to the satisfaction of Aranda, Metavante, WestBridge and the Prior Shareholders.

Right to Third Party to nominate a director

Article 221 provides that

Notwithstanding anything contained in these Articles, in the event: (i) WestBridge's ownership in the Company on a Fully Diluted Basis falls below 4%, its right to appoint a WestBridge Nominee Director as per the provisions of Article 221 shall terminate; (ii) Aranda's ownership in the Company on a Fully Diluted Basis falls below 4%, its right to appoint an Aranda Nominee Director as per the provisions of Article 210 shall terminate; and (iii) Metavante's ownership in the Company on a Fully Diluted Basis falls below 4%, its right to appoint a Metavante Nominee Director as per the provisions of Article 211A shall terminate.

Debenture Director

Article 224 provides that

Subject to the Articles below, any trust documents covering the issue of debentures or bonds of the Company may provide for the appointment of a Director (in these presents referred to as "the Debenture Director") for and on behalf of the holders of the Debentures or Bonds for such period as is therein provided not exceeding the period for which the Debentures/Bonds or any of them shall remain outstanding and for the removal from office of such Debenture Director and on a vacancy being caused whether by resignation, death, removal or otherwise for appointment of a Debenture Director in the vacant place. The Debenture Director shall not be liable to retire by rotation or be removed from office except as provided as aforesaid.

Alternate Directors

Article 225a provides that

Subject to the terms of this Article, the Board of Directors may appoint an Alternate Director to act for a Director (hereinafter in this Article called "the Original Director"), at his suggestion or otherwise, during his absence for a period of not less than three months from the State/Union Territory in which meetings of the Board are ordinarily held. Aranda, Metavante, WestBridge and Prior Shareholders shall be entitled to appoint an alternate director for each of their Nominee Directors. The alternate directors so appointed shall be entitled to attend the meetings of the Board and vote in the event the Nominee Director is unable to attend any meeting of the Board. The Company, Aranda, Metavante, WestBridge and the Prior Shareholders shall take all steps necessary to secure the appointment of the alternate directors.

- b) An Alternate Director appointed under sub-article (a) above, shall not hold office as such for a period longer than permissible to the Original Director in whose place he has been appointed and shall vacate office if and when the Original director returns to the State/Union Territory in which meetings of the Board are ordinarily held.
- c) If the term of office of the Original Director is determined before he so returns to the State/Union Territory aforesaid, any provision for the automatic reappointment of retiring Directors in default of another appointment shall apply to the original, and not to the Alternate Director.

Remuneration of Directors

Article 228 provides that

The fees payable to a Director for attending a meeting of the Board or Committee thereof shall be decided by the Board of Directors, from time to time, within the limits as may be prescribed by the Act or the Central Government.

Company may increase or reduce the number of Directors

Article 248 provides that

Subject to the provisions of these Articles and Sections 252, 255 and 259 of the Act, the Company may by ordinary resolution, from time to time, increase or reduce the number of Directors.

MANAGING DIRECTOR / WHOLE-TIME DIRECTOR

Board may appoint Managing Director(s) or Whole-time Director(s)

Article 250 provides that

Subject to the provisions of the Act and these Articles, the Board of Directors shall have power to appoint from time to time one or more of their body to be Managing Director or Managing Directors and/or Whole-time Director or Whole-time Directors of the Company (hereinafter referred to as "Managing Director") for such term not exceeding five years at a time as they may think fit to manage the affairs and business of the Company and may from time to time (subject to provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or places.

What provisions will MD be subject to

Article 251 provides that

Subject to the provisions of the Act and these Articles, the Managing Director or the Whole-time Director shall not, while he continues to hold that office, be subject to retirement by rotation, but he shall be subject to the provisions of any contract between him and the Company and be subject to the same provisions as to the resignation and removal as the other Directors of the Company and he shall ipso facto and immediately cease to be a Managing Director or Whole-time Director if he ceases to hold the office of Director for any cause provided that if at any time the number of Directors (including Managing Director or Whole-time Director) as are not subject to retirement by rotation shall exceed one-third of the total number of the Directors for the time being, then such of the Managing Director or Whole-time Director or two or more of them as the Directors may from time to time determine shall be liable to retirement by rotation in accordance with these Articles to the intent that the number of Directors not liable to retirement by rotation shall not exceed one-third of the total number of Director for the time being.

Restrictions on powers of MD

Article 256 provides that

The Managing Director shall not exercise the powers to: .

- a) make calls on share holders in respect of any money unpaid on the shares in the Company;
- b) issue debentures and except to the extent mentioned in the resolution passed at the Board Meeting under Section 292 of the Act and shall also not exercise the powers exceeding an amount fixed by the Board from time to time to ;
- c) borrow moneys, otherwise than on debenture;
- d) invest the funds of the Company; and
- e) make loans, give credits, or sign credit notes.

PROCEEDINGS OF DIRECTORS' MEETINGS

Board meeting

Article 258 provides that

The Board shall meet at least once every three (3) calendar months.

Quorum and its competence to exercise powers

Article 261 provides that

Unless a higher number is prescribed under applicable law, the quorum for the Board meeting shall be five (5) Directors. Provided however that, there shall be no quorum unless Aranda Nominee Director, the Metavante Nominee Director, the WestBridge Nominee Director, one Prior Shareholders Nominee Director and one Independent Director are present throughout such meeting. In the event, Investor Nominee Director and/or the WestBridge Nominee Director and/or the Prior Shareholders Nominee Director, as the case may be, are unable to attend the Board meeting on a proposed date, Aranda Nominee Director and/or Metavante Nominee Director and/or WestBridge Nominee Director and/or the Prior Shareholders, as the case may be,

may notify in writing the Company about their inability to attend the proposed meeting prior to the proposed date, in which event the aforesaid quorum requirement shall not apply. Notwithstanding the aforesaid, no decision in relation to an Affirmative Vote Item shall be taken in any Board meeting without Aranda Nominee Director, Metavante Nominee Director and the WestBridge Nominee Director and/or the Prior Shareholders Nominee Director being present through out the meeting.

Powers to be exercised at meeting

Article 267 provides that

The meeting of the Board of Directors for the time being at which quorum is present, shall be able to exercise all or any of the authorities, powers and discretion which by or under the Act or these presents are vested in or exercisable by the Board of Directors generally.

POWERS OF DIRECTORS

General powers of the Company vested in Directors

Article 273 provides that

Subject to the provisions of the Act, the Board of Directors shall be entitled to exercise all such powers, and to do all such acts and things, as the Company is authorised to exercise and do.

Provided that the Board shall not exercise any power to do any act or thing which is directed or required, by any Act or by the Memorandum or Articles of the Company or otherwise, to be exercised or done by the Company in General Meeting;

Provided further that in exercising any such power or doing any such act or thing, the Board shall be subject to the provisions contained in that behalf in any Act or in the Memorandum or Articles of the Company, or in any regulations not inconsistent therewith and duly made thereunder including regulations made by the Company in General Meeting.

DIVIDENDS

Division of profits

Article 281 provides that

The profits of the Company, subject to the provisions of the Act, the Memorandum and these Articles, shall be divisible among the Members in proportion to the amount of capital paid up on the shares held by them respectively.

Capital paid up in advance at interest not to earn dividend

Article 282 provides that

Subject to these Articles where capital is paid up in advance of calls upon the footing that the same shall carry interest such capital shall not, whilst carrying interest, confer a right to dividend or to participate in profits.

Dividend out of profits

Article 284 provides that

Subject to the provisions of Section 205 of the Act and these Articles no dividend shall be payable except out of the profits of the year or any other undistributed profits. The declaration of the Directors as to the amount of the net profits of the Company shall be conclusive.

Company in General Meeting may declare a dividend

Article 285 provides that

Subject to these Articles the Company in General Meeting may declare a dividend to be paid to the members according to their respective rights and interests in the profits and may fix the time for payment.

Interim dividend

Article 286 provides that

Subject to the provisions of the Act and these Articles the Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies. Such interim dividend may be declared at any time and shall be set off against the final dividend for the relevant period.

No member to receive dividend whilst indebted to the Company and the Company's right of reimbursement thereof

Article 288 provides that

Subject to the provisions of the Act and these Articles no member shall be entitled to receive payment of any interest or dividend in respect of his share or shares whilst any money may be due or owing from him to the Company in respect of such share or shares or otherwise howsoever either alone or jointly with any other person or persons and the Directors may deduct from the interest or dividend payable to any member all sums of money so due from him to the Company.

Dividends how remitted

Article 290 provides that

Subject to these Articles, unless otherwise directed any dividend may be paid by cheque or warrant sent through the post to the registered address of the Member or person entitled thereto or in case of joint holders to that one of them first named in the Register in respect of the joint holding. Every such cheque shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant lost in transmission or for any dividend lost by the member or person entitled thereto by the forged endorsement of any cheque or warrant or the fraudulent or improper recovery thereof by any other means.

Dividend on Series 'B' Series 'C' and Series 'D' POCPS

Article 291 provides that

Aranda, WestBridge and Metavante shall be entitled to receive dividend on the Preference Shares held by them subject to applicable law, such that the effective dividend rate on the Preference Shares calculated on a Fully Diluted Basis is identically the same percentage rate as the dividend declared by the Company on its Equity Shares. Notwithstanding the aforesaid, the Company shall be free to declare dividend on its Equity Shares as may be recommended by the Board, subject to applicable law.

Special provision in reference to dividend

Article 294 provides that

No dividend shall be payable except in cash. Provided that nothing in this Article shall be deemed to prohibit capitalisation of profits or reserves of the Company for the purpose of issuing fully paid up bonus shares or paying up any amount for the time being unpaid on any shares held by the members of the Company.

CAPITALISATION

Capitalisation

Article 295 provides that

Subject to these Articles, the Company in General Meeting may resolve that any moneys, investments or other assets forming part of the undivided profits (including profits or surplus moneys arising from the realisation and where permitted by law, from the appreciation in value of any capital assets of the Company) standing to the credit of the Reserve or Reserve Fund or any other Fund of the Company or in the hands of the Company and available for dividend or representing premiums received on the issue of shares and standing to the credit of the share premium account be capitalised:

- a) by the issue and distribution as fully paid up shares, debentures, debenture-stock, bonds or other obligations of the Company, or
- b) by crediting shares of the Company which may have been issued to and are not fully paid up, with the whole or any part of

the sum remaining unpaid thereon. Such issue and distribution under (a) above and such payment to the credit of unpaid share capital under (b) above shall be made to, among and in favour of the members or any class of them or any of them entitled thereto and in accordance with their respective rights and interest and in proportion to the amount of capital paid up on the shares held by them respectively in respect of which such distribution under (a) or payment under (b) above shall be made on the footing that such members become entitled thereto as capital.

The Directors shall give effect to any such resolution and apply such portion of the profits or Reserve or Reserve Fund or any other Fund on account as aforesaid as may be required for the purpose of making payment in full for the shares, debentures or debenture-stock, bonds or other obligations of the Company so distributed under (a) above or (as the case may be) for the purpose of paying, in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully paid up under (b) above.

Provided that no such distribution or payment shall be made unless recommended by the Directors and if so recommended such distribution and payment shall be accepted by such members as aforesaid in full satisfaction of their interest in the said capitalised sum. For the purpose of giving effect to any such resolution, the Directors may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates and may fix the value for distribution of any specific assets and may determine that cash payments be made to any members on the footing of the value so fixed and may vest any such cash, shares, debentures, debenture-stock, bonds or other obligations in trustees upon such trusts for the persons entitled thereto as may seem expedient to the Directors and generally may make such arrangements for the acceptance, allotment and sale of such shares, debentures, debenture-stock, bonds or other obligations and fractional certificates or otherwise as they may think fit. Subject to the provisions of the Act and these presents in cases where some of the shares of the Company are fully paid and others are partly paid only such capitalisation may be effected by the distribution of further shares in respect of the fully paid shares, and by crediting the partly paid shares with the whole or part of the unpaid liability thereon but so that as between the holders of the fully paid shares, and the partly paid shares the sums so applied in the payment of such further shares and in the extinguishment or diminution of the liability on the partly paid shares shall be so applied pro rata in proportion to the amount then already paid or credited as paid on the existing fully paid and partly paid shares respectively. When deemed requisite a proper contract shall be filed in accordance with the Act and the Board may appoint any person to sign such contract on behalf of the holders of the shares of the Company which shall have been issued prior to such capitalisation and such appointment shall be effective.

SECRECY CLAUSE

Secrecy clause

Article 326 provides that

No member shall be entitled to require discovery of or any information respecting any detail of the Company's trading or any matter which may be in the nature of a trade secret, mystery of trade or secret process which may relate to the conduct of the business of the Company and which, in the opinion of the Directors, it will be inexpedient in the interest of the Company to communicate the same.

INDEMNITY AND RESPONSIBILITY

Directors and others' right to indemnify

Article 327a provides that

Subject to the provisions of Section 201 of the Act, every Director of the Company, officer (whether Managing Director, Manager, Secretary or other officer) or employee or any person employed by the Company as Auditor shall be indemnified by the Company against and it shall be the duty of the Directors, out of the funds of the Company, to pay all costs, losses and expenses (including travelling expenses) which any such Director, officer, other employee or Auditor may incur or become liable to by reason of any contract entered into or act or deed done by him as such Director, officer, other employee or Auditor or in any way in the discharge of his duties.

- b) Subject as aforesaid every Director, officer, other employee, or Auditor of the Company shall be which judgment is given in his favour or in which he is acquitted or discharged in connection with any application under Section 633 of the Act in which relief is granted to him by the Court.

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus and delivered to the Registrar of Companies, Maharashtra for registration, may be inspected at the Registered Office of our Company from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts To The Issue

1. Letters of appointment dated November 22, 2006 to the BRLMs and the CBRLM from our Company and the Selling Shareholder appointing them as the BRLMs and the CBRLM.
2. Memorandum of Understanding dated November 22, 2006 amongst our Company, the BRLMs, the CBRLM and the Selling Shareholder.
3. Memorandum of Understanding dated January 16, 2007 between our Company, the Selling Shareholder and Registrar to the Issue.
4. Amended and Restated Shareholders Agreement dated March 31, 2006 amongst our Company and its principal shareholders at the time, which were SIF, ICICI Bank, WestBridge Capital Partners, Aranda and Metavante.

Other Material Documents

1. Our Memorandum and Articles of Association as amended from time to time.
2. Our certification of incorporation.
3. Board resolution relating to the Issue dated November 20, 2006.
4. Shareholders' resolution relating to the Issue dated November 22, 2006.
5. Selling Shareholder's resolution in relation to the Offer for Sale dated January 16, 2007.
6. Resolutions of the general body for appointment and remuneration of our Managing Director and Chief Executive Officer dated July 27, 2006.
7. Standalone and Consolidated Statements of Assets and Liabilities, Statement of Profits and Losses, as Restated and Cash Flows, as Restated, under Indian GAAP as at and for the Years Ended March 31, 2006, 2005, 2004, 2003 and 2002 and for the nine months ended December 31, 2006 audited by BSR & Co., Chartered Accountants and their audit report on the same, dated January 11, 2007.
8. Statement of Tax Benefits from BSR & Co, Chartered Accountants dated January 11, 2007.
9. Letter dated January 15, 2007 from Jain Vinay & Associates, Chartered Accountants, regarding the objects of the Issue.
10. Copies of annual reports of our Company for the years ended March 31, 2002, 2003, 2004, 2005 and 2006.
11. Consent of BSR & Co, Chartered Accountants, our Auditors, for inclusion of their reports on the restated financial statements in the form and context in which they appear in this Red Herring Prospectus.
12. General powers of attorney executed by our Directors in favour of person(s) for signing and making necessary changes to this Red Herring Prospectus and other related documents.
13. Consents of Bankers to the Company, BRLMs, the CBRLM, the Syndicate Member, Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue, Domestic Legal Counsel to the Company, Domestic Legal Counsel to the Underwriters, International Legal Counsel to the Underwriters, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
14. Initial listing applications dated November 23, 2006 filed with BSE and NSE.
15. In-principle listing approval dated December 18, 2006 and December 15, 2006 from BSE and NSE respectively.

16. Tripartite Agreement between NSDL, our Company and the Registrar to the Company dated September 6, 2002.
17. Tripartite Agreement between CDSL, our Company and the Registrar to the Company dated January 11, 2007.
18. Due diligence certificate dated November 22, 2006 to SEBI from the BRLMs.
19. SEBI observation letter No. CFD/DIL/ISSUES/V/84507/2007 dated January 17, 2007.
20. Trademark Licensing Agreement dated August 7, 2003 between the Company and ICICI Bank.
21. Operating Agreement dated March 31, 2006 between the Company and Metavante.
22. Stock Purchase Agreement dated December 21, 2006 between Firstsource Solutions U.S.A. and the selling shareholders of BPM.
23. Indemnification Escrow Agreement dated December 29, 2006 between Firstsource Solutions U.S.A., Martin T. Miner and JPMorgan Chase Bank N.A. relating to the BPM Acquisition.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if required in the interests of the Company or if required by the other parties, without reference to the shareholders, subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by 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 thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Red Herring Prospectus are true and correct.

Signed by the Directors of our Company

Dr. Ashok Ganguly
(Chairman)

Ananda Mukerji
(Managing Director and CEO)

Shikha Sharma

K.P. Balaraj

Dinesh Vaswani

Donald Layden Jr.

Charles Miller Smith

Shailesh Mehta

Y.H Malegam

Lalita D. Gupte

Signed by

Rajesh Subramaniam
(Chief Financial Officer)

Signed by

For and on behalf of SIF

Date: January 19, 2007

Place: Mumbai

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